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THE ROLE OF THE FINANCIAL INSTITUTIONS IN ENRON'S COLLAPSE—VOLUME 2

HEARINGS

BEFORE THE

PERMANENT SUBCOMMITTEE OF INVESTIGATIONS

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

JULY 23 AND 30, 2002

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THE ROLE OF THE FINANCIAL INSTITUTIONS IN ENRON'S COLLAPSE—VOLUME 2

Exhibits (continued from Volume 1)

Facsimile Cover Sheet

Steve Baillie
654-2844

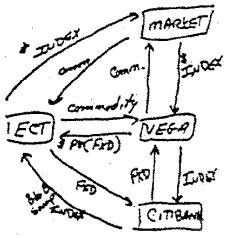
Alan Raffe
221-1212

Trina Chandler
758-2346

To: Joe Mackiewicz
Company: Citicorp
Phone: 212-559-7497
Fax: 212-758-6272

From: Joe Deffner
Company: Enron
Phone: 713-853-7117
Fax: 713-646-3602

Date: 12/10/98
Pages including this cover page:



Comments: **Prepay structure.**

1. Enron (through a wholly owned subsidiary, ENGMC) enters into a five year forward sale contract for the delivery of a fixed volume of natural gas to an SPV (Vega?).
2. Vega prepays ENGMC $800mm for the future supply.
3. Vega borrows the $800mm from a lender (CXC?). That loan is secured by the supply contract. Vega takes physical delivery of the commodity.
4. ENGMC's obligation is supported by an Enron Corp. performance guaranty.
5. To eliminate the single obligor risk, Enron provides a syndicate of sureties (4-5, rated A or better) to wrap the delivery obligation. If ENGMC fails to deliver, Vega has a claim under the Enron Corp. Guaranty. If the Guaranty is not honored, Vega could proceed to collect from the sureties.
6. ECT or another entity (Citibank?) acts as marketing agent for Vega reselling the physical commodity into the market at Index.
7. Vega enters into a financial swap with a non-Enron entity (Citibank?) where Vega pays Index and receives Fixed.

DEC 10 '98 10:09 713 646 2194 TOTAL P.01 PAGE.01

Permanent Subcommittee on Investigations
EXHIBIT #188a

CITI-SPSI 0046727

From: <adam.kulick@citicorp.com>
To: <william.sullivan@citicorp.com>
Date: 12/17/98 7:46am
Subject: Re: CALL REPORT - PROJECT ROOSEVELT (ENRON)

Steve/Bill,

the bank is able to take physical delievery of commodities on international transactions in CITC. as our SPV's are domiciled in Cayman islands, this may count...

cheers

---------- Reply Separator

Subject: Re: CALL REPORT - PROJECT ROOSEVELT (ENRON)
Author: Bill Sullivan at 12GSNYC/o=AF1/c=US/a=MCI/p=CITICORP
Date: 12/16/1998 11:57 AM

Steve- Generally, the Bank cannot deal in physical commodities.

Regards, Bill.

---------- Reply Separator

Subject: CALL REPORT - PROJECT ROOSEVELT (ENRON)
Author: Steve Baillie at 12EXTNL/O=AF1/C=US/A=MCI/P=CITICORP
Date: 12/15/1998 7:48 PM

CALLING ON: Joe Deffner
Grant Zimmerman

CALLING OFFICERS: Steve Baillie
Dave Gorte

DATE: December 15, 1998

PURPOSE: Met with Enron to clarify some details on the Roosevelt deal.

RESULTS:

Maturity: Enron is leaning towards a shorter deal (2 years) rather than the original 5 ypars. This probably is due their preference to ultimately replace this financing with a Powerball-like structure. A shorter term deal is better from a credit approval perspective.

Sureties: Thusfar Enron has 4 insurance companies lined up for $125MM each. 5
minimum are needed, and Travelers cannot be one (this has been communicated to Enron). The mechanics are as earlier understood - the sureties make a payment of the lesser of (1) the PV of future gas deliveries times the then gas price, and (2) $500MM. Hence in a scenario where the price of gas falls, liquidity banks/CXC will recover less than it is owed from the sureties. The remainder will be recovered from the swap CP's (who swaps should be in the money in an amount equal to the difference between $500MM and the amount received from the sureties). In a scenario where the price of gas has risen, the liquidity banks/CXC should be repaid in full from proceeds from the surety. The swap CP's will look to the margin account (and Enron for the threshold amount). definitions for the surety are contained in the Forward Sale Agreement.

Permanent Subcommittee on Investigations
EXHIBIT #188b

Remarketing Agreement: This is an agreement with Enron to act as our agent to re-sell the gas it has just sold to Delta. Enron is okay with this concept, but has not used this mechanic in its previous prepaids, and is anxious to see a draft from Bracewell. In its deals with Chase it sells the gas to the SPV, the SPV sells to Chase, and Chase sells to Enron.
Q - can Citibank deal in physical commodities?

Swaps/Margin Agreements: Barclays possible CP. If Barclays cannot take entire
swap, Natwest is a possible CP. Enron will probably not back-to-back the interest rate swap (not yet decided), but will back-to-back the commodity swap.
Enron will provide a margin agreement on the back-to-back swap with the commodity swap provider (falls under the company's master ISDA with Enron?). This should have the effect of reducing the Enron risk inherent in the swap. Threshold levels in margin agreement will likely be whatever that CP has already agreed to with Enron (5-25MM). L/C's will be posted as margin. Kulick/Reilly/Baillie/Gorte to discuss this issue. Also Joe Deffner communicated that they would prefer if Bracewell prepared the swap document between Delta and the swap CP since Enron was not a party to this leg.
Note - Joe Deffner provided "heads up" that likely question from CP is to ensure that Delta is required to pass on Index price of gas onto swap CP (i.e. it has no discretion).

Intercreditor Issues: Enron okay with the concept that liquidity banks look to
surety, and swap CP look to margin acct/Enron.

FOLLOW-UP:
- Sheryl Gussett to call Bill Sullivan
- Sheryl Gussett to provide copy of a remktg agreement (timing Wed morning at earliest). Pass on to Enron.
- Dave Gorte/Joe Mackiewicz to develop pricing/fee proposal.
- Steve Baillie to confirm how remktg worked in old Delta deal.
- Joe Deffner to follow-up with L/C providers will be (under margin agreement).
- Joe Deffner to confirm daily margining (should be same as old Delta agreement
- SB to check).
- Baillie to determine threshold under Citibank's present ISDA with Enron
- Bracewell to provide rough draft of documents to Citibank Wednesday.
- Baillie/Randolph/Reilly to develop credit memo.
- Bracewell to prepare swap doc. between Delta and swap CP.

QUESTIONS:
- CXC spread versus CP index, and implication on interest rate swap.
- if amount gas delivered assumes the drawn spread pricing from liquidity banks
(i.e. a highest possible funding cost scenario) and actually funding cost is lower, how is the 'excess' passed back to Enron?

CC: <steve.baillie@citicorp.com>, <william.fox@citicor...

From: <joseph.mackiewicz@citicorp.com>
To: <adam.kulick@citicorp.com>
Date: 12/17/98 8:33am
Subject: Re: CALL REPORT - PROJECT ROOSEVELT (ENRON)

Regarding the Bankruptcy Remote Special Purpose Company (SPC) which will be the focal point of this deal:

1. Susan Johnson (Securitization's Staff Attorney) and I met with Bill Sulluvan (Derivatives Staff Attorney) yesterday to discuss the possible use of Delta or Vega as the SPC. Bill agreed to research and revert to the group today. Whatever entity we use, it will have to be:

a. Bankruptcy remote from Enron (they've said they cannot own any of the equity)

b. Not owned by Citicorp or any of its subsidiaries (understand both Delta and Vega are third party owned and incorporated in the Caymans).

c. Clean -- no liabilities from previous transactions of any kind.

2. Assuming the SPC meets the above requirements and CNAI (as agent) has the right to replace Enron as marketing agent, I don't see any problem with the SPC taking title to natural gas and immediately reselling it (thru an agent) to the market.

Susan/Bill would you not agree?

(Unless the guidelines for CITC have changed, I think it still remains a creature of the Export Trading Company Act and, therefore, is required to focus mainly on exports from the US. I doubt the domestic natural deliveries herein would qualify so trying to 'shoehorn' this deal into CITC is probably not the right answer.)

Today's To Do List
---

1. Approvals:

a. Confirm that Global Insurance will approve exposures on the five monolines. (Bill F)

b. Confirm that FI will approve PSR exposures on the swap bank(s). (Joe M/Jim Reilly)

c. Determine the level of Enron exposure in the deal and how to portray it on the Enron CA. (Bill F/Jim Reilly)

2. Legal:

a. Determine whether the SPC will be Delta, Vega or Newco. (Bill Sullivan/Susan Johnson)

b. Determine whether Bracewell can be approved to prepare the Conduit dox. (Susan Johnson)

c. Obtain opinion from Debevois & Plimpton regarding the form of surety bond; is it a 'hell-or-high-water' obligation and how does it differ from a commercial bank direct pay letter of credit. (Joe M)

d. Prepare dox and circulate for review ASAP. (V&E, Bracewell)

3. Analytics/Credit Approval Memo:

a. Model the commodity/interest rate swaps versus the surety bond payments under various gas price scenarios. (Steve Baillie/Adam Kulick)

b. Determine whether the deal will amortize over 2 or 3 years. (Steve Baillie)

c. Draft transaction mechanics for insertion into Securitization's credit memo. (Steve Baillie/Dave Gorte/Adam Kulick)

d. Prepare credit memo and CA. (Securitization)

4. Syndication:

a. Commit to sell-down the 364-day (renewable) bank liquidity backstop from $500MM (at closing) to $250MM within (37) months. Timing to be impacted by discussions with Global Insurance. (Dave G)

I've probably missed a few points but I think these are today's key issues. Regards, Joe

_____ Reply Separator

Subject: Re: CALL REPORT - PROJECT ROOSEVELT (ENRON)
Author: Adam Kulick at 04USNYC
Date: 12/17/98 7:46 AM

Steve/Bill,

the bank is able to take physical delievery of commodities on international transactions in CITC. as our SPV's are domiciled in Cayman islands, this may count...

cheers

_____ Reply Separator

Subject: Re: CALL REPORT - PROJECT ROOSEVELT (ENRON)
Author: Bill Sullivan at 12USNYC/o=AF1/c=US/a=MCI/p=CITICORP
Date: 12/16/1998 11:57 AM

Steve- Generally, the Bank cannot deal in physical commodities.

Regards, Bill.

_____ Reply Separator

Subject: CALL REPORT - PROJECT ROOSEVELT (ENRON)
Author: Steve Baillie at 22EXTNL/O=AF1/C=US/A=MCI/P=CITICORP
Date: 12/15/1998 7:48 PM

CALLING ON: Joe Deffner
Grant Zimmerman

Enron Corporation
Company Risk Rating: 4+
Portfolio Risk Rating:

December 21, 1998

Citigroup Credit Memorandum (Enron), December 1998 (Roosevelt)

1.

I. Purpose

The purpose of this memorandum is to recommend approval for a $125 million hold position in a 364-day liquidity facility to backstop commercial "Transaction") involving a $500 million 3-ye rate loan (the "Loan") to Delta Energy Corp Agreement described in section III below. D gas and crude oil, at a fixed and constant pr the Seller under the Forward Sale Agreemer has been used as the purchaser for other C agree to market the natural gas and crude Companies will backstop the Seller's deli through a commodity swap with [Natwest hedged through an interest rate swap wit subsidiary of Enron Corp.

II. The Company

Enron is currently rated BBB+/BBB+/Baa2 by S&P, Fitch and Moody's, respectively, and maintains an equity market capitalization of $18.7B (as of December 22, 1998). S&P affirmed its BBB+ rating of Enron on November 3, 1998. The company maintains a Citibank Obligor risk rating of 4+. Current ratings consider (i) the company's aggressive growth strategy during 1998 which has adversely affected its leverage and cash flow measures, and (ii) a one-year repayment strategy that calls for a combination of funding at subsidiary levels on a non-recourse basis to the parent, Enron Corp, and the monetization of certain existing asset positions. Monetization proceeds are earmarked for debt repayment.

Enron looked to Citibank to lead/arrange two critical pieces of the refinancing/monetization strategy outlined to the ratings agencies. Initially, the two transactions ~~contemplated~~ were: (i) Rawhide, a $750MM portfolio monetization of Enron equity investments; and (ii) Powerball, a $750MM monetization of 1,400 Enron power and gas contracts (i.e. purchase, sale, and financial contracts). Rawhide successfully closed on Saturday, December 19, grossing Citibank in excess of $14MM in first twelve-month revenue. In early December, Enron decided to postpone Powerball until 1999, ultimately leaving a $750MM "hole" in their YE financing plans. In its absence, Enron now hopes to complete this Transaction (i.e. Roosevelt) with Citi.

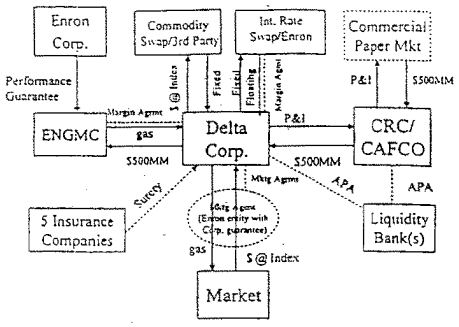
III. Transaction Summary

Overview

The Transaction is a three year, $500MM prepaid natural gas and crude oil sale which will amortize in monthly principal payments, varying between approximately $10.1 and $12.6 MM. In exchange for an upfront payment of $500MM (the "Purchase Price") on closing, the Seller (an Enron subsidiary whose obligations will be guaranteed by Enron Corporation) will agree to deliver a fixed amount of natural gas and crude oil at specific times and locations (all domestic) each month for a period of three years. The present value of the expected proceeds from the re-sale of such oil and gas will be equal to $500 MM. The discount rate and future oil and gas prices used to determine the present value will be locked in through the Interest Rate Swap and Commodity Swaps described below. The Transaction will allocate $300 MM for the purchase of natural gas and $200 for the purchase of crude oil.

CITI-SPSI 0021362

Permanent Subcommittee on Investigations
EXHIBIT #188c



The key parties to the transaction are identified, and the key documents are summarized on the next page.

Enron will agree to act as Delta's agent and resell the gas. The commodity price risk will be eliminated through a swap (the "Commodity Swap") between Delta and an acceptable financial counterparty. The interest rate risk will be eliminated through a swap (the "Interest Rate Swap") between Delta and Enron. There will be a Margin Agreement between the Seller (again guaranteed by Enron Corporation) and Delta, and this Margin Agreement will be assigned to the Commodity Swap counterparty, which will mitigate such counterparty's exposure to a failure by Enron to deliver oil or gas at a time when the related index price owed to such counterparty is higher than the fixed price that would be paid by the surety. This is because the Margin Agreement will require Enron to post collateral in the form of cash or LOC to the extent that the Commodity Swap has a negative "cash out" value to Delta. [Enron will post margin for the Interest Rate Swap.]

A key credit mitigant in the transaction is the support provided by five insurance companies (rated "A" or higher) on behalf of Enron. These "Surety Companies" will severally provide surety bonds for up to $100MM each in the event that the gas is not delivered by Enron. Should the Guarantor (Enron) fail to deliver gas or crude or fail to pay the Replacement Value under the Forward Sale Agreement, the Surety Companies will be obligated to pay to Delta the lesser of the present value of the remaining undelivered gas and oil, at the lower of the fixed or then prevailing index price. As this transaction is structured, this will shift the bulk of the delivery risk from Enron to the Surety Companies. The liquidity bank(s) (i.e. Citibank and future assignees) will have a priority claim against the surety bonds, and the Commodity Swap counterparty will have a priority claim to the posted margin collateral under the Margin Agreement. The proceeds from the sale of these periodic deliveries of gas and crude, at an index price, combined with any settlement payments under the Commodity Swap and the Interest Rate Swap, will provide Delta with funds matching those required to repay the loan from [CRC/CAFCO].

Funding will be provided through [CRC/CAFCO] securitization conduits, which in turn will raise funds in the commercial paper market. Citibank will provide the 364 day, $500MM liquidity backstop facility to [CRC/CAFCO].

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Summary of Key Parties	
Seller under Forward Sale Agreement:	*Enron Natural Gas Marketing Corporation* ("ENGMC"), and/or another wholly-owned subsidiary of Enron Corporation. ENGMC will also enter into a Margin Agreement under which it will post collateral equal to its estimated future obligation to make payments to the Commodity Swap provider under the Commodity Swap.
Purchaser under the Forward Sale Agreement:	*Delta Energy Corporation*, a Cayman Islands Corporation. Delta is a special purpose corporation used as the purchaser in other Citibank-arranged prepaid commodity transactions. Delta will also be a party to the Commodity Margin Agreement that will be assigned to the Commodity Swap counterparty.
Guarantor:	Enron Corporation will guarantee ENGMC's obligations under the Forward Sale Agreement and the Commodity Margin Agreement. Guarantor will also guarantee the obligations of Enron Capital & Trade Resources Corp.,a wholly owned subsidiary of Enron Corp., the Marketer under the Marketing Agreement and the Interest Rate Swap counterparty.
Surety Companies:	Surety Company — AM Best Rating St. Paul Fire & Marine Insurance Company — A+ Fireman's Fund Insurance Company — A Continental Casualty Company & National Fire Ins. Co. of Hartford — A Safeco Insurance Company of America — A+ [Cigna or Reliance Insurance Group] — A-
Marketer under Marketing Agreement:	Enron Capital & Trade Resources Corp.
Commodity Swap Counterparty:	[Barclays Bank plc (Aa2/AA) or NatWest Bank (Aa2/AA)]
Interest Rate Swap Counterparty:	[Enron Corporation]
Lender under [Loan Agreement]:	[CRC/CAFCO]
Borrower under [Loan Agreement]:	Delta
Liquidity Banks:	Initially, Citibank, N.A. Syndication in 1999 is under consideration.
Key Transaction Documents	
Forward Sale Agreement:	Agreement between Seller & Purchaser specifying Seller's obligations to deliver natural gas & crude oil to Purchaser. Specifications include volumes, price & delivery points.
Commodity Margin Agreement:	Agreement whereby ENGMC will provide initial and on-going margin for the benefit of the Commodity Swap Counterparty. The purpose of margin is to protect the Commodity Swap counterparty in the event that the transaction terminates at a point where Delta would owe to the Commodity Swap counterparty breakage. Margin is not expected to be posted by the AA rated Commodity Swap counterparty.
Commodity Swap Agreement:	Agreement between the Commodity Swap Counterparty and Delta to hedge Seller's forward delivery of gas and crude.
Surety Bond:	Agreement whereby Surety Companies will make a payment to the Purchaser should the Guarantor fail to deliver gas or crude or fail to pay the "Replacement Value" under the Forward Sale Agreement.
Marketing Agreement:	Agreement between Delta & Marketer, whereby Marketer agrees to remarket the gas and crude on behalf of Delta at index price to diverse pool of single A purchasers.
[Loan Agreement]:	Agreement whereby Lender will loan $500MM to Borrower to be used by Borrower to prepay its obligation to purchase gas and crude under the Forward Sale Agreement.
Asset Purchase Agreement:	Agreement whereby the Liquidity Banks will agree to purchase the outstanding loan in the event that [CRC/CAFCO] cannot or will not continue to fund the loan.
Interest Rate Swap Agreement:	Agreement between Delta and the Interest Rate Swap Counterparty hedging the mismatch between the fixed-rate loan and the floating-rate funding cost of [CRC/CAFCO] if CP funded or the Liquidity Banks, if bank funded. Enron will post margin under this agreement to protect Delta in the event that the transaction terminates at a point where Enron would owe Delta breakage.
Enron Guaranty:	Agreement requiring Enron to guarantee all of its affiliates obligations under the Forward Sale Agreement, the Commodity Margin Agreement, the Marketing Agreement and the Interest Rate Swap Agreement.

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Transaction Description
The transaction is made up of several components:

1. Forward Sale: The Seller enters into Forward Sale Agreement with the Purchaser, by which Seller agrees to deliver a fixed amount of natural gas and crude oil of a minimum quality standard at a specific times and delivery point(s) to Purchaser. Gas and oil will be delivered in equal monthly amounts over a three year period. In exchange Purchaser pays Seller $500MM at closing.

2. Guaranty: Enron and Delta enter into the Enron Guaranty Agreement, by which Enron guarantees ENGMC's obligation to deliver gas, and all other affiliate obligations to perform under all Transaction documents.

3. Sureties: Surety bonds are provided by five insurance companies, all of who are rated "A" or better. The surety bonds are "hell or high water" bonds which will make a payment to the Purchaser 10 days after receiving notification from the Purchaser of the failure of the Seller and Guarantor to deliver gas or make a Replacement Value" payment. The amount of the payment from each Surety Company will be the lesser of: (1) a scheduled fixed amount which begins at $100MM and reduces as per a schedule on a monthly basis ("Maximum Penal Sum"), and (2) the present value of the gas remaining to be delivered at the then market gas price.

4. Commodity Price Swap: The purpose of the Commodity Swap is to convert the gas and crude to be received from the Seller into a stream of cash flows which will repay the principal and interest owing on the Loan between Delta and [CRC/CAFCO]. The amounts, timing and other terms of the swap payments will mirror those in the Forward Sale Agreement to ensure no leakage from the structure. Delta and the Commodity Swap counterparty will enter into a three year swap in which Delta will pay the floating "Index" price of gas per MMBtu and crude oil per barrel for the delivery point(s) and dates in question, and receive a fixed and unchanging price per MMBtu of gas or price per barrel for crude oil. The total amount of gas and crude oil swapped will equal the amount of gas delivered by ENGMC. The timing of the swap flows will coincide with the gas and oil to be delivered by ENGMC.

5. Interest Rate Swap: The purpose of the interest rate swap is to hedge the mismatch between the fixed rate Delta will use to determine the Purchase Price and [CRC/CAFCO]'s or the Liquidity Banks variable rate funding costs. Delta and [Enron Corp.(or a subsidiary of Enron which will guaranteed by Enron Corp.)] will enter into a three year swap in which Delta will pay a fixed interest rate based on the amortizing, notional amount of the Loan, and will receive its floating funding cost. If the Lender is [CRC/CAFCO], the floating rate received by Delta will be based on [CRC/CAFCO]'s CP cost of funds plus the program fee, liquidity bank commitment fee, and other costs. If the Liquidity Bank(s) have purchased the Loan from [CRC/CAFCO], the floating rate received by Delta will be adjusted to reflect drawn pricing under the liquidity facility.

6. Remarketing Agreement: An agreement between Delta and ECT, in which ECT agrees to act as Delta's agent and sell the gas or crude oil purchased by Delta. ECT may sell the gas or crude to (1) any purchaser who is rated A or higher, as long as each such buyer does not constitute more than [5%] of the commodity purchased in that month, or (2) any other purchaser, including Enron or an Enron subsidiary, provided however that, if the purchaser is Enron or an Enron affiliate, there must be cash prepayment for such purchase simultaneous with or prior to delivery of the gas or crude. These two circumstances fulfill [CRC/CAFCO]'s obligor diversity criteria for purchasers of the commodity. [CRC/CAFCO] will require coverage for obligor concentration risk. This may be accomplished through i) recourse to Enron, or ii) a surety wrap by a Surety rated at least "A". ECT will agree [to use its best efforts] to deliver to Delta on specific dates an amount equal to the Index price on such date times the volume of oil or gas Enron is obligated to deliver on such date. In order to avoid commodity futures exchange regulatory issues, the

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sales of the gas/crude oil from Delta may need to initially be sold to another entity such as Vega, a special purpose Cayman Islands corporation used in other Citibank arranged commodity transactions.

7. Credit Agreement: The Loan agreement whereby [CRC/CAFCO] will lend $300MM to Delta. The proceeds of the loan will be used by Delta to prepay its obligation to purchase gas and crude from the Seller under the Forward Sale Agreement. The Loan will amortize over 3 years. The fully-loaded CP or bank funded carrying cost, in either case is to be covered by the floating swap payments from the Interest Rate Swap counterparty, Enron.

8. Asset Purchase Agreement: Agreement initially between Citibank, NA (as the initial Liquidity Bank), [CRC/CAFCO], and Delta. This agreement provides that the Liquidity Banks will purchase the Loan in the event that [CRC/CAFCO] cannot or will not continue to fund the Loan. In essence, the Liquidity Banks are taking the credit risk of the non-payment by the Surety Companies in the event that Enron fails to perform under the Forward Sale Agreement, the credit risk of the Commodity Swap counterparty in the event commodity prices have fallen, and the credit risk of Enron as the Interest Rate Swap counterparty, and on the Margin Agreement in the event Enron Fails to deliver when commodity prices have risen.

IV. Pricing

Upfront

Structuring Fee	$2,500,000

On-Going

Program Fee:	25 bps
Liquidity Fee:	[25] bps
Dealer/Investor Fees:	7 bps
Less:	
Credit Enhancement	4 bps
Net Annual Income:	53 bps p.a.
	$2,385,000 first 12 months ongoing revenue assuming $450,000,000 are outstanding
Assignee Rate (bank funded):	Libor + 125

First 12 months New Net Revenue

to Citicorp:	$4,885,000
(Allocation between Product and Relationship Groups TBD)	

V. Syndication Strategy

Citibank will initially provide 100% of the liquidity in this transaction and will ultimately hold $125 MM.

Attached is the Loan Syndication Approval Memo for an underwriting of $375 MM in liquidity commitments to be syndicated in the first quarter of 1999.

VI. Key Risks & Mitigants

Risk 1: The Seller fails to deliver gas, and Enron Corporation fails to honor its guaranty.

If the Seller fails to deliver gas as scheduled, the Forward Sales Agreement provides for a payment by the Seller of the "Replacement Value" in the amount of the economic shortfall sustained by the Purchaser, consisting of the cost to replace the deficient quantity, including transportation and other costs and fees associated with the purchase. If the Seller fails to make this payment, an "Early Termination Event" has

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occurred and a "Termination Payment" plus any "Unpaid Amounts" are due. The Purchaser can then call upon the surety bonds to pay it an amount equal to the lesser of:

(1) the present value of the future gas to be delivered valued at the prevailing market index gas price; and

(2) a scheduled fixed amount which begins at $500MM (in aggregate) and reduces on a monthly basis ("Maximum Penal Sum" or outstanding Loan balance) to reflect the amortization of the deal.

Hence the risk profile will depend on how the price of gas or crude has moved between the day that the deal was entered into (and the fixed gas price under the commodity swap was finalized), and the day payment is made by the Surety Companies.

If the price for gas and crude has risen (index > fixed price), the amount paid by the Surety Companies will be based on the fixed price and will be equal to the Maximum Penal Sum. This amount will always be equal to the amount outstanding under the Credit Agreement, and the conduit(s) or the liquidity bank(s) will be fully repaid. The margin under the Margin Agreement is needed to cover any breakage fees in terminating the Commodity Swap.

If the price of gas and crude has fallen (index< fixed price), the amount paid by the Surety Companies will be based on the index price. Since the price of gas or crude has fallen, the amount paid by the Surety Companies is less than the Maximum Penal Sum, and less than the principal outstanding under the Loan. The "cash out" value of the Commodity Swap will be positive for Delta and, together with the Surety Companies' payments, will be equal to the outstanding Loan principal. The Commodity Swap counterparty will be a highly rated financial institution (we anticipate Barclays or Natwest). Enron, who will act as the Interest Rate Swap counterparty, is rated BBB+/Baa2 by S&P and Moody's respectively.

Risk 2: Enron delivers gas, but experiences "credit difficulties"

A "Guarantor Event of Default" as defined in the Enron Guaranty (which includes cross payment default, cross acceleration, and bankruptcy) constitutes an Event of Default under the Forward Sale Agreement, and hence permits a call on the surety bonds. In this case the transaction is terminated, and if the Surety Companies and both swap counterparties fulfill their obligations, the Lender will be repaid in full.

The terms of the Margin Agreement are of less concern to the Liquidity Banks since they are looking primarily to the Surety Companies for payment if Enron fails to perform. Nonetheless, mechanically, if there is a "Trigger Event" under the Margin Agreement (which is defined as a breech of a debt capitalization test or a net worth test), then Enron must post margin for the full amount of the exposure under the Commodity Swap. However this does *not* trigger a Termination Event unless the company fails to post margin. Hence it is possible for Enron to fail certain financial tests, but as long as it delivers gas, posts margin, and does not breech a "Guarantor Event of Default", there will be no Termination Event under this transaction.

Risk 3: ENGMC delivers gas, but ECT fails to resell gas under remarketing agreement.

The Purchaser has the ability to replace ECT as marketer of the gas at its sole discretion. Given the liquidity of this commodity at the specified delivery points, finding an alternate marketer and reselling the gas should be achievable. Subsequent to delivery, Delta will have a secured interest in the gas or crude oil collateral.

Risk 4: Fixed-Floating interest rate mismatch.

The interest rate on the loan from [CRC/CAFCO] will be floating (either CP funded through [CRC/CAFCO] or bank funded through the Asset Purchase Agreement), whereas cash flow into Delta is

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determined using a fixed discount rate. The floating leg of the interest rate swap provided by Enron will be set to cover the Delta's full funding cost, whether CP or bank funded. Enron, who will act as the interest rate swap counterparty, is rated BBB+/Baa2 by S&P and Moody's respectively. Citibank's Derivatives group has established the PSR exposure to Enron to be $20 MM.

VII. Policy or Program Exceptions
None.

VIII. Commercial Paper Related Securities Law Considerations
N/A

IX. Clean Risk
100% Clean Risk will be approved by Global Energy for the risk associated with the borrower and transaction. In addition, Global Insurance will be approving Citibank's retained share of the total Transaction's $110MM in obligor risk exposure to each of the 5 Surety Companies for 6 months. Global Loans will underwrite $375MM of liquidity commitments to be syndicated during the second quarter of 1999.

XI. Attachments / Exhibits

- Control Unit CA
- Global Loans Approval Memorandum

JEAN M. DIAZ, VP
388 Park 6/S
Securitization
(212) 559-5260

399 Park Ave/6/2
(212) 559-6179

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CITICORP

PROJECT ROOSEVELT

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Structured Securitization
399 Park Ave. 6th Floor, NY, NY 10043

Fax To:	*Company*	*Person*	*Fax Number*
☒	Enron Capital & Trade Resources	Joseph Deffner	(713) 646-3602
		Kristina Mordaunt	(713) 646-3393
		Grant Zimmerman	(713) 646-3602
	Citicorp Securities, Inc. *Securitization:*	Jean Diaz	(212) 793-3728
		Joe Mackiewicz	(212) 935-6220
		Wade Speas	(212) 758-6272
	Global Energy:	Jim Reilly	(713) 654-2149
		Steve Ballis	(713) 654-2149
	Global Loans:	Dave Gorss	(713) 654-2149
	Legal:	Susan Johnson	(212) 793-6152
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	Barclays Bank, plc	Richard Williams	(212) 412-7585
		Jonathan Taylor	011-44-171-773-0410

From: ☒ Jean M. Diaz, Vice President — *Phone:* (212) 559-5260
☐ Wade Speas, Associate — (212) 559-6179
☐ Cheryl Jackson, Administrative Assistant — (212) 559-5427

Date: December 24, 1998 — *Fax:* (212) 793-3728
Re: Project Roosevelt Status Report
No. of Pages (including cover): 2

Merry Christmas!

Attached is an outline of major issues related to project Roosevelt for the working group to think about

This facsimile is confidential, may also be privileged and is intended solely for the use of the individual or entity named above. If you are not the intended recipient, or the employee or agent responsible for delivering it to the intended recipient, you are hereby notified that any dissemination, distribution, copying or other unauthorized use of this communication is strictly prohibited. If you have received this facsimile in error, please notify us immediately by telephone and return the facsimile to the sender at the above address via the United States Postal Service.

Permanent Subcommittee on Investigations
EXHIBIT #188d

PROJECT ROOSEVELT
OVERVIEW OF MAJOR ISSUES
(12/24/98)

Background

Project Roosevelt arose two weeks ago when Project Powerball was deferred to 1999, creating a $500 Million year-end funding need.

Enron's goals include (i) use of a Prepaid Hydrocarbons structure, (ii) limited recourse and (iii) closing prior to 12/31/98.

Citibank's goals include (i) CP Conduit funding, (ii) 364-day renewable bank liquidity backstop, (iii) avoiding any 'physical' hydrocarbons-related risks which Citibank is unable to deal with and (iv) keeping transaction tenor within three years.

Implications

1. CP Conduit funding means the transaction must comply with what we've represented to the rating agencies and CP investors; including:

   - 'A' quality pool (either through each obligor's own ratings, like the sureties, or through diversity and overcollateral on the sales side)
   - Surety coverage of Unpaid Amounts on the supply side
   - Matching of swap and surety bond bases
   - Avoidance of grace periods and notice requirements if Enron has failed to supply
   - Cash control and avoidance of commingled sales proceeds
   - Funding cost coverage, whether CP or Libor based

2. Avoidance of 'physical' hydrocarbons-related risks means:

   - Making sure that any delivery, measurement, reporting, insuring, and compliance obligations which Delta incurs through the Forward Sale Agreement are passed on through the Marketing Agreement.
   - Making sure obligor 'failure to take' risk is passed on to whichever entity arranged the sales contract.
   - Making sure that 'servicing' costs incurred by Delta in pursuit of delinquent gas or oil obligors are covered.

3. Delayed Amortization and Associated Issues:

   - Credit approvals have been sought on the basis of a three year final maturity and fairly equal 36-month amortization. There may be room for flexibility (perhaps starting shipments as late as March 1999) provided the final maturity remains three years.
   - In fact, delaying the onset of amortization a few months may help us resolve certain issues (establishing a second bankruptcy-remote special purpose company, determining how best to overcollateralize the pool on the sales side, etc).

/98 10:41 FAX 212 793 3728 CITICORP SECURITIES, INC. 001/003

Facsimile

CITICORP

PROJECT ROOSEVELT

Structured Securitization
399 Park Ave. 6th Floor, NY, NY 10043

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From:	☒ Jean M. Diaz, Vice President	*Phone:*	(212) 559-5260
	☐ Wade Speas, Associate		(212) 559-6179
	☐ Cheryl Jackson, Administrative Assistant		(212) 559-5427
Date:	December 24, 1998	*Fax:*	(212) 793-3728

Re: Project Roosevelt Status Report
No. of Pages (including cover): 3

Merry Christmas!

Attached is a Status Report as of this morning.

This facsimile is confidential, may also be privileged and is intended solely for the use of the individual or entity named above. If you are not the intended recipient, or the employee or agent responsible for delivering it to the intended recipient, you are hereby notified that any dissemination, distribution, copying or other unauthorized use of this communication is strictly prohibited. If you have received this facsimile in error, please notify us immediately by telephone and return the facsimile to the sender at the above address via the United States Postal Service.

DEC 24 '98 09:44 212 793 3728 PAGE.01

Permanent Subcommittee on Investigations
EXHIBIT #188e

Project Roosevelt
1998 CAFCO/CRC Loan Facility
Status Report as of 12/24/98 8:38:25 AM

I. Mandate Letter/Final Fees

Schedule of Events Item	Status	Responsible	Comments
Finalize fees & mandate letter	Open	Mackiewicz, Reilly	

II. Approvals & Related

Schedule of Events Item	Status	Responsible	Comments
Citicorp Credit Approvals • Global Energy (Enron) • Securitization • Global Insurance (Services) • Global Loans (Underwriting) • Global Derivatives (Commodity Swap Provider)	Open	Reilly, Diaz, Brill, Gorin, Kulick	Final approvals expected 12/28.
Citicorp/Delta Energy Corp/Vega Regulatory/ Business Issues • Who manages/who can commit • Issue re: ability to do deal (authority, no residual liabilities from previous deals, etc.) • Regulatory issues, Off Exchange, etc	Open	Diaz, Sullivan, Johnson	Neither Delta nor Vega are involved with any current deals, however, Vega appears not to be "clean". Maples & Calder is contact for issues such as residual liability from previous deals, authority of Delta to enter into Roosevelt, etc. Transaction Documents contemplate significant activities by; reps, warrants & covenants from Delta—need to confirm appropriateness/capability with M&C. Need to find out if a Management/ Administration Agreement exists & with whom? Bracewell to contact M&C.

III. Cash Flow Modeling

Schedule of Events Item	Status	Responsible	Comments
Develop & Distribute Cash Flow Model	✓ Completed	Enron	Initial model showing natural gas only.
Revise model to show natural gas & crude oil	Open	Enron	
Review cash flow model	Open	Spass, Baillie, Kulick	Review in conjunction with documents to identify any timing & cash flow leakages

IV. CRC/CAFCO Issues

Schedule of Events Item	Status		Comments
Determine law firm to use for Asset Purchase Agreement & form of APA	✓ Completed	Diaz, Johnson, Hill, Clark	N.A. Use SMA form until we syndicate then use APA.
Decide on mechanism to satisfy conduit reserve requirements	Open	Diaz, Hill, Clark, Enron	Conduits require reserves (through overcollateralization, recourse, 3rd party support, etc.) for leakages in structure (dilution, obligor risk, etc.). Conduit not in the position to take on Delta performance risk.

\\FS399P0\SHARE1\DSSECUR\DIAZ\enron 12-98\roosevelt status.doc

DEC 24 '98 09:45 212 793 3728 PAGE.02

Project Roosevelt
1998 CAFCO/CRC Loan Facility
Status Report as of 12/24/98 8:38:25 AM

V. Documentation			
Schedule of Events Item	Status	Responsible	Comments
Forward Sale Agreement	Initial Draft	Bracewell, V&E	1. Unpaid Amounts included in Surety 2. Termination Pymt to match Commodity Swap calculation 3. Default also based on knowledge of Responsible Officer
Enron Guarantee	Initial Draft	Bracewell, V&E	1. Coverage of Marketing Agreement 2. Coverage of Interest Rate Swap 3. Assignees of debt signing confidentiality agreements
Surety Bond	Initial Draft	Enron (?)	1. Assignment to Collateral Agent 2. Coverage of accrued interest 3. Use as margin for Swap Counterparty(ies) 4. Additional D&P language sent out 12/23
Commodity Swap	Initial Draft	Bracewell, V&E	1. Form of schedule-existing Barclays/Enron form or form previously distributed?
Commodity Swap Margin Agreement	Initial Draft	Bracewell, V&E	
Commodity Swap Margin Assignment Agreement	Initial Draft	Bracewell, V&E	
Interest Rate Swap (w/margin)	Open	Bracewell, V&E	1. Coverage of all interest, fees & similar payments—reserve adjusted Libo, increase costs, conduit fees, etc.
Marketing Agreement	Initial Draft	Bracewell, V&E	1. LOC to cover purchaser defaults, increased costs, taxes & other leakages not covered elsewhere (Surety Bond, Guarantee, Swaps)
Credit Agreement	Initial Draft	Bracewell	
Security Agreement	Initial Draft	Bracewell	1. Priority of Enron as interest swap counterparty
Delta Administration/ Management Agreement	?	M&C, Bracewell, Citi	Does one exist? With whom? Would it cover this Transaction? If not, who would be manager/administrator?
Enron Corporate Certificates/Opinions	Open	Enron, V&E	
Delta Energy Certificates/Opinions	Open	M&C, Bracewell	

Facsimile

CITICORP

PROJECT ROOSEVELT

L:\[redacted]\[redacted]\[redacted] fax.doc

Structured Securitization
399 Park Ave. 6th Floor, NY, NY 10043

Fax To:	*Company*	*Person*	*Fax Number*
☐	Enron Capital & Trade Resources	Joseph Deffner	(713) 646-3602
☐		Kristina Mordaunt	(713) 646-3393
☐		Grant Zimmerman	(713) 646-3602
☐	Citicorp Securities, Inc. *Securitization:*	Jean Diaz	(212) 793-3728
☐		Joe Mackiewicz	(212) 935-6220
☐		Wade Speas	(212) 758-6272
☒	*Global Energy:*	Jim Reilly	(713) 654-2849
☐		Steve Ballie	(713) 654-2849
☐	*Global Loans:*	Dave Gorte	(713) 654-2849
☐	*Legal:*	Susan Johnson	(212) 793-6152
☐		William Sullivan	(212)793-4282
☐	Vinson & Elkins, L.L.P.	Trina Chandler	(713) 615-5088
☐		Steve Coats	(713) 615-5925
☐	Bracewell & Patterson, L.L.P.	Alan Rafle	(713) 221-1212
☐		Sheryl Gossett	(713) 221-1212
☐	Maples & Calder, Delta Counsel	Nicola Mella	(345) 949-8080
☐		Jullian Reddybough	(345) 949-8080
☐	Barclays Bank, plc	Richard Williams	(212) 412-7585
☐		Jonathan Taylor	011-44-171-773-0410

From: ☐ Jean M. Diaz, Vice President — *Phone:* (212) 559-5260
☒ Wade Speas, Associate — (212) 559-6179
☐ Cheryl Jackson, Administrative Assistant — (212) 559-5427

Date: — *Fax:* (212) 793-3728
Re: Project Roosevelt Status Report
No. of Pages (including cover): 4

Jim, Lets try this again
please call if the fax
is illegible.
Wade Speas

This facsimile is confidential, may also be privileged and is intended solely for the use of the individual or entity named above. If you are not the intended recipient, or the employee or agent responsible for delivering it to the intended recipient, you are hereby notified that any dissemination, distribution, copying or other unauthorized use of this communication is strictly prohibited. If you have received this facsimile in error, please notify us immediately by telephone and return the facsimile to the sender at the above address via the United States Postal Service.

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CITI-SPSI 0025989

Permanent Subcommittee on Investigations
EXHIBIT #188f

TITLE/TOPIC: Enron - Project Resource | DATE: 12/28

TRANSACTION/REFERENCE: Issues | PAGE: 1

Overall Concern: Risk of Enron not needing to transfer to Delta to avoid off-exchange financial categorization

Delayed Start

Company wants to delay start to give them enough time to:

1) get new marketing agreements in place with Delta & Purchaser

2) get Vega or other entity in place to purchase commodities from Delta then sell to Enron

⇒ 3) get Powerfall or other replacement deal in place

Would like to start delivery in May - 1st payment in June

Jim asked for 3/99 start

Delta operational issues

Enron agreed to obtain insurance (reqs in their judgment), arrange for transportation and storage as services for Delta - but costs must be borne by Delta (see below)

Obligor risk reserve

Enron has grudgingly accepted reserve = 3 x Concentration limit but is resisting higher reserve to cover costs for other items (see below). Concerned about obligation to replenish - checking w/ Trace

Unpaid amounts

Enron appears to be OK - Joe D will confirm that sureties are OK w/adding to Surety Bond

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CITI-SPSI 0025990

TITLE/TOPIC: Enron - Project Roosevelt | DATE: 12/20
TRANSACTION/REFERENCE: Issues | PAGE: 2

Events of Default	Enron has accepted our language regarding receipt of notice from or on behalf of Delta - Market must give notice to Enron NGMK
Guarantor Default	Enron has accepted our request to have Guarantor Default be Termination Event for deal w/ protection of Surety
Other Guarantees	Enron has agreed to provide separate guarantee for Int't Rate Swap & Commodity Swap
Mstg Agmt Audit Rights	Enron wants to limit audit rights to default under Mstg Agmt or Purchase Default.
Delta Costs:	
Borrower Admin Fee	- we can probably accept this
Sales Taxes	- Enron will get resale certificate or collect taxes from Purchasers.
Carry Cost - CP + Related - Assigning Bank - Program Fee - Liquidity Fee	Enron will pay through Interest Rate Swap
Purchaser Defaults	Enron will provide reserve = 3X cost limit (revolving replenishment)
Price Risk Content & Basis	Assumed by Enron in Mstg Agmt

LORD/SPV
New York • Delaware
London • Jersey
Tokyo

Two Wall Street New York, New York 10005 212-346-9000

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CITI-SPSI 0025991

TITLE/TOPIC: ENRON - Project Eter... DATE: 12/28
TRANSACTION REFERENCE: Issues PAGE: 3

Tax Background & Issues

Change in Tax on Delta — Termination (covered by Sundry?)

UBO Breakage — Concerned about off-exchange futures
Reserve Adjustments — Need pass to Duke
Unbalanced Penalties - mark - to - Market
Collection Costs
Costs of Insurance, Storage, Transportation

Substantive Issues:

Enron wants the following:
- Reserve falls away if put to bank
- If fail to replenish reserve ⇒ put to bank
- Is Collateral Agt needed in addition to CNA?
- Want to delete "in credit under negative language" - Purchaser criteria
- Want to eliminate 5% obligation threshold if put to banks
- Increased Costs

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Two Wall Street New York, New York 10005 212-346-9000

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CMAC Minutes
June 22, 1999

Members Attending: Fred Chapey (Chairman), Eleanor Wagner (Client Risk Management), Jim Garnett (Risk Architecture), K. Anandasagar (Audit & Risk Review), Susan Hayward (Secretary)

Committee Members Absent (Represented by): Catherine Genzlinger (Robert Nolan/Mike Lalo), Mel Taub (Ned Schoenfeld), Bill Mackey/Mike Day (Pat Butler/Laura Lam), Marcy Engel (Scott Flood)

Guests: Tom Francois, Ramesh Gupta, Lynn Feintech, Joe Erlanger, Narayan Prasad, Mike O'Donnell, Nancy Paulson, Shenghua Hu, Apoorva Kotichi

Cancellable Step-Down Swap
Presenter: Nancy Rankin, Gloria Schneider

A structure was presented that will provide yield enhancement to customers that have a view that interest rates will not exceed a predetermined Libor threshold level. The structure consists of a combination of products that Citibank currently trades. However, based on the combination of the components and the cancelability feature, the transaction can not be booked in the back office processing system. Therefore a spreadsheet has been developed to initially book the deal until it can be booked in the back office system. The spreadsheet has been stress tested by risk analytics. Operations policy is to limit the number of spreadsheet transactions to five per desk. The Desk will follow-up with Operations to determine how many spreadsheet deals are outstanding. This will determine the number of deals that the originators can execute.

The committee also discussed the ability to independently price the structure. The rate reasonability group will be contacted to ensure that they can obtain the necessary market information check the MTM of the structure.

The deal has been approved by the committee.

Follow-ups
Determine the number of deals that are booked on a spreadsheet. (Mike Lalo/PST)
Ensure that rate reasonability unit can obtain the market rates (Joe Erlanger)

Prepaid Oil Transaction
Presenter: Adam Kulick, Jim Reilly

A transaction was discussed which would allow Enron to execute a prepaid 3 month swap on 30MM barrels of oil (citi pays fixed price at inception – appx $500MM – and receives

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Permanent Subcommittee on Investigations
EXHIBIT #188g

floating price at maturity). The transaction provides favorable accounting treatment for the customer. Although the deal is effectively a loan, the form of the transaction would allow the customer to reflect it as "liabilities from price risk management activity" on their on their balance sheet and also provide a favourable impact on reported cash flow from operations.

The committee discussed the following issues:

- The appropriateness of the transaction. The RM stated that the transaction was appropriate for the customer and that prepaid forwards are common with others in the industry and that the company discusses/discloses treatment with external auditors and rating agencies. Additionally, the internal approval for the transaction will acknowledge the fact that we were basically making a loan to the customer and that the RM has had numerous conversations with Senior Management of the company about the structure.
- Margin arrangement. Although the client has a margin agreement with Citibank, the transaction will not be covered under the agreement.

The appropriate Desk to book the transaction. Fred Chapey will have discussions with the trading desk and the originators to decide if it would be more appropriate to book the deal on the Commodities Desk.

The transaction was approved subject to:

Follow up items

- Ensure that appropriateness and suitability of the transaction to the customer are covered under the deal approval. (Adam Kulick/Jim Reilly)
- Decide which desk to book the transaction (Fred Chapey)

speas, wade

From: Baillie, Steve
Sent: Wednesday, September 29, 1999 8:02 PM
To: Mackiewicz, Joseph J.
Cc: Baillie, Steve; Reilly, James F ; Speas, Wade
Subject: Enron - Roosevelt

Joseph,

This email is to confirm that:

1. Global Energy and Mining ("GEM") have approved the full $125MM still outstanding under the "Roosevelt" prepaid. Our approval runs for another 4+ years. (as an aside, in addition, in our most recent Enron memo, we comment that our expectation was now that the deal would not be repaid until December). Our approval to extend deliveries was done verbally.

2. We do not believe that we (i.e. GEM) need any form of approval/acknowledgement from Global Insurance since we approve the entire deal size (although I was unable to confirm this with Tom Stott as he is away this week).

Regards

1

Permanent Subcommittee on Investigations
EXHIBIT #188h

Simon Crowe
25/11/99 15:06

To: Janine Juggins/LON/ECT@ECT
cc:

Subject: Truman financial prepay diagram

FYI

---------- Forwarded by Simon Crowe/LON/ECT on 11/25/99 03:06 PM ----------

Jung-Suk Suh
11/24/99 07:10 PM

To: Paul Chivers/LON/ECT@ECT, Treasa Kirby/LON/ECT@ECT, Simon Crowe/LON/ECT@ECT
cc: Bill W Brown/HOU/ECT@ECT, Doug McDowell/HOU/ECT@ECT

Subject: Truman financial prepay diagram

The diagram below shows the Truman prepay that was closed Sep 29, 1999. Citibank provides the prepay swap, while TD provides the commodity swap on half the transaction, and their roles are reversed in the other half. We were able to substantially lower the commodity swap charge because Citibank and TD have essentially offsetting risk under their commodity swaps.

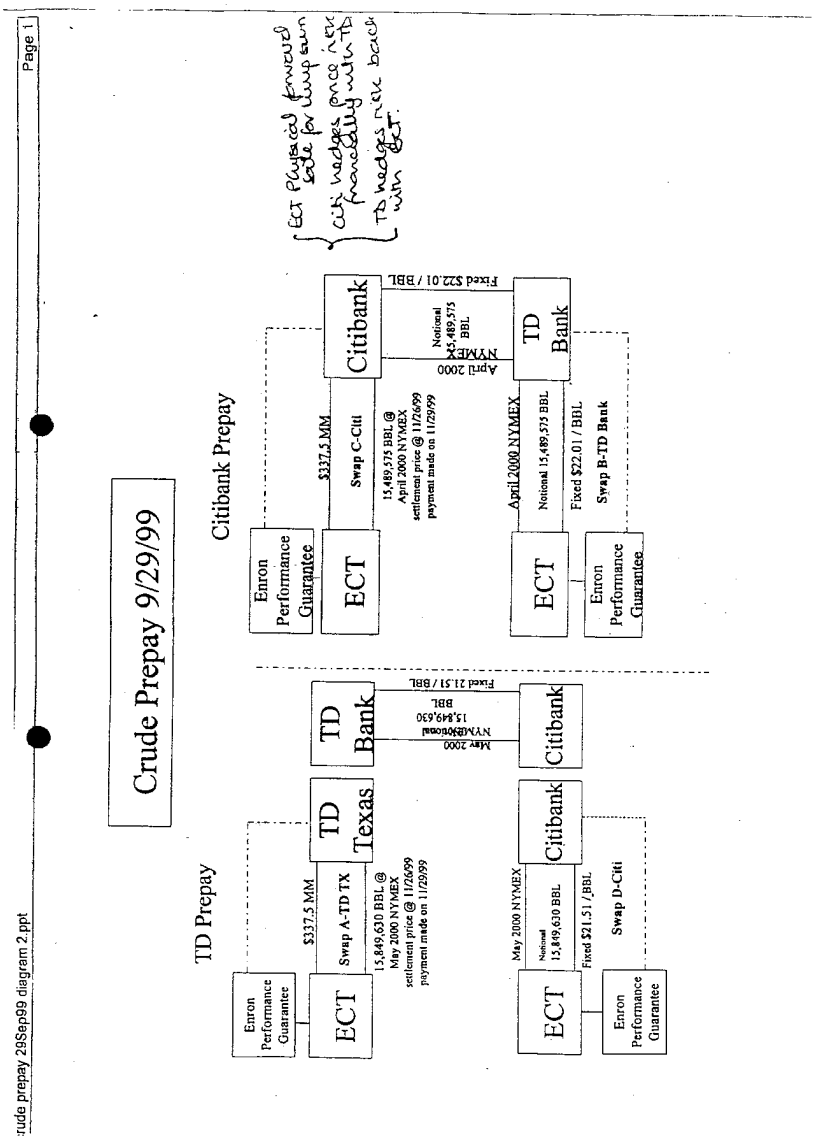
The second alternative that we spoke of was utilizing three banks (i.e. Citibank, Barclays, RBS) as the prepay providers and TD as the commodity swap provider in all three prepays. This would allow the participation of Citi, Barclays and RBS, but would result in higher commodity swap costs because TD would bear incremental credit risk from the three banks. The diagram for alternative 2 would simply be the "Citibank Prepay" diagram, with Citibank replaced with Barclays and RBS for the other two prepays.

Please call with any questions.

Jung Suh 713-853-7666

crude prepay 29Sep99 diagram 2.

Permanent Subcommittee on Investigations
EXHIBIT #188i



E 39995

Confidential Treatment Requested By Wilmer, Cutler & Pickering

Janine Juggins
25/11/99 15:19

To: Simon Crowe/LON/ECT@ECT
cc: Treasa Kirby/LON/ECT@ECT, Matthew Landy/LON/ECT@ECT

Subject: Re: Y2

Just to close the loop on this one following our discussion, I will need by January to:

1. get a detailed understanding of the Citi/Y2 swa
2. confirm the netting point
3. or alternatively confirm that no payments will t

Regards
Janine

Enron Corp. email, November 1999, Subject: Re: Y2 (Yosemite II)

Simon Crowe

Simon Crowe
25/11/99 11:24

To: Janine Juggins/LON/ECT@ECT
cc: Treasa Kirby/LON/ECT@ECT

Subject: Re: Y2

A few points

- I have requested all the closing docs for Yoe I
- Equal and opposite payments but not necessarily in all cases
- See the swap for the netting language
- We will insert the 1/1/20001 first repayment date.
- Y2 will set up a UK bank account
- No discussion on new EU WHT
- The bond will be listed in Lux

No doubt we will speak later.

regards

Simon

Janine Juggins

Janine Juggins
11/24/99 06:10 PM

To: Treasa Kirby/LON/ECT@ECT
cc: Simon Crowe/LON/ECT@ECT, Matthew Landy/LON/ECT@ECT, James Sandt/LON/ECT@ECT

Permanent Subcommittee on Investigations
EXHIBIT #188j

E 39996

Subject: Y2

1. US withholding on Citi swap with Y2

I still need copies of the underlying Y1/Citi swap documentation to properly analyse the transaction. As I mentioned the draft on Matt's file is dated 3 Nov and appears to exclude the cashflows from netting - this is critical.

I am assuming that all of the funding mismatch is now taken care of by the Enron Corp Magic note, so that all that the Citi/Y2 swap represents is:

- Y2 pays to Citi an amount equal to the interest on the Delta notes
- Citi pays to Y2 an amount equal to the interest on the Delta notes
- Citi makes various payments to Y2 in the event of an Enron credit event

It is assumed that the first two items are equal and opposite so that if netting applies there will be no residual payment upon which to apply withholding. Please can you confirm:

i) that the assumption re equal and opposite payments is correct; and
ii) that netting applies to all payments under the swap

If this is not the case, such that some payments are made by Citi to Y2, then our position would be:

1. That the swap is a notional principal contract (sourced to the payee ie Jersey) therefore no US withholding
2. With equal and opposite payments it may be difficult to get within the definition of an NPC (although it is not clear cut) therefore we would then be in the same position as the other swap - basically a withholding risk for 2000 but not after 1/1/2001.

To summarise - best position is netting with no residual payment, fallback is NPC argument, if we are not comfortable with this fallback then the safest route would be to defer payments until 1/1/2001 to catch the new rules.

2. UK bank account

Just to confirm, it is the Y2 that will set up a UK bank account and not a Jersey paying agent.

Since the interest is not UK source the fact that Y2 uses a UK bank account will not introduce additional UK withholding risk. In any event the bonds are quoted Eurobonds held within Cedelbank and Euroclear so no UK withholding will apply.

Treasa, has there been any discussion with respect to the risk of a new EU withholding tax, other than what is already in the offering memorandum ? Although we have a Jersey issuer the Eurobond will be listed in Luxembourg I believe.

Regards
Janine

ıfidential Treatment Requested By Wilmer, Cutler & Pickering

Simon Crowe
25/11/99 11:24

To: Janine Juggins/LON/ECT@ECT
cc: Treasa Kirby/LON/ECT@ECT

Subject: Re: Y2

A few points

- I have requested all the closing docs for Yoe I
- Equal and opposite payments but not necessarily in all cases → Simon is not sure how the swap works. We need the documents to settle this one.
- See the swap for the netting language → not yet received
- We will insert the 1/1/20001 first repayment date.
- Y2 will set up a UK bank account
- No discussion on new EU WHT
- The bond will be listed in Lux

No doubt we will speak later.

regards

Simon

Janine Juggins

Janine Juggins
11/24/99 06:10 PM

To: Treasa Kirby/LON/ECT@ECT
cc: Simon Crowe/LON/ECT@ECT, Matthew Landy/LON/ECT@ECT, James Sandt/LON/ECT@ECT

Subject: Y2

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Confidential Treatment Requested By Wilmer, Cutler & Pickering

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Regards
Janine

Confidential Treatment Requested By Wilmer, Cutler & Pickering

NIXON

CITIBANK

GLOBAL LOANS APPROVAL MEMORANDUM

This deal is properly recorded on Syndicator. Verified by _____ *(Deal Team Leader initials required).*

Memo Date: December 7, 1999 — Approval Due Date: December 10, 1999

					Yes	No
	Renewal, Repricing or Restructuring		League Table Eligible			
	Amendment (Number ____)		Agent-only	Media Disclosure		X
N	Multi-Currency (Y or N)		Co-Agent	Contact: Not Applicable		

A. KEY STATISTICS

Borrower:	Enron Corp.	Citibank Commitment ($MM):	$126 million
GFCID#:	446084	Citibank Hold ($MM):	$126 million
Deal Size ($MM):	$126 million	U/W Amount ($MM):	Not Applicable
Facilities ($MM)/Tenor:	$126 million PSR line / up to 180 Days	B/E Amount ($MM):	Not Applicable
Pre-approved (Y/N):	No	Accom. Amount ($MM):	Not Applicable
Date Pre-approved:	Not Applicable	Scheduled Launch Date:	Not Applicable
Origination Unit:	GEM-Houston	Scheduled Closing Date:	December 17, 1999
GRB Industry:	Global Energy & Mining	Sell Down Date(s): (If applicable)	Not Applicable
GRB Market:	US South		
Account Segment:	House	Secured (Y/N):	No.
Syndicated (Y/N):	No	Obligor Exception (Y/N): (Exception Amt.):	Yes $19 million (1)
Agent(s)/Amount($MM):	Not Applicable	Liquidity, Pricing Exception (Y/N):	No

(1) Following the scheduled 12/17/1999 closing of Nahanni.

Team Leader: James F. Reilly	Tel: 713-654-2820	Back-up Contact: Steve Baillie	Tel: 713-654-2887
Pricing (bps):	Undrawn	Drawn	Upfront Fee
	N/A	LIBOR + 55 bps	$100,000

LT UNSECURED RATINGS:	RR for Facility	LTM Sales	LTM EBITDA	LTM Gross Int. Coverage
BBB+/Baa2	4+	$36.8 billion	$2.4billion	3.1x

APPROVALS:

STEVEN M. BAILLIE
Vice President
Citicorp North America, Inc.
(713) 654-2887

JAMES F. REILLY JR.
Managing Director
Citicorp North America, Inc.
(713) 654-2820

THOMAS B. MOTT
Vice President

Approval Level Required: Level 1/CPO/CE

19

CITI-SPSI 0021611

Permanent Subcommittee on Investigations
EXHIBIT #188k

CITIBANK

DEAL TEAM:

Global Loans:	Origination:	Research:	Derivatives:	Credit Admin:
	James F. Reilly 713-654-2820 Steve Baillie 713-654-2887	Sumit Mathai 713-654-2868	Adam Kulick 212-723-6449	Carol Rooney 713-654-3590

A. PURPOSE

Recommend approval for a new PSR line available to Global Derivatives for the "Nixon" crude oil prepaid, a $126 million transaction for Enron Corp ("Enron") with a tenor of up to 180 days. Final maturity is expected to be on or before 06/14/2000. Nixon is a financially settled crude oil forward sale transaction that is similar to the Truman transactions, which closed in 1999. The intent is to retire Nixon with Yosemite II, a £195 million Citi/SSB structured transaction that is designed refinance Enron bank paper in the UK long-term capital markets, in the first quarter 2000. If Yosemite II does not go forward, the prepaid will be refinanced either through a dollar denominated Yosemite II transaction or a syndicated bank prepaid.

With this approval, Enron Total Facilities will be $724 million. Outstanding and unused commitments total $484 million, resulting in an Obligor Exception of $19 million. These levels reflect the closing of the Nahanni transaction, representing an increase of $24.5 million (Nahanni is expected to close on 12/17/1999). As outlined later in the "Enron Exposure" section, the Yosemite transaction reduced Enron exposure by $530 million, with the repayment of Truman and Roosevelt transactions.

At the December 17, 1999 closing, we expect to receive an upfront fee of $100,000 on Nixon. The transaction yields a 55 bps drawn cost. Through not directly connected with Yosemite II, Nixon does facilitate the execution of Yosemite II. Yosemite II is expected to yield Citi/SSB revenues of approximately $2.0 million in bond underwriting fees and in excess of $10.0 in other associated revenues throughout its term, and has a similar structure to the $825 million Yosemite transaction that closed on 11/18/1999.

B. SUMMARY

Transaction Description:

The Nixon transaction is expected to close on 12/17/1999, with Citibank advancing $100 million in a crude oil prepaid forward sale transaction. The transaction is expected to have a tenor of up to 180 days, with payment of principal and interest scheduled on or before 06/14/2000. Including calculated exposure on the associated commodity price swap, Nixon related exposure totals $126 million. Nixon is, in principal, similar to Truman, a $400 million PSR ($337 million funded) Citigroup arranged oil prepaid that closed in September 1999 and was repaid on 11/18/1999. Truman was a financially settled transaction.

At execution, Citibank will pay Enron $100.0 million, derived as the product of a nominal number of barrels of oil and the 12/17 crude oil index price. At maturity, Enron will deliver cash equal to the nominal number of barrels at the then current index price to settle outstandings under Nixon. Commodity price risk and consequently any shortfall required to make up the balance of the loan is covered via a commodity swap with Toronto Dominion. Under the terms of the swap agreement, Toronto Dominion will pay Citibank the fixed price on the nominal barrels, in exchange for the value of the nominal barrels at the future index price. The aggregate of the exposures under this transaction will be covered by the $126 million PSR, for which we are seeking approval in this memo.

Barclays and Royal Bank of Scotland will execute identical $100 million oil-prepaid transactions with Enron, which will close simultaneously with Nixon. Toronto Dominion will enter into commodity swaps with Barclays and Royal Bank of Scotland, respectively.

mention TD - Enron Swap?

20

Refinancing Plan:

Yosemite II

Citibank expects to eliminate the Enron exposure from Nixon via the £195 million capital markets transaction, "Yosemite II", arranged by Citibank/SSB. In Yosemite II, a special purpose trust will purchase AAA investments and Enron loans from the bank market, totaling £195 million in aggregate. The purchased paper will consist of crude oil/natural gas prepaids totaling £185 million. Yosemite II is particularly valuable to Enron as a source of prepaids, because the prepaids under Yosemite II can achieve tenors in excess of those available in the bank market. Prepaids assist in balancing the tenors in the company's commodity trading book.

The trust will fund itself via the sale of 20 year Enron-Credit-Linked notes. We expect execution prior to the end of the second quarter 2000.

Enron Exposure:

Recent/expected activity affecting our Enron exposure is outlined below. With the close of the Yosemite transaction, Total Facilities are $544 million, Total Outstanding and Unused Commitments are $362 million, and our Obligor Exception has been eliminated. The Truman and Roosevelt transactions were repaid with proceeds from Yosemite, which closed on 11/18/1999. Including exposure at the close of Nahanni and Nixon, we expect Total Facilities to be $724 million, Total Outstanding and Unused Commitments of $484 million, and an Obligor Exception of $19 million.

($ in Millions)	Total Facilities	Obligor Exception[1]
Net @ 11-4-99	$1,139	$406
(Truman)	(400)	0
(Roosevelt)	(130)	0
(Assignment of 364-day)	(15)	0
Net @ Yosemite Close	$594	$0
Surety Revolver Reduction	(20)	0
Nahanni	24	0
Nixon	126	19
Net @ 12-31-99	$724	$19

[1]Obligor Limit increased to $450 million from $375 million in 08/99 for 4+ rated borrowers. At 12/31/1999, Obligor exception includes miscellaneous changes in exposure totaling $(14) million.

In addition, we expect our $11 million commitment to JT Holdings, Inc. (synthetic lease transaction) to be repaid prior to December 31, 1999. We have purchase default swap protection totaling $124 million, and have $30 million in Letters of Credit from margining under commodity swap transactions. Our $30 million exposure in the Surety Revolver is backed by two AA rated insurance companies.

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EXPOSURE SUMMARY

(in $ millions)

Facility Description	Current	Proposed	Change
Nixon Crude Oil Prepaid	$0	$126	$126
Total	$0	$126	$126

Borrower:	Enron Corp.
GFCID #:	446084
LT Unsecured Ratings (S&P and Moody's):	BBB+/Baa2
Purpose:	PSR line for Prepaid Oil Financing
Deal Size ($MM):	$126 Million
Facilities ($MM)/Tenor:	$126 Million / up to 180 Days
Upfront Fee ($) to Investors:	$100,000
Undrawn Cost (bps), FF or CF, (at current/expected ratings):	Not Applicable
Drawn Cost (LIBOR spread in bps) plus FF (at current/expected ratings):	55 bps
Utilization Fee (at current/expected ratings):	Not Applicable
Ratings Pricing Grid (Y/N):	Yes
Financial Covenants (List):	None
Admin. Agent:	Not Applicable
Documentation Agent:	Not Applicable
Syndication Agent:	Not Applicable
Arrangement Fee ($ or bps):	Not Applicable
Admin. Agency Fee ($):	Not Applicable

C. RETURNS TO CITICORP

Return on transaction:
We expect to generate revenue of $375,000 as a result of the Nixon transaction, consisting of a $100,000 upfront fee and $275,000 interest revenue. We expect to generate approximately 43 bps of RORAP, based on RAP assets of $53.25 million. Nixon is positioned to roll into the Yosemite II transaction. Yosemite II is expected to generate $2.0 million in bond underwriting fees and in excess of $10.0 million of other associated revenues.

Return of the Relationship:
Revenue YTD September: $21.6 million
12 Month 1998 Revenue: $16.2 million

RORAP YTD September: 286 bps
1998 RORAP: 148 bps

D. MANAGEMENT AND RELATIONSHIP BACKGROUND

We continue to maintain an attractive, strong relationship with Enron; one that will provide over $30 million in revenues in 1999 at well-above hurdle RORAP levels. Our success to-date has been measured by management's comfort in our expertise and ability to structure, arrange and syndicate the company's "more-difficult", time-constrained financings.

As "Citigroup", we are now presented with additional opportunities with the company. Specifically, Citi/SSB was awarded roles in the company's common equity issuance in February, exchangeable notes issuance (related to the EOG share exchange agreement and related EOG equity offering in July), the recent Condor structured bond transaction, and most importantly the high profile Yosemite transaction. In

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addition, Enron has recognized that its key relationship banks have incurred increasing levels of exposure to the company. Consequently, Enron has taken several steps to reduce exposure including the Yosemite transaction, which reduced Citibank's exposure to Enron by $530 million. However, Enron continues to believe that with our expanded role in the bank, bond and equity markets, and reduced exposure levels, should come the willingness to commit capital resources as necessary.

E. CREDIT UPDATE

Please see Enron Credit Update that is included in the Nahanni approval memorandum dated 12/4/1999, which is part of this approval package.

F. EXHIBITS

1. ENRON ANNUAL REVIEW
2. GMPM

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-----Original Message-----
From: Kirk, Niels C.
Sent: Monday, December 06, 1999 9:51 AM
To: Reilly, James F.; Kulick, Adam SSB.; Baillie, Steve
Subject: Yosemite 2 - Interim Solution
Importance: High

Guys,

I spoke top Treasa this morning and provided our indicative pricing for the pre-paid.

Front-ends: $250,000

Margin: L + 65 bp p.a.

Tenor: 90 days*

* Treasa feels that 90 days is sufficient.

I spoke to Peter Charles of SSB syndicate. He confirmed that the bond "take-out" success hinges on RBS and most importantly the Prudential. Charles is very reluctant to put any probabilities on the success of this deal in the Sterling market (i.e. he doesn't want to be quoted as providing our first way-out...).

We should have a conference call this afternoon.

Niels (+ 44 171 500 2433)

Kirk, Niels

From: Kirk, Niels C. [Niels C. Kirk /70EULON] on behalf of Kirk, Niels C.
Sent: 08 December 1999 16:46
To: Reilly, James F.; Kulick, Adam SSB.; Baillie, Steve
Subject: Nixon - Interim Solution

Importance: High

Following various conversations, this afternoon I put on my cowboy hat and negotiated/agreed the following fees for Nixon with Treasa:

Front-Ends: $200,000

Margin: L + 65 bp p.a.

Treasa now want to know where we stand on the credit approval as the want to trade next week.

Niels

p.s. I love working without a calculator...

-----Original Message-----
From: Kirk, Niels C.
Sent: Monday, December 06, 1999 9:51 AM
To: Reilly, James F.; Kulick, Adam SSB.; Baillie, Steve
Subject: Yosemite 2 - Interim Solution
Importance: High

Permanent Subcommittee on Investigations
EXHIBIT #188l

DERIVATIVE CREDIT FORM **E-MAIL TO GMCD-DERIV (NAME / ID # / SUBJECT)**

Credit Approval Given By: Shane Williams Fax #: 793-7955

To confirm verbal credit approval for the following transaction:

SECTION 1 : TO BE COMPLETED BY DERIVATIVE TRANSACTOR

Legal Counterparty Name: Enron North America, Inc.

Transaction Reference #: 50990287

Early Cash Settlement:
- [ ] Mandatory
- [ ] Optional (Citi Only)
- [ ] Optional (Third Party Only)
- [ ] Optional (Either Party)

Cash Settle Date: _____

Multiple Rollover Dates: _____

Notification Days: _____

Portfolio: _____

Legal Vehicle Name:
- [X] CBNA
- [ ] Other: _____

Product:
- [ ] IRCA [ ] Cap/Floor/Collar
- [ ] FRA [ ] Equity Derivative
- [ ] CIRCA [X] Commodity Derivative
- [ ] Swaption [ ] Other:

Trade Date: December 14, 1999
Effective Date: December 15, 1999
Maturity Date: March 15, 2000
Tenor: _____
Notional Amount ($MM): $104,000,000
Matrix (bps p.a.): _____
MLIV ($MM): $21,840,000
Cross-Border Risk Approved : _____
Clean Risk ($MM) : (if applicable) _____
Settlement Risk ($MM): (if applicable) _____

Total Approval Amount ($MM): _____

Trader/Originator	Terms: (include all interest rates used, collateral, payment schedules for mismatched payments etc.)	Credit Risk Factor (CRF) Used: 21.00%
(Required Signatures and Stamps)	Commodity Swap as part of Crude Prepay	Credit Risk Factor : STANDARD [X] / SPECIAL [ ]
		DOES THE CREDIT RISK FACTOR REQUIRE: A NETTING AGREEMENT [ ] / A MARGINING AGREEMENT [X]
		*(If special CRF is used, attach CRF Unit Cipmail)

SECTION 2 : FOR NON-PAL NAMES ONLY: TO BE COMPLETED BY CONTROL UNIT

Facility Number: _____ Credit Classification: _____
Revision Date: _____ GFCID: _____
Obligor Risk Rating: _____ Fast NUmber: _____
Control Unit Expense Code: _____

Credit Approval given in accordance with the Rules Governing the Extension of Credit
(Required Signatures and Stamps)

SECTION 3 : FOR PAL NAMES ONLY: TO BE COMPLETED BY CAPITAL MARKETS CREDIT ADMINISTRATION

Revision Date : _____ Allocation from Pre-Approved Line: _____

(Required Signatures and Stamps)

Please sign Stamp and return this form IMMEDIATELY to:
Capital Markets Investor Credit, NY Derivatives Credit Desk
399 Park Ave/4th Flr/Zone 15, NYC
FAX # (212) 793-7955 , Tel # (212) 559-1254

	Date:	Sent	Date	Received
1st Request:				
2nd Request:				
3rd Request:				

CWM - Credit Derivative

Status: Preparing as of 12/14/99 10:20:04 AM

Deal #: 50990287 Ver.1 | Orig./Trader: Timothy Swanson | Trader: Doug Warren
Linked Deal #: 50990288 | Trade Date: 12/14/99 | Broker:
Legal Entity: CBNA | Deal Type:

COUNTERPARTY INFORMATION | PBG: No | Execution Copies: No
Name: Enron North America, Corp | | Customer ID:
Contact: | Telephone: | Fax:

ECONOMIC INFORMATION | Currency: USD - U.S.
Expiration Type: | Exercise Date: Exercise Frequency:
Cancellable By: | Swap Settle:
Amortization Att: | Notional: 104mm
Eff. Date: 12/15/99 | Term. Date: 03/15/2000 Adj.: Yes
Brokerage:
Premium:
Paid By: | Business Days: New York, London
Payment Date:

CITIBANK PAYS: Fixed

Spread +/- no spread | Spread bps: Rate: Other
First Period Rate: | Rate Source:
Day Basis: A/360 | Weighted: No | Bus Day Con: Mod. Following
Settl. Freq: Daily | Settl. Roll Date: 15 | Settl. Adj.: Yes
Reset Freq: N/A | Reset Roll Date: 15 | Reset Adj.: Yes
Compound Freq: | Compound Roll Date: | Compound Adj.:
Begin Stub From: | Begin Stub To: | Begin Stub Index:
End Stub From: | End Stub To: End Stub Index:

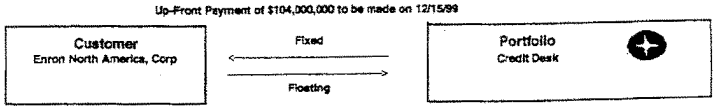
CUSTOMER PAYS: Floating

Spread +/- no spread | Spread bps: | Rate: Other
First Period Rate: N/A | Rate Source:
Day Basis: A/360 | Weighted: No | Bus Day Con: Mod. Following
Settl. Freq: At Maturity Only | Settl. Roll Date: 15 | Settl. Adj.: Yes
Reset Freq: N/A | Reset Roll Date: 15 | Reset Adjusted: Yes
Compound Freq: | Compound Roll Date: | Compound Adjusted:
Begin Stub From: | Begin Stub to: | Begin Stub Index:
End Stub From: | End Stub to: | End Stub Index:

OTHER INFO

Step up Rate: | Step up Date:
Reference Credits: | CUSIP:
TRS Roll of: | TRS Clean Price: | TRS Dirty Price:
TRS Clean Start: | TRS Dirty Start:
TRS Clean Finish: | TRS Dirty Finish:

Up-Front Payment of $104,000,000 to be made on 12/15/99



Floating Rate is April 2001 NYMEX Crude Futures Contract

PAYMENT INSTRUCTIONS | Bank

Account #:	ABA #:	Ref. Account:
CREDIT	Credit Risk Factor:	Master Agreement on File? Don't know
Early Cash Settle: No	Cash Settl. Proc At:	# Days Notif.:
Notif/Settle Time:	Cash Settl. Date(s):	Margining:
Pre-Sett. Risk: $	Settlement Risk: $	Total Approval Amount:
Deferral: $	MIS: $	Matrix: $
Earnings: $	MIS To:	Expense Code:
RM:	RM Telephone #:	

Special Instructions: Citi to pay $104,000,000 to the customer on 12/15/99
Floating Rate Payer = Enron North America Corp.
Floating Amount = 5,347,814 BBLs x Floating Index
Floating Index = April 2001 NYMEX crude futures contract
Floating Index Determination Date - 3/13/00
Settlement Payment Date = 3/15/00

5,347,814 BBLs calculated, in conjunction with TD swap (#50950288), to pay interest and principal on $104.00MM advance on 12/15/99, based on April01 closing (CLJ1) price of $19.78 / bbl
Payment = $104MM x (1 + 91/360 x (6.12% + 0.65%)) = $105,779,761

Deal is carved out of existing margin agreement. Threshold for Citi posting under existing margin agreement is increased to $50 MM for term of this transaction.

Confirmation Instructions:

New or Existing confirm:

- ( ) A) Use Existing approved form
- ( ) B) New transaction - New specific confirm to be used

If "New confirm":

Transactor responsible for finalizing:
Responsible Legal / SPDU Contact:

Confirm Status (specify if draft sent to customer):
Any other special instructions:

Attach GK Screens Here:

Originator/Trader1	Trader2	Operations

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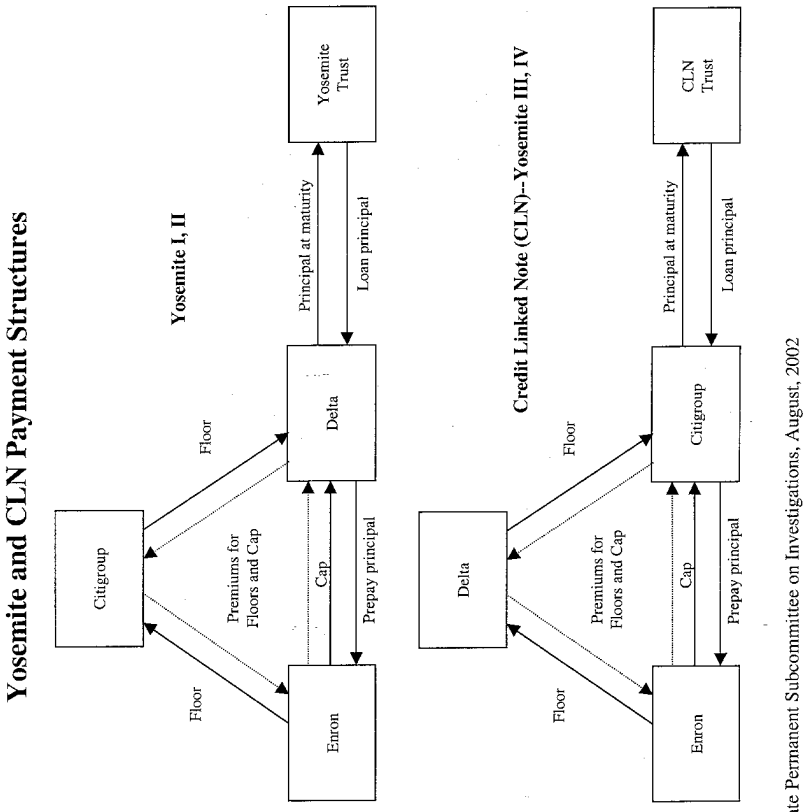


Permanent Subcommittee on Investigations
EXHIBIT #189a

Prepared by U.S. Senate Permanent Subcommittee on Investigations, August, 2002

Project Yosemite

Objective:

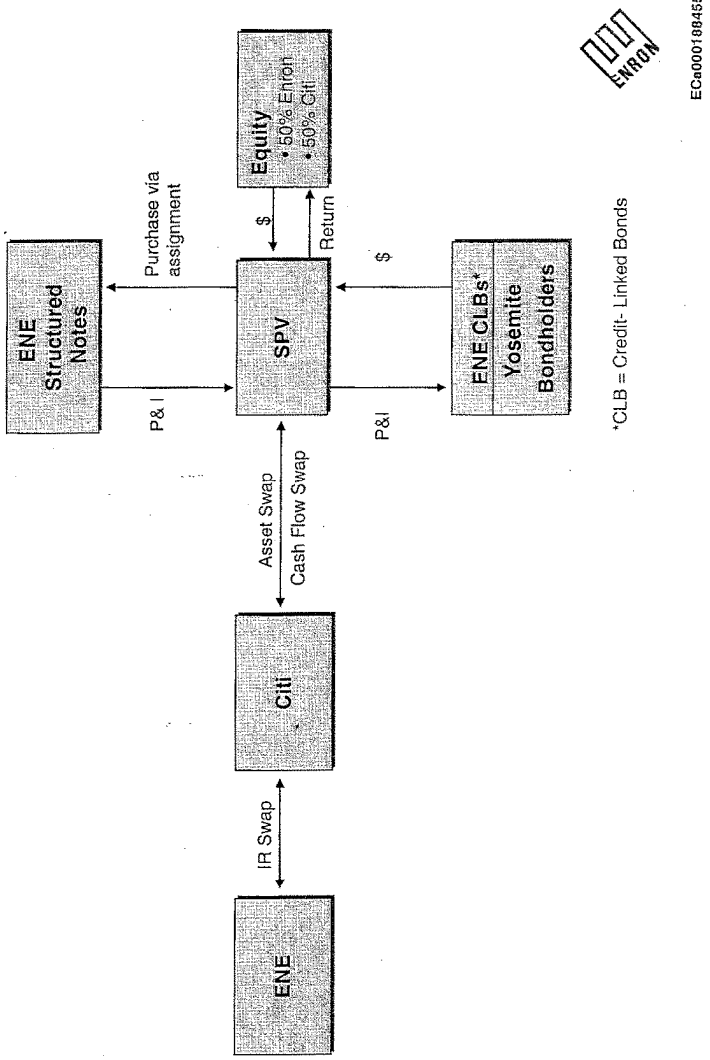
- Increase bank liquidity

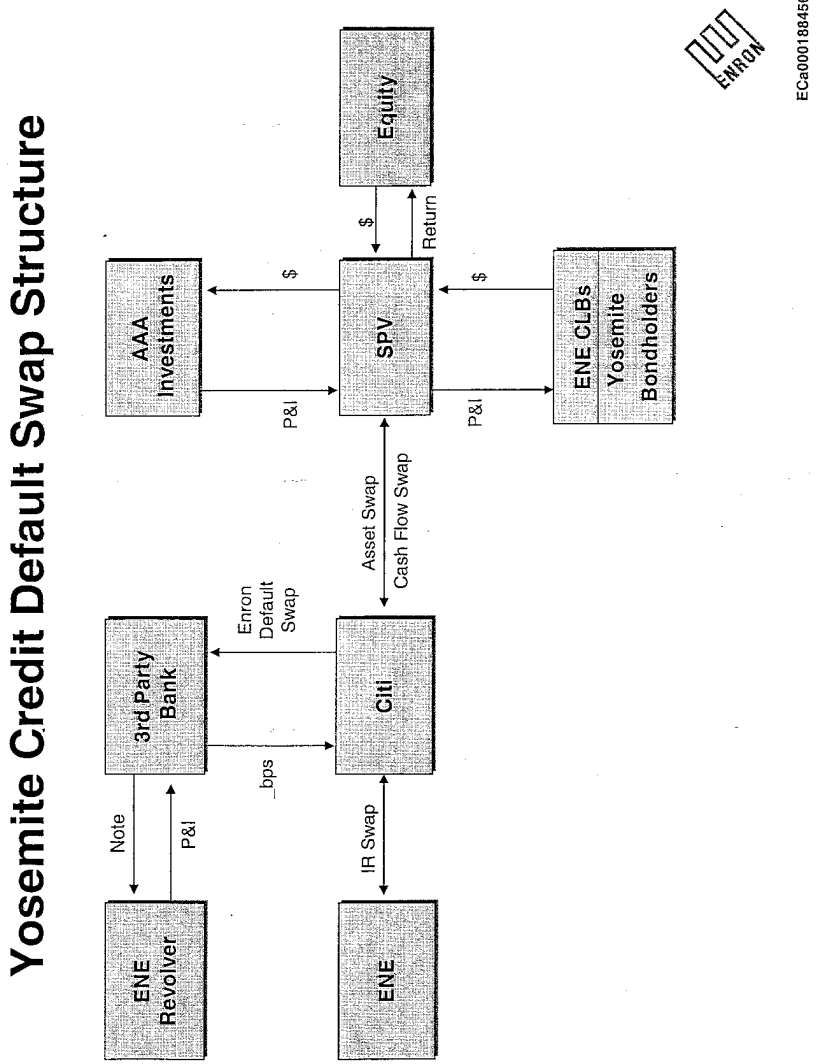
Permanent Subcommittee on Investigations
EXHIBIT #189b

Highlights:

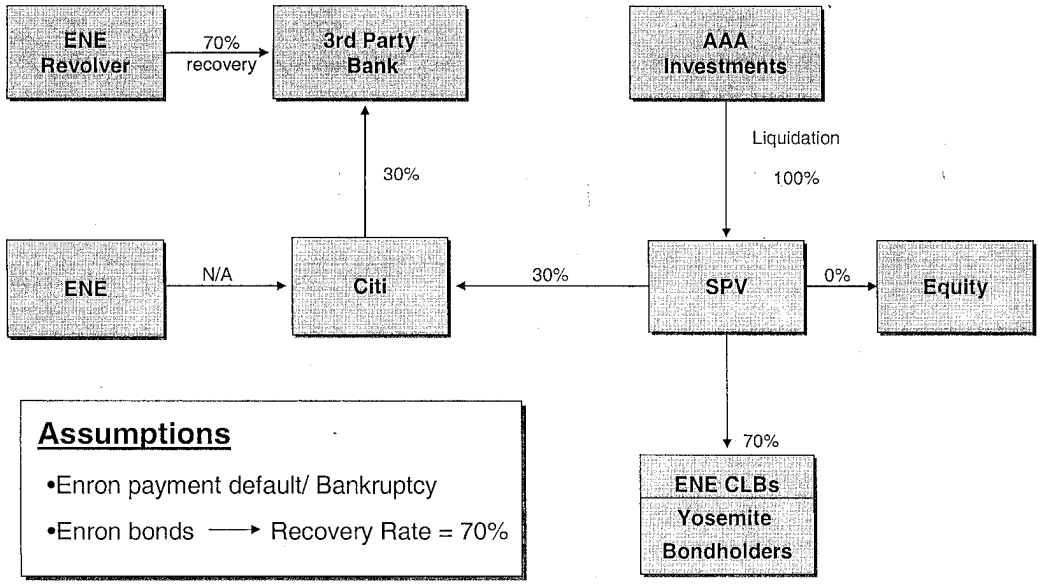
- Loan securitization vehicle for Enron structured debt
- Ability to target specific banks via credit default swaps
- "Black-box" feature
  - ability to substitute structured loans
  - disclosure limited to only Citibank
- No change in the accounting treatment of the underlying transactions
- Non-consolidation of the Yosemite SPV

Yosemite Buyout Structure




Yosemite Credit Default Swap Structure
ENE Revolver
Note
P&I
3rd Party Bank
bps
Enron Default Swap
Citi
IR Swap
ENE
Asset Swap
Cash Flow Swap
AAA Investments
$
P&I
SPV
$
Return
Equity
$
P&I
ENE CLBs
Yosemite
Bondholders
ENRON
ECa000188456

Yosemite Default Swap - Payout Scenario



ECa000188457

Summary

- Yosemite provides for a permanent takeout of highly structured bank transactions while maintaining the flexibility typically associated with the bank market

- The "black-box" feature provides considerable flexibility through substitution rights while limiting disclosure to only Citibank.

- The Yosemite bonds should be received by the marketplace as the equivalent of a synthetic Enron bond and will receive a credit rating of BBB+/Baa2 (equivalent to Enron)

Transaction Memorandum
Enron: Project Yosemite
$500MM - $1,500MM Default Swap and Credit Linked Note
DAC Meeting: April 6, 1999

Purpose:

This purpose of this memorandum is to obtain preliminary approval to seek a mandate to provide Enron's top tier banks with $500MM to $1,500MM of Enron default protection. Enron has asked Citibank/SSB to design a program that Enron can use to relieve credit capacity with their top tier banking relationships. Citigroup has proposed a solution whereby Citibank will either provide default protection to Enron's banks or effectively purchase their assets and in turn purchase protection from a fully capitalized SPV. Of specific interest for this meeting is our ability to assume some amount of basis risk between purchased and sold default protection and the treatment of the transaction on Enron's CA.

Client Need:

Enron puts a high degree of value on the innovative transaction brought to them by Enron top tier banks. These transactions have historically provided Enron with various forms of off balance sheet financing, tax efficient financing or cost effective equity-like financing. Recently Enron has been finding restriction in the capacity of the bank market to absorb Enron credit risk imbedded in these transactions. Enron is therefore seeking innovative solutions to increase bank credit capacity for their name while preserving the value added components of these deals.

Enron has outlined the following objectives for a transaction:

1. Increase bank credit capacity;
2. Maintenance of existing balance sheet treatment of transactions;
3. Expand investor base beyond commercial bank/top tier institutional investors;
4. Cost-efficient funding source;
5. Target size of facility $1BLN;
6. Minimize rating agency disclosure;
7. Have the ability to substitute facilities;
8. Minimize income losses to banks that would result if banks sold their holdings at current discounted market prices;
9. Maintain bank group in existing deals. Ideally, banks who are not top tier participants in deals will be unaware of the "sale" of the existing positions of top tier banks;
10. Close quickly.

Enron has identified several liabilities that vary in credit seniority for potential inclusion in a credit defeasance structure. Citibank has chosen from these several that we believe to be the equivalent to senior unsecured obligations of Enron on which develop a solution.

Permanent Subcommittee on Investigations
EXHIBIT #189c

CITI-SPSI 0033704

Proposed Structure: (Default Swap Structure)

Citibank has proposed two transactions that meet Enron's objectives. In the first we provide default swaps to Enron's top tier banks on specific Enron liabilities. Citibank will in turn purchase default protection from an SPV collateralized with AAA rated asset-backed securities. To purchase the securities, the SPV will issue notes or certificates whose repayment is conditional on certain Enron Credit Events and the market value of Enron senior unsecured debt obligations.

Protection sold by Citibank will have as Reference Obligations either Enron 5-year revolving credit facilities, the A-Notes of synthetic lease transactions, or other Enron senior unsecured obligations. Protection purchased by Citibank will have as Reference Obligations senior unsecured debt of Enron. These are likely to be bonds and loans of Enron. There is clearly a small amount of basis risk in the transaction. Enron views our ability to understand and assume this basis risk as important to the transaction. This will be discussed later in this document.

Execution of default swaps provides the banks with credit protection that:

1. Provides RAP relief;
2. Defeases risk without recognition of a gain/loss as the assets are not sold;
3. Enables the bank to hedge existing deals without selling the exposure and disrupting the bank group.

Investors and rating agencies see a simple Enron Credit Linked Notes with repayment similar to an investment in a direct Enron obligation. The investors will receive a premium over a direct Enron obligation but pricing will be relatively tight, as there is little structural complexity in the transaction.

GAAP and RAP Assets:

The proposed transaction should not be consolidated for accounting purposes and will not result in GAAP assets for the bank. This still has to be confirmed by financial control and accounting policy.

The ideal RAP treatment for the transaction will be for Citibank to only have counterparty risk capital for the purchased protection from the SPV. Evan Picoult is evaluating a transaction with similar "basis risk" to determine if and what amount of specific risk capital must be retained by Citibank. If only counterparty capital is included, Citibank would recognize a 4% risk adjusted asset.

Credit Risk Exposure:

Credit Risk Exposure will be to an SPV collateralized with AAA/AA rated asset-backed securities. The CRE will be a function of the tenor of the transaction but could be as high as 100% in most circumstances.

No exposure will be shown on Enron's CA for this transaction.

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Booking:

The default swap transactions will be booked as standard default swaps in GK. Pricing for both sides of the transaction will be determined by obtaining market bond price data for Enron.

Legal:

Certain Enron liabilities will require legal review of the underlying documentation and opinions to determine their credit seniority.

Outside counsel will be retained and will work with Don Bendernagel if a mandate is awarded.

"Basis Risk":

It is our intention to assume basis risk where we are reasonably certain that the dollar amount of such risk is minimal. We believe that will be the case where we purchase default protection on Enron bonds and sell default protection on senior unsecured loans. Citibank's experience has generally been that in the event of default, the recovery rates on unsecured loans exceed that of unsecured bonds.

Highly specialized assets will require more scrutiny. We have undertaken a preliminary investigation of synthetic lease transaction (ADP - Asset Defeasance Product). Based conversations with outside counsel and Eli Hassine (see attached email), we are reasonably comfortable that A-Notes of these transactions will trade the same or better than senior unsecured loans:

1. The A-Notes are in no worse a position than that of a general creditor
2. The notes have a third mortgage interest in the underlying building behind the B-Note and C-Note holders. Combined, these claims are only 15% of the original building value.
3. These facilities when syndicated usually command spreads similar to that of the lessee's senior unsecured loans.
4. $6BLN to $8BLN of transaction volume is executed per year

Profitability:

Citibank/SSB has shown the client the following pricing:

Up front Structuring and Placement Fees:	1%
Ongoing swap spread	15bppa
Basis Risk Cost	TBD

EV revenues for the firm will be as much as 1.8% of the notional amount placed.

CONFIDENTIAL CITI-SPSI 003370

Alternative Structure: (Hybrid Structure)

In a variation on the above structure the SPV purchases assets directly from the banks and purchases a default swap wrap from Citibank:

At Inception:

1. Investors put cash into the Trust in exchange for Trust Certificates
2. The trust purchases assets from the banks (e.g. Synthetic Lease Transactions)
3. Trust enters into a Knock-Out Total Return Swap with Citibank

During term of Transaction:

1. Under the Knock-out Total Return Swap, Trust pays cash flows received on Trust assets to Citibank in exchange for floating payments (e.g. LIBOR+95bp)
2. Trust exchanges floating payments received from Citibank for fixed payments under interest rate swap with Enron.

At maturity (no Enron default):

1. Synthetic Lease A-Notes mature with principal payments by Enron to the Trust
2. Under the Knock-out TRS, Trust pays total return on Trust assets (payment received from Enron) to Citibank and Citibank pays amount equal to the face amount of Trust Certificates to trust
3. Trust distributes payment received from Citibank to Trust investors in exchange for Trust Certificates
4. Credit Basis Swap terminates without any action taken thereunder

Upon an Enron default:

1. Knock-out Total Return Swap terminates
2. Trust physically delivers Trust assets to Citibank in exchange for a payment equal to the value of a Reference Obligation of Enron (a publicly traded, senior, unsecured obligation)
3. Citibank's payment obligation may be satisfied by a payment in cash or, if it so elects, delivery of Reference Obligations with a face amount equal to the face amount of the Trust assets

In our original proposal Enron would provide Citibank with a hedge on the basis risk by way of a collaterized swap. Enron has asked that we indicate our ability to execute this transaction without the basis risk hedge. As such, several issues remain outstanding in this structure:

Booking:

1. The trading desk is writing an "unhedged" contingent total return swap for up to 5 to 7 years. This would likely require an MRPC exception.

2. Can the transaction be booked in a fashion similar to the proposed transaction that would not result in any P&L swings.

CONFIDENTIAL CITI-SPSI 0033707

Banks:

1. Will the banks be comfortable taking a hit to there P&L if they have to sell the asset at current market prices

Accounting:

1. Can the SPV remain unconsolidated with Citibank

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CITI-SPSI 0033708

Schooley, Brooke D

From: Keller, James
Sent: Tuesday, August 24, 1999 5:16 PM
To: Schooley, Brooke D
Subject: Rating Agency Discussions

Brooke:

To bring you up to date I am attaching the correspondence we have sent so far to Moody's and S&P. The memo below went to Gerry Gluck at Moody's and the Summary went to both Moody's and S&P.

Jim

Gerry:

As we discussed yesterday, we believe that in assessing our proposed credit linked note structure the likelihood that the Company fails to pay on an obligation in the trust is a key point. However, we believe that the proposed transaction is structured to ensure that investors bear identical risks to bondholders.

Likelihood of default

- Each obligation in the trust will be of material size. Therefore, a default will be a material event to the Company. We believe that it is unlikely that the Company would choose to selectively default on a material obligation.
- All obligations in the trust will be bank financings.
- All obligations can be characterized as general claims on the Company. We are prepared to have a reputable law firm opine that the obligations in the trust are payment obligations of the Company not contingent on the performance of other parties and would in a bankruptcy of the Company rank *pari passu* with other general unsecured claims of the Company.
- You raised the question of the *probability* of default on trust assets versus other claims. It is not clear whether any company would sooner default on bank financings versus public debt. Intuitively it seems the reverse should be true. To take the argument to an extreme one could argue that one series of public bonds is more susceptible to default than another based on issue size, coupon, or maturity. To the best of our knowledge analysts do not differentiate among bonds based on these factors. Thus, we believe general claims are general claims and it is impossible to distinguish any difference in the probability of default among them.
- The Company's bond indenture does not have a cross default provision across series. Therefore, the Company may default on one series without regard to any other series. However, all of the Company's serial bonds are rated the same.

Failure to pay without bankruptcy

Permanent Subcommittee on Investigations
EXHIBIT #189d

- Although we consider it unlikely that the Company would default on an obligation in the trust without causing the Company to be forced into bankruptcy, we have taken steps to protect investors from this risk. Specifically, Citibank will sue on behalf of the trust for payment of the trust's claim. Generally, Citibank will pay to the trust any difference between the value of any nonappealable final judgment rendered by a competent court and the face amount of the Company obligation held by the trust. In the extreme case, should a court hold that the value of the Company obligation is zero, Citibank would be obligated to pay 100 cents on the dollar to the trust.

Bankruptcy

- If the Company were to go into bankruptcy and the bankruptcy court determined that the obligations held by the trust are worth less than certain publicly traded reference bonds of the Company, Citibank would again make up the difference between the value of the Company obligation held by the trust and the value of the reference bonds. We may settle in cash or remove the trust obligation and replace it with a reference bond.

In summary, SSB believes that the proposed credit linked note structure creates a security that has risks identical to the risks borne by holders of the Company's public bonds, and therefore should have the same rating as the Company.

We look forward to continuing this discussion. Again, thanks for your time in working through the issues on this proposed structure.

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Confidential Transaction

10.21.99

Transaction Memorandum

Project Yosemite

$[1.0] Billion Credit Default Swap Structure Referencing Enron Corp.

Client Need:

Enron Corp. ("Enron"), a Target Market customer, engages on a regular basis in highly structured financings ("Enron Structured Debt") with a select group of banks. These transactions provide significant value to Enron in that it can finance capital needs while maintaining favorable accounting and rating agency treatment. In planning its capital needs, Enron has become increasingly sensitive that its ability to continue executing these transactions is constrained by limited bank credit capacity. The purpose of the Yosemite transaction is to enable Enron to create additional credit capacity for itself in the bank market by shifting Enron credit risk from the bank market to the capital markets without affecting existing rating agency and accounting treatment of the Enron Structured Debt.

Citigroup Solution:

The Yosemite structure is designed to free up Enron credit capacity at Enron's key banks (the "Enron Banks"). Yosemite is a trust structure that raises funds in the capital markets to:

(i) purchase Enron Structured Debt from the Enron Banks; and

(ii) purchase certain AAA investments that will act as the collateral for the benefit of Citibank under default swaps referencing Enron written by Yosemite to Citibank (Citibank will, in turn, offer default protection to selected Enron Banks).

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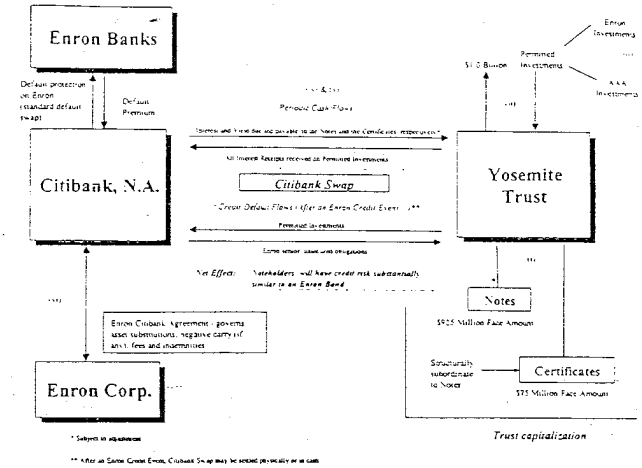
EXHIBIT #189e

Diagram and Mechanics:



(i) Yosemite will raise approximately $800 million to $1 billion of funds by issuing (i) $725 - 925 million of Notes and (ii) $75 million of Certificates. The Notes will mature in 5 and 7 years. The Certificates will be subordinate in right of payment to the Notes.

(ii) The proceeds from the issuance of the Notes and the Certificates will be used to purchase Permitted Investments, consisting of AAA Investments and Enron Structured Debt. Enron Structured Debt will include payment obligations supported, in whole or in part, directly or indirectly, by Enron.

(iii) The Permitted Investments may be changed over time provided that both Enron and Citibank agree to any substitution. Citibank will select all AAA Investments.

(iv) Citibank and the Trust will enter into the "Citibank Swap" which will provide the following (as long as an Enron bankruptcy has not occurred): (a) all interest on Permitted Investments received by the Trust will be paid to Citibank; and (b) Citibank will pay to the Trust the coupon payment on the Notes and yield payment on the Certificates on each interest payment date.

(v) The Citibank Swap will also function as a credit default swap in which Citibank will protect the Trust if, in an Enron bankruptcy, the Enron Structured Debt recovers less than Enron Bonds.

(vi) Enron and Citibank will enter into the "Enron Agreement" which will govern asset substitutions and will contain certain periodic payments which have the effect of converting any fixed cashflows to floating. The Enron Agreement requires that both Enron and Citibank approve any asset substitutions (i.e., Enron is unable to place assets in the Trust without Citibank's prior consent).

Risks to Citibank under the Citibank Swap:

The Citibank Swap is designed to insulate the Noteholders from any risk that Enron Structured Debt held by the Trust results in greater exposure to Enron than would an Enron Bond. Essentially, in the event of a Bankruptcy of Enron, the Citibank Swap will protect Noteholders from any diminution in value of the Enron Structured Debt held by the Trust that would not be present if the Trust were holding an equivalent principal amount of Enron Bonds. (Any excess value would be paid by the Trust to Citibank under the Citibank Swap.)

Accordingly, Citibank is exposed to a risk that the recovery on Enron Structured Debt is less than that on Enron Bonds (i.e., Citibank takes basis risk on recoveries in the event of an Enron bankruptcy). Under the Enron Agreement, Citibank and Enron must jointly approve any asset substitution and the price Citibank receives for assuming any basis risk between the new Enron Structured Debt and Enron Bonds. Derivatives will maintain, as part of the Credit Derivatives Product Program, a process for evaluating and approving any basis risk on Enron Structured Debt. Such process will be completed prior to any proposed substitution.

In addition, if Citibank has written default swaps to Enron Banks, the hedge provided by the Yosemite Trust will be secured only to the extent of the value of the AAA Investments held by the Trust. Any losses on the AAA Investments will result in a diminution in the value of Citibank's collateral. However, this risk is viewed as remote.

Upon a bankruptcy of Enron, Citibank will satisfy its obligation under the swap by either: (a) delivering to the Trust senior unsecured obligations of Enron in exchange for a like face amount of Permitted Investments; or (b) paying to the Trust any deficiency between the recovery value of senior, unsecured obligations of Enron and the recovery value of the Enron Structured Debt, both determined at the conclusion of the bankruptcy proceedings.

Initial Enron Structured Debt:

It is expected that the Enron Structured Debt will consist of a (i) $800 million prepaid oil derivatives transaction (the "Prepaid"), (ii) an adjustable note (the "Negative Carry Note") designed to pick up any negative carry between (a) the Note coupons and Certificate yield and (b) the yield on the Trust's assets.

Prepaid: Please see attached Yosemite Funded Prepaid Description for a diagram of the structure. Basis risk between derivatives' claims under the Prepaid and senior unsecured claims have been analyzed both by internal counsel and by Milbank. Both internal and external counsel believe that the risk of a difference in the recovery rates of the $800MM prepaid and $800MM of bonds is remote.

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Adjustable Note: Enron has agreed to include among the Permitted Investments an adjustable note. The adjustable note will be designed to pay any negative carry that exists between the other Permitted Investments and the Note Interest and Certificate Yield. Under the Enron Agreement between Citibank and Enron, Enron agrees to reimburse Citibank for any negative carry. The adjustable note is also designed to insulate Citibank from Enron Failure to Pay risk and by its terms will protect the Trust from defaults under other Enron Investments by adjusting its payment streams so that it picks up any missed payments (essentially, the note acts as a first loss cushion).

Equity Investment:

Please see attached Yosemite Equity Investment memo.

Credit Exposure:

The transaction will create approximately $37.5 million of additional credit exposure comprised of the $37.5 million due to the indirect purchase of the Trust Certificates. This exposure will not be equivalent to a loan exposure as Citigroup will not have a direct claim to Enron; however, this exposure will be hedged by the operation of the Citibank Swap as described above.

Please note that execution of this transaction will enable Enron to repay approximately $400 million of prepaids currently on the Citibank CA.

Expected Revenues:

Although pieces of the transaction are continuing to evolve, expected revenues equal approximately the following:

Deal Size	$1.0 billion	$800 million
Assets	Prepaid, AAA Investments	Prepaid
Note Issuance	$462.5 million each of 5 and 7 year maturities	$362.5 million each of 5 and 7 year maturities
SSB Bond Fees	$5.0 MM	$3.7 MM
Prepaid Fees	11.3 MM	11.3 MM
Yosemite Equity	4.6 MM	4.4 MM
Default Swap Fees / LIBOR earnings	2.1 MM	0
Total	**$23.0 MM**	**$19.4 MM**

Accounting Implications:

Accounting Policy has indicated that the Trust will not be consolidated with Citibank as Enron will own 50% of the Trust equity and is the primary beneficiary of the Trust, Citibank does not have a direct, funded ownership interest in the Trust and Citibank will not have decision-making authority with respect to the Trust. In addition, for Risk Based Capital purposes, the Citibank Swap will function as offsetting purchased and sold default protection on Enron.

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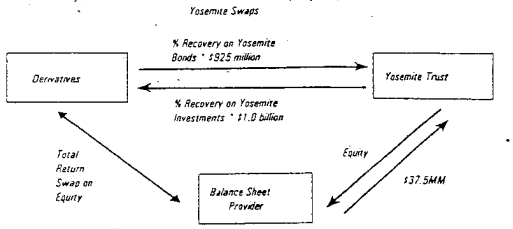
Yosemite Equity Investment

Overview

Project Yosemite's Trust requires $75 MM of equity. It is contemplated that Enron will provide $37.5MM directly to the Trust, and that Citigroup, through Salomon, will synthetically provide $37.5MM. For Citigroup's portion, a balance sheet provider will invest $37.5MM and enter into a total return swap on the equity with Salomon. Consequently, the balance sheet provider is exposed to Salomon risk only, and Salomon assumes the equity exposure.



The equity in Yosemite absorbs any losses in the Trust before the Notes; accordingly, the recovery on the equity is zero if recovery in bankruptcy on Enron bonds is below 92.5 cents / dollar - a likely occurrence. Citigroup hedges its exposure to the equity through the Yosemite Swaps that Citibank buys and sells to the vehicle. The Yosemite Swaps are structured so that the net of swap payments and equity loss in the event of an Enron bankruptcy has recovery characteristics superior to those of a standard plain vanilla loan for Citigroup as an institution.

Calculations

Assumptions					
Notes	$925				
Total Equity	$75				
Swap Notional Citibank Payments	$925				
Swap Notional Trust Payments	$1,000				
Citi Equity Investment	$37.5				
Recovery Rates					
Enron Investments	20%	30%	50%	65%	75%
Bonds	20%	30%	50%	65%	75%
Funds Flow at Bankruptcy					
Swap Payment by Citibank	$185.00	$277.50	$462.50	$601.25	$693.75
Swap Payment by Trust	$200.00	$300.00	$500.00	$650.00	$750.00
Net Swap Payment to Citi/(from Citi)	$15.00	$22.50	$37.50	$48.75	$56.25
Loss on Equity	($37.50)	($37.50)	($37.50)	($37.50)	($37.50)
Windfall/(Loss) on Swap and Equity	($22.50)	($15.00)	$0.00	$11.25	$18.75

Note that Citgroup's exposure is superior to that of a standard loan, as the institution only experiences a

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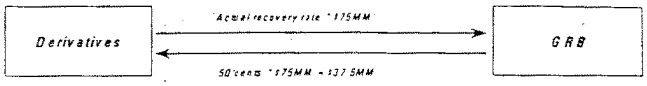
loss if recovery is below 50 cents/ dollar. If recovery is greater than 50 cents/dollar, the institution receives a windfall payment from the Trust.

Booking Mechanics

It is contemplated that Citibank GRB will book the equity exposure as $37.5MM of 7-year Company Yosemite exposure, and that Citibank GRB and Citibank Credit Derivatives will enter into a "Recovery Rate Swap" in order to modify the GRB's equity recovery value to achieve the favorable economics outlined above. Under the swap, GRB will pay Derivatives a fixed recovery rate of 50 cents/dollar in exchange for receiving the actual recovery rate/dollar on a $75MM notional amount. The swap will be settled at the earlier of the end of Enron's bankruptcy proceedings or 7 years.



Returns

Citgroup will receive approximately LIBOR + 5.00% on its $37.5MM exposure.

Summary of Position

Salomon has total return swap on $37.5MM of equity. Citibank GRB and Citibank Derivatives execute the Recovery Rate Swap. In combination, Citbank GRB takes $37.5MM of credit exposure to Company Yosemite, with a superior return and recovery position to straight Enron debt. This superior return is possible because of an overcollateralization: i.e. payments made by Citibank will relate to the Noteholder's 92.5% interest in the Yosemite Trust Assets, whereas Citibank will receive a payment on 100% of the Yosemite Trust Assets.

SALOMON SMITH BARNEY
A member of citygroup

Interoffice Memo

DATE: October 26, 1999

TO: Fred Chapey, Eleanor Wagner

FROM: Lynn Feintech, Adam Kulick, Rick Caplan

RE: **Follow-up to Yosemite CMAC meeting**

The purpose of this memo is to inform you of the completion of the follow-up items that the CMAC requested at the September 22 meeting. Below are excerpts from the meeting's minutes that describe the follow-up items and the actions that have been taken to complete them.

1. *Define procedures for performing due diligence on proposed asset additions/substitutions to Permitted Investments held in the Trust. Procedures should include: ensuring that the underlying documents on the asset are in order, securing all necessary approvals internally (Credit Derivatives, Capital Markets Credit, Market Risk Management, Legal) and obtaining memos/opinions from outside counsel for each proposed asset. (Tom Francois, Rick Caplan, Adam Kulick)*

Basis risk associated with any additional Enron-related assets to be purchased by Yosemite will be analyzed by the Credit Derivatives Business in conjunction with the Risk Management and Legal groups. Such analysis will focus on the structural aspects of the proposed asset, especially the nature of the Enron support. The ultimate purpose of the analysis will be to assess the chances that a claim related to the asset could be treated differently than a claim on a generic senior-unsecured Enron debt obligation in a Bankruptcy proceeding related to Enron. External legal counsel will be retained to assist in this analysis and a legal opinion or memorandum from such counsel will be obtained on any asset.

Approvals for any new asset will be required from:
The Head of Credit Derivatives Trading (currently Doug Warren)
The Head of Credit Trading (currently Geoff Coley).
The Head of Derivatives Client Risk Management (currently Eleanor Wagner)
The Head of Market Risk Management (currently David Bushnell)
The Head of Capital Markets Legal (currently Marcy Engel)
The Head of Global Energy (currently Bill Fox)

2. *Quantify additional credit risk to Company Yosemite that may arise from differences in cash flows, e.g., fixed vs. floating, and mismatches in timing*

Permanent Subcommittee on Investigations
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SALOMON SMITH BARNEY
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between the cash flows received by Citibank from Permitted Investments and Citibank's cash flow obligations on the Notes and Certificates. Secure the necessary Credit approvals. (Tom Francois, Rick Caplan, Adam Kulick)

There is no incremental risk and therefore no need for credit approval. The Trust will hold as an asset an Enron note with a variable coupon that will be defined to cover the negative carry in the transaction.

3. *Finalize with client the terms of the Yosemite agreement in the event that Company Yosemite fails to pay on Yosemite investments outside of bankruptcy (Rick Caplan, Adam Kulick)*

Failure to pay risk is mitigated by the existence of an adjustable rate note that Yosemite will purchase directly from Enron. This note is designed to pay interest at a rate that makes up for any deficiency between the scheduled interest receipts on Yosemite's assets and the coupons on the notes and certificates Yosemite is issuing. This note would pick up any "negative carry" between the yield on Yosemite's assets/liabilities. This note would not, however, pick up any failure by a debtor of Yosemite to make any normally scheduled interest payments.

Under the Citibank/Yosemite swap, Yosemite pays Citi its actual interest receipts and Citi pays Yosemite the coupons due on Yosemite's notes and certificates. Following a publicly noticed Enron Failure to Pay, Citi can reduce the amount of its periodic swap payments by the amount of any unpaid interest Yosemite was to receive directly from Enron. Citi can also deliver to Yosemite direct Enron obligations in exchange for indirect Enron obligations following an Enron Failure to Pay. In the event of a failure to pay on the Prepaid, the swap receivable that the vehicle that issued the Prepaid would hold (a direct Enron Obligation arising out of termination of the prepaid oil forward) would be assigned to Yosemite in exchange for the note the Prepaid vehicle had originally issued to Yosemite. The swap receivable would bear a contractual interest rate. Hence, there would be interest amounts directly owing to Yosemite by Enron which, if not paid, would serve to reduce Citibank's obligation to pay Yosemite's required coupons. The interest on the swap receivable would be set at a level to insure that Citibank would not have any net payment obligation to Yosemite with respect to ongoing interest on Yosemite's obligations.

4. *Present the deal to the Commitment Committee for review and approval. In preparation, describe the functions and risks of each swap. (Rick Caplan, Adam Kulick)*

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The Commitment Committee meeting is scheduled for Monday, October 25th. The memo describing the functions and risks of each swap will be included in the Commitment Committee memo.

5. *Present the "Firefly" transaction, including proposed modifications, to CMAC for review and approval (Rick Caplan, Adam Kulick)*

The Trust will not hold Firefly as an asset at closing.

6. *Secure approval from the GRB Control Unit and Relationship Manager for Company Yosemite for the Equity piece of the transaction (Rick Caplan, Adam Kulick)*

Briefing presentations have been made to the GRB credit approval chain. Actual credit approval is currently being sought.

7. *Address and resolve remaining issues on documentation pertaining to the Citibank swap, Yosemite agreement and the Equity piece (Don Bendernagel, Rick Caplan, Adam Kulick)*

Swap and equity have been agreed to in principle. Documentation revisions will continue until closing.

8. *Address and resolve outstanding regulatory and accounting issues with respect to the structure and Equity investment (Saul Bernstein, Don Bendernagel, Rick Caplan, Adam Kulick)*

Accounting Policy and Regulatory has approved the transaction and Salomon Smith Barney's synthetic investment in the equity of the Yosemite Trust.

9. *Ensure Operations has current capability to book and process all the legs of this complex transaction (Rich Tantone, Rick Caplan, Adam Kulick). Subsequent to the CMAC meeting, Rich Tantone met with Rick Caplan, who will prepare a list and explanation of all components of the deal that need to be booked.*

Operations has been provided with a listing of all transactions to be booked. Operations has indicated that they will be able to book each leg of the transaction.

10. *Analyze additional ongoing maintenance costs (ex. Legal Department, outside counsel, Operations) associated with this deal (Rick Caplan, Adam Kulick in conjunction with appropriate functions).*

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Enron will pay costs of outside counsel for any review of new assets.

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10-29-99

Yosemite Securities Trust I
Linked Enron Obligations (LEOs[SM])

Frequently Asked Questions

Q: *What is the basic idea behind Yosemite?*

A: The broad theme is to find the best home for different risks. As noted in The Wall Street Journal on 10/27/99, banks are increasingly reluctant to take on long dated credit risk (i.e. generally a 3-year limit), although they maintain a competitive advantage in structured finance. Yosemite allows Enron to take advantage of the flexibility provided by banks in structuring complex financings while placing pure long dated credit risk in the capital markets.

Q: *Why does Yosemite make economic sense?*

A: Structuring risk is most efficiently priced in the bank market. Pure credit risk is most efficiently priced in the capital markets. The Yosemite structure allows Citigroup to place pure Enron credit risk in the bond market while keeping the structural risks in the bank market.

Q: *Why is Enron doing this?*

A: To take advantage of banks' structuring expertise while broadening Enron's sources of capital. Banks are willing to do structured financings for limited tenors (typically three years); Yosemite will allow Enron to continue to execute structured financings with banks while extending the tenors of the deals by placing the credit risk in the capital markets. Enron believes that, as its capital structure is diverse and complex, strategic value is added by being able to syndicate a variety of risks through structured financings.

Q: *Is Enron running out of bank lines?*

A: Enron has substantially reduced its dependence on bank financing over the last year (over $4 billion in freed up capacity). Enron believes that it has excellent liquidity in and access to the bank market. Yosemite provides Enron with another avenue through which to source funds and expand its sources of capital.

Q: *How does this transaction affect Enron financial statements?*

A: All assets of the Trust are already reflected in Enron's financials or will be at the time they are created. Examples of potential Enron investments include bank loans, credit facilities, contingent guarantees, financing leases and structured commodity swaps.

Permanent Subcommittee on Investigations
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Q: *What is Citigroup's interest?*

A: Enron is an important customer of Citigroup. Citigroup wants to continue to strengthen this relationship, and Yosemite allows Citigroup to continue executing sophisticated financings with Enron while managing its credit exposure. In addition, Yosemite provides Citigroup a vehicle through which it can expand its penetration in the credit derivatives market.

Q: *What are the benefits to investors?*

A: Investors receive a premium for taking Enron credit in a structured form. The size of the offering and SSB's market-making commitment should combine to ensure adequate liquidity.

Q: *What kind of assets can Yosemite hold?*

A: Yosemite is a black box, but assets are limited to direct or indirect obligations of Enron and certain high credit quality investments (U.S. governments, AAA/Aaa or A1+/P1 CP).

Q: *What are investors' risks to Enron?*

A: LEOs are designed to mimic the risk profile of Enron senior unsecured obligations that rank the same as Enron bonds. In an Enron bankruptcy, the structure is designed to give Yosemite investors the same recovery as senior bondholders. Following any other payment failure, the structure is designed to give investors risk to Enron senior unsecured obligations that rank the same as borrowed money. Therefore, in all cases, investors bear general credit risk to Enron senior unsecured obligations.

Q: *What are investors' risks to Citibank?*

A: Investors have performance and credit risk to Citibank (Aa2/AA-). Through a swap, Citibank receives all payments from Yosemite assets and is obligated to make each Yosemite coupon payment. In addition, Citibank is obligated to ensure that in any default situation involving Enron or the Enron assets held by Yosemite that investors take risk only to senior unsecured obligations of Enron.

Q: *Do investors' have other risks?*

A: Yosemite may invest in AAA/Aaa term assets or A1+/P1 CP (provided the CP issuer's long term rating is AA-/Aa3 or better). Investors bear default risk of but not price risk to these securities.

Q: *Can Yosemite be replicated?*

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A: Yosemite I is the beginning of a program of trades for Enron. Citigroup believes the technology will be beneficial to other capital users.

Q: *Who will own the Certificates?*

A: Each of Enron and Citigroup will, directly or indirectly, own 50% of the Certificates. Neither will be able to modify the structure without Noteholder consent.

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Moody's Investors Servic

99 Church Street
New York, New York 10007

November 18, 1999

Yosemite Securities Trust I (the "Issuer")
c/o Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

Re: **$750,000,000 8.25% Series 1999-A Linked Enron Obligations due 2004 (the "Linked Enron Obligations")**

Ladies and Gentlemen:

At your request, Moody's Investors Service has reviewed for rating purposes the information submitted in connection with the above-captioned issuance. We understand that this information was submitted in substantially final form.

Based on the information submitted, Moody's Corporate Rating Committee has assigned a rating of **Baa2** to the Linked Enron Obligations. The rating reflects the credit quality of the Enron Corporation ("Enron"), as well as the effectiveness of the documentation and of the structure in conveying this credit quality to investors. In addition, the rating incorporates the financial strength and additional risk presented by the swap agreement with Citibank, N.A ("Citibank"). The rating of the Linked Enron Obligations will change with the ratings of the Enron and Citibank.

The rating will be monitored and is subject to reconsideration at Moody's sole discretion. The ratings are contingent upon receipt of all executed documents in form satisfactory to Moody's within thirty (30) days of this letter. Please send all documentation and notices to Moody's Investors Service, 99 Church Street, New York, New York 10007, Attn: Structured Derivative Products.

Thank you for your interest in our services.

Sincerely,

Isaac Efrat
Vice President

Sloan Walker
Vice President

Permanent Subcommittee on Investigations
EXHIBIT #189h

Structured Finance Ratings

55 Water Street
New York, NY 10041-0003
Telephone 212-438-1000

Standard & Poor's
A Division of The McGraw-Hill Companies

November 18, 1999

Mr. Richard Caplan
Salomon Smith Barney Inc.
390 Greenwich Street
New York, NY 10013

Re: **Yosemite Securities Trust I**
$ 750,000,000 8.25% Series 1999-A Linked Enron Obligations (LEOs) due November 15, 2004

Dear Mr. Caplan:

Pursuant to your request for a rating on the above issue, we have reviewed the information presented to us and have assigned the rating of "BBB+" to the notes. If you have any questions relative to this rating, we will be pleased to answer them.

We will maintain continuous rating surveillance until the above-named notes mature or are otherwise retired. In order to maintain our rating surveillance, we must receive all reports submitted to the fiscal agent in regard to the above-captioned issue, the absence of which may result in the withdrawal of our rating. Standard & Poor's relies on the issuer and its counsel, accountants and other experts for the accuracy and completeness of the information submitted in connection with the rating. Please address all reports to: Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041-0003, Attn: Asset-Backed Surveillance Group.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. You understand that Standard & Poor's has not consented to, and will not consent to, being named an "expert" under the federal securities laws, including without limitation, Section 7 of the Securities Act of 1933. In addition it should be understood that the rating is not a "market" rating nor a recommendation to buy, hold, or sell the notes.

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Standard & Poor's reserves the right to advise its own clients, subscribers, and the public of the rating.

We are pleased to have had the opportunity of being of service to you. Our bill for the analytical work performed on these securities will be sent to you within one month. If we can be of further help, please do not hesitate to call upon us.

Very truly yours,

Joseph F. Sheridan
Managing Director

723-6453 FAX X 8510

Bernstein, Saul

From: Bernstein, Saul
Sent: Wednesday, November 03, 1999 1:10 PM
To: Caplan, Rick SSB.; Kulick, Adam SSB.
Cc: Bergen, Linda; Mackey, William J.; 'Bozarth, William T.'; 'Langer, John D. SSB.'; ; Battline, Frederick; Battline, Frederick; Mackey, William J.; Bergen, Linda; Langer, John D. SSB.; Bozarth, William T. SSB.
Subject: RE: RE: Project Yosemite

Rick/Adam, I spoke with Fred and stated that I believe the client understands the accounting risk and that it is their argument to lose. That Enron would argue that they do not control on a risk/reward basis, and that Citibank would argue the same. Yosemite Trust would be another orphan SPV. Fred understands that the transaction is presently being priced in the market. We agreed that the transaction can proceed.

Regards, Saul

-----Original Message-----
From: Battline, Frederick
Sent: Wednesday, November 03, 1999 12:11 PM
To: Bernstein, Saul
Cc: Bergen, Linda; Mackey, William J.; Bozarth, William T.; Langer, John D. SSB.
Subject: RE: Project Yosemite

Saul,

You and the others have spent more time on this than I have, but if we have structured a transaction to help a client avoid consolidation, how can we turn around and take the position that they should be consolidating?

I'm not suggesting that we are responsible for their accounting, but I am afraid that if we ever had to defend this we would either (a) embarrass the client or (b) lose the accounting argument.

Regards,
Fred

_____ Forward Header

Subject: RE: Project Yosemite
Author: Saul Bernstein at 20USNYC
Date: 11/03/1999 10:55 AM

Fred, the initial form of this transaction had Citibank as a 50% funded equity partner with Enron. My understanding is that Enron was taking the position that they would therefore not have control and be able to avoid consolidation. I advised the business that we should not have a funded equity position. Per D-14, real equity are those investments which are funded and at risk for the full life of the SPV. Also, it is unusual to consolidate an SPV solely on the basis of writing a derivative.
Further, the business committed to have Enron holding an equity interest of at least three to five percent (with the total equity of Yosemite Trust being in

Permanent Subcommittee on Investigations
EXHIBIT #189j

the range of six to ten percent). It is our view that Enron should consolidate the Trust (implied by the accounting rational documented in my memorandum which supports non-consolidation by Citibank), but GCIB Accounting Advisory nor the Business does not advise a customer regarding its accounting. We tell them to consult their internal accounting folks or external auditors. This is the customer's accounting risk to accept or reject.
It has not been my experience that "we assure ourselves that the client accepts our view" regarding what we believe their accounting should be. This would be a new operating standard and business requirement, the competitive impact of which must be carefully considered. Please note the all transactions are approved from an appropriateness and suitability aspect.

Please also note, regarding our own accounting, this transaction was reviewed by Bill Bozarth, John Langer and Linda Bergen. We all got comfortable with not consolidating the Yosemite Trust, although we all share your concern.

Regards, Saul
-----Original Message-----
From: Battline, Frederick
Sent: Wednesday, November 03, 1999 9:49 AM
To: Bernstein, Saul
Cc: Bergen, Linda; Mackey, William J.
Subject: Project Yosemite

Saul,

I have reviewed the memo, and I am concerned with the consolidation of the Yosemite Trust in view of the way that the equity ownership is structured.

EITF Topic D-14 says that one of the conditions to avoid consolidation is that the majority owner of the trust must be an independent third party who has made a substantive capital investment. I don't see how this condition is being met in the current structure. The client is not independent, and the third party investor is protected by the total return swap provided by SSB (who as part of Citigroup is also not independent from the rest of the transaction).

If it is our view that the client should be consolidating the trust, we need to be sure that the client accepts this view. We are not responsible for the client's accounting, but since we are advising on the transaction it could be rather embarrassing if Citigroup's accounting position relied on a view that is contrary to our client's interest. In this transaction the client may be indifferent to consolidating the trust, since the obligations are on its balance sheet in one form or another. But if this is the case, why not have the client provide (a) all of the equity in the trust or (b) the total return swap?

Good question

Regards,
Fred

_____ Forward Header

Subject: Project Yosemite
Author: Saul Bernstein at 20USNYC
Date: 10/29/1999 10:54 AM

Rick/Adam, as you know, I have sent my approval to the CMAC. The attached file documents the approval. Good luck on the marketing. I understand the closing is expected prior to November month-end. Please keep Eric and Alan in the loop.

Regards, Saul << File: MAPI-1 Distribution List.TXT >> << File: enronder.DOC >> << File: MAPI-1 Distribution List.TXT >>

Troxell-Winter, Aracy [CRRM]

From: Joseph Mackiewicz
Sent: Monday, November 08, 1999 1:44 PM
To: Joseph Farina
Cc: James Murray; Aracy Troxell; Steffen Lunde; Bran Raskovic; Joseph Mackiewicz
Subject: Enron - Various

Here's the latest:

1. New Deals:

a. Yosemite: Capital markets deal priced last week (5T+2.375%) with funding expected on or about 11/18. A portion of the proceeds will be used to repay our Project Roosevelt(Delta). Joe F---please liaise with Enron and Steve Baillie at Citi Houston to make sure Roosevelt is repaid before the existing approval expires.

b. Nahanie: New $500MM Conduit-funded Capital Structuring deal in the works with closing expected some time in December. Bran is handling the Securitization leg of this one.

c. JEDI-II: Citi Houston has advised Enron that they cannot approve the necessary exposure on this $500MM year-end deal, mainly because of Nahanie, and have taken a pass.

2. Old Deals:

a. Roosevelt: Joe F---please liaise with your Enron contacts and Steve Baillie at Citi Houston to make sure Roosevelt is repaid before our credit approval expires. Please also liaise with Bryan in Harrison regarding the cash inflow.

b. JT Holdings: The remaining Conduit outstandings for this deal will be repaid soon. Joe F---please liaise with Enron, Steve and Bryan regarding timing.

c. Coal Capital: Citi Houston has told Enron that the syndicate banks want a CF of 30 bps p.a. for the next 364 days. The client is considering and will be back to us this week, possibly this afternoon.

Regards, Joe

Permanent Subcommittee on Investigations
EXHIBIT #189k

Ruding, H-Onno

From: Ruding, H-Onno
Sent: Wednesday, November 10, 1999 5:17 PM
To: Reilly, James F.; Baillie, Steve; Stott, Thomas
Cc: Rhodes, William; Carpenter, Mike A.; Sabatacakis, Petros; Macdonald, Alan S.; Fox, William
Subject: Enron Credit

Reference the attached CM. I approved today the requested $50 million hold position for the new $375 million backstop facility. As we all know, our overall exposure (both "total facilities" and "total O/S and UC") to Enron is huge. As your note has outlined, the efforts to reduce our exposure to "normal" are well on track particularly through the Yosemite Bond financing, the funds of which are expected to come in on November 18. Until the moment that we have received the debt repayment resulting from the Yosemite transaction, I am not willing to approve another incremental exposure on Enron; this obviously should apply to SSB as well. Once we have received the pay down of our facilities to a level of about $600 million or less, I think that we can look at any incremental exposure in a more flexible way.

-----Original Message-----
From: Reilly, James F.
Sent: Monday, November 08, 1999 3:50 PM
To: Ruding, H-Onno; Kennedy, John J.
Cc: Stott, Thomas; Fox, William; Baillie, Steve; Mathai, Sumit
Subject: Enron Corp

We have delivered an approval package to you this afternoon. Enron Funding Corp. ("EFC"), a subsidiary of Enron Corp., is establishing a $375MM, 364-day RC to backstop a new $500MM CP program. All EFC obligations will be guaranteed by Enron Corp. The EFC program will be rated A1/P1 on the strength of a credit "wrap" provided by two insurance companies, AXA and Winterthur, each rated AA (we will carry this exposure as Enron credit, not the insurance companies, given the reluctance of Global Insurance to signoff on deals of this type). Via this transaction, Enron hopes to secure a hold on liquidity from the more stable A1/P1 CP market. The purpose of the new program is to expand availability and liquidity for Enron Corp. We are requesting approval for a $50MM co-arranger position. In addition, we expect that SSB will be added as a dealer on both this new program as well as the established $2.5B A2/P2 program of Enron Corp.

The CA will show Total Facilities of $1,139MM and an Obligor Exception of $356MM. These numbers do not reflect the anticipated paydown of exposure following the completion of the Yosemite bond financing. Last Thursday, Yosemite priced, raising nearly $830MM ($755MM in bonds and $75MM in equity) which will be channeled to retire our Truman (exposure of $400MM) and Roosevelt (exposure of $130MM) prepaid oil transactions. The Yosemite funds will be delivered on 11/18 - paydown of our facilities will come simultaneously or shortly thereafter. As a result, Total Facilities will reduce to roughly $600MM and the Obligor Exception will be eliminated. Beyond these paydowns, we have the insurance "wrap" on this deal, $120MM of credit derivatives, and roughly $30/40MM of L/Cs in our favor (as margin for commodity hedging transactions) which further reduce our effective Enron exposure.

My apologies for the timing. We are asking for your approval by close of business Wednesday, 11/10. The rush arises as we held up the package until after the Yosemite roadshow/pricing of last week.

Permanent Subcommittee on Investigations
EXHIBIT #1891

ENRON DEBT SECURITY
[Series 1999-A]

U.S. $25,000,000.00 November 18, 1999

Reference is made to that certain Collateral Security Agreement, of even date herewith, among Yosemite Securities Trust I, a Delaware statutory business trust, Citibank, N.A., as swap counterparty, and United States Trust Company of New York in four separate capacities as indenture trustee, collateral agent, account bank, and securities intermediary (as at any time hereafter amended, restated or otherwise modified, the "Collateral Security Agreement"). Each term used in this instrument (this "Debt Security") shall have the meaning ascribed to it in Appendix A to the Collateral Security Agreement and the Principles of Interpretation set forth in Appendix A to the Collateral Security Agreement shall apply to the terms defined herein and in such Appendix A. This Debt Security evidences a senior unsecured general obligation for borrowed money of Enron, is an instrument aggregating $25,000,000.00 in principal amount, is being issued by Enron to the Trust on the date set forth above at par, and is an Enron Investment related to the Series 1999-A Notes. Enron acknowledges that the Trust intends to grant a Security Interest in the Trust's rights hereunder to the Collateral Agent pursuant to the Collateral Security Agreement and consents to the Granting of such Security Interest and the provisions of the Collateral Security Agreement relating thereto.

For value received, Enron hereby promises to pay to the order of the Trust the principal sum of TWENTY-FIVE MILLION U.S. DOLLARS (U.S. $25,000,000.00) as provided herein, and to pay interest on this Debt Security from the date hereof until the principal amount of this Debt Security is paid in full on each interest payment date specified below in an amount equal to the amount, if any, by which (i) the aggregate Citibank Fixed Payments in respect of the Series 1999-A Notes payable for any particular Calculation Period that ends during the Relevant Period (as defined below) exceed (ii) the aggregate Scheduled Interest Receipts from the Series 1999-A Trust Investments (other than this Debt Security) for such Calculation Period, subject to the further payment at maturity of this Debt Security as described below. The "Relevant Period" for any particular interest payment date hereunder means the period (a) commencing on or after such interest payment date, and (b) ending on or prior to the date immediately preceding the next succeeding interest payment date hereunder.

Interest is due and payable semi-annually, at 11:00 a.m., New York City time, on each April 20 and October 20 of each year, commencing April 20, 2000; provided, that if any such April 20 or October 20 is not a Business Day, the interest payment date hereunder shall be the Business Day immediately preceding such April 20 or October 20, as applicable.

Except as otherwise provided below, the payment of the principal of this Debt Security shall be made by Enron on, but not before November 8, 2004.

If this Debt Security has not been repaid prior to the maturity date hereof, then on the maturity date, in addition to the payment of principal and interest otherwise payable hereunder, Enron shall also pay an amount equal to the product of (x) the then outstanding principal balance of the Series 1999-A Notes, multiplied by (y) the Citibank Fixed Rate for the Series 1999-A Notes.

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EXHIBIT #189m

multiplied by (z) the Day Count Fraction for the period from and including the maturity date hereof to but excluding the scheduled Maturity Date of the Series 1999-A Notes.

Until otherwise instructed by the Collateral Agent in writing, amounts payable on account of interest under this Debt Security shall be paid to the Interest Proceeds Account-Series 1999-A, and amounts payable on account of principal under this Debt Security shall be payable to the Principal Proceeds Account-Series 1999-A.

This Debt Security and the indebtedness evidenced hereby shall be binding upon and against Enron without regard to the validity or enforceability of any Transaction Document or any other Trust Investment, or any provision thereof, and Enron hereby waives any defense relating to the enforceability of any Transaction Document or any Trust Investment, or any provision contained therein. Enron unconditionally waives the validity, legality, regularity, or enforceability of the Transaction Documents and the other Trust Investments and Underlying Instruments and any other circumstance whatsoever (with or without notice to or knowledge of the obligors thereunder or Enron) that constitutes, or might be construed to constitute, an equitable or legal discharge of Enron with respect to its obligations hereunder, in bankruptcy or in any other instance, except any defense based on full payment of all amounts due hereunder.

The obligations of Enron set forth in this Debt Security shall not be subject to any requirement for the making of any demand or the prior taking of any action against any obligor under any Transaction Document or any other Trust Investment or any other Person before the obligations hereunder may be enforced against Enron and such obligations shall remain in full force and effect without regard to, and shall not be released, discharged, or in any way affected by, any circumstance or condition whatsoever (whether or not Enron shall have knowledge or notice thereof or shall have assented thereto and notwithstanding the fact that no rights were reserved against Enron in connection therewith).

If Enron shall fail to pay any amount due and payable hereunder (and, if such failure is on account of the payment of interest hereunder, such failure shall remain uncured for five (5) days), the Collateral Agent, on behalf of the Trust, shall be entitled to declare the entire unpaid principal amount of this Debt Security, together with all accrued, unpaid interest thereon, immediately due and payable upon written notice to Enron. Except for such notice of acceleration, Enron waives all demand, presentment for payment, notice of non-payment, protest, notice of protest, notice of intent to accelerate maturity, and all other notice, filing of suit and diligence in collecting this Debt Security. Notwithstanding the foregoing, upon an Enron Bankruptcy, the principal of, and any unpaid interest on, this Debt Security shall automatically be due and payable immediately, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by Enron.

After acceleration of this Debt Security, all amounts paid hereunder shall be applied first to any past due amounts hereunder, next to any due and unpaid interest hereon, and the balance to the outstanding principal amount hereof.

Enron shall have no obligation or liability with respect to the application by the Collateral Agent of any amounts paid by Enron hereunder.

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Upon Enron's payment in full, and in accordance with the terms hereof, of all due and unpaid interest and other amounts due under this Debt Security and the entire principal amount hereof, Enron's obligations hereunder shall cease.

THE RIGHTS AND OBLIGATIONS OF ENRON AND THE TRUST IN RESPECT OF THIS DEBT SECURITY SHALL, PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401, BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

ENRON AND THE TRUST EACH HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING DIRECTLY OR INDIRECTLY TO THIS DEBT SECURITY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). ENRON AND THE TRUST EACH HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ISSUE AND ACCEPT THIS DEBT SECURITY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

This Debt Security may not be amended except by an instrument in writing signed by each of Enron and the Trust. This Debt Security shall be binding upon and inure to the benefit of Enron and the Trust and their respective successors and permitted assigns. Enron shall not assign or otherwise transfer any of its rights or obligations under this Debt Security without the prior consent of the Trust. The Trust may, at any time and from time to time, without the consent of Enron, assign all or any portion of its rights under this Debt Security to one or more Persons and, upon the Trust giving notice of such assignment to Enron specifying the interest hereunder being assigned and the Person to which such interest is being assigned, each reference herein to the Trust shall (solely in respect of the interest so assigned) constitute a reference to such assignee (as if such assignee were named herein) rather than the Trust. The Trust shall be entitled to have this Debt Security subdivided by exchange of this Debt Security for debt securities of lesser denominations ("*Successor Debt Securities*") to the extent necessary to reflect any such assignment.

In connection with any partial assignment of this Debt Security, the parties agree to amend this Debt Security and any Successor Debt Securities to reflect changes reasonably requested by the parties in order to address intercreditor, voting and other issues.

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ENRON CORP.

By: _____
Name: William W. Brown
Title: Deputy Treasurer

Pay to the Order of United States Trust Company of New York, as Collateral Agent, under that certain Collateral Security Agreement dated as of November 18, 1999, among Yosemite Securities Trust I, Citibank, N.A. and United States Trust Company of New York, as Indenture Trustee, Collateral Agent, Account Bank and Securities Intermediary.

Date: November 18, 1999

YOSEMITE SECURITIES TRUST I

By: Wilmington Trust Company, not in its individual capacity but solely as Trustee

By:
Name:
Title:

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SIDE AGREEMENT

August 25, 2000

By our signatures below, we acknowledge and agree that, for purposes of the Confirmation dated November 18, 1999 under the Master Agreement between Enron North America Corp. and Delta Energy Corporation dated November 18, 1999, and the Transaction thereunder, each reference to "Defaulting Party" and "Non-defaulting Party" therein shall, in connection with any Termination Event, be deemed a reference to the "Affected Party" and the party which is not the Affected Party, respectively.

NY3 #250187

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ENRON NORTH AMERICA CORP.

By: _____
Name:
Title: FRED D. LAGRASTA
VICE PRESIDENT

DELTA ENERGY CORPORATION

By: _____
Name:
Title:

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ENRON NORTH AMERICA CORP.

By:_____
Name:
Title:

DELTA ENERGY CORPORATION

By:_____
Name:
Title:

yosequity1.xls

Cheers,

Adam Kulick and Rick Caplan

From: Francois, Tom
Sent: Tuesday, November 23, 1999 9:25 AM
To: Kulick, Adam; Caplan, Rick; Wagner, Eleanor [CITI]; Gupta, Ramesh; Bushnell, David C; Reilly, James [CITI]; Fox, William [CITI]; Stott, Thomas [CITI]; Feintech, Lynn; Warren, Doug; Engel, Marcy; Francois, Tom
Subject: RE: Enron - Yosemite II

Eleanor asked me to summarize my conclusions a little differently:

In Yosemite I, purchasing the Certificates put us in a position where we can lose money even if no basis risk exists between Enron Bonds and the Enron Investments held in the Trust. If Enron defaults and Yosemite's Enron Investments are worth less than 50% of face we will lose money no matter where Enron Bonds are Trading. Hence, it was appropriate to have the Certificate Investment approved on a CA.

With Yosemite II, in purchasing the Certificates, we can ONLY lose money because of Basis Risk. Since the Derivatives business approved and takes the basis risk on Yosemite I, and since the only risk associated with the Certificate Investment in Yosemite II is basis risk, it strikes me that Control Unit CA approval of this investment is not needed.

I attach a short spreadsheet which allows one to play around with the arithmetic. Inputs are in Yellow. Adam should be circulating a Transaction memo shortly.

Since we have a CMAC scheduled for today at 4:00, I suggest the folks that need to approve additional Yosemite assets (Bushnell, Engel, Wagner, Warren) stick around to hash this out. Jim, Bill and Tom, we can try to patch you in as well. I will be in touch.

Regards,

Yosemite2.xls

Tom

From: Francois, Tom
Sent: Monday, November 22, 1999 1:53 PM
To: Kulick, Adam; Caplan, Rick; Wagner, Eleanor [CITI]; Gupta, Ramesh; Bushnell, David C; Reilly, James [CITI]; Fox, William [CITI]; Stott, Thomas [CITI]; Feintech, Lynn; Warren, Doug; Engel, Marcy
Subject: RE: Enron - Yosemite II

For those of you who are not yet up to speed, Yosemite II will involve the issuance of up to Sterling 175mm of TWENTY YEAR bonds and "equity certificates" by Yosemite. The main asset will be a 20 year prepaid oil transaction, structured along the lines of that purchased with the issuance proceeds from Yosemite I.

As with the first series, Citigroup and Enron will each purchase 50% of the certificates and the

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benefit of 100% of the Enron investments underlying the certificates would flow to Citi via the mechanics of the swap. Additionally, it is proposed with Yosemite II that Citi further hedge itself by purchasing default protection from Yosemite on a notional amount of Enron-reference obligations (bonds) equal to the amount of our equity investment (Yosemite would therefore invest in a like amount in AAA securities). The question is whether, as was the case for Yosemite I, we have to approve and carry the amount of our investment in the certificates on the Enron CA given the additional hedge.

With Yosemite I, we concluded that the recovery characteristics on our investment in the certificates were superior to those associated with a similarly sized investment in Enron bonds, but, since we could sustain a loss if the recovery rate on the vehicle's Enron investments was less than 50%, we put the full amount of our certificate investment on the Enron CA.

In the case of Yosemite II, I think there is a good argument that this is not necessary. Under the swap with Yosemite we would receive the Recovery Rate on the Enron investments held by the Trust (the prepaid) on a notional amount equal to twice our certificate investment. With the addition of the purchased default protection, we would also receive the LIED on Enron bonds on a notional amount equal to our certificate investment. If one ignores potential basis risk between the Enron investments and Enron Bonds, we can only win since LIED plus Recovery Rate equals 100% and we would be collecting 2 * Recovery Rate plus 1 * LIED. Factoring basis risk into the equation, the break even point would be where the Recovery Rate on the Enron investments turns out to be less than half the recovery rate on Enron bonds. As far as I can see we are actually taking less basis risk by investing in the certificates and hedging in this fashion than we would take if we did not have any investment in the certificates at all and the only asset in the vehicle was the prepaid.

Once Adam prepares a transaction memo, we will begin more formal discussions to obtain the approvals outlined by CMAC for additions/substitutions of assets. In the meantime, you can start thinking about some of the issues.

Regards,

Tom

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Unknown

From: Caplan, Rick
Sent: Wednesday, December 15, 1999 4:03 PM
To: Francois, Tom; Kulick, Adam
Subject: FW: Enron Failure to Pay on Prepaid

Revised as requested...

-----Original Message-----
From: Francois, Tom
Sent: Tuesday, October 26, 1999 6:05 PM
To: Caplan, Rick; Sullivan, William A
Subject: Enron Failure to Pay on Prepaid

As discussed, Jim Reilley wants something for his files to verify that we will not be at risk if Enron fails to pay interest on the Prepaid. This is what I propose to send him. Please take a close look. I think I have taken some liberties with respect to things that are not yet in documentation, but need to be.

****

You asked for an explanation of the mechanics behind an Enron failure to pay on the Prepaid; particularly what makes us comfortable that we will not have to pay to Yosemite any amounts that Enron fails to pay in a non-bankruptcy situation with respect to interest on the Prepaid.

Under the Yosemite swap if Enron defaults under the Prepaid, we will be obligated to replace the Prepaid with senior unsecured Enron obligations ("Deliverable Obligations"). The Deliverable Obligations we deliver can be non-performing if the default on the Prepaid rises to the level of an "Enron Failure to Pay." An Enron Failure to Pay is established through Publicly Available Information in a similar manner to standard credit default swaps. In addition, the Deliverable Obligations do not have to be obligations for borrowed money; a receivable related to termination of a swap agreement can be delivered.

If Enron does not make an "interest" payment on the Prepaid, the prepaid would be terminated and Delta (the issuing vehicle for the Prepaid) would have a claim on Enron for all or a portion of the principal amount. Failure by Enron to pay "interest" and any termination payment would also render Delta incapable of paying the coupon on the note it has issued to Yosemite, thereby resulting in a default on the structured Enron paper Yosemite holds. Publicly Available Information will exist with respect to a default on the Prepaid through the following mechanics: 1) causing Enron to make all payments to a segregated account at the Fiscal Agent (U.S. Trust Co.), 2) contractually obligating the Fiscal Agent to notify the parties of the default and 3) waiting the requisite time periods under the Yosemite swap.

Once the above occurs, Citi would be able to cause Delta to deliver the receivables Delta then would hold from the termination of the swaps (each of which will meet the Deliverable Obligation criteria) to Yosemite in exchange for the Delta Note that Yosemite holds. The swap receivables will be structured such that they will bear penalty interest at a rate at least equal to the coupon on Yosemite's notes. Under the Yosemite swap, Citibank can reduce the amount of its periodic payments by any amount Yosemite has not received on a non-performing Deliverable Obligation that has been substituted for a piece of structured Enron paper. In other words, the penalty interest will cover any going forward interest that accrues prior to the disposition of the Deliverable Obligations by the Trust.

* If oil prices have declined, a portion of the Prepaid principal will be due to Delta from Citibank under the Delta/Citibank floor in the prepaid structure and, in turn, to Citibank from Enron under the Enron/Citibank floor. The default by Enron on its swap with Delta will give rise to a termination right under Citibank's swap agreement with Enron. Citibank would be able to satisfy its obligations under its floor with Delta by delivering a claim to Delta against Enron. Delta, in turn, would be able to satisfy its obligation under the Note issued by it to Yosemite by delivering to Yosemite the claim delivered to it by Citibank and the claim it already holds under its oil swap with Enron. If Citibank's claim after termination of its swap agreement with Enron is less than the amount it owes to Delta on the Floor (due to netting of other outstanding transactions), Citibank should be able to purchase Deliverable Obligations (presumably at a discount), or put in AAA investments (and sell default protection on Enron - presumably at a big premium). In either event, the economic consequences of having a net swap claim on Enron which is less than the amount payable to Delta on the floor would always be positive.

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EXHIBIT #189o

Regards,

Tom

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1/21/06

DERIVATIVE TRANSACTIONS ASSOCIATED WITH THE YOSEMITE STRUCTURE

The following table sets forth a description of each portion of the Yosemite transaction that could be characterized as either a derivative or an embedded derivative (each, a "Derivative"). This description includes the parties to each Derivative, the purpose of the Derivative, the risks to Citigroup of the Derivative and any mitigants of such risks.

DERIVATIVE	PARTIES	PURPOSE	RISKS	MITIGANTS
Cash Flow Swap – Embedded interest rate swap	Citibank and the Yosemite Trust	Smoothes the cashflows in the Yosemite Trust such that the Note Interest and Certificate Yield will be paid on a timely basis on each payment date. The Swap will ensure that sufficient funds are always in the structure to do this.	Upon a Third Party Default Event, Citibank will be obligated to continue payments to the Trust under the Swap and Citibank will not be reimbursed for the Permitted Investments will be floating rate investments and the Notes and Certificates will be fixed rate instruments, floating to fixed basis risk exists. All Permitted Investments will be U.S. dollar denominated, and therefore, no currency risk will exist.	Upon a Bankruptcy of Enron, all periodic payments by Citibank will cease. Enron's recovery on its claim under the Swap will be limited to an allowable note. The allowable note will be designed to pay any negative carry that exists between the other Permitted Investments and the Note Interest and Certificate Yield. Under the Enron Agreement between Citibank and the Trust, Citibank will be obligated to purchase the Enron Failure to Pay risk and by its terms will protect the Trust from defaults under other Enron Investments by adjusting its payment streams so that it picks up any missed payments (ostensibly, the note acts as a reserve). Citibank's ability to select AAA Investments. The allowable note will pick up negative carry.
Cash Flow Swap - AAA Investments	Citibank and Enron	To the extent Citibank offers default swaps to Enron Banks, Citibank has the right to select AAA investments. Citibank will retain any earnings on the AAA investments greater than LIBOR flat as collateral for any earnings less than LIBOR flat.	Enron will reimburse Citibank for any negative carry on the AAA Investments between LIBOR and the Note Interest and Certificate Yield.	Citibank's ability to select AAA Investments. The allowable note will pick up negative carry.
Periodic Payment Swap	Citibank and Enron	Investors in the Notes and Certificates will receive the Note Interest and Certificate Yield, obligates Citibank to make excess to Enron	No risk to Citigroup	N/A
Credit Default Swap written on Enron Investments	Citibank and the Yosemite Trust	Protects Noteholders from recoveries on the Enron Investments that are lower than recoveries on Enron Bonds.	Recovery rate on Enron Bonds is higher than recovery rate on Enron Investments.	Careful examination of each Investment prior to purchase by the Investment Committee. Pricing will reflect any perceived risk. Citibank aims to match the credit risk in the Investments and the Bonds.
Default Swaps with Enron Banks	Citibank and Enron	Provides default protection to Enron Banks on Enron	Citibank takes counterparty credit risk to each Enron Bank for purchases due under the default swaps.	Citibank will credit support each counterparty. Credit Derivatives believes that counterparties will be collateralized.
Citibank Default Swap on AAA Investments	Citibank and the Yosemite Trust	AAA Investments act as collateral for Citibank on Enron default protection purchased from the Yosemite Trust.	If the AAA Investments decline in value or suffer a default, the value of Citibank's collateral will have declined, as well as the value of the default protection purchased from the Yosemite Trust.	Risk is highly remote. Limit selection of AAA Investments, which is at Citibank's discretion.
21A Swap	Citibank Credit Derivatives and SBHI Credit Derivatives	If the AAA Investments fall below the PATH risk of the purchased default protection, SBHI Credit Derivatives will collateralize the deficiency. Shifts the risks from the bank clients to the corp. chain for 21A purposes.	Risk to SBHI Credit Derivatives if the AAA Investments decline in value	Transfer of risk from one part of Citigroup to another; no incremental economic impact.
Yield Reserve Swap	SBHI Credit Derivatives and Citibank Balance sheet (proxy)	Provides mechanism for SBHI Credit Derivatives to receive recoveries of Yosemite Trust Certificates.	If Enron defaults, Certificates' Yield likely will be worthless. If AAA Investments default, Certificateholders bear first loss	Citibank Swap is structured such that recoveries of the Citigroup position allow Citigroup to have investment equal to Yosemite Notes, and in scenario, businesses after an Enron bankruptcy, may recover more than Yosemite Notes. AAA default is highly remote.
Recovery Rate Swap	SBHI Credit Derivatives and Citibank Bank Books	Acts as a hedge for SBHI Credit Derivatives against the risk that the recovery rate on Enron Bonds is less than 50%.	Recovery rate on Enron Bonds is less than 50%.	Citibank receives a fee amount of Yosemite Certificates (i.e., Certificates will appreciate in CA).

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Permanent Subcommittee on Investigations
EXHIBIT #189p

Memorandum

CITIBANK

GRB - Accounting Advisory

Date: March 29, 2000

To: Rick Caplan, Adam Kulick

CC: Alan Englander, Eric Pipa, Bill Mackey, Linda Bergen, Jim Conahan, John Langer
William Bozart, Fred Battline, Jim Conahan

From: Saul Bernstein

Re: Project Yosemite – Yosemite Co. Structured Credit Derivative Transaction

Transaction Objective: To free-up financing capacity for Yosemite Co. with its Banks

Risks and benefits to Citibank: Citibank receives various service based fees, and takes basis risk or benefit related to the difference between loss recovery rates on Yosemite Co. investments held by the Trust (on which Citibank has written protection) and the loss recovery rate on Yosemite Co. bonds (i.e., senior, unsecured payment obligations of Yosemite Co on which Citibank has purchased protection). Citibank has also written a total return swap on $37.5MM of equity risk in the Trust (full exposure to Yosemite default risk). The below chart illustrates Citibank gains or losses based on the differences in recovery rates.

Differences in Recovery Rates	*Citibank is short bonds*	*Citibank is long Yosemite investments held by the Trust*
Bond Price>Investments price	*Citibank loss (pays)*	*Trust gain (receives)*
Bond Price<Investments price	*Citibank gain (receives)*	*Trust loss (pays excess to Citibank)*

The steps of the transaction structure are described below (dollar amounts and permitted investment type allocations are estimates):

Trust Balance Sheet

A Trust will be set-up and will hold $1.5B in assets (referred to as permitted investments), $1.350B (to yield L+125bp) in payment obligations supported in whole or part, directly or indirectly, by Yosemite Co. (referred to as Yosemite investments), and $.150B in AAA investments (to yield LIBOR). The Trust will purchase existing Yosemite Co. investments owned by Yosemite Co. lead banks and certain newly created Yosemite Co. Investments. AAA investments will be ABS, but not securities issued by Citibank managed credit card securitization Trusts or other Citibank managed securitization vehicles.

The Trust will issue$1.425B of senior credit linked Notes (with maturities of five and seven years) in multiple series which bear an overall coupon, to be determined at pricing, and will issue certificates, subordinated in right of payment to the Notes, in the amount of $75MM (yielding approximately 100 bps above the Note coupon), with 50% ($37.5MM) each to Yosemite Co. and to a substantive third party (balance sheet provider). A Salomon ownership-chain-entity (due to a 23A issue) will write a total return swap to the third party. SSB, as party to such total return swap, will not have any policy-making ability regarding the activities of the Trust.

All permitted investments must mature on or prior to the maturity date of the related Notes. The permitted investments will be available to repay the Notes when due. In the event of default of Yosemite Co. investments, Note investors will recover the same amount as a holder of a bond (i.e., senior, unsecured debt obligations) of Yosemite Co. That is, assuming that Citibank performs its obligations

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under its default swap, the Noteholders will have Yosemite Co. credit risk as if they held Yosemite bonds with a principal amount equal to the principal amount of the Notes.

The Note holders also take the credit risk of AAA investments after the equity investors (and the Salomon entity as total return swap receiver/counter-party with the third party balance sheet provider) lose their $75MM investment.

Transactions between Citibank and Trust

The effects of the swap between Citibank and the Trust are as follow:

If a Yosemite Co. bankruptcy occurs, Citibank will settle the swap by (1) delivering Yosemite Co. senior, unsecured obligations in exchange for the permitted investments, or (2) payng to the Trust the amount of any difference between the recovery rate on Yosemite Co. investments held by the Trust and the recovery rate on Yosemite Co. bonds, the referenced obligations, multiplied by the outstanding Notes (but not certificates), or a combination of (1) and (2). Referenced obligations are publicly traded senior unsecured corporate debt obligations (i.e., bonds of Yosemite Co.). This swap is referred to as a basis swap and will be in the notional amount of Yosemite Co. investments held by the Trust (i.e., not including any AAA investments held by the Trust). Thus, Citibank has the risk that the recovery rate on Yosemite Co. investments held by the Trust will be less than the recovery rate on Yosemite Co. bonds.

Under the terms of the basis swap, the Trust will pay to Citibank any excess of the recovery rate on referenced Yosemite Co. investments held by the Trust (expected to have the recovery value of senior unsecured Yosemite Co. obligations or Yosemite Co. bonds) over the recovery rate of Yosemite Co. bonds. This potential payment by the Trust will be based on a swap notional in an amount equal to Yosemite Co. investments held by the Trust plus $75MM (amount of equity). Thus Citibank has a long position in the recovery rate on the Yosemite Co. investments held by the Trust. (If the recovery rates were equal, Citibank would still receive a swap payment from the Trust in the amount of the recovery rate on Yosemite Co. investments held by the Trust times $75MM). The basis swap may either be physically settled (by delivering senior unsecured debt obligations of Yosemite Co. in exchange for the Yosemite Co. investments held by the Trust) or cash settled, or any combination thereof.

The Yosemite Co. investments and AAA investments will serve as security in favor of Citibank. The AAA investments will be delivered to Citibank related to the settlement of any default swap written by Citibank to the lead banks of Yosemite Co. (see below). Citibank, as secured party, has the right to control the workout of any asset in the Trust.

Also, as part of the basis swap, Citibank will make periodic payments to the Trust in the amounts necessary to service the Note coupon and Certificate yield and Citibank will receive all cash flows from all the assets in the Trust. If Yosemite Co. goes into bankruptcy, such payments cease immediately, as the swap is settled as described above.

Substitution Obligations

A separate agreement between Citibank and Yosemite Co. governs asset substitutions. The permitted investments may be changed over time provided that both Yosemite Co. and Citibank agree to any substitution. Yosemite Co. will select the initial Yosemite Co. investments, with Citibank's agreement, to place in the Trust. Citibank will select all AAA investments.

If a third party default event (a default on a Yosemite Co. investment by a party other than Yosemite Co.) occurs with respect to a Yosemite Co. investment held by the Trust, Citibank is obligated to deliver to the Trust new permitted investments in substitution of the relevant Yosemite Co. investment. The new permitted investments will be sold to redeem the related notes. Citibank will continue to make the fixed payments under the swap as if such 3rd party default event had not occurred. If there is a credit event

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related to the AAA investments, the Trust sells the investments and uses the proceeds to purchase new permitted investments. Citibank's fixed payments will be reduced as a result of the AAA credit event if par value is not realized.
The Trust may be required by Citibank to acquire new or substitute permitted investments at any time prior to the termination of the Citibank swap (before or after a Yosemite Co. credit event).

Transactions between Citibank and Yosemite Co. Lead Banks

To the extent the Trust holds AAA investments, Citibank will also sell default protection, upon instruction from Yosemite Co., to Yosemite Co. lead banks with Yosemite Co. bonds or Yosemite Company senior unsecured debt being the referenced assets. The AAA investments will serve as security in favor of Citibank. In the event of bankruptcy by Yosemite Co., the lead banks will deliver the referenced assets to Citibank and Citibank will in exchange make the lead banks whole for all losses. Citibank in turn will deliver the referenced assets to the Trust and receive AAA investments, i.e., payment-in-kind. This transaction is not a basis credit derivative swap, but is more similar to a standard credit derivative swap.

Transactions between Citibank and Yosemite Company

Under a separate agreement between Yosemite Co. and Citibank, Yosemite Co. will make periodic payments to Citibank for the difference, if any, between the Note coupon and certificate yield and cash flow on Yosemite Co. investments. As long as AAA investments minimally return a yield of LIBOR, Yosemite Co. is responsible for any cash shortfall in the Trust. It is expected that one of the Trust's assets (i.e., Yosemite Co. obligations) will have an adjustable coupon that will be designed to pick-up any negative carry.

If AAA investments yield less than LIBOR, then Citibank makes up the difference to LIBOR, and if AAA investments yield more than LIBOR, then Citibank receives such excess (assuming Yosemite Co. meets its payment obligations as described above).

If cash flow on Yosemite Company investments exceed Note coupon and certificate yield (highly remote), then Citibank must pay Yosemite Co. such excess.

Termination Provisions

Yosemite Co. can terminate its payments in whole or in part to Citibank at any time by making a termination payment. This termination will cause Citibank to terminate an equal portion of its swap with the Trust by making a termination payment (to the Trust) which, in turn, will cause an early redemption of an equal portion of the Notes (and in certain instances, the issued certificates). <u>In summary, Yosemite Co. can terminate at will, but Citibank can not.</u>

Example of Basis Risk (Yosemite Co. Investments comprise all Trust assets, i.e., $1,500MM)

Assume that Yosemite Co. Bonds' recovery rate is 60% and assume swap notional are equal (i.e., disregard the $75MM difference in notional amounts):

#1 Assume that upon default, Yosemite Co. Investments' recovery rate is 50%, meaning Citibank reimburses the Trust the 10% difference in recovery rates, or in this case Citibank net settles/pays to Trust $150MM (10% at $1,500MM)

#2 Assume that upon default, Yosemite Co. Investments' recovery rate is 70%, meaning Citibank receives from the Trust the 10% difference in recovery rates, or in this case Trust net settles/pays to Citibank $150MM

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Summary of Risks/Benefits (other than fees) to Citigroup

Structural Features	*Citigroup Risks*	*Citigroup Benefits*
Recovery rate of bonds > Recovery rate of Trust Investments	X	
Recovery rate of bonds < Recovery rate of Trust Investments		X
AAA investments yield < LIBOR	X	
AAA investments yield > LIBOR		X
Third Party (other than Yosemite Co.) default or non-payment event with respect to a Yosemite Co. investment held by Trust; Citibank obligated to deliver substitute Yosemite Co. investments which meet permitted investments criteria (new investments will be sold to redeem portion of Notes)	X	
Ownership of Equity certificate (exposure to Yosemite Co. as if holder of Yosemite Co. bonds and to AAA investments)	X	
Yield on equity certificate (but subordinated to coupon on Notes)		X
Payment to lead banks > value of AAA investments	X	

Accounting Considerations

The major issue relates to the accounting consolidation of the Trust. Consolidation by Citibank is not viewed as appropriate for the following reasons:

Yosemite Co. owns 50% of the Trust equity certificates, fully funding its equity investment, is at full risk over the entire life of the transaction (SEC requirements per D-14). Further, per the SEC (12/97 speech), although certificates may be accounted for as debt instruments, certificates satisfy the SEC requirement that the owner's investment be equity legal form. Yosemite Co. certificate ownership will satisfy the minimum 3% (of SPV assets) SEC requirement over the full life of the transaction. The business advises that Yosemite Co.'s certificate will be 3% or greater with total Trust certificates likely aggregating from six to ten percent.

Because the balance sheet provider's investment is not at risk, the b/s provider's investment is not considered the real equity in the SPV. Since the b/s provider is not considered a real equity investor per the SEC guidelines, Citibank should not be viewed as a real equity investor by having written a total return swap (TRS) to the b/s provider. It is also unconventional in today's accounting literature and practice to have an entity consolidate another entity on the basis of having risk/reward via a derivative instrument. It should be noted that Citibank, in accordance with its internal credit risk limits/allocations, may or may not hedge its basis risk with a third party.

Per EITF 90-15 and D-14, the SEC requires equity to be fully funded and at risk for the full life of the SPV. Citibank does not have a direct, nor funded, ownership in the other 50% of the Trust certificates.

The business has also pointed out, given certain recovery rates on Yosemite Co. bonds, that Citibank, as the TRS writer, would lose less under the TRS than Yosemite Co. would lose of its equity investment.

Yosemite Co. is the primary beneficiary of the Trust's assets and overall deal structure. The Trust assets are comprised of Yosemite Co. obligations and the structure is intended to free up financing capacity for Yosemite Co. and improve or preserve its credit rating with rating agencies. The basis swap is effectively Citibank's mechanism to earn fees from its expertise in managing credit risk. That is, Citibank's interest

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in the Trust is in substance and in form a credit derivative, not an equity ownership interest (i.e., directly owned shares or certificates) through which it actively controls the operating activities of an entity.

Both Yosemite Co. and Citibank share the ability to select Yosemite Co. investments held by the Trust – neither controls.

The business advised that a non-consolidated SPV used by SSB entities in prior structured derivative transactions will serve the role of depositor. This role only serves to sponsor or start-up the Trust by making the appropriate filing with authorities. It does not involve any investment nor the performance of any function other than the initial filing - it a one time event. The accounting analysis and conclusions reached herein, consequently, are not materially affected.

Citibank will not have any voting rights or have any control position with respect to the Trust, nor have any decision-making ability regarding the operating policies and activities of the Trust (other than contractually limiting the Trust's ability to sell Citibank's security held by the Trust). As mentioned earlier, Yosemite Co. can terminate the structure at will, Citibank can not.

RBC Treatment in Trading Book

Based on the above, Citibank will have the following credit derivatives:

1) Basis swap: a swap notional of $1,350MM to $1.5B whereby Citibank will pay the recovery rate to Trust with Yosemite Co. ***Bonds*** *as referenced assets*

A swap notional of $1,350MM to $1.5B (but $75MM greater) whereby Citibank will receive from the Trust the recovery rate on referenced ***Yosemite Co. Investments*** *held by the Trust*

2) Sold standard DS to Yosemite Co. lead banks (depends on amount of AAA investments held by Trust) with Yosemite Co. bonds or senior unsecured Yosemite Co. obligations as referenced assets; Citibank to make banks whole and receive the AAA investments from the Trust

3) Sold total return swap (TRS) to the substantive third party certificate/equity investor. The notional amount is $37.5MM, and the referenced or underlying asset should be viewed as Yosemite Co. bonds.

The TRS should be booked by the SSB entity entering such derivative contract. Implications on the capital of such SSB entity have been reviewed with the responsible SSB personnel.

I believe all of the above derivatives are credit derivatives and should be viewed as trading book transactions (as opposed to banking book transactions).

Regards, Saul

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Butler-Kenzig, Patricia

From: Bernstein, Saul [CITI]
Sent: Wednesday, April 05, 2000 3:45 PM
To: Lee, Andrew P; Pipa, Eric
Cc: Bozarth, William T; Butler-Kenzig, Patricia; Englander, Alan1; Langer, John D; Mackey, William J [CITI]; Williams, Joanna
Subject: Project Yosemite - Revenue Recognition

In November, 1999 a US$ denominated Project Yosemite transaction closed (an UK Sterling based transaction closed in February, 2000). At the time of closing last quarter, complete information was not available to finalize the accounting for revenue recognition. What was known at the time, and has been confirmed, is that Enron has the unilateral right to collapse the transaction structure and be released from its obligation to pay remaining fees, 12.5bps p.a. of the notional value of permitted investments in the Yosemite Trust. The fee, as specified in a Fee Letter, dated Nov. 18 , between Citibank and Enron, is payable up to the earlier of an early termination date or the maturity (November 2004) of certain Enron (directly or indirectly backed) promissory notes, having a notional value of $800MM, held by Yosemite Trust. This fee is in connection with the basis swap between Citibank (Credit Derivatives Trading) and Yosemite Trust. The 12.5bps will be applied to any additional Enron debt purchased by the Trust at a later date (i.e., the deal size increases). In view of the contingent nature of the fee, income recognition was deferred. (Enron paid an up-front non-refundable fee of $1.6MM which was recognized.) Business Financial Control has now analyzed the facts and circumstances, including related hedges, and believes that there is basis for additional income recognition related to the November. The accounting proposed herein would also be followed for the February transaction. The purpose of this memorandum is to document whether and to what extent income recognition is appropriate. Some transaction background follows.

Yosemite Trust purchased $825MM of permitted investments, Enron senior unsecured debt instruments, funded by issuing Credit Linked Notes (8.25% coupon) to third party investors in the amount of $750MM, and by issuing equity like subordinated certificates (11% yield) in the amount of $75MM. (Please note that $25MM of permitted investments held by the Trust is adjustable rate Enron debt instruments intended to ensure sufficient cash in-flow to service the issued Notes and Certificates.) Enron invested in 50% of the certificates, $37.5MM, and Salomon Brothers International Limited (SBIL) arranged for a balance sheet provider (Bank of Boston) to fund the other 50%. SBIL also enters a Total Return Swap (TRS) in which SBIL pays a float rate to BoB and receives the ownership economics related to $37.5MM of certificates. (Please note that SBIL is effecting the above TRS via SBHC Credit Derivatives, which in turn enters a Pay-Fixed Interest Rate Swap with SBHC Debt Derivatives Desk, locking in the spread on the 11% yield on certificates.) Citibank Credit Derivatives Desk entered a credit basis swap (Fee Letter Agreement/contract) with Yosemite Trust, in which Citibank promises to pay to the Trust in the event of an Enron default/bankruptcy the recovery rate on senior unsecured debt of Enron. Citibank pays the recovery rate on a notional amount equal to the amount of permitted investments less the amount of certificates, or $750MM. (Therefore, the Note-holders are exposed to and receive the recovery rate of senior unsecured Enron debt.) Citibank would receive the actual recovery rate on the $825MM of permitted investments held by the Trust. Additionally, GRB Portfolio (Energy Group) entered a swap with Citibank Trading to pay the difference between a 50% recovery rate and the actual recovery on the permitted investments on a notional value of certificates, $75MM. For RBC purposes, the maximum obligation of GRB portfolio of $37.5MM (a full recovery rate shortfall of 50% against the $75MM notional amount of certificates) is reported as a

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direct credit substitute.
This can be illustrated if we assume that the actual recovery rate on permitted investments is 49% and the recovery rate on senior unsecured Enron debt, as ordered by a Court of Law, is 50%.

Citibank Trading receives from the Trust ($825 @ .49)
$404.25
Citibank Trading pays Trust ($750 @ .50)
(375.00)

Residual
29.25
Residual to B/S provider
(37.50)

Loss to Citigroup (.01 @ $825MM)
(8.25)
Reimbursement from Citibank GRB Portfolio (.01 @ $75MM) (a)
.75

Loss to Credit Derivatives Trading Business
(7.50)

====

(a) GRB Loan Portfolio would have to accrue its loss when probable and estimable which timing may not exactly coincide with MTM gain/reimbursement recognition by Trading Desk.

Summary of Derivatives/Contracts and Parties involved in the Structure (see attached flow-chart)

1. The basis swap between Citibank Trading and Yosemite Trust described above, leaves Citibank with recoveries basis risk on $750MM and is long the recovery value on $75MM as Citibank sells basis risk protection on $750MM of senior unsecured debt and purchases recovery value on permitted investments of $825MM. For example, if the recovery rates were both 50%, than Citibank would receive .5 @ $75MM, or $37.5MM. This would be returned to the balance sheet provider. Citigroup would not incur any loss on the basis risk, and would also NOT collect the 12.5bps of fees from Enron nor the after-hedge return on the TRS, 393bps, from the date of default. The uncollected fees for the period after the default/termination date would be foregone, resulting in a negative P&L impact to the extent already recognized. It should be noted that Enron loses its entire $37.5MM investment in the certificates.

1a. Citibank (Credit Derivatives Trading) purchases a recovery-rate swap from the Citibank GRB Loan Portfolio, which provides the Trading Desk with protection in the event that the recovery rate on $75MM notional amount of permitted investments is below 50%.
2. There is a Fee Letter Agreement between Enron and Citibank Trading, whereby Enron pays 12.5bps constant fee on $800MM (outstanding permitted investments less $25MM) per annum as long as the transaction is in place but not beyond November '2004. The actual fees depend upon whether the deal size changes. Enron can unilaterally terminate but this is considered remote - see Business analysis of this point discussed below. If Citibank "walks" away, the fees are also lost (as well as being responsible for a make-whole payment to note investors).
3. There is an Interest Rate Swap between the Trust and Citibank Trading, whereby Citibank receives the actual interest on all permitted investments in the Trust, and pays the Trust the necessary interest to service all outstanding Notes and Certificates. Upon a bankruptcy, the interest payments immediately cease.
4. As mentioned above, there is a TRS between SBIL (Credit Derivatives Trading Desk) and Bank of Boston, the balance sheet provider. The trade SBIL has with

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Bank of Boston is backed-to-backed with SBHC (Salomon Brothers Holding Co. - Credit Derivatives Trading, a non-bank vehicle). SBHC pays six month LIBOR + 35bps and receives the 11.0% (10.849%, when converted to actual/360) fixed rate on the certificates, $37.5MM notional value, and pays BoB (via SBIL) $37.5MM in the event of an Enron default. This results in SBIL having a synthetic $37.5MM long position in the Trust certificates. SBIL hedges the interest rate risk in (5) below, and the default risk in (6) below. Under the TRS, SBIL is obligated to pay BoB $37.5MM if Enron defaults regardless of the recovery rate on Enron unsecured senior debt.

5. There is also an IRS between SBHC - Credit Derivatives Trading and SBHC - Debt Derivatives Desk. SBHC pays 6.665% (6.574% when converted to actual/360) fixed and receives six month LIBOR. (It is not known whether SBHC - Debt Derivatives Desk hedges this IRS with an outside party.)

Note: As a result of 4 and 5, SBHC - Credit Derivatives receives a structured net rate of 3.93% (10.849% less .0035 less 6.574%, or 3.926%) on $37.5MM notional. In addition to the 12.5bps which Enron pays over the expected life of the transaction, this 393 bps is viewed as additional fees to SBHC Credit Derivatives Trading Desk for taking default and total return risk.

6. SBIL sells default swap protection to SBHC (Credit Derivatives Trading), and SBIL purchases default swap protection from Citibank Credit Derivatives Trading Desk, whereby if Enron defaults, Citibank will pay $37.5MM to the balance sheet provider. Citibank Trading Desk, in consideration for providing default protection to SBIL (on-sold to SBHC), will receive the above mentioned net premium of 393bps. Citibank's (Trading Desk) sold protection is hedged with a combination of (a) the long $75MM certificate recovery value position (1 above), and (b) the recovery-rate swap executed with the Citibank GRB Loan portfolio (1a above). GRB Portfolio is providing protection in the event and to the extent the recovery rate on the $75MM long recovery value position is below 50%.

Possible Scenarios

Best Case: If recovery rates are equal and the recovery rate on permitted investments is at least 50%

No losses to Citibank Trading since no basis risk and no loss to GRB Loan Portfolio as recovery on permitted investments is 50%. The MTM gains (NPV of unpaid fees) at the time of default, however, would need to be reversed.

49 % recovery on Sr. Unsecured debt/50% recovery on permitted investments

In this scenario, Citibank Trading would gain .01 @ 825MM permitted investments, $8.25MM, and Citibank Portfolio would not make any payment - a total Citigroup gain of $8.25MM. Uncollected fees (NPV)are foregone and to extent recognized via MTM process, would be reversed via MTM.

Citibank (Credit Derivatives Trading Unit) Earnings Components

Based on an analysis by Business Financial Control, the MTM of all derivatives/contracts results in a NPV of $10.5MM. The MTM can be viewed as representing the following components or the transaction.
a) MTM of Fee Letter Contract entitling Citibank 12.5bps on specified debt (for period outstanding) held by Trust in connection with having entered the basis swap (on $750MM notional) with Trust, $4.3MM
b) MTM of Default/TRS with Trust related to receipt of actual recovery rate on long $75MM position in permitted investments, $2.3MM
c) MTM of Default/TRS with Bank of Boston (via SBIL and SBHC Credit Derivatives), effectively representing the after-hedged (via IRS with SBHC Debt Derivatives Desk) locked spread of 11% on certificates ($37.5MM notional) less Pay-fixed leg of 7.07%, or 393bps over contract life, $4.0MM

The total is $10.6MM before a MVA liquidity component of $.350MM, or a net of

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$10.2MM.

Note: For the February transaction executed in London, equivalent numbers are $2.3MM (for 12.5bps in earnings), and $5.4MM in MTM for other components. Also, an up-front fee of $.5MM was paid, or $8.2MM in total before a MVA liquidity component of $.450MM, or a net of $7.7MM.

Remoteness of Enron Terminating the Transaction

Both Enron and Citibank have the legal right to collapse the structure. Both would have to pay a "make-whole" payment to compensate the note-holders and certificate holder (Citibank via the TRS with BoB), using a discount rate of T+50 and LIBOR + 2, respectively, to calculate the payments. Citibank would also have to settle the basis swap with the Trust at market. If Enron collapses the structure, the future cash flows underlying the 12.5bps and 393bps earnings components would not be made. The business believes that the make-whole payment would be sufficient to cover the 393bps earnings component, but would not cover any of the 12.5bps.

The business believes that it would not be in Enron's economic interest to terminate the transaction unless Enron is at least upgraded (from BBB today) to AA. Since the life of the transaction is five years, the business estimated the dollar gain or loss to Enron in an early termination (repurchase of Notes) given a five year Treasury yield, Enron note maturity and Enron credit spread. For the five year maturity scenario, the break-even Enron spread to Treasuries was 30bps. That is, the spread of Enron debt to Treasuries would have to be no greater than 30bps for Enron not to incur a loss in an early termination. The business reviewed swap spreads over the last five years between five year Treasuries and Corporate five year tenors, and the minimal spread was 20bps (the average was 44bps). Assuming a 20bps swap spread, Enron would need to trade at LIBOR + 10 (i.e., T + 30) in order to not incur a loss. A 10bps spread to LIBOR, for a five year maturity, would approximate an AA-rated credit. Enron is currently rated BBB, and borrows at L + 75. The Business considers an Enron positive credit migration to AA only as a remote possibility, and therefore believes that the 12.5bps fee is probable of full collection and should be recognized up-front, i.e., MTM accounting should apply.

Accounting Issues/Recommendations

1. Is there an accounting basis for recognizing up-front the portion of transaction earnings, 393bps, embedded in the transaction structure using a MTM methodology despite the collection of related cash flows being subject to the remote contingency of Enron early terminating the transaction? Same question with regard to the MTM of the synthetic $75MM long position. (In researching this question, the recently published SEC SAB on Revenue Recognition was considered.)

Usually, contingent fees or earnings are not recognized until the contingency has been satisfied or removed, even if all products or services have been delivered/rendered to the satisfaction of the customer. In this circumstance, where the seller is a Trading Business which accounts for its activities on a MTM basis, such contingency or optionality is addressed in the valuation models used to perform MTM accounting. Given that the 393bps are embedded in derivative financial instruments, the business must perform MTM accounting. It is expected that the valuation model would be sufficiently sensitive to changes in market factors affecting this contingency, so that the MTM would be appropriately adjusted on a timely basis. As noted above, Enron's "make-whole" payment is expected to cover the 393bps. Also, see comments below on MVA adjustments for credit and liquidity components.

2. Based on the Fee Letter Agreement, is there an accounting basis for recognizing up-front 12.5bps of $800MM (Delta 2004 Notes held by Yosemite Trust) despite the payment of these fees being contingent on the transaction not being terminated by Enron.? Enron does not need Citibank's consent to terminate. It also should be noted that if Enron terminates, the "make-whole" payment from Enron is not expected to be sufficient to cover this earnings component.

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The accounting concepts stated in 1. above also apply here. Additionally, a literal reading of the Letter Agreement (contract) states that the Fee Letter is in connection with Citibank having executed the basis swap with the Trust. The Letter states that the 12.5bps is in consideration of the mutual exchange of agreements in connection with the basis swap related to the permitted investments (Delta Note) held by the Trust. Although the Letter is not in the legal form of an ISDA contract, the economic substance of the Letter, in the context of the transaction structure, is that of a basis swap/credit derivative. The scope and mission of activities of the Citibank Unit is to enter credit derivative trading positions, to be reported and accounted for on a MTM basis. Therefore, to a large extent, the decision to MTM the rights and obligations underlying the Fee Letter, is based on the economic substance of the Letter and the fact that this business accounts for its activities on a MTM basis. Some comment as above with regard to the sensitivity of the valuation model. As alluded to above, Citibank has completed the transaction, and there are no future services/products to be delivered or obligations to be incurred/existing or future assets to be sacrificed. Income recognition for the 12.5bps on a MTM basis appears to be appropriate.

3. If MTM accounting is to be performed, is a market valuation adjustment required?
As agreed with Business Financial Control, a MVA for a credit component (expected to be fed via GRR) and a liquidity component should be considered. The appropriate amount of liquidity/termination component, as detailed above, was determined in an amount of $800M, and is intended cover any termination related loss or "haircut" to be incurred in attempting to sell Citibank's MTM receivable into the marketplace.

Regards, Saul

Kirk, Niels

From: Kulick, Adam
Sent: 13 April 2000 17:00
To: Kirk, Niels; Reilly, James F [CITI]
Cc: Baillie, Steve [CITI]
Subject: RE: Enron

Niels,

Good seeing you the other day. Who's working on the structured credit basket? I've put a couple of calls into Treasa and she hasn't been very responsive...

All the best, Adam

-----Original Message-----
From: Kirk, Niels
Sent: Thursday, April 13, 2000 11:55 AM
To: Reilly, James F [CITI]
Cc: Kulick, Adam; Baillie, Steve [CITI]
Subject: RE: Enron

I suspect that the Eastern contract was sold/ monetised as part of the Sutton Bridge sale to EdF (2 weeks ago). There could be some residual credit risk associated with Eastern that Enron are trying to bundle into the Y3 deal however.

Niels

-----Original Message-----
From: james.reilly@citicorp.com [mailto:james.reilly@citicorp.com]
Sent: 13 April 2000 16:28
To: niels.kirk@citi.com
Cc: adam.kulick@ssmb.com; Steve.Baillie@citicorp.com
Subject: Re: Enron

Neils: Thanks for the update. Adam asked me a question that I could not answer (not rare!): What has happened to the "Eastern deal" - ie, the contract intially suggested as the basis for Yosemite 2?

_____ Reply Separator _____
Subject: Enron
Author: Niels Kirk CCI. (niels.kirk@citi.com) at INTERNET/o=af1/c=us/a=mci/p=citicorp
Date: 04/13/2000 10:25 AM

Jim,

You may be already aware of this but there seems to be 3 guys in the running for Jeff McMahon's job: Ray Bowen, Bill Brown and Paul Chivers. Chivers feels that his chances are slim. Chivers did not rule out the possibility that Fastow could go external.

Otherwise in Europe we're working on:

A follow-up deal to Yosemite II which involves a basket of UK utility credits designed to manage credit risk and create funds flow. Size: GBP 100/200 MM.

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Arcos, which is a 1200 MW CCGT in Spain. Project cost is $650 MM and off-take is fully contracted (incl 33% to Enron). An equity investor that will bring the gas. Enron are favouring a bond solution but I suspect that bank/bond (Ras Lafan) will be the likely outcome. They want to have their bank group mandated by end-June. Project Finance are following this.

Chivers mentioned that they have established enroncredit.com which provides bankruptcy protection on a b to b basis. They are still in "getting established" mode and there are a few teething issues. Seems that Merrill Lynch hit their site one day and tried to buy some protection but the guy at enroncredit shouldn't execute. Perhaps we should visit the site and lay-off some risk.....

Niels

Kirk, Niels

From: Kirk, Niels
Sent: 13 April 2000 16:55
To: Reilly, James F [CITI]
Cc: Kulick, Adam; Baillie, Steve [CITI]
Subject: RE: Enron

I suspect that the Eastern contract was sold/ monetised as part of the Sutton Bridge sale to EdF (2 weeks ago). There could be some residual credit risk associated with Eastern that Enron are trying to bundle into the Y3 deal however.

Niels

-----Original Message-----
From: james.reilly@citicorp.com [mailto:james.reilly@citicorp.com]
Sent: 13 April 2000 16:28
To: niels.kirk@citi.com
Cc: adam.kulick@ssmb.com; Steve.Baillie@citicorp.com
Subject: Re: Enron

Neils: Thanks for the update. Adam asked me a question that I could not answer (not rare!): What has happened to the "Eastern deal" - ie, the contract intially suggested as the basis for Yosemite 2?

_____ Reply Separator _____
Subject: Enron
Author: Niels Kirk CCI. (niels.kirk@citi.com) at INTERNET/o=af1/c=us/a=mci/p=citicorp
Date: 04/13/2000 10:25 AM

Jim,

You may be already aware of this but there seems to be 3 guys in the running for Jeff McMahon's job: Ray Bowen, Bill Brown and Paul Chivers. Chivers feels that his chances are slim. Chivers did not rule out the possibility that Fastow could go external.

Otherwise in Europe we're working on:

A follow-up deal to Yosemite II which involves a basket of UK utility credits designed to manage credit risk and create funds flow. Size: GBP 100/200 MM.

807

Arcos, which is a 1200 MW CCGT in Spain. Project cost is $650 MM and off-take is fully contracted (incl 33% to Enron). An equity investor that will bring the gas. Enron are favouring a bond solution but I suspect that bank/bond (Ras Lafan) will be the likely outcome. They want to have their bank group mandated by end-June. Project Finance are following this.

Chivers mentioned that they have established enroncredit.com which provides bankruptcy protection on a b to b basis. They are still in "getting established" mode and there are a few teething issues. Seems that Merrill Lynch hit their site one day and tried to buy some protection but the guy at enroncredit shouldn't execute. Perhaps we should visit the site and lay-off some risk.....

Niels

Kirk, Niels

From: james.reilly@citicorp.com
Sent: 13 April 2000 16:28
To: niels.kirk@citi.com
Cc: adam.kulick@ssmb.com; Steve.Baillie@citicorp.com
Subject: Re: Enron

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Niels

CITI-SPSI 0034954

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Kirk, Niels

From: Kirk, Niels
Sent: 13 April 2000 15:25
To: Reilly, James F [CITI]
Subject: Enron

Importance: High

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Niels

Kirk, Niels

From: Kirk, Niels
Sent: 12 April 2000 11:29
To: Theil, Rita
Subject: RE: Enron - Pipeline Discussion with Paul Chivers

I'll meet Rita at SSB Victoria reception (upstairs by the coffee shop) at 08:30. Hope this works. My mobile number is 0802 202 931.

Niels

-----Original Message-----
From: Wintergerst, Claudia On Behalf Of Theil, Rita
Sent: 12 April 2000 11:17
To: Kirk, Niels
Subject: RE: Enron - Pipeline Discussion with Paul Chivers

Rita will be getting into Gatwick at 07:15 and will be coming back on the Gatwick Express into Victoria.
Regards.
Claudia

-----Original Message-----
From: Kirk, Niels
Sent: Tuesday, April 11, 2000 6:07 PM
To: Theil, Rita
Subject: RE: Enron - Pipeline Discussion with Paul Chivers

CITI-SPSI 0034955

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INTERNAL USE ONLY - NOT FOR DISTRIBUTION OUTSIDE THE FIRM

The securities described in this memorandum may not be offered or sold to anyone except non-U.S. persons as defined in Regulation S under the Act. Further information about the issuer and the securities may be obtained from the offering memorandum relating to this offering prepared by the issuer. Under no circumstances should this sales memorandum be provided to anyone outside Salomon Smith Barney. The contents of this memorandum should not be discussed with anyone outside Salomon Smith Barney (including the press) other than customers of the firm that are non-U.S. persons as defined in Regulation S, syndicate members, or the issuer.

Financing Summary dated August 10, 2000
Enron Credit Linked Notes Trust ("Enron CLN")
$[500 million]
(the "Notes")

August 13,2000

Frequently Asked Questions

Q: *How does the Enron CLN transaction differ from the Yosemite transaction?*

A: The Enron CLN structure is a simplified version of the Yosemite transaction. The simplification of the structure should increase the liquidity of the Notes. The primary differences between the two structures are:

i. Citibank will make all interest payments regardless of defaults on Trust Investments, but absent an Enron default;
ii. Trust Investments are limited to highly rated short-term obligations (U.S. Governments, AAA insurance companies, and A-1/P-1 money center banks); there are no Enron obligations in the Trust prior to an Enron default;
iii. Citibank's rights to settle have been limited to a short time period; and
iv. Much of the flexibility to alter the structure has been removed in the Enron CLN structure.

Q: *What is the basic idea behind the Enron Credit Linked Notes?*

A: The Notes are primarily designed so that the payments made on the Notes are expected to mirror payments that would be made if the Notes were senior unsecured obligations of Enron. However, the inclusion of Citibank credit risk slightly alters the risk profile in that the interest component of the cash flows is in part dependent upon Citibank's fulfillment of its obligations under the Credit Swap.

A: The broad theme is to find the best home for different risks. As noted in The Wall Street Journal on 10/27/99, banks are increasingly reluctant to take on long dated credit risk (i.e. generally a 3-year time horizon), although they maintain a competitive advantage in structured finance. As with Yosemite, the Enron CLN structure allows Enron to take advantage of the flexibility provided by banks in structuring complex financings while placing pure long dated credit risk in the capital markets.

Q: *Why do the Enron CLNs make economic sense?*

A: Structuring risk is most efficiently priced in the bank market, while pure credit risk is most efficiently priced in the capital markets. The Enron CLN structure allows Citigroup to place pure Enron credit risk in the bond market while keeping the structural risks in the bank market.

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EXHIBIT #189t

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Financing Summary dated August 10, 2000
Enron Credit Linked Notes Trust ("Enron CLN")
$[500 million]
(the "Notes")

Q: *Why is Enron doing another structured financing?*

A: To take advantage of banks' structuring expertise while broadening Enron's sources of capital. Banks are willing to do structured financings for limited tenors (typically three years); the Enron CLN transaction will allow Enron to continue to execute structured financings with banks while extending the tenors of the deals by placing the credit risk in the capital markets. Enron believes that, as its capital structure is diverse and complex, strategic value is added by being able to syndicate a variety of risks through structured financings.
Examples include: contract monetization transactions, financing of $2 billion of inventory Enron has taken on through Enron Network's acquisition earlier this year.

Q: *Does Enron intend to issue plain vanilla corporate debt this year?*

A: Enron has stated that it is not intending to issue plain vanilla corporate debt through year-end. Therefore, the Enron CLNs are likely to be the one security to most closely approximate Enron senior unsecured debt issued for the remainder of this year.

Q: *How does the Investor risk in this transaction differ from that in plain corporate debt?*

A: There are three risks to analyze: Enron, Citibank and the Trust Investments.

Q: *Is Enron running out of bank lines?*

A: Enron has substantially reduced its dependence on bank financing over the last year (over $4 billion in freed up capacity). Enron believes that it has excellent liquidity in and access to the bank market. The Enron CLN issuance provides Enron with another avenue through which to source funds and expand its sources of capital.

Q: *How does this transaction affect Enron financial statements?*

A: The issuance of these notes will have no impact on Enron's balance sheet. The transaction is designed to allow Enron to restructure and lengthen existing structured financings that are already referenced in its financial statements.

Q: *What is Citigroup's interest?*

A: Enron is an important customer of Citigroup. Citigroup wants to continue to strengthen this

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relationship, and the Enron CLN transaction allows Citigroup to continue executing sophisticated financings with Enron while managing its credit exposure. In addition, the Enron CLN Trust is a great follow up to Yosemite that provides Citigroup a vehicle through which it can continue expanding its penetration into the credit derivatives market.

Q: *What are the benefits to investors?*

A: Investors receive a premium for taking Enron credit in a lightly structured form.

Q: *What kind of assets can the Enron CLN Trust hold?*

A: The Trust Investments are limited to certain high credit quality investments (time deposits, promissory notes or commercial paper of U.S. money center banks with short term ratings of A-1/P-1 and long term ratings of AA-/Aa3 that mature within 365 days of issuance, obligations for borrowed money or GICs of AAA/Aaa insurance companies that mature within 365 days of issuance, and direct U.S. government obligations). Trust Investments must bear a stated rate of interest and must mature prior to the maturity of the Notes. If the Notes are not in default, Noteholders will not know the Trust Investments but such information will be provided to the Rating Agencies.

Q: *What is investors' exposure to Enron?*

A: The Notes are designed to mimic the risk profile of Enron senior unsecured obligations. Following any payment failure, the structure is designed to give investors risk to Enron senior unsecured obligations that rank the same as borrowed money. Therefore, in all cases, investors bear general credit risk to Enron senior unsecured obligations.

Q: *What is investors' exposure to Citibank?*

A: Investors have performance and credit risk to Citibank (Aa2/AA-). Through a swap, Citibank receives all payments from Trust Investments and is obligated to deliver to the Trust sufficient funds to make each coupon payment on the Notes.

Q: *Do investors' have other risks?*

A: The Enron CLN Trust will invest in certain high credit quality investments of different obligors meeting the eligibility criteria. Investors bear default risk of but not price risk to these securities. This risk is in part mitigated by the presence of $50 million of certificates, which are subordinated

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to the Notes.

Q: *Can the Enron CLN structure be replicated?*

A: The Enron CLN structure is the result of Citibank's effort to simplify the structured financing programs which Enron has previously placed in the market. Citigroup believes this simplicity will be favorably accepted by the market. This structure can be replicated and used to the benefit of other capital users.

Q: *Who will own the Certificates?*

A: The certificates will be privately placed on an undisclosed basis.

The foregoing memorandum is based on the issuer's offering memorandum. This memorandum may not be distributed to anyone outside Salomon Smith Barney. The contents of this memorandum should not be discussed with anyone outside Salomon Smith Barney (including the press) other than customers of the firm that are non-U.S. persons as defined in Regulation S, syndicate members, or the issuer. The securities that are the subject of this offering may not be offered or sold to anyone except non-U.S. persons as defined in Regulation S under the Act.

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Executed 8/24 6:00 pm

CLN Swaps

Enron/Citibank N.A. swap
Effective August 25, 2000 Citibank N.A. makes a fixed payment of $439,677,103 to Enron North America Corp.

On each January 14 and July 14 beginning January 14, 2001 and ending July 14, 2005 ENA agrees to pay Citibank N.A. an amount equal to 568,024 bbls, at the December 2005 Oil-WTI NYMEX futures contract, priced at closing 3 Commodity Business Days prior to the payment date. The first payment on January 14, 2001 will be prorated by the actual number of days elapsed since closing, for an amount equal to 533,312 bbls.

On July 14, 2005, which the parties agree to be the final payment date of the transaction, ENA agrees to pay Citibank N.A. the lesser of $475,000,000 and the amount equal to 23,238,748 bbls at the December 2005Oil-WTI NYMEX futures contract, priced at closing 3 Commodity Business Days prior to the final payment date.

Enron/Delta swap
Effective August 25, 2000, Delta Energy Corporation makes an initial payment of $35,322,897 to Enron North America Corp.

On each January 14 and July 14 beginning January 14, 2001 and ending July 14, 2005 Delta agrees to pay ENA an amount equal to 568,024 bbls at the December 2005Oil-WTI NYMEX futures contract, priced at closing 3 Commodity Business Days prior to the payment date. The first payment on January 14, 2001 will be prorated by the actual number of days elapsed since closing, for an amount equal to 533,312 bbls.

On each January 14 and July 14 beginning January 14, 2001 and ending July 14, 2005, ENA agrees to pay Delta $17,750,750. The first payment on January 14, 2001 will be prorated by the actual number of days elapsed since closing, for an amount equal to $16,665,982.

On July 14, 2005, which the parties agree to be the final payment date of the transaction, ENA agrees to pay Delta the greater of $0 and the amount equal $475,000,000 minus 23,238,748 bbls. at the December 2005Oil-WTI NYMEX futures contract, priced at closing 3 Commodity Business Days prior to the final payment date.

Delta /Citibank N.A. swap
Effective August 25, 2000 Citibank N.A. makes an initial payment of $35,322,897 to Delta.

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Permanent Subcommittee on Investigations
EXHIBIT #189u

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Lee, Andrew P [FIN]

From: Bernstein, Saul [CITI]
Sent: Wednesday, October 18, 2000 12:45 PM
To: Lee, Andrew P [FIN]
Cc: Cougle, Foster [FIN]
Subject: RE: RE: Enron Follow-up

Andy, per our discussion, the situation is as follows: The Trust issued $475MM of CLN to 100% risk weight investors, and a first loss $50MM CLN to RBOC, against which Citibank wrote a Total Return Swap. Citibank, consequently, consolidated the Trust. The Trust deposited the CLN proceeds as a deposit with Citibank, which in turn extended credit to Enron in the form of a prepaid swap. For GAAP purposes, the financing of Enron is reported as a prepaid swap derivative (MTM) and the CLN as third party borrowings. The prepaid swap for RBC purposes is reported as a loan. For RBC purposes, the business would like to apply cash collateralization rules to achieve a zero risk weight. The thinking is that Citibank is not out-of-pocket cash and that if Enron defaulted on the prepaid swap, Citibank could deliver such swap (or other similar Enron debt) to the CLN investors in return for forgiveness in repaying the CLNs. We would need to have Business counsel advice that Citibank has the aforementioned legal rights, enforceable in all circumstances, such that Citibank has effectively transferred the credit risk related to the prepaid swap to the CLN investors. In addition to the internal legal evaluation, Financial Control should review the CLN documents. It is essential that the CLN be directly linked to (i.e., referenced to in the CLN documentation) the prepaid swap. Only in these circumstances, would it then be appropriate to report the prepaid swap (loan) at zero risk weight for RBC purposes.

Let me know what you learn.

Regards, Saul

-----Original Message-----
From: andrew.p.lee [SMTP:andrew.p.lee@ssmb.com]
Sent: Tuesday, October 17, 2000 8:18 PM
To: saul.bernstein
Cc: andrew.p.lee; foster.cougle
Subject: RE: Enron Follow-up

Hi Saul,

I have a follow-up question regarding the RBC treatment for the Enron transaction if you don't mind. Per the guidance below, we did treat the prepaid oil swap as a loan/direct credit substitute (100% risk weighted) for 9/30. A question I have though is that since the desk has a hedge for the credit exposure of the "loan" by essentially purchasing credit protection from the trust/noteholders, is there a way to get some reduction in the risk weighting?

As always, thanks for you help.

Regards,
Andy

-----Original Message-----
From: Bernstein, Saul [CITI]
Sent: Wednesday, October 04, 2000 1:26 PM
To: Lee, Andrew P [FIN]
Cc: Cougle, Foster [FIN]; Mackey, William J [CITI]; Waters, Marty [CITI]; Williams, Jo-Anne [FIN]
Subject: FW: Enron Follow-up

Andy, please see forwarded response. Hope all is well.

Permanent Subcommittee on Investigations
EXHIBIT #189v

Regards, Saul

-----Original Message-----
From: Mackey, William J.
Sent: Wednesday, October 04, 2000 12:01 PM
To: Bernstein, Saul
Subject: Enron Follow-up

Andy, I just completed a second review of the structure to ensure the appropriateness of consolidating the Trust. Since the Royal Bank of Canada

(RBOC), the holder of the $50MM CLN, Credit Linked Notes, transfers the risk of
holding these Notes to Citibank via the Total Return Swap, RBOC is not at risk
and can not be viewed as the equity owner of the Trust. Citibank should
consolidate the Trust. Eliminating the double count (for Citibank - Credit
Derivatives Trading Unit) of assets requires the removal of the Citibank EM
Treasury Desk from the transaction. Regardless of the feasibility of the below
options, your books as of 9/30 should reflect the consolidation of the Trust.
Some options to consider follow.
Have the Trust (an apparent third party opposite Enron since Citibank is
consolidating it) place the funds and enter a prepaid swap directly with Enron.
Enron would have to pay one year LIBOR to the Trust to keep the pricing
intact. What purpose does Citibank EM Treasury play? Must the Trust's
placement of funds be in deposit form as required by its Charter provisions
regarding investment activities? Is the Trust authorized per its Charter to

enter a prepaid swap?
A second option is for the Trust to place the funds directly with the Citibank
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that we are consolidating the Trust for accounting purposes, the Trust is an

otherwise separate legal entity not within the ownership chain of the Citigroup
family.) Since we are consolidating the Trust's debt (presumably raised from
third party investors), this may be a moot point. I'm copying M. Waters of OCF
for informational purposes.
A last option is to replace the EM Treasury Unit with a third party bank. This
is a cost/benefit decision by the business.
For RBC purposes, I would treat the prepaid swap as a loan, a 100% risk
weighted asset. Same RBC treatment given to a direct credit substitute. For
GAAP, the prepaid derivative should be MTM as a trading postion.
Regards, Saul

_____ Forward Header

Subject: Enron Follow-up
Author: andrew.p.lee (andrew.p.lee@ssmb.com) at INTERNET
Date: 09/25/2000 10:44 AM

Hi Bill,

Good seeing you on Friday and hope the camping trip went well!
I just wanted to follow-up regarding the Enron deal. We ended up discussing

the trade for a few minutes with Saul on Friday and off the top of his head, he
seems to believe that consolidation of the trust is clearly necessary.

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However, he wasn't sure if it made sense that this trade is then basically double-counted on the balance sheet for the Credit Derivatives desk (once as a
prepaid oil swap and again as a intracompany deposit) resulting in this trade
adding approximately a billion dollars of assets. Overall from a consolidated
Firm point of view, only the prepaid oil swaps and the credit linked notes would appear on the balance sheet but the balance sheet from the Credit Derivatives desk point of view (and Emerging Markets Desk) gets grossed-up.

Assuming we have to consolidate the trust, any suggestions on how we can avoid
this?
Also, should we go ahead and treat the prepaid oil swap as a direct credit substitute with a 100% conversion factor for RBC?
Thanks for your help.
-Andy

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EXHIBIT #189w

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double-counted on the balance sheet for the Credit Derivatives desk (once as a prepaid oil swap and again as a intracompany deposit) resulting in this trade adding approximately a billion dollars of assets. Overall from a consolidated Firm point of view, only the prepaid oil swaps and the credit linked notes would appear on the balance sheet but the balance sheet from the Credit Derivatives desk point of view (and Emerging Markets Desk) gets grossed-up.

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-Andy

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Unknown

From: Bernstein, Saul [CITI]
Sent: Thursday, October 19, 2000 1:19 PM
To: Lee, Andrew P [FIN]
Cc: Bendernagel, Donald [GCO]; Caplan, Rick [FI]; Cougle, Foster [FIN]
Subject: RE: RE: RE: RE: Enron Follow-up

Andy, I had a chance to speak with Rick this morning. He clarified that in an Enron default event, Citibank has the right to deliver $500MM of deliverable Enron obligations (DEO) to the Trust, and to receive $550 of Trust investments (i.e., all the assets of the Trust). Citibank would therefore take back all of its$550MM deposit liability. Citibank would be ahead by $50MM. The note-holders would solely look to the recovery value of the DEO to have its $500MM of Notes repaid. It is intended that the note-holders ultimately have exposure to Enron senior unsecured default risk. Nothing would remain for the certificate holder (RBOC), which entity would lose its entire $50MM investment. Citibank would then pay the certificate holder (RBOC) $50MM to settle the TRS. Thus, in the Enron default scenario, Citibank, nor the certificate holder, would NOT sustain a loss. In view of the above, I believe it is appropriate for Citibank to report the benefits of the effective cash collateralization arrangement for RBC purposes. That is, there should not be a risk asset. Rick stated that this was the understanding when the deal was structured.

As a last point, Rick also mentioned that there is a Milbank,Tweed memorandum which clarifies that the prepaid swap meets the definition of a deliverable Enron obligation (DEO). We need this letter (please fax me a copy) plus CM confirmation from Don on this point. We could then revise the RBC reporting.

Regards, Saul

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Sent: Thursday, October 19, 2000 8:45 AM
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Hi Saul,

Thanks for your comments.

One thing to note though is that the certificate-holders actually do not sustain the loss if a credit event occurs. Though the certificate-holders retain the first loss exposure in regards to the performance of the Trust Assets, if a Enron Credit Event were to occur, the certificates are actually redeemed. Under the terms of the Settlement following an Enron Credit Event, in return for Citibank delivering Enron Deliverable Obligations to the Trust, the Trust will deliver an amount of Trust Investments to Citibank equal to the amount of Enron Deliverable Obligations that Citibank delivered plus an amount equal to the Base Amount of the Certificates.

Thus, following a credit event we would not have any exposure to the certificates and would no longer consolidate the trust. The assets of the trust at that point (the Enron assets that Citibank delivered) would solely belong to the noteholders.

Please let me know how this affects your thoughts.

Thanks,
Andy

-----Original Message-----

Permanent Subcommittee on Investigations
EXHIBIT #189x

From: Bernstein, Saul [CITI]
Sent: Wednesday, October 18, 2000 7:42 PM
To: Lee, Andrew P [FIN]
Cc: Cougle, Foster [FIN]
Subject: RE: RE: RE: Enron Follow-up

Andy, I agree it is wise to wait for Don's in-put. I have, however, some second thoughts.

I believe that relative to the prepaid swap asset, Citibank is providing first loss protection to the certificate-holders by writing the total return swap (TRS) against the certificates (considered the equity in the structure) issued by the Trust. The deposit is, in an amount equal to the Note and Certificate issuance proceeds, so the certificate holder would also sustain losses under the terms of the credit swap. The note-holders and certificate holder, in a worse case scenario, would lose their entire investment if the prepaid swap had a zero recovery value and the Trust had no other sources of repayment. Under the TRS, Citibank would make the certificate holder whole. In all credit derivative structures in which Citibank purchased protection to obtain RBC relief, the first loss retention was limited to 1%. Here the first loss is about ten percent ($50/$525). This maximum loss exposure is greater than the 8% capital we currently would reserve for the prepaid swap (loan). Accordingly, taking any RBC relief would seem inappropriate. If I'm not correctly understanding our loss exposure, please advise.

Also, for the record, I'm not sure if we are correctly characterizing the instrument we are trying to report for RBC purposes. The asset swap is pursuant to the terms of the Credit Swap between Citibank and the Trust. Assuming Citibank has the right to deliver the prepaid swap in return for the Trust's investment (i.e., its deposit with Citibank), in equal principal amounts, this asset swap is occurring within the Citicorp consolidated entity (since we are consolidating the Trust). We are not dealing with either a default swap or a credit linked note - two conventional types of credit derivatives. The note-holders are not obligated (per the credit swap) to reimburse Citibank for default losses on the prepaid swap nor is there principal debt forgiveness in the amount of any default loss on the prepaid swap. Instead, we have a combination of a credit swap agreement (inter-company on a practical reporting level) and note issuance terms which effectively permits Citibank to transfer senior unsecured Enron indebtedness default risk to the note holders and certificate holder (the investors). The investors can be limited, in an Enron credit event, to solely look to the recovery value of non-performing Enron deliverable (delivered to the Trust) obligations for repayment. If not for the first loss exposure, I believe we would have some form of cash collateralization arrangement (not a credit derivative) which is legally enforceable and economically effective - otherwise worthy of seeking an opinion from counsel and from Corporate Regulatory Advisory.

Regards, Saul

-----Original Message-----
From: andrew.p.lee [SMTP:andrew.p.lee@ssmb.com]
Sent: Wednesday, October 18, 2000 5:50 PM
To: saul.bernstein
Cc: andrew.p.lee; foster.cougle
Subject: RE: RE: Enron Follow-up
Importance: High

Hi Saul,

Here's what we found out. Amanda Angelini (one of the structurers) confirmed that upon a credit event we can legally deliver the prepaid

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swap to be used to pay the noteholders. I left a message with Don Bendernagel to call me to confirm this but Amanda also assured me that he agreed with this view.

The terms found in the offering memo do appear to support this. According to the terms, if a credit event occurs, Citibank can deliver to the trust Enron Deliverable Obligations which would include any senior obligation of Enron (including swaps) that would rank at least equal in priority to claims against Enron for senior unsecured indebtedness that is not a participation interest and which is considered "actively traded" by IRS standards (which Amanda believes is satisfied by the prepaid swap). In return, Citibank would receive the trust assets (the Citibank CD) which would make us whole on the prepaid and on the equity certificates.

Thus, though the prepaid swap is not specifically mentioned in the offering memo, it does appear to satisfy the criteria that is stated in the memo. As a result, it does appear we have effectively transferred the credit exposure to the noteholders.

Please let me know if you think this is sufficient to go ahead and reduce the risk-weighting to 0%. We may still be able to revise the 9/29 reporting if we act quickly.

Thanks,
Andy

-----Original Message-----
From: Bernstein, Saul [CITI]
Sent: Wednesday, October 18, 2000 12:45 PM
To: Lee, Andrew P [FIN]
Cc: Cougle, Foster [FIN]
Subject: RE: RE: Enron Follow-up

Andy, per our discussion, the situation is as follows: The Trust issued $475MM of CLN to 100% risk weight investors, and a first loss $50MM CLN to RBOC, against which Citibank wrote a Total Return Swap. Citibank, consequently, consolidated the Trust. The Trust deposited the CLN proceeds as a deposit with Citibank, which in turn extended credit to Enron in the form of a prepaid swap. For GAAP purposes, the financing of Enron is reported as a prepaid swap derivative (MTM) and the CLN as third party borrowings. The prepaid swap for RBC purposes is reported as a loan. For RBC purposes, the business would like to apply cash collateralization rules to achieve a zero risk weight. The thinking is that Citibank is not out-of-pocket cash and that if Enron defaulted on the prepaid swap, Citibank could deliver such swap (or other similar Enron debt) to the CLN investors in return for forgiveness in repaying the CLNs. We would need to have Business counsel advice that Citibank has the aforementioned legal rights, enforceable in all circumstances, such that Citibank has effectively transferred the credit risk related to the prepaid swap to the CLN investors. In addition to the internal legal evaluation, Financial Control should review the CLN documents. It is essential that the CLN be directly linked to (i.e., referenced to in the CLN documentation) the prepaid swap. Only in these circumstances, would it then be appropriate to report the prepaid swap (loan) at zero risk weight for RBC purposes.

Let me know what you learn.

Regards, Saul

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Lee, Andrew P [FIN]

From: Angelini, Amanda [FI]
Sent: Wednesday, October 18, 2000 4:32 PM
To: Lee, Andrew P [FIN]
Cc: Caplan, Rick [FI]
Subject: Re: Enron

If the question is whether the prepaid is a deliverable obligation then the answer is yes. The actively traded reference is a tax definition. We are comfortable that there is a market for prepaids.

Please call if you want to discuss further.

Amanda

-----Original Message-----
From: Lee, Andrew P [FIN] <al06030@imcnam.ssmb.com>
To: Angelini, Amanda [FI] <aa19374@imcnam.ssmb.com>
Sent: Wed Oct 18 15:33:38 2000
Subject: Enron

Hi Amanda,

Yes, believe it or not, we are still working out some issues on the Enron trade.

After receiving guidance from accounting policy, we ended up consolidating the trust (we have the Emerging Markets CD and the CLN's on our books) and we treated the prepaid swap as a loan (100% risk weight) for RBC purposes.

What I'm trying to work on is to get the risk weight reduced on the prepaid swap. Per accounting policy we need to prove that we have legally transferred all credit risk. From their point of view they would like to see that the CLN is directly linked to the prepaid swap.

In the offering memo, the definition of Enron Deliverable Obligation includes "actively traded" Obligations (including swaps). Do we have the documentation in place to allow us to deliver the prepaid swap under this definition?
Is there someone in legal who can confirm this?

Thanks,
Andy

Permanent Subcommittee on Investigations
EXHIBIT #189y

Lee, Andrew P [FIN]

From: Angelini, Amanda [FI]
Sent: Monday, November 20, 2000 4:29 PM
To: Lee, Andrew P [FIN]
Cc: Caplan, Rick [FI]
Subject: FW: RE: Enron CLN Transaction - SFAS 133 Accounting for Prepaid Swaps

Andy

We are indifferent as to whether it is booked separately. As for Delta's benefit - Delta does receive a small fee for entering into these transactions

Amanda

-----Original Message-----
From: Lee, Andrew P [FIN]
Sent: Thursday, November 16, 2000 4:33 PM
To: Angelini, Amanda [FI]
Cc: Cougle, Foster [FIN]
Subject: RE: RE: Enron CLN Transaction - SFAS 133 Accounting for Prepaid Swaps

Hi Amanda,

Thanks for getting back to me.

The Citibank Swap Fee I'm referring to is the 30bps on the 500mm notional. It is currently booked as part of the promissory note coupon and I'm wondering whether or not it should be booked separately.

If I'm interpreting your response properly, does it mean that Delta entered into an offsetting trade with Enron to hedge the trade that they have with us? How does Delta benefit from this transaction?

Thanks,
Andy

-----Original Message-----
From: Angelini, Amanda [FI]
Sent: Thursday, November 16, 2000 3:32 PM
To: Lee, Andrew P [FIN]; Caplan, Rick [FI]
Cc: Cougle, Foster [FIN]
Subject: RE: RE: Enron CLN Transaction - SFAS 133 Accounting for Prepaid Swaps

Andy - I would answer your questions as follows -

There is a limited secondary market for the prepaid as other banks are doing them in the market.

There was a promissory note issued by Enron at closing. What Citibank Swap fee are you talking about?

This is a third party independent relationship - Enron and Delta have entered into a market swap and put option with Delta.

Rick is out. Let me know if you need more information.

Amanda
-----Original Message-----
From: Lee, Andrew P [FIN]
Sent: Thursday, November 16, 2000 2:56 PM
To: Caplan, Rick [FI]; Angelini, Amanda [FI]
Cc: Cougle, Foster [FIN]
Subject: FW: RE: Enron CLN Transaction - SFAS 133 Accounting for Prepaid Swaps

Hi Rick/Amanda,

Permanent Subcommittee on Investigations
EXHIBIT #189z

We have been going back and forth a bit with Saul on a couple of SFAS 133 issues that he has brought up on the prepaid swap and the CLNs in the Enron transaction and I was wondering if you could help us on a few more questions.

In summary, under SFAS 133 Saul states that we would no longer be able to mark to market the prepaid swap because it fails to qualify as a derivative. As a result, we would have to apply loan/accrual accounting for the prepaid. Additionally, since the Trust is consolidated onto our books (due to us effectively owning the certificates) the CLNs are our liability which need to have the embedded default swap bifurcated from the note.

There is still some question on how all this would exactly be done but it may potentially lead to volatility in the P&L. Thus, we are still debating some points with Saul.

The information the we are looking for that could help us in our discussions/analysis is:

- If necessary, could we make an argument that there is a secondary market for the prepaid swap?

- Will there be an actual $25mm promissory note issued by Enron (it currently is booked by the desk as a swap) and will the Citibank Swap fee be included in the coupon payment on it? (I know the Basis Swap fee is covered under a separate letter but I'm not certain about the Citibank Swap fee.)

- What exactly is the relationship between Enron and Delta? (I know Delta is independently managed but what is Enron's relationship with it).

Please let me know also if you have any thoughts on this issue and thanks for your help.

-Andy

-----Original Message-----
From: Bernstein, Saul [CITI]
Sent: Friday, November 10, 2000 7:26 PM
To: Lee, Andrew P [FIN]
Cc: Cougle, Foster [FIN]; Erlanger, Joseph [FIN]; Mackey, William J [CITI]; Williams, Jo-Anne [FIN]
Subject: RE: RE: Enron CLN Transaction - SFAS 133 Accounting for Prepaid Swa ps

Andy, my comments follow.

- The CLN does not make direct reference to the prepaid swap, but rather to deliverable obligations of Enron - but business counsel indicates the prepaid swap would satisfy the definition of a Deliverable Enron Obligation (DEO). This protection is against the whole prepaid swap (loan) or other DEOs, not against a sold default swap position embedded in the prepaid swap. The bank has a funded exposure, not a sold credit derivative, or a synthetic long position. I would not encourage bifurcating a sold DS from the loan. If not for SFAS 133, I would not bifurcate the default swap from the CLN, because I believe it makes more sense to follow the current banking book accounting treatment today when they purchase protection - i.e., accrual accounting. We're kind of stuck until the FASB revisits this illogical result.

- Because this prepaid swap is part of a structured transaction, my impression is that we are not holding this loan for short-term profit opportunity. Also, my impression is that there would not be much of a secondary loan trading market for this customized prepaid swap which is protected by the CLN. If this loan was purchased in the secondary market, maybe we could then view it as a trading asset. Overall facts and circumstances would need to be considered.

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CITI-SPSI 0103604

Regards, Saul

-----Original Message-----
From: andrew.p.lee [SMTP:andrew.p.lee@ssmb.com]
Sent: Thursday, November 09, 2000 7:58 PM
To: saul.bernstein
Cc: andrew.p.lee; joseph.erlanger; foster.couple
Subject: RE. Enron CLN Transaction - SFAS 133 Accounting for Prepaid Swaps

Hi Saul,

We had a couple of thoughts/questions regarding the treatment of the Enron CLN transaction under SFAS 133 that we wanted to run by you.

One thought is that since we are marking to market the credit default swap that is embedded in the credit linked note, shouldn't we be able to separate and also mark the credit default component of the loan that hedges it?

Also, even if the prepaid swap is viewed as a loan instead of a derivative, why can't we mark-to-market the loan since it is held in a MTM trading portfolio? (Is it because we "originated" it instead of purchasing it?) From a hedging/trading point of view, it would seem that this loan is not too different from other corporate debt which we MTM.

Thanks for your help.

-Andy

-----Original Message-----
From: Bernstein, Saul [CITI]
Sent: Thursday, October 05, 2000 2:05 PM
To: Lee, Andrew P [FIN]; Williams, Jo-Anne [FIN]
Cc: Kalyvas, Erika [FIN]; Mackey, William J [CITI]; Steinberg, David [FIN]
Subject: AT&T Canada and Enron CLN Transactions - SFAS 133 Accounting for Prepaid Swaps

For both of the above referenced transactions, the prepaid swap component of the structured transaction would not qualify as a derivative per DIG A-9, Definition of a Derivative: Prepaid Interest Rate Swaps. The FASB definitional requirements apply to all derivative types - interest rates, commodities, equities, etc. Qualifying derivatives may not involve an initial investment which is not smaller than the notional value or an economically equivalent (concept applies when leverage is used) notional value of the derivative contract.

This means that the contracts in the referenced transactions are non-derivative contracts. As a result, we need to determine the nature of the contract, and determine whether there are any embedded derivatives. In the AT&T transaction, I believe the host contract is a loan, and that there is an embedded call option which would be separated and MTM. The call option provides some upside to the customer, above which a certain price, the appreciation revert to Citibank. Any depreciation of the shares below the AT&T guaranteed floor price which Citibank pre-funded (monetized) exposes Citibank to credit/default risk to AT&T. The same analysis for embedded derivatives needs to be performed for the Enron CLN transaction.

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Please note that this (GAAP) accounting is mandatory when we adopt SFAS 133 next year. It is possible to continue with past accounting practices up through year-end on the basis of consistency. The RBC (loan) treatment already recommended is appropriate. Assuming we continue with current accounting practice, I have illustrated (using the AT&T transaction) below an approach to dimensioning the transition adjustment upon adoption of SFAS 133 on 1/1/01.

Please call if you want to discuss.

Regards, Saul

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Financing Summary dated May 2, 2001

Enron Credit Linked Notes Trust II Senior Notes Offering ("Enron CLN II")

$[million]

("Notes")

May 2, 2001

Frequently Asked Questions

Q: *How does the Enron CLN II transaction differ from the ECLN and Yosemite transaction?*

A: The Enron CLN II structure is substantially similar to the ECLN transaction completed last August and is a simplified version of the Yosemite transaction. The simplification of the structure was designed to help the liquidity of the Notes. The primary differences between the Yosemite and ECLN II structures are:

i) Absent an Enron default, Citibank will make all interest payments regardless of defaults on Trust Investments;

ii) Trust Investments are limited to high credit quality, short-term obligations (Governments, AAA insurance companies, and A-1/P-1 and A+/A1 US, UK and E-11 banks); there are no Enron obligations in the Trust prior to an Enron default;

iii) Citibank's rights to settle have been limited to a short time period and the optionality has been restricted; and

iv) Much of the flexibility to alter the structure present in Yosemite has been removed in the Enron CLN II structure.

Q: *What is the basic idea behind the Enron Credit Linked Notes II?*

A: The Notes are primarily designed so that the payments made on the Notes are expected to mirror payments that would be made if the Notes were senior unsecured obligations of Enron. However, the inclusion of Citibank credit risk slightly alters the risk profile in that the interest component of the cash flows is in part dependent upon Citibank's fulfillment of its obligations under the Credit Swap.

Q: *Why does the Enron CLN II make economic sense?*

A: Structuring risk is most efficiently priced in the bank market, while pure credit risk is most efficiently priced in the capital markets. The Enron CLN II structure allows Citigroup to place pure Enron credit risk in the bond market while keeping the structural risks in the bank market. In addition, the structure allows Enron to extend the tenors of certain structured financings.

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Permanent Subcommittee on Investigations
EXHIBIT #189aa

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Financing Summary dated May 2, 2001

Enron Credit Linked Notes Trust II Senior Notes Offering ("Enron CLN II")

$[million]

("Notes")

Q: *Why is Enron doing another structured financing?*

A: Enron is doing another structured financing to take advantage of banks' structuring expertise while broadening Enron's sources of capital. Banks are willing to do structured financings for limited tenors (typically three years); the Enron CLN II transaction will allow Enron to continue to execute structured financings with banks while extending the tenors of the deals by placing the credit risk in the capital markets. Enron believes that, as its capital structure is diverse and complex, strategic value is added by being able to syndicate a variety of risks through structured financings in selected currencies.
Examples include: contract monetization transactions, synthetic leases, commodity transactions, minority interest structures.

A: Enron is undergoing many changes and as it expands its business, it has consistently developed new ways to finance its business in a manner that maximizes the value of the structure for Enron and its investors.

Q: *Why is Enron issuing the ECLN II in multi-currencies?*

A: The simplicity of the Enron CLN structure was a strong factor in the successful issuance of the first Enron CLN. To achieve the same economic benefit of bifurcating risks in the US market and broaden its financing sources globally, Enron CLN II is being marketed to Euro, Sterling and US investors.

Q: *How does the investor risk in this transaction differ from that in plain corporate debt?*

A: There are three risks to analyze: Enron, Citibank and the Trust Investments.

Q: *Is Enron running out of bank lines?*

A: Enron believes that it has excellent liquidity in and access to the bank market. The Enron CLN II issuance provides Enron with another avenue through which to source funds and expand its sources of capital.

Q: *How does this transaction affect Enron financial statements?*

A: The issuance of the Notes will have no impact on Enron's balance sheet. The transaction is designed to allow Enron to restructure and lengthen structured financings. The reporting of any

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underlying transaction will not be affected by the Notes.

Q: *What is Citigroup's interest?*

A: Enron is an important customer of Citigroup. Citigroup wants to continue to strengthen this global relationship, and the Enron CLN II transaction allows Citigroup to continue executing sophisticated financings with Enron in Europe and the US while managing its credit exposure. In addition, the Enron CLN II Trust is a great follow up to ECLN that provides Citigroup a vehicle through which it can continue expanding its penetration into the credit derivatives market.

Q: *What are the benefits to investors?*

A: Investors receive a premium for taking Enron credit in a lightly structured form.

Q: *What kind of assets can the Enron CLN II Trust hold?*

A: The Trust Investments are limited to certain high credit quality investments. For Enron CLN II, the Trust Investments consist of:

i) time deposits, promissory notes or commercial paper of U.S. money center banks with short term ratings of A-1/P-1 and long term ratings of A+/A1 that mature within 90 days of issuance,
ii) promissory notes of or GICs from AAA/Aaa insurance companies that mature within 365 days of issuance or
iii) direct U.S. government obligations.

Trust Investments must bear a stated rate of interest and must mature prior to the maturity of the Notes. The Trust Investments held by the Collateral Agent will not at any time represent obligations of more than nine separate obligors. If the Notes are not in default, Noteholders will not know the Trust Investments but such information will be provided to the Rating Agencies.

Q: *Does each Trust have separate Trust Investments?*

A: Yes. The assets of each Trust will be solely for the benefit of the related investors.

Q: *What happens if any of the Trusts goes into default?*

A: The offerings are not cross-defaulted or cross-collateralized. The Credit Events are identical for each offering. Therefore, it is likely that all Notes will be in default at the same time. The

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collateral for each Trust remains separate.

Q: *What is investors' exposure to Enron?*

A: The Notes are designed to mimic the risk profile of Enron senior unsecured obligations. Following any payment failure, the structure is designed to give investors risk to Enron senior unsecured obligations that rank the same as borrowed money. Therefore, in all cases, investors bear general credit risk to Enron senior unsecured obligations.

Q: *What is investors' exposure to Citibank?*

A: Investors have performance and credit risk to Citibank (Aa2/AA-). Through a swap, Citibank receives all payments from Trust Investments and is obligated to deliver to the Trust sufficient funds to make each coupon payment on the Notes.

Q: *Do investors have other risks?*

A: The Enron CLN II Trust will invest in certain high credit quality investments of different obligors meeting the eligibility criteria. Investors bear default risk of but not price risk to these securities. This risk is mitigated in part by the presence of Certificates (approximately 10% of the issue size) which are subordinated to the Notes.

Q: *Can the Enron CLN II structure be replicated?*

A: Other than the multiple currencies, the Enron CLN II is substantially the same as the ECLN transaction from last August. This structure is the result of Citibank's effort to simplify the structured financing programs which Enron has previously placed in the market. Citigroup believes this simplicity will be favorably accepted by the market. This structure can be replicated and used to the benefit of other capital users.

Q: *Who will own the Certificates?*

A: The Certificates will be privately placed on an undisclosed basis.

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Financing Summary dated May 2, 2001

Enron Euro Credit Linked Notes Trust Senior Notes Offering ("Enron CLN II")

Euro [million]

("Notes")

May 2, 2001

Frequently Asked Questions

Q: *How does the Enron CLN II transaction differ from the ECLN and Yosemite transaction?*

A: The Enron CLN II structure is substantially similar to the ECLN transaction completed last August and is a simplified version of the Yosemite transaction. The simplification of the structure was designed to help the liquidity of the Notes. The primary differences between the Yosemite and ECLN II structures are:

i) Absent an Enron default, Citibank will make all interest payments regardless of defaults on Trust Investments;

ii) Trust Investments are limited to high credit quality, short-term obligations (Governments, AAA insurance companies, and A-1/P-1 and A+/A1 US, UK and E-11 banks); there are no Enron obligations in the Trust prior to an Enron default;

iii) Citibank's rights to settle have been limited to a short time period and the optionality has been restricted; and

iv) Much of the flexibility to alter the structure present in Yosemite has been removed in the Enron CLN II structure.

Q: *What is the basic idea behind the Enron Credit Linked Notes II?*

A: The Notes are primarily designed so that the payments made on the Notes are expected to mirror payments that would be made if the Notes were senior unsecured obligations of Enron. However, the inclusion of Citibank credit risk slightly alters the risk profile in that the interest component of the cash flows is in part dependent upon Citibank's fulfillment of its obligations under the Credit Swap.

Q: *Why does the Enron CLN II make economic sense?*

A: Structuring risk is most efficiently priced in the bank market, while pure credit risk is most efficiently priced in the capital markets. The Enron CLN II structure allows Citigroup to place pure Enron credit risk in the bond market while keeping the structural risks in the bank market. In addition, the structure allows Enron to extend the tenors of certain structured financings.

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Financing Summary dated May 2, 2001

Enron Euro Credit Linked Notes Trust Senior Notes Offering ("Enron CLN II")

Euro [million]

("Notes")

Q: *Why does it make sense to do a Euro ECLN?*

A: The simplicity of the ECLN structure facilitates a wide distribution of a structured note. To achieve the same economic benefit of bifurcating risks in the US market and broaden its financing sources globally, Enron CLN II is being marketed to Euro, Sterling and US investors.

Q: *Why is Enron doing another structured financing?*

A: Enron is doing another structured financing to take advantage of banks' structuring expertise while broadening Enron's sources of capital. Banks are willing to do structured financings for limited tenors (typically three years); the Enron CLN II transaction will allow Enron to continue to execute structured financings with banks while extending the tenors of the deals by placing the credit risk in the capital markets. Enron believes that, as its capital structure is diverse and complex, strategic value is added by being able to syndicate a variety of risks through structured financings in selected currencies.
Examples include: contract monetization transactions, synthetic leases, commodity transactions, minority interest structures.

A: Enron is undergoing many changes and as it expands its business, it has consistently developed new ways to finance its business in a manner that maximizes the value of the structure for Enron and its investors.

Q: *Why is Enron issuing the ECLN II in multi-currencies?*

A: The simplicity of the Enron CLN structure was a strong factor in the successful issuance of the first Enron CLN. To achieve the same economic benefit of bifurcating risks in the US market and broaden its financing sources globally, Enron CLN II is being marketed to Euro, Sterling and US investors.

Q: *How does the investor risk in this transaction differ from that in plain corporate debt?*

A: There are three risks to analyze: Enron, Citibank and the Trust Investments.

Q: *Is Enron running out of bank lines?*

A: Enron believes that it has excellent liquidity in and access to the bank market. The Enron CLN II issuance provides Enron with another avenue through which to source funds and expand its

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sources of capital.

Q: *How does this transaction affect Enron financial statements?*

A: The issuance of the Notes will have no impact on Enron's balance sheet. The transaction is designed to allow Enron to restructure and lengthen structured financings. The reporting of any underlying transaction will not be affected by the Notes.

Q: *What is Citigroup's interest?*

A: Enron is an important customer of Citigroup. Citigroup wants to continue to strengthen this global relationship, and the Enron CLN II transaction allows Citigroup to continue executing sophisticated financings with Enron in Europe and the US while managing its credit exposure. In addition, the Enron CLN II Trust is a great follow up to ECLN that provides Citigroup a vehicle through which it can continue expanding its penetration into the credit derivatives market.

Q: *What are the benefits to investors?*

A: Investors receive a premium for taking Enron credit in a lightly structured form.

Q: *What kind of assets can the Enron CLN II Trust hold?*

A: The Trust Investments are limited to certain high credit quality investments. For Enron Euro CLN, the Trust Investments consist of:

i) Euro-denominated fixed period deposits, promissory notes or commercial paper of U.S. money center banks or EU Member State commercial banks with short term ratings of A-1/P-1 and long term ratings of A+/A1 that mature within 90 days of issuance,
ii) Euro-denominated promissory notes of or GICs from AAA/Aaa insurance companies that mature within 365 days of issuance or
iii) Any domestically issued debt security issued by an EU Member State rated AAA/Aaa, or any sovereign jurisdiction with a foreign currency issuer credit rating of AAA/Aaa, in each case denominated in Euros.

Trust Investments must be payable in Euros, bear a stated rate of interest and must mature prior to the maturity of the Notes. Each Trust Investment will not be subject to withholding tax as of its acquisition date unless the issuer is required to fully gross-up the Trust for such withholding tax. The Trust Investments held by the Collateral Agent will not at any time represent obligations of

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more than nine separate obligors. If the Notes are not in default, Noteholders will not know the Trust Investments but such information will be provided to the Rating Agencies.

Q: *Does each Trust have separate Trust Investments?*

A: Yes. The assets of each Trust will be solely for the benefit of the related investors.

Q: *What happens if any of the Trusts goes into default?*

A: The offerings are not cross-defaulted or cross-collateralized. The Credit Events are identical for each offering. Therefore, it is likely that all Notes will be in default at the same time. The collateral for each Trust remains separate.

Q: *What is investors' exposure to Enron?*

A: The Notes are designed to mimic the risk profile of Enron senior unsecured obligations. Following any payment failure, the structure is designed to give investors risk to Enron senior unsecured obligations that rank the same as borrowed money. Therefore, in all cases, investors bear general credit risk to Enron senior unsecured obligations.

Q: *What is investors' exposure to Citibank?*

A: Investors have performance and credit risk to Citibank (Aa2/AA-). Through a swap, Citibank receives all payments from Trust Investments and is obligated to deliver to the Trust sufficient funds to make each coupon payment on the Notes.

Q: *Do investors have other risks?*

A: The Enron CLN II Trust will invest in certain high credit quality investments of different obligors meeting the eligibility criteria. Investors bear default risk of but not price risk to these securities. This risk is mitigated in part by the presence of Certificates (approximately 10% of the issue size) which are subordinated to the Notes.

Q: *Can the Enron CLN II structure be replicated?*

A: Other than the multiple currencies, the Enron CLN II is substantially the same as the ECLN transaction from last August. This structure is the result of Citibank's effort to simplify the

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structured financing programs which Enron has previously placed in the market. Citigroup believes this simplicity will be favorably accepted by the market. This structure can be replicated and used to the benefit of other capital users.

Q: *Who will own the Certificates?*

A: The Certificates will be privately placed on an undisclosed basis.

The foregoing memorandum is based on the issuer's offering memorandum. This memorandum may not be distributed to anyone outside Schroder Salomon Smith Barney. The contents of this memorandum should not be discussed with anyone outside this firm (including the press) other than customers of the firm that are QIBs or certain non-US persons who would be permitted to purchase securities in reliance on Regulation S, syndicate members or the issuer. The securities that are the subject of this offering may not be offered or sold to anyone except QIBs pursuant to Rule 144A or non-US person who would be permitted to purchase securities in reliance on Regulation S.

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Financing Summary dated May 2, 2001

Enron Sterling Credit Linked Notes Trust Senior Notes Offering ("Enron CLN II")

Sterling [million]

("Notes")

May 2, 2001

Frequently Asked Questions

Q: *How does the Enron CLN II transaction differ from the ECLN and Yosemite transaction?*

A: The Enron CLN II structure is substantially similar to the ECLN transaction completed last August and is a simplified version of the Yosemite transaction. The simplification of the structure was designed to help the liquidity of the Notes. The primary differences between the Yosemite and ECLN II structures are:

i) Absent an Enron default, Citibank will make all interest payments regardless of defaults on Trust Investments;

ii) Trust Investments are limited to high credit quality, short-term obligations (Governments, AAA insurance companies, and A-1/P-1 and A+/A1 US, UK and E-11 banks); there are no Enron obligations in the Trust prior to an Enron default;

iii) Citibank's rights to settle have been limited to a short time period and the optionality has been restricted; and

iv) Much of the flexibility to alter the structure present in Yosemite has been removed in the Enron CLN II structure.

Q: *What is the basic idea behind the Enron Credit Linked Notes II?*

A: The Notes are primarily designed so that the payments made on the Notes are expected to mirror payments that would be made if the Notes were senior unsecured obligations of Enron. However, the inclusion of Citibank credit risk slightly alters the risk profile in that the interest component of the cash flows is in part dependent upon Citibank's fulfillment of its obligations under the Credit Swap.

Q: *Why does the Enron CLN II make economic sense?*

A: Structuring risk is most efficiently priced in the bank market, while pure credit risk is most efficiently priced in the capital markets. The Enron CLN II structure allows Citigroup to place pure Enron credit risk in the bond market while keeping the structural risks in the bank market. In addition, the structure allows Enron to extend the tenors of certain structured financings.

CITI-SPSI 0048936

Permanent Subcommittee on Investigations
EXHIBIT #189bb

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Financing Summary dated May 2, 2001

Enron Sterling Credit Linked Notes Trust Senior Notes Offering ("Enron CLN II")

Sterling [million]
("Notes")

Q: *Why does it make sense to do a Sterling ECLN?*

A: The simplicity of the ECLN structure facilitates a wide distribution of a structured note. To achieve the same economic benefit of bifurcating risks in the US market and broaden its financing sources globally, Enron CLN II is being marketed to Euro, Sterling and US investors.

Q: *Why is Enron doing another structured financing?*

A: Enron is doing another structured financing to take advantage of banks' structuring expertise while broadening Enron's sources of capital. Banks are willing to do structured financings for limited tenors (typically three years); the Enron CLN II transaction will allow Enron to continue to execute structured financings with banks while extending the tenors of the deals by placing the credit risk in the capital markets. Enron believes that, as its capital structure is diverse and complex, strategic value is added by being able to syndicate a variety of risks through structured financings in selected currencies.
Examples include: contract monetization transactions, synthetic leases, commodity transactions, minority interest structures.

A: Enron is undergoing many changes and as it expands its business, it has consistently developed new ways to finance its business in a manner that maximizes the value of the structure for Enron and its investors.

Q: *Why is Enron issuing the ECLN II in multi-currencies?*

A: The simplicity of the Enron CLN structure was a strong factor in the successful issuance of the first Enron CLN. To achieve the same economic benefit of bifurcating risks in the US market and broaden its financing sources globally, Enron CLN II is being marketed to Euro, Sterling and US investors.

Q: *How does the investor risk in this transaction differ from that in plain corporate debt?*

A: There are three risks to analyze: Enron, Citibank and the Trust Investments.

Q: *Is Enron running out of bank lines?*

A: Enron believes that it has excellent liquidity in and access to the bank market. The Enron CLN II issuance provides Enron with another avenue through which to source funds and expand its

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sources of capital.

Q: *How does this transaction affect Enron financial statements?*

A: The issuance of the Notes will have no impact on Enron's balance sheet. The transaction is designed to allow Enron to restructure and lengthen structured financings. The reporting of any underlying transaction will not be affected by the Notes.

Q: *What is Citigroup's interest?*

A: Enron is an important customer of Citigroup. Citigroup wants to continue to strengthen this global relationship, and the Enron CLN II transaction allows Citigroup to continue executing sophisticated financings with Enron in Europe and the US while managing its credit exposure. In addition, the Enron CLN II Trust is a great follow up to ECLN that provides Citigroup a vehicle through which it can continue expanding its penetration into the credit derivatives market.

Q: *What are the benefits to investors?*

A: Investors receive a premium for taking Enron credit in a lightly structured form.

Q: *What kind of assets can the Enron CLN II Trust hold?*

A: The Trust Investments are limited to certain high credit quality investments. For Enron Sterling CLN, the Trust Investments consist of:

i) sterling-denominated fixed period deposits, promissory notes or commercial paper of U.S. money center banks, EU Member State commercial banks or any credit institution licensed to carry on a deposit taking business in the UK that is a member of the Bankers' Clearing House with short term ratings of A-1/P-1 and long term ratings of A+/A1 that mature within 90 days of issuance,

ii) sterling-denominated promissory notes of or GICs from AAA/Aaa insurance companies that mature within 365 days of issuance or

iii) Gilts.

Trust Investments must be payable in sterling, bear a stated rate of interest and must mature prior to the maturity of the Notes. Each Trust Investment will not be subject to withholding tax as of its acquisition date unless the issuer is required to fully gross-up the Trust for such withholding tax. The Trust Investments held by the Collateral Agent will not at any time represent obligations of

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more than nine separate obligors. If the Notes are not in default, Noteholders will not know the Trust Investments but such information will be provided to the Rating Agencies.

Q: *Does each Trust have separate Trust Investments?*

A: Yes. The assets of each Trust will be solely for the benefit of the related investors.

Q: *What happens if any of the Trusts goes into default?*

A: The offerings are not cross-defaulted or cross-collateralized. The Credit Events are identical for each offering. Therefore, it is likely that all Notes will be in default at the same time. The collateral for each Trust remains separate.

Q: *What is investors' exposure to Enron?*

A: The Notes are designed to mimic the risk profile of Enron senior unsecured obligations. Following any payment failure, the structure is designed to give investors risk to Enron senior unsecured obligations that rank the same as borrowed money. Therefore, in all cases, investors bear general credit risk to Enron senior unsecured obligations.

Q: *What is investors' exposure to Citibank?*

A: Investors have performance and credit risk to Citibank (Aa2/AA-). Through a swap, Citibank receives all payments from Trust Investments and is obligated to deliver to the Trust sufficient funds to make each coupon payment on the Notes.

Q: *Do investors have other risks?*

A: The Enron CLN II Trust will invest in certain high credit quality investments of different obligors meeting the eligibility criteria. Investors bear default risk of but not price risk to these securities. This risk is mitigated in part by the presence of Certificates (approximately 10% of the issue size) which are subordinated to the Notes.

Q: *Can the Enron CLN II structure be replicated?*

A: Other than the multiple currencies, the Enron CLN II is substantially the same as the ECLN transaction from last August. This structure is the result of Citibank's effort to simplify the

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structured financing programs which Enron has previously placed in the market. Citigroup believes this simplicity will be favorably accepted by the market. This structure can be replicated and used to the benefit of other capital users.

Q: *Who will own the Certificates?*

A: The Certificates will be privately placed on an undisclosed basis.

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Unknown

From: Swanson, Timothy [FI]
Sent: Wednesday, June 27, 2001 7:12 PM
To: Francois, Tom [CRRM]
Subject: FW: Prepay Diagram

Citi Prepay Project Schematic ...

more....the trial diagram....

-----Original Message-----
From: Michael.Garberding@enron.com [mailto:Michael.Garberding@enron.com]

Sent: Wednesday, June 27, 2001 7:04 PM
To: timothy.swanson@ssmb.com"
IMCEANOTES-+22Swanson+2C+20Timothy+20+5BFI+5D+22+20+3Ctimothy+2Eswanson+
40ssmb+2Ecom+3E+40ENRON, steve.wagman@ssmb.com"
Cc: Lisa.Bills@enron.com; Eric.Moon@enron.com; V.Charles.Weldon@enron.com
Subject: Prepay Diagram

Included is a schematic that details the structure of the prepay. The amounts including in the structure include the following items:

- The Nymex Mid for Jan. '02 contract was priced as of close today (6/27/01)
- The assumption that the deal began on 6/28/01 and settled on 12/27/01
- The assumption that six-month libor rate plus spread would be used for the interest component

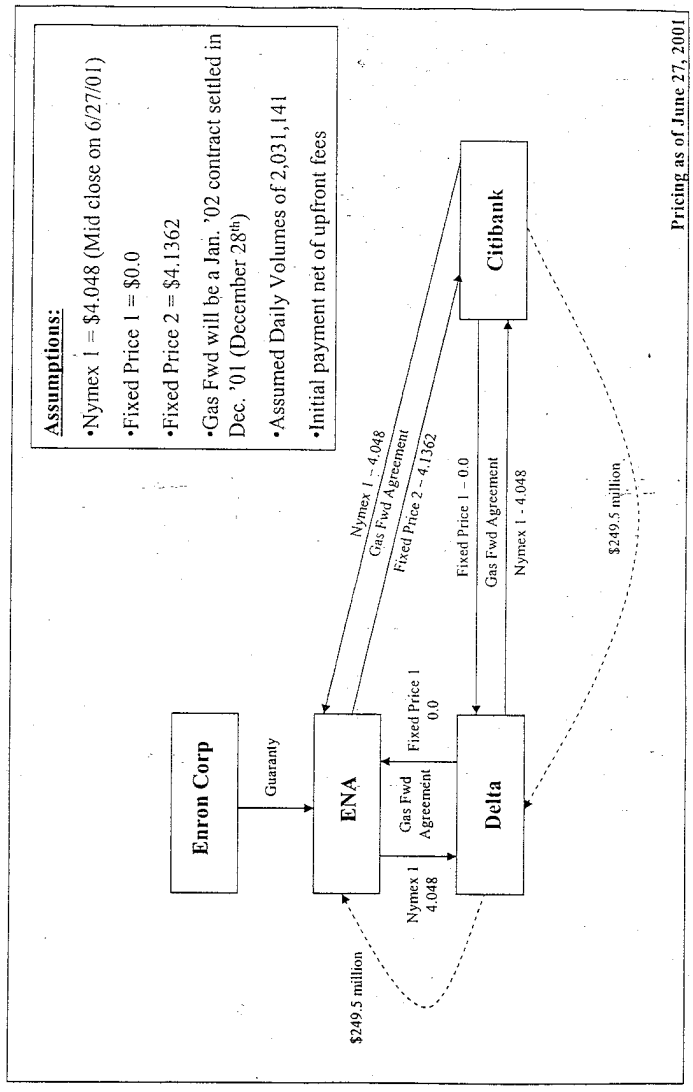
Please let me know if you have any questions or other comments. Thanks again for your help.

Michael
713-853-1864

(See attached file: Citi Prepay Project Schematic 6-27-01.ppt)

Permanent Subcommittee on Investigations
EXHIBIT #189cc

$250 Million Prepay



Unknown

From: Nepveux, Michael [CITI]
Sent: Thursday, June 28, 2001 11:14 AM
To: Wagman, Steve [FI]
Subject: RE: Enron

They confirmed there is an earnings impact, except that it is neutralized by offsetting trades (which don't of course require cash from Enron up-front).

-----Original Message-----
From: Wagman, Steve SSB. [SMTP:steve.wagman@ssmb.com]
Sent: Wednesday, June 27, 2001 8:32 PM
To: michael.nepveux; Wagman, Steve SSB.
Cc: Wagman, Steve SSB.
Subject: Re: Enron

I don't think earnings impact

-----Original Message-----
From: Nepveux, Michael [CITI] <michael.nepveux@citicorp.com>
To: steve.wagman@citicorp.com <steve.wagman@citicorp.com>
Sent: Wed Jun 27 20:56:38 2001
Subject: Enron

How can this trade not have an earnings impact to Enron? The mark-to-market on the two transactions is the PV of negative $257.5MM. Doesn't this reduce second quarter earnings by that amount?

CITI-SPSI 0050736

Permanent Subcommittee on Investigations
EXHIBIT #189dd

To: Dan O. Boyle

From: Travis Winfrey

Date: September 20, 2001

Subject: Citibank / Delta Prepay Transactions

As you know, some concerns with respect to the structure of the prepay transactions associated with the Credit Linked Notes surfaced at the end of June.

To clarify the issues, we held a number of discussions, engaging representatives from Finance, Legal, Accounting, Credit and EGM Risk Management. The team reached the following conclusions:

- All prepays relating to the CLN transactions in August 2000 and May 2001 were booked as swaps. The embedded options were not booked.
- The methodology for booking the transactions in this fashion was based on EGM Risk Management's interpretation of the prepay swap confirmations. This interpretation viewed the prepay between ENA and Citi as a swap and a call, and the prepay between ENA and Delta as a put. EGM Risk Management recognized that booking the swap and the call (ENA and Citi) and the put (ENA and Delta), would result in P/L volatility due to the difference in extrinsic value between the put and call. Therefore, the embedded options were not booked. In addition, this methodology did not accurately reflect the credit exposures among the parties.
- The intent of the prepay transactions was to view each leg as a swap with an embedded call. In fact, the formulas in the confirmations are drafted as swaps with embedded call, however the formula representing the ENA / Delta leg can mathematically be distilled to a put.
- The economic result of the two methodologies is the same, however, if both legs of the prepays are booked as swaps and calls, there is no adverse P/L effect and the credit exposure among the parties is represented accurately.
- EGM Risk Management agreed to rebook both the ENA / Delta leg and the ENA / Citi leg of the August 2000 and May 2001 transactions as a swap with an embedded call, all disciplines concurred.

Cc: Ben Glisan
Barry Schnapper
Joe Deffner
Doug McDowell
Scott Ernest
Mark Fondren
Mary Cook
Gareth Bahlmann
Clint Walden
Ryan Siurek
Tanya Rohauer
Jaime Araoz

Permanent Subcommittee on Investigations
EXHIBIT #189ee

Unknown

From: Wagman, Steve [FI]
Sent: Tuesday, November 13, 2001 5:51 PM
To: Deards, Paul B [FI]
Subject: ene prepaid update...fyi

Importance: High

the loans group has agreed to let enron out of paying half of the libor breakage (about 250k) on the early termination of the prepaid. Enron successfully negotiated this with them--arguing that we are forcing them to unwind early, I had told enron that we could not do this as it was true economic loss.

this is not forgoing profit...this is true loss the desk will have to pay to Treasury for breaking 6mo libor of 3.83% 45 days early when libor is 2%.

If we got the whole 500k--we would have been kept whole.

I will attempt to get loans to transfer money to the desk to cover this loss....

thoughts??

Steven A. Wagman
Managing Director
SalomonSmithBarney

ph (212) 723-6449
fax (212) 723-8610

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Permanent Subcommittee on Investigations
EXHIBIT #189ff

Unknown

From: Angelini, Amanda [FI]
Sent: Wednesday, December 05, 2001 7:07 AM
To: Dickey, John W [FI]; Caplan, Rick [FI]
Subject: Fw: AXA Enron Credit Linked Note

Fyi.

-----Original Message-----
From: Lepic, Jean [FI] <j181162@imceu.eu.ssmb.com>
To: Charles, Peter [FI] <pc82020@imceu.eu.ssmb.com>
CC: Angelini, Amanda [FI] <aal9374@imcnam.ssmb.com>; Amias, Jeremy [FI] <ja81836@imceu.eu.ssmb.com>; Colligan, John [FI] <jc02426@imceu.eu.ssmb.com>; Recoder, Andres [FI] <AR13158@imceu.eu.ssmb.com>; Planquart, Michel D [FI] <mp82894@imceu.eu.ssmb.com>
Sent: Wed Dec 05 05:31:58 2001
Subject: AXA Enron Credit Linked Note

Jean-Pierre Leoni head of credit products in Europe called me about the Enron CLN in Euro issued in May, AXA IM owns 20MM that they bought through AXA The Hague. At the time AXA Paris did not buy the CLN, although they liked the credit they did not like the structure.

He compared the Enron CLN with CP Kelkoo (a Euro HY bond issued by Lehman last year that published very bad results immediately after the launch, Lehman private equity fund had a big position in CP Kelkoo). They think that we have used privileged information. He wants to organise a conference call with our DCM and stucturing team to get more information on the conditions under which this transaction was done.

Jean-G. LEPIC
Citigroup - Schroder Salomon Smith Barney
01 [illegible] 51 60
http://direct.sbi.com

Permanent Subcommittee on Investigations
EXHIBIT #189gg

Bernstein, Saul

From: Lee, Andrew P. SSB. [andrew.p.lee@ssmb.com]
Sent: Wednesday, November 21, 2001 4:19 PM
To: Bernstein, Saul
Cc: Lee, Andrew P. SSB.; Cougle, Foster SSB.; Miranda, Axel A. SSB.
Subject: Enron II Documentation

Hi Saul,

Great seeing you yesterday!

Enclosed are the documents for the Enron II trades that we have owed you for a while (they are almost identical to the Enron I document). Please let us know if you have any questions or comments.

Thanks,
Andy

<<Enron II SFAS 133 Doc - USD.doc>> <<Enron II SFAS 133 Doc - EUR.doc>>
<<Enron II SFAS 133 Doc - GBP.doc>>

<<enron II USD.ppt>> <<enron II EUR.ppt>> <<enron II GBP.ppt>>

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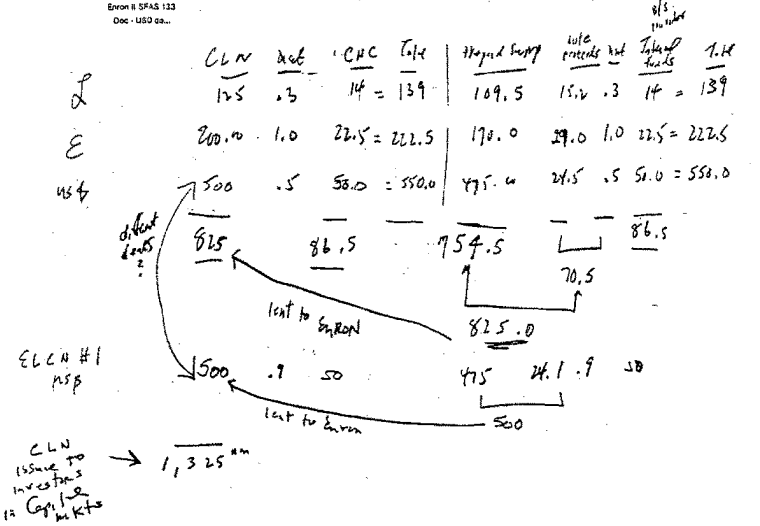
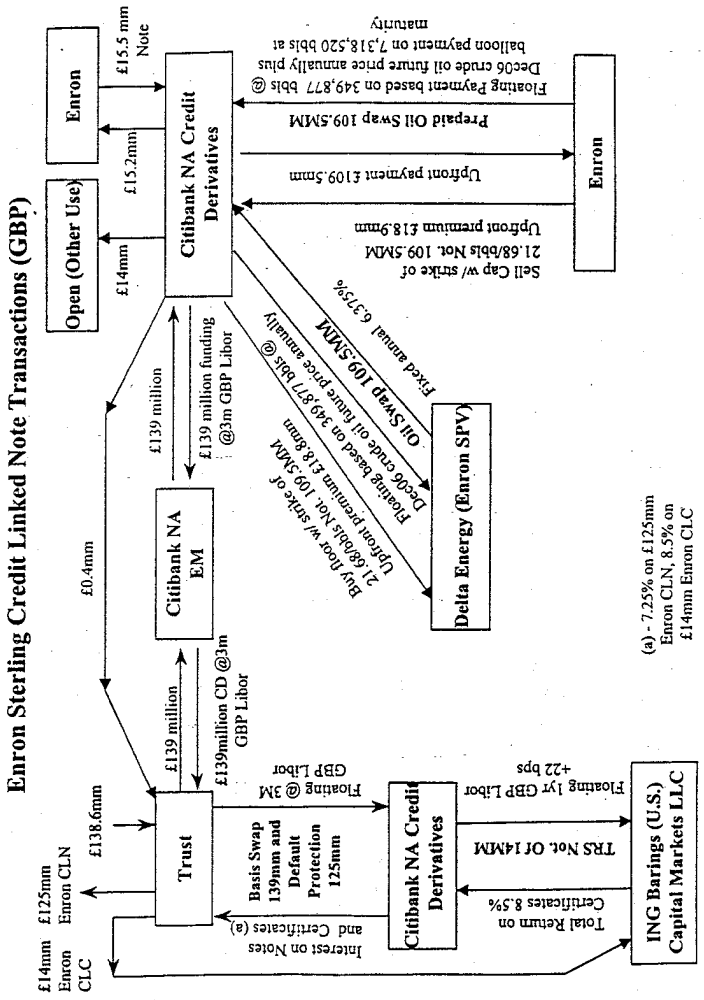


Permanent Subcommittee on Investigations
EXHIBIT #189hh

CITI-SPSI 0049666



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Enron Sterling Credit Linked Notes Trust Certificates
SFAS 133 Fair Value Hedge Documentation

Brief Overview of the Transaction:
As part of a structured transaction, 14mm GBP of Enron Credit Linked Certificates ("Certificates") were issued by a trust (that is consolidated onto the books of Citibank NA) and were purchased by ING Baring Capital Markets. The Certificates pay an 8.5% coupon and are subject to redemption upon an Enron credit event.

As a hedge to this fixed rate liability, Citibank NA entered into a total return swap (TRS) whereby ING Baring Capital Markets pays the total return on the same Certificates back to Citibank NA in return for 1 year GBP Libor plus 22 bps.

(See attached diagram)

Risk Management Objective and Strategy
The risk that we are hedging is the risk of overall changes in fair value of the Certificates attributable to the benchmark interest rate of 1 year GBP Libor over the tenor of the TRS.

Derivative Hedging Instrument
The instrument used is a TRS with a notional of 14 million GBP and a maturity date of May 24, 2006 (which matches the maturity of the Certificates). In this transaction, Citibank NA receives the total return of the Certificates and pays 1 year GBP Libor + 22bps to ING Baring Capital Markets. The TRS is valued by GK which is a system that has been validated by risk management.

Hedged Item
The hedged item is the 14mm GBP Certificates issued by the Enron Sterling Credit Linked Notes Trust that is consolidated onto the books of Citibank NA. As a result, the Certificates are effectively a liability of Citibank NA. The Certificates have an 8.5% coupon and a maturity date of May 24, 2006. The Certificates are also valued by GK.

Assessment of Hedge Effectiveness
The notional and the maturity date of the hedged item (the Certificates) match exactly to that of the hedging instrument (the TRS). Additionally, the 8.5% coupons are matched in the two instruments and would offset each other.

Any realized gains or losses on the Certificates would be offset by gains or losses on the TRS. In the scenario of an Enron credit event, assets deposited in the Enron Sterling Credit Linked Notes Trust would be used to redeem the Certificates. Assuming no impairment in the value of these

assets, the Certificates would be redeemed at par (14 million GBP) with no gain or loss and the TRS would also be settled without a gain or a loss.

In the scenario of no credit event occurring but if there is an impairment in the value of the trust assets, the gain that we would have in redeeming the Certificates at an amount below par would be offset by a loss on the TRS. For example, if the trust assets used in redeeming the Certificates at maturity were worth only 13 million GBP there would be a gain of 1 million GBP for us in extinguishing the liability at less than 14 million GBP. However, this gain would be offset by a 1 million GBP loss incurred in settling the TRS.

- Assessment of Prospective Effectiveness at Inception Date – Because the critical terms are matched for the full life of the Certificates, we have effectively swapped to the floating rate of 1 year GBP Libor.

- Assessment of Ongoing Prospective Effectiveness – The relationship of the TRS and the Certificates being fully offsetting will be constant throughout the life of the transaction. We will periodically check to verify that the legal rights and obligations under the contracts for all parties are not changed.

- Retrospective Assessment of Effectiveness – Period to period dollar offset method will be used. We expect dollar offset to net to zero at all times.

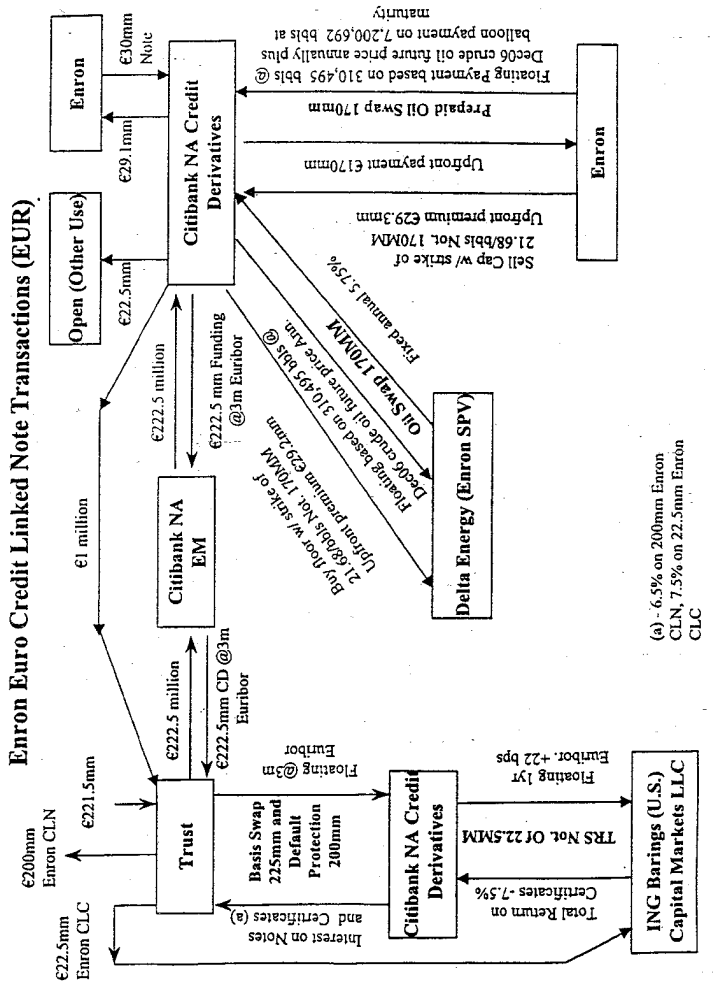
- Measurement of Ineffectiveness – Period to period dollar offset method will be used. Actual measurements of ineffectiveness is based on the extent to which exact offset is not achieved. (Paragraph 22 of FAS 133 and DIG Issue E-7)

Operational and Accounting Controls
In analyzing P&L, trade support reviews the valuation of these two deals on a daily basis. Additionally, a more detailed review is performed each month-end.

Approvals

		Signature	Date
Risk Manager	N/A – The models used have been reviewed by risk management.		
Business Treasurer	N/A – Treasury unit is not involved in structuring the hedging relationship		
Financial Control	Andy Lee		

Business Manager	Doug Warren		
Business Accounting Policy/Advisory	Saul Bernstein		
Corporate Accounting Policy			



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CITI-SPSI 0049671

Enron Euro Credit Linked Notes Trust Certificates
SFAS 133 Fair Value Hedge Documentation

Brief Overview of the Transaction:
As part of a structured transaction, 22.5mm EUR of Enron Credit Linked Certificates ("Certificates") were issued by a trust (that is consolidated onto the books of Citibank NA) and were purchased by ING Baring Capital Markets. The Certificates pay a 7.5% coupon and are subject to redemption upon an Enron credit event.

As a hedge to this fixed rate liability, Citibank NA entered into a total return swap (TRS) whereby ING Baring Capital Markets pays the total return on the same Certificates back to Citibank NA in return for 1 year Euribor plus 22 bps.

(See attached diagram)

Risk Management Objective and Strategy
The risk that we are hedging is the risk of overall changes in fair value of the Certificates attributable to the benchmark interest rate of 1 year Euribor over the tenor of the TRS.

Derivative Hedging Instrument
The instrument used is a TRS with a notional of 22.5 million EUR and a maturity date of May 24, 2006 (which matches the maturity of the Certificates). In this transaction, Citibank NA receives the total return of the Certificates and pays 1 year Euribor + 22bps to ING Baring Capital Markets. The TRS is valued by GK which is a system that has been validated by risk management.

Hedged Item
The hedged item is the 22.5mm EUR Certificates issued by the Enron Euro Credit Linked Notes Trust that is consolidated onto the books of Citibank NA. As a result, the Certificates are effectively a liability of Citibank NA. The Certificates have a 7.5% coupon and a maturity date of May 24, 2006. The Certificates are also valued by GK.

Assessment of Hedge Effectiveness
The notional and the maturity date of the hedged item (the Certificates) match exactly to that of the hedging instrument (the TRS). Additionally, the 7.5% coupons are matched in the two instruments and would offset each other.

Any realized gains or losses on the Certificates would be offset by gains or losses on the TRS. In the scenario of an Enron credit event, assets deposited in the Enron Euro Credit Linked Notes Trust would be used to redeem the Certificates. Assuming no impairment in the value of these

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assets, the Certificates would be redeemed at par (22.5 million EUR) with no gain or loss and the TRS would also be settled without a gain or a loss.

In the scenario of no credit event occurring but if there is an impairment in the value of the trust assets, the gain that we would have in redeeming the Certificates at an amount below par would be offset by a loss on the TRS. For example, if the trust assets used in redeeming the Certificates at maturity were worth only 21.5 million EUR there would be a gain of 1 million EUR for us in extinguishing the liability at less than 22.5 million EUR. However, this gain would be offset by a 1 million EUR loss incurred in settling the TRS.

- Assessment of Prospective Effectiveness at Inception Date – Because the critical terms are matched for the full life of the Certificates, we have effectively swapped to the floating rate of 1 year Euribor.
- Assessment of Ongoing Prospective Effectiveness – The relationship of the TRS and the Certificates being fully offsetting will be constant throughout the life of the transaction. We will periodically check to verify that the legal rights and obligations under the contracts for all parties are not changed.
- Retrospective Assessment of Effectiveness – Period to period dollar offset method will be used. We expect dollar offset to net to zero at all times.
- Measurement of Ineffectiveness – Period to period dollar offset method will be used. Actual measurements of ineffectiveness is based on the extent to which exact offset is not achieved. (Paragraph 22 of FAS 133 and DIG Issue E-7)

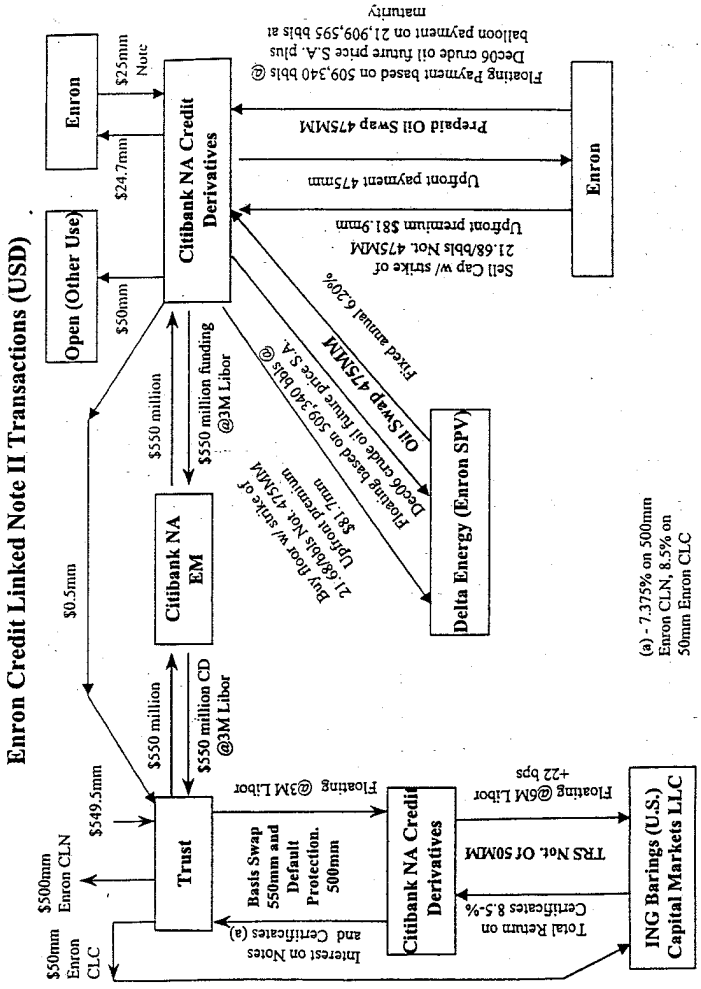
Operational and Accounting Controls
In analyzing P&L, trade support reviews the valuation of these two deals on a daily basis. Additionally, a more detailed review is performed each month-end.

Approvals

		Signature	Date
Risk Manager	N/A – The models used have been reviewed by risk management.		
Business Treasurer	N/A – Treasury unit is not involved in structuring the hedging relationship		
Financial Control	Andy Lee		

CONFIDENTIAL

Business Manager	Doug Warren		
Business Accounting Policy/Advisory	Saul Bernstein		
Corporate Accounting Policy			



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Enron Credit Linked Notes Trust II Certificates
SFAS 133 Fair Value Hedge Documentation

Brief Overview of the Transaction:
As part of a structured transaction, $50mm of Enron Credit Linked Certificates ("Certificates") were issued by a trust (that is consolidated onto the books of Citibank NA) and were purchased by ING Baring Capital Markets. The Certificates pay an 8.5% coupon and are subject to redemption upon an Enron credit event.

As a hedge to this fixed rate liability, Citibank NA entered into a total return swap (TRS) whereby ING Baring Capital Markets pays the total return on the same Certificates back to Citibank NA in return for 6 month Libor plus 22 bps.

(See attached diagram)

Risk Management Objective and Strategy
The risk that we are hedging is the risk of overall changes in fair value of the Certificates attributable to the benchmark interest rate of 6 month USD Libor over the tenor of the TRS.

Derivative Hedging Instrument
The instrument used is a TRS with a notional of $50 million and a maturity date of May 15, 2006 (which matches the maturity of the Certificates). In this transaction, Citibank NA receives the total return of the Certificates and pays 6 month Libor + 22bps to ING Baring Capital Markets. The TRS is valued by GK which is a system that has been validated by risk management.

Hedged Item
The hedged item is the $50mm Certificates issued by the Enron Credit Linked Notes Trust II that is consolidated onto the books of Citibank NA. As a result, the Certificates are effectively a liability of Citibank NA. The Certificates have an 8.5% coupon and a maturity date of May 15, 2006. The Certificates are also valued by GK.

Assessment of Hedge Effectiveness
The notional and the maturity date of the hedged item (the Certificates) match exactly to that of the hedging instrument (the TRS). Additionally, the 8.5% coupons are matched in the two instruments and would offset each other.

Any realized gains or losses on the Certificates would be offset by gains or losses on the TRS. In the scenario of an Enron credit event, assets deposited in the Enron Credit Linked Notes Trust II would be used to redeem the Certificates. Assuming no impairment in the value of these assets, the Certificates would be redeemed at par ($50 million) with no gain or loss and the TRS would also be settled without a gain or a loss.

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In the scenario of no credit event occurring but if there is an impairment in the value of the trust assets, the gain that we would have in redeeming the Certificates at an amount below par would be offset by a loss on the TRS. For example, if the trust assets used in redeeming the Certificates at maturity were worth only $49 million there would be a gain of $1 million for us in extinguishing the liability at less than $50 million. However, this gain would be offset by a $1 million loss incurred in settling the TRS.

- Assessment of Prospective Effectiveness at Inception Date – Because the critical terms are matched for the full life of the Certificates, we have effectively swapped to the floating rate of 6 month USD Libor.

- Assessment of Ongoing Prospective Effectiveness – The relationship of the TRS and the Certificates being fully offsetting will be constant throughout the life of the transaction. We will periodically check to verify that the legal rights and obligations under the contracts for all parties are not changed.

- Retrospective Assessment of Effectiveness – Period to period dollar offset method will be used. We expect dollar offset to net to zero at all times.

- Measurement of Ineffectiveness – Period to period dollar offset method will be used. Actual measurements of ineffectiveness is based on the extent to which exact offset is not achieved. (Paragraph 22 of FAS 133 and DIG Issue E-7)

Operational and Accounting Controls
In analyzing P&L, trade support reviews the valuation of these two deals on a daily basis. Additionally, a more detailed review is performed each month-end.

Approvals

		Signature	Date
Risk Manager	N/A – The models used have been reviewed by risk management.		
Business Treasurer	N/A – Treasury unit is not involved in structuring the hedging relationship		
Financial Control	Andy Lee		
Business Manager	Doug Warren		

Business Accounting Policy/Advisory	Saul Bernstein		
Corporate Accounting Policy			

1) Enron Sterling CLN Trust
2) Enron CLN Trust II
3) Enron Euro CLN Trust

Look at hedge Proposal

CLNs
- US $825 MM total 1 3 deals - Euro Sterling US$
- Many entities but Same Structure

Summary of Enron CLN Accounting Treatment

- Same objective: Provide financing to Enron by arms Capital Mkts by having Trust issue CLN and on-lending to Enron via prepaid swaps and Note.

- The assets (Citibank CD) and the liabilities (Credit Linked Notes and Credit Linked Certificates) of the trust are consolidated onto Citibank's books since we own the economics of the Credit Linked Certificates via a total return swap. Interest income on the trust assets and interest expense on the liabilities are accrued on the books of the Credit Derivatives desk.

- Accrual accounting is applied on the prepaid oil swap since it is essentially a loan and does not qualify for treatment as a derivative per ~~DIG A59~~. The value of the prepaid swap is booked in a revaluation gain account and includes the value of the accrued interest. The promissory note is treated similarly. Accrual accts. is supported by fact, that the host of all trades to fund C.B. Bank receive the $475mm @ 7.47% plus the $25mm at 24%. $500 MM

- The embedded default swap in the CLN is bifurcated. However, given the terms of the transaction, no MTM is recognized on the bifurcated default swap since we do not incur a gain or a loss on the prepaid swap or promissory note in the event of an Enron default (per the terms of the DS provisions by Citibank from the Trust)

- The total return swap with Royal Bank of Canada is treated as a Fair Value hedge to the Certificates. The effectiveness of this hedge is monitored by trade support/financial control on an on-going basis.

- The swap fees that we receive are present valued and a liquidity/termination MVA is applied (similar to the Yosemite trades).

- For RBC purposes, the prepaid swap and promissory note are given a zero risk weight due to application of cash collateralization rules. (The CLN investors effectively take all of the Enron credit risk since Citibank has the ability to deliver the prepaid swap and the promissory note in exchange for the trust assets in the event of an Enron default).

(See next page for Summary of the 4 deals)

Permanent Subcommittee on Investigations
EXHIBIT #189ii

Enron Credit Linked Notes Trust Certificates
SFAS 133 Fair Value Hedge Documentation

Brief Overview of the Transaction:
As part of a structured transaction, $50mm of Enron Credit Linked Certificates ("Certificates") were issued by a trust (that is consolidated onto the books of Citibank NA) and were purchased by Royal Bank of Canada. The Certificates pay a 9% coupon and are subject to redemption upon an Enron credit event. ↳ swapped to LIBOR + 18 bp under TRS 6 mo.

As a hedge to this fixed rate liability, Citibank NA entered into a total return swap (TRS) whereby Royal Bank of Canada pays the total return on the same Certificates back to Citibank NA in return for 6 month Libor plus 18 bps. From a consolidated Citibank/Trust perspective, the consolidated reporting entity (Citibank is viewed the owner of the Trust because it retains the equity risk in the Trust by having written the TRS) will not be able to repay the certificate in the event of an Enron default since all of the consolidated reporting entity's assets (prepaid swap asset and note receivable) represent credit extensions to Enron. (See attached diagram) (9)

Risk Management Objective and Strategy
The risk that we are hedging is the risk of overall changes in fair value of the Certificates over the tenor of the TRS. In the event of a Enron default, the consolidated Citibank/Trust reporting entity will not be able to repay the certificates. An Enron default, however, will also cause the Trust to collapse and for the consolidated Citibank/Trust reporting entity to deliver its only assets, the prepaid swap and, $475MM, and Note receivable, $24.1MM to the investors in the Credit Linked Note (CLN) issued by the Trust. The remaining assets of the consolidated Citibank/Trust reporting entity, $50MM of cash or cash equivalents, will be available to settle the TRS with RBOC. Settlement of the TRS would extinguish the indebtedness under the Credit Linked Certificates (CLC) as RBOC is both the holder of the CLC and the counter-party in the TRS. Therefore, the loss on the TRS settlement would be offset dollar for dollar by the gain (extinguishment)on the CLC. (TRS also swaps 9% fixed to LIBOR + 18 bp 6 mo.)

Derivative Hedging Instrument
The instrument used is a TRS with a notional of $50 million and a maturity date of August 15, 2005 (which matches the maturity of the Certificates). In this transaction, Citibank NA receives the total return of the Certificates and pays 6 month Libor + 18bps to Royal Bank of Canada. The TRS is valued by GK which is a system that has been validated by risk management.

Hedged Item
The hedged item is the $50mm Certificates issued by the Enron Credit Linked Notes Trust that is consolidated onto the books of Citibank NA. As a result, the Certificates are effectively a liability of Citibank NA. The Certificates have a 9% coupon and a maturity date of August 15, 2005. The Certificates are also valued by GK. (10)

Assessment of Hedge Effectiveness
This is a TRUE statement because in an Enron Credit event, under the DS purchased by Citibank from the Trust (which simply on-sold the DS embedded in the CLN issued to investors), Citibank will deliver the prepaid swap, $475 mm + Note of indebtedness, $25mm, to Enron & the Trust in forgiveness of the $550 mm placement the Trust has with Citibank-EM. Therefore, the Trust will not be able to repay the $50 mm CLC. The Gain (reduction of Trust liability) will be fully offset by loss under the TRS requiring repayment to RBOC. Citibank will settle the TRS with the excess $50 m in placement funds ($550-475-25).

Permanent Subcommittee on Investigations
EXHIBIT #189jj

The notional and the maturity date of the hedged item (the Certificates) match exactly to that of the hedging instrument (the TRS). Additionally, the 9 % coupons are matched in the two instruments and would offset each other.

Any realized gains or losses on the Certificates would be offset by gains or losses on the TRS. In the scenario of an Enron credit event, remaining assets ($50MM) in the consolidated Citibank/Trust reporting entity would be used to effect (via settlement of the TRS) the discharge of indebtedness under the Certificates. Assuming no decline in the value of these assets, the Certificates would be redeemed at par ($50 million) with no gain or loss and the TRS would also be settled without a gain or a loss.

At maturity of the transaction, in the scenario of no credit event occurring but there is a decrease in the value of the trust assets, the gain that Citibank/Trust would have in redeeming the Certificates at an amount below par would be offset by a loss on the TRS. (The decline in value is for the account of RBOC as RBOC is the owner/equity investor in the Trust, by virtue of investing in the certificates.) For example, if the trust assets used in redeeming the Certificates at maturity were worth only $49 million there would be a gain of $1 million for us in extinguishing the liability at less than $50 million. However, this gain would be offset by a $1 million loss incurred in settling the TRS.

- Assessment of Prospective Effectiveness at Inception Date – Because the critical terms are matched for the full life of the Certificates, we have effectively swapped to the floating rate of 6 month USD Libor. AS explained, there is dollar for dollar offset between the settlement of the TRS and the extinguishing of indebtedness under the CLC.

- Assessment of Ongoing Prospective Effectiveness – The relationship of the TRS and the Certificates being fully offsetting will be constant throughout the life of the transaction. We will periodically check to verify that the legal rights and obligations under the contracts for all parties are not changed. The short-cut method may not be used because SFAS 133 only allows this method for interest rate swap hedge instruments. The change in period to period fair value of the TRS and the CLC (required to be MTM as the hedged item in fair value hedging relationship) will be the basis for ongoing assessment of effectiveness.

- Retrospective Assessment of Effectiveness – Period to period dollar offset method will be used. We expect dollar offset to net to zero at all times.

- Measurement of Ineffectiveness – Period to period dollar offset method will be used. Actual measurements of ineffectiveness is based on the extent to which exact offset is not achieved. (Paragraph 22 of FAS 133 and DIG Issue E-7)

Operational and Accounting Controls

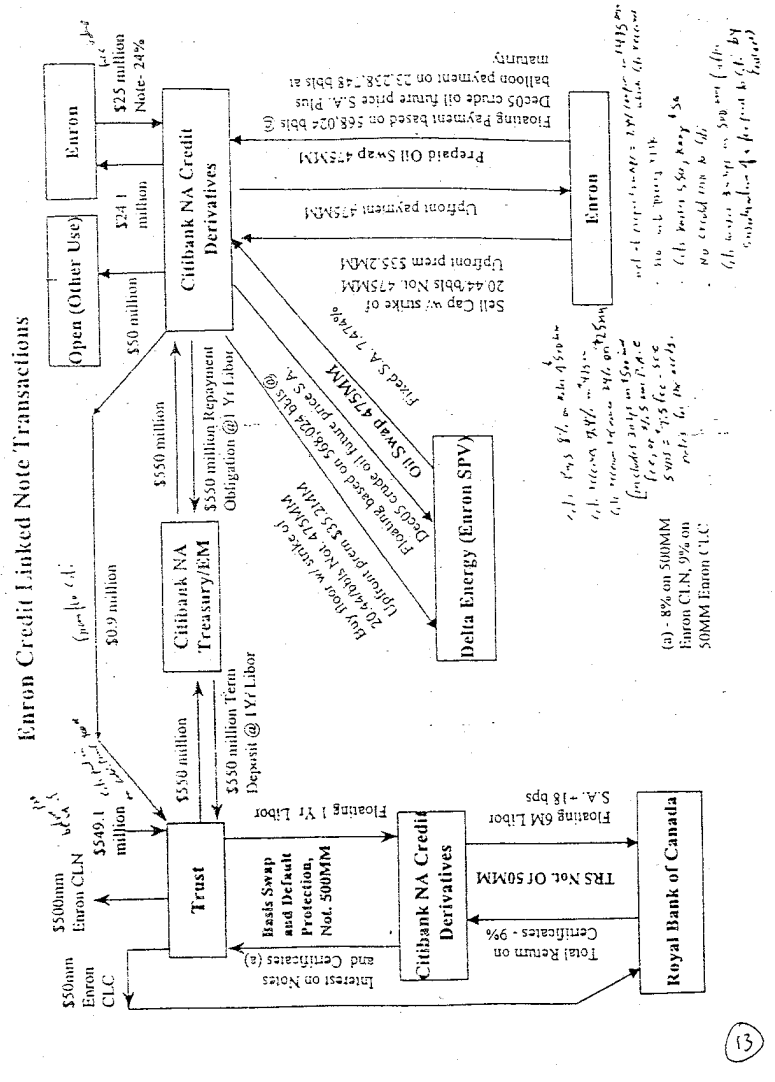
In analyzing P&L, trade support reviews the valuation of these two deals on a daily basis. Additionally, a more detailed review is performed each month-end.

(11)

Approvals

		Signature	Date
Risk Manager	N/A – The models used have been reviewed by risk management.		
Business Treasurer	N/A – Treasury unit is not involved in structuring the hedging relationship		
Financial Control	Andy Lee		
Business Manager	Doug Warren		
Business Accounting Policy/Advisory	Saul Bernstein		
Corporate Accounting Policy	Diane Buttafuoco Sign-off (email) is in my Hedge Program Looseleaf Binder		

12


Enron Credit Linked Note Transactions
Enron
$25 million
Note- 24%
Open (Other Use)
$24.1 million
$50 million
Citibank NA Credit Derivatives
Floating Payment based on 568,024 bbls @ Dec05 crude oil future price S.A. Plus balloon payment on 25,358,748 bbls at maturity
Upfront payment 475MM
Prepaid Oil Swap 475MM
Enron
Sell Cap w/ strike of 20.44bbls Not. 475MM
Upfront prem 535.2MM
Fixed S.A. 7.474%
Oil Swap 475MM
Floating based on 568,024 bbls @ Dec05 crude oil future price S.A.
Buy floor w/ strike of 20.44bbls Not. 475MM
Upfront prem 535.2MM
Delta Energy (Enron SPV)
$550 million
$550 million Repayment
Obligation @ 1 Yr Libor
Citibank NA Treasury/EM
$550 million
$550 million Term
Deposit @ 1Yr Libor
$0.9 million
$500mm Enron CLN
$549.1 million
$500mm Enron CLC
Trust
Basis Swap and Default Protection, Not. 500MM
Floating 1 Yr Libor
Interest on Notes and Certificates (a)
Citibank NA Credit Derivatives
Total Return on Certificates - 9%
TRS Not. Of 50MM
Floating 6M Libor S.A. +18 bps
Royal Bank of Canada
(a) - 8% on 500MM Enron CLN, 9% on 50MM Enron CLC

(13)

Enron Credit Linked Notes Trust Certificates
SFAS 133 Fair Value Hedge Documentation
Addendum

The total return swap with Royal Bank of Canada was terminated and replaced with a similar swap with ING Baring Capital Markets. The terms are identical except that Citibank NA pays 6 month Libor plus 20 bps to ING Baring Capital Markets (instead of 18 bps).

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Moser, Eric K.

From:	Moser, Eric K.
Sent:	Tuesday, November 02, 1999 4:29 PM
To:	'Joanna Bodder (M&C)'
Cc:	'Bill Sullivan (SSB)'; Walker, Andrew R.

As we discussed on the phone this afternoon, our clients Salomon Smith Barney and Citibank, N.A. have proposed that Delta Energy Corporation ("*Delta*") enter into a series of transactions with Citibank and an affiliate of Enron Corporation. Julian Reddyhough has prepared and sent to Bill Sullivan of Citibank preliminary drafts of board minutes, Maples and Calder legal opinion and Director's Certificate relating to some portions of this transaction.

As part of the tax and accounting analysis for our transactions, we need to know the following about Delta:

1. *Transactions and Activities.*

   a. Is Delta currently party to any other transactions? If so, please list them and describe any contracts or similar arrangements that Delta is party to.

   b. Has Delta been party to transactions in the past? If so, please list them and describe any contracts or similar arrangements that Delta was party to.

   c. What are Delta's activities currently?

2. *Assets.*

   a. Please list the assets that Delta currently owns.

   b. Please list the assets that Delta has owned in the past.

3. *Capitalization.*

   We have seen in proposed documents prepared by Julian Reddyhough that the authorized share capital of Delta Energy Corporation is U.S.$900,000 (900,000 ordinary shares of U.S.$1.00), of which 1,000 shares of which have been issued and are registered in the name of "Grand Commodities Corporation".

   Please confirm that this is correct.

   Also, please provide additional information concerning Grand Commodities Corporation ("*Grand*"). What kind of entity is Grand? Where is Grand organized? What is its capitalization?

4. ***United States Taxation***

   We intend to make an election on IRS Form 8832 to treat Delta as a pass-through entity for U.S. federal income tax purposes under Treasury Regulation section 301.7701-3. We may be prevented from doing so if Delta has previously taken a contrary position for tax purposes.

   Please provide information regarding any tax filings made by or on behalf of Delta or Grand with the United States Internal Revenue Service or any state tax authorities in the United States, including forms, tax returns or information returns.

   We may have follow up questions upon receipt of your response.

Permanent Subcommittee on Investigations
EXHIBIT #190a

Eric Moser
Andrew Walker

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CITI-SPSI 0046603

Francois, Tom

From: Sullivan, William A
Sent: Wednesday, November 03, 1999 2:10 PM
To: Kulick, Adam; Francois, Tom
Subject: FW: Andersen language

From: Jung-Suk Suh[SMTP:jsuh@ect.enron.com]
Sent: Wednesday, November 03, 1999 2:00 PM
To: Caplan, Rick; william.a.sullivan@ssmb.com
Cc: Mark E Lindsey; Bob Butts; Doug McDowell
Subject: Andersen language

Rick, Bill,
Andersen is willing to accept the following rep from Delta. We need to get a response from Delta today.

Jung

---------- Forwarded by Jung-Suk Suh/HOU/ECT on 11/02/99 07:15 PM

Jung-Suk Suh
11/02/99 07:04 PM

To: Mark E Lindsey/GPGFIN/Enron@Enron, Bob Butts/GPGFIN/Enron@ENRON, Doug McDowell/HOU/ECT@ECT
cc:
Subject: Andersen language 2

11/2/99

1. There is no restriction in the corporate documentation of the Company limiting the number of entities with which the Company may conduct business. The Company has undertaken business with a number of entities;

2. The Company has assets other than those acquired through the Yosemite-related transactions, and the debt of the Company used to fund the Yosemite-related transactions is recourse to the Company;

3) There are unsecured assets of the Company available to the Lenders upon default.

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DELTA ENERGY CORPORATION
P.O. Box 309
George Town, Grand Cayman
Cayman Islands, B.W.I.

[Date]

Enron Corp.
[address]

Re: Delta Energy Corporation (the "Company")

We confirm:

1. There is no restriction in the corporate documentation of the Company limiting the number of entities with which the Company may conduct business. The Company has undertaken business with a number of entities;

2. The Company has assets other than those acquired through transactions with Enron. All assets of the Company (other than those over which security has been granted) will be available to meet the claims of creditors of the Company (other than in cases where it has been agreed with the relevant creditor that a particular obligation owed by the Company is to be limited in amount and recourse to the sums derived from particular assets over which security has been granted).

Yours faithfully,

_____
Delta Energy Corporation

JNR\MSM\197468\550509\RS2\XC01!
28 October, 1999

OCT 28 '99 18:52 3459498888 PAGE.02

CONFIDENTIAL

DELTA ENERGY CORPORATION
P.O. Box 309
George Town, Grand Cayman
Cayman Islands, B.W.I.

November 18, 1999

Enron Corp.
1400 Smith Street
Houston
Texas 77002
U.S.A.

Dear Sirs,

Re. Delta Energy Corporation (the "Company")

We confirm:

1. There is no restriction in the corporate documentation of the Company limiting the number of entities with which the Company may conduct business. The Company has undertaken business with a number of entities;

2. The Company has assets other than those acquired through transactions with Yosemite Securities Trust I ("Yosemite"). The payment obligations of the Company under the promissory note dated November 18, 1999 in favour of Yosemite are full recourse obligations of the Company.

3. The Company has unencumbered assets which are available for application towards obligations owed to its creditors (including Yosemite).

Yours truly,

J.B. Benbow
Director

Permanent Subcommittee on Investigations
EXHIBIT #190b

From: Sherman, Cris
Sent: Tuesday, June 19, 2001 12:31 PM
To: Quaintance Jr., Alan
Subject: RE: Sample Swap Co Letter

Alan, I think that the letter looks good, but a couple of comments. I remain a little troubled at the recent formation, but we obviously can't fix. Should we not mention the date? While I view the limited operating history as a bad fact, we may could avoid the issue altogether by not disclosing the formation date. It would have helped, I think, to see if we noted the formation dates in the Mahonia/Delta letters. If pressed, I would argue that we didn't draft the letter and can't control all of the facts which are being represented. We may also want to exclude the attachment of the Articles and embed the entities allowed activities which are relevant in the letter (again to avoid the date). I would broaden the statements made about Enron Corp. to include any Enron subsidiaries or affiliates. How large will the notional amount be? The limited period of existence could be overcome with some material activity. A statement to the effect that they expect that Swapco will continue to transact in the future would be a good fact. I would also ask that they note that the transactions as completed to date were not intercompany transactions, but transactions with true third parties.

-----Original Message-----
From: Quaintance Jr., Alan
Sent: Tuesday, June 19, 2001 10:53 AM
To: Sherman, Cris
Subject: Sample Swap Co Letter

I am still trying to track down the original "Delta/ Mahonia" Letter. Everyone seems to have shredded their files, which is a little disturbing.

See attached. << File: Special Purpose.doc >> Can you think of anything else that would need to be in a sample letter?

Thanks,

AQ

Permanent Subcommittee on Investigations
EXHIBIT #190c

Unknown

From: Quaintance Jr., Alan [Alan.Quaintance.Jr@enron.com]
Sent: Friday, June 22, 2001 4:51 PM
To: Wagman, Steve [FI]; Swanson, Timothy [FI]; Bills, Lisa
Cc: Garberding, Michael
Subject: Delta Letter

Delta.doc (19 KB)

All:

<<Delta.doc>>

As discussed with Tim, attached is a sample letter with the representations that Andersen would like Delta to confirm. I am the accountant working on the deal with Michael and Lisa. I am happy to discuss any of these representations with you or your advisors at your convenience.

I have already questioned Andersen about why these representations were not required on recent deals with Delta. Their response was that the reps will be required on this transaction if we are to achieve our accounting objectives. So that route is not available.

I can be reached at the following numbers.

(713)345-7731 (Office)
(713)503-3709 (Cell)
(713)621-1763 (Home)

Please feel free to call me at anytime over the weekend. I have voicemail on all numbers.

Thanks,

Alan Quaintance

Permanent Subcommittee on Investigations
EXHIBIT #190d

June , 2001

Enron Corp.
1400 Smith Street
Houston, Texas 77002

To Whom It May Concern:

Re: Delta Energy Corporation (the "Company")

We confirm:

1. There is no restriction in the corporate documentation of the Company limiting the number of entities with which the Company may conduct business. The Company has undertaken business with a number of entities.

2. The Company has assets other than those acquired through transactions with Enron Corp and its subsidiaries and its affiliates (collectively "Enron").

3. The Company has unencumbered assets, which are available for application towards obligations owed to its creditors.

Yours truly,

Signed by:_____
Title:_____

RECEIVED TIME JUN 28 5:11PM PRINT TIME JUN 28 5:11PM
JUN. 26. 2001 9:27AM 345 949 5409 NO. 4930 P. 2

June , 2001

Enron Corp.
1400 Smith Street
Houston, Texas 77002

To Whom It May Concern:

Re: Delta Energy Corporation (the "Company")

We confirm:

1. There is no restriction in the corporate documentation of the Company limiting the number of entities with which the Company may conduct business. The Company has undertaken business with a number of entities.

2. The Company has assets other than those acquired through transactions with Enron Corp and its subsidiaries and its affiliates (collectively "Enron").

3. The Company has unencumbered assets, which are available for application towards obligations owed to its creditors.

Yours truly,

Signed by:
Title: Authorized representative of the Director, Corporate Services Ltd.

CORPORATE SERVICES LTD.

#0151 P.001/001

Permanent Subcommittee on Investigations
EXHIBIT #190e

JUN.26.2001 18:08 212 723 8610

CITI-SPSI 0103721

Unknown

From: Swanson, Timothy [FI]
Sent: Thursday, June 28, 2001 10:13 AM
To: Wagman, Steve [FI]
Subject: reps

lydia got on and stated that the reps are facts that we believe are true, and the rationale for the letter is to confirm that Delta is not a spv that needs to be consolidated on the b/s

fyi I have not sent any delta reps to enron.....

Permanent Subcommittee on Investigations
EXHIBIT #190f

CITI-SPSI 0050735

Lee, Andrew P [FIN]

From: Caplan, Rick [FI]
Sent: Thursday, August 31, 2000 9:07 AM
To: Lee, Andrew P [FIN]
Subject: RE: A couple of more questions

We still would have to consolidate as all of the assets of the trust are citibank assets. Delta is not controlled by Enron, it is independently operated, set up with its own management - Citi had set it up several years ago. It was used for the same reason it was used in the first deal.

-----Original Message-----
From: Lee, Andrew P [FIN]
Sent: Wednesday, August 30, 2000 5:16 PM
To: Caplan, Rick [FI]
Subject: A couple of more questions

Hi Rick,

This will seem like a dumb question but was it not possible to have Enron (or some other party) buy 50% of the certificates as in the earlier Yosemite trades in order to avoid having to consolidate the trust? (I guess it doesn't have that much of an effect on the overall Citibank balance sheet but it does appear to affect the one for credit derivatives).

Also, is Delta Energy a Cayman-based SPV controlled by Enron? Why was it used in this deal? (We tried looking for information in Eric Ripa's old files but weren't able to come up with much.)

Thanks,
Andy

Permanent Subcommittee on Investigations
EXHIBIT #190g

Sent 9/1

Lofaso, Betty Ann

From: Sullivan, William A
To: jsuh@enron.com
Cc: Kulick, Adam
Subject: FW: Prepaid Transaction

Sent on behalf of William Sullivan

Jung

We are looking at Delta Energy Corporation ("Delta") as the counterparty for the transaction under discussion:

- Delta is a Cayman corporation that is the purchaser on the existing pre-paid done in December 1998.

- It was capitalized by "Givens Hall", a Cayman Trust Co.

- It has a board of 3 local directors - none are Citibank employees.

- It is not, of course, consolidated onto the Bank's balance sheet.

- It is my belief that the remainder of the '98 prepaid is the only "business" currently in Delta.

Please call if you have any questions.

Regards,

Bill Sullivan
Tel. (212) 816-8591
Fax (212) 816-7772
email: william.a.sullivan@ssmb.com

Permanent Subcommittee on Investigations
EXHIBIT #190h

Benefits to Enron Summary

Deal Name: **Yosemite** Dollar Amount: **$33.8 million**
Date: **12/99**
Description of Transaction: **At year-end 1999, Enron sold LJM2 the equity in Yosemite structure.**

Enron Business Unit Benefited: **Enron Corp.**

Did the deal result in a direct or indirect benefit to Enron? **Direct**

Primary Benefit: **Enron was able to obtain a true sale opinion because LJM is a true 3rd party, preserving off-balance sheet treatment of the structure.**

Funds Flow Direct: **$33.8** Funds Flow Indirect: **$766.2 million**

Earnings Direct: Earnings Indirect:

Fees Saved:

Other equity investors bidding on the transaction: **none**

Did the deal close with LJM? **yes**

Other benefits to Enron:

- **Speed of execution (approx. 2 days) – LJM2 executed at year-end 1999 when Enron had unsuccessfully marketed the Yosemite equity.**
- **Willing counterparty**

Compiled by: **Ace Roman**

Permanent Subcommittee on Investigations
EXHIBIT #191a

Confidential Treatment Requested

SE RAPTOR L.P.

December 30, 1999

LJM2 Co-Investment, L.P.
1831 Wroxton Road
Houston, Texas 77005

Attn.: Andrew S. Fastow

Re: Letter of Understanding

Gentlemen:

Pending the preparation and execution of definitive agreements and subject to the acquisition by LJM2 Co-Investment, L.P. or its wholly owned subsidiary (the "Seller") of $33,750,000 of certificates (the "Yosemite Certificates") of beneficial ownership of Yosemite Securities Trust I, a Delaware business trust (the "Trust"), this letter will confirm our understanding regarding the proposed acquisition by SE Raptor L.P. (the "Purchaser") of the Yosemite Certificates in accordance with the terms and conditions set forth in this letter (the "Transaction").

1. Term Sheet. The Transaction shall be made in accordance with this letter and the Term Sheet attached hereto as Attachment A, which is by this reference incorporated into and made a part of this letter.

2. Definitive Agreements. The Purchaser and Seller shall incorporate the terms and conditions expressed in this letter in mutually acceptable definitive agreements (the "Definitive Agreements") to be finalized and executed no later than February 15, 2000 (the "Closing Date").

3. Confidentiality. The existence of this letter and its contents are intended to be confidential and are not to be discussed with or disclosed to any third party, except (i) with the express prior written consent of the other party to this letter, or (ii) as may be required or appropriate in response to any summons, subpoena or discovery order or to comply with any applicable law, order, regulation or ruling.

4. Arbitration. All claims and matters in question arising out of this letter, whether sounding in contract, tort, or otherwise, shall be resolved by binding arbitration

Permanent Subcommittee on Investigations
EXHIBIT #191b

pursuant to the Federal Arbitration Act. The arbitration shall be administered by the American Arbitration Association under the expedited Commercial Arbitration Rules. It is expressly agreed that the arbitrator shall have no authority to award punitive or exemplary damages, either in arbitration or in litigation.

If the terms and conditions of this letter are in accord with your understanding, please sign and return the enclosed counterpart of this letter.

Very truly yours,

SE RAPTOR L.P.

By: Blue Heron I L.L.C.
its General Partner

By: Whitewing Associates L.P.,
its Sole Member

By: Whitewing Management L.L.C.
its General Partner

By: Egret I L.L.C.
its Managing Member

By: _____
Name: Ben Glisan
Title: Director

CONFIRMED
this 30th day of December, 1999.

LJM2 CO-INVESTMENT, L.P.

By: LJM2 Capital Management, L.P.,
its General Partner

By: LJM2 Capital Management, L.L.C.,
its General Partner

By: _____
Name: Andrew S. Fastow
Title: Managing Member

Confidential Treatment
Requested

Attachment A

Summary of Terms and Conditions
$33,750,000 Certificates of Beneficial Ownership

Issuer:	Yosemite Securities Trust I (the "Issuer").
Seller:	LJM2 Co-Investment, L.P ("Seller")
Purchaser:	SE Raptor L.P. (the "Purchaser").
Certificates:	Certificates of the Issuer representing 45% of the beneficial ownership of the Issuer (the "Certificates").
Price:	$33,750,000, plus accrued and unpaid Certificate Yield.
Closing Date:	Definitive Agreements to be finalized and executed on or before February 15, 2000, with closing and funding to occur upon such date.
Certificate Yield:	11%, yield paid semi-annually on each May 15 and November 15 calculated on the basis of a 360-day year consisting of twelve 30-day months.
Trust Agreement:	Certain rights and privileges of the Certificates are set forth in the Trust Agreement of the Trust attached hereto as Exhibit A.
Assignment:	The Purchaser shall have the right to transfer, assign, exchange or sell the Certificates to one or more third parties at the Purchaser's discretion, subject to restrictions under applicable law, no tax event to the Issuer, minimum transfers of $5 million, and prohibitions on transfers to competitors of Enron.
Certificate Purchase Agreement:	Mutually acceptable representations, warranties, and conditions shall be set forth in a certificate purchase agreement, which representations and warranties shall include, but not be limited to, representations and warranties relating to the Trust under existing transaction documentation, corporate organization and existence, valid authorization and the issuance of the Certificates, title, compliance with laws, governmental approvals and no material adverse change.

Choice of Law: The Definitive Agreements will be governed by the laws of the State of Texas.

Arbitration of Disputes: Disputes arising under the Definitive Agreements shall be submitted to mandatory binding arbitration.

Closing: Conditions precedent to closing shall include:

1) A mutually acceptable Certificate Purchase Agreement shall be executed and delivered.

2) All representations and warranties contained in the Certificate Purchase Agreement shall be true and correct as of the Closing Date.

3) Other information and documents contemplated by Definitive Agreements as the Purchaser may reasonably request shall be provided.

LJM APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or 12 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: Yosemite

Date Approval Sheet completed: February 8, 2000

Enron person completing this form: Catherine Pernot

Expected closing date: February 15, 2000

Business Unit: Enron Corp.

Business Unit Originator: Bill Brown/ Doug McDowell

This transaction relates to ☐LJM1 and/or ☑LJM2.

This transaction is ☑ a sale by Enron ☐a purchase by Enron ☐a co-sale with Enron ☐a co-purchase with Enron and/or ☐other:_____.

Person(s) negotiating for Enron: Bill Brown / Doug McDowell / Ben Glisan / Nicole Alvino

Person(s) negotiating for LJM: Michael Kopper

Legal counsel for Enron: Gareth Bahlmann

Legal counsel for LJM: Dave Lambert of Kirkland & Ellis

DEAL DESCRIPTION

LJM2 is purchasing Beneficial ownership in a Delaware Business Trust (Yosemite Securities Trust I) that owns Trust Investments consisting of AAA securities, U.S. obligations, and payment obligations supported, in whole or in part, directly or indirectly, by Enron. The face amount of the Trust Investments equals the amount of Notes and Certificates in the Trust. The Trust and Citibank have entered into the Citibank Swap, which will provide for yield payments on the Certificates and for certain settlement payments under credit events, in exchange for actual interest payments on the Trust Investments. LJM2 intends to sell this investment to Condor within one week of purchase.

ECONOMICS

LJM2 is purchasing the beneficial ownership at face value for $33,750,000 to achieve a yield of 11%

DASH=

Included

Permanent Subcommittee on Investigations
EXHIBIT #191c

LJM APPROVAL SHEET
Page 2

ISSUES CHECKLIST

Sale Options

a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:

☐Condor ☐JEDI II ☐JEDI ☐Margaux ☐EnSerCo ☐Rawhide ☐Chewco
☑Third Party ☐Direct Sale.

Please explain: Enron entered into a Letter of Understanding with LJM2 and LJM2 subsequently entered into a similar arrangement to sell the Certificates to Condor.

b. Will this transaction be the most beneficial alternative to Enron? ☑Yes ☐No. If no, please explain:_____.

c. Were any other bids/offers received in connection with this transaction? ☐Yes ☑No. Please explain: _____.

2. Prior Obligations

a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐Yes ☑No. If yes, please explain how this issue was resolved: _____.

b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐Yes ☑No. If yes, please explain: _____.

3. Terms of Transaction

a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐Cash flow ☐Earnings

☑Other: Sale of asset to third party (full risk transfer); non-consolidation of Yosemite Debt on Enron's balance sheet

b. Was this transaction done strictly on an arm's-length basis? ☑Yes ☐No. If no, please explain:_____.

c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron? ☐Yes ☑No. If yes, please explain:_____.

d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐Yes ☑No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☑Yes ☐No.

4. Compliance

a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☑Yes ☐No.

b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee? ☐Yes ☑No.

c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☑Yes ☐No. If no, please explain: _____.

d. Was this transaction reviewed and approved by Enron's Chief Accounting Officer? ☑Yes ☐No.

e. Was this transaction reviewed and approved by Enron's Chief Risk Officer? ☑Yes ☐No.

f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐Yes ☑No. Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐Yes ☑No.

APPROVALS	Name	Signature	Date
Business Unit	Bill Brown		2/28/00
Business Unit	Doug McDowell		2/24/00
Business Unit Legal	Gareth Bahlmann		2/21/00
Enron Corp. Legal	Rex Rogers		2/25/00

\\nahou-nw1\Groups\Office\Jedi_yosemite_approval.doc

EC2 28948

AF100178

LJM APPROVAL SHEET
Page 2

Global Finance Legal	Scott Sefton	Scott Sefton	2/10/00
\C	Rick Buy		2/24/00
Accounting	Rick Causey		2/17/00
Executive	Jeff Skilling		

INTEROFFICE MEMORANDUM

To: Rick Buy

From: Dave Gorte

Date: February 23, 2000

Re: LJM2 Investment in Certificates of Beneficial Interest in Yosemite Securities Trust I

I have reviewed this proposed LJM2 investment. The 11% yield at which LJM proposes to purchase $33.75 million of the $37.5 million of Certificates of Beneficial Interest (the "Certificates") in Yosemite Securities Trust I is identical to the stated yield of these Certificates. In addition, this 11% yield is identical to the yield on the remaining $37.5 million of these Certificates purchased by Citibank at the closing of this transaction in November 1999.

As such, I am of the opinion that the pricing at which Enron is selling these Certificates to LJM reflects the market yield for these certificates. (LJM2 intends to resell these certificates to Condor within one week of its purchase of these certificates).

If you have any questions or comments, please let me know.

Permanent Subcommittee on Investigations
EXHIBIT #191d

Enron Global Finance

From: Monty L McMahen **02/24/2000 09:38 AM**

To: Catherine_Pernot@enron.net @ ENRON
cc: Rachel A Davis/HOU/ECT@ECT, Nicole Alvino/HOU/ECT@ECT, Anne Yaeger/HOU/ECT@ECT
Subject: Re: calculation

Catherine,

I calculated the same number.

This is how I understand the funds to be flowing:

Whitewing (Condor) will wire LJM2 the ~~$34,801,875~~ 34,781,250 on Monday, February 28, 2000. (3-day funds loan)

LJM2 will wire Yosemite (Enron Corp.) the ~~$34,801,875~~ 34,781,250 on Monday, February 28,2000. (purchase)

Whitewing will then purchase Yosemite from LJM2. (No actual funds flow)

Let me know if there are any questions. Thanks, Monty 3-9627

Catherine_Pernot@enron.net on 02/25/2000 08:56:49 AM

Catherine_Pernot@enron.net on 02/25/2000 08:56:49 AM

To: mmcmahe@enron.com
cc:
Subject: calculation

I calculated the accrued interest for the Yosemite Certificates as follows:

Days from11/18/99 closing to 2/28/00
closing on a 30/360 day basis: 102 days 8.07

Yield: 11%

Face Amount $33,750,000

= Accrued Interest of 1,031,250

Total 34,781,250

Confidential Treatment Requested

EC2 000017435

Permanent Subcommittee on Investigations
EXHIBIT #191e

YOSEMITE I PAYMENT ALLOCATION

TOTAL PAYMENT	34,781,250.00
S.E. ACQUISITION, LP (99.99%)	34,777,771.88
BLUE HERON I, LLC (.01%)	3,478.12

S.E. ACQUISITION, LP SHARE OF ASSET COST	34,777,771.88
WHITEWING ASSOC LP (99.99%)	34,774,294.10
BLUE HERON I, LLC (.01%)	3,477.78

Confidential Treatment Requested

To: Paul Garcia/HOU/ECT@ECT, Monty L McMahen/HOU/ECT@ECT, Nicole Alvino/HOU/ECT@ECT
cc: Ryan H Siurek/Corp/Enron@Enron
Subject: Yosemite Certificates

Here is the structure and funding mechanics for this Thursday:

LJM II purchases Enron's 45% interest in Yosemite I certificates with "3- day" funds. SE Raptor, LP (Condor) then purchases the certificates with money they have available today. In essence, LJMII will not actually be "funding" because SE Raptor will have already wired money into LJMII's acct before LJMII's 3 -day funds come through. We need to make sure that all the funds go through each acct. on the same day.

Paúl and Monty, would you mind giving me the acct.#s for LJMII and Enron so that we can put them into the docs as well as SE Raptor LP's acct so that I'll have that on record for the yield payments?

The amount of the transaction will be **$34,605,938.50**, which is $33,750,000 certificate face amt. and $855,938.50 of accrued interest.

Thanks,
Catherine
X57654

Permanent Subcommittee on Investigations
EXHIBIT #191f

Wire Transfer Request

DATE FUNDS TO BE WIRED (MM/DD/YY): 2/28/2000

COMPANY NAME PAYING (PAYOR): SE ACQUISITION, L.P.
COMPANY NO: 1006
BANK ACCOUNT: CITIBANK 3041-2831

Requestor
NAME: RACHEL DAVIS
PHONE NO: 853-5016
DEPARTMENT: ECM - COMMERCIAL SUPPORT

In payment of: SE ACQUISITION, L.P. PURCHASE OF YOSEMITE I CERTIFICATES
INVOICE NUMBER:
INVOICE DATE:

Wire Funds To
BANK KEY:
BANK ACCOUNT NO: 3041-9611
BANK # (RT ORDER): 021-000-089
PAYEE NAME: LJM2 CO.- INVESTMENT, LP
PAYEE ADDRESS: 1400 SMITH STREET
CITY: HOUSTON
STATE: TX
COUNTRY: USA
BANK NAME: CITIBANK, N.A.- NEW YORK
BANK ADDRESS:
CITY: NEW YORK
STATE: NY
COUNTRY: USA

Accounting Code

Line #	Amount	Co Number	Tax Code	City outside city	ZIP where Consumed	Trading Partner
		GL Account	Cost Center	Order		WBS Element
		Network	Activity	Allocation		Plant
			Material	Asset	Description	
1	34,774,294.10	1006				920
		35002000				
						CAP CONTRIB - WW
2	3,477.78	1006				66Q
		35002000				
						CAP CONTRIB - BLUE HERON
	34,777,771.88	Total amount of wire. Documentation supporting amount MUST be attached to form.				

APPROVAL	DATE 2/25/00	APPROVAL	DATE
APPROVAL	DATE	APPROVAL	DATE
A/P MANAGER APPROVAL	DATE		

Confidential Treatment Requested

Permanent Subcommittee on Investigations
EXHIBIT #191g

EC2 000017434

Wire Transfer Request

DATE FUNDS TO BE WIRED (MM/DD/YY)	
	2/28/2000

COMPANY NAME PAYING (PAYOR)	COMPANY NO	BANK ACCOUNT
ENRON CORP.	011	CITIBANK 00076486

Requestor

NAME	PHONE NO.
RACHEL DAVIS	853-5016
DEPARTMENT	
ECM - COMMERCIAL SUPPORT	

In payment of

	INVOICE NUMBER	INVOICE DATE
WHITEWING CALL ON ENRON DEMAND NOTE TO PURCHASE YOSEMITE I		

Wire Funds To

BANK KEY	BANK ACCOUNT NO	BANK T (RT. ORDER)
	43810-0	031-100-092

PAYEE NAME		
WHITEWING OPERATING ACCOUNT		
PAYEE ADDRESS		
RODNEY SQUARE NORTH, 1100 NORTH MARKET STREET		
CITY	STATE	COUNTRY
WILMINGTON	DE	USA
BANK NAME		
WILMINGTON TRUST COMPANY		
BANK ADDRESS		
RODNEY SQUARE NORTH, 1100 NORTH MARKET STREET		
CITY	STATE	COUNTRY
WILMINGTON	DE	USA

Accounting Code

Line #	Amount	Co Number	Tax Code	City/ outside city	ZIP where Consumed	Trading Partner
		GL Account	Cost Center	Order	WBS Element	
		Network	Activity	Allocation	Plant	
			Material	Asset	Description	
1	33,852,625.47	0011	U4			0920
		30002000				
						WW CALL WW CALL ON NOTE - PRINC
2	39,730.92	0011	U4			0920
		70010000				
						WW CALL ON ENRON NOTE - INTEREST
	33,892,356.39	Total amount of wire. Documentation supporting amount MUST be attached to form.				

APPROVAL	DATE	APPROVAL	DATE
[signature]	2/25/00		
APPROVAL	DATE	APPROVAL	DATE
[signature]			
A/P MANAGER APPROVAL	DATE		

INT10 000841

Wire Transfer Request

			DATE FUNDS TO BE WIRED (MM/DD/YY): 2/28/2000
COMPANY NAME PAYING (PAYOR): ENRON CORP.		COMPANY NO: 011	BANK ACCOUNT: CITIBANK 00076486
Requestor: NAME: RACHEL DAVIS			PHONE NO: 853-5016
DEPARTMENT: ECM - COMMERCIAL SUPPORT			
In payment of: WHITEWING CALL ON ENRON DEMAND NOTE TO PURCHASE YOSEMITE I		INVOICE NUMBER	INVOICE DATE
Wire Funds To: BANK KEY		BANK ACCOUNT NO: 43810-0	BANK T (RT. ORDER): 031-100-092
PAYEE NAME: WHITEWING OPERATING ACCOUNT			
PAYEE ADDRESS: RODNEY SQUARE NORTH, 1100 NORTH MARKET STREET			
CITY: WILMINGTON		STATE: DE	COUNTRY: USA
BANK NAME: WILMINGTON TRUST COMPANY			
BANK ADDRESS: RODNEY SQUARE NORTH, 1100 NORTH MARKET STREET			
CITY: WILMINGTON		STATE: DE	COUNTRY: USA

Accounting Code	Line #	Amount	Co Number	Tax Code	City/ outside city	ZIP where Consumed	Trading Partner
			GL Account	Cost Center	Order		WBS Element
			Network	Activity	Allocation		Plant
				Material	Asset	Description	
	1	$88,893.61	0011	U4			0920
			30302000				
							WW CALL ON NOTE - INT
	2						
		$88,893.61	Total amount of wire. Documentation supporting amount MUST be attached to form.				

APPROVAL [signature]	DATE 2/25/00	APPROVAL	DATE
APPROVAL	DATE	APPROVAL	DATE
A/P MANAGER APPROVAL	DATE		

INT10 000844

Enron Corp.
P.O. Box 1188
Houston, TX 77251-1188
(713) 853-6161

March 9, 2000

LJM2 Co-Investment, L.P.
1831 Wroxton Road
Houston, Texas 77005

Attn: Andrew S. Fastow

Gentlemen:

LJM2 Co-Investment, L.P. ("LJM2") and Enron Corp. ("Enron") entered into a Certificate Purchase Agreement, dated effective as of December 29, 1999 (the "Agreement").

In consideration of LJM2's participation as the purchaser under the Agreement and for certain services rendered in connection therewith, Enron agrees to pay LJM2 $100,000. Payment of such fee will be made to LJM2 upon Enron's receipt of notice of the account to which such payment shall be made.

In addition to the aforementioned fee, Enron agrees to reimburse LJM2 for expenses in the amount of $7,061.48.

ENRON CORP.

By: _____
William W. Brown
Deputy Treasurer

Acknowledged
this 9th day of March, 2000

LJM2 CO-INVESTMENT, L.P.

By: LJM2 Capital Management, L.P.,
Its General Partner

By: LJM2 Capital Management, LLC,
Its General Partner

By: _____
Andrew S. Fastow
General Partner

INT11 00586

Permanent Subcommittee on Investigations
EXHIBIT #191h

PT 002040

April 7, 2000

Subject: Monthly Newsletter

To the Limited Partner of LJM2 Co-Investment, L.P.:

This correspondence from the General Partner summarizes the activities of LJM2 Co-Investment, L.P. ("LJM2") during the month of March, 2000.

Partnership Closings

On April 5th, the final closing of LJM2 took place with the addition of 22 ~~new~~ investors and $172 ~~million~~ of additional capital commitments. These new investors consisted of banks, pension funds, a venture capital fund and individuals. This will be the final closing for LJM2, bringing the total capital commitments to the fund to $490 million.

Organizational Activities

Ms. Joyce Tang joined LJM2 as a Vice President of Accounting, responsible for cash management, financial reporting and tax reporting for LJM2. Ms. Tang comes from American General Life Insurance Company where she was responsible for managing the accounting of 20 active variable life and variable annuity products totaling $1 billion in assets. Prior to American General, Ms. Tang worked for Hambro America in New York, managing the tax and accounting reporting for seven venture capital funds. Ms. Tang has a B.B.A. in Public Accounting from Pace University.

The first year–end audit of LJM2 financial statements has been completed by KPMG. The financials will be distributed to each Limited Partner on April 10th. Each LP should be receiving their K-1, statement of taxable income, by April 14, 2000. Any questions or inquiries on the financials or the K-1's should be directed to Anne Yaeger, 713-853-9205.

Advisory Committee

The Advisory Committee has been named and the members are

Liquidated Investments

Yosemite - On February 27, 2000, LJM2 purchased the certificates in Yosemite Trust for $33.75 Million. Yosemite Trust is a Delaware Business Trust that owns investments consisting of AAA securities, U.S. obligations and payment obligations supported, in whole, or in part, directly or indirectly by Enron. Due to the low return on this investment, LJM2 entered into a back to back agreement with another investor and immediately sold the certificates after purchase, ~~with no actual cash outflow required by LJM2.~~ (Kathy we actually did pay for the investment, we just required that we received the money from our purchaser before we had to pay, in other words using their funds.) LJM2 earned a $100,000 fee for this transaction (Kathy, technically, no expenses were paid by Yosemite Trust. What did happen and what was documented in the fee letter is that $100,000 plus an amount of $7,000 (approx) was paid by Enron to LJM2. The $7,000 was to cover the negative arbitrage LJM2 incurred as they had to draw down on the Chase revolver to become a QUIB. But the fee letter is silent to the use of the $7,000 but that is where the amount came from) perhaps none of that matters for this letter, just wanted to let you know what transpired. and all taxes and legal fees were paid by Yosemite Trust. The unlevered return on this investment was 134%.

CONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

Permanent Subcommittee on Investigations
EXHIBIT #191i

Pluto – At year end 1999, LJM2 purchased 90% of the equity and 100% of the debt in MEGS, LLC ("MEGS") for $26.3 Million. MEGS is a special purpose entity that purchased an offshore gas gathering system in the Gulf of Mexico from Mariner Energy and Burlington Resources. Prior to the March 6, principal was received of $385,799 and $480,505 in interest. LJM2 sold this investment on March 6, 2000 for $26.0 Million. All legal and tax fees were paid by Enron North America. The unlevered ~~return~~IRR of this investment is 10.3% and the levered return is 22.47%.

Nowa Sarzyna - On December 22, 1999, LJM2 purchased a 75% indirect equity interest in a gas fired power plant in Poland for $30 Million. On March 31, 2000, LJM2 sold this equity interest to two parties for $31.9 Million. LJM2 received a $750,000 upfront fee on this transaction and all legal and tax fees were paid by Enron Europe. The unlevered return on this investment is 37.1% and the levered return is 307%.

New Investments

Rawhide – On March 28~~___~~, 2000, LJM2 purchased 55.6% of the equity in Rawhide Investors, LLC ("Rawhide") for $12.5 Million. Rawhide is a monetization of Enron's merchant portfolio of selected Enron North America and Enron International assets, which closed in December 1998. The Rawhide structure is currently being extended and LJM2 purchased the existing equity from a third party. The ~~un~~unlevered return on this investment is expected to be 14-16%. The levered return on this investment is expected to be 17-20%.

Potential Investments

Raptor, Osprey and Margaux – These three investments, which were described in the presentation sent to investors on March 17, 2000, are still under review and are expected to close in the month of April, 2000. Raptor will provide the first co-investment opportunity for LPs.

Indebtedness

~~Available amounts under the revolver were used to make the Rawhide investment of $12.5 Million.~~ LJM2 currently has three credit facilities in place. The $65 Million revolving facility with Chase Manhattan Bank has commitments remaining of $36,500,000. We are beginning the process of negotiating an increase in the amount of the revolver in light of the substantial increase in capital commitments since the Revolving Credit Agreement was signed with Chase in December of 1999. Liquidation proceeds from the sale of both Pluto and Nowa Sarzyna were utilized to prepay the Screaming Eagle Acquisitions loan and the LJM Cayman, L.P. loan. The current balance on the Screaming Eagle Acquisitions loan is $15.2 Million and the LJM Cayman, L.P. loan has been repaid in full. LJM2's indebtedness is $43.7 Million, ~~leaving availability of $_____ Million and outstandings of $_____ Million. We are beginning the process of negotiating an increase in the amount of the revolver in light of the substantial increase in capital commitments since the Revolving Credit Agreement was signed with Chase in December of 1999.~~

Other

Thank you for your cooperation during all of the closings and fundings of the LJM2 partnership. Now that the final closing has taken place, and the first year-end financial audit has been completed, we can turn our full attention to investment activities. We look forward to working with all of you and welcome any of your comments or suggestions to improve communication.

Sincerely,

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By Dechert on behalf of its client

LJM Deal Pipeline Status Report

Name	Amount	Description	Status/Timing
1. Eco Electrica			
2. Yosemite		Pass through of equity investment to Condor. No investment funds will be used	QUIB issues have been resolved. Send out letter to Advisory Committee for approval. Expect to close on Monday, Feb. 28th
3. Euro Yosemite			
4. Screaming Eagle			
5. Rawhide			
6. Elektro		Purchase of a portion of Elektro equity as bridge to a strategic investor	Before the end of March
7. Bermuda Ins.			
8. Osprey			
9. Margeaux			
10. Swap Sub	$218MM	Replace Enron shares as collateral for derivatives with income producing securities	Pursue forward equity sale with fin. Inst.-Working with Corp. to evaluate – GNW proposal, too complicated and not as attractive for Enron
11.Raptor			
12. Ins. Co./Raptor			

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By Dechert on behalf of its client

Yosemite Equity Sale
Project "YES"

November 10, 2000

ECa00019965

Permanent Subcommittee on Investigations
EXHIBIT #191j

Project YES

Need:

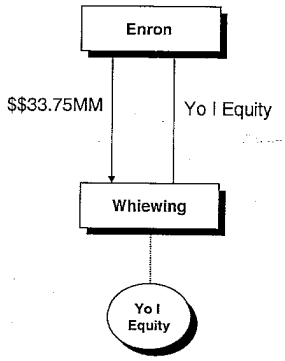
- Condor and Enron seek to sell 45% of their 50% equity interests in Yosemite Securities Trust I ("Yo I") and Yosemite Securities Company Ltd. ("Yo II") prior to FYE2000. A divestiture of these interests is twofold (i) the ownership of Yosemite II equity creates undesirable financial disclosure in Enron's Unconsolidated Equity Affiliates footnote; and (ii) Condor has a need to enhance its liquidity.
- Although AIG has an appetite to purchase the Yo I and Yo II assets, they are not willing to accept the risk of total loss on its commitment in the event a failure to pay on the underlying Yo I and Yo II investments has no linkage to the more broadly defined Enron [Public] Failure to Pay in the Yo I and Yo II Collateral Security Agreements . Specifically, AIG is currently not able to mitigate its risk with credit default swaps that match its investment. Therefore, a sale in the purest sense is not a viable option.

Solution:

- Create a new, wholly-owned AIG SPV capitalized with Notes and Certificates, formed for the sole purpose of buying the YO I and Yo II equity off of Enron's balance sheet.
- Enron provides a Total Return Swap on the Notes to create a direct Enron obligation on 97% of the transaction.

EC000199657

Structural Overview

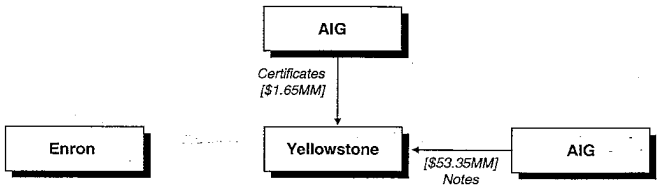


Step 1 - Formation of Yellowstone

- Enron purchases, at par (or $33.75 million), the Yosemite Securities Trust I ("Yo I") equity from Whitewing.

EGe00019665B

Structural Overview



Step 2- Capitalization of Yellowstone

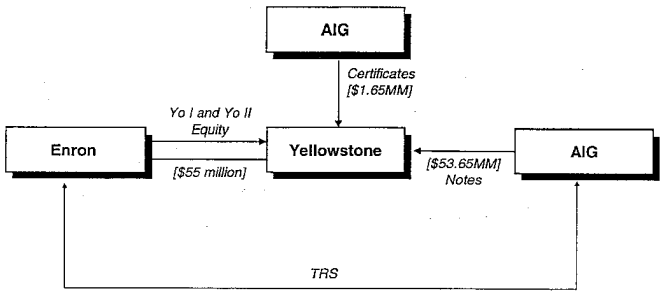
- Form a new 97/3 SPV ("Yellowstone").
- Yellowstone raises [$55 million] by issuing [$1.65 million] in Certificates and [$53.35 million] in Notes to AIG.

EC#000199659

Structural Overview

Step 3 – Sale of Yo I and Yo II equity

- Yellowstone purchases 45/50ths of Enron's Yo I and Yo II equity interests for [$55 million]. These assets would be on Enron's balance sheet at [$50 million].
- Enron enters into a Total Return Swap ("TRS") with AIG. The TRS will cover the difference between the notional amount and actual principal payments at maturity.
- The premium represented in Yellowstone's purchase price is acceptable given the credit enhancement provided via the TRS, and results in a [$2 million gain] to Enron in [4Q2000].

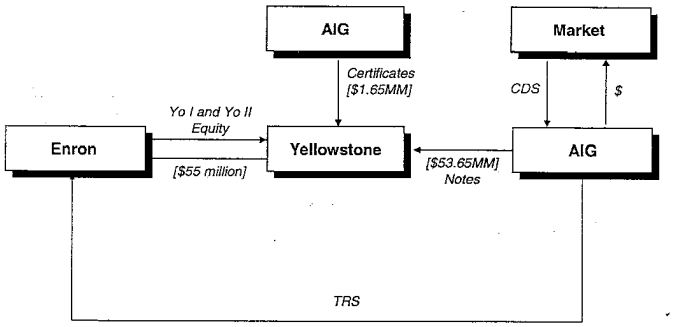


ECe00199660

Structural Overview

Step 4 – Credit Default Swaps

- AIG purchases Credit Default Swaps on Enron in the open market to hedge any payment default risk associated with the TRS.

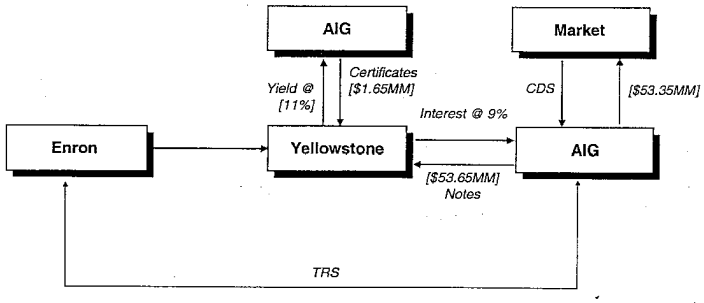


ECa00199861

Structural Overview

Step 5 – Payment of Interest and Yield.

- Yellowstone receives 11% on the Yo I certificates and 12% on the Yo II certificates for a blended rate of 11.3% on [$50 million].
- Yellowstone pays (i) interest payments equivalent to a debt return of [9.25%] on [$53.35 million] in Notes; and (ii) yield payments of 12.25% on the [$1.65 million] in Certificates for a blended rate of 9.3% on [$55 million].



ECa00199682

Structural Overview

Step 6 – Maturity

- Yellowstone redeems the Certificates and Notes to AIG with the proceeds received from Yosemite and interest income which has accrued at the SPV level sufficient to cover the remaining [$5 million].

- Enron pays AIG any shortfall between the notional amount of the Notes and the actual principal payments on the Notes.

ECa00199663

Assumptions		
Yosemite I Equity	$	33.75
Return on Yosemite I Equity		11.000%
Yosemite II Equity	$	16.52
Return on Yosemite II Equity		12.000%
SPV Capital	$	52.80
SPV Notes	$	51.22
SPV Certificates	$	1.58
Day Count Conversion		360
ECF		7.250%
Current Return to of Blended Yosemite Equity		11.329%
Cost of Yellowstone Notes as a spread to LIBOR		2.000%
Cost of Yellowstone Notes		9.250%
Current Return of Yellowstone Certificates as a spread to LIBOR		5.000%
Current Return of Yellowstone Certificates		12.250%

Yellowstone Financial Summary

Beg. Period			12/1/2000		1/1/2002	1/1/2003	1/1/2004	
End Period			12/31/2001		12/31/2002	12/31/2003	12/31/2004	
Day Count			390		360	360	360	
	Year		1		2	3	4	
Cash Flow of Yellowstone								
Interest Income to Yellowstone From ENE		$	6.17	$	5.69	$ 5.69	$ 5.69	
Interest Expense on Yellowstone Notes		$	5.13	$	4.74	$ 4.74	$ 4.74	
Interest Expense on Yellowstone Certificates		$	0.21	$	0.19	$ 0.19	$ 0.19	
Management and Administrative Fees	0.02	$	0.02	$	0.02	$ 0.02	$ 0.02	
Total Cash Flow		$	0.81	$	0.74	$ 0.74	$ 0.74	
Cumulative Cash Flow		$	0.81	$	1.55	$ 2.29	$ 3.04	
Discount Rate	7.25%							
PV of Cash Flow		$	0.75	$	0.65	$ 0.60	$ 0.56	$ [illegible] 2.56

NPV to AIG

Margin	2.00%	2.00%	2.00%	2.00%	
Less Cost of CDS	1.08%	1.08%	1.08%	1.08%	
Net Margin to AIG	0.9%	0.9%	0.9%	0.9%	
	$ 0.47	$ 0.47	$ 0.47	$ 0.47	
PV	$ 0.44	$ 0.41	$ 0.38	$ 0.35	$ [illegible] 1.58

EC-80001996-64

Structural Benefits

Enron

- At Maturity, Enron pays [$50 million] to Yellowstone.
- Yellowstone redeems the Certificates and Notes to AIG with the proceeds received from Enron and interest income which has accrued at the SPV level sufficient to cover the remaining [$5 million].

AIG

ECa0001995665

1659

Whitewing Investment Proposal

Yosemite Securities Company Ltd.

December 12, 2000

ECa000192304

Permanent Subcommittee on Investigations
EXHIBIT #191k

Executive Summary

- *Whitewing has the opportunity to purchase an £10,012,500 ([US$14.5 million]) equity interest in Yosemite Securities Company Ltd. ("Yosemite II") from Bank Boston. Yosemite II is capitalized with £22.25 million in Certificates and £200 million in secured Notes.*

- *The Certificates carry a 12% yield and have a final maturity date of February 1, 2007. Interest is paid annually on February 1.*

- *Whitewing's purchase will act as a temporary bridge to a 2001 sale to a third party investor. Equity consent is required because of the $40 million Obligor cap. This metric is exceeded as a result of Whitewing's current $33,750,000 equity interest in Yosemite Securities Trust I ("Yosemite I").*

- *Both Yosemite I and Yosemite II were structured to provide a credit quality which mirrors Enron senior unsecured obligations. As a result, both issues are rated BBB+/Baa1, consistent with Enron Corp.'s senior unsecured debt rating.*

ECa000192305

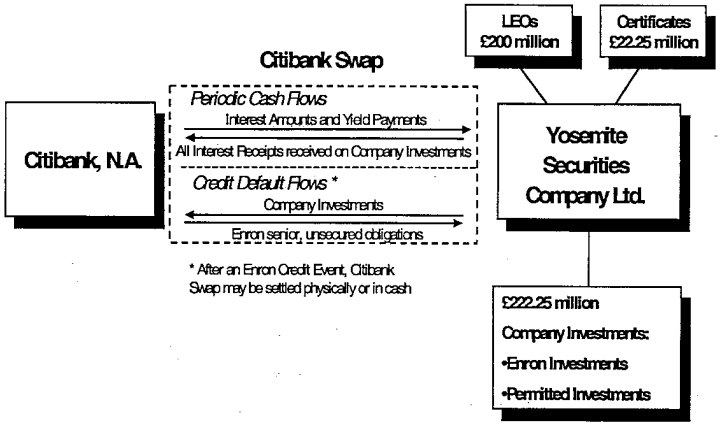
Executive Summary (cont.)

- *Proceeds from both the Notes and Certificates of Yosemite I and Yosemite II were applied towards the acquisition of Company Investments. Company Investments are defined as (i) (a) securities denominated in pounds sterling having either (1) a short term debt rating of "P-1" by Moody's and "A-1+" by S&P of issuers whose long-term unsecured debt rating is "Aa3" or better by Moody's and "AA-" or better by S&P and maturing 45 days or less from the date of purchase or (2) a long term debt rating of "Aaa" by Moody's and "AAA" by S&P or (b) debt securities of the United Kingdom known as Gilts and (ii) payment obligations denominated in pounds sterling supported, in whole or in part, directly or indirectly, by Enron.*

Executive Summary (cont.)

- *Yosemite I and Yosemite II have both entered into Citibank Swaps for each Company Investment that, in the absence of a credit event, provide that:*
  - *Citibank will receive periodic distributions on Company Investments*
  - *Citibank will make interest payments on the Yosemite II Notes and yield payments on the Certificates*
  - *Principal payments on Company Investments will be the investors' primary source of principal repayment*
- *The Citibank Swap ensures credit risk which is essentially the same as Enron senior unsecured obligations.*

Yosemite Structure



4

ECa000192308

Transaction Rationale

- ***CREDIT:*** *Risk profile mirrors senior unsecured obligations of Enron Corp., as supported by the Yosemite II credit rating of BBB+/Baa1.*

- ***HOLD:*** *This is a bridge financing to a longer-term solution which will be implemented in 2001.*

- ***RETURN:*** *12% per annum return is above market for Enron Corp. paper.*

DEWEY BALLANTINE LLP

MEMORANDUM

TO: The Parties On The Attached Distribution List

FROM: Robert H. Blackman, Legal Asst.

DATE: December 13, 2000

RE: Osprey Consent- Yosemite

Attached is a Consent in connection with the Whitewing Investment Proposal regarding the acquisition of a Trust Certificate in Yosemite Securities Ltd. We understand Enron previously discussed this with you. If you are in agreement, please fax one executed copy to me at (212) 259 6333, and forward ten (10) executed copies of the relevant signature pages to me at Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, NY 10019.

If you have any questions or concerns, please contact Thomas Mazza at (212) 259 6700 or me at (212) 259-7236 at your earliest convenience.

Best regards.

Attachments

CONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

Permanent Subcommittee on Investigations
EXHIBIT #1911

DP 090385

Distribution List

Principal Life Insurance Company
Ken Hovey
JoEllen Watts

Stonehurst Capital Inc.
Doug Stark

Nixon Peabody LLP
Scott Cristman

John Hancock Life Insurance Company
Dan Revers
Amy Weed

Kirkland & Ellis
Martha Stuart

Chewco Investments L.P.
Michael Kopper

LJM Investments
Kathy Lynn
Chris Loehr

CONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

CONSENT

This written consent is dated as of December ____, 2000 and is being given pursuant to Section 6.06 (b) of that certain Amended and Restated Limited Liability Company Agreement of Whitewing Management LLC (the "Agreement") dated as of the Closing Date between Egret I LLC, a Delaware limited liability company ("Egret") and Osprey Trust, a Delaware business trust ("Osprey"). Terms capitalized for other than grammatical purposes in this consent but not defined herein have the meanings set forth in the Agreement.

Egret has advised Osprey that Egret expects a wholly-owned direct or indirect subsidiary of Whitewing Associates L.P. ("Whitewing LP") to acquire a Trust Certificate in Yosemite Securities Company Ltd., as more fully described in the presentation previously submitted to the Certificateholders. The aggregate purchase price of such Trust Certificate shall not exceed $15 million.

Information required pursuant to Section 6.01 (c) and Schedule 6.01 (c) of the Agreement regarding the Trust Certificate has been delivered previously by Egret to each of the Certificateholders of Osprey. In addition, each Certificateholder has had the opportunity to discuss the Trust Certificate with representatives of Enron.

Acquisition of such Trust Certificate by a wholly-owned direct or indirect subsidiary of Whitewing LP requires the consent of Osprey pursuant to Section 6.06 (c) (i) of the Agreement. The undersigned, constituting at least an Osprey Majority of the Osprey Certificates, hereby consents in writing pursuant to Section 6.06 (b) of the Agreement to the transaction described in the second paragraph hereof.

This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

CONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

PRINCIPAL LIFE INSURANCE COMPANY, on behalf of one or more separate accounts
By: Principal Capital Management, LLC,
a Delaware limited liability company, its authorized signatory

By:_____
Its:

By:_____
Its:

PRINCIPAL LIFE INSURANCE COMPANY, as attorney-in-fact for Osprey Associates LLC, as holder of Osprey Certificate No. 1

By: Principal Capital Management, LLC
a Delaware limited liability company, its authorized signatory

By:_____
Its:

By:_____
Its:

CONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

WESTBORO PROPERTIES L.L.C.
By: Stonehurst Capital Inc., its Manager

By:_____
Name:
Title:

OSPREY ASSOCIATES L.L.C., as holder of
Osprey Certificate No. 2
By: Stonehurst Capital L.L.C., its Manager
By: Stonehurst Capital Inc., its Manager

By:_____
Name:
Title:

ONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

JOHN HANCOCK LIFE INSURANCE COMPANY

By:_____
Name:
Title:

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By:_____
Name:
Title:

INVESTORS PARTNER LIFE INSURANCE COMPANY

By:_____
Name:
Title:

CONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

CHEWCO INVESTMENTS, L.P.
By: SONR #1, L.P., its General Partner
By: SONR #1, L.L.C., its General Partner

By:_____
Name:
Title:

CONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

LJM2-OSPREY, LLC
By: LJM2CO-INVESTMENT, L.P., its managing member
By: LJM2 CAPITAL MANAGEMENT, L.P., its general partner
By: LJM2 CAPITAL MANAGEMENT, LLC, its general partner

By: _____
Name:
Title:

OSPREY ASSOCIATES II LLC
By: OA Investments LLC, its Manager
By: LJM2-Osprey II, LLC, its Manager
By: LJM2 Co-Investment, L.P., its sole Member and Managing Member
By: LJM2 Capital Management, L.P., its General Partner
By: LJM2 Capital Management, LLC, its General Partner

By: _____
Name:
Title:

NFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

From: AWong@milbank.com@ENRON [IMCEANOTES-AWong+40milbank+2Ecom+40ENRON@ENRON.com]
Sent: Thursday, February 22, 2001 5:37 PM
To: amanda.angelini@ssmb.com; McDowell, Doug; gareth.bahlman@milbank.com
Subject: RE: Yosemite Securities Company Ltd (the "Company")

That is indeed the correct form. If anybody needs to reach me at home my number is 201-626-5199. Here is the information needed from Enron and Raptor as asked for by Jersey:
Enron Corp
This company, as a public listed company is required to to provide us with a Client (Corporate) Questionnaire and all of the documentation requested therein. We also require verification of 2 of the directors of Enron Corp. In addition we require a letter from the management of Enron Corp., verifying the capacity in which Jill Erwin is acting and confirmation that she is authorised to act in this capacity on behalf of Enron Corp.
SE Raptor L.P.
Further clarification is required as to the structure of SE Raptor as it may be helpful from a compliance point of view to establish more clearly its connection with Enron Corp. We also require details of the beneficial ownership of SE Raptor. A Client (Corporate) Questionnaire and all documentation requested therein is also required and potentially Client (Personal) Questionnaires in respect of the beneficial owners, if the company has a private status.

Sincerely,
Albert Wong

Albert Wong
Associate
Global Corporate Finance
Milbank, Tweed, Hadley & McCloy LLP
1 Chase Manhattan Plaza
New York, NY 10005
Telephone: 212-530-5392
Facsimile: 212-822-5392
Internet: awong@milbank.com

—Original Message—
From: Angelini, Amanda [FI] [SMTP:amanda.angelini@ssmb.com]
Sent: Thursday, February 22, 2001 5:14 PM
To: 'doug.mcdowell@enron.com'; 'gareth.bahlman@milbank.com'
Cc: 'awong@milbank.com'
Subject: FW: Yosemite Securities Company Ltd (the "Company")

Doug

As discussed here is the questionnaire.

Al

If this is the incorrect form please forward the correct form to Doug and Gareth as it needs to be filled in by Osprey.

Permanent Subcommittee on Investigations
EXHIBIT #191m

Thanks

Amanda
-----Original Message-----

From: AWong@milbank.com [mailto:AWong@milbank.com]
Sent: Thursday, February 22, 2001 1:12 PM
To: Angelini, Amanda [FI]
Subject: FW: Yosemite Securities Company Ltd (the "Company")

Amanda:

Please advise as to who at Fleet National Bank should receive the questionnaire to fill out regarding the bank as certificateholder in Yosemite II. Thanks.

Sincerely,
Albert Wong

Albert Wong

Associate

Global Corporate Finance

Milbank, Tweed, Hadley & McCloy LLP

1 Chase Manhattan Plaza

New York, NY 10005

Telephone: 212-530-5392

Facsimile: 212-822-5392

Internet: awong@milbank.com

-----Original Message-----
From: Lynda Shepherd [SMTP:l.shepherd@jerseytrustco.com]
Sent: Thursday, February 22, 2001 12:51 PM
To: 'AWong@milbank.com'
Cc: 'Thomas_Musarra@ustrust.com'; Jennifer Svatins; 'Jill.Erwin@enron.com'; Steve Burnett
Subject: Yosemite Securities Company Ltd (the "Company")

Dear Albert,

I refer to the conference call of this afternoon between ourselves and Steve

Burnett in relation to the distributions to the certificateholders (the "Distributions").

As previously advised, regardless of whether an account is opened for the Distributions or whether the Distributions are made from the Euroclear account, where the funds are at present, there is still a requirement for the directors of the Company to authorise the transactions, which the Directors are unable to do for compliance reasons, until such time as all of

our compliance requirements have been met.

As advised in our previous correspondence with the various parties, the compliance documentation that is required is as follows:-

Fleet National Bank

A Client (Corporate) Questionnaire requires to be completed. If however, Fleet National Bank is regulated by relevant Money Laundering legislation in

the US and can provide us with the name of the relevant legislation under which they are regulated, we will not require the documentation requested within the Client (Corporate) questionnaire.

Enron Corp

This company, as a public listed company is required to to provide us with a

Client (Corporate) Questionnaire and all of the documentation requested therein. We also require verification of 2 of the directors of Enron Corp. In addition we require a letter from the management of Enron Corp., verifying the capacity in which Jill Erwin is acting and confirmation that she is authorised to act in this capacity on behalf of Enron Corp.

SE Raptor L.P.

Further clarification is required as to the structure of SE Raptor as it may

be helpful from a compliance point of view to establish more clearly its connection with Enron Corp. We also require details of the beneficial ownership of SE Raptor. A Client (Corporate) Questionnaire and all documentation requested therein is also required and potentially Client (Personal) Questionnaires in respect of the beneficial owners, if the company has a private status.

I attach a further copy of our Client (Corporate) Questionnaire for your information.

<<Client (Corporate) Questionnaire.doc>>

I look forward to hearing from you with regards to the way forward.

Kind regards.

Lynda Shepherd

<<Client (Corporate) Questionnaire.doc>>

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<< File: Client (Corporate) Questionnaire.doc >>

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From: Walden, Clint
Sent: Thursday, November 01, 2001 5:48 PM
To: Cilia, Mary
Subject: Docs

Yosemite I Description.doc

Credit and Subordination Agree...

Permanent Subcommittee on Investigations
EXHIBIT #191n

Yosemite I Transaction

Enron purchased certificates of Yosemite Securities Trust I (Trust I) equaling an aggregate principal amount of $37,500,000. This represented an approximate 50% equity interest in the Trust. A Bank of Boston affiliate purchased the remaining 50% interest in the Trust.

Effective as of December 29, 1999 Enron sold $33,750,000 of its certificates in Trust I to LJM in order to reduce Enron's ownership interest in Trust I to approximately 5%. LJM purchased this equity from Enron at par, and from the date of purchase began receiving the same 11% return as the other equity holders.

Effective as of December 30, 1999 LJM sold $33,750,000 of its certificates in Trust I to SE Raptor LP (subsidiary of Whitewing) in order to reduce LJM's ownership interest in Trust I to zero. SE Raptor LP purchased this equity from LJM at par, and from the date of purchase began receiving the same 11% return as all other equity holders.

For tax purposes the total equity in Trust I was equal to 10%. This is above the required 3% level to achieve deconsolidation in a 97%/3% SPV structure for GAAP purposes.

If Enron had owned 50% of the equity in Trust I over year-end, the Yosemite transaction would have had to be disclosed in the unconsolidated affiliates footnote. The Yosemite transaction was structured to allow Citibank to syndicate Enron exposure to the capital markets (exposure which is reflected on our balance sheet as a liability). Including Trust I in the footnote would result in analysts double counting liabilities through the typical add back of a percentage of the debt of unconsolidated subsidiaries.

Transaction Structure Description

Trust I was created by Citibank. Approximately $825 million of proceeds were raised by selling equity and debt interests in Trust I. The proceeds raised by Trust I were invested in permitted investments that included AAA rated securities, time deposits, promissory notes or commercial paper of US money center banks.

Related to this structure was a credit default swap, which was entered into between Trust I and Citibank. The terms of the swap were such that absent an Enron Credit Event, Citibank would pay to Trust I an amount equal to the interest and yield on the debt and equity of Trust I and Trust I would pay to Citibank the actual amount earned on the permitted investments. Upon an Enron Credit Event, Citibank could settle the swap physically (by delivering Trust I certain Enron Obligations) or in cash.

Credit and Subordination Agreement between SE Acquisition and LJM2

- The proceeds received under the agreement by LJM2 were used for general partnership purposes.
- On December 20, 1999, SE Acquisition LP (Lender) and LJM2 Co-investment LP (Borrower) entered into a Credit and Subordination Agreement in which SE Acquisition would lend LJM2 up to $38.5 million.
- Amounts borrowed and then repaid were not allowed to be re-borrowed.
- On the closing date, LJM2 drew the entire $38.5 Million.
- Terms of the loan were as follows:

  Principal Amount = $38.5 million
  Maturity Date = December 20, 2000 subject to extension to December 20, 2001
  Interest Rate = LIBOR + 2.5%
  Commitment Fee = .25% annually on the sum of the average daily unused portion of the commitment.
  Facility Fee = 1% of the commitment amount

- In November 2000, one month preceeding the initial maturity date, LJM2 paid the loan and interest off in full.

Unknown

From: Wagner, Eleanor [CRRM]
Sent: Wednesday, December 05, 2001 3:50 PM
To: Fox III, William T; Caplan, Rick [FI]
Cc: Warren, Doug [FI]
Subject: RE: Ene settlements

We aren't required to settle the TRS on Yosemite now are we? If we did, would that cause us to put these deals on our b/s, or would we have the TRS banks hold the certificates?

-----Original Message-----
From: Fox III, William T
Sent: Wednesday, December 05, 2001 3:26 PM
To: Caplan, Rick [FI]
Cc: Warren, Doug [FI]; Wagner, Eleanor [CRRM]
Subject: RE: Ene settlements

We do not have cash to give; not sure how to deal with it; will try to check it out.

-----Original Message-----
From: Caplan, Rick [FI]
Sent: Wednesday, December 05, 2001 3:18 PM
To: Fox III, William T
Cc: Warren, Doug [FI]
Subject: Ene settlements

Know you are very tied up so I thought I would email you rather than continue to play phone tag. We have been pressured by our counterparties on the total return swaps written on the equity in the Yosemite deals to settle the deals asap. As senior unsecured recoveries would need to exceed 90% for the equity to have any value, the counterparties are looking for par payments to end the swaps.

Under the agreement between the GRB and the Credit Derivatives Trading Desk, the GRB agreed to keep us whole on the equity. Therefore, we would request that we settle out with you in order to settle out with our counterparties. How do you pay cash - is it through the loan book, or is there another route (we need the cash to settle the swaps)?

Also, the mark to market on the portfolio swap in which Ene wrote us credit protection on a basket is $19,895,849.087. We need to settle out this deal as well. We know the margin is limited, so again, how do we get reimbursed for the counterparty exposure taken by the GRB (again, we will have to pay cash to break the trade with our counterparties on the other side)?

Appreciate your attention.

Regards,

Rick

Permanent Subcommittee on Investigations
EXHIBIT #191o

Investment Dealers' Digest Article

ON DECEMBER 6, 1999 THE FOLLOWING ARTICLE ABOUT THE TRANSACTION APPEARED IN INVESTMENT DEALERS' DIGEST

WALL STREET IS BECOMING EVER MORE SOPHISTICATED IN FIGURING OUT WAYS TO APPLY NEW DERIVATIVES TECHNOLOGY TO THE BASIC CORPORATE FINANCE NEEDS OF ITS CLIENTS. AS EVIDENCED BY ENRON CORP'S RECENT PRICING OF $750 MILLION IN SYNTHETIC BONDS THAT REPACKAGE THE CREDIT RISK OF STRUCTURED BANK LOANS.

The bonds, called LEOs or Linked Enron Obligations, were created by Citigroup through a technique that combines credit derivatives, securitization, and traditional fixed-income structures. The complex procedure achieves a simple goal: It transforms structured bank loans from a single corporate borrower into instruments that the capital markets can digest.

"The goal was to create something that looks and acts like an Enron bond and sell it to the people who buy Enron bonds," said Rick Caplan, a VP in Salomon Smith Barney's derivatives capital markets group.

Enron, like many companies, relies on a variety of structured bank loans to finance specific assets. For example, when financing its corporate headquarters, Enron used a common lease structure that provided significant tax advantages over a straight debt.

Although these structures offer the company unique benefits, there are also drawbacks -- namely the unwillingness of banks to extend these loans for long periods of time. Structured loans are generally limited to tenors of two to three years, with rare facilities running five to seven years. The reluctance of banks to offer longer loans comes primarily from their hesitancy to take on significant levels of corporate credit risk.

To help address this problem, Wall Street applied derivatives structures that isolate credit risk. For Enron, Citigroup used a swap default structure to wrap a trust - Yosemite Securities Trust I - that holds $850 million in Enron structured bank loans. The swap, which was provided by Citibank, "sanitized" the risk of the assets in the trust, with the structural risk remaining with Citi while the credit risk was stripped off, said Adam Kulick, a Salomon derivatives VP who also worked on the deal. That credit risk was then packaged into securities, the 8.25% five-year LEOs, which resemble Enron's plain vanilla debt. The synthetic bonds, which were sold in a 144A transaction last month through lead manager Salomon Smith Barney, mirror Enron debt so closely that they carry the same credit rating as the company's senior unsecured debt-BBB+ from Standard & Poor's and Baa2 from Moody's Investors Service.

In fact, the structure is so effective in separating the structural and credit risk that neither the deal's investors nor the ratings agencies ever know exactly what assets are held in the trust. From their perspective it doesn't matter -- the securities they are analyzing carry only Enron credit risk. The LEOs priced at a spread of 237.5 basis points over the comparable U.S. Treasury, a level that's about 100 bps wider than the spread on Enron's five-year senior unsecured debt.

Because it is passing the credit risks onto the capital markets, Enron has the opportunity to add years to the terms of its financing, which would cut its refinancing risks and costs.

In addition, Citi has the ability to sell default swaps in Enron's name out of the structure. Enron and Citi in the future could issue default swaps running as far out as 10, 20 or even 30 years. That would effectively hedge Citibank, making it merely an intermediary in the transaction.

The deal illustrates the extent to which corporations can benefit from innovations in derivatives structuring. It also demonstrates the potential of closely integrated bank and capital markets operations -- a point that Citigroup is anxious to drive home. "This is the first time that people have really thought through how CLOs and derivatives technology can be used together in general corporate finance," Kulick said. "The market is going to move in this direction, and we're looking to apply this technology as broadly as possible."

CITIBANK

SALOMON SMITH BARNEY
Members of citigroup

Permanent Subcommittee on Investigations
EXHIBIT #192a

GCIB Checkings on Michael Kopper/LJM

James F. Reilly, GCIB, Houston
I spoke with Jim on 7/23 concerning the Michael Kopper transaction. He mentioned that he and Bill Fox had met with Michael Kopper and Andy Fastow the previous week and were aware of the sale of LJM to Michael..

Jim explained that he was the account manager for the Enron relationship and has had past dealings with Fastow, Kopper and LJM. In fact, Jim stated he was responsible for "forcing the issue on Citigroup/Travellers' investment in LJM2. The initial investment in the fund was based solely on Enron's relationship with Citigroup, not potential investment returns. Nonetheless, the investment has turned out well for Citigroup and they plan on staying with the fund even after the sale to Michael Kopper.

Jim believes that Michael is a very smart man and the fund will continue with its close ties with Enron and be successful. In Jim's opinion, Enron is in significant need of a fund like LJM2 to manage its asset base and shareholder return.

Jim had absolutely no character issues with Michael or our involvement in the proposed transaction. In fact, we are viewed positively for taking on this transaction.

William T. Fox, GCIB, New York
I spoke with Bill on 7/23 also. Bill relayed that there were no issues with LJM, Kopper or Fastow. Citigroup is favorably disposed to Enron. The LJM relationship is another facet to the global relationship. He believes Michael id very bright and has for the most part been responsible for all the analysis and structuring in the LJM portfolio.

Bill sees no issues with us financing Kopper and has no character issues with him personally.

Permanent Subcommittee on Investigations
EXHIBIT #192b

citigroup investments

To: *Mary Lynn Putney*

CC: *Hunter Reisner, Craig Farnsworth*

From: *Steve Hartt*

Date: *January 24, 2001*

Re: *Review of LJM2 (Enron Fund), and Recommendation for LJM3*

Enron is in the market to raise LJM3, the follow on fund to LJM2 which Citigroup committed $15 million ($10 from Citibank, $5 from Travelers). Enron has stated to Jim Reilly (SSB account manager) that there are no negative relationship implications should we choose not to participate in LJM3. Given this and the points discussed below, ***I recommend that we do not participate in LJM3.***

Low Cash on Cash returns.
Returns on fully and partially realized investments to date are all positive, high IRR but low (1.4x) cash on cash. Based on LJMs projections, the Fund is not likely to return more than 2x cash on cash. However, it is too early to tell if such returns will be realized, in part because the investments are relatively new but also due to the highly structured nature of the transactions (see below).

High exposure to share price fluctuation, particularly Enron.
The returns of many transactions completed (38% by number, 43% by amount) are based (in whole or part) on Enron share price. 65% of the projected Fund gains depend on flat or rising share prices, particularly Enron's, based on LJM's projections. In committing to LJM2, we understood that the Fund would be relying on Enron directly for transactions and indirectly on Enron's credit strength (as the party the Fund could put assets to). We have been surprised at the number of transactions that are reliant on Enron's share price for success.

Mitigating this risk, LJM2's principals have sought to hedge this exposure through contracts back to Enron. Additionally, LJM2 principals argue that Enron would make the Fund whole should it suffer losses because the vehicles that the Fund invests in are critically important to Enron's ability to manage its earnings. Fortunately, this thesis has not had to be tested yet.

Some investments are not attractive to Citigroup in the Fund.
The Fund invested in debt and equity of 2 CLOs. Citigroup could invest in CLOs without carry. These investments represented 13% of deals done and 14% of capital invested.

Complex investment structures make it difficult to assess risk and reward.
The Fund's investments are typically highly structured making it difficult to understand the key drivers of returns and related risks. This has made it difficult to assess the riskiness of the transactions and their potential outcome.

Permanent Subcommittee on Investigations
EXHIBIT #192c

Enron Credit Review

August 7, 2001

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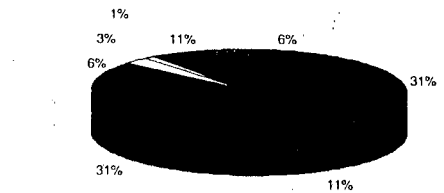
Permanent Subcommittee on Investigations
EXHIBIT #192d

Citigroup Relationship Review

Enron provides significant corporate and investment banking revenue to Citigroup.

1998-2000 Citigroup Revenues



$112.7MM

■ Syndication ■ Structured Deals ■ Fixed Income ■ Derivatives & FX
■ Equities □ M&A □ Loans ■ Treasury & Other

Product Group	1998	1999	2000	Total
Syndication	$42	$6,181	$632	$6,855
Structured Deals	10,597	16,674	7,238	34,509
Fixed Income	270	5,934	6,192	12,397
Derivatives & FX	3,837	5,171	27,607	36,615
Equities	0	2,776	3,729	6,505
M&A	0	3,100	0	3,100
Loans	1,040	142	(469)	713
Treasury & Other	2,444	4,348	5,248	12,039
	$18,231	$44,326	$50,176	$112,733

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Citibank Exposure Analysis

Detailed Description of Facilities

($'s in Millions)

Cash Lines	Total Cash Lines	43.990	4+	07/31/01
Enron North PSR	Derivatives	6.719	4+	11/29/01
Enron North PSR	Derivatives	6.627	4+	05/31/02
Enron North PSR	Derivatives	16.668	4+	05/31/04
Enron North PSR	Derivatives	37.320	4+	05/31/06
PSR for $250MM Prepay	Derivatives	12.750	4+	12/31/01
	Total Derivatives	80.084	4+	05/31/02
FX/PSR	Total FX Lines	10.186	4+	07/31/01
Enron Funding	Enron Corp	42.000	4+	03/27/02
364-day R/C	Enron Corp	65.930	4+	05/13/03
New L/C Facility	Enron Corp	16.837	4+	05/14/03
5-year R/C	Enron Corp	33.333	4+	05/18/05
	Total Enron Loans	160.100	4+	03/27/02
Nahanni	Structured	24.250	2	12/31/04
TurboPark	Structured	6.188	4	03/31/08
JEDI II Loan	Structured	5.000	4-	06/29/02
Coal Monetization	Structured	6.159	4+	09/30/12
Gas Prepay	Structured	250.000	4+	12/31/01
New JT Holdings	Structured	30.000	4+	12/06/01
Rawhide	Structured	50.000	4+	03/29/02
TurboPark	Structured	66.813	4+	03/31/08
Yosemite 1	Structured	37.500	4+	11/18/04
Yosemite 2	Structured	15.834	4+	01/31/07
	Total Structured Deals	493.744	2 to 4	12/06/01
Dabhol	Non-Recourse	7.143	9	03/31/06
Dabhol	Non-Recourse	47.855	9	03/31/09
Bahia Las Minas	Non-Recourse	10.000	4-	05/30/04
Empresa de Generac	Non-Recourse	7.125	5+	09/18/07
Elektro	Non-Recourse	31.000	6+	05/30/04
Elektro	Non-Recourse	1.248	6+	07/31/01
	Total Non-Recourse Deals	104.371	4- to 9	07/31/01
Credit Derivatives	Less Credit Derivative	(45.000)	4+	05/18/05
		847.475		

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CITI-SPSI 0043085

Citibank Exposure Analysis

Summary of Structured and Non-Recourse Facilities

($'s in Millions)

Name	Detailed Descripton
Nahanni	Supports a $485 million five-year revolving loan made by CXC, collateralized by a preferred LP interest in a partnership holding $750 million of Enron intercompany notes, Pref. shares of Houston Pipeline, T-bills and cash (T-Bills). The amount of T-Bills and cash must at all times be equal to the amount outstanding under this facility.
TurboPark	Facility is used for the purchase of 91.75% A-Notes (Enron guarantee) and 8.25% B-Notes (look to collateral). Funds will not be distributed from this facility after 3/31/04; however, this facility has an outside Maturity Date of 3/31/08. Purpose is to finance the construction and development of gas fired electric generating assets including fixed and soft costs related to future projects not yet identified.
Coal Monetization	Senior Unsecured recourse to Enron. $150MM monetization of a royalty stream payable by HL&P, funded via CXC. The HL&P risk was fully syndicated.
JEDI II Loan	$250MM RC Facility available to Joint Energy Development Investments Limited Partnership ("JEDI II"), a 50/50 joint venture partnership between Enron Corp. and the California Public Employees' Retirement System ("CalPERS"). The loan is overcollateralized by investments and additionally by unfunded equity commitments from Enron.
Gas Prepay	PSR line for this loan is a $250MM, 180-day financially-settled, unsecured gas prepay guaranteed by Enron. Termination will be upon settlement of the Jan '02 gas contract on the NYMEX (12-27), but expected to be unwound early in the 4th quarter.
New JT Holdings	Supports the A-Note portion of a $110,000,000 5-yr SADP for Enron Venture Corp. The SADP is comprised of A-Notes (82% / $90MM), B-Notes (15% / $16.7MM) and Certificates (3% / $3.3MM). Only A's were funded through CXC.
Rawhide	The Facility underpins a $750.0MM 3-year portfolio monetization structure for Rawhide Investors LP, a special purpose company owned by Enron Corp. Consists of (i) a $727.5 million 3-year term loan made by CXC Inc., and (ii) $22.5 million of equity interests. The Rawhide investment portfolio is secured by a Debt Service Reserve, which contains Enron demand notes.

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Citibank Exposure Analysis

Summary of Structured and Non-Recourse Facilities

($'s in Millions)

Name	Detailed Description
Yosemite 1	Citi, synthetically purchased $37.5MM of equity certificates of Yosemite Trust via a total return swap with an investor (Balance Sheet Provider) who actually funds the equity investment.
Yosemite 2	$200 million of Linked Enron Obligations and $22.25 million of Equity Certificates. Citi takes ½ of Equity. Yosemite 2 is the same transaction as Yosemite 1, except the transaction was denominated in Sterling.
Dabhol	Citibank's take as Lead arranger in 7-year limited recourse re-syndicated Euro Loan related to the construction of a power plant and LNG Facility.
Dabhol	Citibank's take as Lead Arranger on a US Dollar denominated senior secured 10-year limited recourse Euro-loan credit facility and insurace against credit risk related to the construction of a power plan and LNG Facility.
Bahia Las Minas	$10MM 3-year loan to Bahia Las Minas Corp. (BLM Corp.) is a power company 51% owned by Enron International Panama, S.A. and 49% by the Government of Panama. The facility is secured by real estate and will be repaid with proceeds from the disposition of the assets.
Elektro	Non recourse to Enron. Electricity distribution company for the Brazilian state of Sao Palo. Variety of lines/facilities.

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CITI-SPSI 0043087

Pipeline Trading Multiples

Trading Multiples for Selected Pipeline Companies

($'s in Millions)

Company	Stock Price	% of 52 Week High	% of 52 Week Low	Equity Market Value	Firm Value	Price/ Net Income LTM	Price/ Net Income 2001E	Price/ Net Income 2002E	Book Value	Firm Value / EBITDA LTM	Firm Value / EBIT LTM
Diversified											
Enron Corp	$45.58	(49.8%)	8.5%	$34,007	$44,369	47.1	25.1x	21.0x	3.7x	13.6x	18.8x
El Paso Energy	53.22	(29.3)	19.6	27,098	45,097	22.2	15.9	13.8	3.9	10.2	14.4
Williams Companie	33.80	(29.8)	12.7	16,380	26,638	15.4	14.4	12.5	2.3	8.8	12.3
High:		(29.3%)	19.6%	--	--	47.1x	25.1x	21.0x	3.9x	13.6x	18.8x
Median:		(29.8)	12.7	--	--	22.2	15.9	13.8	3.7	10.2	14.4
Mean:		(36.3)	13.6	--	--	28.2	18.5	15.8	3.3	10.9	15.2
Low:		(49.8)	8.5	--	--	15.4	14.4	12.5	2.3	8.8	12.3

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ENRON

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Pipeline Trading Multiples

Trading Multiples for Selected Master Limited Partnerships with Pipeline Assets

($'s in Millions)

	Price at (8/2/01)	Equity Value	Firm Value	FV/EBITDA 2001E	FV/EBITDA 2002E	LTM Unit Coverage Senior	LTM Unit Coverage Total	Yield LTM	Yield Indicative
Pipelines & Transportation									
Buckeye Partners, L.P.	$36.30	$1,186	$1,448	12.8x	12.4x	1.2x	1.0x	6.6%	6.6%
El Paso Energy Partners, L.P.	35.20	1,766	2,254	14.8	12.1	1.4	1.1	6.3	6.5
Enterprise Products Partners, L.P.	43.80	3,185	3,897	12.3	11.5	1.9	1.4	4.9	5.4
Kaneb Pipe Line Partners, L.P.	37.27	789	1,055	10.6	10.3	1.2	1.2	7.5	7.5
Kinder Morgan Energy Partners, L.	71.17	9,364	11,431	16.8	15.3	2.3	1.2	5.2	5.9
Lakehead Pipe Line Partners, L.P.	45.45	1,536	2,246	11.2	10.3	1.1	0.9	7.7	7.7
Northern Border Partners, L.P.	37.56	1,779	3,323	9.3	8.8	1.6	1.4	7.5	8.1
Plains All American Pipeline, L.P.	25.42	997	1,390	12.1	10.8	1.8	1.3	7.3	7.5
Shamrock Logistics, L.P.	32.90	622	663	12.5	9.5	2.4	1.1	7.3	7.3
TEPPCO Partners, L.P.	31.18	1,518	2,309	12.1	11.8	1.2	1.0	6.7	6.7
Williams Energy Partners, L.P.	30.65	355	433	11.5	11.3	2.0	1.0	6.9	6.9
Median of Pipelines				12.1x	11.3x	1.6x	1.1x	6.9%	6.9%

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ENRON

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Pipeline Trading Multiples

Trading Multiples for Selected Master Limited Partnerships with Pipeline Assets

($'s in Millions)

	Price at (8/2/01)	Equity Value	Firm Value	FV/EBITDA 2001E	FV/EBITDA 2002E	LTM Unit Coverage Senior	LTM Unit Coverage Total	Yield LTM	Yield Indicative
Pipelines & Transportation									
Buckeye Partners, L.P.	$36.30	$1,186	$1,448	12.8x	12.4x	1.2x	1.0x	6.6%	6.6%
El Paso Energy Partners, L.P.	35.20	1,766	2,254	14.8	12.1	1.4	1.1	6.3	6.5
Enterprise Products Partners, L.P.	43.80	3,185	3,897	12.3	11.5	1.9	1.4	4.9	5.4
Kaneb Pipe Line Partners, L.P.	37.27	789	1,055	10.6	10.3	1.2	1.2	7.5	7.5
Kinder Morgan Energy Partners, L.	71.17	9,364	11,431	16.8	15.3	2.3	1.2	5.2	5.9
Lakehead Pipe Line Partners, L.P.	45.45	1,536	2,246	11.2	10.3	1.1	0.9	7.7	7.7
Northern Border Partners, L.P.	37.56	1,779	3,323	9.3	8.8	1.6	1.4	7.5	8.1
Plains All American Pipeline, L.P.	25.42	997	1,390	12.1	10.8	1.8	1.3	7.3	7.5
Shamrock Logistics, L.P.	32.90	622	663	12.5	9.5	2.4	1.1	7.3	7.3
TEPPCO Partners, L.P.	31.18	1,518	2,309	12.1	11.8	1.2	1.0	6.7	6.7
Williams Energy Partners, L.P.	30.65	355	433	11.5	11.3	2.0	1.0	6.9	6.9
Median of Pipelines				12.1x	11.3x	1.6x	1.1x	6.9%	6.9%

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CITI-SPSI 0043094

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Presentation of:

Enron Corp.

DIRECT AND INDIRECT LIABILITY SCHEDULE

October 24, 2001

CITIBANK | SALOMON SMITH BARNEY

CITI-SPSI 0045020

Permanent Subcommittee on Investigations
EXHIBIT #192e

Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known investors	Enron contact name + phone number
250 GRB Prepaid / 12.75 PSR	$250 MM	12/27/01	Prepaid	$263 MM	Risk Rating: 4+. Cash margin posted if price of underlying commodity goes above $4.055 / unit					
Bahia Las Minas		5/30/04	Loan	$10 MM	Risk Rating: 4-; $10 MM 3-yr loan to Bahia Las Minas (BLM Corp), a power company 51% owned by Enron International Panama, SA and 49% by the Government of Panama. The facility is secured by real estate and will be repaid with proceeds from the disposition of the assets.					
Brazil 3 Yr.		5/30/04		$31 MM	Risk Rating: 6+					
Brazos River Trust	$200 MM	2/28/06	Blind VPP	$0						
Coal Monetization	$150 MM	12/21/01	$150 MM monetization of a royalty stream payable by HL&P, funded via CXC.	$6.2 MM	Risk Rating: 4+ Senior unsecured recourse to Enron. The HL&P risk was fully syndicated.					
Dabhol		3/31/09	Ltd. Recourse Loan	$55 MM	Risk Rating: 9. Citibank is Lead Arranger on a US Dollar denominated senior secured 10-year limited recourse Euro-loan credit facility and insurance against credit risk related to the construction of a power plant and LNG Facility.					

[1] Bond, Loan, Synthetic Lease, Total Return Swap, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
[2] List assets underlying transaction and any other structural risk mitigants
[3] Ratings based, assets valuation

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Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known Investors	Enron contact –name + phone number
ECLN I	Notes = $500 MM Equity = $50 MM	8/15/05	Bond	$0	Trust Investments; Citibank deposit $550 MM; rights under Credit Swap; Enron Deliverable Obligations; money in collection account	10% Equity takes first loss on defaulted Trust Investments; look to Citibank under Credit Swap until Enron Credit Event occurs	Enron Bankruptcy; Enron Failure to Pay (threshold $25 MM or equivalent);	Citibank as swap counterparty has 60 days to elect to physically settle the Credit Swap. Deliverable Obligations = Enron senior unsecured obligations (i.e. Prepaid III plus Enron Note III)	Note = 144A, Reg S Enron & structured paper investors; Certificates = ING Barings	Barry Schnapper 713-853-0944
▶ Prepaid III	$475 MM	7/14/05	Prepaid	$0	Hedge provided by ECLN I Credit Swap; Citibank delivers swap claim in exchange for the Trust Investments. Any marked-to-market amount greater than the CLN amount is covered by cash collateral.					
▶ Enron Note III	$25 MM	7/14/05	Promissory Note	$0	Hedge provided by ECLN I Credit Swap as above.					

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
[2] List assets underlying transaction and any other structural risk mitigants
[3] Ratings based, assets valuation

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CITI-SPSI 0045022

Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known Investors	Enron contact –name + phone number
ECLN II	Notes = $500 Equity = $50 Notes = €200 Equity = €22.5 Notes = £125 Equity = £14	5/15/06 5/24/06 5/24/06	Bond	$0	Trust Investments; Citibank deposit $550 MM, €222.5 MM, £139 MM; rights under Credit Swap; Enron Deliverable Obligations; money in collection account	10% Equity takes first loss on defaulted Trust Investments; look to Citibank under Credit Swap until Credit Event occurs	Enron Bankruptcy; Enron Failure to Pay (threshold $25 MM or equivalent)	Citibank as swap counterparty has 60 days to elect to physically settle the Credit Swap. Deliverable Obligations = Enron senior unsecured obligations (i.e. Prepaid IV plus Enron Note IV)	Note = 144A, Reg S Enron & structured paper investors Certificates = ING Barings	Dan Boyle 713-853-1532
▶ Prepaid IV	$475 MM €170 MM £109.5 MM	4/14/06 4/23/06 4/23/06	Prepaid		Hedge provided by ECLN II Credit Swap; Citibank delivers swap claim in exchange for the Trust Investments. Any marked-to-market amount greater than the CLN amount is covered by cash collateral.					
▶ Enron Note IV	$25 MM €30 MM £15.5 MM	4/23/06	Promissory Note		Hedge provided by ECLN II Credit Swap as above.					
Empresa de Generac		9/18/07		$6.75 MM	Risk Rating: 5+					

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
[2] List assets underlying transaction and any other structural risk mitigants
[3] Ratings based, assets valuation

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Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known Investors	Enron contact – name + phone number
Elektro	$75 MM	9/30/02		$365,000	Risk Rating: 6+ Non Recourse to Enron. Electricity distribution company for the Brazilian state of Sao Paulo. Variety of lines / facilities.					
JEDI II	$250 MM	6/28/02	Loan	$5 MM	Risk Rating: 4- $250 MM RC Facility available to Joint Energy Development Investment Limited Partnership (JEDI II), a 50/50 JV partnership between Enron and the California Public Employees Retirement System (CalPERS). The loan is overcollateralized by investments and additionally by unfunded equity commitments from Enron.					
JT Holdings	$90 MM	12/06/01	Liquidity Backstop Facility	$30 MM	Risk Rating: 4+ $90 MM 364-d Liquidity Backstop Facility For A Notes					

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
[2] List assets underlying transaction and any other structural risk mitigants
[3] Ratings based, assets valuation

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Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known Investors	Enron contact –name + phone number
Marlin	$475 MM €200 MM Equity: [ ]	7/15/03	Bond (Share Trust)	$0	Enron Mandatorily Convertible Preferred Stock (MCPS); Wessex Water assets; Overfund Amount for interest on Notes and yield on Certificates	Investors look to proceeds from remarketing of Enron MCPS and cash top up from Enron	Enron non-investment grade ratings by S&P or Moody's or Fitch and stock below $34.14; Event of Default under Indenture; Proceeds sufficient to redeem Notes not deposited at least 120 days prior to Maturity Date	Within Certain time periods, remarketing of Enron MCPS; Cash top up by Enron; sale of assets		Barry Schnapper 713-853-0944
Nahanni	Up to $500MM; current debt outstanding: $0	12/04	Minority Interest (Revolving)	Currently $0	Treasury Bills	Investors lose their entire investment	Enron non-investment grade ratings Enron cross-acceleration / bankruptcy	Acceleration / Liquidation	TCW AMBAC	Trevor Randolph 713-345-7751

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
[2] List assets underlying transaction and any other structural risk mitigants
[3] Ratings based, assets valuation

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Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known Investors	Enron contact – name + phone number
Osprey	$2.4 BN Certs: [ ]	1/15/03	Bond (Share Trust)	$0	Enron MCPS; Whitewing assets ($2.088 BN) consisting of: Merchant (i.e. equity) $675 MM, American Coal Note $81 MM, Eli Lily (Note) $50 MM, Yosemite Certs I & II $50 MM, Arcos Turbines (Spain) $172 MM, Saralux* (Italy) $350 MM, Trakya* (Turkey) $100 MM, Poland* $21 MM, Elektro (Brazil) $462 MM, Promigas (Colombia) $127 MM *equity investment in power project	Investors look to proceeds from remarketing of Enron MCPS / Enron shares and cash top up from Enron	Enron non-investment grade ratings by S&P or Moody's or Fitch and share price below $59.78; Event of Default under Indenture; Proceeds sufficient to redeem Notes not deposited at least 120 days prior to Maturity Date	Within certain time periods, remarketing of Enron MCPS or other Enron shares; Cash top up by Enron; sale of assets		Barry Schnapper 713-853-0944
Prepaid	$200 MM	2002	Chase Prepaid							
Prepaid	$200 MM	2002	CSFB Prepaid							
Rapter	[ ]									

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
[2] List assets underlying transaction and any other structural risk mitigants
[3] Ratings based, assets valuation

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Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known Investors	Enron contact – name + phone number
Rawhide	$690.7MM	3/03	Minority Interest	$49.3MM	Oil & gas infrastructure investments; Enron demand loans	Call on Enron demand loans	Enron cross-acceleration / bankruptcy	Acceleration / Liquidation	TCW LJM2	Trevor Randolph 713-345-7751
Stadacona	$375 MM	6/23/06	Structured Loan		Papermill Deal – with credit support by Enron of a total return swap that allows lenders to look to Enron for full interest and principal payments after an event of default					Doug McDowell 713-853-7710
Sundance –Garden State –Stadacona (see above for financing)	$936 MM	6/04; 6/01	JV Partnership Structure	Super Senior Equity Tranche; –Currently $28.5 MM funded –Committed but unfunded additional $160 MM	Garden State, SATCO, Stadacona, Fishtail (pulp & paper operating facilities and trading book) -Structural ability to liquidate within approx. 30 days	Partnership required to have cash equal to our equity investment. Hold Sr. position on dissolution.	Trigger dissolution and payout anytime at SHBC discretion.	Partnership dissolves and liquidates. Citigroup holds Sr. position in proceeds.	ENA, EIM, Enron, SBHC	Bill Brown 713-853-6398

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
[2] List assets underlying transaction and any other structural risk mitigants
[3] Ratings based, assets valuation

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Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known investors	Enron contact --name + phone number
TurboPark **A Notes** **B Notes**	 $600 MM $250 MM	3/31/08	[Synthetic Lease]	 $68.9 MM $6.2 MM	Risk Rating: 4+ (A Notes) & 4 (B Notes) Facility is used for the purchase of 91.75% A Notes (Enron guarantee) and 8.25% B Notes (look to collateral). Funds will not be distributed from this facility after 3/31/04; however this facility has an outside Maturity Date of 3/31/08. Purpose is to finance the construction and development of gas fired electric generating assets including fixed and soft costs related to future projects not yet determined.					

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
[2] List assets underlying transaction and any other structural risk mitigants
[3] Ratings based, assets valuation

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Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known investors	Enron contact --name + phone number
Yosemite I	Notes = $750 MM Equity = $75 MM	11/15/04	Bond	$0	Risk Rating: 4+ Trust Investments (Enron Prepaid I & Enron Note I); Rights under Credit Swap	Look to Citibank under Credit Swap until Enron Credit Event; After Enron Credit Event proceeds from settlement of Credit Swap	Enron Bankruptcy; Enron Failure to Pay (threshold $25 MM or equivalent)	Citibank has option to settle swap; cash or physical settlement at any time after bankruptcy; may settle with investors post court decision.	Note = 144A; Reg S Enron structured paper investors Certificates = 50% Fleet, 50% Osprey	Barry Schwapper 713-853-0944; Doug McDowell 713-853-7710
▶ Prepaid I	$800 MM	10/26/04	Prepaid		Hedge provided by Yosemite I Credit Swap; Citibank delivers swap claim in exchange for the Trust Investments.					
▶ Enron Note I	$25 MM	10/26/04	Promissory Note		Hedge provided by Yosemite I Credit Swap as above.					

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
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Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known Investors	Enron contact – name + phone number
Yosemite II	Notes = £200 MM Equity = £22.5 MM	2/23/07	Bond	$0	Risk Rating: 4+ Trust Investments (Enron Prepaid II & Enron Note II); Rights under Credit Swap	Look to Citibank under Credit Swap until Enron Credit Event; After Enron Credit Event proceeds from settlement of Credit Swap	Enron Bankruptcy; Enron Failure to Pay (threshold £15 MM or equivalent)	Citibank has option to settle swap; cash or physical settlement at any time after bankruptcy; may settle with investors post court decision.	Note = 144A; Reg S Enron structured paper investors Certificates = 50% Fleet, 50% Osprey	Barry Schnapper 713-853-0944; Doug McDowell 713-853-7710
▶ **Prepaid II**	£206.75 MM	1/22/07	Prepaid		Hedge provided by Yosemite II Credit Swap; Citibank delivers swap claim in exchange for the Trust Investments.					
▶ **Enron Note II**	£15.5 MM	1/22/07	Promissory Note		Hedge provided by Yosemite II Credit Swap as above.					

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
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Enron Direct and Indirect Liability Schedule

Name	Size	Maturity Date; First Date funds must be available	Type[1]	Citigroup Exposure	Security[2]	What happens if the assets are worthless	Early Repayment Triggers[3]	Events upon Enron bankruptcy	Known Investors	Enron contact --name + phone number
364-day RC	$1.75 BN	5/13/02	RC	$66 MM						
5 Year RC	$1.25 BN	5/18/05	RC	$33 MM						
Citibank Credit Default Position			Credit Derivatives	$30 MM						
Commodity Derivative Transactions			Derivatives	$30 MM plus $120 MM PSE	Monthly Margining above $30 MM; most recent mark approx. $52 MM; current margin posted approx. $22 MM; PSE (i.e. potential move in a month) of approx. $120 MM					
Enron Funding	$335 MM	3/27/02		$42 MM						
Equity Derivative				$1.9 BN						
L/C Facility	$500 MM	5/14/03	LC	$19 MM						
Other			Other	$71 MM						

[1] Bond, Loan, Synthetic Lease, TRS, Prepaid, Contingent Capital Commitment, Share Trust, First Loss Piece, other
[2] List assets underlying transaction and any other structural risk mitigants
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Summary of Enron's Capital Market Exposure with Citigroup:

Current MTM: (as of COB 10/26)		Collateral	Net Exposure
Derivatives	$55.68MM	$28.6MM	$27.08MM
FX	$1.4MM	-----	$1.4MM
Pre-paid	$250MM	-----	$250MM
Futures	$2.76MM	-----	$2.76MM
Phibro	$87.7MM	$73MM	$14.7MM
			$295.94MM

Detail:

Commodity Derivatives

The Citi Commodity Derivatives' overall MTM w/ Enron was $55.86MM(Enron Owes Citibank) as of 10/26. These trades are documented under an ISDA with Enron North America. The current threshold is $30MM; collateral on hand is $28.6MM. The call frequency is daily. As per our agreement, the client has 24 hours to post margin. The threshold declines to $5MM, should Enron Corp. be downgraded to BBB-/Baa3 and declines to $0 should Enron Corp fall below BBB-/Baa3. PSE on trades is $153.2MM. Details on the gas and oil trades are below.

- Natural Gas book

  Average life: 3 years
  Maximum tenor: 7 years (DEC 2008)
  Risk: Exposure to Enron increases as natural gas prices rise. 85% of deals price off NYMEX contract; location basis risk is not significant. MTM increases $1.6MM for every +1% rise in natural gas price.
  Stress: MTM increases by $100MM should 3-year forward prices average $6 (as in winter 2000/01).

  Oil book

  Average life: 3-4 years
  Maximum tenor: 5 years (DEC 2006)
  Risk profile: Exposure to Enron increases as refining margins narrow. There is no material exposure to outright (directional) prices. MTM increases $0.3MM per 10c narrowing in gasoline crack spreads. Spread exposures to jet fuel & heating oil cracks spreads are not significant.
  Stress: MTM increases by $50MM should forward gasoline crack spreads narrow from average $1.25/barrel to $1.50/barrel.

Foreign Exchange

There are also FX transactions with Enron Corporation, the current MTM is $1.4 MM (Enron owes Citibank), PSE of 4.4 MM. These are primarily CAD, Euro, Mex, JPY with a small amount of Latam currencies. The trades are short term with tenors of one to six months. Latest maturity is Jan 2, 2002. There is no collateral agreement.

Pre-paid Forward

We have a prepaid forward where Enron must pay us back $250MM in December. Using a triangular structure involving shell corporation/SPV called the Delta Energy Corporation, we loaned Enron 250MM in June 2001. They must pay the loan back with interest in December of this year. This is economically a loan, but it was set up via pre paid commodity forwards. This form of financing is advantageous to Enron in that it allows the borrowing to be reported as "price risk management" liability rather than debt. In addition, because of the way Enron classifies trading assets/liabilities on the balance sheet, the amount of the borrowing actually is recorded as cash from operations.

Futures

Futures initial margin requirements are $5.4MM; variation margin is $1.8MM. We provide a futures financing line for both initial and variation and we are

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currently financing the entire initial and variation margin requirement of $6.4MM. The client is net long 597 NYMEX unleaded gas contracts, net short 1,998 NYMEX Crude Oil and net short 325 contracts of NYMEX Heating Oil. Net liquidating value on the account is $2.76MM(Enron owes SSB).

Phibro
Phibro has a current MTM of $87MM (Enron owes Phibro), of which $73MM is collateralized. There are three entities trading with Phibro: Enron North America which has a $10MM threshold for Commodity Swaps and Options and a $2MM threshold for Emission Credits contracts. The threshold in the Phibro agreements drops to zero of Enron is rated below investment grade by both rating agencies. Enron Capital International has $2MM of the above stated MTM expocure, with no collateral agreement. The third entity is Enron Reserve. all trades are closed. and the loss of $700M to Enron is locked in. The receivable is due at the end of November.

CLNs
We have done 4 Credit Linked Note deals (totaling approximately $2.3 Billion) that essentially have allowed Enron to borrow funds in the public market and enter into prepaids. The investors have effectively "loaned" Enron the money, not Citibank. Citibank assumes basis risk. The basis risk being the difference between the recovery rate of a derivatives claim (which can be delivered to investors on the occurrence of an Enron Credit Event) and the recovery rate of a senior secured debt obligation. These deals were approved with zero PSE. (These deals are sometimes referred to as Credit Linked Notes or the Yosemite structure).

Prepared By: Elena Matrullo
Murray Barnes
October 29, 2001

FINAL

Project 10

Due Diligence Findings

November 7, 2001

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Permanent Subcommittee on Investigations
EXHIBIT #192g

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- II. Financial Market Reaction
- III. Credit Approval Memo

Executive Summary

Executive Summary

Purpose

- To complete due diligence in conjunction with Citigroup's commitment to provide $600 MM of financing to Enron.

The Financing

- $1.0 B ($600 MM - Citi; $400 MM - Chase), 364-day Facility to a bankruptcy remote operating company owned 100% by Enron, secured by the stock and assets of Northern Natural Gas and Transwestern Pipeline Company.
- Proceeds will be used to provide liquidity to Enron and refinance our existing $250 MM Prepay exposure.

Enron's Financial Status

- Enron is suffering from a severe liquidity crisis, and lack of investor confidence. Through 12/31/02, we estimate that Enron has no/limited short term sources of liquidity, and no/limited access to the capital markets. With a further loss of trading counterparty confidence, Enron could have an immediate and incremental $1 B need.
- Adding back off balance sheet debt (excluding non-recourse debt), Enron's debt/Capital is 69% and Debt/EBITDA of 8.8x pro-forma. Rating agencies have downgraded Enron to BBB/Baa2 both with negative outlook. Fitch downgraded Enron to BBB- with a negative outlook. Enron's bonds are trading at 70-75 and its stock closed on 11/5 at $11.17/share, down from a peak of $90.00 on August 17, 2000.

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Executive Summary

Enron's Trading Operations

- Highly profitable, market dominant gas & power trader
- Risk levels moderately high but recently reduced 50%
- Significant liquidity needs going forward
- Reserve policy highly discretionary; prudency reserve currently $1.2 B; used to dampen earnings volatility

Strategic Alternatives

- Enron has held discussions with potential private equity investors regarding the feasibility of a substantial capital injection
- Enron has also been in discussions with Rockne regarding a potential merger-of-equals, which would include an upfront investment of $1.5 B in preferred stock in Enron's pipeline subsidiary. The upfront investment would be funded by Rockne's 26% shareholder, Heisman
- Other strategic investors have expressed interest in talking to Enron
- Enron's board has met frequently over the last 2 weeks and has reviewed the status of discussions with third parties. A decision regarding a merger with Rockne may be taken as early as November 7th

Executive Summary

SEC investigation

- The SEC has initiated a formal investigation into the dealings of Enron, its former CFO, and an investment partnership, LJM, run by the former CFO, focusing on related party issues.
- The investigation could well lead to broader scrutiny of Enron's accounting practice particularly as it relates to Enron's treatment for off balance sheet debt and revenue recognition.
- The scope and magnitude cannot be accurately determined at this time. A special committee of the Board has been formed and with outside legal and accounting advice, is investigating the matter. Enron's written response is expected within the week.

Citigroup Franchise Issues

- Citigroup has originated Enron structured transactions that provided off balance sheet and/or non debt categorized financings
  - Six structured financings (CLN) with associated Prepays underwritten/placed into public markets - $2.4 B
  - Two Minority Interest Financings funded in the Citibank CP conduit market - $1.24 B
  - One equity investment of $28 MM with an additional contingent equity obligation of $160 MM
  - One synthetic lease transaction funded in the Citibank CP conduit - $740 MM
  - One Financial "Gas" Prepay - $250 MM
  - One Contract Monetization funded in the Citibank CP conduit - $150 MM
- Citigroup securitization vehicles have funded $744MM of transactions with backstops provided by the banks
- Travelers/Citibank have invested $15 MM in LJM
- LJM is an equity investor in one of our Minority Interest Financings (Rawhide)

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Executive Summary

Citigroup Exposure

$ 322 MM	Direct Enron Risk
$ 314 MM	Structured Enron Risk - Unsecured (includes Prepay)
$ 211 MM	Structured Enron Risk with Asset Support
$ 62 MM	Non Recourse to Enron
$ 28 MM	Equity Investment in Enron Affiliate
$ 302 MM	Travelers Surety Bonds
($ 65 MM)	Credit Derivatives (expires 12/31/01)
$1,174 MM	Subtotal
$ 600 MM	of New Exposure
($ 250 MM)	Reduction of Prepay exposure
$1,524 MM	Total

Structure of the Financing

- Borrower is bankruptcy remote, unable to voluntarily file for bankruptcy without consent of all shareholders.
- Secured by the stock and assets of Transwestern and Northern Natural Gas.
- We believe 75% of the value of the asset collateral can be fully perfected at time of funding (and within 10 days thereafter). 100% of the stock will be fully perfected at closing.

Value of Loan Collateral

- Transwestern and Northern Natural are stable, consistent FERC regulated gas pipelines generating combined EBITDA of $385 MM with a combined firm value of $3.2 - $3.5 B giving us a loan/value of 40%.

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Executive Summary

Recommendation/Rationale

- We confirm completion of our due diligence and recommend both removing the due diligence contingency from the commitment letter and proceeding to financial close pending satisfactory review of Enron's response to the SEC investigation which is expected later this week;
- We have a bankruptcy-remote structure with perfected collateral that provides significant collateral coverage; and
- We provide the company with additional liquidity to execute its strategic alternatives.

Executive Summary

Next Steps

- Financing
  - Obtain SEC filing response
  - Consider timing of putting the $744 MM of CP conduit outstandings to backstop banks
  - Full legal review of existing transactions
  - Determine new clearing limits
- Strategic
  - Boards of the two merging companies expected to approve this transaction as early as Wednesday, November 7 or Thursday, November 8.
  - Citigroup will deliver its fairness opinion with regard to the merger on November 7.
  - Upon filing of HSR (expected as early as November 7 - 8), Enron will receive $1.5 billion in exchange for shares of Preferred Stock in Northern Natural (exchangeable into shares of Enron Common).
    - This should substantially enhance Enron's short-term liquidity.
  - The announcement of the merger should have a strong positive impact in re-establishing market's confidence in Enron.

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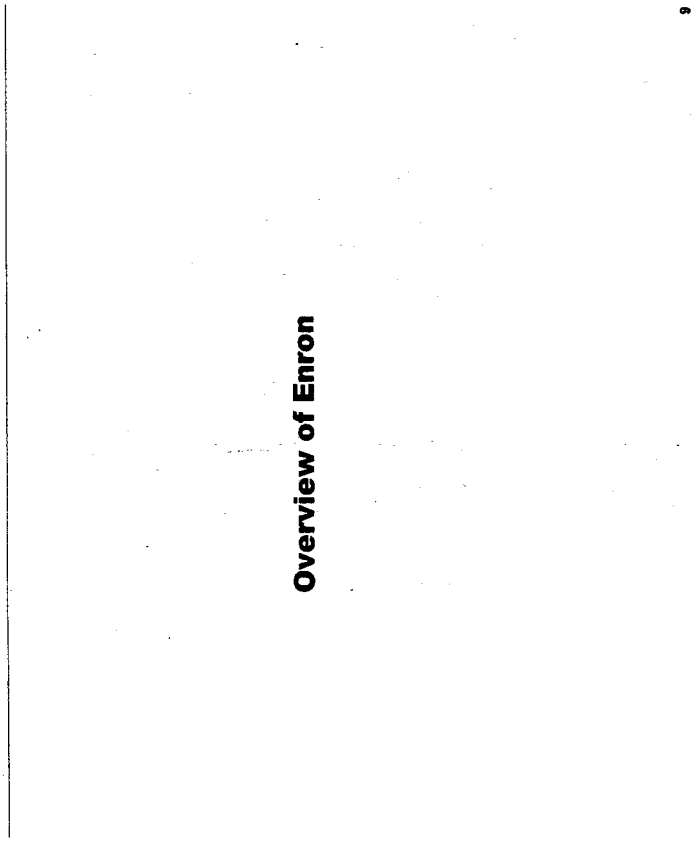
Overview of Enron

Overview of Enron's Business Segments

Segments	% of 2000 EBIT	% of EBIT
Marketing and Trading	95.1%	◆ Offers commodity sales and service, risk management products and financial services to wholesale customers ◆ Develops, acquires and operates power plants, natural gas pipelines and other energy-related assets ◆ Operates in developed markets such as North America and Europe, as well as newly deregulating or developing markets including Japan, Australia, South America and India
Transportation and Distribution	17.2	◆ Operates domestic interstate natural gas pipelines, including Northern Natural Gas, Transwestern Pipeline and Florida Gas Transmission (50% owned); also owns 70% interest in Northern Border Partners, L.P. ◆ Provides electric utility operations in the state of Oregon through Portland General Electric, serving approximately 725,000 customers ◆ Purchases, gathers, transports, trades, stores and resells crude oil and refined petroleum products through EOTT Energy Partners, L.P.
Retail Energy Services	5.9	◆ Provides energy outsourcing products and services to business customers
Broadband Services	(18.2)	◆ Provides bandwidth management, intermediation services and high quality content delivery services ◆ Owns or has contractual access to approximately 18,000 miles of a fiber optic network

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Historical and Projected EBIT by Segment

Wholesale Services has grown at a CAGR of 45.7% from 1998 to 2001 and continues to represent the majority of Enron's EBIT.

($ in millions)	1998	1999	2000	2001E	CAGR 1998-2001E
Transportation and Distribution	$ 637.0	$ 685.0	$ 732.0	$ 540.5	(5.3%)
% of Total	*40.3%*	*34.3%*	*29.5%*	*31.1%*	
Wholesale Services	968.0	1,317.0	2,260.0	2,996.4	45.7%
% of Total	*61.2%*	*66.0%*	*91.1%*	*172.2%*	
Retail Energy Services	(119.00)	(68.00)	165.0	187.2	NM
% of Total	*-7.5%*	*-3.4%*	*6.6%*	*10.8%*	
Broadband Services	-	-	(60.0)	(572.3)	NM
% of Total	*-*	*-*	*-2.4%*	*-32.9%*	
Corporate and Other	96.00	61.00	(615.0)	(1,411.4)	NM
% of Total	*6.1%*	*3.1%*	*-24.8%*	*-81.1%*	
Total	**$ 1,582.0**	**$ 1,995.0**	**$ 2,482.0**	**$ 1,740.4**	3.2%

Source: Enron. Estimate for 2001 is annualized performance of the first three quarters.

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Financial Assessment

Enron's Projected Asset Sales

4th Quarter 2001 and 2002

- Projected 4th quarter Asset Sales are reasonably certain

4Q Asset Sales:		Expected Closing	
CEG/CFGRIO - 11/13	$247	Nov '01	Sale of Brazil distribution company under contract with Petrobras
EGEP/India - 2001	333	2001	Sales agreement signed with British Gas. Reliant must waive right to remove operator or change of control.
Ecoelectrica - 11/20	248	Nov '01	Enron selling its interest to Mirant; Some outstanding issues
Axurix North America	135	2001	Bank consent is required, however,cash will be restricted to Azurix due to high yield covenants
Total (included in 4Q 01)	**$962**		

Asset Sales Enron Projected in 2002			
($MM)			
Portland General Electric	$1,500	2002	Enron's wholly owned electric subsidiary, in Oregon; Contract signed with Northwest Natural Gas
Enron Wind Corp	200		Manufacturer and developer of wind power, providing power plant design and engineering. Company has attempted to sell
SK Enron	220		Korean gas distribution company and LPG importer/marketer.
Gaspart	205		A wholly owned subsidiary of Enron, Gaspart owns interests in seven Brazilian LDCs
Merchant Portfolio	350		Includes various other assets
Other Int'l	325		Includes assets in Poland, Asia, Transredes, Calife and various other assets
Total	**$2,800**		

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Pro Forma Credit Ratio Analysis

Adding all of Enron's Off Balance Sheet Debt ($16 B), the company's debt/cap ratio is expected to rise to 69% at 12/31/01.

Potential equity write downs of $5 B could raise Enron's projected debt/cap to 79% by year-end.

	Pro Forma Balance Sheet 9/30/2001	Plus Off B/S Obligations 12/31/2001	Plus Non Recourse Debt 12/31/2001
Total Debt	$12,927	$29,036	$39,841
Total Book Equity (includes Preferred & Minority Interest)	12,789	12,789	12,789
Total Book Equity (with addt'l $5.0 B equity writedown)	7,789	7,789	7,789
Debt / Capitalization	50.3%	69.4%	75.7%
Debt / Capitalization (with addt'l $5.0 B equity writedown)	62.4%	78.8%	83.6%
Debt / EBITDA (x)	3.92x	8.80x	12.07x

Credit Ratios ($MM)	Estimated 2001	2000	1999	1998
EBITDA	$3,300	$3,337	$2,865	$2,409
FFO	(836)	1,230	407	1,585
Total Balance Sheet Debt	12,927	10,229	8,152	7,357
Total Equity After the $2.2 B writedown in 3Q01)	9,499	11,470	9,570	7,048
Total Adj. Equity (includes addt'l $5.0 B writedown)	4,499	4,499	4,499	4,499
Total Balance Sheet Debt/Capitalization (%)	50.3%	44.5%	43.3%	47.6%
Total Debt / EBITDA (x)	3.92x	3.07x	2.85x	3.05x
EBITDA / Interest (x)	3.95x	2.93x	3.18x	3.17x
EBITDA - Capex / Interest (x)	1.73x	1.14x	0.77x	0.92x

(1) Structured Debt includes Osprey ($2.6 B), Marlin ($915 MM) & Other Outstanding Structured Debt (approx. $1.0 B), such as VPPs, Contract Monetizations, and Synthetic Leases

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Financing Terms & Conditions*

* See Appendix for Full Credit Memo

Transwestern Financing

Borrowers:	Transwestern Pipeline Company ("TW")
Ratings:	BBB/Baa2 (Senior unsecured)
Amount:	$550.0 MM
Upsize Option*:	$650.0 MM
Citi Commitment:	$330.0 MM
New Money:	$192.5 MM
Assumption of Prepay:	$137.5 MM
Guarantor:	Enron Corp.
Term:	364 days
Collateral:	• Pledge of stock of TW • Lien on all assets (subject to agreed exceptions) • Pledge of unsecured intercompany note from Enron
Undrawn Pricing:	50 bps
Drawn Pricing:	LIBOR+250 bps or Base Rate+150 bps
Key Borrower Covenants:	• Minimum Tangible Net Worth of $750 MM (actual 9/30/01: $1,034 MM) • Prohibition of additional debt (subject to agreed exceptions) • Limitation on liens and asset sales • Prohibition on intercompany advances when (i) a default has occurred at either the Borrower or Guarantor, (ii) the sum of Borrower's cash and availability under the Facility is less than $10 MM, or (iii) when Guarantor is no longer investment grade.
Mandatory prepayment:	Required by an amount equal to net cash proceeds from asset sales, equity issuances or capital markets transactions (subject to agreed exceptions) at TW
Events of Default:	• Failure to pay principal or interest when due (5-day grace period) • Failure to comply with covenants (5-day grace period) • Cross default to Debt of Borrower greater than $10 MM • Event of Default under Enron's $1.75 B 364-day revolver or Enron's $1.25 B multi-year revolver • Bankruptcy or insolvency or Enron • Enron ceases to own 100% of Borrower • Failure to create a valid and perfected security interest in collateral (subject to agreed exceptions)

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Northern Natural Financing

Borrowers:	Northern Natural Gas Pipeline Company ("NNG")
Ratings:	BBB/Baa2 (Senior unsecured)
Amount:	$450.0 MM
Upsize Option*:	$550.0 MM
Citi Commitment:	$270.0 MM
New Money:	$157.5 MM
Assumption of Prepay:	$112.5 MM
Guarantor:	Enron Corp.
Term:	364 days
Collateral:	• Pledge of stock of NNG • Lien on all assets (subject to agreed exceptions) • Pledge of unsecured intercompany note from Enron
Undrawn Pricing:	50 bps
Drawn Pricing:	LIBOR+250 bps or Base Rate+150 bps
Key Borrower Covenants:	• Minimum Tangible Net Worth of $750 MM (actual 9/30/01: $1,087MM) • Prohibition of additional debt (subject to agreed exceptions) • Limitation on liens and asset sales • Prohibition on intercompany advances when (i) a default has occurred at either the Borrower or Guarantor, (ii) the sum of Borrower's cash and availability under the Facility is less than $30 MM, or (iii) when Guarantor is no longer investment grade.
Mandatory prepayment:	• Required by an amount equal to net cash proceeds from asset sales, equity issuances or capital markets transactions (subject to agreed exceptions) at NNG
Events of Default:	• Failure to pay principal or interest when due (5-day grace period) • Failure to comply with covenants (5-day grace period) • Cross default to Debt of Borrower greater than $10 MM • Event of Default under Enron's $1.75 B 364-day revolver or Enron's $1.25 B multi-year revolver • Bankruptcy or insolvency or Enron • Enron ceases to own 100% of Borrower • Failure to create a valid and perfected security interest in collateral (subject to agreed exceptions)

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Pipeline Valuation & Collateral

Pipeline Description and Financial Summary

PIPELINE DESCRIPTION	Transwestern	Northern Natural
In-Service date:	1959	1940s
Service area:	West Texas to California Border; bi-directional	Texas and Oklahoma to Minnesota, Michigan and Illinois
Capacity:	1.1 Tbtu/d (East -> West); .89 Tbtu/d (West -> East)	4.5 Tbtu/d (North section); 1.6 Tbtu/d (South section)
2000 throughput:	1,657 Tbtu/d	3.5 Tbtu/d
Utilization rate:	83%	78% (Seasonality)
FERC – Regulated tariffs:		
Last major rate case:	1994	1998
Next expected rate case:	2004	6/2003
% Capacity subscribed through 2003:	89% (West) 99% (East)	58% (North) 72% (South)
% Capacity subscribed through 2005:	80% (West) 90% (East)	50% (North) 60% (South)
% Revenues from capacity reservation charges:	90%; Paid whether or not gas is shipped	85% Paid whether or not gas is shipped
FINANCIAL SUMMARY		
2000 EBITDA:	$126MM	$265MM
2001 EBITDA (est.):	$148MM	$237MM ($No further sales of storage gas)
EBITDA Annual AAR growth rate, 2000-2005:	7.0%; Growth source is mainly capacity payments arising in connection with projects being completed	0%; little expansion capex and otherwise stable market
Latest senior unsec. rating:	BBB	BBB
Existing Debt (Maturity/amt.):		
2001	$11.5MM	$100MM
2005		$150MM
2007		$250MM
2010		$500MM
Total Existing Debt	$11.5MM	
Enterprise Valuation	$1.5 - $1.7B; based on DCF analysis; 10x EBITDA multiple	$2.2 – 2.6B; based on DCF analysis; 9x EBITDA multiple

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Proposed Transaction

	Transwestern	Northern Natural
New Debt	$650 MM	$550 MM
Existing Debt Retained	$0	$500 MM
EBITDA/Interest (2002):	3.0x	3.0x
EBITDA/Interest (2004):	3.3x	3.5x
Debt/EBITDA (2002):	4.7x	4.7x
Debt/EBITDA (2004):	4.4x	3.9x
Debt/Firm value:	43%	48%
12/31/01 Pro-Forma Book leverage:	49%	50%
Book leverage at last rate case:	42%	42%

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Credit Issues

	Transwestern	Northern Natural
Stable Predictable EBITDA	High Utilization rate, capacity charges account for 90% of revenue. Opportunities for contracted expansions coverage ratios sufficiently robust to permit a decline in firm shippers at next rate setting.	Capacity charges account for 85% of revenues. This is a very important mid-Western pipeline that enjoys a strong market position with many local gas distribution companies.
Pipeline Competition:	Many proposals to add capacity to California market but these may bring gas from other supply basins. San Juan basin and other suppliers will need to compete using wellhead prices. Closest competitor is 100% sold out.	Impact of new Alliance pipeline and Northern Border expansion have already been felt in northern and eastern portions of the service area. Very large number of gas delivery points an advantage.
FERC Regulation	Expansion capital expenditures are not usually undertaken unless the new capacity is deemed necessary. Necessity is typically demonstrated by shippers signing up for firm transportation service and committing to pay whether or not gas is actually shipped.	Same
Leverage	Pro-forma for this transaction, book leverage will be approximately 50%. Debt can also be amortized if needed. Too much leverage might persuade FERC to lower tariffs since the cost of debt is less than the target ROE.	Similar, except that the age of the pipeline and lack of expansion capital expenditures may attract more FERC scrutiny. Impact might be to impute higher leverage in next rate case, thus lowering the tariff slightly. Unlikely since debt pays down to 44% leverage by end 2004, close to leverage at last rate case.
Collateral	Security interest in accounts receivable and inventory, mortgage on pipeline and the stock. Cross Collateralized.	Same
Cash Management System	Cash is commingled at Enron with cash from other Enron businesses. This is important for Enron since these pipeline companies are an important source of cash. If a cash sweep becomes necessary, an appropriate mechanism could be put in place.	Same
Pending Litigation	Enron Transportation Services' general counsel has informed us that there is no pending or threatened material (greater than $300,000) environmental lawsuits or investigation. An Administrative Law Judge recently decided favorably on Transwestern's index-to-index trading. At risk is a $10.5 MM tariff payment. FERC will act as an appellate court.	Same
Pipeline Safety legislation:	Expects to conduct the proposed tests for about $36 MM during 2002-04 if legislation is enacted as expected; expect cost recovery through tariff.	Expects $237 MM capex over 10 years; legislation not yet enacted; expect recovery through rates, included in forecast

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Ways Out

	Transwestern	Northern Natural
Refinance:	Refinancing entire $650 MM in bond market would maintain financial ratios within FERC parameters.	A large portion of the new debt could be refinanced in the bond market while maintaining target FERC ratios.
Sell:	Enterprise value of $1.5 B is more than twice the $650 MM of debt.	$1.05 B of debt vs. enterprise value of $2.2 B.
Cash flow:		
Date repayment expected:	2013 if cash swept beginning 1/1/03; 2010 in management projections.	2014 if cash swept beginning 1/1/03; 2011 in management projections.

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Collateral Perfection

- Prior to Closing, we intend to file UCC-1's with the Secretary of the State of Delaware (where the pipeline companies are incorporated) as well as the Secretary of State of each state through which the pipelines pass.
  - Pursuant to the UCC, our security interest will be perfected in all shipper contracts, receivables, inventory, pipe, compressors and other equipment.
  - The net book value of pipes, compressors and receivables at NNG is $800 MM, $450 MM and $29 MM respectively at 9/30/01. These same values at TW are $282 MM, $495 MM and $16 MM respectively.
  - We plan to deliver the UCC-1's tomorrow (11/5) or Tuesday (11/6) and obtain the signed/stamped UCC-1 by the end of the week – November 9.
- We perfect on the value of the Borrowers stock by taking physical possession at Closing.
- With respect to the real property – gas storage facilities, easements, rights-of-way, and any parcels of land are more problematic.
  - Our thought is that the real property with the highest value that we can get to immediately (i.e. within 10 days of Closing) are the gas storage fields.
  - Enron thinks that the description of real property rights relating to at least a portion of these facilities is available now.
  - Ideally, these liens would be taken and perfected either before Closing or within the 10-day period following Closing.
  - In addition, we can be perfected as to all of the real property in some states, such as Texas, either before Closing or within the 10-day period following Closing.

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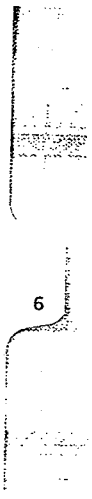
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Citigroup Exposure

Existing Citigroup Exposure

Name	Type	Citibank Commit		Risk Rating	Maturity Date
Direct Corporate Risk					
Commodity Trading	PSR Exposure	$182.000	(1)	4-	up to 3 years
Cash Management	OD Lines	15.606		4-	
Foreign Exchange	FX PSR	7.182		4-	07/31/01
Letter of Credit Facility	Enron Corp	16.837		4-	05/14/03
5-year R/C	Enron Corp	33.333		4-	05/16/05
364-day R/C	Enron Corp	65.930		4-	05/13/02
	Total Direct Corporate	$322.888		4-	05/13/02
Structured Corporate Risk-Corporate					
Gas Prepay	Structured	$254.000		4-	12/31/01
Yosemite 1	Structured	37.500		4-	11/18/04
Yosemite 2	Structured	16.137		4-	01/31/07
Coal Monetization	Structured	6.159		4-	12/21/01
	Total Structured Unsecured	$313.796			
Structured Corporate Risk-Asset Supported					
Nahanni	Structured	$24.250		2	07/30/01
Enron Funding	Structured	42.000		2-	03/27/02
TurboPark B-Notes	Structured	6.188		5+	03/31/08
TurboPark A-Notes	Structured	68.813		4-	03/31/08
JT Holdings	Structured	20.000		4-	12/06/01
Rawhide	Structured	50.000		4-	03/29/02
	Total Structured Secured	$211.251		2 to 4-	07/30/01
Non Recourse					
Dabhol	Non-Recourse	$7.143		9	03/31/08
Dabhol	Non-Recourse	47.674		9	03/31/09
Empresa de Generac	Non-Recourse	6.750		5+	09/18/07
Elektro	Non-Recourse	0.365		6+	07/31/01
	Total Non-Recourse Deals	$61.932		4- to 9	07/31/01
Less:	Credit Derivative	(65.000)			12/31/01
Total Citibank Committed Exposure		844.867			
Traveler's		$302.000			
Equity Investments					
Sundance (2)		$28.000			up to 4 years
Total Existing Citigroup Exposure		$1,174.867			
Clearing Limit	DOL	1,344.465		4-	
Cash Lines	OD Lines	15.600		4-	
Settlement Limit		385.300		4-	

(1) $53 MM Mark-to-Market; $129 MM MLIV (2) Up to $160 MM Unfunded Contingent Obligations

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Citigroup Exposure

Gas Prepay

Size: $250 MM, plus $4 MM PSR

Discussion: A six-month gas prepay transaction terminating December 2001 that created a price risk management liability on Enron's balance sheet. A three-party OTC gas transaction documented under ISDA's backed by an Enron Corp. guarantee. The fixed leg was prepaid to Enron via the third party, and repayment to Citi is both directly from Enron via the fixed leg and indirectly from Enron through the third party via the floating leg.

Yosemite 1 & 2

Size: $38 MM (Yosemite 1)
$16 MM (Yosemite 2)

Discussion: Represents the equity in two CLN–funded commodity prepay transactions. Y1 is a US$800 MM CLN terminating November 2004, and Y2 is a £200MM CLN terminating January 2007. Both transactions appear on Enron's balance sheet as price risk management liabilities. Enron uses prepays to monetize the mark-to-market value in its trading book. Citi's exposure represents a PSR line for a total return swap with a balance sheet provider who purchased equity certificates issued by the trust in each transaction (i.e., Citi synthetically purchased the equity interest, and the balance sheet provider is exposed to SSB risk only). Structural elements equate equity certificate exposure with Enron Corp. senior unsecured credit risk. Citi's exposure is 50% of the trust's equity.

Coal Monetization

Size: $6 MM

Discussion: Represents our hold in a $123MM remaining balance of an original $150MM monetization of the minimum required payments under a royalty stream related to a coal lease assignment between Reliant Energy HL&P, a division of Reliant Energy, and Destec Properties Limited Partnership ("DPLP"), a subsidiary of Enron. The transaction is funded via Citibank CP conduit; the liquidity backstop rolls every 364-days, and the financing terminates in 2012. Citi can elect to put the funding to the banks whenever it chooses. Enron covers the cost of carry (interest, fees etc.) in the monetization through an exchange payment mechanism. From a risk perspective, the facility is comprised of the HL&P risk, which is approximately $90 MM, and the Enron risk of approximately $33 MM. GRB – Global Power carries an $18 MM exposure representing the HL&P portion held by Citibank in this transaction.

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Citigroup Exposure

Nahanni

Size: $24 MM

Discussion: Presently unused, represents the GRB OSUC attributable to a $485 MM minority interest financing that also permits re-characterization of cash flow to reduce volatility of operating cash flow (at the expense of increasing volatility in cash flow from financing activities). Terminates December 2004. Structurally, Citibank is in the same position as a lender to Enron, however our position is much improved because we are secured by treasury securities (or cash proceeds therefrom). The structural elements (bankruptcy remote, third-party custodian, etc.) insulate Citibank as a liquidity provider from the bankruptcy of Enron. Events of default/termination include 1) $100 MM cross-acceleration, 2) Enron bankruptcy, 3) Enron ratings of BBB- and Baa3, and 4) $100 MM judgement. Enron is presently considering canceling this facility.

Enron Funding

Size: $42 MM

Discussion: Backstops an insurance wrapped $500 MM A1/P1 CP conduit that was put in place in order to diversify Enron's funding sources by transferring the credit risk of the surety provider. It is renewed annually with the next renewal date in March 2002. If the facility is drawn and Enron cannot repay, our repayment source is the insurance provider (minimal rating of AA-). The present insurer is Winterthur International Insurance Co., Ltd (AA-/Aa3). Winterthur can assign with consent of lenders to another AA- surety. Enron guarantees the obligations of EFC, and the guarantee contains standard Enron financial covenants (max debt/cap of 65%). Although a breach of the guaranty does not allow us to demand payment, it does prohibit the issuance of CP (effectively limiting the banks' commitment to the outstanding CP). Any outstanding CP must be refinanced by the facility. Any payment default by EFC or Enron (under its guarantee) is reimbursed by the insurance company within 7 business days after demand. In the event of Enron bankruptcy, we are required to refinance outstanding CP; however, Enron is required to rep and warrant that the insurance policy is still available to fully repay the revolver outstandings. The surety can terminate their obligation if (a) Enron Corp is downgraded below BBB-/Baa3 by any two of four rating agencies (S&P, Moody's, Duff & Phelps, Fitch) or (b) at any rollover date (364-day period). If the credit wrap is terminated or not renewed, then any outstanding CP would be covered for a 90-day period and EFC would be prohibited from issuing any additional CP. Tenor of CP is limited to 90 days.

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Citigroup Exposure

Turbo Park

Size: $69 MM (A-Notes)
$ 6 MM (B-Notes)

Discussion: Represents our portion of a $600 MM off-sheet financing of all costs incurred in the acquisition, ownership, development, construction, operation and maintenance of gas-fired power projects in the US. Commonly known as a turbine warehouse facility, the structure preserves synthetic lease accounting treatment for power plants throughout their life in the structure. Final maturity of March 2008, although likely to terminate March 2004. Only $2.5 MM and $0.2 MM are presently drawn under the A-Notes and B-Notes, respectively. Usage is low because Enron's strategy since closing has changed such that they now typically develop power peaker projects to the point that they are ready to be built, and then sell them. The facility is available to be drawn only for the purposes noted above; it is not available for general corporate purposes. Enron guarantees the obligations of its subsidiaries. In the event of guarantor default (covenants and defaults consistent with corporate revolvers), recourse under both tranches is to both Enron and the underlying collateral. In the event of collateral liquidation (e.g., Enron is unable to repay the loans), the A-Notes are paid prior to the B-Notes. While it is very difficult to estimate the value of the collateral, which presently consists of plants in development, 25% to 50% of the value is presently estimated to be hard assets.

JT Holdings

Size: $20 MM

Discussion: Represents our portion of $59.2 MM of A-Notes under a $74 MM synthetic lease of a methanol plant located in Pasadena, Texas. The methanol plant is the remaining asset in this original $740 MM facility (the others have been sold). The A-Notes are recourse to Enron, but can share pari passu with the B-Notes in a collateral liquidation if Enron's debt rating is higher than BB- and Ba3. If Enron's rating is BB- or Ba3 or lower, then the A-Notes will not share in the collateral proceeds. The final maturity is December 2005. Triggers include lease payment default, insolvency of Enron, and events of default consistent with Enron's core five-year revolver. The A-Notes are presently funded by a Citibank CP conduit. Citi can elect to put the funding to the banks whenever it chooses. Although we don't have recent value estimates, the methanol market is presently well over-supplied, with accompanying depressed prices. We estimate the value to be 25% to 50% of the loan amount.

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Citigroup Exposure

Rawhide
Size: $49 MM
Discussion: Our portion of a $690 MM minority interest financing, terminating March 2003. The assets are a portfolio of equity and debt investments in energy and power projects located in OECD and non-OECD countries. Although fully recourse to Enron via demand loans, the facility is also supported by the assets in the pool, with an estimated value by Enron of $968 MM, or loan/value coverage of 1.4x excluding the Enron demand loans. We note that we do not have a third party assessment of the asset value. Appendix A outlines the largest holdings within Rawhide. Upon either 1) a downgrade by S&P or Moody's to a level of BBB- or Ba1, respectively, or 2) Enron's inability to meet drawing conditions precedent under its primary corporate revolver, there is a required mandatory repayment of the demand loans into a debt service reserve account. There is also a cross payment default of $50 MM and a cross default upon Enron bankruptcy. We note that this facility is presently funded by CP sold by a Citibank conduit. Citi can elect to put the funding to the banks whenever it chooses. This action may be advisable in the event of imminent bankruptcy. LJMII is an equity holder in Rawhide.

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Citigroup Exposure

Rawhide Asset Valuation – Top Five Assets

JEDI I	Enron owns 50% of this partnership with third party investors making investments in energy companies in the US and Canada. Enron estimates the FMV to be $153 MM. JEDI I returned cash flow to Enron of $171 MM and $154 MM in 2001 and 2000, respectively.
CIESA	CIESA is 49% owned by Enron; CIESA owns 70% of Transportadora de Gas del Sur S.A. ("TGS"), a publicly traded gas transmission company in Argentina. TGS is the largest gas transportation company in Argentina, and connects the southern production basins to the city of Buenos Aires. It operates a 4,104-mile pipeline system that has a capacity of approximately 1.9 Bcf per day and primarily serves four distribution companies in the greater Buenos Aires area under long-term, firm transportation contracts. Enron presently estimates its interest in CIESA to be worth $170.6 MM. CIESA provided cash flow to Enron of $30.8 MM over the last four quarters, in the form of dividends and a management fee.
CEG	An interest in the municipal gas LDC for the municipality of Rio de Janeiro. CEG serves more than 590,000 residential and 9,000 industrial and commercial customers with a 2,200 kilometer pipeline network in Rio de Janeiro. Enron presently estimates the FMV to be $196 MM. CEG is not presently upstreaming cash flow to Enron.
Gaspart	Through Gaspart, Enron has a 41.5% interest in the gas LDCs of seven Brazilian coastal states. Enron estimates the FMV to be $149 MM. Gaspart is not presently upstreaming cash flow to Enron.
NBP	An Enron subsidiary holds an 11.8% interest in Northern Border Partners L.P., a publicly traded partnership (NYSE: NBP). NBP owns a 70% general partner interest in Northern Border Pipeline Company, which owns and manages a 1,214-mile regulated natural gas pipeline system that extends from the Canadian border in Montana to Illinois. The pipeline has a peak capacity of 2.4 Bcf/d and is fully contracted under long term agreements with an avg. term of six years. Enron estimates its interest to be worth $91 MM. Northern Border returned $7.6 MM of dividends to Enron over the last four quarters.

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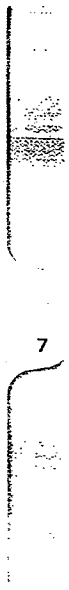

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Trading Operations

Trading Operations Assessment

Project Scope

- Project focused on North America Gas and Power business (>90% revenues and risk), although many other product lines exist including coal, oil, metals, pulp and paper, weather, broadband and credit trading.

Summary

- Management is unseasoned and dominated by a trading culture
- Revenues have been very strong due to strong trading revenues in markets with unparalleled volatility
- Relative to strong revenue results, Market Risk levels would be viewed as "moderately high" for much of the year as measured by VAR.
- Even after collateral posted, receivables (MTM exposure) total $14 B, with $5 B in non-investment grade credits
- No defined methodology exists for calculating and booking non-credit reserves, and this has led to large swings in reserves, which can lessen the transparency of earnings.

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Trading Operations Assessment

Management and Personnel

- Management: For a large company that is central to the energy trading markets, Corporate and Financial Management is unseasoned and dominated by a trading culture:
  - High Volatility of Daily Revenues
  - "Disconnected" Trading Vs. Corporate Capabilities
    - Excellent technology for monitoring market risk yet…
    - Poor liquidity management
    - Capital not specifically allocated to businesses
    - Funding costs not pushed down to businesses
    - Easily manipulated reserves
- Personnel: Although they have a loyal, motivated, successful team, there is significant risk of instability post-January, when bonuses are paid.
  - Two weeks ago the top 25 traders were guaranteed minimum bonuses, in cash, of 50% of year 2000 bonuses.
  - The top 75 traders were put under 2-year contracts (with non-compete clauses) earlier this year. This would not be a stabilizing factor as 50% of the guarantee is in stock and markedly higher-strike options.

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Trading Operations Assessment

Revenues: Enron's revenues in 2001 have been very strong due to:

- Strong trading revenues in markets with unparalleled volatility. They believe that superior information, given their pervasive market presence, leads to large position taking advantages. Trading opportunities will likely be much less prevalent in more stable markets.
  - Enron-on-line (EOL) allows Enron to capture a dominant market share and "move the market." It is unique, with no competitor in sight and provides the market with huge liquidity and transparency. Enron is essentially the energy market's OTC "exchange and clearinghouse."
  - Highly profitable, chunky, structuring transactions with clients leveraging Enron's modeling expertise and appetite for risk.

2001 YTD 3Q	Gross Margins (1)	% of Total
Structuring	$1.4 B (2)	33%
Market Making (incl. EOL)	$0.6 B (3)	15%
Proprietary	$2.2 B	52%
Total	**$4.2 B**	**100%**

(1) Gross margins are NOT net of interest charges.
(2) $600 MM was related to a single set of transactions involving the sale of power plants.
(3) The split between market making and proprietary is estimated based on RAC data.

- The Gas and Power departments represent virtually all of the revenues. The overall strategy of developing liquid markets as newly deregulating markets emerge (such as broadband) has not paid off. They are now refocusing on core franchises.

- Both the market making and structuring revenues could be severely impacted by further downgrades. They could not survive as an ongoing concern below investment grade due to their "exchange" status. As for recent developments, trading volumes have remained strong, however some counterparties have cut off trading and others have continued trading (temporarily) only because Enron has paid out cash to reduce credit exposure.

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Trading Operations Assessment

Market Risk

- Relative to strong revenue results in 2001, risk levels would be viewed as "moderately high" for much of the year as measured by VAR.

- Enron views their risk-taking as a core franchise based on their market share and integration of trading books across different energy markets. An appetite for risk combined with energy markets that have been highly volatile (natural gas prices exploded from $2 to $10 late last year; California natural gas prices widened to nearly $50 above other regions) continues to result in very volatile daily P/L swings.
  - The VAR 95% has been cut 50% (from $100 MM to $50 MM) over the past two weeks in response to their funding crisis. (Meaning: 1 out of every 20 days will result in a $50 MM or more loss). Since October 15, losses from position marks due mainly to outright market exposures total $315 MM, with 5 days having losses of $50 MM or more. During the past week, however, losses have been contained as risks have been reduced with minimal market impact.
  - The Board cut the VAR limit from $150 MM to $85 MM.

- However:
  - VAR is understated (options vega risk is not captured; commodity markets are characterized by stability for long periods followed by instability making VAR a suspect measure; and the risk in longer dated trades may be understated).
  - Risk appetite will likely return to pre-crisis levels if the funding situation stabilizes. They believe that it is appropriate to manage at risk levels that are twice the year 2000 VAR given the higher liquidity of the markets (provided by themselves).
  - Although half of the risk is in outright positions, which can be liquidated in a few days, some basis risks are long dated (out to 30 years) and could **not** be liquidated. In the Gas business positions beyond 2004 represent about 15% of the risk. Long dated exposures are higher in the Power business due to one, large, "price unverified" position.
  - Historical simulations and stress scenarios indicate about a $600 MM stress loss potential at today's level of risk.

- Historical swings in revenues due to volatile market movements have been as high as $2 billion (over a one-month period during the California energy crisis late last year). A minimum capital requirement to support the trading business would be a multiple of this number.

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Trading Operations Assessment

Credit Risk

- Even after collateral posted, receivables (MTM exposure) total $14 B, with $5 B in non-investment grade credits. The tenor concentration in non-investment grade credits is 2-5 years (approximately two-thirds).

- Credit reserves total $939 MM, of which $309 MM is a specific reserve against PG&E and Southern California Edison. The remainder are model-based credit reserves against the portfolio and represent 12% of non-investment grade exposures.

- Largest investment grade receivables:

Counterparty	Moody's/S&P	Enron Rating	Net Exposure
TXU	Baa3/BBB+	4	$1,600 MM
Bonneville Power	none	2	$369 MM
TransAlta Utilities	none/BBB+	4	$265 MM
Nevada Power	Baa2/BBB	4	$261 MM

- Largest non-investment grade receivables:

Counterparty	Moody's/S&P	Enron Rating	Net Exposure
New Power	none	10	$ 57 MM
EOTT	Ba2/BB	7	$180 MM
Constellation Power	none	6	$ 68 MM
Calpine	Baa3/BB+	6	$12 MM

- Enron is rated BBB/Baa2 by both S&P and Moody's, respectively, with negative outlooks.

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Trading Operations Assessment

Marks & Reserves

- Marks: Trades are marked at mid-market with no bid-offer adjustment. The 75% of transactions that go through EOL are transparent. In addition, settling daily MTMs with counterparties also provides a measure of price verification. However, the Risk Assessment and Control (RAC) group does not independently verify long dated trades. This is exacerbated by Enron essentially setting the price for the market given their large market share.
- Reserves: No defined methodology exists for calculating and booking non-credit reserves, and this has led to large swings in reserves, which can lessen the transparency of earnings.

Reserve Types	Size
Bid/Offer	None
Liquidity	None
Prudency	$1.2 B (1)
Credit	$0.6 B
	$1.8 B

(1) Includes $309 MM credit reserve against PG&E claim.

Date	Reserves Balance	Quarterly Revenue Impact
June 2000	$ 115 MM	$ 0 MM
September 2000	$ 363 MM	$ <249> MM
December 2000	$ 873 MM	$ <510> MM
March 2001	$ 1,354 MM	$ <481> MM
June 2001	$ 1,353 MM	$ 1 MM
September 2001	$ 1,171 MM	$ 183 MM

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Trading Operations Assessment

Controls

- Basic controls around the core trading business appear adequate (based solely on verbal discussions of the process). The EOL process is fully automated from trade entry through settlements. Intercompany transactions are reconciled and there are minimal suspense balances.
- However, we were unable to determine whether gains or losses from the trading books are being shifted to other entities (SPVs) based on the information evaluated.

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Counterparty Credit Issues

Exposure Profile

- Enron has approximately 15,000 trading counterparties (2000 MTM agreements) that execute on average 7,000 transactions daily. Enron's net credit exposure totals $14B. Of this amount 35% ($5B) are exposures to non- investment grade counterparties. The top twenty-five net exposures total $4.4B of which the top four are listed below. (See attached schedule B for a full listing). These are as follows:

Counterparty	RR	Gross Exposure	Collateral	Net Exposure
TXU Europe Energy Trading	4	$1,650 MM	N/A	$1,650 MM
Bonneville Power Authority	2	$369 MM	N/A	$369 MM
TransAlta Utilities Corp.	4	$265 MM	N/A	$265 MM
Nevada Power Company	4	$261 MM	N/A	$261 MM

- Of the top twenty-five net exposures, four counterparties with net exposures totaling $430 MM are non-investment grade. These are as follows:

Counterparty	RR	Largest Gross Net Exposures	Tenor Exposure	Tenor Exposure
The New Power Company	10	$ 57 MM	$ 61 MM (2002-2003)	$1.2 MM (2006)
EOTT	7	$180 MM	$105 MM (2004)	$ 31 MM (2011)
Constellation Power Source, Inc.	6	$ 68 MM	$131 MM (2002-2003)	$ 6 MM (2006)
Calpine Energy Services L.P.	6	$124 MM	$165 MM (2002-2003)	$ 2 MM (2007-10)

  - Enron's top 25 non-investment grade net exposures, which include those counterparties highlighted above total $1B, of which $392 MM is collateralized (see attached schedule). A review of these top non-investment grade exposures indicated a concentration primarily in the 2-5 year bucket. Out of this sampling no meaningful exposures were found past 2010.

  - Enron has $438 MM in exposure to counterparties that have filed for bankruptcy. The largest exposure of $404 MM is to PG&E. Individual exposures decline sharply after PG&E, with the second largest exposures being to Perry Gas of $6 MM and Polaroid of $5.4 MM.

  - Credit reserves currently total approximately $939 MM, of which $309 MM is a specific reserve against PG&E and Southern California Edison (SoCal exposure is $111 MM). The remainder are general credit reserves taken against the entire portfolio and represent 12% of the net non-investment grade exposures.

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Counterparty Credit Issues

Obligation Profile

- Enron's top 25 obligations (this includes financial and physical MTM as well as prepays) total $9.1B of which Enron has posted $2.6 B in collateral. Gross obligations to Chase (this includes Mahonia Ltd., the vehicle through which a Chase prepay was transacted) and Citi total $5 B. Citi's portion is $3 B (only $250 MM is not hedged by capital markets transactions).

- Not all of Enron's counterparties are currently exercising their contractual rights to call for margin. Should all counterparties exercise their contractual rights to call Enron for margin, it would mean an immediate increase of approximately $200 MM in margin posting requirements. This could happen at any time. Several counterparties had cut off Enron the week of October 29, and then reinstated after the announcement of our commitment. Most counterparties continue trading with Enron, however, in one case, AEP asked for $50 MM in margin against a $400MM MTM exposure that Enron was not contractually obligated to provide. Enron sent the $50 MM and AEP has continued its trading relationship.

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Counterparty Credit Issues

Credit Policies

- Enron has 48 credit professionals in its Credit Risk Management division. Counterparty credit limits are established against current MTM, not potential exposure. At the inception of each relationship, counterparties are risk rated and full credit review is done. A review of the Enron Credit Policy manual shows that policies do not include mandatory review cycles for existing counterparties. Enron's head of credit confirmed that no such policy exists and that renewals of individual credits are done on an as needed basis. Enron risk rates counterparties on a scale of 1-12 and has an approval matrix based upon MTM limit, risk rating, and tenor bucket. (See attached Appendix B & C from Enron's Credit Policy Manual).

- Enron has just instituted the concept of counterparty potential exposure, but it is used only as an informational tool and it has not been incorporated into its approval matrix. Enron has rolled out a potential exposure system based upon an in-house developed PE methodology. Potential exposure calculations, using Monte Carlo simulations, are run at P50, P95, and P99. The assumption is one of no margining, even if it is in place and also of full tenor risk. In order for credit limits to be established based upon potential exposure the calculation would need to be refined. Written documentation on methodology was provided. The system is very flexible in that exposure buckets can be changed and viewed with any level of specified granularity and is still very much a work in progress. Enron was asked to provide the top 25 potential exposures last week and this week. The information we received was inconsistent with what one would expect given current MTM and cannot be used to draw any meaningful conclusions.

- The credit reserve calculation is based upon the probability of default calculated using implied spreads on the underlying bonds. An adjustment is made for liquidity and recovery rates. The resulting number is then multiplied against potential exposure. The credit reserves, with the exception of PG&E & SoCal use a portfolio approach done through simulations in the credit system. Reserves are not reduced by collateral, which is a conservative approach. The reserves are calculated monthly. No written documentation on methodology was provided.

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Counterparty Credit Issues

Documentation

- From the list of counterparties with the largest MTM exposures to and from Enron, we selected ten counterparties (five from each list) for document review. In particular, our review focused on increases to required collateral upon rating downgrade triggers. On a positive note, of the 15 master agreements we reviewed, none included a traditional MAC clause, which would have led to uncertainty as to a counterparty's right to demand additional collateral from Enron given Enron's lower ratings.

- The agreements are consistent in requiring full collateralization of the MTM exposure by the party rated below BBB- or equivalent. At or above the rating, there are usually reduced requirements: collateral is required only for the MTM exposures above a threshold amount ranging from $5 to $20 MM depending on the agreement. Some agreements have a sliding scale with decreasing thresholds as the rating declines while other agreements have only the below BBB- trigger.

- Permitted collateral is typically cash and LCs (and sometimes short-term Treasuries). Crucial from a *liquidity* perspective are the following *limitations on the use of LCs*: (a) if the LCs are within 20 business days (sometimes 10 days) of expiration, they have to be replaced or else are accorded zero value for collateralization purposes and (b) some agreements also disqualify LCs if the LC issuing bank has indicated its intent NOT to renew the LC at least 20 business days prior to expiration. Furthermore, as a limitation on cash collateral, a party rated below BBB- is generally NOT allowed to rehypothecate the collateral, i.e. if Enron is rated below BBB- and it has received cash collateral from a counterparty, it is not entitled to send that cash to another counterparty.

- We found one instance where the below BBB- trigger also requires posting an amount additional to actual MTM exposure. Below BBB-, Enron would have to post $5 MM even if exposure is zero.

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Off Balance Sheet Financings

Off Balance Sheet Financings

	9/30/2001
Total S-T/L-T Balance Sheet Debt	$12,927
Prepays	$5,115
Structured Debt	4,532
Minority Interest	1,705
Securitization/FAS 140	2,354
Residual Value of Leases	540
Financial Guarantees	1,863
Total Off Balance Sheet (excluding Non-Recourse)	$16,109
Adjusted Debt for Off Balance Sheet	**$29,036**
Debt of Unconsolidated Subsidiaries (Non-Recourse)	$10,805

(1) Structured Debt includes Osprey ($2.6 B), Marlin ($915 MM) & Other Outstanding Structured Debt (approx. $1.0 B), such as VPPs, Contract Monetizations, and Synthetic Leases

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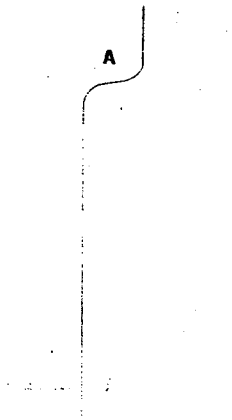
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Prepays

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Prepays

Deals	Type	Arranger	Commodity	O/S Amount as of 9/30/2001
Financial - Capital Markets				
Yosemite I	Financial - CLN	SSB	Crude	$800.0
Yosemite II (GBP)	Financial - CLN	SSB	Crude	305.0
ECLN I	Financial - CLN	SSB	Crude	475.0
ECLN II	Financial - CLN	SSB	Crude	475.0
ECLN II (Euro)	Financial - CLN	SSB	Crude	155.0
ECLN II (GBP)	Financial - CLN	SSB	Crude	161.0
				$2,371.0
Financial - Bank				
Gas Pre-Pay	Financial - Bank	Citibank	Gas	$250.0
Crude Pre-Pay	Financial - Bank	CSFB	Crude	165.0
				$415.0
Physical - Bank				
Chase III/TD	Physical - Bank	Chase	Crude	$150.0
Chase IV	Physical - Bank	Chase	Crude	52.0
Chase 3Q	Physical - Bank	Chase	Crude	150.0
Chase IV	Physical - Bank	Chase	Gas	$15.2
Chase V	Physical - Bank	Chase	Gas	49.2
Chase VIII	Physical - Bank	Chase	Gas	305.7
Chase X	Physical - Bank	Chase	Gas	299.4
Chase IX	Physical - Bank	Chase	Gas	532.8
Chase 4C's	Physical - Bank	Chase	Gas	350.0
				$1,904.3
Industrial				
Chase VII (APEA)//Municipality	Industrial	APEA/Chase	Gas	$178.5
North America/Municipality	Industrial	Municipality	Gas	33.5
Energy America/CRA	Industrial		Power	212.3
				$424.3
Total Pre-Pays				$5,114.6

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Overview of Prepays

- Prepays are transactions in which Enron has received proceeds at closing and is required to "repay" the counterparty either with cash indexed to a commodity or the physical commodity itself.
  - Based on Mark-to-Market Accounting
    - Prepays are accounted for in "Price Risk Management Liability"
    - Included in Funds From Operation ("FFO")
  - Three main types
    - Industrial Prepays
    - Physical Prepays
    - Financial Prepays

- Physically Settled Industrial Prepays ("Industrial Prepays) - $424 MM
  - Funded by Industrial User as ordinary course of business
  - Hedge executed by Financial Institution; proceeds raised in the tax-exempt market

- Physical Settled Prepays ("Physical Prepays") - $1,904 MM
  - Funded in Bank Market
  - Hedge executed by Financial Institution

- Financial Prepays ("Financial Prepays")
  - Funded in Bank Market or Capital Markets
    - Capital Market through Credit Linked Notes ("CLNs") - $2,371 MM
    - Bank - $415 MM
  - No Hedge required

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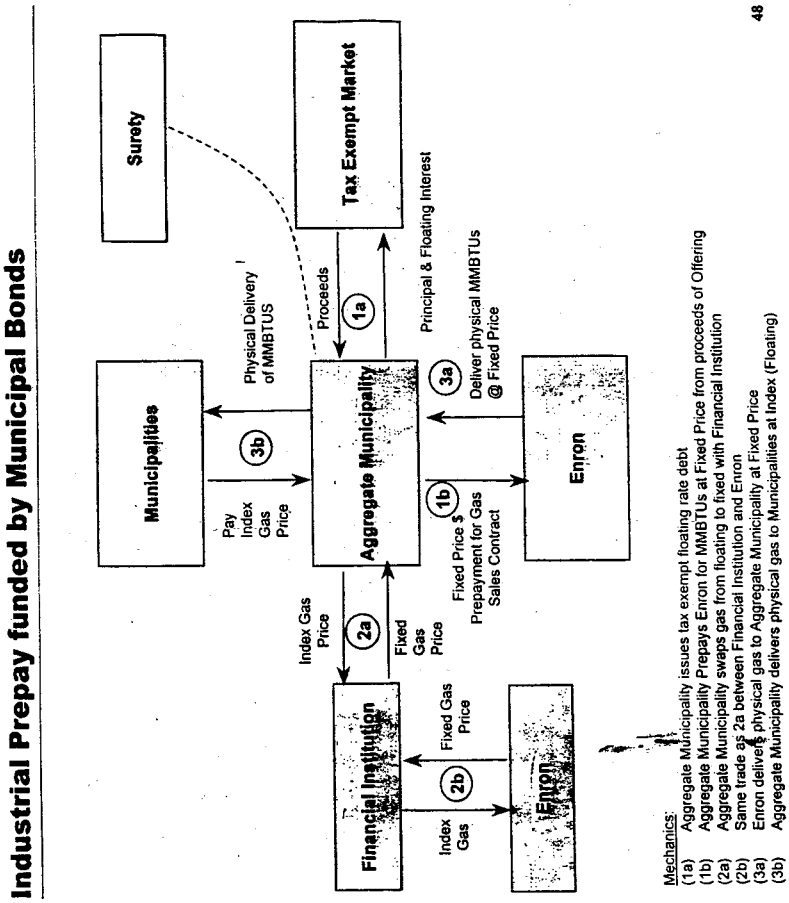

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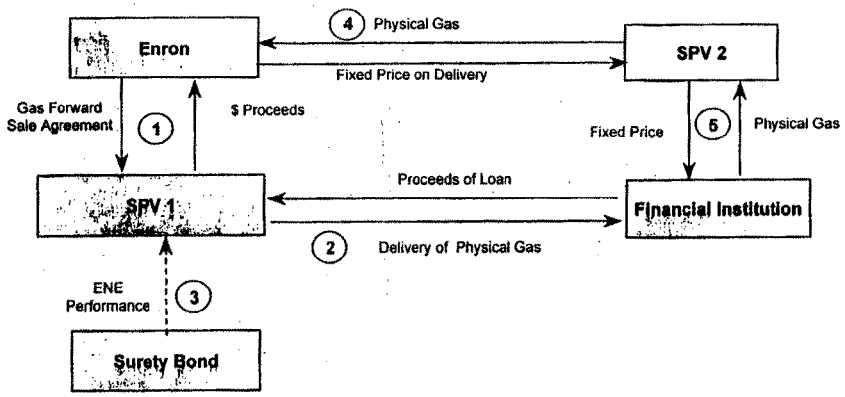
Physical Prepay funded by Bank/Bank Market



Mechanics: SPV 1
(1) SPV enters into Gas Forward Sale Agreement with Enron to deliver physical gas over time
(2) SPV borrows from financial institution to fund pre-payment to Enron
(3) OPTIONAL: SPV enters into a Surety Agreement to cover Enron's performance obligation to deliver physical gas

Mechanics: SPV 2
(4) Separately, Enron enters into a contract with SPV 2 to receive physical gas over time for a Fixed Price
(5) SPV 2 pays Financial Institution for physical gas (reversing Financial Institution's physical position) and effectively amortizing the loan.

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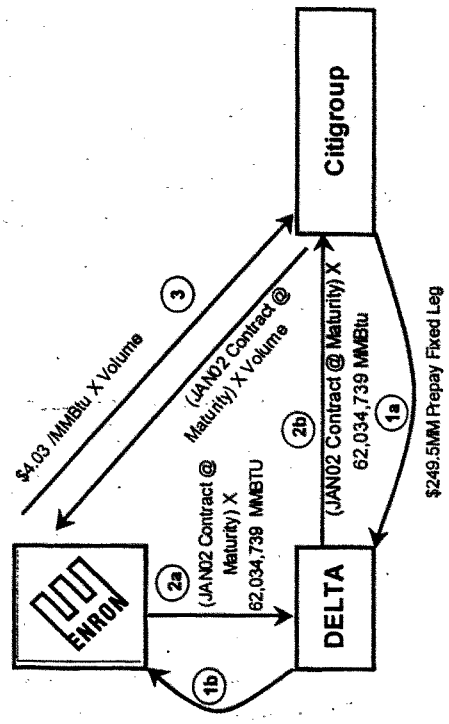
Financial Prepay funded by Bank



Mechanics:
(1a) Citi/(Bank) prepays Delta Fixed Payment of financially-settled gas swap
(1b) Delta pre-pays Enron as Fixed Payment of financially settled gas swap
(2a) Enron pays Floating to Delta at closing price of NYMEX for contracted maturity of gas swap
(2b) Delta pays Floating to Citi at closing price of NYMEX for contracted maturity of gas swap
(3) A net payment is made between Enron and Citi in settlement of this swap based on NYMEX contracted maturity of gas swap

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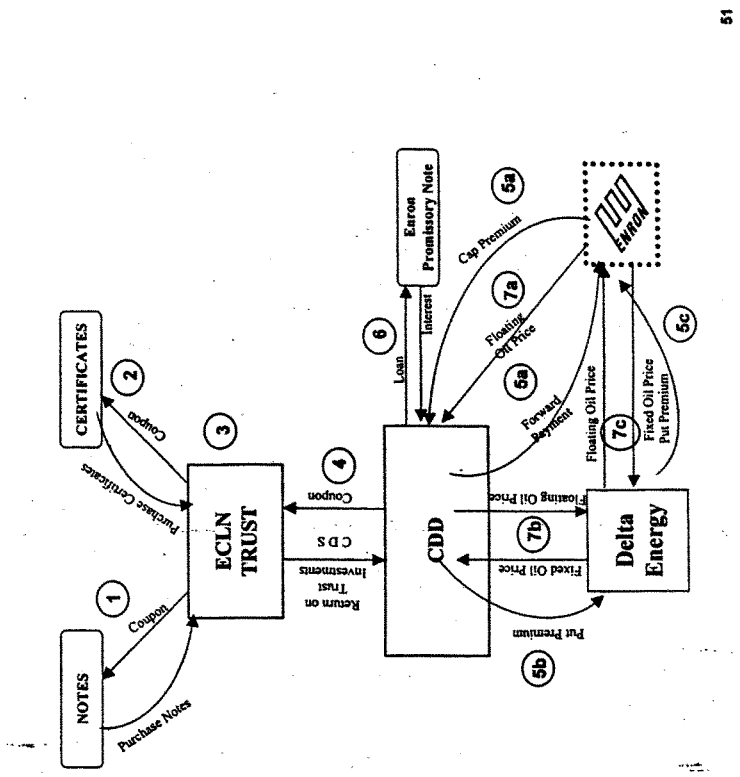
Financial Prepay funded by Credit Linked Notes (CLNs)



Financial Prepay funded by Credit Linked Notes (CLNs)

Mechanics:

(1) Issuance of 144A Notes

(2) Placement of Certificates (representing tax equity)

(3) Proceeds of Notes and Certificates used to purchase Trust Investments consisting of Citibank CD

(4) Credit Derivative Desk (CDD) enters into credit default swap where CDD pays the coupon for notes and certificates and receives the proceeds from Trust Investments (CD). In addition, credit default swap provides CDD with protection on Enron from Trust

(5a) CDD makes a forward prepayment to Enron for [x] Bbls at a fixed price. At maturity Enron pays [x] Bbls at the then market price. Enron purchases a cap on [x] Bbls at the same fixed price.

(5b) CDD purchases a put from Delta at same trigger as cap in 5a.

(5c) Same trade as 5b from Delta to Enron.

(6) CDD makes loan to Enron with coupon required to cover amounts needed for payment to CLN trust not provided by Pre-Pay.

(7a) Enron pays floating oil price on [y] Bbls on semi annually basis to CDD.

(7b) CDD pays Delta same floating payment received from Enron and receives fixed oil price on [y] Bbls.

(7c) Same trade as 7b from Delta to Enron.

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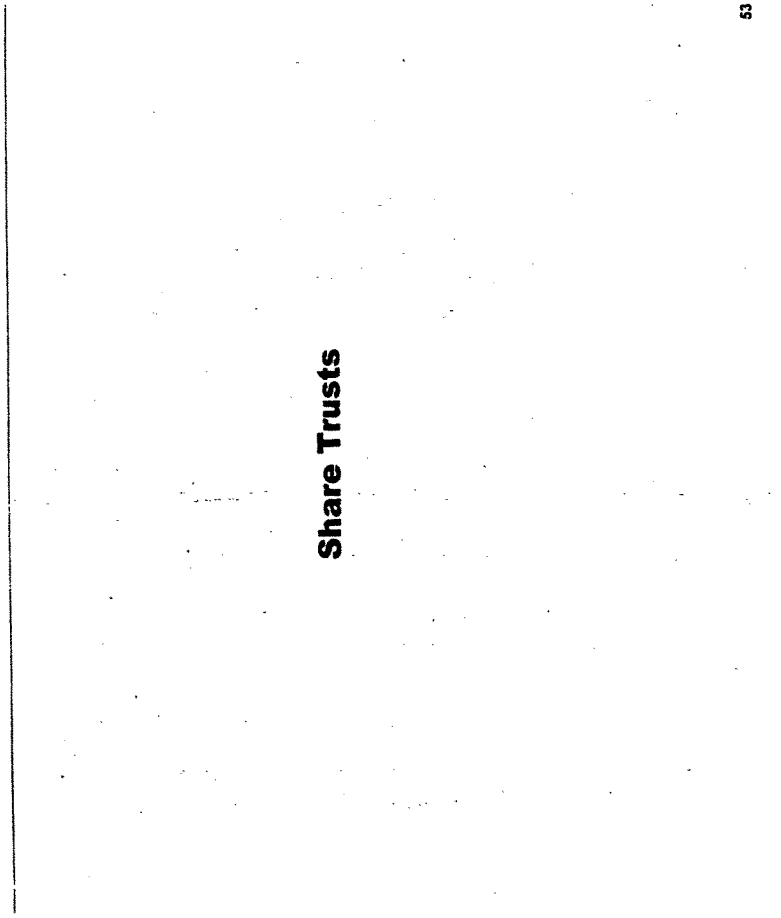
Share Trusts

Share Trust Transactions

- Enron has two deconsolidated ventures which include Share Trust supported debt issues
  - *Marlin*: Deconsolidates Azurix Corp and Wessex Water Plc, a provider of water and wastewater services in southwestern England
  - *Osprey*: Deconsolidates investments in several international projects and various domestic equity investments
- Debt issues supported by Share Trusts

Marlin:	$ 475 MM due July 15, 2003
	440 MM due July 15, 2003 (denominated in Euros)
	$ 915 MM
Osprey:	1,400 MM due January 2003
	750 MM due January 2003
	287 MM due January 2003 (denominated in Euros)
	$2,437 MM
Total:	$3,352 MM

  - Upon certain trigger events $3,352 million in proceeds must be generated by the sale of Enron equity including MCPS in the Share Trust with any shortfall being a claim against Enron
- Third party equity have certain rights with respect to asset dispositions

Marlin:	$ 125 MM
Osprey:	220 MM
	$ 345 MM

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Share Trust Transactions

- Net asset values supporting both transactions as currently estimated by Enron at:

Marlin:	$ 219 MM – Share of Azurix Assets
	125 MM – Overfund Reserve
	$ 344 MM
Osprey:	1,596 MM – Osprey Assets
	249 MM – Overfund Reserve
	$1,845 MM
Total:	$2,189 MM

- Asset value shortfall in covering third party investor and debt

Marlin:	$ 696 MM
Osprey:	$ 812 MM
Total:	$1,508 MM

- A Trigger Event requiring the Share Trust trustee to remarket the shares and apply the proceeds against the Senior Notes will occur if Enron is downgraded to below investment grade by either S&P, Moody's or Fitch

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Share Trust Transactions

- Companies deconsolidate assets by selling an interest with at least 50% "control" to third parties
- All balance sheet items related to those assets are replaced with a single line item, Affiliate Investment. Income is recorded under the equity method
- Third-party interests in deconsolidated joint ventures resulting from structured financings often allocate a disproportionate share of losses and gains to the Sponsor
- A Share Trust is used to provide support to the debt issued by the third party investor to buy its interest in the joint venture assets
  - Mandatorily Convertible Preferred Stock (MCPS) equal to the debt is issued to a trust
  - Following certain events, Remarketing and Share Settlement Agreements require the Sponsor to issue as many shares as needed to raise the amount required to repay the debt
  - Enron is contractually obligated to pay the difference between the amount raised from the sale of MCPS or other equity and the outstanding debt amount

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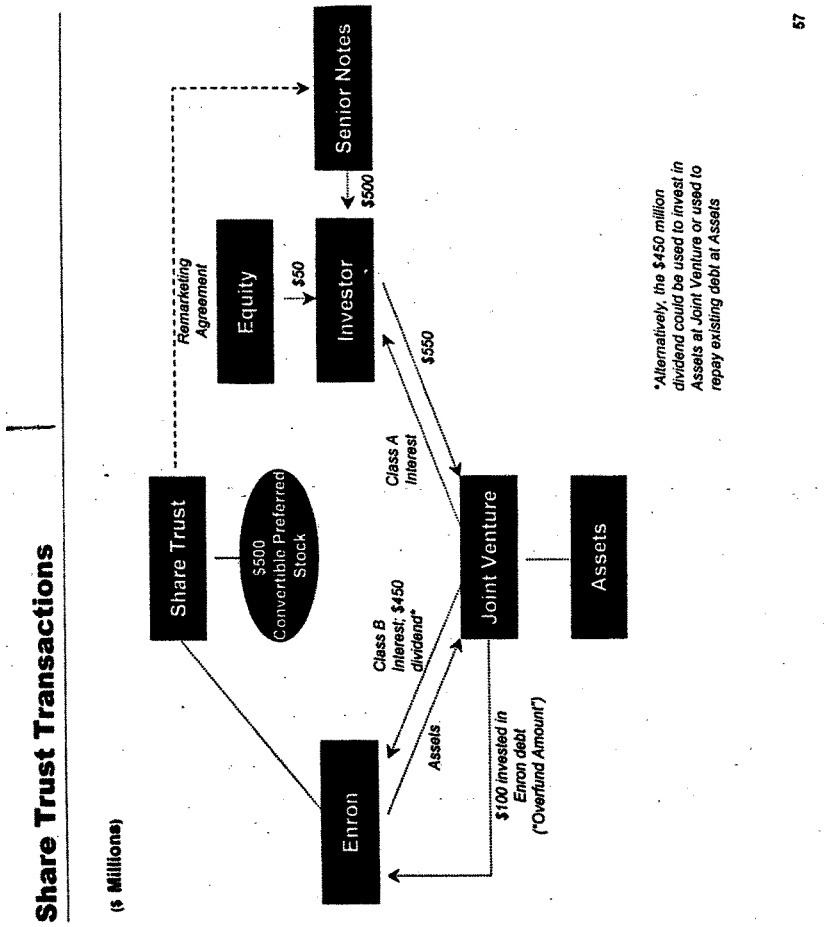
Share Trust Transactions
($ Millions)
Senior Notes
$500
Equity
$50
Investor
$550
Remarketing Agreement
Share Trust
$500 Convertible Preferred Stock
Class A Interest
Class B Interest; $450 dividend*
Joint Venture
Assets
Enron
Assets
$100 invested in Enron debt ("Overfund Amount")
*Alternatively, the $450 million dividend could be used to invest in Assets at Joint Venture or used to repay existing debt at Assets
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C

Minority Interest Financings

Minority Interest Financing

- Enron has four minority interest structured transactions

Name	Facility Amount	Outstanding (9/30/01)	Agent
Rawhide	$ 690 MM	$690 MM	Citigroup
Nahanni	500 MM	15 MM	Citigroup
Zephyrus	500 MM	500 MM	Chase
Choctow	500 MM	500 MM	Chase
	$2,190 MM		

- Assets supporting the transactions
  - *Rawhide*: Minority investment is fully supported by Enron demand notes plus approximately $1.3 B of various equity and debt investments in Enron affiliates
  - *Nahanni*: Cash and/or T-Bills equal to minority investment plus additional Enron assets
  - *Zephyrus*: $1.25 B Enron debt obligations and trade receivables. Trade receivables are limited recourse to Enron
  - *Choctow*: Enron debt obligations and trade receivables. Trade receivables are limited recourse to Enron
- Triggers – All have transaction specific tests regarding cash flow coverage and asset value tests. Also have Enron downgrade triggers as follows
  - *Rawhide*: Rating of BBB- or Ba1 requires cash collateral for minority investment. No specific termination if below Investment Grade
  - *Nahanni*: Rating below BBB- and Baa3 is a termination event
  - *Zephyrus*: Below investment grade is a termination event
  - *Choctow*: No ratings trigger

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Minority Interest Financing

- Minority interest represents third-party equity of a consolidated subsidiary
- Minority Interest resulting from structured financings often allocate the first loss to the Sponsor
  - In contrast to a pro rata loss sharing in joint venture projects
- Enron has both types of Minority Interest
  - Structured financings ($1,705 MM)
  - Joint venture project equity ($626 MM)
- Assets and income are fully consolidated on Enron's statements
  - Income attributed to minority investors is Minority Expense
  - Capital provided by minority investors is Minority Interest on balance sheet

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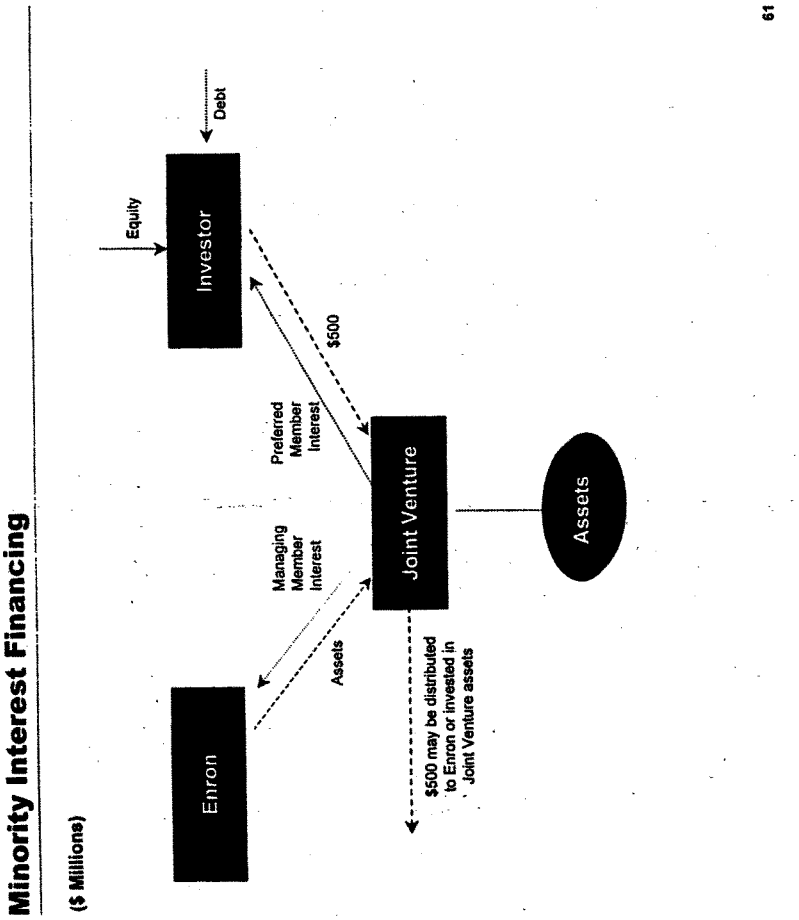
Minority Interest Financing
($ Millions)
Equity
Debt
Investor
$500
Preferred Member Interest
Managing Member Interest
Joint Venture
Assets
Enron
Assets
$500 may be distributed to Enron or invested in Joint Venture assets
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D

FAS 125/140s Total Return Swaps ("TRS")

FAS 125/140s Total Return Swaps ("TRS")

- FAS 125 deals were revised in 2000 to comply with FAS 140
- FAS 125 and 140 deals have the characteristics of:
  - Sale for GAAP purposes
  - Debt for tax purposes
  - Off Balance Sheet Financing
  - Funds flow or gain recognition
    - Merchant assets treated as Proceeds from Merchant Assets
    - Strategic assets treated as Proceeds from Asset Sales
  - Business unit maintains
    - Control of the asset
    - Maintains P&L risk
    - Responsible for ultimate disposition of the asset
  - Total Return Swap
    - The total return swap exchanges future payments received from the asset being purchased for the quarterly payments equal to periodic interest payments and at maturity, principal.
    - The TRS provides the lenders assurance of payment similar to an Enron guaranty.

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FAS 140s

Deal Name	Transaction Amount (2)	FMV as of 9/30/01	Maturity Date	Underlying Asset
Hawaii Facility				
Hawaii I				
NPW Warrants	30.1		7/19/02	NPW Warrants
NPW Warrants	91.5		7/19/02	NPW Warrants
NPW Warrants	46.7		7/19/02	NPW Warrants
Total Hawaii I	**168.3**	**59.4**		
Hawaii II				
CGAS	31.3		11/20/02	CGAS and E&P Co in OH
Tahiti 2	20.0		11/20/02	New Power Note
Riva	52.2		11/20/02	Margaux; Asset is ENE rec.
EBSCS	115.2		11/20/02	Class C Interest in EBSCS
Tahiti	30.0		11/20/02	New Power Note
Eli Lilly	38.0		11/20/02	DSM contract with Eli Lilly
Total Hawaii II	**286.7**	**125.0**		
Facility Total	**$ 455.0**	**$ 184.4**		
Other 125/140 Structures				
Riverside 6	73	72.6	1/14/02	Teesside Pwr Plant
Riverside 7 (now Riverside 10)	148.3	148.3	6/1/03	Teesside Pwr Plant
Riverside 5	2.9	2.9	12/17/13	Teesside Pwr Plant
ETOL II	43.5	49	6/19/03	Div. Strm of Teesside Utilities
ETOL III	247.3	262.2	1/10/04	Div. Strm of Teesside Utilities
Cerebus(1)	517.5	332.7	6/28/02	EOG Shares
Service Co/Nile	25	25	9/28/03	"B" Interest (ServiceCo C/Stock)
Nikita - EOTT	80	80	9/28/03	EOTT Shares
Nuclear Electric/Cash VI	51.6	51.6	5/31/06	Pymts rec. by ECTEF (QSPE)
Other 125/140 Total	**$ 967.8**	**$ 1,024.3**		
Other Structures with TRS (non 125/140)	**Total Oblig. (3)**			
Cornhusker	222.1	239.5	3/15/02	Tenaska IV Power Station
Motown	64.5	63	3/29/02	Cogen MI Equity $11MM
Backbone II	50	50	6/30/02	Broadband/Fiber Optic
Slapshot/Flagstaff	358	358	6/23/06	Stadacona Paper Plant
EEX (VPP)	15.8	15.8	2/5/05	Equity in VPP
TRS Total	**$ 710.4**	**$ 726.3**		
Total of 125/140 & TRS	**$ 2,133.2**	**$ 1,935.0**		

(1) Hedged: Currently mark all debt associated with this transaction. Any P&L on this TRS will be offset with the mark on debt (effectively any difference between the Asset Price and Fair Value is made up through this hedge).

(2) Transaction Amount is the total debt and equity contributed to the structure on the initial closing date.

(3) Total obligation represents Enron's cost to unwind the specified structure as of 9/30/2001.

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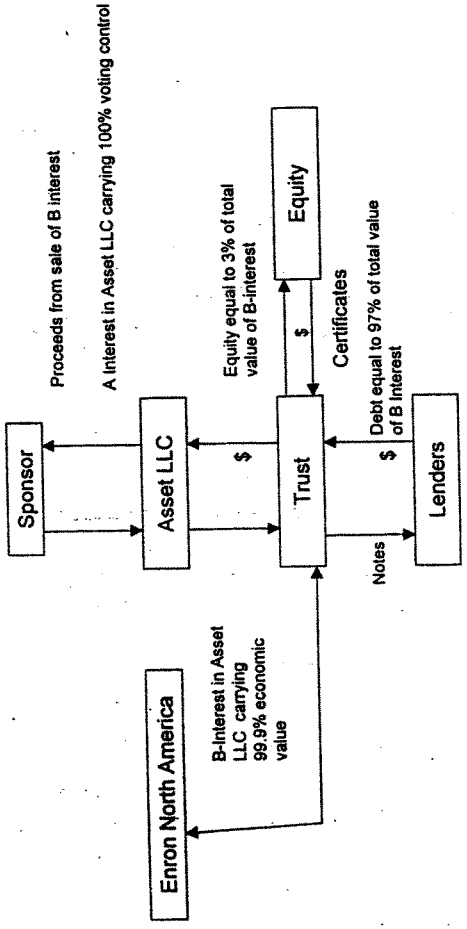
FAS 125/140s



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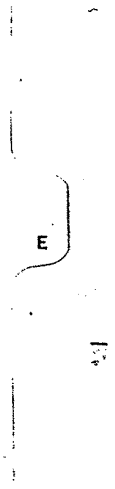
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Other Structured Transactions

Other Structures

Deal Name	Transaction Amt.	O/S Amount	Type of Structure	Maturity Date	Underlying Asset
Cash V	139.9	140.0	Contract Monetization	A's in 6/02 B's & Certs 2/07	Power Marketing Contract
Destec	150.0	108.0	Contract Monetization	2/1/2013	Coal Contract with HL&P
Joshua Tree	171.0	110.4	VPP	12/31/2005	Blind Pool
KSC VPP	149.3	149.3	VPP	12/31/2007	Surety note on VPP
Inauguration	475.0	310.2	Synthetic Lease	7/10/02	Turbines
ENEXT/Turbopark	600.0	17.6	Synthetic Lease	12/15/2003	Turbines
SE Acquisition	120.0	120.0	Other	3/27/02	Assets supporting Osprey
Valhalla	50.0	50.0	Other	12/01, 3 year term out	Rhinegold
	$ 1,855.2	$ 1,005.5			

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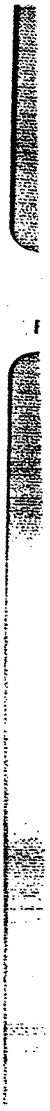

Guarantees, Leases & Non-Recourse Debt

Leases, Guarantees and Non-Recourse Debt

Operating Lease Obligations ($MM)	
2001	$123
2002	98
2003	69
2004	66
2005	49
Thereafter	359
Total Commitment	**$764**

Guarantees Issued to Support Debt of Unconsolidated Subs ($MM)	
Financial Guarantees	
Guarantees Issued to Support International Projects (Non-Debt)	$1,096
Residual Value of Lease Guarantees	540
EOTT Trade	538
Guarantees Issued to Support Debt of Unconsolidated Subs	230
Total Financial Guarantees	**$2,403**
Performance Guarantees	
Guarantees Issued to Support Letters of Credit	264
Total	**$2,667**

Unconsolidated Obligations Debt ($MM)	
Dahbol	$1,560
TBG	1,454
NBPL	1,365
Azurix/Wessex	1,178
CIESA	965
FPL	841
EcoElectrica	652
Gas Transboliviano	481
Accroven	333
BB	306
EOTT	235
Citrus	207
Other	1,228
Total	**$10,805**

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APPENDIX

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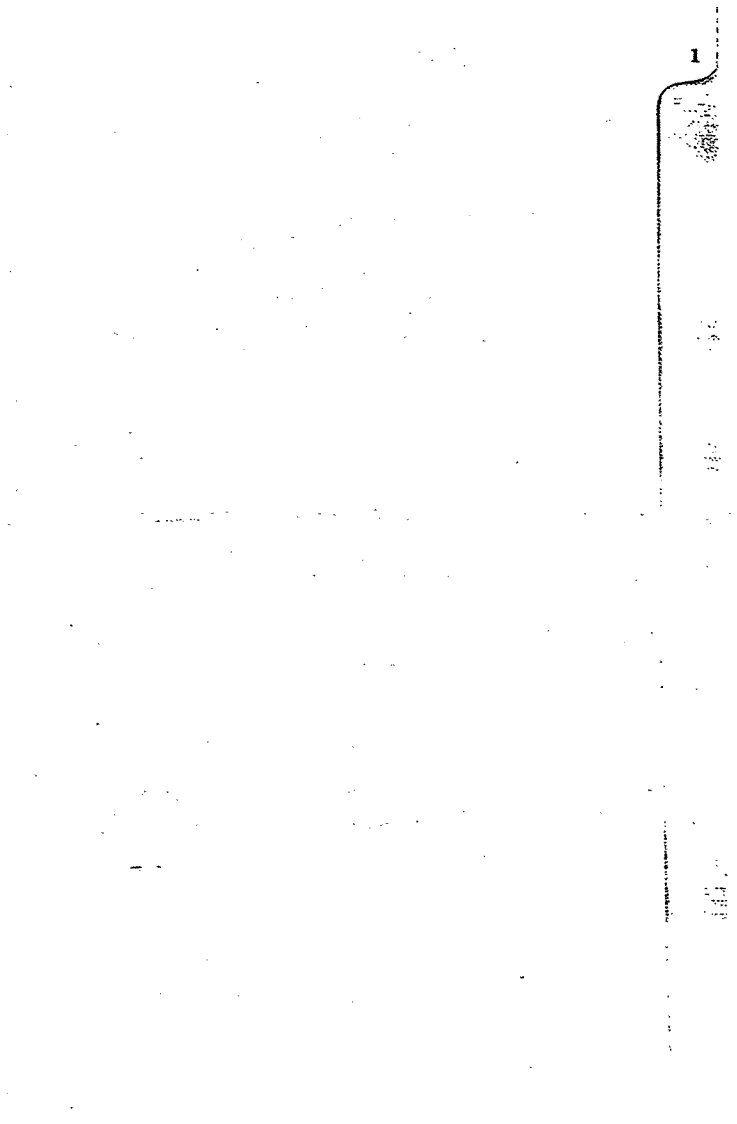

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Appendix I - Citigroup Team

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CITI-SPSI 0033061

The Citigroup Team Overview

Corporate & Investment Banking Senior Management	
Robert Morse	(212) 816-5871
Randy Barker	(212) 723-6153
Michael Klein	(212) 816-7686
Alan McDonald	(212) 816-5556

Energy & Power Senior Management	
Alberto Verme	(212) 816-6526
Bill Fox	(212) 816-8268

Investment Banking	
Jim Reilly	(713) 654-2912
Dean Keller	(212) 816-0994
Igor Zaitsev	(212) 816-0984

[illegible]	
Lydia Junek	(713) 654-3447
John Mugno	(212) 816-8288
Tom Stott	(212) 816-8082
Michael Nepveux	(713) 654-2902
Rob Jokhai	(713) 654-8272
Amy Pincu	(713) 654-2820

Private Equity	
Michael Zimmerman	(212) 816-9235
Jason Cunningham	(212) 816-7395

Equity	
Tyler Dickson	(212) 723-7325
Doug Adams	(212) 723-7964

Mergers & Acquisitions	
Gregg Polle	(212) 816-2083
Robert Hoglund	(212) 816-6527
Bob Martin	(212) 816-7844
Paul Smith	(212) 816-1190
Roger Wood	(212) 816-4709
Kirk Andrews	(212) 816-1838
Greg Sommer	(212) 816-3160

[illegible]	
Anne Clarke Wolff	(212) 723-8069
John Purcell	(212) 723-6171
John Melesius	(212) 816-8657
Steve Becton	(212) 723-6093
Brian Schmidt	(212) 816-2699
Richard Stuckey	(212) 723-9455
Steve Cheeseman (Liability Mgmt)	(212) 723-8106
Steve Wagman (Derivatives)	(212) 723-6449
Rick Caplan (Credit Derivatives)	(212) 723-6453
Richard Barzinger (Leveraged Finance)	(212) 723-6946
John Kjorline (Capital Structuring)	(212) 816-1501
Alfred Griffin (Capital Structuring)	(212) 816-1473
Laurence Rosansky (Capital Structuring)	(212) 816-1520

Global Loans	
Steve Victorin	(212) 723-6921
Chris Lyons	(713) 654-2862

Legal	
Marcy Engel	(212) 816-3329
Chris Teano	(212) 816-8591

Other	
Bob Fernstrom (Power – Asia)	81-3-5574-4364
Read Gomm (Power – Europe)	44-20-7986-7172
Maureen Hendricks (Energy)	(212) 816-0967
Marc Zenner (FSG)	(212) 816-4996

Citigroup Teams

Team One Coverage	
Jim Reilly	(713) 654-2912
Dean Keller	(212) 816-0994
Igor Zaitsev	(212) 816-0984
Damien Mitchell	(212) 816-0878
Michael Dilworth	(212) 816-4951
Emily Choi	(212) 816-0867
David Makula	(212) 816-8624
Sebastian Arango	(212) 816-7309

Team Two Trading	
Rick Stuckey	(212) 816-5871
Elena Matrullo	(212) 723-6153
Murray Barnes	(212) 816-7686
Kara Edwards	(212) 816-5556
Perry Piazza	
Cliff Venton	(212) 816-8450
Jo-Anne Williams	(212) 816-0085
Don Bendernagel	(212) 816-2747

Team Three Mergers and Acquisitions	
Robert Hoglund	(212) 816-6527
Greg Polle	(212) 816-2083
Bob Martin	(212) 816-7844
Paul Smith	(212) 816-1190
Roger Wood	(212) 816-4709
Kirk Andrews	(212) 816-1836
Greg Sommer	(212) 816-3160
Ian Sugarman	(212) 816-0275
Adam Daley	(212) 816-6714

Team Four Liability Portfolio / Cash Flow	
Tom Stott	(212) 816-8082
Rick Caplan	(212) 816-5536
Lydia Junek	(713) 654-3447
John Mugno	(212) 816-8288
Steve Wagman	(212) 816-8449
Michael Nopveux	(713) 654-2887
Igor Zaitsev	(212) 816-0984
Rob Jokhai	(212) 816-8272
Amy Pincu	(713) 654-2820
Shirley Elliott	(713) 654-2888
Julie Dry	(713) 654-2884
Brendan Mackay	(713) 654-2885
Tero Tiilikainen	(713) 654-2911

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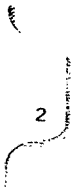
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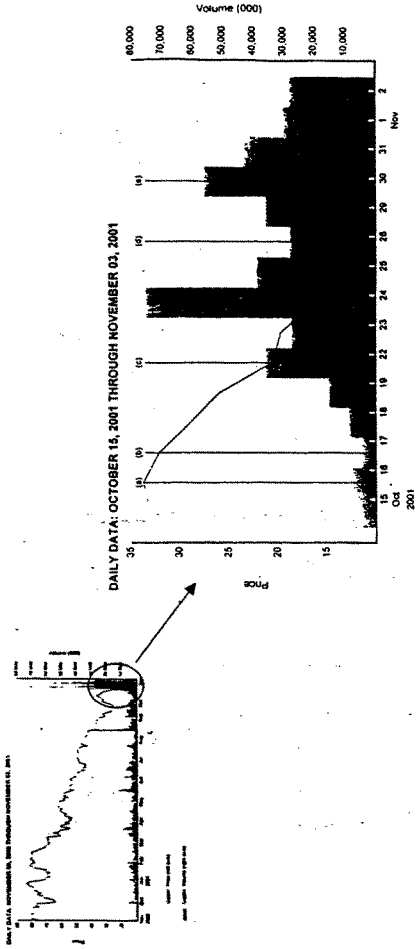
Appendix II - Financial Market Reaction

Stock Price Performance



(a) 10/16/01: Company announces third quarter earnings
(b) 10/17/01: WSJ publishes articles on Gipper
(c) 10/22/01: SEC begins inquiry
(d) 10/26/01: CP market disappears
(e) 10/30/01: Complete loss of investor confidence

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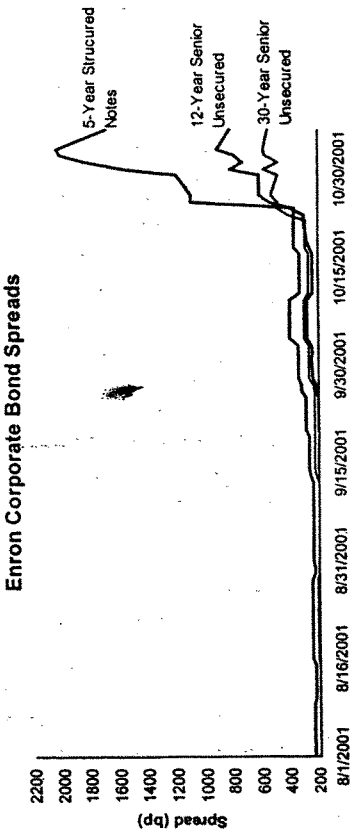
Bond Price Performance



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S&P Rating Actions

As a result of Enron's recent difficulties, its credit rating has been lowered from BBB+ to BBB by S&P on November 1, 2001.

- The downgrades indicate Standard & Poor's determination that Enron's plan to employ asset sales and other means to repair its damaged balance sheet will be insufficient to restore its long-term credit quality to the historical BBB+ level
- The negative CreditWatch listing recognizes the uncertainties that surround the company and its credit quality in the short run due to the possibility of further unanticipated developments in the capital markets
- To resolve the CreditWatch listing, S&P will monitor the following factors closely:
  - Counterparty attitudes
  - Short-term liquidity concerns
  - Disclosure standards
  - Asset sales and equity infusions
- Concurrently, S&P lowered Enron's short-term debt rating to A-3, the lowest short-term grade, from A-2.

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Moody's Action

Moody's downgraded Enron to Baa2 from Baa1 on October 29, 2001.

- Moody's actions were prompted by Enron's deterioration in financial flexibility due to the significant write-downs as well as equity charges in previously undisclosed partnership investments
  - The resulting loss in investor confidence has led to a halving of the company's stock and difficulty in rolling over commercial paper facilities
- Moody's analysis of the developing situation will focus on management's success in lining up further liquidity support and on their ability to retain credit availability from their major counterparties
- Moody's will also review management's asset sale plans and valuations and timing and risks associated with those transactions
- Additionally, the rating agency will review Enron's off-balance sheet transactions to ascertain the extent to which the company will be able to meet any shortfalls with equity or with additional debt
- Moody's placed Enron's P-2 commercial paper rating on review for downgrade on October 29, 2001.

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Fitch's Action

Fitch downgraded Enron to BBB- from BBB on November 5, 2001.

- Fitch's actions reflect the difficulties Enron faces in managing its liquidity position in the face of an erosion in investor confidence.
- The investor reaction follows the recognition of a substantial diminution in value of its global merchant investments, which were partly financed with an aggressive use of off-balance sheet vehicles.
- Fitch believes that Enron should be able to manage though this challenging environment, ultimately recognizing the values of the company's core businesses.
- Fitch would consider further downgrades if Enron were unable to make progress in reducing debt, if its wholesale marketing and trading business were to show signs of material deterioration, or if expenses and charges related to the disposition of non-core businesses and investments exceed present estimations.
- At the same time, Fitch downgraded Enron's commercial paper to F3 from F2.

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Appendix III - Credit Memo

FINAL

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Members of citigroup

GLOBAL LOANS APPROVAL MEMORANDUM

MEMO DATE: NOVEMBER 7, 2001 **APPROVAL DUE DATE: NOVEMBER 9, 2001**

[x] Bookrunner [ ] Agent-only [ ] Co-Agent [ ] Lender

A. KEY STATISTICS

Borrower:	A. Transwestern Pipeline Company B. Northern Natural Gas Company	**Citibank Commitment ($MM):**	A. $330MM B. $270MM Tot: $600MM
Guarantor	A. Enron Corp B. Enron Corp	***Citibank Hold ($MM):**	A. $330MM B. $270MM Tot: $600MM
Deal Size ($MM):	A. $550MM (with the ability to upsize to $650MM) B. $450 MM (with the ability to upsize to $550MM)	***U/W Amount ($MM):**	N/A
Facilities(MM)/ Type/ Tenor:	$1,000/364-day RC Facilities (with the ability to upsize to $1,200MM)	***B/E Amount ($MM):**	N/A
		* If non pro-rata, show breakout.	
Legal Vehicle:	Citibank, NA		
Origination Unit:	Houston-GEM	**Expected Launch Date:**	10/31/01
Control Unit:	Houston-GEM	**Expected Closing date:**	11/9/01
Co-Bookrunner(s) / Amount:	SSB /$600MM JPMorgan/$400MM	**Sell Down date:** (90 days, unless otherwise approved)	N/a
Co-Administrative Agent / Amt:	Citibank/$600MM JPMorgan/$400MM		
Syndication Agent / Amt:	N/a		
Paying Agent / Amt:	Citibank/$600MM		

Upfront Fees: $12MM
Commitment Fee of 50 bps

Undrawn Pricing
50 bps

Drawn Pricing:
LIBOR Margin of 250 bps
Base rate margin of 150 bps

Deal Leader: Chris Lyons	**Tel:** 713-654-2862	**Back-up Contact:** Michael Nepveux	**Tel:** 713-654-2887

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LT UNSECURED RATINGS:	RR for Facility (DRM)	Adverse Classification (IA,II, or III)
A. BBB/Baa2	4	n/a
B. BBB/Baa2	4	n/a
Enron Corp: BBB/Baa2 (neg. outlook)	4-	II

PURPOSE:

We are requesting approval for a $600 million participation as "Co-Arranger" to $1.0 billion of 364-day senior secured revolving credit facilities (the "Facilities") for Transwestern Pipeline Company ("Transwestern") and Northern Natural Pipeline Company ("Northern Natural" and collectively with Transwestern, the "Borrowers"), both of which are wholly-owned subsidiaries of Enron Corp. The Borrowers will have the right to upsize the aggregate Facilities to $1.2 billion. However, if they exercise this option, neither Citibank nor Chase is obligated to increase its commitment. The increase would be effected by bringing in a new lender or lenders. The amount of the Facilities will be split as follows: $550 million (with option to increase to $650 million) at Transwestern and $450 million (with option to increase to $550 million) at Northern Natural. The Facilities will be secured by all assets of the Borrowers including capital stock. Additionally, Enron will refinance the Citibank funded $250MM prepay due December 27, 2001 as a separate tranche under our $600 million commitment in the new Facilities.

The Facilities are to be used for working capital and loans to Enron Corp, providing current liquidity, given Enron's current inability to access the capital markets.

Since December of 2000, Enron Corporation ("Enron") has lost approximately $52.2 billion (or 82%) of its market capitalization. This was aggravated by the departure of Skilling (CEO) in August, and heightened by several recent announcements including several write-downs/asset impairments, SEC review into potential conflict issues with LJM partnership, and replacement of CFO Andy Fastow. As a result, the rating agencies placed Enron on negative outlook and Enron's bonds traded down. Enron notified us as its agent bank on its Revolving Credit Facility that it would not be able to place its Commercial Paper and would be drawing on its backstop facilities. On 10/25/01, Enron drew down 100% of its combined $3.0 billion 364-day and 5-year backstop facilities in order to repay commercial paper ($2.2 billion), with the remainder used to preserve liquidity. At that time, Enron's corporate bonds dropped even further to 84%. Given Enron's inability to access the capital markets, Enron requested that its two lead banks (Citibank and Chase) provide a short term liquidity facility, as a measure to both re-instill market confidence and provide interim liquidity, while Enron tries to re-enter the capital markets.

Enron publicly announced the commitment of $1.0 billion of Facilities on Thursday, 11/1/01. In addition, Enron plans to have senior management follow up with its investors on a "Road Show" later in the week, hoping to re-enter the commercial paper markets.

We believe that the Facility:

(1) allows Enron to continue to maintain liquidity within its trading operations (and reducing associated margin requirements by counterparties); and
(2) possibly restores confidence in Enron capital markets and stability in Enron's credit ratings.

APPROVALS:

Approval Level Required: Level 1+

DEAL TEAM:

Global Loans:	Origination:	Research:	Risk Manager:	Loan Investor Services:	Credit Admin:
Chris Lyons	Michael Nepveux	Shirley Elliott	Tom Stott	Sean Portrait	Carol Rooney
713-654-2862	713-654-2887	713-654-2868	212-816-8082	302-894-6083	212-654-3590

B. SUMMARY

EXPOSURE SUMMARY
(in $ millions)

Facility Description	Current	Proposed	Change
$600MM Secured R/C Facility	$0	$600	$600

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Total	$0	$600	$600

Financial Covenants (List):

For Transwestern and Northern Facilities

1. Prohibition of additional debt
2. Limitation on liens and asset sales
3. Minimum Tangible Net Worth of $750MM
4. Prohibition on intercompany advances when
   - Default has occurred at either the Borrower or Guarantor
   - The sum of Borrower's cash and availability under the Facility is less than $30MM or
   - When Guarantor or the Borrowers are no longer investment grade.

Law Firm:

Bracewell & Patterson
Bill Hayes and Robin Miles
Ph: 713-221-1319
Fax: 713-221-2120

CPC Documentation Exceptions: **N/a**

C. SYNDICATION STRATEGY

1. Transaction Summary

Borrowers:	Northern Natural Gas Pipeline Company ("NNG")	Transwestern Pipeline Company ("TW")
Ratings:	BBB/Baa2 (Senior unsecured)	BBB/Baa2 (Senior unsecured)
Amount:	$450MM	$550MM
Upsize Option*:	$550MM	$650MM
Citi Commitment:	$270MM	$330MM
Refinance Prepaid:	$112.5MM	$137.5MM
Guarantor:	Enron Corp.	Enron Corp.
Term:	364 days	364 days
Collateral:	• Pledge of stock of NNG • Lien on all assets (subject to agreed exceptions) • Pledge of unsecured intercompany note from Enron	• Pledge of stock of TW • Lien on all assets (subject to agreed exceptions) • Pledge of unsecured intercompany note from Enron
Undrawn Pricing:	50 bps	50 bps
Drawn Pricing:	LIBOR+250 bps or Base Rate+150 bps	LIBOR+250 bps or Base Rate+150 bps

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Key Borrower Covenants:	• Minimum Tangible Net Worth of $750MM (actual at 9/30/01: $1,087MM) • Prohibition of additional debt (subject to agreed exceptions) • Limitation on liens and asset sales • Prohibition on intercompany advances when (i) a default has occurred at either the Borrower or Guarantor, (ii) the sum of Borrower's cash and availability under the Facility is less than $30MM, or (iii) when Guarantor or the Borrower is no longer investment grade.	• Minimum Tangible Net Worth of $750MM (actual at 9/30/01: $1,034MM) • Prohibition of additional debt (subject to agreed exceptions) • Limitation on liens and asset sales • Prohibition on intercompany advances when (i) a default has occurred at either the Borrower or Guarantor, (ii) the sum of Borrower's cash and availability under the Facility is less than $10MM, or (iii) when Guarantor or the Borrower is no longer investment grade.
Mandatory prepayment:	• Required by an amount equal to net cash proceeds from asset sales, equity issuances or capital markets transactions (subject to agreed exceptions) at NNG	• Required by an amount equal to net cash proceeds from asset sales, equity issuances or capital markets transactions (subject to agreed exceptions) at TW
Events of Default:	• Failure to pay principal or interest when due (5-day grace period) • Failure to comply with covenants (5-day grace period) • Cross default to Debt of Borrower greater than $10MM • Event of Default under Enron's $1.75 billion 364-day revolver or Enron's $1.25 billion multi-year revolver • Bankruptcy or insolvency of Enron • Enron ceases to own directly or indirectly 100% of Borrower • Failure to create a valid and perfected security interest in collateral (subject to agreed exceptions)	• Failure to pay principal or interest when due (5-day grace period) • Failure to comply with covenants (5-day grace period) • Cross default to Debt of Borrower greater than $10MM • Event of Default under Enron's $1.75 billion 364-day revolver or Enron's $1.25 billion multi-year revolver • Bankruptcy or insolvency of Enron • Enron ceases to own directly or indirectly 100% of Borrower • Failure to create a valid and perfected security interest in collateral (subject to agreed exceptions)

*If the Borrowers exercise the option to increase the facility size, neither Citibank nor Chase is obligated to increase its commitment. The increase would be effected by bringing in a new lender or lenders.

The Enron Guaranty will include the representations and warranties, covenants and defaults contained in Enron's revolving credit agreements and will also require the maintenance of corporate separateness between Enron and the Borrowers.

2. Key Structural Features

A bankruptcy remote structure will be established for each Borrower and the Borrower's parent using a "Golden Share" structure. The key elements of this structure are as follows:

1) A new class of equity securities will be issued by each Borrower and the Borrower's parent and held by a third-party trustee for the benefit of Citibank, N.A. and The Chase Manhattan Bank. The affirmative vote of such securities is required to file a voluntary bankruptcy petition.

2) The trustee will take the voting instructions from Citibank and Chase so that the banks would be able to block a voluntary bankruptcy filing.

3) Each Borrower and the Borrower's parent will be required to adhere to "separateness" covenants.

These elements are designed to (a) present a voluntary bankruptcy of any of the Borrowers and their parent and (b) limit the likelihood of a consolidation of the Borrowers into the Enron bankruptcy estate should Enron file.

3. Collateral

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A. Going Concern – Value of Pipeline stock

	NNG	TW
Estimated firm value:	$2.2B	$1.5B
Discount rate:	6.7%	6.7%
Loan/Value:	(500+450)/2,200= 43.2%	550/1,500= 36.7%
Loan/Value (if upsize option exercised):	(500+550)/2,200= 47.7%	650/1,500= 43.3%

The estimated firm value was established using company projections and a discount rate of 6.7% for both NNG and TW. The discount rate was deemed appropriate due to the high probability of achieving projected cash flows due to the nature of the Borrower's revenue contracts. The estimated equity value equated to a 10x 2000 EBITDA multiple for Transwestern and an 9.0x multiple for Northern Natural, which are consistent with the comparables.

Our loan to value ratios are reasonable even if the Company upsizes the credit facilities to a total of $1.2B.

B. Liquidation

The key assets are (i) shipper contracts, (ii) accounts receivable, and (iii) property, plant & equipment, which collectively represent the value of a federally regulated geographical gas pipeline oligopoly.

Shipper Contracts

Importantly, we will have the assignment of all shipper contracts. A breakdown of the top 10 shippers on each system is as follows:

Revenues 10/00 – 9/01 ($'s in millions)

NNG			TW		
Minnegasco	Baa1	$84	So Cal Gas	A2	$56
Utilicorp	Baa3	55	Texaco	Aa2	16
Northern States Power	A1	45	PG&E Energy Trading	Baa2	16
Mid American Energy	A3	44	Sempra	A2	15
Nicor Gas Company	NR	16	BP Energy	Aa1	11
ANR Pipeline	Baa1	12	Duke Energy	A1	8
Northern States Power Wis.	A1	10	El Paso Energy	Baa2	7
IES Utilities	A2	9	Burlington Resources	A3	5
Wisconsin Gas	Aa2	9	Agere Energy	NR	5
Reliant Energy	Baa1	7	US Gas	NR	4
		$291			$143
(Represents 65% of LTM Revenues)			(Represents 80% of LTM Revenues)		

Over the next year, no contract expires on either system. Over the next 3 years, contracts representing about 12% of NNG total revenues expire, although the company believes those will be renewed. No contracts on TW expire over the next 3 years. We note the revenue concentration at Southern California Gas, however this contract runs through 10/05. The company reports that Southern California Gas has always performed under its contracts, one of which is to take gas at the California border and the other is to put gas into the pipeline in the gas producing fields. PG&E is now pre-paying for the transportation service.

Accounts Receivable

The following values were provided by the company as of 8/30/01.

($'s in millions)	NNG	TW
Gross Accounts Receivable	$29	$16

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Less: Payables	15	6
Net Accounts Receivable	$14	$10

These pipelines report relatively small receivable balances at month end due to billing practices. As noted elsewhere in this memo, approximately 90% of revenues are comprised of demand charges which are billed on the 1st of each month and due by the 10th of that same month. The remaining 10% of revenues - commodity charges for the actual movement of natural gas - are billed on the 10th of the following month and due by the 25th of that month. The month-end receivables balance represents the portion of both the demand and transportation charges which were not paid by the due date but are still in the 0-30 day aging category. The company reports that its bad debt expense is negligible and that receivables nearly always collect within 30 days.

Accounts payable also age within 30 days and represent primarily monthly operations and maintenance expenditures.

Property, Plant & Equipment

The following values were provided by the company as of 8/30/01. (This does not include all PP&E.)

($'s in millions)	NNG	TW
Compressor Stations	$405	$261
Pipelines	626	268
Storage	109	na
Total	$1140	$529

Key Statistics

	NNG	TW
Miles of pipe	16,500	2,600
# of Compressor Stations	85	31
# of Storage Facilities	3	0
# of states	15	6

4. Perfection / Preference Issues

Prior to Closing, we intend to file UCC-1's with the Secretary of the State of Delaware (where the pipeline companies are incorporated) as well as the Secretary of State of each state through which the pipelines pass. Pursuant to the UCC, our security interest will be perfected in all personal property of the two Borrowers that can be perfected by filing under the UCC, which includes shipper contracts, receivables, inventory, pipe, compressors and other equipment. The net book value of pipes, compressors and receivables at NNG is $626MM, $405MM and $29MM respectively at 9/30/01. These same values at TW are $268MM, $261MM and $16MM respectively. We plan to deliver the UCC-1's tomorrow (11/5) or Tuesday (11/6) and obtain the signed/stamped UCC-1 by the end of the week – November 9.

We perfect on the value of the Borrowers stock by taking physical possession at Closing. SSB's M&A team has valued NNG at approximately $2.2 billion and TW at $1.5 billion.

With respect to the real property – gas storage facilities, easements, rights-of-way, and any parcels of land – the timing of perfection is more problematic. Our thought is that the real property with the highest value that we can get to immediately (i.e. within 10 days of Closing) are the three gas storage fields on the NNG system which have a net book value $109MM. Enron thinks that the description of real property rights relating to at least a portion of these facilities is available now. Ideally, these liens would be taken and perfected either before Closing or within the 10-day period following Closing. In addition, we can be perfected as to all of the real property in some states, such as Texas, either before Closing or within the 10-day period following Closing.

5. Collateral Filing and Perfection Timetable

Monday (11/5) – Tuesday (11/6)

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Send UCC-1's covering all pipeline personal property to Secretary of State of Delaware and Secretaries of States through which the pipelines pass.

Tuesday (11/6) – Thursday (11/18)
Hand collect signed/stamped copies of UCC-1's with designated couriers. We would have all filings in place and become immediately perfected when the collateral is granted to us – at Closing.

Collateral covered by these filings:

($'s in millions)	NNG	TW
Stock	$2,200	$1,500
Acct. Receivable	29	16
Compressors	450	282
Pipe	800	495
Shipper Contracts	147	96
Loan Amount	$550	$650

Valuing the shipper contracts is somewhat difficult given our belief that in an Enron or Pipeline bankruptcy, the pipes would continue to operate as they are regulated utilities and the only source of gas for many municipalities. Continuing to operate would require normal operations expenditures as well as maintenance CAPEX. Consequently, we thought a reasonable proxy for the value of the shipper contracts is 2001 EBITDA – maintenance CAPEX

6. Ways Out

(i) Refinancing
If Enron is able to stabilize its financial position over the next 12 months and it regains access to the public capital markets, then our bank facilities should be able to be refinanced.

(ii) Sale of Pipelines
If the overall Enron situation deteriorates to the point which requires us to foreclose on the stock of the pipelines (assuming our bankruptcy remote structure holds up), then we would be able to market the pipelines as separate operating systems. Given the demand for gas in the California market, it would seem that Transwestern would be an attractive asset for any number of potential bidders. Although Northern's market is not a hot growth market like California, it nevertheless serves a number of important metropolitan areas (Omaha, Chicago, Minneapolis) and has stable cash flow. With a loan-to-value ratio of only 50%, there would seem to be ample cushion. Moreover, we would not need FERC approval to sell the stock.

(iii) Liquidation of Collateral
In the event of a pipeline or Enron default and our bankruptcy remote structure does not hold up such that the pipelines are consolidated into an Enron bankruptcy, our ability to foreclose on the stock would be difficult. Consequently, we would foreclose on the physical assets secured by our liens and mortgages. Because each of the pipelines is a regulated utility, the FERC would not allow us to sell pieces of the pipelines. The most likely scenario is that we would have to wait for a Chapter 11 reorganization and then cashflow our way out.

(iv) Cash Flow
In the event that we are forced to rely solely on the cash flows of the Borrowers to repay the loan, our base case scenario projects that we would be paid off in 2014 for NNG and 2013 for TW. Our sensitivity case projects that we would be paid off in 2016 for NNG and 2014 for TW.

7. Syndication Strategy

Although our total commitment in this transaction was approved as a book and hold, we would consider syndicating the facility after Enron's financial condition has stabilized. That will likely require the company to execute several near term asset sales and convincingly demonstrate that its trading operation remains healthy. The company plans to brief lenders in detail about its financing plan at a bank meeting Friday, November 9. We will be better able to assess bank-market support for Enron following that meeting. However, we have had a number of reverse inquiries concerning participation in the pipeline credit facilities following the announcement of these facilities. These inquiries have come from several of Enron's tier 1 banks which have been very loyal and supportive.

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Any potential syndication would likely commence early next year and would also likely include extending the maturity of the existing $1.75 billion 364-day facility which matures in April 2002. We would also recommend that Enron secure the $1.75 billion revolver and we are currently evaluating potential collateral.

We believe that some portion of our pipeline credits could be syndicated given the quality of the pipeline operations and collateral as well as attractive pricing. While the pipes are rated BBB/Baa2, we have priced the facilities at a BB level (L+250 bps) with the ability to adjust through market flex.

Company/Borrower

Enron and its subsidiaries operate domestic interstate natural gas pipelines extending from Texas to the Canadian border and across the southern United States from Florida to California. Included among Enron's domestic interstate natural gas pipeline operations are Northern Natural Gas Company and Transwestern Pipeline. Each pipeline serves customers in a specific geographical area: Northern, the upper Midwest; and Transwestern, principally the California market and pipeline interconnects on the east end of the Transwestern system. Northern and Transwestern are interstate pipelines and are subject to the regulatory jurisdiction of the Federal Energy Regulatory Commission (the "FERC").

FERC Regulation

Enron's interstate natural gas pipeline companies are subject to the regulatory jurisdiction of the FERC under the Natural Gas Act ("NGA") with respect to accounts and records, the addition of facilities, the extension of services in some cases, the abandonment of services and facilities, the curtailment of gas deliveries and other matters. The FERC also has jurisdiction over the rates and charges for the transportation of natural gas in interstate commerce and the sale by a natural gas company of natural gas in interstate commerce for resale. Northern and Transwestern hold the required certificates of public convenience and necessity issued by the FERC authorizing them to construct and operate all of their pipelines, facilities and properties for which certificates are required in order to transport and sell natural gas for resale in interstate commerce.

As necessary Northern and Transwestern file applications with the FERC for changes in their rates and charges designed to allow them to recover substantially all their costs of providing service to transportation customers, including a reasonable rate of return. These rates are normally allowed to become effective after a suspension period and in certain cases are subject to refund under applicable law, until such time as the FERC issues an order on the allowable level of rates.

In order for costs to be eligible for recovery in the tariff, the FERC must agree that the service is necessary. Pipelines typically demonstrate the necessity of capital expenditures by having prospective shippers sign contracts to use the capacity. Enron Corp and Enron Transportation Services in 2000 billed Transwestern and Northern Natural $13 million and $45.8 million, respectively, for administrative expenses that are recoverable from customers.

Under current FERC rate design policy, pipelines are permitted to recover in the demand component of their rates all fixed costs, including income taxes and return on equity, allocated to firm customers. Since a pipeline recovers demand costs regardless of whether gas is ever transported, the straight fixed variable rate design has reduced the volatility of the revenue stream to pipelines.

Each of these pipeline companies charges a "postage stamp" tariff to shippers. This means that shippers pay the same rate for capacity regardless of distance and reimbursement for actual costs, which may vary with distance. The average tariff at Transwestern is $0.25 per MMBTU and at Northern Natural $0.35 per MMBTU versus a $3 per MMBTU recent average for natural gas at the wellhead.

Shippers may buy capacity in the pipeline under short and long-term contracts, buying either firm or interruptible service. Firm Transportation is an option acquired by shippers for a fixed fee to ensure that they can move gas through the pipeline on peak demand days.

Pipeline Description

	Transwestern	Northern Natural
In-Service date:	1959	1940s

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Service area:	West Texas to California Border, bi-directional	Texas and Oklahoma to Minnesota, Michigan and Illinois
Capacity:	1.1 Tbtu/d (East ⇒ West); .89 Tbtu/d (West ⇒ East)	4.5 Tbtu/d (North section); 1.6 Tbtu/d (South section)
2000 throughput:	1.657 Tbtu/d	3.5 Tbtu/d
Utilization rate:	83%	78% (Seasonality)
FERC – Regulated tariffs:		
Last major rate case:	1994	1998
Next expected rate case:	2004	6/2003
% Capacity subscribed through 2003:	89% (West) 99% (East)	56% (North) 72% (South)
% Capacity subscribed through 2005:	80% (West) 90% (East)	50% (North) 60% (South)
% Transmission Revenues from capacity reservation changes:	90%; Paid whether or not gas is shipped	85% Paid whether or not gas is shipped

Northern Natural Gas Company

Through its approximately 16,500-mile natural gas pipeline system stretching from the Permian Basin in Texas to the Great Lakes, Northern transports natural gas to points in its traditional market area of Illinois, Iowa, Kansas, Michigan, Minnesota, Nebraska, South Dakota and Wisconsin. Gas is transported to town border stations for consumption and resale by non-affiliated gas utilities and municipalities and to other pipeline companies and gas marketers. Northern also transports gas at various points outside its traditional market area in the production areas of Colorado, Kansas, New Mexico, Oklahoma, Texas and North Dakota for utilities, end-users and other pipeline and marketing companies. Northern provides transportation and storage services to approximately 90 utility customers and end-users in the upper Midwestern United States. Most of Northern's revenues are comprised of monthly demand charges that are based on contracted capacity rather than throughput.

Northern Natural had a capacity utilization of about 78% based upon total capacity available of 4.5 Tbtu/d (North section) and 1.6 Tbtu/d (South section) during 2000. 85% of Northern's gas transmission revenues arise from demand charges, which are essentially for reserving the capacity in the pipeline; this revenue is received whether the capacity is used or not. If the capacity is not used, Northern can sell available capacity in addition to receiving the demand charge for that capacity. Approximately 56% of the North section and 72% of the South section are contracted out to 2003. In addition, 50% of the North sections demand contracts and 60% of the South sections demand charges are fixed through 2005. The next rate case for Northern Natural is in 2003.

Northern's customers have traditionally tended to sign contracts that expired when the next rate case is expected. Customers are mainly local distribution companies and wish to pay as close to the current FERC-approved tariff as possible.

In Northern's market area, natural gas is an energy source available for traditional residential, commercial and industrial uses. Northern's throughput totaled approximately 1,291 trillion British thermal units ("TBtu") in 2000. Northern also operates three natural gas storage facilities and two liquefied natural gas storage peaking units. These storage facilities provide Northern the operational capacity to balance its system on a daily basis and assist in meeting customers' heating and power generation requirements.

Northern competes with other interstate pipelines in the transportation and storage of natural gas, including Natural Gas Pipeline (Kinder Morgan) and Northern Border LP. Northern's newest competitor is the Alliance Pipeline, which has a total capacity of 1.325Tbtu/d. Alliance carries "wet gas" to the Aux Sable gas processing plant west of Chicago. Here, liquids are stripped from the gas and the dry gas introduced into the gas distribution system. Alliance began commercial service on December 1, 2000 and its dry gas competes with Northern on the eastern fringe of the Northern system.

The economic impact of these competitors on Northern is limited since in its service area it charges a "postage stamp" tariff, which does not vary with distance. Duplicating its facilities, except for the largest markets, would be expensive. Northern has been unable to satisfy demand in its service area from gas put in the pipeline in its field area and taking gas off other pipelines is in the ordinary course of business.

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Northern Natural Gas Historical EBITDA:

	1998	1999	2000
Thoughput (Bbtu/d)	4,098	3,820	3,529
Transmission Revenue	$ 479	$ 449	$ 445
Gas and liquids sales	7	39	56
Other	3	3	4
	$ 489	$ 491	$ 505
Costs	$ 207	$ 240	$ 240
EBITDA	$ 282	$ 251	$ 265

Transmission revenues are approximately 85% capacity reservation fees and 15% commodity charges, which are incurred as the gas is moved. The decrease in recent years of transmission revenues is due to the warmer than average winters experienced in Northern's service region. Gas and liquids sales in 1999 – 2000 reflect the sale of working gas from the storage caverns; this is the maximum possible for technical reasons. To maintain pressure in these storage facilities, Northern signed System Balancing Agreements with other pipelines. Operating expenses rise primarily due to a rise in the cost of gas and liquids sales ($10 million) and because about $14 million worth of gas is owed annually to Sempra and TransCanada under these System Balancing Agreements ("SBA's") that continue through 2003 (with declining annual payments). These SBA's are essentially volume exchanges over time and do not involve cash outlays unless Northern elects to replace the working gas; it also could renew the SBA's.

Northern Natural Gas Company Financial Projections ($MM):

	2001E	2002E	2003E
Transmission Revenue	$ 454	$ 443	$ 452
Gas and liquids sales	33	33	33
Other	8	13	13
	$ 495	$ 489	$ 498
Costs	$ 258	$ 258	$ 255
EBITDA	$ 237	$ 231	$ 243

Gas transmission revenues remain relatively constant as do costs. These transmission revenues are highly likely to be achieved given that 85% of the revenues arise from demand charges and contracts do not expire until 2003. Total EBITDA decreases in 2001E because the company is not able to benefit from gas and liquids sales as it did in the prior two years.

Northern Loan Analysis ($550MM Loan)

Valuation

The M&A team values Northern at around $2.2 billion. This equates to an 9.0x 2000 EBITDA multiple. As a result, the total debt (our loan and the existing $500 million debt)-to-value ratio is 43% using the low end of the valuation range. At its last rate case (1998), Northern had similar leverage. This degree of leverage, consequently, should not create any FERC issues according to the company.

Northern has three debt issues totaling $500 million that have bullet maturities in 2005, 2008 and 2011. The payoff analysis for the new loan assumes these obligations are met. The Payoff Date assumes that none of these bonds are refinanced.

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Management Case

	2002	2003	2004	2005	Average 2006 - 11	Loan Payoff Date
EBITDA	231	243	255	264	304	2011
EBITDA/Interest	3.1x	3.3x	3.6x	3.8x		
Debt/EBITDA	4.6x	4.2x	3.8x	3.3x		

The management projections are reasonable and highly likely to be achieved. The growth in gas transmission revenues, and thus EBITDA, reflects an assumption of approximately 2% per year growth in the market area. This is reasonable.

Citibank Loan Base Case

	2002	2003	2004	2005	2006-11	Loan Payoff Date
EBITDA	221	232	250	254	275	2014
EBITDA/Int	3.0x	3.2x	3.5x	3.7x		
Debt/EBITDA	4.7x	4.4x	3.9x	3.5x		

The main differences between the management projections and the Citibank Loan Base Case is the exclusion of $10 million of other revenues (this is described as unidentified "stretch" revenue in the operating plan) and a growth rate in gas transmission revenues of 1% per year.

Citibank Loan Sensitivity Case

	2002	2003	2004	2005	2006 - 11	Loan Payoff Date
EBITDA	221	232	224	254	252	2016
EBITDA/Interest	3.0x	3.2x	3.4x	3.7x		
Debt/EBITDA	4.7x	4.4x	4.0x	3.5x		

The main differences between the Citibank sensitivity case and the Management projections are the exclusion of $10 million of other revenues (this is described as unidentified "stretch" revenue in the operating plan) and a holding EBITDA flat at approximately $253.5 million. Since so much of the revenues are contractual and the costs recoverable from rate payers if reasonable, this is very conservative.

Transwestern Pipeline Company

Transwestern is an interstate pipeline engaged in the transportation of natural gas. Through its approximately 2,500-mile pipeline system, Transwestern transports natural gas from West Texas, Oklahoma, eastern New Mexico and the San Juan Basin in northwestern New Mexico and southern Colorado primarily to the California market and to markets off the east end of its system. Transwestern has access to three significant gas basins for its gas supply: the San Juan Basin, the Permian Basin in West Texas and eastern New Mexico and the Anadarko Basin in the Texas and Oklahoma Panhandles. Additionally, gas from the Rocky Mountain Basin can access Transwestern through pipeline interconnections. Transwestern's peak delivery capacity was approximately 1.7 billion cubic feet ("Bcf") per day in 2000. Transwestern and its customers agreed to contract rates through 2006 and agreed that Transwestern would not be required to file a new rate case for rates to be effective prior to November 1, 2006. Transwestern's current firm capacity for both west and east flow is fully subscribed under a combination of short-term and long-term contracts. Relatively small increments of operational capacity become available from time to time and are generally sold on a daily or short-term basis.

Transwestern's mainline includes a lateral pipeline to the San Juan Basin which allows Transwestern to access San Juan Basin gas supplies. Via Transwestern's San Juan lateral pipeline, the San Juan Basin gas may be delivered to California markets as well as markets off the east end of Transwestern's system. This bi-directional flow capability enhances pipeline utilization. Transwestern added bi-directional flow capability in 1995 to increase system flexibility and utilization. Transwestern has firm transportation service on the east end of its system and transports Permian, Anadarko and San Juan Basin supplies into Texas, Oklahoma and the Midwestern United States. More recently, Transwestern has modified its operations to enhance its ability to supply the California market. In May 2000, Transwestern completed an expansion, which increased delivery capability to California by 140 million cubic feet ("MMcf") per day. Transwestern is pursuing additional expansions to its pipeline of approximately 50 MMcf per day and 150 MMcf per day with expected completions in 2001 and 2002, respectively. Transwestern competes with several interstate pipelines in the California market and in its markets off the east end of its system.

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Transwestern's competitor in delivering to the California area is the El Paso Natural Gas Pipeline, which runs parallel south of Transwestern. El Paso is fully subscribed and is allocating space among shippers. As such, the El Paso system does not pose a major threat to Transwestern's growth potential.

Transwestern Historical EBITDA ($MM):

	1998	1999	2000
Throughput (Bbtu/d)	1,608	1,462	1,657
Transmission Revenues	$ 145	$ 142	$ 150
Gas and liquids sales	9	10	26
Other	13	4	-
	$ 167	$ 156	$ 176
Costs (excluding DDA)	$ 45	$ 49	$ 51
EBITDA	$ 122	$ 107	$ 125

Transmission revenues are approximately 90% capacity reservation fees and 10% commodity charges, which are incurred as the gas is moved. Gas and liquids sales arise from volumes that Transwestern sells from volumes given to it by producers in excess of pipeline fuel requirements. This number will vary with both throughput and the price of natural gas. The $13 million of other revenue in 1998 was the sale of "line pack," which is now provided by shippers.

Transwestern Company Financial Projections ($MM):

	2001E	2002E	2003E
Transmission Revenue	$ 165	$ 171	$ 188
Gas and Liquids sold	37	30	31
Other	-	-	-
	$ 202	$ 201	$ 219
Costs (excluding DDA)	$ 54	$ 64	$ 64
EBITDA	$ 148	$ 137	$ 155

Gas transmission revenues rise under the impact of new expansions and increased throughput. These revenues are highly likely to be achieved. In 2002, $157 million of the $171 million of revenues arises from capacity payments. Nonetheless, the loan has been tested, and pays out fully in 2014, if the gas transmission revenue level is maintained at the 2002 level. Revenue for gas and liquids sold has been hedged at fixed prices for 2002 and 2003. Using Citibank $3/MMBTU natural gas price assumptions, this revenue would fall to $22 million. The Citibank Loan Sensitivity Case (see below) incorporates this assumption, as well as an unspecified 10% reduction in Ebitda.

Transwestern Loan Analysis ($650MM Loan)

Valuation

The M&A team values Transwestern at $1.5 - $1.7 billion. This equates to a 10x 2000 EBITDA multiple. As a result, the loan to value is 43%, using the low end of the valuation range. At its last rate case (1994), Transwestern had similar leverage and this leverage, consequently, should not create any FERC issues according to the company.

The Payoff Date assumes that no bonds can be placed for Transwestern, the proceeds of which could repay the loan. This is conservative, especially since Transwestern has issued long-term debt in the past.

Management Case

	2002	2003	2004	2005	2006 - 11	Loan Payoff Date
EBITDA	134	155	166	177	192	2010
EBITDA/Interest	3.0x	3.4x	4.0x	4.9x		
Debt/EBITDA	4.7x	4.2x	3.5x	2.9x		

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The Management Case assumes a 2.7% growth rate in gas transmission revenues and $30-$35 million per year of revenue from gas sales.

Citibank Loan Base Case

	2002	2003	2004	2005	2006-11	Loan Payoff Date
EBITDA	137	143	137	139	148	2013
EBITDA/Int	3.0x	3.1x	3.3x	3.6x		
Debt/EBITDA	4.7x	4.5x	4.4x	4.0x		

The differences between the Management projections and the Loan Base Case is the reduction in revenues from gas sales by following lending guidelines for natural gas prices and reducing the growth rate in transmission revenues to 1% per year.

Citibank Loan Sensitivity Case

	2002	2003	2004	2005	2006 - 11	Loan Payoff Date
EBITDA	137	140	134	134	134	2014
EBITDA/Interest	3.0x	3.1x	3.2x	3.5x	3.8x	
Debt/EBITDA	4.7x	4.6x	4.5x	4.1x	3.8x	

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Other Balance Sheet Information:

	Northern Natural			Transwestern		
Current Assets	**9/30/01**	**2000**	**1999**	**9/30/01**	**2000**	**1999**
Cash	52	53	54	3	4	4
A/R	29,093	40,344	11,271	16,198	7,287	2,453
Transportation and exchange gas receivable	17,773	80,047	21,729	12,975	11,991	7,578
Assets from price risk management	11,419	-	-	14,077	-	-
Regulatory assets	10,511	9,178	10,133	6,968	6,553	6,617
Other	4,657	6,519	8,775	4,086	4,348	4,665
	73,505	136,139	51,962	54,307	30,183	21,317
PP&E Cost	2,790,571	2,743,886	2,754,453	1,023,684	987,107	966,179
Less Depreciation	1,458,317	1,442,835	1,434,681	118,481	104,364	96,024
	1,332,254	1,301,031	1,319,772	905,203	882,743	870,155
Other Assets						
Assets from price risk management	3,881	28,904	-	18,030	-	-
Regulatory assets	189,346	207,800	164,081	74,970	79,053	84,644
Other	14,153	10,642	7,577	4,371	2,106	1,372
Total Other	207,380	247,348	171,658	97,371	81,159	86,016
Total assets*	1,613,139	1,684,518	1,543,372	1,056,881	994,085	977,488
*Excluding the following related parties' assets						
Accounts receivable - associated companies	281	192	3,124	789	293	918
Note receivable from parent company	390,733	296,811	182,865	274,934	378,021	295,993
Total Assets included related party assets	2,004,153	1,981,319	1,729,361	1,332,604	1,372,399	1,274,399
Current Liabilities						
A/P						
Trade and other	15,349	29,285	17,425	6,423	2,161	4,357
Associated companies	4,218	2,437	4,320	1,356	1,723	3,874
Transportation and exchange gas payable	22,620	69,748	10,931	14,123	7,331	3,602
Liabilities from price risk management activities	18	-	-			
Deferred income taxes	2,479	2,374	3,258	2,203	2,129	2,492
Accrued taxes	25,993	24,785	23,625	7,890	6,129	5,806
Accrued interest	9,197	5,634	5,634	592	3,012	4,105
Regulatory liabilities	2,688	12,257	11,737			
Transition cost obligations	10,117	10,117	10,117			
Current portion of long-term debt	-	-		3,850	3,850	126,850
Reserve for regulatory and other contingences	1,958	200	5,400	12,816	263	263
Other	8,274	7,524	759	24	11	414
	103,121	164,361	93,207	49,077	26,609	151,763
Long-term Debt, net of current maturities	499,723	499,666	499,588	11,600	161,600	15,450
Deferred Credits and Other Liabilities						
Deferred income taxes	312,697	282,934	240,925	235,194	238,702	234,025
Liabilities from price risk management activities	-	12,759	-	-	-	-
Transition cost obligations	1,796	1,796	11,913	-	-	-
Regulatory liabilities	32	37	45	-	-	-
Other	-	-	1	2,449	2,661	-
	314,525	297,526	252,884	237,643	241,363	234,025
Stockholders Equity	1,086,784	1,019,766	883,682	1,034,284	942,827	873,161
Total Liabilities and Stockholders Equity	2,004,153	1,981,319	1,729,361	1,332,604	1,372,399	1,274,399

BALANCE SHEET DISCUSSION:

Price Risk Management Activities: Assets and liabilities from price risk management activities have appeared on the balance sheet for Northern Natural and for Transwestern.

- Northern Natural: Price risk management assets and liabilities have arisen due to trading and non-trading activities. Northern utilizes interest rate swaps and natural gas commodity price swaps to hedge the impact of fluctuations in interest rates on future debt issuance and the impact of market fluctuations of commodity prices on transport contracts.
- Transwestern: Transwestern utilizes financial instruments and natural gas commodity price swaps for non-trading purposes to hedge the impact of market fluctuations of commodity prices on contractual commitments. Since Transwestern's fuel needs are less than shippers provide for, they have natural gas to sell. Hedge accounting is utilized in non-trading activities where there is a high degree of correlation between price movements in the derivative and the item designated as being hedged.

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Regulatory Assets and Liabilities: Regulation by the FERC, SFAS No. 71 "Accounting for the Effects of Certain Types of Regulation" recognizes the economic effects of regulation. Accordingly, Transwestern and Northern Natural have recorded regulatory assets and liabilities related to such operations. Transwestern evaluates the applicability of regulatory accounting and the recoverability of these assets and liabilities through rates or other contractual mechanisms on an ongoing basis. Regulatory assets represent recoverable costs that are not required for gas transportation; pipeline coating costs are an example. Regulatory assets are usually recovered over a defined time period, whereas items in the rate base receive a return indefinitely.

Accounts Receivable:

- Associated Companies: These accounts receivable would be normal trade receivables with those companies which fall under the Enron umbrella.
- Trade: Transwestern, through Enron, has entered into agreements which provide for the sale of trade accounts receivable with limited recourse provisions. At December 31, 2000 and 1999, Transwestern had sold receivables of $13MM and $10.9MM, respectively. Northern, at the same dates, had sold receivables of $14.6 million and $44.4 million, respectively. No receivables have been sold this year.

Note receivable from parent Company: Transwestern and Northern Natural are included in Enron's cash management program and based on the companies' cash availability or requirements, advances are made either to or from Enron. The net result of all of cash flows is reflected as "Note receivable from parent company" on the balance sheet. The companies receive (or pay) interest on its note receivable with Enron, which for 2000 was 6% on the note balance at December 31, 1997 and 9.5% on the note balance accumulated after 1997. This interest was not included in the loan or valuation analysis.

Transportation and exchange gas receivable/payable: Shippers schedule their volumes into Northern's pipeline system with subsequent deliveries to various markets. To the extent that actual receipts on Northern's system and actual deliveries off the system vary from scheduled volumes, imbalance receivables from and payables to the shippers are created. Such imbalances are valued at market index rates and recorded as "Transportation and exchange gas receivable/payable" on the Balance Sheet with an offsetting entry to operating and maintenance expense on the Statements of income.

Working Capital: Working capital changes for the companies were as follows:

	Northern Natural			Transwestern		
$ 000's	9/30/01	2000	1999	9/30/01	2000	1999
Working Capital	(29,335)	(28,030)	(38,121)	9,869	7,717	(2,678)
Change from prior year	(1,305)	10,091		2,152	10,395	

Working capital is calculated as current assets less current liabilities. In this calculation, the Note Receivable from Parent Company and the current portion of long-term debt payable are excluded. Working capital remains stable and a small portion of total balance sheet size of about $2 billion for Northern Natural and $1.3 billion for Transwestern.

Cooper Liability:

Embedded within the "Other Current Liabilities" line item for Northern is a $4.5 million inventory sale reserve. This reserve is for an inventory sale that could be reversed if Enron does not purchase a certain amount of equipment from Cooper.

Cash Flow Discussion:

By definition, the cash flows statement reconciles the income statement and the balance sheet. The most significant items in the cash flow statement are the note receivable from parent company, capex, issuance and repayment of debt.

	Northern Natural			Transwestern		
	9/30/01	2000	1999	9/30/01	2000	1999
Note receivable from parent company	(94,122)	(113,746)	(91,689)	103,087	(82,028)	(47,960)
Additions to PP&E	(30,117)	(63,063)	(110,028)	(36,520)	(26,445)	(33,252)
Issuance of long-term debt	-	-	250,000	-	150	-
Repayment of long-term debt	-	-	(250,000)	-	(126,850)	(3,850)

Pipeline Safety Legislation:

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The Office of Pipeline Safety will likely issue a Pipeline Integrity Ruling for natural gas pipelines by the end of 2001. 64% of Enron's 25,000 miles of pipeline will require inspection to ensure coverage of high consequence areas. In February 2001, the US Senate passed and the House appears to support a bill directing DOT to require inspections of pipelines every five years for high consequence areas.

Enron plans to internally inspect 15,000 miles of pipeline within the next ten years. The project cost and time frame for Transwestern and Northern Natural Gas Pipeline are as follows (in Millions, in 2001 dollars). These costs are expected to be recovered from rate payers over time.

Asset	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Transwestern	6	15	15	0	0	0	0	0	0	0	36
Northern Natural Gas	12	25	25	25	25	25	25	25	25	25	237

On September 14, 2001, the FERC issued a statement of policy which describes the need for electric, gas, and oil companies to adopt new procedures, update existing procedures, and install facilities to further safeguard their electric power transmission grid and gas and oil pipeline systems. The Commission has assured companies which fall under its regulation that they will approve applications to recover prudently incurred costs necessary to further safeguard the reliability and security of the energy supply infrastructure in response to the heightened state of alert due to the September 11 events.

Revenues Information:
Northern Natural:

The following table illustrates the top ten revenue producers for Northern Natural, accounting for approximately 55% of revenues.

Northern Natural Gas Company
Top Revenue Producing Long-Term Transportation Contracts
Revenue Based on LTM @ 9/30/01

Customer	Contract #	Total Revenue	Expiration Date
Reliant Energy Minnegasco	0021349	66,654,105	10/31/07
Utilicorp United, Inc.	0023614	42,398,585	10/31/03
Northern States Power Company	0023268	34,267,097	10/31/07
Midamerican Energy Company	0021305	20,689,205	10/31/05
Metropolitan Utilities District	0021385	17,666,534	10/31/06
Reliant Energy Minnegasco	0100796	15,002,184	10/31/07
Wisconsin Gas Company	0021862	8,896,840	10/31/05
ANR Pipeline Company	0022054	8,698,646	10/31/03
Northern States Power Co of Wisco	0023269	8,074,288	10/31/07
Midamerican Energy Company	0023844	8,010,582	11/30/13
NICOR Gas Company	0021527	7,488,992	10/31/04
IES Utilities, Inc.	0022252	7,460,582	10/31/03
		246,307,640	

Although the Utilicorp and ANR contracts expire in 2003, the company expects them to be renewed. Utilicorp takes gas off Northern Natural at over 100 points and that infrastructure cannot be readily duplicated. ANR uses gas off Northern Natural for deliveries to Wisconsin since the ANR system is constrained.

The following table illustrates the top revenue producing contracts, which account for about 55% of revenues.

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Transwestern Pipeline Company
Top Revenue Producing Long-Term Transportation Contracts
Revenue Based on LTM @ 9/30/01

Customer	Contract #	Total Revenue	Expiration Date
Southern California Gas Company	08255	48,395,271	10/31/05
Pacific Gas and Electric Company	21165	18,565,725	3/31/07
Southern California Gas Company	20715	7,745,209	10/31/05
Pacific Gas and Electric Company	21175	5,774,214	3/31/07
BP Energy Company	25071	5,748,750	11/30/08
Burlington Resources Trading, Inc.	25025	4,209,600	11/30/06
Agave Energy Co.	26490	3,577,000	10/31/03
Duke Energy Trading and Marketing	26372	3,075,165	3/31/07
El Paso Energy Marketing Company	26678	3,050,650	3/31/07
El Paso Energy Marketing Company	26884	2,956,500	10/31/05
		103,098,084	

The Agave Energy contract (2% of gas transmission revenues) , which is the only one to expire prior to October 31, 2005 is with a gas producer. Renewal is expected.

ENRON 9/30/01 UPDATE OF ENRON CORP

Enron has recently expanded the reporting of its financial results by both providing additional segments and expanding financial and operating information in the attached tables. Enron's business segments are as follows:

- Wholesale Services
  - Americas
  - Europe and Other Commodity Markets
- Retail Services
- Transportation and Distribution
  - Natural Gas Pipelines
  - Portland General
  - Global Assets
- Broadband Services
- Corporate and Other

Wholesale Services
Total income before interest, minority interests and taxes (IBIT) increased 28 percent to $754 million in the third quarter of 2001, compared to $589 million in the third quarter of last year. Total wholesale physical volumes increased 65 percent to 88.2 trillion British thermal units equivalent per day (Tbtue/d) in the recent quarter.

- **Americas** – This segment consists of Enron's gas and power market-making operations and merchant energy activities in North and South America. IBIT from this segment grew 31 percent to $701 million in the recent quarter from $536 million a year ago, driven by strong results from the North America natural gas and power businesses. Natural gas volumes increased 6 percent to 26.7 Tbtu/d, and power volumes increased 77 percent to 290 million megawatt-hours (MWh).
- **Europe and Other Commodity Markets** - This segment includes Enron's European gas and power operations and Enron's other commodity businesses, such as metals, coal, crude and liquids, weather, forest products and steel. For the third quarter of 2001, IBIT for the segment remained unchanged at $53 million as compared to last year. Although physical volumes increased for each commodity in the segment, the low level of volatility in the gas and power markets caused profitability to remain flat.

Retail Services
Enron's Retail Services product offerings include pricing and delivery of natural gas and power, as well as demand side management services to minimize energy costs for business consumers in North America and Europe. In the third quarter of 2001, Retail Services generated IBIT of $71 million, compared to $27 million a year ago. Retail Services continues to successfully penetrate markets with standard, scalable products to reduce consumers' total energy costs. Enron recently added new business with large consumers, including Wal-Mart, Northrop Grumman, the City of Chicago, Equity Office Properties and Wendy's in the U.S. and Sainsbury and Guinness Brewery in the U.K. To date in 2001, Enron has completed over 50

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transactions with large consumers. Enron is also successfully extending its retail energy products to small business customers, completing over 95,000 transactions in the first nine months of this year.

Transportation and Distribution
The Transportation and Distribution group includes Natural Gas Pipelines, Portland General and Global Assets.

- **Natural Gas Pipelines** - This segment provided $85 million of IBIT in the current quarter, up slightly from the same quarter last year. Pipeline expansions are underway in high growth areas and include a 428 million cubic feet per day (MMcf/d) expansion by Florida Gas Transmission and a 150 MMcf/d expansion by Transwestern.
- **Portland General** - Portland General Electric, an electric utility in the northwestern U.S., reported an IBIT loss of $(17) million compared to IBIT of $74 million in the same quarter a year ago. Portland General entered into power contracts in prior periods to ensure adequate supply for the recent quarter at prices that were significantly higher than actual settled prices during the third quarter of 2001. Although the rate mechanism in place anticipated and substantially mitigated the effect of the higher purchased power costs, only the amount in excess of a defined baseline was recoverable from ratepayers. Increased power cost recovery was incorporated into Portland General's new fifteen-month rate structure, which became effective October 1, 2001 and included an average 40 percent rate increase.

During Q4, Enron announced a definitive agreement to sell Portland General to Northwest Natural Gas for approximately $1.9 billion and the assumption of approximately $1.1 billion in Portland General debt. The proposed transaction, which is subject to customary regulatory approvals, is expected to close by late 2002.

Global Assets – The Global Assets segment includes assets not part of Enron's wholesale or retail energy operations. Major assets included in this segment are Elektro, an electric utility in Brazil; Dabhol, a power plant in India; TGS, a natural gas pipeline in Argentina; Azurix; and the Enron Wind operations. For the third quarter of 2001, IBIT for the segment remained unchanged at $19 million as compared to last year.

Broadband Services: Enron makes markets for bandwidth, IP and storage products and bundles such products for comprehensive network management services. IBIT losses were $(80) million in the current quarter compared to a $(20) million loss in the third quarter of last year. This quarter's results include significantly lower investment-related income and lower operating costs.

Corporate and Other: Corporate and Other reported an IBIT loss of $(59) million for the quarter compared to $(106) million loss a year ago. Corporate and Other represents the unallocated portion of expenses related to general corporate functions.

NON-RECURRING ITEMS

Enron's results in the third quarter of 2001 include after-tax non-recurring charges of $1.01 billion, or $(1.11) per diluted share, consisting of:

- $287 million related to asset impairments recorded by Azurix Corp. These impairments primarily reflect Azurix's planned disposition of its North American and certain South American service-related businesses;
- $180 million associated with the restructuring of Broadband Services, including severance costs, loss on the sale of inventory and an impairment to reflect the reduced value of Enron's content services business; and
- $544 million related to losses associated with certain investments, principally Enron's interest in The New Power Company, broadband and technology investments, and early termination during the third quarter of certain structured finance arrangements with a previously disclosed entity ($35MM income write-down and $1.2 billion shareholders' equity

STORY

Borrower:	Transwestern Pipeline Company	Northern Natural Gas Company
Guarantor:	Enron Corp and a newly-formed bankruptcy-remote SPE	Same
Amount:	$650MM	$550MM
Term:	364 days	Same

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Security:	1. Capital stock of Borrower 2. Unsecured intercompany note payable by Enron to Borrower 3. All other assets of Borrower	Same
Conditions Precedent to All Advances:	1. No MAC 2. No default	Same
Covenants	5. Prohibition on additional debt 6. Negative pledge 7. No assets sales or transfers 8. No advances to Enron if a default at Borrower has occurred or if Enron is non-investment grade 9. Minimum tangible net worth	Same
Default	1. Failure to pay principal or interest 2. Default under Enron Corp $1.75B 364-day revolver or $1.25B multi-year 3. Bankruptcy of Enron and/or Borrower	Same
Pricing	Undrawn: 50bps Drawn: 250 bps	Same

D. RISKS AND MITIGANTS

Risk: Bankruptcy of Enron – Given the significant cash shortfall which is primarily associated with Enron's hefty amortization schedule over the next 12 months, and the current lack of access to capital markets, there is a strong probability that Enron's corporate credit ratings (currently Baa2/BBB with negative outlook) may be downgraded to below investment grade. Due to the significant counterparty exposure related to its trading business, if Enron's ratings fall below investment grade, Enron would be required to post sizable Letters of Credit, regardless of the strength of Enron's trading book and net position. Additionally, Enron has two significant structured transactions (Marlin and Osprey) that are essentially tied to Enron's credit rating, which would require defeasance of approximately $5.3 billion of debt. One view is that even if Enron is able to maintain investment grade ratings, Enron could be out of cash in late November/December due to sizable maturities ($689MM in 4Q'01). Additionally, Enron may have additional pressure on its liquidity due to both a slow down in trading volumes as a result of trading counterparties reduce exposure; and as counterparties force Enron into unfavorable positions.

Mitigants:

- The bankruptcy remote vehicle and the corporate separateness covenants should mitigate the risks of a voluntary bankruptcy by the borrowers and substantive consolidation with Enron in its own bankruptcy. If substantive consolidation occurs, however, the stock collateral would be negated, and we would rely on the pledge of all hard assets of the Borrowers..
- In addition, the security interest of the pledge of capital stock provides a senior claim to Enron's corporate unsecured debt.
- If the debt is not collapsed, there are sufficient cash flows at the pipelines to support total debt and Enron credit support is currently not being viewed as a source of debt repayment.
- Pipelines could be sold in short time period. Strong valuation multiples continue to exist today. The identified pipelines are valued on a DCF basis, but can be equated to having an 9.0x and 10.0x EBITDA multiple.

Risk: Structural Issues – If Enron files for Bankruptcy protection, there is a chance that the pipeline companies would be substantively consolidated with Enron. Although we believe this risk is remote, if this were to happen the pledge of stock collateral would be negated and we would look to the hard assets for collateral. There is a preference risk with respect to the

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collateral that we are taking to secure the facility. This risk increases with respect to security interests that are obtained more than ten days after closing. There may not be sufficient collateral in the receivables to repay the facility.

Mitigants:

- Our external counsel, Shearman & Sterling, has advised us that the probability of "Substantive Consolidation" should be less than 10%.
- Our analysis indicates that the pipeline companies and their parent are solvent; this would avoid bankruptcy preference risk.
- We will be perfecting our security in most of the collateral within ten days of closing; this would avoid bankruptcy preference risk as to this collateral.

Risk: Deteriorating cash flows at the Pipelines are not sufficient to repay debt

Mitigants:

- FERC regulated pipelines with long historical operations – Transwestern has been in operations for over 40 years, Northern for nearly 60 years.
- Contracted capacity payments are 90% of Transwestern's revenues; and 85% of Northern's revenues.
- Loan pays out if 2002 contracts are maintained.
- Expansion can be undertaken if preceded by agreement with shippers and approved by FERC

ADDITIONAL RISKS OF THE PIPELINES:

RISKS	MITIGANTS	
	TRANSWESTERN	NORTHERN
Default on loan or non-payment:	Stable Predictable EBITDA: Capacity charges account for 90% of revenue. Coverage ratios sufficiently robust to permit a decline in firm shippers at next rate setting.	Stable Predictable EBITDA: Capacity charges account for 85% of revenues. This is a very important mid-Western pipeline that enjoys a near-monopoly service with many local gas distribution companies.
Competition from other or new pipelines:	Many proposals to add capacity to California market but these may bring gas from other supply basins. San Juan basin and other suppliers to Transwestern will need to compete using wellhead prices. El Paso, the closest competitor is full and allocating space to firm shippers.	Impact of Alliance pipeline and Northern Border expansions have already been felt in northern and eastern portions of the service area. Postage stamp tariff structure and large number of delivery points work to protect Northern's position.
FERC Regulation	Expansion capital expenditures are not usually undertaken unless the new capacity is deemed necessary. Necessity is typically demonstrated by shippers signing up for firm transportation service and committing to pay whether or not gas is actually shipped.	Same
The pipelines could become too leveraged.	Too much leverage might induce FERC to lower tariffs since the cost of debt is less than the target ROE. Pro-forma for this transaction, book leverage will be approximately 49%. Debt can also be amortized if needed. At the last rate case, book leverage was 42%, which it should be at the next rate case.	Too much leverage might induce FERC to lower tariffs since the cost of debt is less than the target ROE. Similar to Transwestern, except that the age of the pipeline and lack of expansion capital expenditures may attract more FERC scrutiny. At the last rate case, book leverage was 42%. If the next rate case is in 2003, book leverage should be below 48%

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The Cash Management System of Transwestern and Northern is commingled with that of Enron Corp.	Cash is commingled at Enron with cash from other Enron businesses. This is important for Enron since these pipeline companies are an important source of cash. If a cash sweep becomes necessary, an appropriate mechanism could be put in place.	Same
Pending Litigation	Enron Transportation Services' general counsel has informed us that there is no pending or threatened material (greater than $300,000) environmental lawsuits or investigation. An Administrative Law Judge recently decided favorably on Transwestern's index-to-index trading. At risk is a $10.5MM tariff payment. FERC will act as an appellate court.	Same
New Pipeline Safety legislation will be very expensive and could reduce Pipelines' returns.	Expects to conduct the proposed tests and inspections for about $36 million during 2002 – 2004; expect recovery through rates if legislation is enacted	Expects $237MM capex over 10 years; legislation not yet enacted; expect recovery through rates; included in forecast

E. RETURNS TO CITICORP

During 2000, total revenues from this relationship were $50.1 million. Year-to-date, revenues have been $35.4 million. $12 million on up-front fees were earned on this transaction.

F. MANAGEMENT AND RELATIONSHIP BACKGROUND

RELATIONSHIP BACKGROUND:
Citibank enjoys a strong relationship with Enron Corp. William T. Fox, III, Head of Global Energy and Mining for Citibank, has a relationship with Enron dating back 20 years. Enron considers Citi to be one of its most respected top tier banks. This is evidenced by our role in the current financing.

ENRON CORP MANAGEMENT BACKGROUND:
Enron's long-time Chairman of the Board, Ken Lay, recently resumed the role of CEO after Jeff Skilling abruptly departed in mid-August. In addition, Andy Fastow announced a leave of absence on October 24, 2001. Jeff McMahon has been named CFO. McMahon had been serving as chairman and CEO of Enron's Industrial Markets group. From 1998 to 2000, McMahon was Enron's treasurer.

ENRON TRANSPORTATION SERVICES MANAGEMENT BACKGROUND:
Rod Hayslett, Sr VP and CFO of Enron Global Services (which includes the pipelines), has served in various positions in all of Enron's pipeline companies beginning in 1978. Areas of experience include strategic planning, financial planning, business development, finance and administration. Mr. Hayslett reports directly to Stan Horton, Chairman and CEO of Enron Global Services.

Kevin Howard began his career at Enron in 1987 after 3 years with Deloitte, Haskins & Sells' Houston office. Have served in various accounting and finance positions for Enron's gas pipeline group (1987 - 1995), Enron Capital and Trade Resources - Europe (1995-1997), ECT - North America Assets (1997-1999), Enron Broadband Services (1999-2001), and current position as VP - Finance for Enron Global Assets (including the Enron pipelines). Kevin reports to Rod Hayslett, Sr. VP and CFO of Enron Global Services

G. SECURITY/COLLATERAL

Citi will have a first priority perfected security interest securing the obligations under the Facility and the Guaranties in (i) all capital stock of the Borrower pledged by its bankruptcy-remote parent; (ii) an unsecured subordinated intercompany note by Enron Corp. payable to the order of the Borrower ("Intercompany Note"); and (iii) substantially all other assets of the Borrower.

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H. RAAC Compliance/Key Covenants

No RAAC issues. See key covenants above.

I. Ways Out

	Transwestern	Northern Natural
Refinance:	Refinancing entire $650MM in bond market would maintain financial ratios within FERC parameters	A large portion of the new debt could be refinanced in the bond market while maintaining target FERC ratios.
Sell:	Enterprise value of $1.3 billion is twice the $650 million of debt	$1.05 billion of debt vs. enterprise value of $2.0 billion
Date repayment	2010 if cash swept beginning 1/1/03	2012 if cash swept beginning 1/1/03

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RICHARD A. HERTLING, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250

July 9, 2002

Ms. Jane C. Sherburne, Esquire
Deputy General Counsel
Litigation and Compliance
Citigroup Inc.
1101 Pennsylvania Avenue, NW
Suite 530
Washington, DC 20004

Via Fax at 202-220-3699

Dear Jane:

There are a number of additional facts that the Subcommittee needs to obtain before our hearing on July 23. Please provide the following:

A list of all prepay transactions Citigroup entered into with Enron. Provide the name of the transaction, date, commodity, and amount of each transaction. Furthermore, provide the total amount of fees that Citigroup earned in connection with each transaction, including, but not limitd to, up-front structuring and arrangement fees and the implied interest rate earned on each transaction.

Why did Citigroup set up Delta in the Cayman Islands?

Does Citigroup pay all fees associated with Delta Energy Corporation (Delta)? Does Citigroup pay any fees or costs for the administration or management of Delta to Givens Hall, Schroders or Maples and Calder, separate from fees related to specific transactions Delta enters into with Citigroup?

When did Schroders take on the administrative functions of Delta?

On what assets of Delta, if any, does Citigroup hold a lien?

Who had responsibility for Salomon Smith Barney's obligations as an underwriter of the Yosemite I notes? What due diligence was undertaken prior to the sale of the Yosemite notes in the 144A transaction?

Who prepared the September 20, 1999, Salomon Smith Barney presentation to Enron

Permanent Subcommittee on Investigations
EXHIBIT #192h

entitled "Capitalization" [CITI-SPSI 0031094 - 0031098]? Citigroup representatives confirmed to Subcommittee Staff that this likely was presented to and discussed at the "Investment Grade Commitment Committee." Confirm that this is the case. If this precise document was not presented, was the information embodied in the document presented?

Reconcile the capitalization table on page 19 (stated to be "as of June 30, 1999") of the Yosemite offering circular to the capitalization table set forth in the materials referred to in the preceding paragraph as well as the balance sheet set forth in Enron's 10-Q for the quarter ended June 30, 1999.

What consideration was given to disclosure in the Yosemite I Offering Memorandum of the chart entitled "SSB Additional Known Structures" ($6 billion in off the book financings) included in the September 20, 1999 presentation [CITI-SPSI 0031097]?

The official position, title, and department (group, division, etc.) of Citigroup that the following individuals work for currently (as of July 2002) and worked for during the period(s) indicated next to the individual's name:

A. Steve Wagman (September 2000 and May 2001)
B. Azfar Hashmi (September 28, 2000)
C. William Fox (April 1999; April 2001; September 2001; and October 2001)
D. Thomas Stott (April 1999; April 2001; and October 2001)
E. Alberto J. Verme (September 2001 and October 2001)
F. James F. Reilly (December 1998; April 1999; September 2001; and October 2001)
G. Michael W. Nepveux (October 2001)
H. Lydia G. Junek (October 2001)
I. Steve Baillie (April 1999)
J. David B. Gorte (December 1998)
K. Timothy Swanson (May 2001 and June 2001)
L. Rick Caplan (May 2001)
M. Amanda Angelini (May 2001)
N. Steve Incontro (May 2001)
O. James Forese (June 2001)
P. Alfred W. Griffin (November 2001)
Q. Amy K. Pincu (November 2001)

In addition, as we have previously discussed, we need to schedule phone calls to complete our interview of James Reilly and discuss the Travelers Insurance matter.

Please contact me if you have any questions and to schedule the calls (202-224-9505). Thank you for your assistance.

Sincerely,

Bob Roach

Jane C. Sherburne
Deputy General Counsel
Litigation and Compliance

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July 17, 2002

By Telecopy

The Honorable Carl Levin
Chairman
The Honorable Susan Collins
Ranking Minority Member
United States Senate
Committee on Governmental Affairs
Permanent Subcommittee on Investigations
Washington, D.C. 20515-6115

Citigroup: Subpoena E02499

Dear Chairman Levin and Senator Collins:

In response to the Subpoena issued by the Committee dated July 2, 2002, and faxed to me on July 9, 2002, please find enclosed a summary document that is responsive to the questions posed under requests 1 and 2, at Schedule A.

The document we are enclosing includes client sensitive and proprietary information that is maintained confidentially by Citigroup. Citigroup requests that the Committee treat these documents, and all other information provided by Citigroup, confidentially.

Sincerely yours,

Jane C. Sherburne
Deputy General Counsel

Enclosures

cc: Robert Roach, Chief Investigator
Kim Corthell, Staff Director to the Minority

Citigroup Response to July 2 Subpoena
Senate Permanent Subcommittee on Investigations

Summary in Lieu of Production of Document

The following are the names of Citigroup, Inc. clients or counterparties that engaged in pre-paid forward transactions with a special purpose vehicle and a description of (1) the number of transactions; (2) identities of any special purpose vehicles used by the client or counterparty; and (3) whether or not price risk was hedged with Citigroup:

Arkla Exploration Company (1992):
(1) One transaction
(2) International Commodity Merchants
(3) Undetermined (documents have not yet been located)

Amerada Hess Corporation (1993):
(1) One transaction
(2) Delta Energy Corporation
(3) Price risk hedged on the NYMEX, not with Citibank.

Enron Corporation: (1) Transactions identified below, as follows:

- December 1993
  (2) Vega Energy Corporation
  (3) Price risk hedged on NYMEX

- September 1994
  (2) Delta Energy Corporation
  (3) Some price risk hedged with Citibank

- December 1998
  (2) Delta Energy Corporation
  (3) Price risk not hedged with Citibank

- June 1999
  (2) No SPV was used; Toronto Dominion was a counterparty
  (3) Citibank was counterparty to hedges with Toronto Dominion

- November 1999
  (2) No SPV was used; Toronto Dominion and Royal Bank of Scotland served as counterparties
  (3) All three bank counterparties engaged in price risk hedges

- December 1999
  (2) Delta Energy Corporation
  (3) Price risk hedged with Citibank

- February 2000
  (2) Delta Energy Corporation
  (3) Price risk hedged with Citibank

- August 2000
  (2) Delta Energy Corporation
  (3) Price risk hedged with Citibank

- May 2001
  (2) Delta Energy Corporation
  (3) Price risk hedged with Citibank

- June 2001
  (2) Delta Energy Corporation
  (3) Price risk hedged with Citibank

With respect to request 1(c), for which we have interpreted "a financing structure similar to Yosemite" to mean a credit linked note with a prepaid placed in the trust structure, Citigroup did not execute a financing structure similar to Yosemite for any client other than Enron. Citigroup made presentations regarding financing structures similar to Yosemite (referred to generically as "credit linked notes") to the following companies:

Williams Cos.	Kerr-McGee
El Paso	NiSource
Mirant	PG&E Corporation
Dynegy	Devon Energy
AEP	Dominion
Reliant	Duke Energy
Equitable Resources	Phillips 66

Jane C. Sherburne
Deputy General Counsel

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July 22, 2002

Mr. Robert L. Roach
Counsel to the Majority
Permanent Subcommittee on Investigations
Senate Government Affairs Committee
199 Russell Senate Office Building
Washington, DC 20510

Dear Bob:

This letter is in further response to the questions you asked in your letter of July 9, 2002.

The fees received by Citibank in connection with prepaid transactions with Enron are as follows:

- In December 1993, Citibank entered into a $150MM 18-month crude oil prepaid forward involving HPL Resources Company, a wholly owned subsidiary of Enron.

  Fees at closing:[1] 27.5 bps up front; 55 bps on $45MM and 15 bps on $105MM, ongoing borrowing spread.

- In September 1994, Citibank entered into a $125MM 18-month crude oil prepaid forward involving Enron Cushing Oil Marketing, a wholly owned subsidiary of Enron.

  Fees at closing: 35 bps up front; 50 bps ongoing borrowing spread.

- In December 1998, Citibank entered into a $500MM, three-year prepaid forward natural gas and crude oil sale involving Enron.

  Structuring fee: $2.5MM; ongoing borrowing spread 52 bps.

- In June 1999, Citibank entered into a 90-day, cash-settled $250MM crude oil prepaid forward sale involving Enron. In September 1999, the prepaid was increased to $337.5MM and its maturity was extended to December 1999.

---

[1] These fees at closing represent what Citibank anticipated it would make over the life of the transaction. Of course certain transactions were settled early and not all expected fees were realized.

Fees at closing: 40 bps up front; $100,000 swap fee; 55 bps ongoing borrowing spread; $100,000 restructuring fee.

- In December 1999, Citibank entered into a 180-day, cash-settled $100MM crude oil prepaid forward sale involving Enron.

  Fees at closing: $200,000 up front; 65 bps ongoing borrowing spread.

- In June 2001, Citibank entered into a 180-day, cash-settled $250MM, gas prepaid forward sale involving Enron.

  Fees at closing: $500,000 up front; 60 bps ongoing borrowing spread. Breakage fee of $330,000.

Yosemites and ECLNs

- In November 1999, Citibank entered into a five-year, cash-settled $800MM crude oil prepaid forward sale involving Enron in connection with the Yosemite I transaction.
- In February 2000, Citibank entered into a seven-year, cash-settled £206MM crude oil prepaid forward sale involving Enron in connection with the Yosemite II transaction.
- In August 2000, Citibank entered into a five-year, cash-settled $475MM crude oil prepaid forward sale involving Enron in connection with the ECLN I transaction.
- In May 2001, Citibank entered into five-year, cash-settled crude oil prepaid forward sales of $475MM, £109.5MM and €170MM involving Enron in connection with the ECLN II, ECLN Sterling and ECLN Euro transactions.

With respect to the credit-linked notes transactions (*i.e.*, the Yosemite and ECLN transactions), the Company did not earn any separate fee or other compensation in connection with the prepaids. Rather, the Company was compensated for the prepaids through the *general* structuring fee or *overall* expected revenue associated with each deal. In the Yosemite transactions, the Company earned an overall structuring fee of $1.6MM (Yosemite I) and $0.5MM (Yosemite II), which compensated the Company for structuring the entire transaction (including, among other things, the Trust, the Citibank Swap and the prepaid). The Company did not receive any structuring fees with respect to the ECLN transactions. However, we understand that compensating the Company for its structuring efforts was taken into account in pricing the yield on the certificates to be issued by the Trusts and 100% of which would be purchased by Citibank. The certificates in the ECLN transactions had yields of 9% (ECLN I), 8.5% (ECLN II), 8.5% (ECLN-Sterling), and 7.5% (ECLN-Euro) per annum, respectively. The total structuring fee – of which the prepaids were only a part – together with the certificate yield realized by the Company in connection with these transactions, are as follows: Yosemite I: $7.37MM; Yosemite II $1.97MM; ECLN I $484,361; and ECLN II $352,716. Thus, the fees earned by the Company associated with the prepaids would be only a fraction of these amounts.

Why did Citigroup set up Delta in the Cayman Islands? A: Like many special purpose entities, Delta was established in the Cayman Islands because it is a tax neutral jurisdiction.

Does Citigroup pay all fees associated with Delta Energy Corporation (Delta)? A: No.

Does Citigroup pay any fees or costs for the administration or management of Delta to Givens Hall, Schroders or Maples and Calder, separate from fees related to specific transactions Delta enters into with Citigroup? A: Yes. Citibank paid fees to Givens Hall (and later Schroders) for yearly administrative costs relating to Delta. Enron paid fees to Maples and Calder for its work on behalf of Delta in connection with certain transactions. Following the Enron bankruptcy, Citi paid Maples and Calder a fee for legal services performed in connection with the unwind of the Yosemite and ECLN transactions.

When did Schroders take on the administrative functions of Delta? A: Givens Hall was the administrator of Delta at the time of the ECLN I transaction in August 2000. By the time of the ECLN II transaction in May 2001, Schroders had taken over the administrative functions of Delta.

On what assets of Delta, if any, does Citigroup hold a lien? A: Citigroup currently holds no lien on the assets of Delta. In each of the prepaid transactions in which Delta was involved, Citibank held a lien on Delta's assets for the life of the transaction.

Who had responsibility for Salomon Smith Barney's obligations as an underwriter of the Yosemite I notes? What due diligence was undertaken prior to the sale of the Yosemite notes in the 144A transaction? A: The investment banking division of SSB, and its outside counsel, undertook due diligence in connection with the sale of the Yosemite I notes. SSB reviewed the business and financial statements of Enron. The due diligence review process performed by SSB was substantially consistent with the due diligence review process that it would have performed if the securities were offered in a registered transaction. SSB received an opinion from Enron's outside counsel and a comfort letter from Enron's auditor. We refer you to the attached Index of Closing Documents for Yosemite Securities Trust I Notes that details the Opinions and other documents obtained in connection with this transaction.

The official position, title, and department (group, division, etc.) of Citigroup that the following individuals work for currently (as of July 2002) and worked for during the period(s) indicated next to the individual's name:

A. Steve Wagman (September 2000 and May 2001)
   Now: Managing Director, Corporate Derivatives Marketing
   September 2000: Director, Corporate Derivatives Marketing
   May 2001: Managing Director

B. Azfar Hashmi (September 28, 2000)
Now: Associate
September 2000: Associate

C. William Fox (April 1999; April 2001; September 2001; and October 2001)
Now: Managing Director/Industry Head, U.S. Energy and Mining
April 1999 - October 2001: Executive

D. Thomas Stott (April 1999; April 2001; and October 2001)
Now: Managing Director/Risk Manager, GRB
April 1999 - April 2001: Specialist
October 2001: Risk Manager

E. Alberto J. Verme (September 2001 and October 2001)
Now: Managing Director, Head of Global Power and Energy
September - October 2001: Same

F. James F. Reilly (December 1998; April 1999; September 2001; and October 2001)
Now: Managing Director Power & Energy Group
December 1998 - April 1999: Executive
September 2001: Managing Director

G. Michael W. Nepveux (October 2001)
Now: Sr. Banker/Director, U.S. Energy (Houston)
October 2001: Sr. Banker I.

H. Lydia G. Junek (October 2001)
Now: Sr. Banker/Managing Director, U.S. Energy (Houston)
October 2001: Sr. Banker II.

I. Steve Baillie (April 1999)
Now: No longer at Citi
April 1999: Banker

J. David B. Gorte (December 1998)
Now: No longer at Citi
December 1998: Specialist, Licensing Group

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* **Note**: We understand that the historical information recorded here reflects what is available from the Citigroup HR database. It is somewhat limited and does not provide full titles. If necessary, we could obtain these through direct conversations with the relevant individuals.

K. Timothy Swanson (May 2001 and June 2001)
Now: Associate
May - June 2001: Associate

L. Rick Caplan (May 2001)
Now: Managing Director and Co-head/North American Credit Derivatives and Global Portfolio Solutions
May 2001: Managing Director, Credit Derivatives

M. Amanda Angelini (May 2001)
Now: Vice President, Credit Derivatives
May 2001: Same

N. Steve Incontro (May 2001)
Now: Vice President, Credit Derivatives
May 2001: Same

O. James Forese (June 2001)
Now: Managing Director, Derivatives Trading
June 2001: Same

P. Alfred W. Griffin (November 2001)
Now: Associate, Capital Structuring Group
November 2001: Same

Q. Amy K. Pincu (November 2001)
Now: Banker, U.S. Energy (Houston)
November 2001: Same

Please let me know if you have any further questions.

Sincerely yours,

Jane C. Sherburne
Deputy General Counsel

Attachment

cc: Kim Corthell, Minority Staff Director (w/attachment)

CLOSING DOCUMENTS

YOSEMITE SECURITIES TRUST I
$750,000,000 8.25% Series 1999-A Linked Enron Obligations (LEOs)
$75,000,000 Certificates

November 18, 1999

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United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510–6250

July 25, 2002

Mr. Sanford I. Weill
Chairman and Chief Executive Officer
Citigroup, Inc.
399 Park Avenue
New York, N.Y. 10043

Dear Mr. Weill:

Earlier this week the Permanent Subcommittee on Investigations held a hearing on the role of financial institutions like yours in the collapse of the Enron Corporation. One of the very troubling factual issues that emerged was Citigroup's use of a Special Purpose Vehicle (SPV), Delta Energy Corporation (Delta), as a pass-through entity established in the Cayman Islands for Enron's "prepays" in which Citigroup participated. Citigroup witnesses told us that while Delta was established by Citigroup, while Citigroup paid for Delta's legal and administrative fees, and while Delta was used exclusively for Citigroup's purposes, nonetheless it was not effectively controlled by Citigroup. Substantial evidence the Subcommittee reviewed indicates otherwise. When we asked the Citigroup witnesses whether they would make available all of the documentation involving the establishment, administration and activities of Delta, the witnesses said they would have to consult legal counsel.

We ask that you personally, no later than 12 P.M. Monday afternoon, July 29th: 1) answer the following questions on behalf of Citigroup, in affidavit form, and return them to the Subcommittee office, SR-199; and 2) instruct/direct your agents, attorneys and all other parties acting on Citigroup's behalf responsible for the formation, operation, administration or management of Delta (including but not limited to Maples & Calder, Schroder Cayman Bank and Trust Company and all entities that have a beneficial or controlling interest in, or agency relationship with, Delta) to make available to the Subcommittee all documents related to the ownership, formation, operation, administration or management of Delta, and all documents that address or indicate Citigroup's relationship to Delta.

QUESTIONS: (Please note that any reference to Citigroup is intended to include any entity related to Citigroup or Citigroup's agent.)

1) Did Citigroup establish Delta and, if so, when, for what purpose and why in the Cayman Islands?

2) Does Citigroup directly or indirectly own Delta, and if it doesn't, who does?

Permanent Subcommittee on Investigations
EXHIBIT #192i

3) If the owner of Delta is a charitable trust, does Citigroup own the charitable trust, and if it doesn't, who does?

4) Who serves on the Board of Directors of Delta and the entity that owns Delta?

5) Who is the agent for Delta and who is the agent for the entity that owns Delta?

6) Does Citigroup pay for:

Delta's adminstrative fees? Registration fees? Attorney fees? Transactions fees?

7) When a non-Citigroup entity does business with Delta, with whom does the entity conduct the negotiations -- a Citigroup employee or a Delta employee?

8) What obligations do any of the attorneys, trustees, administrators, directors, or beneficial owners of Delta have to Citigroup with respect to Delta and separate and apart from Delta?

9) Does Citigroup effectively control Delta?

If you have any questions about this request, please contact either or us or have your staff contact Robert Roach, Counsel and Chief Investigator of the Subcommittee at 202-224-9505.

Sincerely,

Susan Collins
Ranking Member

Carl Levin
Chairman

Permanent Subcommittee on Investigations

CL:ljg

Jane C. Sherburne
Deputy General Counsel
Litigation and Compliance

Citigroup Inc.
1101 Pennsylvania Avenue NW
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Washington, DC 20004

Tel 202 220 3690
Fax 202 220 3699
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sherburnej@citi.com

July 29, 2002

By Telecopy and First Class Mail

The Honorable Carl Levin
Chairman
The Honorable Susan Collins
Ranking Minority Member
United States Senate
Committee on Governmental Affairs
Permanent Subcommittee on Investigations
Washington, D.C. 20515-6115

Dear Chairman Levin and Senator Collins:

I am writing in response to your letter to Sanford Weill of July 25, 2002.

Citigroup has cooperated with the Subcommittee's inquiry by providing witnesses for interviews and testimony, producing thousands of pages of documents, responding to subpoenas, and providing answers to questions presented informally by your staffs. In our continuing effort to be cooperative, we are providing you with the enclosed affidavit of Mr. Weill.

As Mr. Weill's affidavit makes clear, he does not have personal knowledge of the matters about which you are inquiring. However, in order to provide you with answers to the specific questions raised in your letter, Mr. Weill asked Ms. Barbara Yastine, the Chief Financial Officer of Citigroup's Corporate and Investment Bank, to review the matter further. Her response, which Mr. Weill is submitting on behalf of Citigroup, is presented in an affidavit appended to his.

Additionally, to further aid the Subcommittee and to avoid delays that may be associated with obtaining documents from Delta through normal channels available to the Subcommittee, we have informed the Cayman Island entities referenced in your letter that Citigroup has no objection to their making available to the Subcommittee the documents in which you are interested related to Delta.

If you or your staffs have questions about these submissions, please do not hesitate to contact me.

Sincerely yours,

Jane C. Sherburne
Deputy General Counsel

Enclosures

Doc#: NY6: 276508_2

AFFIDAVIT

STATE OF NEW YORK)
ss.:
COUNTY OF NEW YORK)

SANFORD I. WEILL, being sworn, states:

1. I am the Chief Executive Officer and Chairman of Citigroup, Inc. ("Citigroup"). It is the intention of Citigroup to continue to cooperate with the inquiry of the Senate Permanent Subcommittee on Investigations. To that end, I am responding to the July 25, 2002 letter addressed to me from Chairman Levin and Senator Collins.

2. Citigroup has over 270,000 employees and engages in millions of transactions every year. I have no personal knowledge of any of the transactions or entities raised in the Subcommittee's July 25 letter. Indeed, I understand that Delta Energy Corporation was established by Citibank in December 1993, five years prior to the merger between Citicorp and Travelers.

3. In order to be as helpful as possible to the Subcommittee, I have directed Barbara Yastine, the Chief Financial Officer of Citigroup's Corporate and Investment Bank, to review this matter and provide the information sought by the Subcommittee. On behalf of Citigroup, I attach hereto, as Exhibit A, Ms. Yastine's affidavit, which sets forth responses to the specific questions raised in the Subcommittee's letter.

Sanford I. Weill

Subscribed and sworn to
before me this 29th day
of July, 2002.

Notary Public

JOANN D. McGRATH
Notary Public State of New York
No. 31-4995976
Qualified in New York County
Commission Expires May 4, 2006

Doc#: NY6: 276544_2

AFFIDAVIT

STATE OF NEW YORK)
ss.:
COUNTY OF NEW YORK)

BARBARA YASTINE, being sworn, states:

1. I am the Chief Financial Officer of the Corporate and Investment Bank, which consists of Salomon Smith Barney and certain corporate businesses of Citibank.

2. At the request and direction of Sanford I. Weill, Citigroup's Chairman and Chief Executive Officer, I am setting forth below, based on my information and belief after reasonable inquiry, responses to the July 25, 2002 letter from Chairman Levin and Senator Collins of the Senate Permanent Subcommittee on Investigations on behalf of Citigroup:

1) Did Citigroup establish Delta and, if so, when, for what purpose and why in the Cayman Islands?

In December 1993, Citibank asked a Cayman Islands law firm to incorporate Delta Energy Corporation ("Delta") as an unaffiliated Cayman Islands Limited Liability Company, for the purpose of serving as a counterparty in a physically settled prepaid commodities forward transaction involving Amerada Hess. At the time of Delta's formation, a counterparty was necessary because regulations limited Citibank's ability to receive delivery of physical commodities, such as oil and natural gas. Delta was established in the Cayman Islands in order to achieve tax neutral treatment of this transaction.

2) Does Citigroup directly or indirectly own Delta, and if it doesn't, who does?

Citigroup does not directly or indirectly own Delta. Delta is owned by Grand Commodities Corporation ("GCC"). The sole shareholder of GCC is Givens Hall Bank and Trust ("Givens Hall"). Givens Hall placed its entire interest in GCC into a charitable trust known as GCC Trust.

3) If the owner of Delta is a charitable trust, does Citigroup own the charitable trust, and if it doesn't, who does?

Citigroup does not own GCC Trust. GCC Trust exists for the benefit of any qualifying charity, with the default being the National Council of Voluntary Organisations, a Cayman Islands charitable organization.

4) Who serves on the Board of Directors of Delta and the entity that owns Delta?

Corporate Services Limited is Delta's current sole director and GCC's current sole director. Neither Corporate Services Limited nor any prior directors has any affiliation with Citigroup.

5) Who is the agent for Delta and who is the agent for the entity that owns Delta?

The administrative agent for Delta has been Givens Hall since Delta's formation. The administrative agent for GCC has also been Givens Hall since GCC's formation. Maples and Calder, a Cayman Islands law firm, has been legal counsel to Delta and GCC since Delta's and GCC's formation. None of these entities is an affiliate of Citigroup.

6) Does Citigroup pay for:

Delta's administrative fees? Registration fees? Attorney fees? Transaction fees?

Delta's fees were paid in a variety of ways. Citibank has paid fees to Givens Hall for certain administrative costs – including registration fees – relating to Delta. In certain of the prepaid transactions structured by Citibank, Citibank paid the transaction expenses. In others, either the counterparty paid the transaction expenses, or Delta earned a "spread" on the swaps. With respect to attorney fees, prior to the Enron bankruptcy, these were paid in part by Citibank. Additionally, following the Enron bankruptcy, Citibank paid Delta's legal fees for services performed in connection with the unwinding of the Yosemite and ECLN transactions.

7) When a non-Citigroup entity does business with Delta, with whom does the entity conduct the negotiations – a Citigroup employee or a Delta employee?

Typically, SPEs do not engage directly in transaction negotiations; in the case of Delta, the non-Citibank entity that is engaging in transactions with Delta would conduct the transaction negotiations with Citibank. Delta's outside counsel would review transaction documents. Every transaction, after it has been negotiated, would be submitted to the board of directors of Delta for final approval.

8) What obligations do any of the attorneys, trustees, administrators, directors, or beneficial owners of Delta have to Citigroup with respect to Delta and separate and apart from Delta?

The attorneys, trustees, administrators, directors or beneficial owners of Delta have no obligations to Citibank with respect to Delta, except as specifically contracted for in a particular transaction involving both Delta and Citibank. I am not aware that any of the attorneys, trustees, administrators, directors or beneficial owners of Delta have any obligations to Citibank. Some of the same attorneys, trustees, administrators, directors and beneficial owners may have been involved in other Citibank transactions, and therefore may have obligations to Citibank arising out of those other transactions.

9) Does Citigroup effectively control Delta?

Citigroup does not control Delta. Delta was established at Citibank's request in 1993 as a special purpose entity (SPE) with the express intention of making it independent of, and unaffiliated with, Citibank under relevant legal and regulatory standpoints.

In order to accomplish that result, Delta was established in such a way that Citibank has no ownership in or personnel affiliated with Delta. Delta has an independent board of directors that controls Delta and is responsible for running its business. Moreover, Delta's Memorandum of Association expressly authorizes Delta to engage in any lawful business, as approved by its directors. Although Citibank, like any company that creates an SPE, did not contemplate that Delta would complete transactions that did not involve Citibank, Delta is not obliged to enter into transactions with Citibank.

Thus, from a legal and regulatory perspective, Citibank understood Delta to be independent of, and not controlled by, Citibank. Although some of the facts described in the responses above (*e.g.*, payment of fees) might seem to imply some level of control as that term is ordinarily understood in common usage, these are customary characteristics of independent SPEs and do not, in fact, demonstrate control under relevant legal or regulatory standards. SPEs are used routinely in structured transactions sponsored by a wide range of institutions and corporations.

BARBARA YASTINE

Subscribed and sworn to
before me this 29th day
of July, 2002.

Notary Public

GREGORY A. FORAN
Notary Public, State Of New York
No. 01FO6058781
Qualified In New York County
Commission Expires June 4, 2003

citigroup

Jane C. Sherburne
Deputy General Counsel
Litigation and Compliance

Citigroup Inc.
1101 Pennsylvania Avenue NW
Suite 530
Washington, DC 20004

Tel 202 220 3690
Fax 202 220 3699
New York 212 793 4942
sherburnej@citi.com

August 7, 2002

By Telecopy and First Class Mail

The Honorable Carl Levin
Chairman
The Honorable Susan M. Collins
Ranking Minority Member
United States Senate
Committee on Governmental Affairs
Permanent Subcommittee on Investigations
Washington, D.C. 20515-6115

Dear Chairman Levin and Senator Collins:

In light of your recent hearing in which you examined certain Enron-related structured financings, we thought you might be interested in steps Citigroup is taking to ensure that the balance sheet effect of structured financings is transparent to investors. These measures, together with an announcement that Citigroup will begin expensing options in January, are set forth in the enclosed letter from Sandy Weill to Citigroup employees.

Sincerely yours,

Jane C. Sherburne/ee

Jane C. Sherburne

Enclosure

Permanent Subcommittee on Investigations
EXHIBIT #192j

citigroup

To: All Employees

From: Sandy Weill

Date: August 7, 2002

Re: Progress Report

In my last letter to you, I told you we were reviewing and would continue to review, our business practices to ensure they adhere to the new standards that are emerging and that we continue to be a leader in defining and adopting higher standards. As I described, recent events have pointed out two key lessons: we must do everything we can to identify, eliminate or manage conflicts of interest – real or perceived – as they arise, and we need constantly to strengthen transparency through meaningful disclosure. As the financial services industry gets increasingly complex, we need to reemphasize these basic values.

As you know, we are changing the way we do research and taking the lead to build stronger walls to separate research from investment banking. By being the first firm to voluntarily embrace the Spitzer principles, we have precluded investment bankers from having any say in analyst compensation and previewing reports. We also called on regulators to pass rules that would preclude analysts from going on investment banking pitches and road shows. And we were the first firm to voluntarily adopt the SEC's proposal for analysts to certify that the views expressed in their research accurately reflect their personal views and that they have not been compensated, directly or indirectly, for expressing a specific recommendation. The sooner these reforms are adopted as industry-wide rules, the better.

Also, I cannot over-emphasize the importance we place on our senior management's "blood oath" commitment to hold ¾ of any stock or options we receive for as long as we're running the company. This is the toughest Stock Ownership Commitment in the corporate world today. Because we are committed to the long-run health of our company, we are constantly looking for ways to run the company better. With that in mind, today, I wanted to discuss with you four important new developments.

Affirming our SEC Filings

Today, our CFO Todd Thomson and I signed an oath certifying the accuracy of the disclosure in our financial reports. It is only right that CEOs and the company's most senior financial officer stand behind their companies' financial disclosures and therefore we welcomed the opportunity to demonstrate our confidence in the integrity of the disclosures we provide.

Expensing Options

Beginning in January, we will account for all stock options for management, employees and members of our Board as an expense. Investors have made clear that they want options accounted for in this manner, and we at Citigroup continue to place a high priority on our responsibilities to our shareholders. For 2003, we estimate the impact of this decision will be approximately $.03 per share and when fully phased in over the next five years, we estimate the impact will be approximately $.06 per share.

New Board Committee on Governance

Our Board has decided that we should create a new Board level committee to focus on corporate governance. All of the members of the new committee will be independent directors. As you may know, today, both the Personnel, Compensation and Directors Committee and the Audit Committee of the Board are 100% comprised of independent directors. This new committee strengthens our commitment to the highest standards of corporate governance.

New Initiatives in our Structured Finance Business

While it is the responsibility of each and every corporation to ensure that its financial statements fairly represent its true financial condition and of its auditors to provide an independent verification of the financial statements, unfortunately, recent events suggest that these safeguards have not always worked as they should. The industry's practices need to change rapidly and we want to be a leader in defining these new higher standards. We support the various legislative and regulatory initiatives designed to increase transparency.

At Citigroup, we are committed to greater transparency in the disclosure of structured finance transactions and we are answering the call from Washington and from investors by adopting strong initiatives ourselves.

Quite simply, if a company does not agree to record a material financing as debt on its balance sheet, Citigroup will only execute the transaction if the company agrees to publicly disclose its impact to investors.

Starting immediately, we will only do these transactions for clients that agree to make prompt disclosure of the details of the transaction including management's analysis of the net effect the transaction has on the financial condition of the company, the nature and amount of the obligations, and a description of events that may cause an obligation to arise, increase or become accelerated. In addition, we will only do these transactions for clients that agree to provide the complete set of transaction documents to their chief financial officer, chief legal officer and independent auditors. We believe our new policy will encourage companies to provide greater transparency than currently required by law and help restore investor confidence in our financial markets.

For Citigroup itself, our second quarter 10 Q already goes beyond legal and regulatory requirements in providing enhanced disclosure of Citigroup's securitization activities. Going forward, we will, of course, follow the same practices we are asking our clients to follow.

Citigroup has always strived to be at the forefront of progressive industry change. I believe that the actions we are taking in these four key areas underscore our commitment to transparency, accountability and full disclosure to the investment community.

We continue to review practices and policies and take action to make changes where appropriate. And of course, I will continue to keep you informed. I continue to deeply believe in the future of our company and, on behalf of management and the Board of Directors, let me reiterate how proud we are of your integrity, commitment and high performance. Thank you for your ongoing support.

ENRON CAPITAL & TRADE RESOURCES
WORLDWIDE ENERGY SOLUTIONS

Interoffice Memorandum

DRAFT

To: Distribution

From: Greg Whiting

Department: North American Organization

Subject: Prepaid Hydrocarbon Companies

Date: August 22, 1997

Overview

This memo is intended to provide an overview of the procedures for a legal entity established to own certain prepaid oil and natural gas forward sales contracts.

What is a Prepaid Contract

A Prepaid Contract is a transaction through which ECTR is prepaid by a third party for future oil/natural gas deliveries. The counterparty in these transactions is typically a large bank. The term ranges from 1 - 5 years.

Purpose of Prepaid Contracts

The purpose of the Prepaid Contract is to provide cash flow to Enron Corp in order to meet its cash flow objectives. They are not intended to be income generating transactions.

Accounting for Prepaid Contracts

1. Company Setup

Before a prepaid contract is closed, it needs to be determined whether a new legal entity should be created or one of the current prepaid legal entities should be reused. If a new legal entity is to be established several items is process. They are:

- Have the new corporate entity given a name and Co. #
- Have a bank account established through Corporate Treasury
- Have an MSA company established through the Control Group
- Have MSA access granted to responsible accountants
- Have an A/R company established through the Control Group
- Have the chart of accounts established for the GL through the Control Group
- Have the ECT Legal Dept issue the stock certificate
- Have Taxpac established through Corporate Tax Dept
- Notify the ERMS book administrators and provide them with an amortization schedule for the discount
- Provide a copy of the discount amortization schedule to ECTR Cash Flow Group

Note: These items should be completed one week prior to the anticipated closing date of the deal.

2. Monthly Activities

Each month, the Prepaid Company must go to the market and purchase the hydrocarbons necessary to fulfill its contractual obligation to the counterparty (Long term supply contracts are also used to provide these hydrocarbons). The responsible accounting group should receive invoices, verify, and initiate the payment for these hydrocarbons. This group books these invoices to the appropriate payable account and insures that the coding on the check request/wire transfer form will clear the payable.

Permanent Subcommittee on Investigations
EXHIBIT #193a

From time to time, traders feel that they have an opportunity to make a margin on trades and will use the prepaid companies to house these trades. The responsible accounting group should treat any purchases as stated in the above previous paragraph. For any sales, an invoice should be prepared, booked to the appropriate receivable account, and sent to the customer for payment. When payment is received it is the accounting group's responsibility to make sure the payment is applied to the correct receivable account and customer.

ERMS accounting will be responsible for booking a swap with the prepaid company to move any positive or negative gross margin to ERMS.

The gross margin of these companies should always be very close to zero. A simple test is as follows:

Sales (4921 or 4830) + Cost of Sales (8053 or 8000) + Swaps (4922) = 0

Note: The numbers in parentheses represent the account major for the respective categories.

ERMS accounting will also be responsible for the amortization of the deferred asset created by the discount associated with the cash flow received. For example, if the gross amount of the prepay is $200M and discounted cash received is $150M, the discount to be amortized is $50M.

Accounting Entries for Prepaid Hydrocarbon Transactions - Setup

Entries to be made on the Prepaid Hydrocarbon Co's Books

1. Original receipt of cash:

(Cash)	1310-999	XXXX	
(Misc Exp)	4265-999	XXXX	
(Sales)	4921/4830		XXXX

This entry shows the application of cash for the transaction fee and prepaid sales income.

2. Swap the value of the prepaid sales to Co. 364 (ERMS):

(Swap Income)	4922-364	XXXX	
(Interco. A/R)	1460-364		XXXX

Entries to be made on ERMS's Books

1. Receipt of Hydrocarbon revenue swap from the Prepaid Hydrocarbon Co.:

(Interco. A/R)	1460-AAA	XXXX	
(Swap Income)	4922-AAA		XXXX

2. Book the discount to be amortized over the life of the transaction:

(ST MTM Liability)	2420-310	XXXX	
(LT MTM Liability)	2530-310	XXXX	
(MTM Income)	4923-999		XXXX

The balance sheet side of this entry must be divided between LT and ST.

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3. Input the value of the Prepaid transaction liability into the appropriate risk book:

(MTM Income)	4923-999	XXXX	
(ST MTM Liability)	2420-310		XXXX
(LT MTM Liability)	2530-310		XXXX

This entry will be made by the accounting person responsible for booking MTM income for the applicable risk book. Again, the balance sheet accounts must be divided between LT and ST.

Accounting Entries for Prepaid Hydrocarbon Transactions - Monthly Entries

Entries to be made on the Prepaid Hydrocarbon Co's Books

1. To record the purchase of hydrocarbons to fulfill the contract and accrue the payable:

(Purchases)	8000/8053	XXXX	
(Acct. Payable)	2320-100		XXXX

2. To record the swap from the Co. 364 risk book to cover the cost of purchasing the hydrocarbons:

(Interco. A/R)	1460-364	XXXX	
(Swap Income)	4922-364		XXXX

Entries to be made on Co. 364

1. Swap the annuity value from the risk book to the Prepaid Hydrocarbon Co.:

(Swap Income)	4922-AAA	XXXX	
(Interco. A/R)	1460-AAA		XXXX

2. Amortize the Prepaid transaction discount:

(MTM Income)	4923-999	XXXX	
(ST MTM Liability)	2420-310		XXXX

3. Reclass the first month of LT discount to the ST discount account:

(ST MTM Liability)	2420-310	XXXX	
(LT MTM Liability)	2530-310		XXXX

4. Record the monthly annuity value rolling out of the risk book:

(ST MTM Liability)	2420-310	XXXX	
(MTM Income)	4923-999		XXXX

NOTE: This entry will be made by the person responsible for booking MTM for the risk book.

5. Reclass one month of LT liability to the ST liability to replace the current month rolling off:

(LT MTM Liability)	2530-310	XXXX
(ST	2420-310	XXXX

NOTE: This entry will be made by the person responsible for booking MTM for the risk book.

Miscellaneous Notable Items

An amortization schedule needs to be prepared for the discount associated with the prepayment. This schedule needs to be provided to the ERMS book administrators and to the ECTR Cash Flow Group.

In order to reconcile the Daily Position Report (DPR) to the general ledger for the applicable risk book the amount of the unamortized discount must be subtracted from the DPR (the traders use the DPR to judge their income position). This is due to the fact that these transactions are undertaken for cash flow purposes, therefore the traders are not responsible for the cost of obtaining the funds (the discount). When reconciling between the Max Exposure Report, DPR, and General Ledger it will be similar to the following:

Max Exposure + Unamortized Discount = DPR

DPR - Unamortized Discount = GL

The intercompany accounts (1460-XXX sl 9) between ERMS and the prepaid hydrocarbon company should **never be settled in cash until the term of the prepaid contract has expired.** The original balance in these accounts should be the discounted amount of the prepayment. It will be amortized down as the monthly settlements are liquidated out of ERMS's risks books and passed to the prepaid companies via the intercompany account. At the end of the prepaid term, a cash settlement needs to be made between the ERMS and the prepaid company to clear any remaining balance. This remaining balance represents ERMS traders profit or loss during the term of the prepayment. If the traders lost money, the prepaid company did not receive enough cash to cover the purchases it made and must be reimbursed for this amount. If the traders made money, the prepaid company received more cash than it needed to pay for its purchases and should forward the excess cash to ERMS. For example, Enron receives $1,000 from XYZ Bank as a prepayment representing 100 BBLS @ $10.00. If the ERMS traders can purchase the crude at $9.00/BBL they have made $1.00/BBL . The entries would be as follows (Please note that this example does not take into effect the discounting of cash flows):

Receipt of Cash (Income Effect = $0.00)

Prepaid Company:	1310-999	$1,000	
	4921-999		$1,000
	4922-364	$1,000	
	1460-364		$1,000
ERMS:	1460-XXX	$1,000	
	4922-XXX		$1,000
	4923-999	$1,000	
	2420-310		$1,000

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Monthly Entry (Income Effect = $100.00)

Prepaid Company:	8053-999	$900	
	1310-999		$900
	1460-364	$900	
	4922-364		$900
ERMS:	4922-XXX	$900	
	1460-XXX		$900
	2420-310	$1,000	
	4923-999		$1,000

End of Term Settlement (Income Effect = $0.00)

Prepaid Company:	1460-364	$100	
	1310-999		$100
ERMS:	1310-999	$100	
	1460-XXX		$100

Note that the absolute value of the income effect in the example is equal to the absolute value of the balance in the intercompany (1460) accounts **before settlement.** If the intercompany balance on the prepaid company's ledger is a debit/(credit) balance this denotes that the ERMS traders **lost**/(made) money on the deal.

This memo is **only a guideline.** Each deal has its own unique characteristics. Be sure to research any items that do not seem to be applicable to the above explanations.

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Permanent Subcommittee on Investigations
EXHIBIT #193b

Enron Corp Bank Presentation

November 19, 2001

Waldorf Astoria

New York, NY

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Agenda

▪ **Introduction - What Happened?**	Jeff McMahon, Chief Financial Officer
▪ **Enron and Dynegy Merger**	Greg Whalley, President & COO
▪ **Business Review**	Greg Whalley, President & COO
▪ **Risk Assessment & Controls**	Rick Buy, Chief Risk Officer
▪ **Debt Issues**	Jeff McMahon, Chief Financial Officer Ray Bowen, Treasurer
▪ **Next Steps**	Jeff McMahon, Chief Financial Officer
▪ **Question and Answer Session**	Panel

What Happened ?

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What Happened?
Current Situation

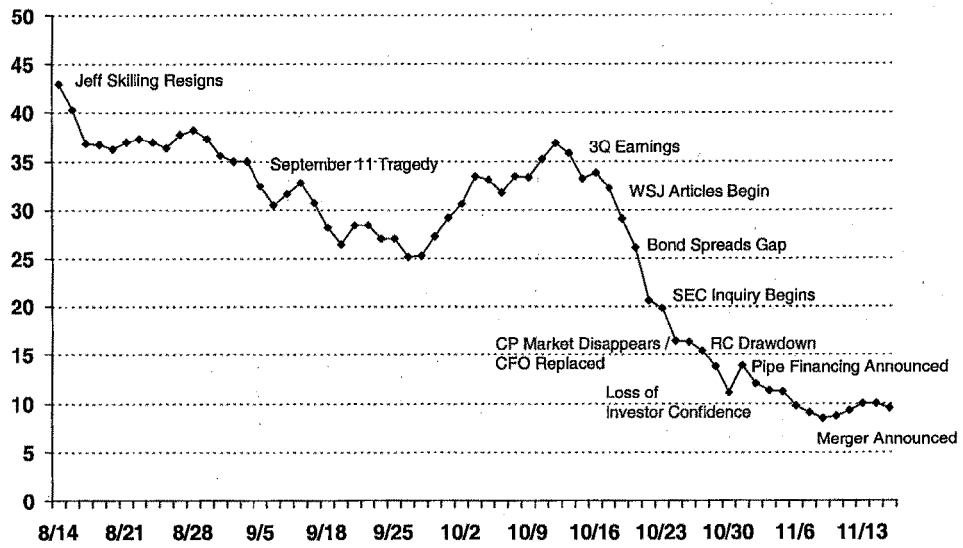
- Complete loss of investor and creditor confidence
  - Management
  - Performance of the business
  - Financial markets
- No access to capital
  - Short-term
  - Long-term
- Trade credit markets nervous
- Current maturities greatly exceed operating cash flow
  - Revolving credit facility matures May 2002 - $1.75B
  - Osprey Trust must be defeased September 2002 - $2.6B
  - Other bank maturities
- Too much leverage tied to stock price
  - Osprey
  - Marlin
  - Equity forwards

RESULT:
Enron Has A Liquidity Problem

What Happened?
Cause

- Series of bad investments
  - Azurix
  - Broadband
  - Elektro
  - Dabhol
  - Merchant investments
- Overlevered
  - Failed asset / liability management program
  - Large use of Enron stock
  - No significant equity issuances
- Related party transactions
  - Conflicts of interest
  - Slow to address investor concerns
  - Overused
  - Possible control failure
- Failure of management to respond quickly

What Happened?
Enron Daily Share Price



What Happened?
Shareholder Equity Activity 12/99 to 9/01

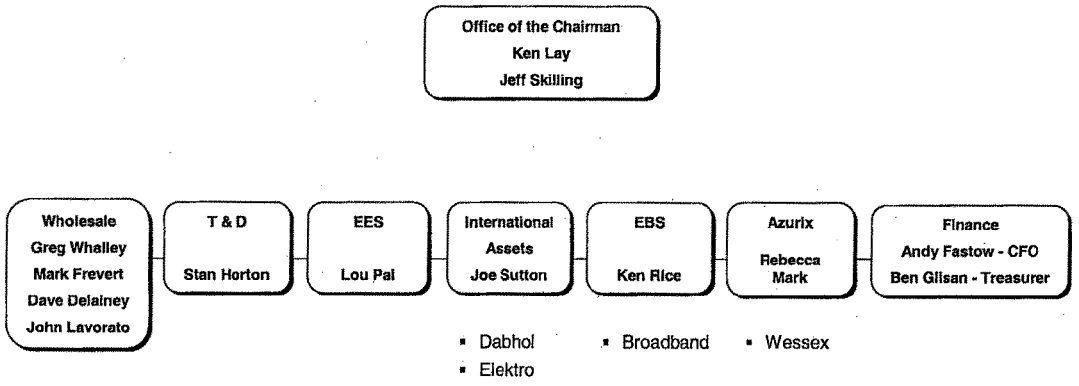
			$MM
	December 1999 Shareholder Equity		**9,570**
Net Income	Net Income - Recurring		2,507
	Net Income - Non-recurring		
	Azurix	(613)	
	Broadband Services	(180)	
	Investing Activities	(544)	
	Other	20	
	Non-recurring Total		(1,317)
	Net Income Total		***1,190***
Share Related	Dividends Declared	(786)	
	Shares Purchased	(1,559)	
	Shares/Contingent Shares Issued to Raptor	998	
	Repurchase of Contingent Shares	(1,270)	
	Equity Issuances for Business Acquisitions	409	
	Equity Issuances for Benefits / Options	1,514	
	Share Related Total		***(694)***
Other	Other Comprehensive Income / CTA		(1,036)
	All Other		460
	September 2001 Shareholder Equity - Estimate		**9,490**

Subject to restatement pending the filing of Enron 9/30/01 10Q

What Happened?
How to Solve It

Issues	Actions Implemented
▪ Short-term	
• Get immediate liquidity	• Revolver drawdown
• Protect credit rating	• $1.0B secured facility
	• $1.5B Northern Natural Gas preferred
	• Private equity initiative
▪ Medium-term	• Accelerated asset sale program
• Restructure maturities	
• Improve rating outlook	
• Liquidate finance vehicles	
• Sell assets	
▪ Long-term	• Change in management
• Rebuild investor confidence	• Restructured business focus
• Asset / Liability management program	• Engaged corporate governance advisors
• Management focus	• Restructured finance department
• Strategic equity solutions	

What Happened?
Historical Organization Chart



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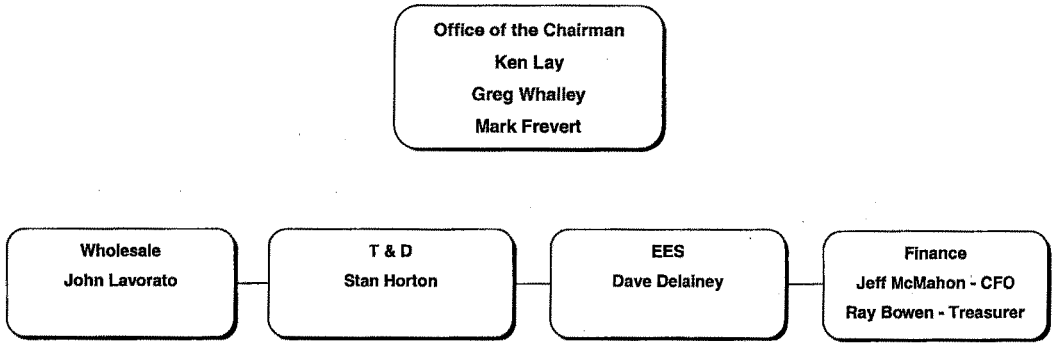
What Happened?

Current Organization Chart



What Happened?
Pro Forma Combined Company ($MM) – 12/31/02E

	Dynegy Standalone	Enron Standalone	Merger Adjustments	Pro Forma NewCo [1]	Asset Sales Sensitivities $1.0B	Asset Sales Sensitivities $2.0B
Cash & Equivalents	20	1,559		1,579	1,579	1,579
Balance Sheet Debt	4,605	12,087	(1,000)	15,692	14,692	13,692
Off-Balance Sheet Debt	2,105	1,080		3,185	3,185	3,185
Convertible Preferred	-	1,500	(1,500)	-	-	0
Redeemable Preferred	246	903		1,149	1,149	1,149
Minority Interest	1,200	2,387		3,587	3,587	3,587
Shareholder Equity	5,156	9,500	3,005	17,661	17,661	17,661
Total Book Capitalization	13,312	27,457	505	41,274	40,274	39,274
Adjusted Ratios						
Net Debt / Net Book Cap.	48.30%	44.80%		43.80%	42.30%	40.80%
EBITDA / Fixed Charges	4.8x	3.9x		4.5x	4.7x	5.0x
FFO / Fixed Charges	5.4x	3.4x		4.2x	4.4x	4.6x
FFO / Net Debt	25.60%	21.50%		25.30%	27.20%	29.20%

(1) Includes $500 MM of synergies

Source: Dynegy Presentation – November 2001

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Enron and Dynegy Merger

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Enron and Dynegy Merger

- #1 wholesale natural gas and power franchises
  - Through the Q3, gas sales exceeded 40 Bcf per day and power sales exceeded 500 million megawatt hours
- Principal energy market makers and liquidity providers
  - EnronOnline + Dynegy*direct*
- Intellectual capital leveraging core asset positions
- Complementary physical and financial capabilities
  - Combined revenues exceeded $200B and $90B in assets
- Comprehensive energy delivery networks
  - Includes more than 22,000 megawatts of generating capacity
- Diverse pipelines and generation assets
  - Includes more than 25,000 miles of pipelines

Source: Enron Merger Press Release November 9, 2001

Enron and Dynegy Merger
Transaction Overview

- Stock for stock merger
  - Fixed conversion ratio of 0.2685 ENE per DYN share
  - Resultant ownership profile ~ Enron 36%; Dynegy 64%

- Dynegy purchased preferred stock for $1.5B, exchangeable for ENE common stock and convertible into 100% of Northern Natural preferred equity under certain circumstances
  - Funded via ChevronTexaco's $1.5B purchase of preferred stock in Dynegy
  - ChevronTexaco's preferred is convertible into common equity of Dynegy at a 5% discount to $35.966 (the 5-day average price as of November 2, 2001) per share

- Commitment by ChevronTexaco to infuse an additional $1.0B upon close of the merger

This slide is intended only as a summary of the definitive documents to the Merger Agreement and the investment in preferred stock by Dynegy

Enron and Dynegy Merger
Merger Agreement

- Agreement
  - Expected to close in the 3rd quarter of 2002
  - Required approvals – FERC, HSR, SEC and Enron and Dynegy shareholders
- Termination Provisions
  - Material Adverse Change Clause (MAC)
  - Litigation Cap
    - $3.5B Cap, MAC clause enforceable thereafter
- Interim Covenants
  - Debt
    - May refinance existing debt plus incur an additional $1.0B in addition to the recent $1.0B Chase / Citi financing
  - Equity
    - Enron is entitled to issue up to $2.0B of new equity
      - Or additional equity as necessary to prevent a downgrade below investment grade

These slides are meant as an overview of the principle terms of the Merger Agreement and, as summarized, are qualified as to the terms of the Merger Agreement

Enron and Dynegy Merger

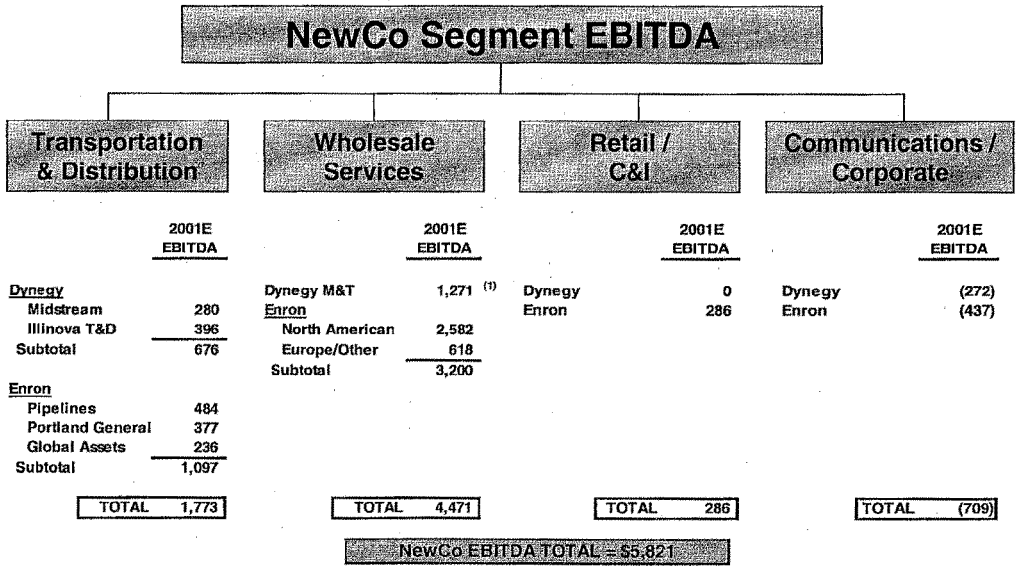
Financial Highlights of the New Dynegy

- Significant balance sheet strength
- Less leverage with fewer off-balance sheet transactions
- Strong free cash flow to support future growth

Enron and Dynegy Merger
Credit Strengths

- #1 wholesale gas and power industry position
- Diversified earnings stream
  - Stable free cash flow from assets (midstream, pipes, T&D)
  - Significant recurring earnings / cash flow (wholesale)
  - Profitable C&I / Retail business
  - G&A savings
- ChevronTexaco strategic relationship and support
- Commitment to maintain investment grade ratings
- Conservative financial policy and practices

Enron and Dynego Merger
Combined Company – 2001 Estimate ($MM)



(1) Includes $600MM of EBITDA attributable to generation assets

Note: Numbers subject to restatement pending filing of Enron 9/30/01 10Q

Source: Dynegy Presentation November 2001

Enron Business Review

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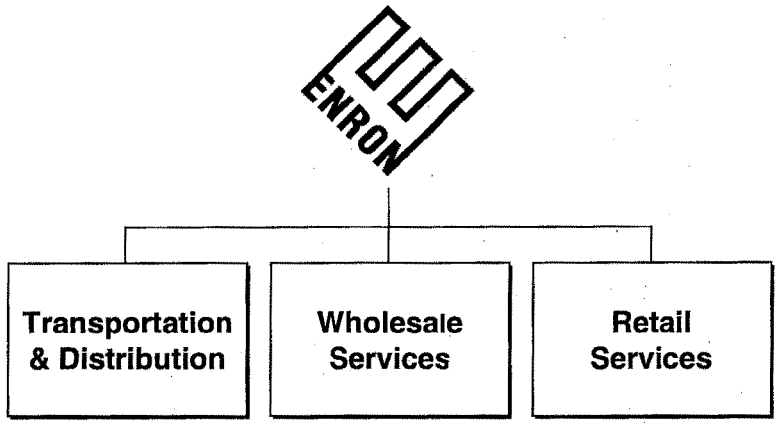
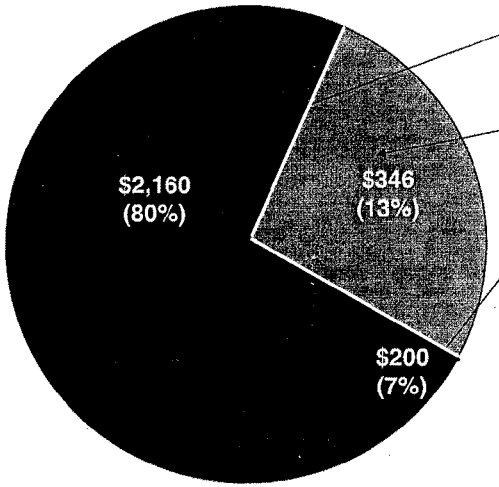
Enron Business Review

Enron Businesses



Enron Business Review

9 Mo. 2001 EBITDA By Core Business ($MM)



Core Businesses

Wholesale Services

- Marketing and Delivery of Commodities Worldwide

Transportation & Distribution

- Pipelines

Retail Energy

- Energy Outsourcing to Commercial and Industrial Customers

Non-Core Businesses

- Portland General, Global Assets, Broadband

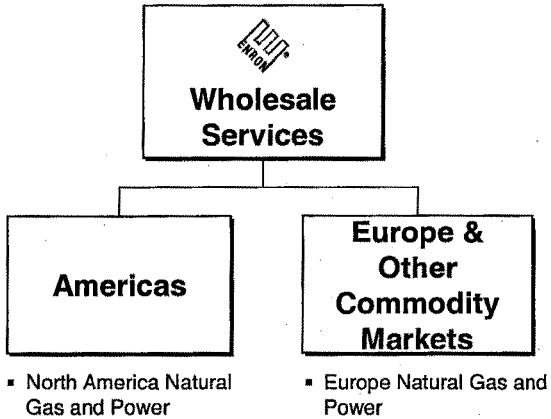
Businesses Under Review

- Other wholesale commodity businesses outside of gas, power, and coal

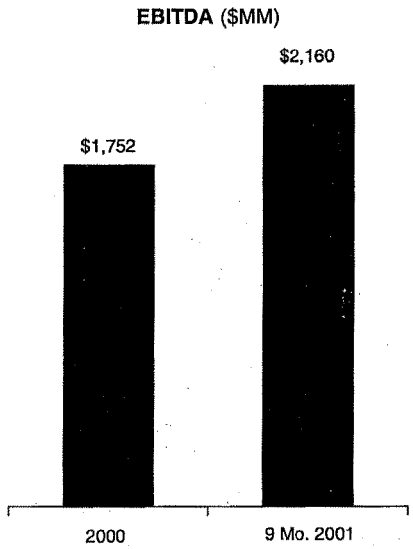
Notes: Core Businesses only
EBITDA = Operating Income + DDA
Subject to review pending the filing of Enron 9/30/01 10Q

Enron Business Review

Enron Wholesale Services



- North America Natural Gas and Power
- Europe Natural Gas and Power

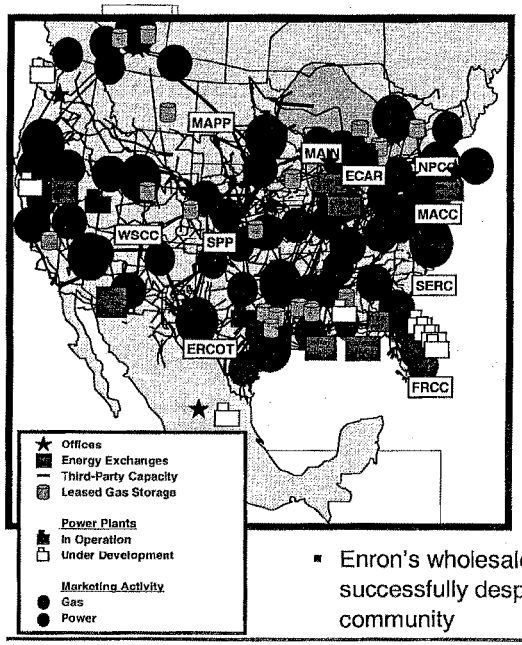


Subject to restatement pending the filing of Enron 9/30/01 10Q

Note: Excludes Global Assets, which is now Non-Core

Enron Business Review

Enron Wholesale Services

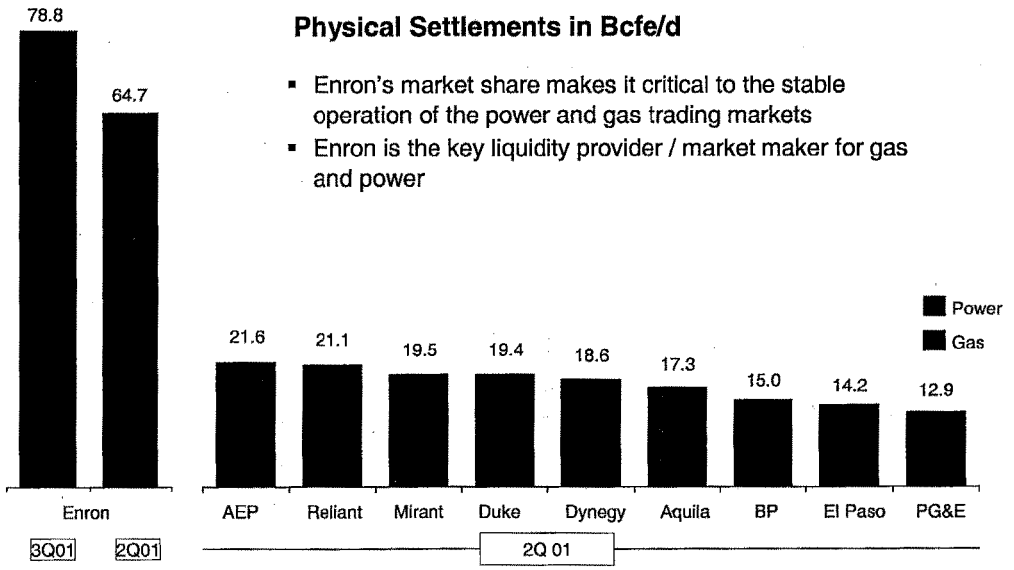


- Enron infrastructure gives greater access to market information than its competitors
- The infrastructure involves:
  - ownership of assets
  - controlled access to assets
  - asset management agreement
- Gas volumes on EnronOnline were greater than NYMEX in September 2001

- Enron's wholesale business continues to operate successfully despite the crisis of confidence in the investor community

Enron Business Review

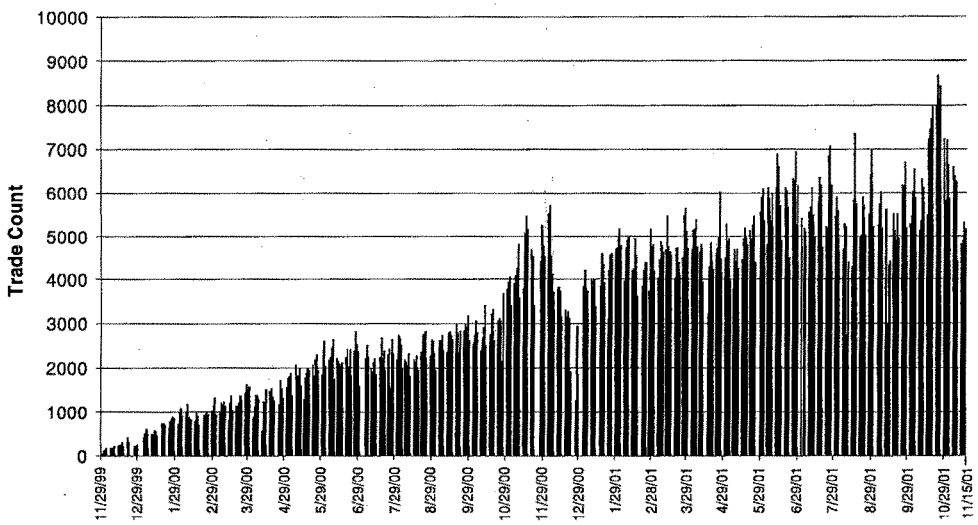
Enron's Leading Market Position



Source: Gas Daily, Power Markets Week, Company Reports

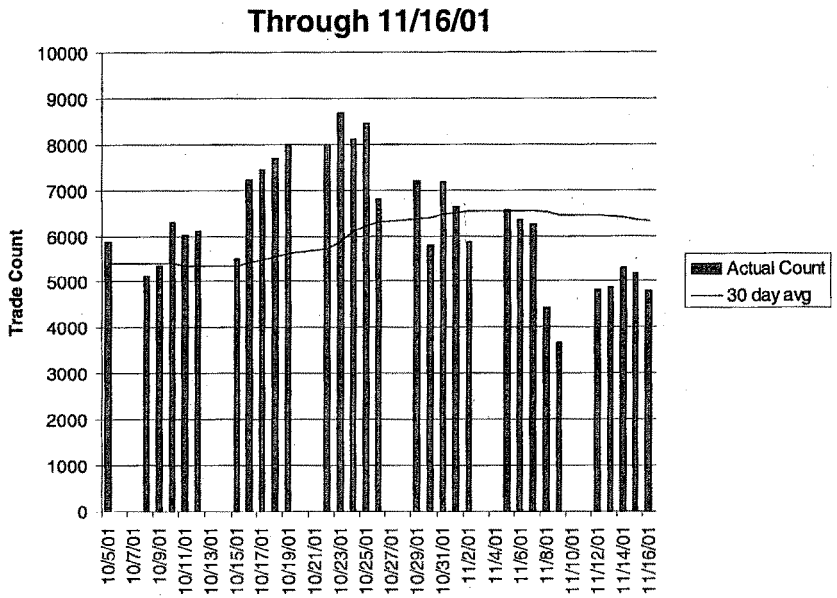
Enron Business Review

EnronOnline Trade Counts Since Inception



Enron Business Review

EnronOnlineTrade Counts - Last 30 Days

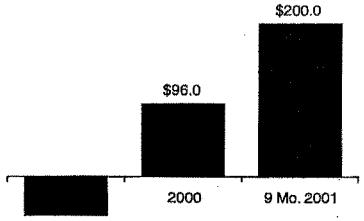


Enron Business Review

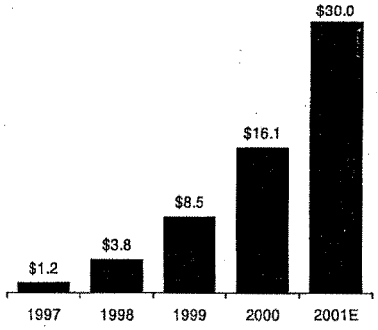
Enron Energy Services

- Medium / Long term natural gas and electricity outsourcing supply for clients
- Identification and installation of energy efficient equipment which allows clients to reduce consumption
- Business is focused in US / UK / Canada
- Target market focused on large consumers (Fortune 2500 companies) as well as small consumers

EBITDA ($MM)



Total Contract Value Growth ($B)



Subject to restatement pending the filing of Enron 9/30/01 10Q

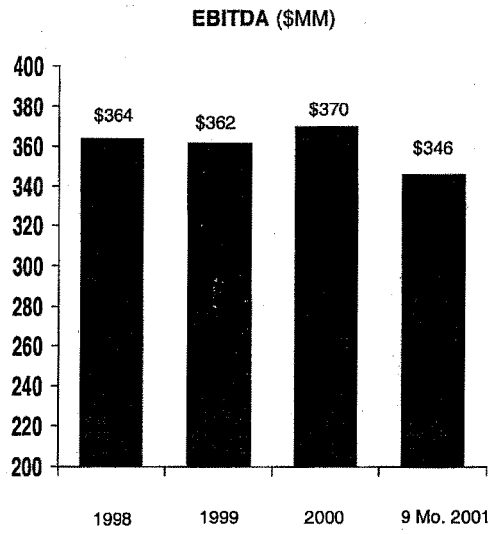
Enron Business Review

Natural Gas Pipelines

Transportation & Distribution

Natural Gas Pipelines

- Transwestern
- Northern Natural
- Citrus
- Northern Border
- Trailblazer



Subject to restatement pending the filing of Enron 9/30/01 10Q

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Enron Business Review

Business Issues

- Dabhol
  - DPC continues to pursue remedies against Maharashtra State Electricity Board (MSEB), the Government of Maharashtra (GOM) and the Government of India (GOI)
  - Procedural hearings in separate arbitrations against GOM and GOI are scheduled for this month
  - Project lenders considering approval of the termination notice to MSEB. DPC is currently forbidden by the Bombay High Court from serving the Termination Notice
  - Enron has made its first claim against its political risk policies
- California
  - Edison exposure approx. $150MM, PG&E gross exposure approx. $521MM
- Effect of current events on wholesale business
  - Liquidity
  - Counterparty activity
  - Transaction activity

Risk Assessment and Controls

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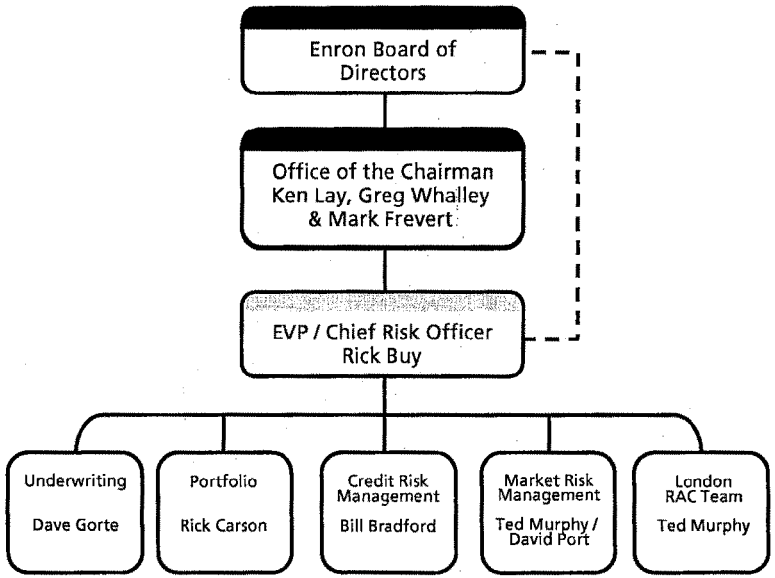
Risk Assessment and Controls

Risk Assessment & Control Group ("RAC")

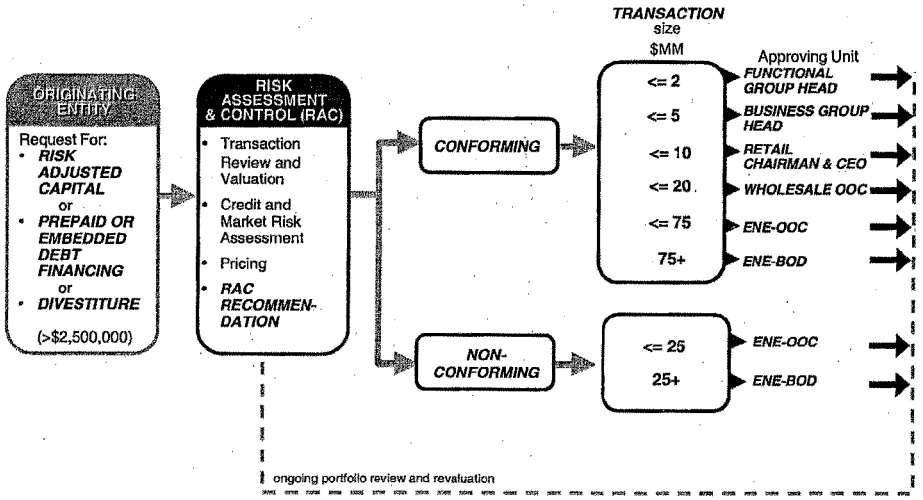


Risk Assessment and Controls
Responsibilities

- Market Risk Management
  - Identify and evaluate complex global risk issues
  - Provide oversight and advice to the risk administration and risk technology processes
- Credit Risk Management
  - Credit review of over 7,000 transactions daily and review over 15,000 counterparties worldwide
  - Actively monitor and manage portfolio credit exposure associated with worldwide trading activities
- Underwriting
  - Ensure that risks for merchant capital transactions are identified and, where possible, mitigated
  - Value investments by modeling transaction risks using standard valuation processes
- Portfolio
  - Provide due diligence review to identify financial and administrative risks in proposed transactions
  - Ongoing asset management and compliance

Risk Assessment and Controls

Transaction Approval Process



Risk Assessment and Controls
What Went Wrong and Remedies

What Went Wrong?

- Large strategic transactions were **NOT** subject to RAC scrutiny
  - Azurix
  - EBS
  - India
  - The New Power Company
- RAC's role was to **HIGHLIGHT THE RISKS** for senior management and Board of Director decision making
- Related party transactions approved by the Board of Directors

Remedies

- **ALL** transactions will be subject to RAC review
- Approval policy expected to be altered at December 2001 board meeting to require Board of Director override of RAC decisions

Risk Assessment and Controls
Credit Controls

How Do We Quantify and Control Credit?

- Standard credit analysis
- Strong documentation process
- Monitor and maintain collateral
- Monitor portfolio credit quality
- Perform simulations of price curve movements to estimate how credit exposure and required margin is impacted
- Actively maintain a credit reserve

  Actual reserve as of 9/28/2001 was $583MM
- Maintain credit insurance (base level of protection)
- Systems, systems, systems

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Risk Assessment and Controls

Credit Controls – continued

What Are the Issues Facing Us?

- Downgrade to BBB-
  - No real issue except confidence factor
- Downgrade below investment grade
  - Requires the replacement of cash by L/C's
  - Collateral thresholds (credit limits collapse to zero)
  - Incremental margin posted under contractual margin agreements would be approximately $1.6B
  - Nervous counterparties
  - Calls for margin
  - Reduced trading by some players
- Adequacy of cash for margin call and L/C replacement

Risk Assessment and Controls
Credit Controls - continued

What Does Our Credit Portfolio Look Like?

- 15,000 counterparties including retail
- 3,500 active wholesale counterparties

Investment Grade	68%
Non-Investment Grade	32%

- $15B of net credit exposures

Net exposure by E-Rating (In $MM)

E-Rating	Moody's	S&P	9/30/2001	6/30/2001
1	Aaa/Aa1	AAA/AA+	777	793
2	Aa2/Aa3/A1	AA/AA-/A+	1,751	1,615
3	A2/A3	A/A-	1,728	2,196
4	Baa1/Baa2	BBB+/BBB	4,872	4,125
5	Baa3	BBB-	1,034	1,000
6	Ba1	BB+	1,050	606
7	Ba2	BB	976	532
8	Ba3	BB-	502	490
9	B1/B2	B+/B	1,205	1,446
10	B3	B-	399	330
11	Caa/Ca/C	CCC	136	237
12		D	538	790
			14,968	14,160

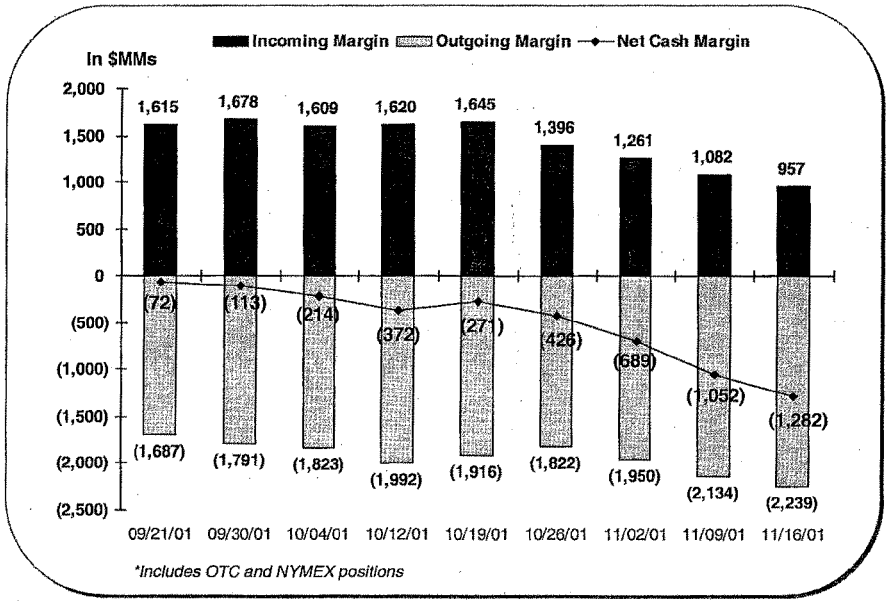
Risk Assessment and Controls

Counterparty Behavior

How Are We Doing?

- Cash collateral converted to L/C's is manageable
- Industry's extension of credit to Enron has been reduced but stable
- Effort completed to reduce counterparty exposure to Enron through assignment of trades and "ring" trades
- Cash has been needed to replace credit

Risk Assessment and Controls
Cash Collateral



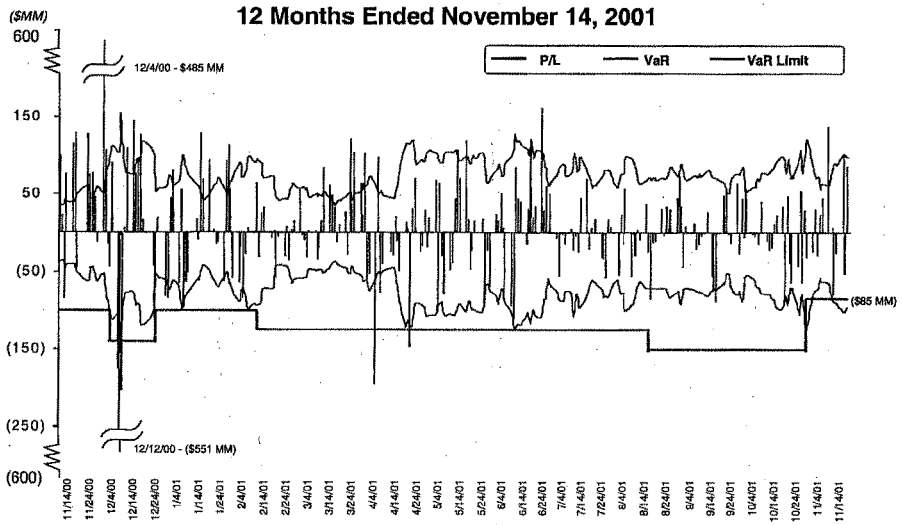
*Includes OTC and NYMEX positions

Risk Assessment and Controls

Trading - Are Our Controls Effective?

Backtesting of Enron Corp. aggregate VaR

12 Months Ended November 14, 2001



Debt Issues

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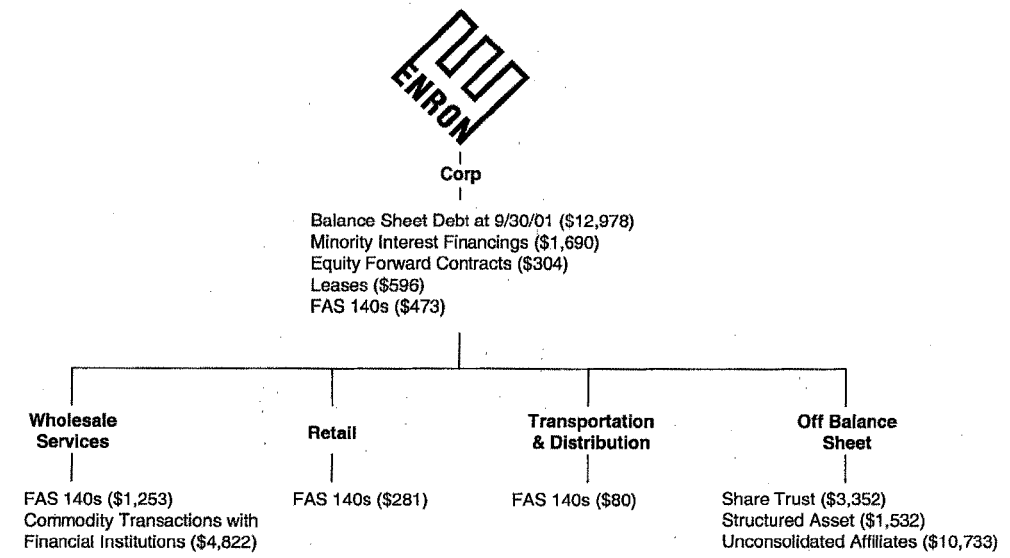
Debt Issues
Enron Debt ($MM)



Business unit obligations are not legal obligors. The chart does not consolidate business units into corporate

Debt Issues
Enron Corp Recovery Plan

As of September 30, 2001	Debt [6]	Minority Interest	Preferred Stock	Equity	Other Obligations	Proforma Total Capital	Corporate Revolver D/C[5]
Current Book	11,977	$2,387	$903	$9,450	$713	25,430	54%
Pipeline Financing	$750						
Draw on RC less CP O/s	$1,000						
Dynegy Preferred	($1,500)			$1,500			
Private Equity	($500)			$500			
Asset Sales							
Contracted [4]	($3,730)						
Other Anticipated	($1,850)			($200)			
Securitization Potential Exposure							
Marlin / Azurix[1]	$395			($855)			
Osprey [2]	$569			($774)			
Osprey Equity				($1,000)			
FAS 140s	$325			($117)			
Committed Stock Repurchases	$648			($648)			
Potential Equity Reduction							
International Assets	???			???			
Broadband Networks				($600)			
Revised Total	$8,084	$2,387	$903	$7,256	$713	$19,343	50%

[1] Assumes 1.0x RAB multiple for Wessex
[2] Assumes Osprey assets worth 75% of book value less Enron debt obligations included in beginning debt bal
[3] B/S debt / (B/S debt + Preferred Stock + Shareholder's Equity)
[4] Includes assets sales plus debt assumptions
[5] (B/S debt + Other Obligations) / Total Capital
[6] Beginning debt balance less cash

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Debt Issues

New Facility Terms and Conditions

Borrower:	Transwestern Pipeline Company Northern Natural Gas Company	($550MM) ($450MM)
Guarantor:	Enron Corp	
Facilities:	Secured Revolving Credit Facilities	
Use of Proceeds:	General Corporate Purposes	
Maturity:	364 days after the Closing Date	
Accordion Feature:	Provides for increase of $200MM	
Security:	Capital Stock of Borrower Unsecured subordinated note of Enron Corp All assets of Borrower	
Covenants:	Tangible Net Worth $750MM for both borrowers Corp. Guarantee – reflects revolver (maximum debt-to-capital 65%)	

Debt Issues
Northern Natural Gas Preferred

- Dynegy purchased $1.5B of NNG Preferred on November 13, 2001
- Dynegy has the option to purchase equity of NNG if merger agreement is terminated

Debt Issues
Private Equity

- Potential structure
  - Transwestern preferred similar to Northern Natural Gas
- Timing
  - Prior to year-end
- Sources
  - Traditional private equity
  - Strategic private investors

Debt Issues

Estimated Asset Sales through Year-End 2002

	Cash Flow In ($MM)	Expected Sale Date
Contracted		
EGEP India	330	Dec-01
CEG Rio	250	Dec-01
EcoElectrica	250	Dec-01
Portland General (1)	1,800	2nd Half 02
Total	**2,630**	
Anticipated Sales		
Enron Wind		1st Half 02
SK Enron		1st Half 02
Gaspart		1st Half 02
Other International		2nd Half 02
Other Merchant		Year 2002
Total	**1,850**	
Total	**4,480**	

(1) In addition, $1.1B of debt reduction on consolidated balance sheet

Debt Issues
Debt Maturities Through 2002 ($MM)

	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002
Current CP	230	349	-	-	-
Balance Sheet Debt	55	27	2,125	163	1,000
Preferred Stock	-	-	-	-	-
Minority Interest	690	-	-	-	-
Structured	35	41	33	2,780	34
Securitizations / FAS 140s	22	379	540	190	309
Equity Forward Purchases	173	-	-	131	-
Leases	11	57	309	-	5
Commodity Transactions	274	557	213	150	314
	1,490	**1,410**	**3,220**	**3,414**	**1,662**
TOTAL THROUGH 2002	**11,196**				
Major Maturities					
Current CP	230	349			
Rawhide	690				
Revolver			1,750		
New Enron Building			285		
Osprey				2,436	
Pipeline Financing					1,000

Debt Issues

Debt Maturities 2003 – 2005 ($MM)

	2003	2004	2005
Balance Sheet Debt	1,551	2,054	2,611
Preferred Stock	-	103	-
Minority Interest	-	500	500
Structured	1,053	162	179
Securitizations / FAS 140s	193	379	88
Equity Forward Purchases	-	-	-
Leases	46	13	149
Commodity Transactions	607	1,364	840
	3,450	**4,575**	**4,367**
TOTAL 2003 - 2005	**12,392**		

Debt Issues

Cash Flow Summary – Based on Preliminary 2002 Plan ($MM)

	Q4 '01	Q1 '02	Q2 '02	Q3 '02	Q4 '02	Total '02
Cash Flow from Operations	500	750	750	750	750	3,000
Staff Reduction Expense	(100)	-	-	-	-	-
Capital Expenditures	(292)	(243)	(253)	(194)	(176)	(866)
Sale of Investments	830	675	585	465	1,925	3,650
Amortization of Debt and Other Obligations	(2,325)	(1,410)	(3,220)	(3,414)	(1,662)	(9,706)
Collateral Activity	(750)					
Pipeline Financing (net)	750	-	-	-		-
Dynegy Preferred Equity	1,500	-	-	-	-	-
Private Equity	500	-	-	-	-	-
Surplus / (Shortfall)	***613***	***(228)***	***(2,138)***	***(2,393)***	***837***	***(3,922)***
Cash Balance - Beginning of Period[1]	1,001	1,614	1,386	(752)	(3,145)	1,614
Scheduled Remaining Cash	***1,614***	***1,386***	***(752)***	***(3,145)***	***(2,308)***	***(2,308)***
Adjustments:						
Proforma/Rollover Bank Maturities/FAS 140s	920	349	2,035	-	-	2,384
Rollover Osprey Maturity	-	-	-	2,437	-	2,437
Adjusted Remaining Cash Balance (with Rollovers)	***2,534***	***2,655***	***2,552***	***2,596***	***3,433***	***3,433***

(1) Cash in Q4'01 is 9/30/01 balance.

Debt Issues

Expiring L/Cs Under Uncommitted Lines ($MM)

As of Nov 15 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Total
Corp LC Instruments	262	184	90	89	40	**665**
EOTT LC Instruments	156	2				**158**
Trade LCs	114	28	11	19		**172**
Total per Quarter	532	214	101	108	40	**995**

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Debt Issues
Minority Interests

- Rationale
  - Cost effective financing and favorable balance sheet impact
- Where on the Balance Sheet?
  - minority interest

Deal Name	Asset Description	Total Funded Amount ($MM)	Maturity Date
Rawhide	Backstop credit facility	690	Mar-03
Zephyrus	Preferred interest in Enron receivables	500	Nov-05
Choctaw	Preferred interest in Enron receivables	500	May-04
TOTAL		**1,690**	

Debt Issues
Minority Interests - Rawhide

- Enron demand Loans no longer Permitted Investments following downgrade by S&P to BBB-. The demand loans are an inter-company obligation and therefore no cross default to the Revolvers.

- Failure to repay the demand loans was a Termination Event which has started the 9 business-day Purchase Option Period (to November 26, 2001) and is an event of default on the inter-company loan from Sundance to Ponderosa.

- Extension Requested to allow time to absorb information from the bank meeting and to develop an acceptable restructuring plan
  - Extend the start of the Liquidation Start Date to December 14, 2001.
  - Agree to not pre-pay any debt not scheduled to mature during the extension period.

Debt Issues
Structured Financings - Share Trusts - Osprey

- Purpose
  - Deconsolidation of non-core business
  - Bridge for sale of non-core assets in an off-balance sheet manner
- Capital Structure
  - $2,436MM of 144a notes held by investors
  - $220MM of certificates held by institutional investors and LJM 2
- Repayment
  - Enron obligation to pay when due:
    - Enron Mandatory Convertible Preferred Stock
    - Enron Remarketing Agreement
  - Sales of assets
  - Enron obligation to top off
- Trigger Event
  - An Enron senior unsecured rating below Baa3 or BBB- concurrent with an Enron Corp stock closing price below $59.78/share

Debt Issues

Osprey Major Assets

Asset	Whitewing Book Value 9/30/01 ($MM)
International	
European Power Projects	
Sarlux (45% ownership)	353
Trakya (22% ownership)	112
Nowa Sarzyna (50% ownership)	17
Arcos Turbines (100% ownership)	186
Total Europe	**668**
South American Gas Distribution	
Elektro (24% ownership)	480
Promigas (43% ownership)	156
Total South America	**636**
Domestic	
Merchant Assets	561
Yosemite I, II Certificates	52
American Coal Senior Note	77
EES Joint Venture	53
Canadian Turbines	39
Other	7
Total Domestic	**789**
TOTAL OSPREY ASSETS	**$2,093**

Debt Issues

Osprey Sensitivity Analysis As of 9/30/01 ($MM)

Asset Value Percentage	100%	75%
Osprey Debt & Equity	2,656	2,656
Asset Value Merchant	2,093	1,570
Cash exposure	563	1,086
P/L exposure [1]	(251)	(774)
Equity exposure	(1,251)	(1,774)

[1] Assumes ENE share price $10

Debt Issues
Structured Financings - Share Trusts - Marlin

- Purpose
  - Allowed for the funding of the Wessex acquisition on a non-dilutive off-credit basis to Enron
- Capital Structure
  - $915MM in notes held by 144a investors
  - $125MM in Trust Certificates held by institutional investors
- Repayment
  - Enron obligation to pay when due:
    - Enron Mandatory Convertible Preferred Stock
    - Enron Remarketing Agreement
  - Sales of assets
  - Enron obligation to top off
- Trigger Event
  - An Enron senior unsecured rating below Baa3 or BBB- concurrent with an Enron Corp stock closing price below $34.13/share

Debt Issues

Marlin/Azurix Value Analysis As of 9/30/01 ($MM)

ENE Investment in Marlin & Azurix

Wessex RAB (1.0x Multiple)		2,000
Other Assets*		300
AZX Asset Value		**2,300**
Azurix Debt (9/30/01)	1,971	
Marlin Debt	915	
		2,886
Marlin Repayment Exposure		**(586)**
Add Back ENE Preferred		191
ENE Top Up Obligation		**(395)**
ENE P/L Exposure		**(855)**
Equity Exposure		**(855)**

1915

Debt Issues
FAS 125/140 and TRS Structures

- Transaction rationale:
  - Bridge for ultimate sale of non-core assets
  - Generates cash flow for reinvestment
- Where on the balance sheet:
  - Out of the money portion of Total Return Swap value recognized in Price Risk Management Assets/Liabilities

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Debt Issues

FAS 125/140 and TRS Structures ($MM)

Deal Name	Asset Description	Total Funded Amount	Total Asset (1) Value	Maturity Date
Hawaii	Multi-asset credit facility	455		November-02 July-02
Riverside	Equity in Teesside Power	76		January-02 December-13
ETOL	Equity in Teesside Operations Ltd.	291		June-03 January-04
Cerebus	Equity in EOG shares	517		June-02
Service Co.	Equity in Service Co.	25		September-03
Nikita - EOTT	Equity in EOTT	80		September-03
Cornhusker	Equity in QF Powerplant	222		March-02
Motown	Equity in QF Powerplant	63		March-02
Slapshot	Canadian Newsprint Mill	358		June-06
TOTAL		**$ 2,087**	**$ 1,762**	

As of 9/30/01 (1) Valuations based on RAC or publicly traded assets

Debt Issues

Commodity Transactions with Financial Institutions

- Rationale
  - Asset / Liability management of the commodity risk portfolio
  - Monetize profit on commodity risk portfolio and transfer associated credit risk
- Contracts
  - Monetize future cash flow and transfer counterparty credit risk to lenders
  - Monetize future cash flow with lenders and Enron buys credit protection on counterparties
  - Monetize future cash flow with lenders and buy credit protection on Enron's counterparties
- Where on the Balance Sheet?
  - Reported in Price Risk Management Liabilities

Debt Issues
Commodity Transactions with Financial Institutions

		Term	Current Amount ($MM)	Funding Source
Gas				
	Gas 1	Dec-01	19	Bank - amortizing
	Gas 2	Mar-02	350	Bank - non-amortizing
	Gas 3	Jun-02	46	Bank - amortizing
	Gas 4	Jun-04	308	Bank - amortizing
	Gas 5	Jun-05	533	Bank - amortizing
	Gas 6	Nov-05	299	Bank - amortizing
	Gas 7	May-08	33	Bank - amortizing
	Gas 8	Apr-11	258	Bank - amortizing
		Total Gas:	1,846	
Power				
	Power 1	May-12	211	Bank - amortizing
		Total Power:	211	
Crude				
	Crude 1	Dec-01	168	Bank - N/A
	Crude 2	Oct-02	150	Bank - non-amortizing
	Crude 3	Nov-02	75	Bank - amortizing
	Crude 4	Oct-04	800	US Dollar Yosemite I - non-amortizing
	Crude 5	Jul-05	475	US Dollar CLN I - non-amortizing
	Crude 6	Apr-06	475	US Dollar CLN II - non-amortizing
	Crude 7	Apr-06	162	Sterling CLN II* - non-amortizing
	Crude 8	Apr-06	155	Euro CLN II* - non-amortizing
	Crude 9	Feb-07	305	Sterling Yosemite II* - non-amortizing
		Total Crude:	2,765	
		Total:	4,822	*Amounts stated in USD

Note: GBP 1.00 = USD 1.4761 and EUR 1.00 = USD 0.9113

Debt Issues

Rating Agency Update

			Outlook
Moody's	Senior Unsecured Debt	Baa3	Review for Downgrade
Standard & Poors	Senior Unsecured Debt	BBB-	Negative Watch
Fitch	Senior Unsecured Debt	BBB-	Evolving

Debt Issues
8K Disclosure

- Restatement
  - JEDI
  - LJM 1
  - Accounting error $1.2B
- Related party transactions
  - LJM 1
  - LJM 2
  - ChewCo
- Special committee investigation
- SEC investigation

Debt Issues

Restatements – Net Income ($MM)

	1997	1998	1999	2000	Q1 2001	Q2 2001	Q3 2001
Net income as reported	105 [1]	703	893	979	425	404	(618)
Restatements:							
Consolidation of JEDI and Chewco	(45)	(107)	(153)	(91)	-	-	-
Consolidation of LJM1 subsidiary	-	-	(95)	(8)	-	-	-
Raptor equity adjustment	-	-	-	-	-	-	-
Prior year proposed audit adjustments and reclassifications	(51)	(6)	(2)	(33)	17	5	(17)
Net income restated	**9**	**590**	**643**	**847**	**442**	**409**	**(635)**

(1) After effect of significant contract restructuring charge totaling $463MM (after tax)

Debt Issues

Restatements – Total Assets ($MM)

	1997	1998	1999	2000	Q1 2001	Q2 2001
Total assets as reported	22,552	29,350	33,381	65,503	67,260	63,392
Restatements:						
Consolidation of JEDI and Chewco	447	160	187	(192)	-	-
Consolidation of LJM1 subsidiary	-	-	(222)	-	-	-
Raptor equity adjustment	-	-	-	(172)	(1,000)	(1,000)
Prior year proposed audit adjustments and reclassifications	(79)	(87)	(147)	(364)	(1,249)	247
Total assets restated	**22,920**	**29,423**	**33,199**	**64,775**	**65,011**	**62,639**

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Debt Issues
Restatements – Debt ($MM)

	1997	1998	1999	2000	Q1 2001	Q2 2001
Debt as reported	6,254	7,357	8,152	10,229	11,922	12,812
Restatements:						
Consolidation of JEDI and Chewco	711	561	685	628	-	-
Consolidation of LJM1 subsidiary	-	-	-	-	-	-
Raptor equity adjustment	-	-	-	-	-	-
Prior year proposed audit adjustments and reclassifications	-	-	-	-	-	-
Debt restated	**6,965**	**7,918**	**8,837**	**10,857**	**11,922**	**12,812**

Debt Issues

Restatements – Equity ($MM)

	1997	1998	1999	2000	Q1 2001	Q2 2001
Equity as reported	5,618	7,048	9,570	11,470	11,727	11,740
Restatements:						
Consolidation of JEDI and Chewco	(262)	(391)	(540)	(810)	-	-
Consolidation of LJM1 subsidiary	-	-	(166)	60	60	60
Raptor equity adjustment	-	-	-	(172)	(1,000)	(1,000)
Prior year proposed audit adjustments and reclassifications	(51)	(57)	(128)	(242)	(286)	11
Equity restated	**5,305**	**6,600**	**8,736**	**10,306**	**10,501**	**10,811**

Next Steps

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Next Steps
Old Enron / New Enron

Old Enron	New Enron
▪ Deal shop mentality	▪ Liability management focus
▪ Compartmentalized information	▪ Open communication
▪ Black box	▪ Financial transparency
▪ Earnings driven	▪ Cash driven
▪ Asset sales program book value focused	▪ Asset sales program market value driven
▪ Constant development of new businesses	▪ Focus on core businesses
▪ Related party deals	▪ No related party deals
	▪ Focus on achieving successful merger

Next Steps

- Financings
  - Extend Osprey maturity
  - Amend pricing
  - Raise additional equity
  - Extend corporate maturities
  - Accelerate asset sales based on current market values
  - Restoration of L/C's
  - Amend dividend policy
- Communication
  - Restructuring Committee
  - Additional lender meetings
  - Deal specific conference calls/meetings
  - Regular bank conference calls

Question and Answer Session

PRIVILEGED AND CONFIDENTIAL

OFF BALANCE SHEET DEBT

Transaction Type	Name	US$ amount outstanding as of 11/24/101	Base Currency	Maturity	Support Type	Tied to Asset?
LEASE	Enron Building	284.5	USD	4/14/2020	ENE Guaranty	YES
LEASE	Equipment Trust A	45.4	USD	4/28/2007	ENE Guaranty	YES
LEASE	Furniture + Fixture Lease	75.0	USD	3/29/2005	RVS	YES
LEASE	Headquarters	210.1	USD	3/30/2004	RVS	YES
LEASE	MTPEH, PC	74.0	USD	12/6/2024	RVS	YES
LEASE	Software Lease	43.8	USD	7/31/2003	RVS	YES
Prepay	Cruden Bay/Triton	184.4	USD	12/7/2001	ENE Guaranty	
Prepay	Crude: Chase IV	76.4	USD	11/25/2002		
Prepay	Crude: EPMI	43.0	USD	3/31/2002	ENE Guaranty	
Prepay	Crude: ECT NA	47.0	USD	7/14/2003	ENE Guaranty	
Prepay	Crude: ECT NA	47.0	USD	7/14/2003	ENE Guaranty	
Prepay	Crude: ECLN II GBP	161.6	GBP	4/2/2009	ENE Guaranty	
Prepay	Crude: ECLN II GBP	41.0	GBP	3/31/2010	ENE Guaranty	
Prepay	Crude: Yosemite 1	800.0	USD	11/16/2004	ENE Guaranty	
Prepay	Gas: Chase IV	53.0	USD	6/1/2006	ENE Guaranty	
Prepay	Gas: Chase IV	190.0	USD	12/31/2001	ENE Guaranty	
Prepay	Gas: Chase V	218.0	USD	2/14/1906	ENE Guaranty	
Prepay	Gas: Chase VII (APEA)	268.0	USD	4/1/2011	ENE Guaranty	
Prepay	Gas: Chase XI	300.0	USD	3/1/2006	ENE Guaranty	
Prepay	Gas: Enron America	330.0	USD	3/1/2006		
Prepay	Gas: Enron America	319.0	USD	3/1/2006		
Unconsolidated	Acorntown	200.0	USD	6/15/2016	ENE Guaranty	
Unconsolidated	Azurix - Affiliate	107.8	GBP	7/15/2003		
Unconsolidated	Azurix - Bath Lease Mtge	269.9	GBP	8/30/2019		
Unconsolidated	Azurix - Debt Lease	12.1	USD	3/15/2010		
Unconsolidated	Azurix - Leases	1.2	USD	6/30/2002		
Unconsolidated	Basenton	423.7	USD	12/31/2006		
Unconsolidated	Bellatrix	465.0	USD	12/31/2011		
Unconsolidated	Citrus	117.3	USD	11/1/2006		
Unconsolidated	Gilda	45.0	USD	10/15/2010		
Unconsolidated	Gilda	45.0	USD	10/15/2010		

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Permanent Subcommittee on Investigations
EXHIBIT #193c

SEQ BOND NO	PRINCIPAL	STATE	OBLIGEE	BOND AMT	EXP DATE	RENEWAL	DESCRIPT	EFF DATE	DETEXPREM
0141 277271	ENRON GAS LIQUIDS, INC.	TN	STATE OF TENNESSEE	1,000	8/11/2002	CONTINUOUS	PETROLEUM TAX SURETY BOND	8/11/2001	75
0142 277279	ENRON GAS LIQUIDS, INC.	GA	STATE OF GEORGIA	1,000	11/8/2002	CONTINUOUS	MOTOR FUEL DISTRIBUTOR	11/8/2001	75
0143 277292	ENRON GAS LIQUIDS, INC. ET AL	CM	UNITED STATES OF AMERICA	500,000	1/26/2003	CONTINUOUS	CUSTOMS IMPORTER OR BROKER	1/26/2002	3,200
0144 277292	ENRON GAS LIQUIDS,INC.ENRON PETROCHEM	CM	UNITED STATES OF AMERICA	500,000	1/26/2002	CONTINUOUS	CUSTOMS IMPORTER OR BROKER	1/26/2001	3,200
0145 KC0473	ENRON INTERNATIONAL GAS SALES COMPANY	CM	UNITED STATES OF AMERICA	50,000	11/10/2002	CONTINUOUS	CUSTOMS BOND	11/10/2001	100
0146 JT0910	ENRON LIQUID FUELS, INC.	CT	STATE OF CONNECTICUT	5,000	6/30/2002	NEW BOND	MOTOR VEHICLE FUEL DISTRIBUTOR BOND	7/1/2001	75
0147 JT1199	ENRON LIQUID FUELS, INC.	CA	STATE OF LOUISIANA	2,000	10/31/2002	CONTINUOUS	SPECIAL FUELS, INC.	10/31/2001	50
0148 JT1200	ENRON LIQUID FUELS, INC.	DE	STATE OF DELAWARE	25,000	10/27/2002	CONTINUOUS	SPECIAL FUEL BOND (DISTILLATE/LP GAS	10/27/2001	75
0149 JT1210	ENRON LIQUID FUELS, INC.	CT	STATE OF CONNECTICUT	5,000	6/30/2002	NEW BOND	DIESEL FUEL	7/1/2001	75
0150 JT1225	ENRON LIQUID FUELS, INC.	VA	COMMONWEALTH OF VIRGINIA	100,000	1/9/2002	CONTINUOUS	SPECIAL FUEL TAX BOND	1/9/2001	200
0151 JT1226	ENRON LIQUID FUELS, INC.	MS	STATE OF MISSISSIPPI	25,000	1/17/2002	CONTINUOUS	PETROLEUM TAX SURETY BOND	1/17/2001	75
0152 JT1245	ENRON LIQUID FUELS, INC.	NJ	STATE OF NEW JERSEY	50,000	2/16/2002	CONTINUOUS	MOTOR FUELS TAX BOND	2/16/2001	100
0153 JT1264	ENRON LIQUID FUELS, INC.	CM	UNITED STATES OF AMERICA	100,000	6/18/2002	CONTINUOUS	CUSTOMS IMPORTER OR BROKER	6/18/2001	200
0154 JT5839	ENRON LIQUID FUELS, INC.	DC	DISTRICT OF COLUMBIA	5,000	9/30/2002	NEW BOND	MOTOR FUEL BOND	7/1/2001	75
0155 JT5848	ENRON LIQUID FUELS, INC.	AL	STATE OF ALABAMA	1,000	5/1/2002	CONTINUOUS	GASOLINE TAX	5/1/2001	75
0156 JX8309	ENRON LIQUID FUELS, INC.	TN	STATE OF TENNESSEE	51,000	5/31/2002	CONTINUOUS	BOND FOR PETROLEUM PRODUCTS	5/31/2001	102
0157 JZ7555	ENRON LIQUID FUELS, INC.	IN	STATE OF INDIANA	3,000	2/4/2002	CONTINUOUS	OIL INSPECTION BOND	2/4/2001	75
0158 JZ7757	ENRON LIQUID FUELS, INC.	MD	STATE OF MARYLAND	80,000	5/31/2002	NEW BOND	SURETY BOND FOR MOTOR FUEL, DEALER OR LI	6/1/2001	120
0159 JZ7761	ENRON LIQUID FUELS, INC.	VA	COMMONWEALTH OF VA	2,000	3/29/2002	CONTINUOUS	MOTOR FUEL DEALER	3/29/2001	75
0160 JZ8096	ENRON LIQUID FUELS, INC.	OR	STATE OF OREGON	1,000	7/1/2002	CONTINUOUS	LICENSED MOTOR DEALER	7/1/2001	1,030
0161 JZ8109	ENRON LIQUID FUELS, INC.	NH	STATE OF NEW HAMPSHIRE	160,000	2/2/2002	CONTINUOUS	MOTOR FUEL DISTRIBUTOR'S BOND	2/2/2001	320
0162 JZ8110	ENRON LIQUID FUELS, INC.	RI	STATE OF RHODE ISLAND	250,000	2/28/2002	CONTINUOUS	MOTOR FUEL DISTRIBUTOR LICENSE	2/28/2001	500
0163 KC0471	ENRON LIQUID FUELS, INC.	IN	STATE OF INDIANA	2,000	10/21/2002	CONTINUOUS	SPECIAL FUEL LICENSE	10/21/2001	75
0164 KC0496	ENRON LIQUID FUELS, INC.	CM	UNITED STATES OF AMERICA	1,500,000	1/25/2002		CUSTOMS BOND-DRAWBACK PAYMENTS REFUNI	1/25/2001	3,000
0165 KC0496	ENRON LIQUID FUELS, INC.	CM	USA	15,000,000	1/25/2003	CONTINUOUS	DRAWBACK PAYMENT REFUND BOND	1/25/2002	3,000
0166 KC8819	ENRON LIQUID FUELS, INC.	FL	STATE OF FLORIDA	200,000	3/22/2002	CONTINUOUS	FUEL TAX SURETY BOND	3/22/2001	400
0167 KC8820	ENRON LIQUID FUELS, INC.	SC	STATE OF SOUTH CAROLINA	2,000,000	3/24/2002	CONTINUOUS	MOTOR FUEL SUPPLIER LICENSE	3/24/2001	4,000
0168 KC8824	ENRON LIQUID FUELS, INC.	FL	STATE OF FLORIDA	100,000	4/4/2002	CONTINUOUS	FUEL TAX SURETY BOND	4/4/2001	200
0169 SD4584	ENRON LIQUID FUELS, INC.	VA	STATE OF VIRGINIA	2,000,000	1/1/2002	CONTINUOUS	MOTOR FUEL SUPPLIER	1/1/2001	4,000
0170 SF0435	ENRON LIQUID FUELS, INC.	PA	COMMONWEALTH OF PENNSYLVANIA	2,500	6/1/2002	CONTINUOUS	FUEL TAX BOND	6/1/2001	75
0171 SF0845	ENRON LIQUID FUELS, INC.	KS	STATE OF KANSAS	1,000	10/1/2002	CONTINUOUS	MOTOR VEHICLE FUELS & SPECIAL FUEL DIST	10/1/2001	75
0172 258843	ENRON LIQUID FUELS, INC.	UM	UNITED STATES OF AMERICA	1,000,000	3/8/2002	CONTINUOUS	FUEL BOND (GASOLINE)	3/8/2001	1,450
0173 JT5841	ENRON LIQUIDS FUELS, INC.	LA	STATE OF LOUISIANA	20,000	4/7/2002	CONTINUOUS	GASOLINE TAX BOND	4/7/2001	50
0174 JT5857	ENRON LIQUIDS FUELS, INC.	NY	STATE OF NEW YORK	1,600,000	7/10/2002	CONTINUOUS	DISTRIBUTOR OF AUTOMOTIVE FUEL	7/10/2001	3,600
0175 258848	ENRON LIQUIDS FUELS, INC.	GA	STATE OF GEORGIA	1,000	4/15/2002	CONTINUOUS	MOTOR FUEL DISTRIBUTORS BOND	4/15/2001	75
0176 SD4627	ENRON LNG MARKETING LLC	CM	UNITED STATES OF AMERICA	50,000	1/31/2002	CONTINUOUS	IMPORTER OR BROKER CUSTOMS BOND	1/31/2001	100
0177 SD4684	ENRON METALS & COMMODITY CORP.	CM	UNITED STATES OF AMERICA	300,000	4/19/2002	CONTINUOUS	CUSTOMS BOND-IMPORTER OR BROKER	4/19/2001	550
0178 SI03587200	ENRON METALS & COMMODITY LTD.-LONDON	CD	MAJESTY THE QUEEN IN RIGHT OF CANADA	72,569	2/18/2002	CONTINUOUS	GOODS AND SERVICES TAX BOND	2/16/2001	250
0179 SI01175023	ENRON NATIONAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	250,000,000	7/31/2002	CONTINUOUS	ADVANCE PAYMENT SUPPLY SURETY BOND	8/29/1999	499,488
0180 JZ6081	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	100,000,000	7/31/2004	CONTINUOUS	ADVANCE PAYMENT BOND	8/26/1999	498,458
0181 SI01181218	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	250,000,000	1/31/2003	CONTINUOUS	ADVANCE PAYMENT SUPPLY SURETY BOND	12/2/1998	208,662
0182 11141592664	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	250,000,000	1/31/2003	CONTINUOUS	ADVANCE PAYMENT SUPPLY SURETY BOND	12/2/1998	205,662
0183 11141656169	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	100,000,000	7/31/2004	CONTINUOUS	ADVANCE PAYMENT BOND	8/26/1999	498,910
0184 158139510	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	250,000,000	1/31/2003	CONTINUOUS	ADVANCE PAYMENT SUPPLY SURETY BOND	12/2/1998	205,662
0185 190772036	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	100,000,000	7/31/2004	CONTINUOUS	ADVANCE PAYMENT BOND	8/26/1999	498,910
0186 208030	ENRON NATURAL GAS MARKETING CORP.	NE	AMERICAN PUBLIC ENERGY AGENCY	SEE ABOVE	6/1/2011	TERM	$300,071,427 ADV PMT SUPPLY SURETY BOND	4/15/1999	1,550,000
0187 22003071	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	250,000,000	7/31/2002	CONTINUOUS	ADVANCE PAYMENT SUPPLY SURETY BOND	8/29/1999	499,488
0188 400JZ7535	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	250,000,000	1/31/2003	CONTINUOUS	ADVANCE PAYMENT SUPPLY SURETY BOND	12/2/1998	207,708
0189 5925110	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	250,000,000	1/31/2003	CONTINUOUS	ADVANCE PAYMENT SUPPLY SURETY BOND	12/2/1998	205,662
0190 61610317466	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	100,000,000	7/31/2004	CONTINUOUS	ADVANCE PAYMENT BOND	8/26/1999	498,910
0191 81539005	ENRON NATURAL GAS MARKETING CORP.	NE	AMERICAN PUBLIC ENERGY AGENCY	SEE ABOVE	6/1/2011	TERM	$300,071,427 ADV PMT SUPPLY SURETY BOND	4/15/1999	1,465,661
0192 81539020	ENRON NATURAL GAS MARKETING CORP.	NY	MAHONIA LIMITED	100,000,000	7/31/2004	CONTINUOUS	ADVANCE PAYMENT BOND	8/26/1999	498,910
0193 JZ7764	ENRON NORTH AMERICA CORP.	OK	STATE OF OKLAHOMA	5,000	4/7/2002	CONTINUOUS	GROSS PRODUCTION TAX BOND	4/7/2001	75
0194 KC8822	ENRON NORTH AMERICA CORP.	OR	STATE OF OREGON	15,000	4/12/2004	CONTINUOUS	CONSTRUCTION CONTRACTOR'S SURETY BOND	4/12/2000	243
0195 SD4611	ENRON NORTH AMERICA CORP.	NY	MAHONIA NATURAL GAS LIMITED	72,600,000	1/31/2006	CONTINUOUS	ADVANCE PAYMENT NATURAL GAS SUPPLY	12/29/2000	421,518
0196 001825	ENRON NORTH AMERICA CORP.	NY	MAHONIA LIMITED	100,000,000	7/31/2005	CONTINUOUS	ADVANCE PAYMENT BOND	8/28/2000	656,249
0197 11133420775	ENRON NORTH AMERICA CORP.	NY	MAHONIA LIMITED	78,000,000	7/31/2005	CONTINUOUS	ADVANCE PAYMENT BOND	8/28/2000	498,749
0198 208795	ENRON NORTH AMERICA CORP.	CM	UNITED STATES OF AMERICA	50,000	2/20/2002	CONTINUOUS	CUSTOMS BOND-IMPORTER OR BROKER	2/20/2001	400
0199 8095670	ENRON NORTH AMERICA CORP.	NY	MAHONIA NATURAL GAS LIMITED	49,500,000	1/31/2006	CONTINUOUS	ADVANCE PAYMENT NATURAL GAS SUPPLY	12/29/2000	287,386
0200 81BSBAP3909	ENRON NORTH AMERICA CORP.	NY	MAHONIA NATRUAL GAS LIMITED	52,800,000	1/31/2006	CONTINUOUS	ADVANCE PAYMENT NATURAL GAS SUPPLY	12/29/2000	568,060
0201 61S0103299951	ENRON NORTH AMERICA CORP.	NY	MAHONIA LIMITED	100,000,000	7/31/2005	CONTINUOUS	ADVANCE PAYMENT BOND	8/28/2000	656,249
0202 81S0103500094B	ENRON NORTH AMERICA CORP.	NY	MAHONIA NATURAL GAS LIMITED	82,500,000	1/31/2006	CONTINUOUS	ADVANCE PAYMENT NATURAL GAS SUPPLY	12/29/2000	478,997
0203 81539343	ENRON NORTH AMERICA CORP.	NY	MAHONIA LIMITED	124,000,000	7/31/2005	CONTINUOUS	ADVANCE PAYMENT BOND	8/28/2000	785,509
0204 SD4612	ENRON POWER & INDUSTRIAL CONSTRUCTION	OR	STATE OF OREGON	15,000	1/3/2002	CONTINUOUS	CONSTRUCTION CONTRACTOR'S SURETY BOND	1/3/2001	75
0205 SD4612	ENRON POWER & INDUSTRIAL CONSTRUCTION	OR	STATE OF OREGON	15,000	1/3/2003	CONTINUOUS	CONSTRUCTION CONTRACTOR'S SURETY BOND	1/3/2002	75
0206 SF0882	ENRON POWER & INDUSTRIAL CONSTRUCTION	WA	STATE OF WASHINGTON	12,000	8/24/2002	CONTINUOUS	CONTRACTORS SURETY BOND	9/24/2001	75
0207 JT5644	ENRON POWER MARKETING, INC.	PA	COMMONWEALTH OF PA	250,000	12/31/2001	CONT. CERT.	ELECTRIC GENERATOR SUPPLIER PERMIT BOND	12/31/2000	500
0208 6107679	ENRON POWER MARKETING, INC.	MA	NEW ENGLAND POWER POOL	40,000,000	3/15/2002	CONTINUOUS	UTILITY SERVICE	3/15/2001	100,000
0209 6131466	ENRON POWER MARKETING, INC.	MA	NEW ENGLAND POWER POOL	12,000,000	8/31/2002	CONTINUOUS	UTILITY BOND	8/31/2001	30,000
0210 22004879	ENRON POWERCONSTRUCTION-BOLIVIA BRANC	FO	TRANSPORTE DE HIFROCARBUROS, S.A	250,000	1/28/2002	TERM	MAINTENANCE BOND	1/28/2001	625
0211 259369	ENRON RESERVE ACQUISITION CORP	OK	STATE OF OKLAHOMA	5,000	1/1/2002	CONTINUOUS	GROSS PRODUCTION TAX BOND	1/1/2001	75

Permanent Subcommittee on Investigations
EXHIBIT #193d
EC000482181

ENRON

Interoffice
Memorandum

To: Bill Brown Date: November 30, 1999

From: Doug McDowell

Re: Annual Review—1999

Bill,

Per your request, outlined below is a list of my accomplishments for 1999 as well as my goals/objectives going forward.

Accomplishments

Project Yosemite
-- *$ 825 MM (5 year--$ 750 MM Bond issuance, $ 75 MM Equity issuance)*
-- *Utilized to create $ 800 MM of funds flow via a unique prepay transaction embedded within Yosemite*

The transaction should serve as a blueprint for future credit-linked note structures thereby ensuring a permanent refinancing option and/or underwriting option for bank transactions. The structure provides the following benefits:

- Achieves the corporate objective of stretching tenor and removing refinancing and event risk
- Blackbox feature
  -- Flexibility for substitution
  -- Permanent funding for highly structured deals (immediate use is as a long-dated capital markets funding alternative for prepay transactions)
  -- Maintains existing balance sheet treatment of underlying transactions
- Relieves banks of Enron credit exposure and increases the investor base
- Credit default swap option—No default swaps were allocated through this particular financing as the proceeds were used to fund the prepay; however, the option remains to reduce the prepay and sell default swaps if needed

The prepay structure was also newly created to fit within the Yosemite transaction and is unique in its ability to eliminate or minimize any incremental credit exposure beyond the original notional value of the prepaid swap and thus lowering costs and bank exposure to Enron.

Project Jethro—$ 500 MM Prepay

Successfully closed a $ 500 MM prepay transaction with Citibank/Toronto Dominion on June 29, 1999, under a very short timeframe. Ability to utilize a financially settled prepay with a modification to the commodity swap structure provided for savings of $ 300,000 in transaction costs.

Jethro Extension--$ 675 MM Prepay

In September 1999, extended and increased the original Jethro transaction as a bridge transaction into Yosemite. Incurred negligible costs with Citibank and minimized costs with TD.

Permanent Subcommittee on Investigations
EXHIBIT #193e

Personnel

Worked closely with Craig Clark, Jodi Coulter, Jung Suh, and Catherine Rentz on the Yosemite and Jethro (prepay) transactions and actively provided guidance in order to develop their individual potential. Craig rotated early in the transaction but I believe both Jodi and Catherine did a fantastic job on Yosemite and both are ideal long-term candidates for our group.

Goals/Objectives

Yosemite:	*	Achieve closing for Yosemite II by the end of the first quarter 2000
	*	Utilize the Yosemite technology to relieve additional bank exposure as well as pursue opportunities to (i) develop the credit default swap market for Enron and (ii) create earnings
Department:	*	Provide senior leadership to other directors and become more actively involved in the recruitment/management of managers/associates/analysts
	*	Pursue senior leadership role in a greater number of transactions in order to pursue the next level promotion to Vice President.

Thanks,

Doug McDowell

ENRON

Interoffice
Memorandum

To: Bill Brown

Date: November 28, 2000

From: Doug McDowell

Re: Annual Review—2000

Bill,

Per your request, outlined below is a list of my accomplishments for 2000 as well as my goals/objectives going forward.

Accomplishments

Enron Credit-Linked Notes (August 2000)
-- *$ 500 MM credit-linked notes (5 yr term)*
-- *Utilized to create $ 475 MM in funds flow*

The Enron CLN represented an improvement upon the Yosemite style transaction and created greater transparency/simplicity and thus more liquidity resulting in considerably improved pricing. The transaction priced at approximately 50 bps above a comparable Enron bond. Also, significant savings were generated as the equity was structured such that it only required a charge of 30 bps fee per year (not a spread plus a base rate but an all-in fee only of 30 bps) The other benefits are described in the Yosemite II description. In addition, the transaction was well received in the marketplace and generated tremendous momentum for the Osprey follow-on transaction which subsequently closed in October.

Savings generated on the upfront fees were approximately $ 1 MM and annual savings of $ 5 MM were realized due to the favorable structuring of the equity tranche.

Yosemite II (February 2000)—Joint effort with the London office
-- *225 MM Sterling transaction (200 MM Sterling Bond issuance, 25 MM Sterling Equity issuance)*
-- *Utilized to create 200 MM Sterling of funds flow via a unique prepay transaction embedded within Yosemite II*

The Yosemite I transaction served as the blueprint for this transaction with the added difficulty of a large placement in the Sterling market. The structure provides the following benefits:

- Achieves the corporate objective of stretching tenor and removing refinancing and event risk
- Blackbox feature
  -- Flexibility for substitution
  -- Permanent funding for highly structured deals (immediate use is as a long-dated capital markets funding alternative for prepay transactions)
  -- Maintains existing balance sheet treatment of underlying transactions
- Relieves banks of Enron credit exposure and increases the investor base
- Credit default swap option—No default swaps were allocated through this particular financing as the proceeds were used to fund the prepay; however, the option remains to reduce the prepay and sell default swaps if needed

The prepay structure is unique in its ability to eliminate or minimize any incremental credit exposure beyond the original notional value of the prepaid swap and thus lowering costs and bank exposure to Enron.

Other transactions:

Net Works:

Currently acting as the primary finance lead for transactions in Enron Industrial Markets. Transactions under review and in process are as follows:

- Falcon—Potential $ 1.3 Billion acquisition
- Crane—Potential $ 400 MM acquisition
- Canary—Potential $ 400 MM acquisition
- MetalsUSA—Potential $ 400 MM inventory financing plus 20 years inventory management contract.
  The inventory financing should serve as a model for future transactions with other clients.

  Overall, responsible for developing the capital structure for the "Paper Company" operations including the specific acquisitions.

Personnel

Worked closely with Craig Clark, Jodi Coulter, and Catherine Rentz on the Credit-linked Notes and Yosemite II transactions and actively provided guidance in order to develop their individual potential. Craig did a great job on the CLN transaction and Jodi and Catherine were both critical in the closing process for Yosemite II.

Goals/Objectives

- Close acquisition financing for the paper business during the first quarter 2000
- Assist in creating financial products for the steel business to obtain access to physical products
- Provide senior leadership to other directors and become more actively involved in the recruitment/management of managers/associates/analysts

Thanks,

Doug McDowell

Interoffice
Memorandum

To: Barry Schnapper

From: Doug McDowell

Department: EGF

Subject: Deal Update

Date: {TIME \@ "MMMM d, yyyy"}

Barry,

Below is an update of the deals in process:

Yosemite 3

Represents a prepay financing option to be placed in the bond market. My understanding is that approximately $ 1.4 Billion will be required this year. However, approximately $ 700 MM may be forthcoming through the contract prepay being negotiated in the UK. The outcome of the UK prepay should determine if we need a prepay in the 2Q or later in the year.

We have received proposals from about eight different institutions and narrowed it down to effectively two structures:

Original Yosemite: Citibank

Clean Enron Credit-linked Note: Citibank, Warburg, BofA

With respect to institutions, the nod would go to Citibank due to its previous experience. By the way, the Warburg structured finance team is very good and has probably invested more time and effort than any of the other institutions. Need to consider them for a "Co-Lead" position.

Key features of each structure are as follows:

Original Yosemite

- Bonds effectively sold as Enron credit-linked notes
- Black-box structure:
  - No disclosure of underlying assets to ratings agencies or public
  - Complete flexibility of substitution subject to Citibank approval
  - Ability to amend underlying transactions with Citibank only
  - Ability to refinance underlying transactions without the need to prepay the bonds
- 144A w/out reg rights
- Ability to term-out prepaid financings
- Modified prepay structure eliminating the need for costs/additional exposure of a third bank for hedging commodity risk
- Ability to closed in approximately 1 month
- Issues:
  - Pricing of basis risk for underlying transactions
  - Complicated prospectus/settlement mechanism

Credit-Linked Note

Provides basically the same features of the Original Yosemite structure with the following modifications:

- Expanded investor base/pricing benefits if able to sell as a registered transaction
- Simplified marketing—able to disclose the permitted investments
- Simplified settlement mechanism
- Reduced dependence on the swap counterparty (i.e. Citibank)
- Potential for no equity certificates

- Issues:
  - Use of Citibank balance sheet
  - Potential for Enron as co-registrant
  - Potential for SEC scrutiny of Enron purpose behind transaction
  - Probably would take about 4 months (start-to-finish)—may require a bridge—prospectu needs to be written in plain English

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Prepay/Revolving Facility

The basic premise is for Citibank to fund a bridge prepay (approx. 180 days) and then purchase Enron credit default swaps from a syndicate group of banks.

ENRON

Interoffice
Memorandum

To: Bill Brown

Date: July 14, 1999

From: Doug McDowell

Re: Mid-year 1999 review

Bill,

Per your request, outlined below is a list of my accomplishments for the first half of 1999 as well as my goals/objectives going forward.

Accomplishments

Project Jethro--$ 500 MM Prepay

Successfully closed a $ 500 MM prepay transaction with Citibank/Toronto Dominion on June 29, 1999, under a very short timeframe. Ability to utilize a financially settled prepay with a modification to the commodity swap structure provided for savings of $ 300,000 in transaction costs.

Project Yosemite--$ 1.5 Billion Securitization/Default Swap structure

Conceptually defined a structure which will provide for the release of approximately $ 1.5 Billion in bank capacity for future Enron transactions as well as providing an outlet for the substitution of new transactions upon maturity or early termination of existing Yosemite assets. The ultimate transaction should serve as a blueprint for future credit-linked note structures thereby ensuring a permanent refinancing option and/or underwriting option for bank-ied or bank-structured transactions. In addition, the introduction of long-dated credit derivatives on Enron credit should prove beneficial going forward as well.

Personnel

Worked closely with Craig Clark, Jodi Coulter, Jung Suh, and Catherine Rentz on the Yosemite and Jethro (prepay) transactions and actively provided guidance in order to develop their individual potential.

Goals/Objectives

Yosemite:
- Achieve financial close by September 1999
- Modify the prepay structure as well as the Firefly transaction in order to minimize or eliminate any credit exposure for Citibank and correspondingly lower the cost of executing the Yosemite transaction

Department:
- Provide senior leadership to other directors and become more actively involved in the recruitment/management of managers/associates/analysts
- Pursue senior leadership role in a greater number of transactions in order to pursue the next level promotion to Vice President.

Thanks,

Doug McDowell

ENRON

Interoffice Memorandum

To: Bill Brown

Date: June 14, 2000

From: Doug McDowell

Re: Mid-year 2000 review

Bill,

Per your request, outlined below is a list of my accomplishments for the first half of 2000 as well as my goals/objectives going forward.

Accomplishments

Yosemite 2—200 MM British pounds--Closed February 2000—7 yr. Bond financing (Prepay)

Worked with the London team to close an approximate $ 375 MM bond financing to support a prepay transaction which generated the equivalent amount in funds flow. Yosemite 2 duplicated the structure created in Yosemite 1 and we managed to term out the prepay to 7 years (first time beyond 5 years) with no amortization which helps to relieve the pressure on refinancing in the short term as well as a better match of the underlying PRM assets.

Work-in Process

Yosemite 3--$ 750~$ 1Billion transaction (prepay or FASB 125 takeout)

Have worked with Citi/Solly to modify/improve the structure for both distribution (public vs. private) and improved pricing. Yosemite 1 & 2 were the largest single issuer CLN's ever done and Yosemite 3 will be unique if done as a public transaction. Model may be utilized as a permanent takeout structure for FASB 125 transactions.

Citibank Prepay Revolver (3 yr)

Provides revolving capacity to issue short-dated (180 day) prepaid swaps that could then be refinanced via yosemite or another structure. Fundamentally the structure should work—open question as to whether we need to secure this capacity or not. Use of credit default swaps for syndication could be an effective synthetic syndication tool.

JEDI Unwind

Will potentially result in:

- net retirement of 8 MM shares into treasury stock (improves pro-forma ROE by approximately 0.5% and EPS by approximately $ 0.01/share and will eliminate forthcoming volatility associated with the Enron stock held by the JEDI spv).
- Funds flow treatment of approximately $ 400 MM
- Take-out structure for jedi assets via FASB 125 will likely represent a model for permanent takeout of other FASB 125 transactions.

Goals/Objectives

Jedi Unwind	*	Achieve financial close by September 2000 (term out of a FASB 125 for the Jedi assets which may be utilized as a model for other FASB 125 assets)
Yosemite 3:	*	Achieve financial close by September/October 2000
Department:	*	Provide senior leadership to other directors and become more actively involved in the recruitment/management of managers/associates/analysts
	*	Pursue senior leadership role in a greater number of transactions in order to pursue the next level promotion to Vice President.

Thanks,

Doug McDowell

ECp000094771

From: Garberding, Michael
Sent: Wednesday, June 20, 2001 9:02 AM
To: Bills, Lisa; Quaintance Jr., Alan; Moon, Eric; Weldon, V. Charles; Shackleton, Sara; Cook, Mary; Clark, Morris; Shahi, Pushkar
Cc: Deffner, Joseph
Subject: Citibank Prepay

The following presentation lays out the structure, responsibilities and timing for the $250 million prepay with Citibank. This transaction is required to finished by June 29 (quarter-end deal). We had initial discussions with Citibank yesterday and should have feedback today on some of the key terms. Please review both the responsibilities and calendar (timing) to make sure the list is complete and the timing is achievable. Please give me a call with any questions. Thanks again for all your help.

Citi 250 Enron Prepay 6- 8-01...

Michael Garberding
Enron Americas Global Finance
Work: (713) 853-1864
Fax: (713) 646-3602
E-mail: michael.garberding@enron.com

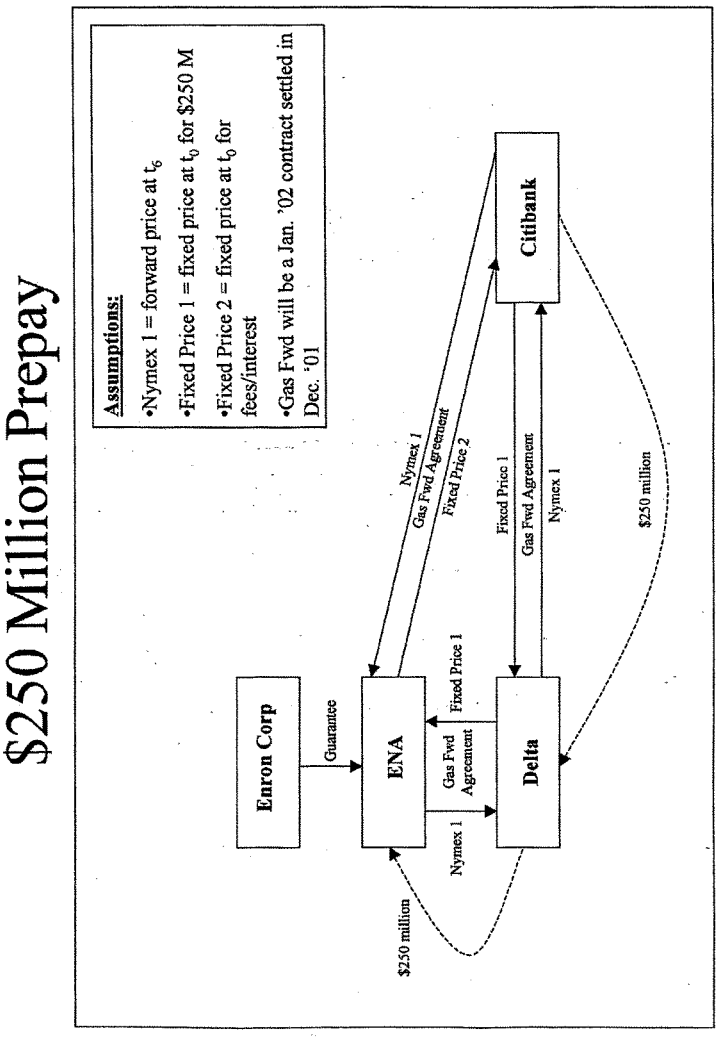
Permanent Subcommittee on Investigations
EXHIBIT #193f

ECp000094772

Enron North America

$250 Million Prepay

ECp000094773



ECp000094774

Citibank Prepay Action Items

Citibank:

1. Provide Deal Team Information
2. Confirm use of Delta for Swap Co.
3. Confirm use of outside counsel (Milbank in prior transactions)
   - Confirm no timing to close concerns
4. Prepare term sheet/letter agreement:
   - Prepay pricing
   - Structure (financial swap versus forward)
   - Settlement timing
5. Confirm Credit Approval for $250 million
6. Confirm ability and cost to hedge interest rate within Prepay
7. Prepare draft/final of Master and Swap Confirm for Delta/Citibank transaction

ECp000094775

Enron Prepay Action Items

Enron:

1. Prepare first/final draft of confirms - including comments on existing Master Agreements with both Citibank and Delta **(Sara & Mary)**
2. Finalize Accounting Review **(Alan)**
   - Financial swap versus forward
   - Tenor of agreement
   - Requirements for "prepay book" versus "NYMEX book"
   - Delta review (Swap Co.)
3. Finalize Tax Review **(Morris)**
4. Finalize Interest Rate Structure **(Pushkar)**
   - Rolling hedge (monthly) versus fixed hedge (six-month)
   - Agreement with Citibank on hedging costs
   - Timing on Libor curve (closing date)
5. Finalize Structure of Prepay **(Eric & Charlie)**
   - Nymex pricing, Libor curve, volumes and payment timing for two swaps (Delta and Citibank)
   - Booking trade in system
   - Timing on "Mid Settle" value for Jan. contracts (closing date)

ECp000094776

Prepay Timing

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
19		20	21	22	23	
		- Kick-off Meeting	- Initial Feedback From Citibank - Agreement on Structure of Prepay and Required Docs	- First Draft of ENA Confirms (Noon) - ENA Comments to Legal (4:00pm) - First Draft of ENA Confirms to Citibank	- Agreement on the pricing of Prepay	
26	27	28	29	30	31	
	- Comments on Draft of Confirms (8:00am) - Final agreement on structure of Prepay	- Final Draft of Confirms - Confirmation of Citi/Delta Confirm	- Transaction finalized - Citibank confirmation on credit approval	- Pre-close Dry Run of Prepay (am) - Set Commodity and Interest Rate Pricing (pm)	- Transaction closed - Funds transferred	

Enron Contacts

Name	Title	Group	Work Phone	Work Fax	Cell Phone	Pager	Assistant	Assistant Phone
Bills, Lisa	Director	Global Finance	713-853-1703	713-646-3602	713-408-8012	877-499-1374	Megan Angelos	713-853-0420
Garberding, Michael	Manager	Global Finance	713-853-1864	713-646-3602	713-254-3792		Amy Rios	713-853-7293
Quaintance, Alan	Director	Global Finance	713-345-7731	713-646-3602	713-503-3709	877-240-2641	Amy Rios	713-853-7293
Moon, Eric	Manager	Gas Structuring	713-853-0589	713-646-2460	281-352-1086		Melissa Solis	713-853-5167
Weldon, Charlie	Associate	Gas Structuring	713-345-7229	713-646-3460	713-301-0982		Melissa Solis	713-853-5167
Shackleton, Sara	Sr. Director	Legal	713-853-5620					
Cook, Mary	Sr. Counsel	Legal	713-345-7732	713-646-3393			Esmerelda Gonzalez	713-345-7621
Shahi, Pushkar	Director	Currency Trading	713-853-9199	713-646-3740	713-854-4342		Elaine Brown	713-853-3498
Clark, Morris	Director	Tax	713-853-5846	713-646-4713			Lydia Garza	713-853-9716

ECp000094777

January 21, 2000

Andrew Walker
Milbank, Tweed, Hadley & McCloy, L.L.P.
International Square Building
1825 Eye Street, N.W., Suite 1100
Washington, D.C. 20006

Re: Tax Forms and Administrative Matters for Delta Energy Corp.

Andrew:

I hope that your New Year's holiday was enjoyable. I would like to follow-up with you regarding the tax maintenance items we discussed last year for Yosemite I. Based on the withholding analysis we performed, we came to the conclusion that Delta should provide Enron North America with a W-8BEN as well as a W-8IMY. I have attached those forms with this correspondence. It is our understanding that these forms need to be in place prior to April 14, which is the first payment date on the Enron/Delta swap. Also, with regard to Delta's 8832, are you aware of whether that form was filed with the Service? We understand that the latest date on which the form may be filed in order to claim an effective date of November 18, 1999 (Yosemite I closing date) is February 1st. As you may recall, we also discussed filing a Form 8865 with respect to the transfer of $800 million by Yosemite to Delta under the Delta note. It appears that Yosemite will be required to file the form but it is not entirely clear whether Delta needs to file. The only other issue that requires resolution is the tax and financial accounting responsibilities for Delta. Does Citibank plan to arrange for these services on Delta's behalf? I would very much appreciate your assistance in resolving these outstanding matters. Please contact me if you require any additional information.

Best Regards,

Ann Marie

Permanent Subcommittee on Investigations
EXHIBIT #193g

Interoffice Memorandum

To: Yosemite File

From: J. Brent Vasconcellos

Department: Global Finance Tax

Subject: $750 Million Yosemite Debt – Recourse v. Nonrecourse

Date: November 26, 2001

FACTS

On November 18, 1999, Enron Corp. ("Enron"), an Oregon corporation, and Long Lane Master Trust IV ("Long Lane"), a Delaware statutory business trust, formed Yosemite Securities Trust I ("Yosemite"), a Delaware statutory business trust. Enron and Long Lane each contributed $37.5 million in cash to Yosemite in exchange for certificates of beneficial interest that bear an annual yield of 11% (the "Certificates"). Yosemite then issued $750 million worth of Linked Enron Obligations ("LEOs") to qualified institutional buyers in a Rule 144A offering under the Securities Act of 1933. On December 30, 1999, Whitewing Associates, L.P. ("Whitewing") purchased a portion of Enron's Certificates for a $33.750 million face amount plus accrued but unpaid interest. After this purchase, the Certificates were owned 50% by Long Lane, 45% by Whitewing, and 5% by Enron.

The LEOs are supported by Yosemite's $25 million note receivable from Enron (the "Enron Note") and an $800 million note receivable from Delta Energy Corp. (the "Delta Note" and "Delta", respectively), a Cayman Islands exempt limited liability company. The Delta Note and the Enron Note are Yosemite's sole assets.[1] The Enron Note is an unsecured recourse obligation of Enron. Yosemite's right to repayment under the Delta Note is secured by a series of swap transactions consisting of an $800 million prepaid commodity swap between Delta and Enron North America Corp ("ENA")[2], a Delaware corporation, a fixed for floating commodity swap between Delta and Citibank, and a fixed for floating commodity swap between ENA and Citibank. Enron has provided a financial guarantee in favor of Citibank with respect to ENA's obligations under the fixed for floating swap and a financial guarantee in favor of Delta with respect to ENA's obligations under the prepaid swap.

For U.S. Federal income tax purposes, the Yosemite transaction is treated as follows: (1) Yosemite is treated as a partnership; (2) the Certificates are treated as evidence of a partnership interest in Yosemite; (3) Enron, Long Lane, and Whitewing are treated as partners in Yosemite; (4) The LEOs are treated as indebtedness of Yosemite; (5) the Delta Note is treated as Yosemite's partnership interest in Delta; and (6) the swap transactions are treated as a single $800 million loan from Delta to ENA.

[1] Yosemite also has entered into a credit derivative agreement with Citibank in order to provide credit enhancement for the LEOs, but the Enron Note and the Delta Note ultimately support this agreement.

[2] Note that the prepaid swap and fixed for floating swap with Delta and Citibank are in fact recorded on the financial accounting books of [RMT Liquids], a division of Risk Management and Trading Corp., a Delaware corporation and wholly-owned subsidiary of ENA.

Permanent Subcommittee on Investigations
EXHIBIT #193h

ISSUES

1. Are the LEOs characterized as a recourse or nonrecourse partnership liability of Yosemite pursuant to Section 752 and the regulations thereunder?

2. Assuming the LEOs should be characterized as a nonrecourse partnership liability of Yosemite, in what proportion should the liability be allocated to Yosemite's partners pursuant to Section 752 and the regulations thereunder?

CONCLUSIONS

1. The LEOs should be characterized as a nonrecourse obligation under Section 752 and the regulations thereunder.

2. The LEOs should be allocated among Long Lane, Whitewing, and Enron in proportion to each partner's percentage interest in the Yosemite certificates.

DISCUSSION

Section 752 Regulations

Definition of a Nonrecourse Partnership Liability

A partnership liability is nonrecourse to the extent that no partner or a related person, (as defined by Section 267(b) or Section 707(b)(1)), *bears the economic risk of loss* as set forth in Section 1.752-2.[3] A partner *bears an economic risk of loss* for a partnership liability to the extent that, if the partnership constructively liquidated, the partner or a related person would be obligated to make a payment to any person because the liability becomes due and payable and the partner or related person would not be entitled to reimbursement from another partner or a related person of another partner.[4] Under a constructive liquidation, the following is deemed to occur[5]:

a) All partnership liabilities become payable in full;
b) All partnership assets, including cash, have a value of zero;
c) The partnership disposes of all of its assets in a fully taxable transaction for no consideration (except for relief from liabilities for which the creditors' right of repayment is limited solely to one or more assets of the partnership);
d) All items of income, gain, loss, or deduction are allocated among the partners; and
e) The partnership liquidates.

Allocating Nonrecourse Partnership Liabilities Among Partners

[3] Treas. Reg. § 1.752-1(a)(2).
[4] Treas. Reg. § 1.752-2(b)(1).
[5] Treas. Reg. § 1.752-2(b)(1)(i)-(v).

Once a determination has been made that a partnership has a nonrecourse liability, the liability must be allocated to the respective partners pursuant to Section 752 and the regulations thereunder. Generally, a partner's share of nonrecourse liabilities is equal to:

a) The partner's share of minimum gain as determined under Section 704(c).[6]

b) The amount of any taxable gain that would be allocated to the partner if the partnership disposed of the partnership property (in a taxable transaction) subject to one or more nonrecourse liabilities in full satisfaction of the liabilities and for no other consideration.[7]

c) The partner's share of excess nonrecourse liabilities of the partnership (those liabilities not allocated among the partners under (a) or (b) above) as determined by reference to the partner's share in partnership profits.[8]

$750 Million LEOs Issued by Yosemite

Nonrecourse Liability

Under a constructive liquidation of Yosemite pursuant to Section 1.752-1(b)(i)-(v), the following steps would be deemed to occur. The LEOs would become payable in full. The Enron Note and the Delta Note would have no value and Yosemite would be deemed to dispose of the Enron Note and the Delta Note in a taxable exchange for no consideration. If Yosemite is unable to repay the LEO holders, none of Yosemite's partners are obligated in any manner under the transaction documents to make a payment to any party. Enron's guarantee of ENA's swap obligations is not relevant because Yosemite's right to the swap repayment proceeds is derived solely from repayment of the Delta Note, which is deemed to have no value under the Section 752 constructive liquidation. Therefore, because Long Lane, Whitewing, and Enron would not bear the economic risk of loss with respect to the LEOs, the LEOs are a nonrecourse liability of Yosemite.

Allocation of the LEOs Among Enron, Long Lane, and Whitewing

Pursuant to the Yosemite trust agreement, a Certificate holder is entitled to an annual yield equal to 11% on the face amount of the holder's proportionate share of Certificates. Yield is payable semiannually as a distribution from Yosemite to the Certificate holder. Further, upon termination of the Yosemite transaction, and to the extent that sufficient value exists within Yosemite after the LEOs are fully repaid, a Certificate holder is entitled to a distribution from Yosemite equal to the face amount of the holder's proportionate share of Certificates. Accordingly, Long Lane, Whitewing, and Enron are each entitled to an 11% annual yield on their proportionate share of Certificates and, upon termination of the Yosemite transaction, repayment of the face amount of their proportionate share of Certificates.

Therefore, pursuant to the allocation method for nonrecourse liabilities under Section 752 and the regulations thereunder, the LEOs (principal amount plus accrued but unpaid interest) should be allocated among Long Lane, Whitewing, and Enron in proportion to each partner's percentage ownership of the Certificates.

---

[6] Treas. Reg. § 1.752-3(a)(1).
[7] Treas. Reg. § 1.752-3(a)(2)
[8] *See* Treas. Reg. § 1.752-3(a)(3).

CC: J. Ginty
D. Dewar
E. Locklear

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July 18, 2002

Mr. Ross Kirschner
Permanent Subcommittee on Investigations
Senate Committee on Governmental Affairs
199 Russell Senate Office Building
Washington, DC 20510

Re: Enron Corp.

Dear Ross:

As we have discussed, to date Enron Corp. ("the Company") has experienced difficulty in locating documents related to the accreditation process of trading counterparties, including Delta Energy and Mahonia, as requested by the Subcommittee. In addition to the Company's limited resources in bankruptcy, the Company has and continues to experience significant attrition among its employees. I am advised that the resulting lack of institutional knowledge has been an appreciable impediment to the Company's ability to fully respond to the myriad of requests from the Subcommittee and other governmental agencies.

As you know, the Company has devoted substantial resources to responding to the Subcommittee's numerous subpoenas and will continue to do so. The Company is continuing its efforts to locate the referenced documents and is willing to discuss any suggestions or information that the Subcommittee may have which could assist the Company in its efforts.

Sincerely yours,

Susan DeClercq

Susan DeClercq

Permanent Subcommittee on Investigations
EXHIBIT #193i

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME:	APEA Tax Exempt Prepay	**Date DASH Completed:**	April 9, 1999
Counterparty:	American Public Energy Agency	**RAC Manager:**	Christopher Smith
Business Unit:	Energy Finance West Origination	**Investment Type:**	Gas Prepayment
Business Unit Originator:	Sandra McDonald/Lard Dyer	**Capital Funding Source(s):**	N/A
☐**Public** ☐**Private**		**Expected Closing Date:**	April 9, 1999
☐**Merchant** ☐**Strategic**		**Expected Funding Date:**	April 15, 1999
☐**Conforming** ☐**Nonconforming**		**Board Approval:** ☐**Pending** ☐ **Received** ☐ **Denied** ☐ **N/A**	

DEAL DESCRIPTION ***(Please refer to the attached Transaction Diagram):***

The APEA Tax Exempt Prepay Transaction (the "Transaction") is structured as a twelve (12) year natural gas sale in which Enron Natural Gas Marketing Corp. ("ENGMC") will receive approximately $280-$285 million via American Public Energy Agency's ("APEA") issuance of tax exempt Obonds; APEA is a Nebraska public agency authorized to issue tax-exempt bonds. ***Standard and Poor's has rated the Bonds, and the associated structure, AA-.*** As consideration for the prepayment, ENGMC will be obligated via a Gas Purchase Agreement ("GPA") to deliver natural gas to APEA, over the noted tenure; the notional gas quantity associated with the transaction is 155,234,192 MMBtu.

The prepayment support's Gas Sale Contracts which APEA has negotiated with the following public entities ("Publics"), over the parenthetically referenced term: (i) Nebraska Public Gas Agency (5 years); (ii) Sacramento (California) Municipal Utility District (4 years); (iii) City of Pasadena, California, Water and Power Department (3 years); (iv) City of Glendale, California (4 years); and (v) Public Utility District No.1 of Clark County, Washington (3 years). The Gas Sale Contracts offer, among other things: (i) "index minus" gas; and (ii) annual evergreen renewal provisions. The expectation is that the availability of "index minus" gas will give the respective party incentive to renew its Gas Sale Contract. However, ECT will enter into a Gas Re-marketing Agent Agreement to place the gas with other purchasers in the event any of the Publics default or fail to renew. The documentation permits redesignation of delivery points, with corresponding changes to the applicable index references. ECT is paid a fixed amount ($0.01/MMBtu of gas) to act as Re-marketing Agent.

To eliminate market risk exposure to the bondholders and credit exposure to APEA, two financial swaps will be transacted. APEA will enter into a floating-for-fixed swap with the Swap Counterparty (The Chase Manhattan Bank, AA- rated), and Enron Capital and Trade Resources Corp. ("ECT") will separately enter into a fixed-for-floating swap with the Swap Counterparty, under ECT's existing ISDA Agreement. Due to accounting and tax concerns the two swaps cannot be directly linked or cross-defaulted. In order to enter into the swap contracts on an economically feasible basis, and to eliminate APEA credit risk from the structure, ENGMC will enter into a Margin Agreement with APEA. The Margin Agreement will be assigned by APEA to Chase to secure any swap termination payment that may be due to Chase by APEA.

Any movement of funds associated with the Transaction, with the exception of the swap among ECT and the Swap Counterparty, will be channeled through a Trust; the strength of this structure has been affirmed via Standard & Poor's AA- rating on the bonds. In the event of an early termination, ENGMC will pay APEA a termination payment that will be sufficient to redeem the Bonds. Any termination payment will be paid directly by the providers of a performance surety bond (50% AIG and 50% Chubb). Enron Corp. would then be obligated to indemnify the issuer of the surety bond under a pre-existing agreement. Enron's obligation to pay termination damages will be limited to the amount of the surety bond.

TRANSACTION SOURCES AND USES OF FUNDS:

The Transaction is a natural gas prepayment in which ENGMC will be receiving approximately $280-$285 million. The transaction will result in interest savings in the range of $8-10 million over the next twelve years. Due to the nature of the Transaction no RAROC has been run.

EXISTING EXPOSURE

ECT currently has an extensive relationship with The Chase Manhattan Bank. ECT's financial exposure is governed via an ISDA that was originally put in place in 1994. As of the close of business, April 7, 1999, ECT's aggregate exposure with Chase was out-of-the-money approximately $10.6 million.

Permanent Subcommittee on Investigations
EXHIBIT #193j

RAC Deal Approval Sheet **Deal Name:**

NON-HEDGABLE (IDIOSYNCRATIC) RISKS:

RISK	*DESCRIPTION*	*MITIGATION/COMMENTS*
Legal Risk **a) Securities risk**	The bonds are issued to the public, and are subject to federal and state securities laws.	We have disclaimed obligations and responsibility regarding disclosure under the official statement issued in connection with the bonds. Furthermore, Enron is not the primary obligor on the bonds.
b) Loss of tax exemption	The bonds are sold as tax-exempt obligations. Tax laws may change, or the IRS may challenge the tax exemption for the bonds. If it is determined that the bonds are not tax-exempt obligations, APEA could encounter lawsuits. Loss of tax exemption itself would not constitute a default under the bond resolution. However, if such loss of exemption results from a breach of APEA in its obligations under the Bond Resolution, such breach will constitute a "Triggering Event" and the GPA will be terminated early. Care has been taken to insulate ENGMC and ECT from liability from bondholder suits. However, APEA is not heavily capitalized, and it is possible that Enron would be named as a defendant.	Kutak Rock, as bond counsel, will issue a tax opinion. Enron will receive a reliance letter entitling it to rely on that opinion.
Alternate Delivery Point/Physical Gas Risk Premium	ENGMC and APEA may mutually agree to change to an alternate, liquid, delivery point. Two of the initial sales contracts include specific flexibility to move to a previously specified alternate delivery location upon thirty days notice. 3.8 cents/MMBtu of physical risk premium has been factored into the transaction.	This risk has largely been mitigated by the mutual consent required under the GPA. The Transaction has been structured assuming that all of the gas under the two contracts with specific flexibility was taken at the delivery locations with the highest index premiums. If ECT should be called upon to re-market gas, we will control where the gas is sold. ECT has an opportunity to market additional gas to initial purchasers (quantities under current contracts with Publics represent 25-33% of their average loads) or to seek new purchasers in locations with index premiums below the previous location. If APEA re-markets the gas, ENGMC has the opportunity to say "no" to any delivery location whose cost of delivery exceeds the index premium at the previous location. In conclusion, on an aggregate basis, sufficient funds are available to pay Enron's physical cash desk premiums given our control over the selection of alternative delivery points. Notwithstanding the risk current transactions with the Publics are not renewed, ECT can look to re-market the gas to any municipal purchaser.

RAC Deal Approval Sheet **Deal Name:**

Early Termination **a) Mismatch in terms of GPA and Gas Sale Contracts with Publics.** **b) Publics sell generation capability; growing trend in public power market.** **c) Event of default on the bonds caused by non-payment of APEA or gas purchasers (Publics).**	ENGMC has a 12-year obligation to deliver gas to APEA. APEA sells the gas to Public entities under contracts with terms of 3 to 5 years. APEA is required to sell at least 90% of the gas, in aggregate, to Public entities over the entire 12-year term. ECT acts as APEA's re-marketing agent. The initial contracts permit early termination if Publics no longer consume natural gas. Early termination may result in ENGMC having to pay more than current market value of undelivered gas. This risk is reduced as bond amortization occurs over time.	While the pricing under the contract is extremely attractive and we expect all of the Publics to renew the contracts through the entire 12-year term, ECT has substantial flexibility in re-marketing the gas. The pricing, delivery point flexibility and size of the market significantly reduce this risk. ENGMC largely controls whether a termination event occurs. The re-marking arrangement permits ECT to attempt to find new tax-exempt buyers on a best efforts basis. Underlying contracts permit delivery point flexibility. The contracts require APEA to sell gas only to public entities that meet minimum credit criteria. Termination for non-payment is further limited by the presence of liquidity reserves funded by bond proceeds and surplus funds of APEA. Termination due to non-renewal or ECT's ipability to find suitable purchasers is unlikely due to: (i)Pricing to the Publics is based upon the delivery point specific 1st of month index less 4-5 cents/MMBtu; (ii) the contracts with the Publics, after the initial term, renew automatically on an annual basis unless 6 months notice is provided; (iii) ECT has the right to re-market gas at any liquid trading point in the country; (iv) Public entities in the U.S. consume, on average, in excess of 2 Bcf/d; (v) APEA's current contract quantity with each Public entity represents 25-33% of the entity's average gas use; (vi) ECT can re-market up to 10% of the gas in aggregate to any entity. This "bad" use represents 14 months of sales. Early Termination due to sale of purchaser's generation units or loss of load is mitigated by the requirement that the prepaid gas is the last gas used in the Publics' system. If a divestiture trend develops in public power, municipal gas LDC's and other tax-exempt entities such as schools, hospitals and governmental loads will be targeted for re-sales.

RAC Deal Approval Sheet **Deal Name:**

HEDGABLE OR MARKET RISKS:

Foreign Exchange Risk	N/A
Interest Rate Risk	LIBOR swap to be executed simultaneously with the sale of the municipal bonds. Interest rate hedge will effectively lock in an attractive twelve year borrowing rate for ECT.
Credit Risk	The structure of the Transaction has been designed to eliminate APEA credit risk. This is accomplished via: (i) the establishment of a Trust - with the exception of the swap among ECT and the Swap Counterparty, all funds will be channeled through the Trust; (ii) exposure to market risk is mitigated via the swap among ECT and the Swap Counterparty, and the Margin Agreement among ENGMC and APEA, for the benefit of the Swap Counterparty and ENGMC. Thus, ECT/ENGMC's credit risk in the Transaction lies primarily with non-performance of the Swap Counterparty (The Chase Manhattan Bank) which is rated AA-. Risk of non-payment by the Publics (leading to early termination of GPA) mitigated by imposing credit requirements prior to sale and permitting termination of the respective Gas Sale Contract if payment is not received within five days of due date.
Inflation Risk	N/A
Commodity Risk	In the event of an Early Termination, ECT may be forced to rehedge its position pursuant to its swap with the Swap Counterparty, if the Swap Counterparty refuses to a negotiate an unwind of the swap. Financial incentives have been placed both in the Margin Agreement and the Swap Confirmation among ECT and the Swap Counterparty, to mitigate this occurrence.

OTHER RAC COMMENTS:

SYNDICATION (ECM):

- ☐ Immediately syndicatable at current capital price
- ☐ Syndication within one year at current capital price
- ☐ Not syndicatable at current capital price
- ☐ N/A

APPROVALS:	Name	Signature	Date
RAC Management	Rick Buy		
Enron Natural Gas Marketing Inc.	Ray Bowen		
Business Unit Originator	Sandra McDonald		
Business Unit Originator	Laird Dyer		
Business Unit Legal	Mark Haedicke		
Business Unit Mgmt	Kevin McConville		
Business Unit Mgmt	Greg Piper		
ECT Trading	Greg Whalley		
ECT Structuring	Wanda Curry		
ECT Management			

RAC Deal Approval Sheet **Deal Name:**

DEAL DEFINITIONS

Bid Bond A letter of credit or surety bond delivered at the time of submission of a bid. It guarantees that if the bidder is awarded the project that is the subject of the bid, the bidder will execute the relevant project documents in accordance with the terms of the bidder's bid.

Deal Description short written summary of the investment.

Deal Name Unique name for an investment/deal usually defined by Capital Pricing director or Business Unit Originator.

Deal Risk Premium (%) Premium for a deal derived by a comparison of the transaction volatility of returns to historical sector volatility of returns; additionally incorporates any other adjustments for risks specific to the transaction. Premium could be negative if the transaction exhibits less risk than is reflected in the unadjusted capital price.

Capital Commitment ($M) Expected present value of cash outflows in the transaction.

Expected IRR (%) the discount rate at which the net present value of the expected cash flows would be equal to zero. This measures the expected return of the transaction but does not incorporate a measure of risk.

NPV @ Capital Price ($M) Net Present Value at the Capital Price discount rate.

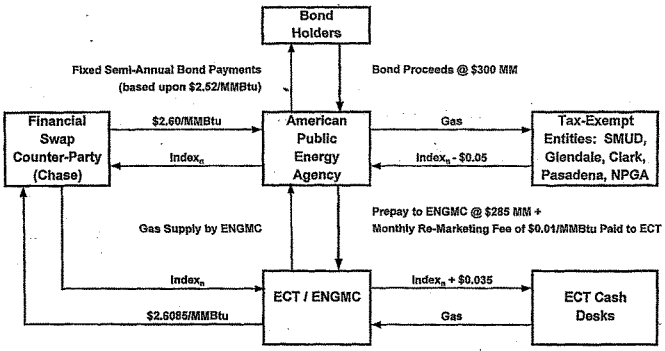
Risk-Free Rate (%) the rate derived by weighting Treasury curve rates by the expected cash flows in the corresponding periods.

Type of Investment Specific type of investment. For example, VPP, LP, loan, equity, alliance, debt, derivatives, refinance, and physical sales. Sometimes referred to as Instrument Type.

Value at Risk ($M) The loss in value over a specified period of time (quarterly, daily, etc.) which will be exceeded with a certain probability. Evaluated based on market comparables.

EC 000004878

Tax Exempt Financed, Prepaid Gas Supply: Transaction Diagram



Note: Subscript "n" represents any of a number of liquid delivery points. Initial delivery points are: N. California Border (Malin), S. California Border (Topock), Permian Basin, Sumas, AECO and NNG Demarcation.

STANDARD &POOR'S

Public Finance New Issue Review

ISSUER: AMERICAN PUBLIC ENERGY AGENCY, NEBRASKA

NEW RATING

$300 million gas supp rev bnds (Nebraska Public Gas Agency-Western A Project)
ser 1999A dtd 04/01/1999 due 06/01/2011 AA-

OUTLOOK: NM

RATIONALE

American Public Energy Agency's (APEA) bonds are rated "AA-" as a structured rating. Bond proceeds will fund a twelve-year gas supply that APEA is purchasing from Enron Natural Gas Marketing Corp. (ENGMC).

ENGMC is a wholly-owned subsidiary of Enron Capital and Trade Resources Corp., which, in turn, is a wholly-owned subsidiary of Enron Corp. ENGMC is not rated by Standard & Poor's. ENGMC's obligations are supported by a surety provided by American Home Assurance Company and by Federal Insurance Company which are each rated "AAA" by Standard & Poor's. The surety providers are severally, but not jointly liable for 50% of the surety obligation. They must be rated at least "AA-" throughout the life of the transaction or must be replaced with an appropriately rated surety.

The backbone of this transaction's credit rating is the threshold rating for the surety providers and the resolution's provision for the mandatory extraordinary redemption of the bonds. Under specified conditions, the transaction is unwound, the bonds are called and proceeds of the surety are used to retire all outstanding bonds at their amortized price. The definitive amortized price schedule will be set following pricing and may be less than or greater than the bonds par amount, depending upon the discount or premium paid for the bonds.

Should APEA and its members fail to take or pay for gas for 30 or more days within a twelve month period, then Enron has the right to declare a triggering event which will unwind the transaction and lead to the bonds' redemption. Until Enron declares a triggering event, Enron retains the gas and it must pay APEA for gas not taken. This will either provide APEA with the financial resources needed to pay bondholders or will provide Enron with the financial incentive to unwind the transaction. Further security is provided by the requirement that a triggering event must be declared by Enron if an event of default under the APEA bond resolution occurs. Similarly, APEA must declare a triggering event if Enron defaults in its obligations.

Partial bond redemptions are not permitted. Importantly, the proceeds of the surety are dedicated exclusively to the bondholders.

The swap between APEA and The Chase Manhattan Bank which is rated AA-, is also terminated in connection with the unwinding of the transaction.

During the life of the transaction, the swap provider will pay APEA fixed amounts that will mirror the bonds' debt service obligations and APEA will pay to the swap provider a floating amount reflecting the index price of gas less a discount. The cash flows received from the swap counterparty are critical to APEA's ability to make payments to bondholders. If the swap counterparty's credit rating is downgraded, the counterparty need not be replaced.

The prepaid gas is being purchased for the benefit of 5 municipal agencies. With the exception of one agency, Nebraska Public Gas Agency, which itself is a joint action agency, none of the gas sales contracts are for the full term of the gas purchase agreement. Concerns associated with the duration of the contracts are addressed by the presence of the surety and the bond resolution's mandatory extraordinary redemption provisions.

April 8, 1999

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MEMORANDUM

Confidential Communication
Attorney-Client Privilege

TO: Jordan Mintz

FROM: Morris R. Clark

DATE: June 30, 1999

RE: Federal Income Tax Treatment of Prepayments

This memorandum addresses the federal income tax treatment of the receipt of certain prepayment proceeds. In particular, Section I provides a brief overview of the general rules governing the recipient's timing for recognizing payments as taxable income. Sections II and III focus on the various Enron prepayment transactions and how such transactions were treated for federal income tax purposes, including a discussion of the various Enron entities involved in these transactions. Section IV discusses our recommendations regarding the most tax efficient method of executing future prepayment transactions.

Overview

By way of background, Enron has entered into approximately $3 billion in prepayment transactions since 1992. Enron typically enters into three types of prepayment transactions: (i) financial prepayments -- which are entered into as a means of generating cash flow for Enron; (ii) commercial prepayments -- which are entered into as part of an underlying commercial transaction; and (iii) tax accelerated prepayments -- which are entered into as a means of accelerating taxable income in order to utilize certain tax credits or losses. Generally, prepayment transactions are treated as deferred revenue for financial accounting purposes[1] and income (including an interest component) is recognized as the "commodity" is delivered to satisfy the prepayment. (See Attachment A for a summary of the book/tax treatment of the various prepayment transactions).

[1] Although the prepayment is treated as deferred revenue for financial accounting purposes, it is our understanding that the transaction is not treated as debt for credit rating purposes. Rather, the prepayment is viewed as part of Enron's overall price risk management activity. Once the prepayment transaction is executed the commodity volumes that will be delivered in the future are recorded on our commodity risk books. Since the commodity books are accounted for under the mark-to-market method of accounting, the prepay transaction ultimately results in the recording of a mark-to-market liability on the commodity books. However, once the prepay transaction is recorded on our risk books, Enron will then enter into a financial swap to hedge the price and basis exposure associated with the prepay liability.

Permanent Subcommittee on Investigations
EXHIBIT #193k

For federal income tax purposes, the treatment of the prepayment transactions varies depending on the type of transaction entered into and the particular entity used to effectuate the transaction. Furthermore, the tax treatment of the prepayment transaction is also dependent upon whether the prepayment or advance payment[2] involves inventory goods or non-inventoriable goods. Prepayments relating to non-inventoriable goods (goods not properly includible in the inventory of the taxpayer) must generally be included in the taxable income of the recipient in either: (i) the taxable year of receipt; or (ii) the taxable year in which such prepayment would be properly accruable under the taxpayer's method of tax accounting

For example, a typical accrual method taxpayer would recognize income no later than year of receipt. However, manufacturers can use a modified accrual method which allows income recognition to be deferred until the goods are shipped, delivered or accepted. Furthermore, under certain limited circumstances, an accrual basis taxpayer can recognize proceeds received to modify certain "take or pay" contracts into income ratably over the life the contract. In any event, a taxpayer can only defer recognition of the prepayment income under its tax accounting method to the extent that such method results in income being recognized no later than the time such payments are included in gross income for financial reporting purposes.

Notwithstanding the general rule, an exception exists for prepayments for inventoriable goods (*e.g.* gas, oil, power[3], and other commodities). The special rules relating to prepayments for inventoriable goods provide that such prepayments must be included in the recipient's income no later than the second taxable year following the receipt of a "substantial advance payment" -- effectively resulting in a two year deferral of income recognition. Generally, Enron's prepayment transactions involve goods held in inventory (*e.g.* oil or natural gas) and, as such, fall under the inventoriable goods exception.

Based on the above rules, Enron has elected to treat the 1992 and early 1993 prepayment proceeds as taxable income in the year of receipt, while electing to defer the recognition of income from the later prepayment transactions. It should be noted that once a taxpayer

---

[2] The terms "prepayment" and "advance payment" are synonymous and are used interchangeably. Prepayments or advance payments are defined as any amount which is received in a taxable year by a taxpayer using an accrual method of accounting and such amount is made pursuant to an agreement for the sale of goods held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business and such agreement is not completed within the taxable year. Treas. Reg. § 1.451-5(a)(1)(i). For consistency purposes, we will refer to such payments as "prepayments".

[3] Although the Service has not explicitly addressed whether power should be considered inventory for purposes of the prepayment rules, the Service has held that electricity is an inventoriable good in several non-prepayment contexts. For example, Technical Advice Memorandum 9523001 held that the taxpayer (an independent power producer -- "IPP" or qualifying facility -- "QF") must use the accrual method of accounting because electricity was inventoriable merchandise. See also Private Letter Ruling 9641004 holding that capacity payments made by an electric utility to a QF should be included in the utility's electricity inventory costs.

elects to either accelerate or defer recognition of prepayment proceeds, such election generally becomes irrevocable absent the express consent of the Internal Revenue Service ("Service"). However, Enron was able to both accelerate and defer recognition of certain prepayment proceeds by using separate entities to effectuate certain transactions. (See Section III for a discussion of the particular elections made by the various Enron entities).

Discussion

I. Overview of Timing Rules

A. General Rule for Taxable Year of Inclusion

Generally, receipts should be included in gross income in the year in which they are actually or constructively received by the taxpayer, unless such receipts should be included in a different year in accordance with the taxpayer's method of tax accounting. Treas. Reg. § 1.451-1(a). For instance, under an accrual method of accounting, income is included in gross receipts when all the events have occurred which fix the right to receive such income and the amount of such income can be determined with reasonable accuracy. Treas. Reg. § 1.446-1(c)(1)(ii). "All events" are normally deemed to occur at the earlier of when: (i) the required performance under the contract occurs; (ii) payment is due; or (iii) payment is made. (See Rev. Rul. 74-607, 1974-2 CB 149 where the Service applied the above rule to the accrual of interest and held that interest should be included in income ratably over the life of the loan since performance, i.e. making of the loan, occurred before payment).

In addition to these general accrual rules, a taxpayer engaged in a manufacturing business may account for sales under a modified accrual method where taxable income is recognized when either: (i) the goods are shipped; (ii) the product is delivered or accepted; or (iii) title to the goods passes to the customer. Treas. Reg. § 1.446-1(c)(2)(C). Although a taxpayer using a modified accrual method has some flexibility regarding the timing of income recognition, the accrual method selected must clearly reflect income and must be consistently used by the taxpayer from year to year. Id. In that event, income realization may be pushed out a bit further.

The interaction of the general accrual rules with the modified accrual method can be illustrated by the following example:

> S, a manufacturer, uses the traditional accrual method for tax and financial accounting purposes. S has a contract with B which calls for S to provide 100 widgets to B each month. S usually ships the widgets to B on the 20th of each month. S also bills B on the 20th of each month with payment due by the 30th of each month. B typically receives the goods 7 days after shipping (when title passes) and has 5 days to inspect and accept the goods. Under the traditional accrual method of accounting, "all events" would occur when the required performance under the contract occurs -- that is on the 20th, the shipping date.

However, if S used a modified accrual method, S could choose to recognize income when the widgets are accepted -- 12 days after shipping.

Thus, as a manufacturer, the taxpayer can elect to defer recognition of income until after the shipping date provided that its method of accounting is both consistent and clearly reflects income.

It should also be noted that in certain circumstances, the Service has allowed a limited exception to the "all events" test with regards to certain "take or pay" or other similar payments. Under this exception, an accrual basis taxpayer may be able to defer recognition of proceeds if the payment is made to modify an existing contract rather than terminate such contract. In these limited circumstances, the Service will allow the taxpayer to take the modification payment into income over the life of the modified contract. For example, the tax accounting rules relating to "take or pay" contracts has been invoked in certain prepay transactions involving the restructuring of power purchase agreement ("PPA") contracts between utilities and IPPs located in the Northeast United States (e.g. Connecticut Light & Power/AES and New England Power/Haverhill recently entered into PPA modifications structured as prepayments). (See Section I.B.2. below for further discussion of the tax treatment of the recent IPP restructurings).

B. Rules Governing Prepayments

1. *General Rule*

In addition to the all events test, there are two special rules governing taxable income recognition of prepayment proceeds. The first rule, the general prepayment rule, governs prepayments for non-inventoriable goods (*e.g.* relating to an agreement for the sale of goods that are not includible in the taxpayers inventory). It provides that a prepayment should be included in income in either:

(i) the taxable year of receipt;

(ii) the taxable year in which properly accruable under the taxpayer's method of accounting (provided that such method does not result in including prepayments in income later than the time such payments are included in gross receipts for financial reporting purposes); or

(iii) if the taxpayer's method of accounting does result in including prepayments in gross receipts for financial reporting purposes earlier than for tax purposes, then in the taxable year that such payments are included in gross receipts for financial reporting purposes. Treas. Reg. § 1.451-5(b).

Thus, in a non-inventory prepayment, the recipient can either recognize prepayment proceeds in the year received or defer recognition under an accrual method (*e.g.* a manufacturing company would be able recognize income under an accrual

method as goods are shipped or delivered) provided that such deferral does not result in income being recognized later than for financial reporting purposes. The general prepayment rules can be illustrated by the following example:

> S, a retailer, uses for tax and financial accounting purposes an accrual method of accounting under which it accounts for its sales when the goods are shipped. S receives an advance payment for such goods. Such advance payment must be included in gross receipts for tax purposes either in the taxable year the payments are received or in the taxable year such goods are shipped.

Thus, as a retailer, the taxpayer can defer recognition of the prepayment proceeds until the taxable year that the goods are shipped, provided that such income is not recognized any earlier for financial accounting purposes.

The above example assumes that the prepayment will be settled by delivering the physical commodity. This is important because, by definition, a prepayment must be made pursuant to an agreement for the sale of goods. (See footnote 2, above). As such, the prepayment transaction must actually provide for the sale of the underlying physical commodity. A purported prepayment transaction that merely requires the prepayment recipient to pay a specific amount of money based on the notional principal amount of an indexed commodity would be analyzed as a loan for federal income tax purposes. Notwithstanding the sale of goods requirement, a prepayment recipient can arrange to market or sell the underlying physical commodity on behalf of the counterparty as long as the actual cash proceeds from such sale are remitted to the counterparty. Furthermore, the counterparty must assume the price risk of the sale – that is, the prepayment recipient cannot guarantee a certain return from the actual sale of the commodity.

2. *Exception for Prepayments Relating to Inventory Goods*

Notwithstanding the general prepayment rule, if an accrual basis taxpayer receives a prepayment with respect to an agreement for the sale of goods that are properly includible in its inventory (*e.g.* commodities) and on the last day of such taxable year;

> (i) the taxpayer has goods on hand (or available through normal sources of supply) to satisfy the agreement in such year; and
> (ii) the taxpayer has received "substantial advance payments" [4] under such agreement,

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[4] "Substantial advance payments" are deemed to exist if the sum of all prepayments equal or exceed the total estimated costs and expenditures necessary to satisfy the agreement. Treas. Reg. § 1.451-5(c)(3). The substantial advance payment rules can be illustrated by the following example: X enters into a prepayment contract for the sale of goods over a five year period for a total contract price of $100. X estimates that his total inventoriable costs and expenditures for the goods will be $50. X receives a "substantial advance payment" in the year that he receives $50 or more under the contract, determined in the aggregate.

then all prepayments received by the last day of the second taxable year following the year in which such "substantial advance payments" are received (and not previously included in income in accordance with the taxpayer's accrual method of tax accounting) must be included in income in such second taxable year. However, such deferral cannot result in a taxpayer recognizing income later than for financial reporting purposes. Treas. Reg. § 1.451-5(c). As such, this two year deferral is not available if Enron recognizes prepayment income under the mark-to-market method of accounting for financial reporting purposes.

In the event that prepayments are required to be taken into income under the inventoriable goods exception, then the taxpayer must take into account the estimated cost of goods necessary to satisfy the agreement. As such, only the net prepayment amount will be subject to tax in the second year following receipt.

The inventoriable goods prepayment exception can be illustrated by the following example:

> S, a retailer, uses for tax and financial accounting purposes an accrual method of accounting under which it accounts for its sales when the goods are shipped. During 1998, S receives an advance payment for goods currently held in its inventory in the amount of $100. Those goods will be shipped over three years from 2001 through 2003. The estimated cost of such goods is $50. Under the non-inventory prepayment rules, S could elect to defer recognition of the prepayment proceeds until the goods are shipped – in years 2001, 2002, and 2003. However, under the inventoriable goods exception, S could only defer recognition of the prepayment until the second taxable year following receipt - or in year 2000. However, S would be able to take into account the estimated cost of the goods ($50) such that S would only take into account $50 of income in year 2000.

By way of summary, if the prepayment relates to non-inventoriable goods, S would have to either: (i) recognize the prepayment proceeds in taxable income in the year of receipt; or (ii) defer recognition under an accrual method (*e.g.* S recognizes income as goods are shipped or delivered). On the other hand, prepayment proceeds for inventoriable goods should be included in S' taxable income no later than the second year after receipt of payment.

In light of recent developments in the power industry, it is also important to note that several recent PPA modifications were structured as prepayments for *non-inventoriable* goods. The IPPs were able to assert that power was not an inventoriable good because of their status as QFs for federal energy regulatory purposes. As a QF, power can only be supplied from limited sources – mainly from itself or other QFs. As such, the IPPs contended that: (i) they did not currently have the power on hand; and (ii) the power was "not readily available" because it could not get the power on the open market due to regulatory limitations. However, in discussing this approach with outside counsel this

structure was considered a very aggressive tax position because their reliance on federal regulatory interpretations are not binding on the Service.

II. Enron Prepayment Transactions

As noted at the outset of this memorandum, Enron has been involved in approximately $ 3 billion in prepayment transactions since 1992. Historically, Enron's prepayment transactions have fallen into two categories: (i) taxable income accelerated ("TIA") prepayments -- that is, prepayments where Enron needed to accelerate the recognition of income in order to take advantage of certain tax credits or losses; or (ii) strategic cash flow prepayments, where Enron has entered into a prepayment simply as a means to generate significant cash flow. (In addition, Enron has, on one isolated occasion, entered into commercial prepayments with an industry participant. However, this prepayment transaction has been completed and product is no longer being delivered pursuant to such transaction.)

The appropriate Enron entities that should be used to effectuate the various prepayment transactions is discussed in Section III below.

A. Taxable Income Accelerated Prepayments

Enron entered into three TIA prepayments during 1992 and 1993. (See Exhibit B for a list of prepayment transactions). These prepayments were entered into primarily as a means for generating taxable income in order to take advantage of Section 29 credits generated by Enron Oil & Gas ("EOG") which, at that time, was part of Enron's consolidated group. By way of overview, Section 29 credits are used against regular tax liability, but cannot be used against the alternative minimum tax ("AMT"). Further, the Code does not authorize Section 29 credits to be carried forward and, as such, a taxpayer loses the benefit of the credits if it does not have sufficient regular taxable income. (However, such credits would be added to the taxpayer's AMT credit carryforward). Therefore, Enron had to create regular taxable income to realize the benefit of the credits, thereby helping to reduce its effective tax rate.

The TIA prepayments were typically structured as forward oil sale contracts with a counterparty arranged by a financial institution (Chase Manhattan or Citibank), whereby the counterparty would make a significant up-front payment in exchange for Enron's obligation to deliver oil on a monthly basis over a 3 to 4 year period.[5] Since Enron holds oil in its inventory, these prepayment transactions were subject to the inventoriable goods exception which requires income to be recognized in either the year of receipt or deferred for a period no longer than two years. Again, in order to use the Section 29 credits, Enron elected to recognize the proceeds from these prepayments in the year of receipt.

[5] Typically, the financial institution counterparty does not actually take delivery of the oil or gas over the term of the prepayment. Instead, Enron will act as a marketer for the counterparty and sell the agreed upon volume of oil or gas in the open market and pay the proceeds from such sale to the counterparty.

For financial accounting purposes, the TIA prepayments are essentially treated as deferred revenue and income (with an interest component) is recognized under an accrual model over time as the product is delivered in satisfaction of the prepayment. The transaction is not treated as debt for accounting and credit rating purposes, but rather, the prepayment is viewed as a part of Enron's overall price risk management activity. (See footnote 1, above).

B. Strategic Cash Flow Prepayments

The majority of Enron's prepayments have been structured as strategic cash flow prepayments and we anticipate additional prepayments this year. Rather than entering into these prepayments to take advantage of tax attributes, these prepayments were entered into primarily as a means of generating cash flow for Enron. These strategic prepayment transactions were typically structured as either forward oil sale contracts or natural gas forward sale contracts with a counterparty arranged by a financial institution (Chase Manhattan), whereby the counterparty would make a significant up front payment in exchange for an Enron obligation to deliver oil or natural gas on a monthly basis over a period of several years (3-6 years). As previously explained, after EOG was deconsolidated from the Enron group, there was less of a need to generate regular taxable income to use Section 29 credits. As a result, Enron elected to defer recognition of these prepayment proceeds. However, since both natural gas and oil are carried in Enron's inventory, these prepayments fall under the inventoriable goods exception and, as such, gain recognition may only be deferred for a period of two years after the year of receipt. (See Section I.B., above).

For financial accounting purposes, the cash flow prepayments are treated as deferred revenue with income, including an interest component, recognized over time as the product is delivered in satisfaction of the prepayment. However, the prepayments are not treated as debt for balance sheet purposes, but rather, are treated as a fixed price commodity contract as part of Enron's overall price risk management activity.

C. Commercial Prepayments

Enron entered into one commercial prepayment in 1992. This prepayment was not entered into for tax or cash management reasons, but was merely entered into as a part of an underlying commercial transaction. This transaction was structured as forward oil sale contract with Texas Utilities Fuel Co. ("Tufco") as the counterparty. The prepayment amount was considerably smaller than any of the other accelerated or strategic prepayments. Since oil is an inventoriable good with respect to Enron, it could either recognize the prepayment income in the year of receipt or elect to defer recognition of such income for period not to exceed two years. However, because EOG had Section 29 credits readily available in 1992, Enron, nevertheless, elected to accelerate the recognition of the Tufco prepayment proceeds.

Again, for financial accounting purposes, commercial prepayments are treated as deferred revenue with income, including an interest component, recognized over time as the product is delivered. However, the prepayments are not treated as debt for balance sheet or credit rating purposes.

III. Enron Prepayment Entities

As stated earlier, a taxpayer who receives prepayment proceeds has the option of either recognizing income in the year of receipt or deferring recognition until a later year. Although the taxpayer does not have to make an affirmative election on any particular tax form, the taxpayer must include an annual information schedule with its income tax return reflecting: (i) the particular recognition method used; (ii) the amount of prepayment proceeds recognized in the current year; and (iii) the total amount of payments received but not yet recognized. Treas. Reg. § 1.451-5(d). (See Attachment C for a copy of the annual information statement that is filed with Enron's consolidated tax return).

Once a taxpayer elects to either include prepayment proceeds in the year of receipt or to defer recognition until a later year, such tax treatment becomes the taxpayer's method of accounting for prepayments. The consequence of a prepayment election becoming a method of accounting is that the taxpayer cannot change such method of accounting without consent from the Service. Treas. Reg. § 1.446-1(e).

A. Entities Electing to Include Prepayments In Year of Receipt

The Enron entities used to facilitate the accelerated prepayments were Enron Reserve Acquisition Corp. ("ERAC"), Enron Power Services ("EPS") and EGS Hydrocarbon Corp. ("EGS"). ERAC and EPS made the accelerated recognition election in 1992, while EGS made its election in 1993.

At the end of 1994, EPS was merged (along with several other entities) into Enron Risk Management Services ("ERMS") as part of the "mega-merger" that created Enron Capital & Trade Resources Corp. ("ECT"). Thus, under the tax attribution rules of Code § 381, ECT must continue to use the prepayment accounting method of EPS under the "principal accounting method test". Treas. Reg. § 1.381(c)(4)-1(c)(2)(iv). As such, ECT has effectively elected to accelerate the recognition of any prepayment proceeds. Thus, although ECT may be the preferred entity to effectuate prepayment transactions from a commercial or legal perspective (since the counterparty may already have a master swap agreement in place with ECT or because the counterparty otherwise has familiarity with ECT from other commercial deals), ECT may not be the preferred entity from a tax perspective (See discussion of recommended entities in Section IV below).

B. Entities Electing to Defer Recognition of Prepayments

The Enron entities used to facilitate the strategic prepayments were Enron Hydrocarbons Marketing Corp. ("Hydrocarbons"), Enron Cushing Oil Marketing, Inc. ("Cushing Oil")

and Enron Natural Gas Marketing ("ENGM"). As stated earlier, these entities elected to defer recognition of prepayment proceeds because there were no readily available tax credits to justify accelerating the recognition of taxable income. Hydrocarbons' election was made in 1993[6], Cushing Oil's election was made in 1994, and ENGM's election was made in 1995.[7] ENGM continues to have 1996 and 1997 prepayment proceeds that have not been fully recognized as income.

IV. Future Prepayment Transactions

A. TIA Prepayments

As noted above, TIA prepayment transactions are entered into to generate taxable income to offset expiring tax attributes (tax credits or net operating losses). As such, these transactions should be effectuated with an entity that has elected to recognize prepayment proceeds in the year of receipt. It is recommended that ECT be used for any future TIA prepayments.

B. Financial Prepayments

Financial prepayments are entered into as a means of generating strategic cash flow. Since these transactions do not involve the utilization of offsetting tax attributes, financial payments should be effectuated with an entity that elects to defer recognition of prepayment proceeds. As such, ENGM should continue to be the entity used for all future strategic prepayment transactions.

Notwithstanding the above, however, there may be a number of circumstances where ECT is the preferred entity from a commercial or legal perspective (*ie.* ECT already has a master agreement in place with the counterparty or the counterparty would prefer to deal with ECT because of familiarity). In the event that commercial realities mandate that ECT act as the prepayment entity, we will consider whether it is feasible to change ECT's prepayment accounting method and use it for these transactions.

C. Commercial Prepayments

As noted above, commercial prepayments are entered into as part of an underlying commercial transaction. Although we have rarely entered into commercial prepayments, it is anticipated that we may have opportunities to enter into more of these transactions in

[6] It should be noted that Hydrocarbons entered into prepayment transactions with Chase in both 1993 and 1994. Although Treas. Reg. § 1.451-5 requires that all remaining income from the 1994 prepayment transaction (as well as the estimated remaining cost of sales) should have been recognized in 1996, and notwithstanding tax advice to this point, such amounts were not reported in 1996. Such amounts will be reported as deliveries are made. This prepayment is scheduled to expire in 1999.

[7] From 1993 to 1996, Enron created a new entity every year to effectuate its prepayment transactions. The new entities were created to isolate the particular transactions and in order to make the proper deferral election.

Attachment A

TAXATION OF PREPAYMENTS
Outline of Book/Tax Treatment

I. Financial Prepayments

A. Book Treatment

- Treated as deferred revenue and income recognized over time as product is delivered to satisfy the prepayment; also has an interest component
- Not treated as debt on balance sheet but is treated as a price risk management liability

B. Tax

- Election to defer under accrual method
- Inventoriable goods exception would limit the deferral to the second taxable year following the year of receipt (2 year deferral)
- Also takes into account the estimated cost of goods, thus resulting in reporting of net revenue

II. Commercial Prepayments

A. Book Treatment

- Treated as deferred revenue and income recognized over time as product is delivered to satisfy the prepayment; also has an interest component
- Discussions ongoing regarding recognition under MTM

B. Tax

- Election to defer under accrual method
- Inventoriable goods exception would limit the deferral to the second taxable year following the year of receipt (2 year deferral)
- Also take into account the estimated cost of goods

IF MTM is adopted for future transactions:

- Must take into income no later than the year taken into income for financial accounting purposes (*ie.* Year 1 for MTM)
- Must take gross revenue into account
- Cost of goods are taken into account as product is delivered thereby potentially creating a substantial timing difference

Attachment B

Enron Capital & Trade Resources Corp.

Schedule of Prepayments

Enron Company Name	Prepay Counterparty	Contract Date		Amount ($)	Taxed in Year of Receipt?
Enron Reserve Acquisition Corp.	Chase Manhattan & Bankers Trust	1992		$ 225,309,396.00	Yes
Enron Power Services, Inc.	Tybo	1992		$ 35,000,000.00	Yes
Enron Hydrocarbons Marketing Corp.	Chase Manhattan	1993		$ 230,008,022.00	No
EGS Hydrocarbons Corp.	Citibank	1993		$ 149,897,713.00	Yes
Enron Hydrocarbons Marketing Corp.	Chase Manhattan	1994	(1)	$ 207,804,099.00	No
Enron Cushing Oil Marketing, Inc.	Chase Manhattan	1994		$ 124,951,430.00	No
Enron Natural Gas Marketing	Chase Manhattan	1995		$ 224,440,450.00	No
Enron Natural Gas Marketing	Chase Manhattan	1996		$ 224,233,693.00	No
Enron Natural Gas Marketing	Chase Manhattan	1996		$ 124,549,695.00	No
Enron Natural Gas Marketing	Chase Manhattan	1997		$ 289,891,679.00	No
Enron Natural Gas Marketing	Chase Manhattan	1998		$ 269,052,500.00	No
Enron Natural Gas Marketing	Chase - Mehonic	1998		$ 249,619,352.00	No
Enron Natural Gas Marketing	Citibank-Delta/Vega	1998		$ 330,350,340.00	No
Enron Natural Gas Marketing	Citibank-Delta/Vega	1998		$ 180,000,000.00	No
Enron Natural Gas Marketing	American Public Energy Agency	1998		$ 250,000,000.00	
				$ 3,093,310,935.00	

Footnote (1): Tax inadvertently took the prepayment proceeds into income over the life of the prepayment delivery schedule, rather than in accordance with the prepayment rules of Treas. Reg. § 1.451-5.

1972

Enron Corp. And Subsidiaries (47-0255140)
Corporation Income Tax Return
For The Year Ended 12/31/96

Statement Pursuant to Regulation 1.451-5(d)
for Enron Natural Gas Marketing (76-0481290)

Advanced Payments Received 1/1/96 to 12/31/96 Not Taken into Taxable Income Currently	$348,782,975
Advanced Payments Received Prior to 1/1/96 Taken into Taxable Income Currently	$ 49,673,885

ENRON

Interoffice
Memorandum

To: AnnMarie Tiller

From: Brent Vasconcellos

Department: Tax Planning

Subject: Yosemite I Withholding for Year 2000

Date: April 11, 2000

Confidential: Attorney-Client Privilege

Pursuant to your request, I have prepared the following analysis regarding Enron's year 2000 reporting position related to payments made by Enron North America ("ENA") to Delta Energy Corp. ("Delta"), a Cayman Islands exempt LLC, as part of the Yosemite financing transaction.[1]

Background

Delta was initially capitalized with nominal equity held by a Cayman Islands charitable trust and a $800 million cash advance by Yosemite Securities Trust I ("Yosemite"), a Delaware statutory business trust, in exchange for a promissory note. For tax reporting purposes, we will characterize the $800 million advance by Yosemite to Delta as an equity interest in Delta notwithstanding its legal form as a promissory note.[2] Given this reporting position, a check-the-box partnership election was filed for Delta effective November 18, 1999. Accordingly, Form 8865 will be filed for 1999 to report Yosemite's contribution to a foreign partnership.

After its initial capitalization, Delta entered into a cash-settled swap with ENA on the price of crude oil and used the $800 million loan proceeds to prepay its obligation to ENA under the swap. The swap was part of a three-legged swap among Delta, ENA, and Citibank and will be treated for tax purposes as a $800 million loan by Delta to ENA.[3] Under the terms of the swap, ENA is required to make semi-annual floating swap payments to Delta for five years on April 14 and October 14. The payments are determined by multiplying the spot price for crude on the payment date oil by 1,212,375 barrels of crude.

Issues

1. On what basis, under I.R.C. § 1441 and its regulations, can ENA make floating swap payments to Delta during calendar year 2000 without reduction for U.S. federal income tax withholding?

EC 000037282

[1] *See* Background section of the "Yosemite I Withholding" memo dated January 10, 2000.

[2] The promissory note evidencing Delta's obligation to repay Yosemite $800 million contains tax characterization or "Danielson" language that treats Delta as a partnership and the promissory note issued to Yosemite by Delta as a partnership interest for tax purposes.

[3] The interest rate on the swaps and the interest rate on the promissory note between Delta and Yosemite mirror one another and thus any income flowing through Delta as a result of the swaps is distributed entirely to Yosemite.

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EC2 000011620

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2. Assuming that in calendar year 2000 ENA has a basis to make the floating swap payments to Delta without reduction for withholding, would the payments nevertheless be reportable under I.R.C. § 1441 or the regulations thereunder?

Executive Summary

1. ENA may make the floating swap payments to Delta without reduction for U.S. federal income tax withholding under I.R.C. § 1441 and the regulations thereunder on the basis that Delta is a partnership for federal income tax purposes and that the sole beneficial owner of the income received by Delta under the swap is Yosemite, a U.S. person (i.e., for tax purposes, the payments under the swap are made between two U.S. persons).

2. Since, for tax purposes, the swap payments would be considered made between two U.S. persons, they would not be reportable under I.R.C. § 1441 or the regulations thereunder.

Discussion

New Withholding Forms under § 1441

In late 1997, the IRS released final regulations (the "Regulations") to replace the then current regulations promulgated under I.R.C. § 1441 that deal with payments made by U.S. persons to foreign persons. As originally released, the Regulations were to be effective for payments made after December 31, 1998. In early 1998, in connection with the release of the Regulations, the IRS released Announcement 98-15 and 98-51 to solicit comments regarding proposed new withholding forms (the "Forms") to accompany implementation of the Regulations. The IRS then released Notice 98-16 to delay the effective date of the Regulations until January 1, 2000.[4] In the same notice the IRS also announced that the Forms proposed in Announcement 98-15 and 98-51 would be deemed to satisfy the current regulations. In 1999, the IRS released Notice 99-25 to again delay the effective date of the Regulations until January 1, 2001.[5]

[4] "Treasury and the IRS believe it is in the best interest of tax administration to extend the date of applicability of the final withholding regulations to ensure that both taxpayers and the government can complete the changes necessary to implement the new withholding regime."

[5] "Treasury and the IRS have concluded that it is in the best interest of tax administration to extend the date of applicability of the final withholding regulations to permit taxpayers to make the computer system modifications necessary to comply with the new withholding regulations without the impediments caused by year 2000 concerns."

DRAFT

Interoffice Memorandum

To: Jim Sandt

From: AnnMarie Tiller and Brent Vasconcellos

Department: Corporate Tax Planning

Subject: Enron Credit Linked Notes Due 2005

Date: April 10, 2001

Background

On August 25, 2000, at the direction of the Enron Global Finance department, Enron North America ("ENA," a wholly-owned subsidiary of Enron Corp.) borrowed a total of $499,995,000 from Citibank N.A. ("Citibank") in a transaction that took the form of a $474,995,000 prepaid swap (the "Swap") and in a related transaction, Enron Corp. borrowed $25M from Citibank in the form of a direct loan. (ENA and Enron Corp. are hereafter referred to in the aggregate as "Enron.") To the extent the borrowing is characterized as a Swap, it appears on Enron's financial statements as a price risk management liability rather than a loan. The format is beneficial to Citibank as well because the transaction is reported as part of the bank's credit derivative activities rather than as a loan to Enron. **[Travis Winfrey is checking into whether the $5,000 difference is attributable to fees or a trading spread paid to Delta under the Swap or an error.]**

In order to avoid utilizing Citibank's limited capacity for Enron credit, Citibank and Enron designed the Swap to be part of a larger contemporaneous transaction which had the result of transferring Citibank's Enron credit risk related to the Swap over to investors who purchased the securities of a special purpose trust established on August 11, 2000 by Citibank called the Enron Credit Linked Notes Trust (the "Trust").

Trust Notes

At the same time that ENA and Citibank entered into the Swap, the Trust issued $500M 8.00% Enron Credit Linked Notes due 2005 (the "Notes") in a 144A offering and $50M 9.00% Trust Certificates (the "Certificates") to one entity, the Royal Bank of Canada Europe Limited ("RBC"). The certificates in the Trust represent beneficial interests in the Trust and are subordinate in right of repayment to the Notes. [The Trust is also prohibited under the Indenture Agreement from creating, assuming, or incurring any further indebtedness.] As discussed further below, since the Trust has only one owner, the Trust is disregarded for federal income tax purposes and is treated as a branch of RBC.

The Notes issued by the Trust are debt for federal income tax purposes. Enron's obligation under the "Swap" and the Trust's obligation to repay the principal amount of the Notes, along with any accrued and unpaid interest, both come due on August 15, 2005 to the extent the Notes have not been redeemed, accelerated, or repaid prior to that date. The interest accruing on the principal amount of the Notes at a rate of 8.0% is payable semi-annually in arrears on February 15 and August 15 of each year starting on February 15, 2001.

The Notes were issued at a slight discount of 99.827% to their stated redemption price at maturity or face amount giving rise to proceeds of $499,135,000. The discount of $865,000 falls below the de minimis threshold of Section 1273(a)(3) ($6,250,000 computed as .0025 x $500,000,000 x 5 years) and, thus, can be treated as zero.

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The Noteholders are part of a group called the "Secured Parties" who receive protection under a Collateral Security Agreement that provides them with a security interest in all of the assets of the Trust. Citibank is also a Secured Party although the bank's rights are superior to the rights of the Noteholders in all of the collateral except as to a credit swap running between Citibank and the Trust (the "Credit Swap") and any Enron Deliverable Obligations that may be delivered under the Credit Swap as described further below.

The Notes were sold to qualified institutional buyers ("QIBs") in the U.S. in reliance on Rule 144A of the Securities Act and to non-U.S. persons in reliance upon Regulation S of the Securities Act. Both sets of Notes were issued in fully registered form without interest coupons. [At least initially, approximately __% of the Notes were sold to domestic holders and approximately ___% of the Notes were sold to non-US holders.]

Trust Investments

The $550M in proceeds from the sale of the Notes and the Certificates must be used by the Trust to invest in a select group of investments (the "Trust Investments") defined to include (1) time deposits, promissory notes, and commercial paper of certain U.S. money center banks; (2) promissory notes of, or guaranteed investment contracts from, certain insurance companies; or (3) direct obligations of the United States government as long as the Trust Investments represent no more than nine separate obligors and each Trust Investment is scheduled to mature on or before the maturity date of the Notes. No Trust Investment may be purchased at a premium and no existing Trust Investment may be sold at a discount unless in default. At least initially, the Trust used the entire $550M in funds received from the issuance of the Notes and Certificates, and as discussed below, from a one-time payment under the Credit Swap, to acquire a certificate of deposit issued by Citibank and carrying an interest rate of 6%.

The Trust obtains the funds necessary to pay interest on the Notes and yield on the Certificates from periodic payments received by the Trust from Citibank under the Credit Swap as described below.

EC 000850723

Credit Swap.

The Trust and Citibank entered into the Credit Swap that provides for certain periodic payments and, upon an Enron Credit Event, calls for physical settlement of all or part of the Credit Swap. On a periodic basis as the Trust receives interest payments on the Trust Investments, the Trust delivers those funds to Citibank. On each February 15 and August 15, starting on February 15, 2001, Citibank is required to pay the Trust an amount equal to the interest accrued on the outstanding Notes and the yield on the Certificates.

In the absence of an Enron Credit Event, the Trust will repay the principal amount of the Notes and the Certificateholder's investment from the principal proceeds of the Trust Investments. If an Enron Credit Event should occur (defined to include an Enron failure to pay under the Credit Swap as well as the general condition of Enron being either insolvent or bankrupt), the Credit Swap permits Citibank to physically settle the Credit Swap by delivering to the Trust certain senior unsecured obligations of Enron called Enron Deliverable Obligations in exchange for a like amount of Trust Investments then held by the Trust. In this event, the principal amount of the Notes would be repaid from any proceeds recovered from any of the Enron Deliverable Obligations received by the Trust and any remaining Trust Investments then held by the Trust.

On the closing date of August 25, 2000, Citibank made a one-time payment under the Credit Swap to the Trust of $865,000, an amount representing the discount on the Notes. This additional amount when added to the $499,135,000 in proceeds received on the sale of the Notes and $50M received on the sale of the Certificates equaled the $550M amount required to be invested in Trust Investments on the Closing Date and serve as security for the Noteholders and Certificateholders during the 5-year tenor of the deal. Citibank received the $865,000 by reducing the proceeds delivered to Enron under the Debt Security from the $25M face amount to $24,135,000.

Trust Certificateholder

Certificateholders in the Trust are restricted to U.S. persons within the meaning of Section 7701(a)(3) or non-U.S. persons who can supply an executed Form W-8ECI or W-8BEN claiming the benefits of a treaty that provides for no withholding of U.S. tax with respect to payments to the Certificateholder. Certificateholders cannot exceed a number that directly or indirectly exceeds the 99-person threshold of the publicly traded partnership rules of Section 7704. Similarly, a Certificateholder must represent, warrant, and covenant that it has not and will not transfer any Certificate on or through an established securities market within the meaning of Section 7704(b)(1).

The Trust Agreement acknowledges that if there is more than one Certificateholder, then the Trust will be a partnership but as long as there is a single Certificateholder, the Trust will be disregarded within the meaning of Reg. 301.7701-3(b)(1)(ii). As the sole owner of the Trust, RBC will be treated as owning everything the Trust owns, including the $550M Citibank certificate of deposit and the Trust's rights and obligations in a notional principal contract with Citibank.

RBC will recognize ordinary income in each calendar year equal to the interest accrued on the Trust Investments and periodic payments received by Citibank under the Credit Swap. *See* Reg. Section 1.446-3(e). RBC will deduct the expenses of the Trust, the periodic payments made by the Trust to Citibank under the Credit Swap, and interest paid out to the Noteholders. [RBC will also recognize over the five year tenor of the deal the upfront $865,000 payment received from Citibank by amorting the amount .... Was the parenthetical in Section 10.9(a)(iv) stating "the Trust shall not be deemed to have paid any amount for the right to enter into the Credit Swap" intended to address this last minute change?]. *See* Reg. Section 1.446-3(f).

EC 00085072

Prepaid Swap and Direct Loan

References herein to the prepaid swap or the "Swap" are actually references to the combination of two contemporaneous cash-settled commodity swaps. The first such swap between Enron and Citibank is a cash-settled commodity swap on 22,238,748 barrels of crude oil. In return for an up-front payment of $439,677,103 from Citibank, Enron is obligated to make (1) floating payments to Citibank each January 14 and July 14 based on the NYMEX spot price for 568,024 barrels of crude at the closing price three commodity business days prior to the payment date; (2) one up-front floating payment to Citibank based on the NYMEX spot price for 533,312 barrels of crude at the closing price three commodity business days prior to the payment date; and (3) on the final floating payment date, a floating payment to Citibank equal to $475,000,000 or, if less, the NYMEX spot price for 23,238,748 barrels of crude at the closing price three commodity business days prior to the payment date.

The second cash-settled commodity swap runs between Enron and Delta Energy Corp., a Cayman Islands exempt LLC ("Delta") under which Enron will receive an up-front payment of $35,317,897 from Delta. Additionally, over the term of the swap, Delta is obligated to make (1) floating payments to Enron each January 14 and July 14 based on the NYMEX spot price for 568,024 barrels of crude at the closing price three commodity days prior to the payment date; and (2) one up-front floating payment to Enron based on the NYMEX spot price for 533,312 barrels of crude at the closing price three commodity business days prior to the payment date. In consideration for these payments under the second swap, Enron is obligated to make fixed payments of $17,750,750 with an initial fixed stub payment of $16,665,982.

Contemporaneously, Enron borrowed $25M from Citibank in return for a Debt Security calling for semi-annual interest payments payable in arrears with an interest rate of 24.83% from August 25, 2000 to January 14, 2001 and an interest rate of 23.994% thereafter. The Debt Security has a maturity date of July 14, 2005.

The result of the combination of the two swaps and the direct loan is that Enron will receive a net up-front payment of $499,995,000 and Enron must make fixed payments to Delta on January 14 and July 14 of $17,750,750. In five years, Enron must repay a total of $500M to Citibank under the terms of both the swap and the Debt Security.

Note: Commodity swaps generally settle on the fifth day of the month following the payment date. As a result, Enron's obligation to make payments under the Prepaid Swap on January 14 and July 14 are actually settled on February 5 and August 5, respectively. A lead time of 10 days was considered necessary for the obligations of Citibank and the Trust under the Credit Swap and the obligations of the Trust to make interest and yield payments to the Noteholders and Certificateholders all on February 15 and August 15.

U.S. Withholding Taxes

With respect to the Noteholders, the Indenture Agreement provides that the United States Trust Company of New York as Indenture Trustee is responsible for furnishing to the Noteholders and taxing authorities any forms of information required by applicable federal or state law, including, but not limited to appropriate Forms 1099 and/or 1042-S and provide any other such information requested by a Noteholder in order for the Noteholder to prepare its tax returns. The Indenture Agreement further provides that if the Indenture Trustee is required to make a deduction and pay over withholding taxes, no additional amounts will be payable by the Trust in respect of those taxes.

Since all of the Notes are registered bonds, interest payable to non-U.S. holders will qualify for the portfolio interest exemption [upon receipt of the proof of the holders' foreign status]. Section 881(c)(2)(B) and Section 871(h)(2)(B); Reg. Section 1.1441-1(b)(4)(i). Additionally, such payments are exempt from information reporting and backup withholding.....Reg. section 1.6049-5(b)(8); Reg. Section 1.6045-1(g)(1)(i).

If an Enron Credit Event should occur and Citibank physically settles the Credit Swap by delivering Enron Deliverable Obligations to the Trust in exchange for a like amount of Trust Investments then held by the Trust, interest on the Enron Deliverable Obligations will also qualify for the portfolio interest exemption. Section 871(h)(4)(C)(v)(I) and Section 881(c)(4).

With respect to the Certificateholder, no withholding forms should be necessary while the Trust is wholly owned by RBC and is thereby disregarded as a separate entity. If the Trust should become an independent entity for tax purposes, the Trust Agreement provides that the Trust will comply with any withholding requirements and that to the extent the Trust is required to withhold and pay over any amounts to any taxing authority with respect to distributions or allocations to any Certificateholder, any amount withheld will be treated as a distribution of cash and thereby reduce the amount of cash otherwise distributable to the Certificateholder.

Payments by Enron to Delta will qualify for exemption from withholding under Reg. Section 1.863-7(b)(1)....

Federal Tax Reporting.

The Trust Agreement provides that if Trust has more than one Certificateholder and becomes a partnership, Wilmington Trust Company ("Wilmington") as Trustee is responsible for maintaining the books of the partnership and filing such tax returns and making such elections as may from time to time be required as well as delivering Schedules K-1 to each partner. A side letter entered into contemporaneously between Enron Corp. and Wilminington provides that Wilmington will engage Enron Corp. to provide these servies on its behalf. Since the Trust is a disregarded entity for federal income tax purposes, no income tax or information return should be required.

Enron's rights and obligations under the Swap and the Debt Security with Citibank are for tax purposes the equivalent of a borrowing of $500M with a five year tenor and a fixed rate of interest. In accordance with Reg. Section 1.446-3(g)(2)(iii)(A), the upfront payment together with the principal amount extended under the Debt Security should be amortized by assuming that $[500]M represents ...

For book purposes, Enron will record the upfront payment under the Prepaid Swap in income and record Enron's obligation under the Prepaid Swap as a price risk management expense and liability. For tax purposes, these income and expense entries will be reversed with an M-1 adjustment.

Approximately $[5]M in expenses have been paid to-dated by [Enron Corp.] in connection with the transaction. Enron paid up-front underwriting fees of $1.925M to Salomon Smith Barney and $825,000 to Lehman Brothers. Additionally, Enron is obligated to pay a "balance sheet" fee of 30 basis points per annum to [Salomon Smith Barney] calculated on the $500M principal of the Notes or $1.5M and a [$275,000 fee to RBC as additional compensation for their role as Certificateholder?] [Travis Winfrey is still checking on the annual fee equal to 36 basis points....] [Finally, Enron must also pay approximately $20,000 annually in fees to Wilmington Trust Company as Trustee of the Enron Credit Linked Notes Trust and $25,000 to United States Trust Company of New York as Indenture Trustee.]

These up-front expenses were deducted in calendar year 2000 for book purposes so Enron will make an M-1 adjustment to amortize the expenses for tax purposes over the five year tenor of the transaction. Purely to accomplish a book accounting objective that has no tax implications, the implicit rate of return that Citibank receives under the Swap was set at a rate lower than Enron's cost of funds. When Enron's obligation under the Swap is fair valued starting on the closing date of the transaction at Enron's higher cost of funds rate, Enron will recognize a book (but not a tax) gain that is expected to offset the fees expensed by Enron for book purposes. Enron will make another M-1 adjustment to reverse this and all other fair value or mark-to-market adjustments made for book purposes.

Respect Integrity Communication Excellence
Form 000-469-1 (5/92)

Interoffice Memorandum

To: Yosemite File

From: J. Brent Vasconcellos Department: Global Finance Tax

Subject: $750 Million Yosemite Debt – Recourse v. Nonrecourse Date: November 26, 2001

FACTS

On November 18, 1999, Enron Corp. ("Enron"), an Oregon corporation, and Long Lane Master Trust IV ("Long Lane"), a Delaware statutory business trust, formed Yosemite Securities Trust I ("Yosemite"), a Delaware statutory business trust. Enron and Long Lane each contributed $37.5 million in cash to Yosemite in exchange for certificates of beneficial interest that bear an annual yield of 11% (the "Certificates"). Yosemite then issued $750 million worth of Linked Enron Obligations ("LEOs") to qualified institutional buyers in a Rule 144A offering under the Securities Act of 1933. On December 30, 1999, Whitewing Associates, L.P. ("Whitewing") purchased a portion of Enron's Certificates for a $33.750 million face amount plus accrued but unpaid interest. After this purchase, the Certificates were owned 50% by Long Lane, 45% by Whitewing, and 5% by Enron.

The LEOs are supported by Yosemite's $25 million note receivable from Enron (the "Enron Note") and an $800 million note receivable from Delta Energy Corp. (the "Delta Note" and "Delta", respectively), a Cayman Islands exempt limited liability company. The Delta Note and the Enron Note are Yosemite's sole assets.[1] The Enron Note is an unsecured recourse obligation of Enron. Yosemite's right to repayment under the Delta Note is secured by a series of swap transactions consisting of an $800 million prepaid commodity swap between Delta and Enron North America Corp ("ENA")[2], a Delaware corporation, a fixed for floating commodity swap between Delta and Citibank, and a fixed for floating commodity swap between ENA and Citibank. Enron has provided a financial guarantee in favor of Citibank with respect to ENA's obligations under the fixed for floating swap and a financial guarantee in favor of Delta with respect to ENA's obligations under the prepaid swap.

For U.S. Federal income tax purposes, the Yosemite transaction is treated as follows: (1) Yosemite is treated as a partnership; (2) the Certificates are treated as evidence of a partnership interest in Yosemite; (3) Enron, Long Lane, and Whitewing are treated as partners in Yosemite; (4) The LEOs are treated as indebtedness of Yosemite; (5) the Delta Note is treated as Yosemite's partnership interest in Delta; and (6) the swap transactions are treated as a single $800 million loan from Delta to ENA.

[1] Yosemite also has entered into a credit derivative agreement with Citibank in order to provide credit enhancement for the LEOs, but the Enron Note and the Delta Note ultimately support this agreement.

[2] Note that the prepaid swap and fixed for floating swap with Delta and Citibank are in fact recorded on the financial accounting books of [RMT Liquids], a division of Risk Management and Trading Corp., a Delaware corporation and wholly-owned subsidiary of ENA.

Permanent Subcommittee on Investigations
EXHIBIT #193n

ISSUES

1. Are the LEOs characterized as a recourse or nonrecourse partnership liability of Yosemite pursuant to Section 752 and the regulations thereunder?

2. Assuming the LEOs should be characterized as a nonrecourse partnership liability of Yosemite, in what proportion should the liability be allocated to Yosemite's partners pursuant to Section 752 and the regulations thereunder?

CONCLUSIONS

1. The LEOs should be characterized as a nonrecourse obligation under Section 752 and the regulations thereunder.

2. The LEOs should be allocated among Long Lane, Whitewing, and Enron in proportion to each partner's percentage interest in the Yosemite certificates.

DISCUSSION

Section 752 Regulations

Definition of a Nonrecourse Partnership Liability

A partnership liability is nonrecourse to the extent that no partner or a related person, (as defined by Section 267(b) or Section 707(b)(1)), *bears the economic risk of loss* as set forth in Section 1.752-2.[3] A partner *bears an economic risk of loss* for a partnership liability to the extent that, if the partnership constructively liquidated, the partner or a related person would be obligated to make a payment to any person because the liability becomes due and payable and the partner or related person would not be entitled to reimbursement from another partner or a related person of another partner.[4] Under a constructive liquidation, the following is deemed to occur[5]:

a) All partnership liabilities become payable in full;
b) All partnership assets, including cash, have a value of zero;
c) The partnership disposes of all of its assets in a fully taxable transaction for no consideration (except for relief from liabilities for which the creditors' right of repayment is limited solely to one or more assets of the partnership);
d) All items of income, gain, loss, or deduction are allocated among the partners; and
e) The partnership liquidates.

Allocating Nonrecourse Partnership Liabilities Among Partners

[3] Treas. Reg. § 1.752-1(a)(2).
[4] Treas. Reg. § 1.752-2(b)(1).
[5] Treas. Reg. § 1.752-2(b)(1)(i)-(v).

Once a determination has been made that a partnership has a nonrecourse liability, the liability must be allocated to the respective partners pursuant to Section 752 and the regulations thereunder. Generally, a partner's share of nonrecourse liabilities is equal to:

a) The partner's share of minimum gain as determined under Section 704(c).[6]

b) The amount of any taxable gain that would be allocated to the partner if the partnership disposed of the partnership property (in a taxable transaction) subject to one or more nonrecourse liabilities in full satisfaction of the liabilities and for no other consideration.[7]

c) The partner's share of excess nonrecourse liabilities of the partnership (those liabilities not allocated among the partners under (a) or (b) above) as determined by reference to the partner's share in partnership profits.[8]

$750 Million LEOs Issued by Yosemite

Nonrecourse Liability

Under a constructive liquidation of Yosemite pursuant to Section 1.752-1(b)(i)-(v), the following steps would be deemed to occur. The LEOs would become payable in full. The Enron Note and the Delta Note would have no value and Yosemite would be deemed to dispose of the Enron Note and the Delta Note in a taxable exchange for no consideration. If Yosemite is unable to repay the LEO holders, none of Yosemite's partners are obligated in any manner under the transaction documents to make a payment to any party. Enron's guarantee of ENA's swap obligations is not relevant because Yosemite's right to the swap repayment proceeds is derived solely from repayment of the Delta Note, which is deemed to have no value under the Section 752 constructive liquidation. Therefore, because Long Lane, Whitewing, and Enron would not bear the economic risk of loss with respect to the LEOs, the LEOs are a nonrecourse liability of Yosemite.

Allocation of the LEOs Among Enron, Long Lane, and Whitewing

Pursuant to the Yosemite trust agreement, a Certificate holder is entitled to an annual yield equal to 11% on the face amount of the holder's proportionate share of Certificates. Yield is payable semiannually as a distribution from Yosemite to the Certificate holder. Further, upon termination of the Yosemite transaction, and to the extent that sufficient value exists within Yosemite after the LEOs are fully repaid, a Certificate holder is entitled to a distribution from Yosemite equal to the face amount of the holder's proportionate share of Certificates. Accordingly, Long Lane, Whitewing, and Enron are each entitled to an 11% annual yield on their proportionate share of Certificates and, upon termination of the Yosemite transaction, repayment of the face amount of their proportionate share of Certificates.

Therefore, pursuant to the allocation method for nonrecourse liabilities under Section 752 and the regulations thereunder, the LEOs (principal amount plus accrued but unpaid interest) should be allocated among Long Lane, Whitewing, and Enron in proportion to each partner's percentage ownership of the Certificates.

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[6] Treas. Reg. § 1.752-3(a)(1).
[7] Treas. Reg. § 1.752-3(a)(2)
[8] *See* Treas. Reg. § 1.752-3(a)(3).

CC: J. Ginty
D. Dewar
E. Locklear

From: Emmett, Ian
Sent: Friday, December 08, 2000 5:23 AM
To: Moran, James
Subject: RE: Prepaid Swap

I seem to be missing something here, sorry, but wht are MS involved in the trade at all ?

-----Original Message-----
From: Moran, James
Sent: 08 December 2000 11:16
To: Emmett, Ian; Abib, Osmar; Payne, Sarah; Mcelwee, Greg; Tjandramaga, Nicolas
Subject: RE: Prepaid Swap

It is my understanding that the financings works as follows.
The first leg is CSFB pays ENA $150MM and ENA agrees to pay CSFB the dollar value on a fixed number of barrels of oil and a spot price every [3] months and $150MM at maturity, 9 months.
The second leg has csfb paying Morgan Stanley the "variable" dollars just received from ENA and MS pays us in dollars an amount equal to $150MM times a fixed interest rate. The fixed interest rate is 9 month LIBOR + 75bps, paid [3] monthly.
The net effect for ENE is raising $150MM at L + 75bps for 9 months off-balance balance sheet. As the swap is booked in their oil swap book and not treated as debt.
I'm with ENE this morning, but would welcome discussing this with you sometime before 8.
My number is 5-9176.

Permanent Subcommittee on Investigations
EXHIBIT #194a

From: Wootton, Steven
Sent: Thursday, December 14, 2000 2:08 PM
To: Tjandramaga, Nicolas; Emmett, Ian
Cc: Smailes, Geoff; Moran, James; Payne, Sarah; Clemow, Sarah; Newton, Karen; Johnson, Neal
Subject: RE: URGENT / decision required- status on Eneron oil linked loan

I have separately forwarded the below flows to our Operations colleagues so that they can finalise the confirmation documentation. They had some issues. I had understood from you that we have to accept Enron's documentation and that Enron were providing the confirmations on transactions between CSFB and Enron - please can you confirm this, as Operations understand that Enron don't usually use this form of documentation, do not use the 2000 Definitions, and are happy to sign our confirmations.

I have raised issues to date on reputational risk and this transaction will presumably not proceed until there is a clear sign-off from RRR. If this is an accounting-driven transaction, and I had understood before that it is, the Firm's standard representations for accounting driven transactions will presumably be required to be inserted in the confirmations? Will this cause a problem for the counterparty if we have to use their documentation forms? Have you asked for RRR sign-off on not including such representations? I have also asked whether each leg of the transactions is on its own account, at market - could you confirm for the below cash-flows.

On the documentation, I have received a call from James Moran saying that the guarantee is to be executed sometime today and so he has proposed he should be the contact person included in the guarantee. Please, instead, refer them to the contact details provided in the extant ISDA master agreement between us. I have raised issues on the guarantee and agreed with Nicolas that I would raise these with Enron if the trade went live. The contact person at Enron has gone home some time ago. I understand that the guarantee is being executed and I have not had the opportunity to negotiate it. I therefore assume that front office is happy with the guarantee without the benefit of LCD negotiating it. I have mentioned my most serious and obvious concerns before - there is no liability for consequential loss (eg what happens if we cannot perform to MS and they sue us for damages and consequential damages); they have 5 days' grace to perform on the guarantee; there are no representations as to enforceability; in addition, as you will see on the face of the document, we are subject to any set-offs Enron would like to claim and the guarantee is expressed to be effective throughout the life of the swap transaction (it should say after discharge in full of the swap transaction). I also assume that front office is happy to take the risk that the guarantee is unenforceable as no due diligence has been performed on the guarantee.

Regards

Steve

-----Original Message-----
From: Tjandramaga, Nicolas
Sent: 14 December 2000 18:40
To: Emmett, Ian; Smailes, Geoff
Cc: Wootton, Steven
Subject: URGENT / decision required- status on Eneron oil linked loan

just came of the phone with James Moran / Sarah Payne

SUMMARY OF THE DEAL
Enron receives 150m $ from CSFB
CSFB receives Y barrels of floating oil at the end of every 3m for 9m (with a value to cover Libor + 75bp, roughly 6.5mS notional)
CSFB receives X barrels at the end of the 9m period (with a value to reimburse the $150m notional)
CSFB enters pays the Y barrels of oil in an oil swap with MS to receive fixed $ amounts to cover interest rate charges (notional roughly 3* 90,000bbl/m = 270,000bbls)

Permanent Subcommittee on Investigations
EXHIBIT #194b
SR00041087

From: Moran, James
Sent: Thursday, December 14, 2000 3:37 PM
To: Smailes, Geoff
Cc: Tjandramaga, Nicolas; Abib, Osmar; Payne, Sarah
Subject: Enron – Prepaid Oil swap

Geoff,

As you are aware, we are expecting to close on a prepaid oil swap with Enron North America (as guaranteed by Enron Corp.) tomorrow Dec. 15. Nick indicated that he required getting your final approval on the transaction. Regarding approvals, CRM has approved the required Enron ($200 million) and Morgan Stanley ($40 million) PE limits.

I just want to highlight several issues, which should assist you in providing your approval to Nick.

1. Risk – IBD is assuming 100% of "any-and-all" losses that may result from this transaction.
2. Income – All income from the transaction is for your trading book, $990,000 (10bps upfront fee on $150MM and a per annum interest margin of 75 bps on $150MM for 9-months.).
3. Relationship – Enron is one of Firm's top accounts, if not the number one relationship. Osmar Abib is the Primary on the name. The importance of the transaction is amplified by several sizable assignments, which CSFB has been unable to complete under Enron's timetable and the fact that we have informed Ben Glisan, Treasurer of Enron, we are working to close tomorrow. This prepaid swap transaction is Ben's "pet" project.

Further, I want to clarify the reputation risk of this transaction. I have had several conversations with Marc Steglitz and he indicated to me that he would be okay with the transaction if the Treasurer or CFO of Enron North America signed the trade confirmation. I have discussed this condition with the Client, who understand our request, and will have the confirmation signed by either the Treasurer or CFO.

I appreciate your attention to this very important transaction and I apologies for interrupting your vacation. If I can be of any assistance, please fell free to call me at the office (212) 325-9176 or at home at (973) 377-5286 at anytime.

James P. Moran
Director
CREDIT | FIRST
SUISSE | BOSTON
(212) 325-9176 (phone)
(212) 325-8615 (fax)
James.Moran@CSFB.com (email)

Permanent Subcommittee on Investigations
EXHIBIT #194c

From: Tjandramaga, Nicolas
Sent: Friday, December 15, 2000 7:48 AM
To: Moran, James
Subject: RE: docs/guarantee approval

REDACTED

-----Original Message-----
From: Tjandramaga, Nicolas
Sent: 15 December 2000 12:16
To: Moran, James
Subject: FW: docs/guarantee approval

-----Original Message-----
From: Tjandramaga, Nicolas
Sent: 15 December 2000 12:04
To: Steglitz, Marc
Cc: Wootton, Steven; Emmett, Ian
Subject: FW: docs/guarantee approval

hi marc

-we need your Ok on the below described trade
-Enron has confirmed that it will be their Treasurer or CFO that will sign the deal
-very important for them is that the docs are as standard as possible and DO NOT include any representations on accounting driven transactions

your approval is the only thing missing right now for the trade to go through today (morning NY time)
I will call you later on

thanks,
Nicolas

-----Original Message-----
From: Tjandramaga, Nicolas
Sent: 14 December 2000 18:40
To: Emmett, Ian; Smailes, Geoff
Cc: Wootton, Steven
Subject: URGENT / decision required- status on Eneron oil linked loan

just came of the phone with James Moran / Sarah Payne

SUMMARY OF THE DEAL
Enron receives 150m $ from CSFB
CSFB receives Y barrels of floating oil at the end of every 3m for 9m (with a value to cover Libor + 75bp. roughly 6.5m$ notional)
CSFB receives X barrels at the end of the 9m period (with a value to reimburse the $150m notional)
CSFB enters pays the Y barrels of oil in an oil swap with MS to receive fixed $ amounts to cover interest rate charges (notional roughly 3* 90,000bbl/m = 270,000bbls)
CSFB enters pays the X barrels of oil in an oil swap with MS to receive fixed $ amounts for principal

1

Permanent Subcommittee on Investigations
EXHIBIT #194d

SR00037769

From: Moran, James
Sent: Monday, September 17, 2001 8:28 AM
To: Abib, Osmar
Subject: RE: Enron Oil Trade

We agreed to do the deal as it was a special request/favor from Ben. Not sure if we got anything specific other than a relationship building chip.

-----Original Message-----
From: Abib, Osmar
Sent: Monday, September 17, 2001 9:19 AM
To: Moran, James
Subject: RE: Enron Oil Trade

Please remind me as to who at Enron originally asked for this deal and why we agreed to do it (and most importantly what did CSFB get from it besides being nice guys once again).

I am sure that Bayo will be coming at me on this given the email traffic below. Thanks.

-----Original Message-----
From: Moran, James
Sent: Monday, September 17, 2001 8:11 AM
To: Ogunlesi, Adebayo; Abib, Osmar
Subject: FW: Enron Oil Trade

E-mail traffic from when the facility was established last December.

-----Original Message-----
From: Cooper, Adrian
Sent: Monday, December 18, 2000 11:08 AM
To: Smailes, Geoff
Cc: Emmett, Ian; Moran, James; Abib, Osmar; Roncevich, John
Subject: RE: Enron Oil Trade

Geoff - IBD will assume the credit risk from FID and your book for this nine-month exposure to Enron arising from this oil-linked loan.

Adrian

-----Original Message-----
From: Smailes, Geoff
Sent: Monday, December 18, 2000 3:40 PM
To: Abib, Osmar; Tjandramaga, Nicolas
Cc: Cooper, Adrian; Emmett, Ian; Moran, James; Roncevich, John
Subject: RE: Enron Oil Trade

no more Q's so long as Adrian is on board. Lets print

-----Original Message-----
From: Abib, Osmar
Sent: 18 December 2000 15:34
To: Smailes, Geoff; Tjandramaga, Nicolas
Cc: Cooper, Adrian; Emmett, Ian; Moran, James
Subject: RE: Enron Oil Trade

As we discussed last Friday, IBD (Enron coverage team) is confirming our willingness to take the credit risk associated with this transaction.

Please let me know if you have any other questions. Thanks.

Osmar Abib
Managing Director

Permanent Subcommittee on Investigations
EXHIBIT #194e

From: Abib, Osmar
Sent: Friday, September 21, 2001 5:37 PM
To: Moran, James
Cc: McCabe, Brian
Subject: RE: PLEASE CALL ME IMMEDIATELY / ENRON-RELATED CREDIT ISSUE

LIFE ALWAYS GETS INTERESTING ON FRIDAY AFTERNOONS!

1. Cheryl Lipshutz called me. She was panicked about your comments concerning an "international bank crisis which CSFB needs to help resolve" (what are you talking about!!!) and wanted to let us know that $40 million is probably a doable number for her but that she can't confirm until Monday afternoon because the "right" people are on airplanes today. Does waiting until Monday work for you? Please let us know and/or call Cheryl yourself.

2. Furthermore, I just got a call from Barry Schnapper, Dan Boyle and Tim Despain about an emergency request for a $150 million prepaid facility (they want to work over the weekend and fund next week???)in return for the left pole position on a $1B benchmark bond deal (obviously someone just whiffed on them). I told them that we were basically full up on credit and that we already had a $150 million renewal of a prepaid in progress. They were not aware of this renewal and were going to check up on it. In any case, this looks like incremental credit to CSFB which I am not sure we can handle at this point. I also reached Bayo and he said that our response would have to wait until Monday when he can talk to Tony James, O'Brien, Maletta, etc. (I assume that he doesn't want to make any decisions over the weekend given the unsettled nature of our world these days). Your thoughts?

Please call Brian or me ASAP. Thanks.

-----Original Message-----
From: Moran, James
Sent: Friday, September 21, 2001 5:25 PM
To: Abib, Osmar
Subject: Re: PLEASE CALL ME IMMEDIATELY / ENRON-RELATED CREDIT ISSUE

On a train home, will call in 40 minutes. What's up?

-----Original Message-----
From: Abib, Osmar <osmar.abib@csfb.com>
To: Moran, James <james.moran@csfb.com>
Sent: Fri Sep 21 18:19:29 2001
Subject: PLEASE CALL ME IMMEDIATELY / ENRON-RELATED CREDIT ISSUE

Permanent Subcommittee on Investigations
EXHIBIT #194f

CREDIT SUISSE | FIRST BOSTON

CREDIT SUISSE FIRST BOSTON CORPORATION

One Madison Avenue
New York, NY 10010-3629
email: gary.lynch@csfb.com

Telephone 212 325 4321
Telefax 212 325 2121

GARY G. LYNCH
Global General Counsel
Executive Board Member

April 24, 2002

The Honorable Carl Levin
Chairman
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510-6260

Dear Chairman Levin:

Please find below and enclosed information and documents responsive to the April 10, 2002 request of your Subcommittee for certain information from Credit Suisse First Boston Corporation ("CSFB") and Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ").

It is important to note that prior to their merger in November 2000, CSFB and DLJ were separate companies, each of which independently provided services to Enron (among many other corporate clients). As independent firms, CSFB and DLJ were largely unaware of the work that the other company (and numerous other investment banking firms) was conducting for Enron, except for that which was publicly disclosed.

Our responses and document production reflect our best efforts as of the date of this letter to obtain and review responsive information and documents, consistent with our understanding of the scope of the request following discussions with your staff.

CSFB respectfully requests that the information and documents provided herewith be kept strictly confidential, given their proprietary nature.

1. Response to Request No. 1: Attached as Appendix 1 is a list of Enron-related transactions involving CSFB or DLJ. Attached as Appendix 2 is a list of CSFB investments and DLJ investments in Enron-related SPEs or related partnerships. Both Appendix 1 and Appendix 2 have also been supplied to the House Committee on Energy and Commerce.

Permanent Subcommittee on Investigations
EXHIBIT #194g

Also provided herewith are documents relating to LJM Cayman and LJM2, and the Marlin, Osprey and Iguana transactions. CSFB notes that CSFB was a passive investor in LJM Cayman; that CSFB and DLJ are passive investors in LJM2, both investments having been made independently prior to the November 2000 merger of CSFB and DLJ; and that CSFB and DLJ do not have (and have not ever had) any control over or management role with either LJM Cayman or LJM2. CSFB notes further that Marlin, Osprey and Iguana were Rule 144A offerings which were made to qualified institutional buyers, and that Marlin and Osprey were presented to and rated by rating agencies.

2. Response to Request No. 2: Documents responsive to this request are included in the documents provided in response to Request No. 1.

3. Response to Request No. 3: Documents responsive to this request are included in the documents provided in response to Request No. 1. CSFB notes that neither CSFB nor DLJ was on the Advisory Committee of LJM2 Co-Investment, L.P.

4. Response to Request No. 4: Documents responsive to this request are included in the documents provided in response to Request No. 1.

5. Response to Request No. 5: Documents responsive to this request are included in the documents provided in response to Request No. 1.

6/7. Response to Requests Nos. 6 and 7: ERNB Ltd. is a subsidiary of Credit Suisse First Boston (International) Holding AG. ERNB Ltd. is a limited partner of LJM Cayman which in turn is a limited partner of LJM Swap Sub. LJM SwapCo is a general partner in LJM Swap Sub.

The equity owner of Parrothead II, LLC is BSCS XVIII, an affiliate of Lord Securities. DLJ International Capital and DLJ Capital Funding hold debt of Parrothead II, LLC.

8. Response to Request No. 8: CSFB is not aware of any individuals at CSFB or DLJ who invested in LJM. CSFB responds further that, while not an investment in an LJM related entity, twelve DLJ employees (identified in Appendix 3) did invest in an offering by Osprey in October 2000 (sometimes called "Osprey III") through an investment vehicle called OA Investments.

Please be advised that the individuals listed in Appendix 2 have been notified of their rights pursuant to Section 502 of the Gramm-Leach-Bliley Act (Pub. L. No. 106-102, 113 Stat. 1338 (1999)) and given CSFB their consent to provide nonpublic personal information in connection with this response. We note that this nonpublic personal information is further subject to the legal prohibition on reuse of nonpublic personal information under Section 502(c) of the Gramm-Leach-Bliley Act.

9. Response to Request No. 9: CSFB is not aware of any presentations made by CSFB or DLJ to Enron or LJM relating to Marlin, Osprey or Iguana.

CREDIT SUISSE | FIRST BOSTON

Should you have any questions or require further information, please do not hesitate to contact Joseph Seidel in our Washington office at (202) 354-2802.

Sincerely,

Gary G. Lynch
Global General Counsel

cc: The Honorable Susan M. Collins
Ranking Minority Member
Permanent Subcommittee on Investigations

APPENDIX 1

As previously noted, Credit Suisse First Boston (CSFB) and Donaldson, Lufkin & Jenrette (DLJ) were separate business entities prior to their merger in November 2000. Until that date, each firm provided services to Enron and many other corporate clients on an independent basis, and competed with one another for business.

In addition to the services listed below, CSFB and DLJ may also have competed to provide services that Enron awarded instead to another of the various investment banks that provided services to Enron.

CSFB

CSFB provided the services listed below that are responsive to request number 1. Where known, fee information and dates of engagement have been provided.

From 1997 to the present, CSFB participated with over 50 other banks in providing credit revolver facilities to Enron with undrawn commitments.

In July 1997, CSFB underwrote an offering by Enron of $200 of million public notes and received a fee of $125,213.

In November 1997, Goldman, Sachs & Co. was the lead underwriter of a $100 million offering of public notes for Enron Oil and Gas. The underwriting syndicate included Merrill Lynch & Co., Morgan Stanley Dean Witter and CSFB. CSFB collected a fee of $89,363.

In May 1998, Goldman Sachs & Co., Lehman Brothers and CSFB participated in an underwriting syndicate of 15 million of Enron secondary stock, which raised $750 million. CSFB earned a fee of $2,331,895.

In May 1998, Chase Manhattan Bank served as the lead bank in a $500 million revolving credit facility for the JEDI II project. CSFB provided $40 million of participation. CSFB earned a syndication fee of $5,685,000 and received annual interest payments.

In November 1998, Barclays Bank acted as the administrative agent and served with CSFB as co-arranger of a debt refinancing for the JEDI I project. CSFB underwrote $162.5 million of the total $325 million credit facility. CSFB received a syndication fee of $2,185,000 and annual interest payments.

In November 1998, CSFB underwrote an offering of $250 million of Enron public notes and received a fee of $2,114,755.

In 1999, Chase Manhattan Bank led a lending syndicate that provided a $400 million credit revolver facility to Enron Oil and Gas. CSFB made a $12 million commitment. CSFB received a fee of $70,993.

In 1999, CSFB made lending commitments of $35.6 million and $3.6 million to Dabhol Power Company. CSFB received a fee of $2.5 million, as well as interest payments, in connection with the $35.6 million commitment. CSFB received interest payments in connection with the $3.6 million commitment.

In 1999, CSFB provided M&A advice on an asset divestiture by Enron Oil and Gas and received a fee of $7 million. The date of engagement was December 15, 1998.

In February 1999, CSFB co-managed with DLJ an approximately $750 million common stock offering of 12 million shares of Enron. The underwriting syndicate included Lehman Brothers, Merrill Lynch & Co., Morgan Stanley Dean Witter, Prudential Securities, Salomon Smith Barney and Schroder & Co. Inc. CSFB earned a fee of $10,347,810.

In April 1999, NationsBank/Bank of America acted as lead underwriter for an $850 million debt offering of East Coast Power LLC. CSFB participated in the underwriting syndicate and received a fee of $2,087,564.

In June 1999, Merrill Lynch International served as lead manager of an underwriting syndicate for the initial public offering of 36,600,000 shares of Azurix, which raised $695,400,000. The underwriting syndicate included Paine Webber International, ABN AMRO Rothschild, HSBC Investment Banking and CSFB. CSFB earned a fee of $4,596,521.

In June 1999, CSFB provided M&A advice on the sale of an interest in East Coast Power LLC to El Paso Energy, Inc. and earned a fee of $850,000. The date of engagement was June 1, 1999.

In August 1999, CSFB provided M&A advice on the potential divestiture of Portland General and received a fee of $1,150,000. The date of engagement was August 13, 1999.

In February 2000, CSFB co-led with DLJ a bond offering for Azurix of $440 million and £100 million of debt. Merrill Lynch & Co. and Chase Securities Inc. participated in the syndicate. CSFB received a fee of $2,629,564.

In March 2000, CSFB underwrote a private money market note offering of $1 billion for Enron and earned a fee of $684,464.

In May 2000, CSFB provided M&A advice on the acquisition of MG plc. and earned a fee of $4,500,000. The date of engagement was May 9, 2000.

In June 2000 and November 2000, loan syndicates were formed to provide credit facilities to LJM2. Chase Manhattan Bank served as the lead bank for the June 2000 $65 million facility, of which CSFB raised $10 million. Dresdner served as the lead bank for the November

2000 $200 million facility, of which CSFB raised $30 million. CSFB earned fees of $73,608 and $303,283.

In October 2000, after the announcement of their merger, CSFB and DLJ co-led the initial public offering of 24 million shares of The NewPower Company, which raised $504 million. The underwriting syndicate included Chase H&Q, CIBC World Markets, Paine Webber Incorporated, Salomon Smith Barney and DLJ*direct* Inc. CSFB and DLJ earned a combined fee of $15,700,825.

In October 2000, Deutche Bank Alex. Brown was the joint book-running manager with CSFB of a Rule 144A offering of $750 million and £315 million of debt and $50 million of equity for the Osprey III project. Lehman Brothers and UBS Warburg LLC served as co-managers. CSFB earned a structuring fee of $1,347,071 and a debt capital markets fee of $992,804. The date of engagement was September 28, 2000.

In December 2000, CSFB was the lead underwriter in a synthetic lease that provided a $600 million debt revolver for a project called TurboPark/E-Next Generation. CSFB earned a fee of $5,125,000.

In December 2000, CSFB financed a $150 million oil swap and earned a fee of approximately $870,000. The oil swap was set to mature in September 2001, but was rolled over an additional year at the request of Enron with CSFB's consent.

In early 2001, CSFB provided M&A advice on the sale of eight "peaking" power plants and earned a fee of $10,661,950. The date of engagement was October 30, 2000.

In April 2001, CSFB provided M&A advice on a potential EBS/movie studios joint venture and earned fees totaling $300,000. The date of engagement was April 12, 2001.

In July 2001, Deutsche Bank Alex. Brown served as the joint book-running manager with CSFB to refinance the Marlin entity through a second Rule 144A offering of two debt tranches of $475 million and £515 million. CSFB earned a structuring fee of $1,143,175 and a debt capital markets fee of $1,604,288. The date of engagement was July 11, 2001.

In December 2001, CSFB Europe (London) underwrote a £50 million private placement debt offering for Wessex Water Services Finance plc. and earned a fee of £250,000.

From January 1999 through the present, CSFB provided M&A advice for the potential divestiture of an Enron power plant and other assets. To date, CSFB has identified $250,000 of fees in connection with this work. The dates of engagement were January 9, 1999, November 17, 2000, November 29, 2001 and December 17, 2001.

DLJ

DLJ provided the services listed below that are responsive to request number 1. Where known, fee information and dates of engagement have been provided.

From 1997 to the present, DLJ participated with over 50 other banks in credit revolver facilities for Enron.

In November 1997, DLJ advised Enron Global Power and Pipelines LLC in connection with going private and received a fee of $2.5 million. The date of engagement was May 14, 1997.

In 1998, DLJ provided advice on a potential offering of $200 million of Enron Energy Services LLC common stock and received a fee of $250,000. The date of engagement was December 16, 1997.

1999

In 1998, DLJ provided advice on the sale of a Pittsburg, California power plant project for $50 million. The transaction closed in 1998 and DLJ received a fee of $1,150,000.

In May 1998, DLJ led an underwriting syndicate of 15 million shares of Enron secondary stock, which raised $750 million. Goldman Sachs & Co., Lehman Brothers and CSFB also participated in the underwriting syndicate. DLJ earned a fee of $10,025,933.

In December 1998, BT Alex. Brown was the joint book-running manager with DLJ of a Rule 144A offering to institutional investors of approximately $1 billion of debt and $125 million of equity in connection with the Marlin I entity. DLJ earned a structuring fee of $2,560,000, a private placement fee of $1,250,000, and a debt capital markets fee of $2,423,670. The date of engagement was October 20, 1998.

In December 1998, Chase Securities, BT Alex. Brown and DLJ co-lead managed a $415 million bank facility and co-lead managed the private placement of $60 million in equity in connection with the Firefly entity. DLJ received a syndication fee of $1,125,000, a private placement fee of $1 million, and other revenues of $922,519. The date of engagement was December 28, 1998.

In February 1999, DLJ co-managed with CSFB an approximately $750 million common stock offering of 12 million shares of Enron. The underwriting syndicate included Lehman Brothers, Merrill Lynch & Co., Morgan Stanley Dean Witter, Prudential Securities, Salomon Smith Barney and Schroder & Co. Inc. DLJ earned a fee of $3,283,937.

In June 1999, Merrill Lynch International served as lead manager of an underwriting syndicate for the IPO of 36,600,000 Azurix shares, which raised $695,400,000. The underwriting

syndicate included Paine Webber International, ABN AMRO Rothschild, HSBC Investment Banking, DLJ and CSFB. DLJ earned a fee of $6,051,203.

In September 1999, Deutsche Bank Alex. Brown was the joint book-running manager with DLJ of a Rule 144A offering of $1.4 billion in debt and $125 million in equity in connection with the Osprey entity. Bear Stearns & Co. Inc. and Salomon Smith Barney acted as joint lead managers. DLJ earned a structuring fee of $3,262,500, a debt capital markets fee of $2,317,622, and a private placement fee of $500,000. The date of engagement was September 16, 1999.

In November 1999, Salomon Smith Barney served as lead manager of a syndicate to refinance $750 million of Enron bank loans in capital markets. Deutsche Banc Alex. Brown and Greenwich NatWest served as co-lead managers. DLJ was listed as a member of the syndicate. DLJ did not receive a fee for the transaction.

In December 1999, DLJ managed a Rule 144A offering of $202 million in debt and $6.4 million in equity in connection with the monetization of senior notes of Enron. DLJ earned a structuring fee of $128,000 and a debt capital markets fee of $202,000.

In February 2000, DLJ co-led with CSFB a bond offering for Azurix of $440 million and £100 million of debt. Merrill Lynch & Co. and Chase Securities Inc. participated in the syndicate. DLJ received a fee of $3,986,827.

In 2000, DLJ provided M&A advice on the sale of a right to build a power plant in Oregon and received a fee of $750,000. The date of engagement was January 14, 2000.

In July 2000, DLJ managed a Rule 144A "private/private" offering of $95 million in debt and $30 million in equity in connection with the funding of the synthetic sale of interests in European power assets. DLJ earned a private placement fee of $675,000 and a structuring fee of $3,075,000. A copy of an unsigned engagement letter lists the date of engagement as July 11, 2000.

In July 2000, DLJ raised additional equity capital investments of $70 million in connection with the Osprey entity. DLJ earned a fee of $500,000.

APPENDIX 2[1]

As previously noted, Credit Suisse First Boston (CSFB) and Donaldson, Lufkin & Jenrette (DLJ) were separate and independent business entities prior to their merger in November 2000.

CSFB

CSFB provided the services listed below that are responsive to request number 1. Where known, fee or other return information has been provided.

In June 1997, Citibank acted as lead agent in a synthetic lease transactions made in connection with Enron / SSBT Trustee-Enron Omaha Trust, which was renewed in December 2000 as Enron /JT Holdings/ CXC / SSBT. CSFB participated by providing $10 million of a $25 million credit facility and $56.6 million of a $110 million credit facility. The CSFB Credit Committee authorized the transactions. CSFB earned a fee of $52,130 and received annual interest payments.

In November 1998, Barclays Bank acted as the administrative agent and served with CSFB as co-arranger of a debt refinancing for the JEDI I project. CSFB underwrote $162.5 million of the total $325 million credit facility. The CSFB Credit Committee authorized the transaction. CSFB earned a syndication fee of $2,185,000 and received annual interest payments.

In December 1998, Citibank served as lead bank for an underwriting syndicate that provided $750 million of debt refinancing in connection with the financing of international

[1]For purposes of completeness, certain transactions described in Appendix 1 are also described in Appendix 2.

Enron assets. CIBC and WestLB acted as co-arrangers. CSFB participated in the underwriting syndicate. The CSFB Credit Committee authorized the transaction. CSFB earned a syndication fee of $3,509,000 and an interest payment.

In June 1999, Chase Manhattan Bank served as lead agent for a synthetic lease transaction that raised $310 million in connection with Brazos Office Holdings II, L.P. (formerly Enron – Houston HQ). CSFB was a syndicate participant and raised $13 million. The CSFB Credit Committee authorized the transaction. CSFB earned a fee of $44,443 and interest payments.

In June 1999 CSFB invested $7.5 million, and in December 1999 CSFB invested $45.1 million, in the LJM1 entity. NatWest was an equal investor. The CSFB Investment Banking Committee authorized the investment. CSFB received an overall return of approximately $31 million on its investment. In September 1999, CSFB provided a bridge loan of $25 million to the LJM1 entity, which was repaid in December 1999. CSFB received a fee of $25,000, as well as interest, in connection with the loan.

In December 1999, Merrill Lynch & Co. served as the lead investor of an investment commitment for LJM2 Co-Investments L.P. CSFB provided a $10 million investment commitment and paid in net capital of $1.7 million. CSFB lost money in connection with the investment. The CSFB Investment Banking Committee authorized the transaction.

In December 2000, CSFB was the lead underwriter in a synthetic lease that provided a $600 million debt revolver, $75 million of which was retained by CSFB, for a project called TurboPark/E-Next Generation. The CSFB Credit Committee authorized the transaction. CSFB earned a fee of $5,125,000.

In April 2001, Banc of America Securities LLC and Royal Bank of Scotland served as co-arrangers of a bank financing transaction for Brazos VPP. CSFB provided $15 million of debt. The CSFB Credit Committee authorized the transaction. No fees were recorded prior to the Enron bankruptcy.

In July 2001, Deutsche Banc Alex. Brown served as co-lead with CSFB on a refinancing of the Marlin entity through a second Rule 144A offering comprising two debt tranches of $475 million and £515 million. ABN Amro Incorporated, Banc of America Securities LLC, CIBC World Markets, Dresdner Kleinwort Wasserstein and JP Morgan served as co-managers. CSFB bought $2.5 million of the equity certificates in the transaction. The CSFB Credit Committee authorized the transaction. CSFB received no fees relating to its investment.

In August 2001, CIBC assigned to CSFB a note under which KStar VPP Trust owed $153 million. The transaction was approved by CSFB Credit Risk Management. No revenues have been located for the transaction.

In September 2001, Barclays Bank structured and provided debt to a $275 million debt and equity transaction in which CSFB made an $8.2 million equity investment. The CSFB Credit Committee authorized the transaction. CSFB earned a fee of $1 million.

In September 2001, CSFB served as lender in a transaction raising $23.9 million of debt for the monetization of Enron Heating, Ventilation and Air Conditioning Company. CSFB also acquired $1.1 million of equity. The CSFB Credit Committee authorized the transaction. No fees were received by CSFB before the bankruptcy filing.

DLJ

DLJ provided the services listed below that are responsive to request number 1. Where known, fee or other return information has been provided.

In December 1998, Chase Securities, Bankers Trust and DLJ each provided one-third of the bank debt financing in a $415 million syndicated bank facility in connection with the Firefly project. The DLJ Investment Banking Committee authorized the transaction. DLJ received a syndication fee of $1,125,000.

In December 1999, Merrill Lynch & Co. served as the lead investor of an investment commitment to LJM2 Co-Investments L.P. DLJ provided a $5 million investment commitment and paid in net capital of $900,000. DLJ lost money in connection with the investment. The transaction was authorized by the DLJ Fund Investment Partners III Investment Committee.

In December 1999, DLJ managed a Rule 144A offering of $202 million in debt and $6.4 million in equity in connection with the monetization of senior notes of Enron. DLJ bought the $6 million of equity certificates in the transaction. The investment was authorized by a committee of Investment Banking and Merchant Banking representatives.

In October 2000, Deutsche Bank Alex. Brown was the joint book-running manager with DLJ of a Rule 144A offering of $750 million and £315 million of debt and $50 million of equity in connection with Osprey III. DLJ bought $42.5 million of the equity certificates in the transaction. Lehman Brothers and UBS Warburg LLC served as co-managers. DLJ received no fees in connection with its investment.

Appendix 3

Further Response to Request No. 8

Osprey was a special purpose entity that was financed overall by $265 million in equity and approximately $2.5 billion in debt from outside investors. Osprey I was established with an initial financing of $125 million in equity and $1.4 billion in debt. Osprey II was a follow-on financing that added $70 million in equity. Osprey III was a second follow-on financing that added $750 million in debt, Euro 315 million in debt and $50 million in equity. In October 2000, the twelve DLJ employees listed in this Appendix 3 made equity investments in Osprey III, each of which we understand to be currently in default, through an investment vehicle called OA Investments. These personal investments amounted to less than four tenths of one per cent of the equity in the Osprey structure.

Name	Firm	Date of Investment	Amount
Michael A. Ranger	DLJ	October, 2000	$ 200,000
Laurence Nath	DLJ	October, 2000	$ 150,000
Paul A. Davis	DLJ	October, 2000	$ 100,000
Jeffrey Quinn	DLJ	October, 2000	$ 100,000
Debra L. Hemsey	DLJ	October, 2000	$ 100,000
Dominic A. Capolongo	DLJ	October, 2000	$ 75,000
Christopher Webb	DLJ	October, 2000	$ 55,000
Gavin Wolfe	DLJ	October, 2000	$ 50,000
Eric Manley	DLJ	October, 2000	$ 50,000
Jamie Pate	DLJ	October, 2000	$ 50,000
Philip Turbin	DLJ	October, 2000	$ 35,000
Patricia P. Lynett	DLJ	October, 2000	$ 35,000

As stated in our cover letter, please be advised that the individuals listed above have been notified of their rights pursuant to Section 502 of the Gramm-Leach-Bliley Act (Pub. L. No. 106-102, 113 Stat. 1338 (1999)) and given CSFB their consent to provide nonpublic personal information in connection with this response. We note that this nonpublic personal information is further subject to the legal prohibition on reuse of non-public personal information under section 502(c) of the Gramm-Leach-Bliley Act.

"MCBRIDE, JAMES R" <JAMES_R_MCBRIDE@fleet.com> on 12/22/2000 03:11:44 PM

To: "GEORGE SERICE (E-mail)" <GEORGE.SERICE@chase.com>
cc:
Subject:

I hope this description is some what close to reality!!

Merry Christmas,
Jim

<<Approval ForumMemo.doc>>

James R. McBride
Managing Director
Fleet Corporate and Investment Banking
713-315-4210 (Direct)
713-315-4222 (Fax)
James_R_McBride@Fleet.com

- Approval ForumMemo.doc

Permanent Subcommittee on Investigations
EXHIBIT #194h

SENATE
MAH - 02302

To: Loan Forum

From: James R. McBride and Jill A. Calabrese

Date: December 20, 2000

Re: Project Mahonia - $330 Million Forward Sale Natural Gas Contract
Enron Financing Objectives

On December 18, 2000, Debt Capital Markets received approval to purchase up to a $167 million interest in a natural gas contract. That contract requires Enron North American to make future deliveries of natural gas. Today, Financial Institutions is seeking to establish or increase certain credit limits for Travelers, St. Paul, Lumbermen's, Hartford, and Safeco to support this transaction. These clients will issue surety bonds to guarantee Enron's performance under the natural gas contract. This memo is written in support of Financial Institutions' request and is intended to provide a brief overview of Enron's financing objectives. While we expect Enron to make the required deliveries, it is important to note that the Enron performance risk is specifically assumed by the surety bond providers. If Enron North America fails to deliver gas and Enron Corp fails to pay, the insurance companies are obligated to pay liquidated damages.

Transaction Overview from Enron's perspective:
Enron North America ("ENA") plans to enter into a $330 million forward sale gas contract with an off-balance sheet, special purpose vehicle created by Chase, Mahonia Natural Gas Limited. Under the terms of the agreement Enron North America will receive an up front payment of $330 million, which will be funded by Fleet and Chase. Enron will be obligated to deliver to Mahonia specified volumes of natural gas (84 Bcf) at specified times and at specified locations. (Please note Fleet will not be taking any mark to market gas risk or physical delivery risk. See the Debt Capital Markets Approval Memo for a more complete description of the Mahonia transaction). Separate and apart from the Mahonia transaction, Enron will enter into a commodity price swap that will fix Enron's future cost of purchasing and delivering the scheduled gas volumes.

Enron's financing objective in completing this transaction is as follows:
Enron is attempting to match its "book income" and "cash flow." As a derivatives and commodity trader, Enron uses "mark to market" accounting practices to account for its price risk management contracts. Consequently, when Enron closes a derivative transaction, whether physical or financial, it is required by accounting practice to mark to market (on a daily basis) the expected income or loss it will incur over the life of the transaction. However, from a cash flow standpoint, it will actually receive or make payments of cash over the life of the contract. On September 30, 2000, Enron had a positive net asset position of over $1.2 billion in its price risk management books.

Enron has historically managed to monetize its "in the money" position by completing either physical or financial forward sales. The Mahonia transaction will allow Enron to receive cash upfront. Subsequently, Enron will use the future cash flows it expects to receive under its existing price risk management contracts to pay for the gas it will be required to deliver under the Mahonia contract. The scheduled deliveries under the Mahonia contract are designed to approximately match Enron's expected receipts of cash (or volumes) under its existing contracts.

The accounting impact on Enron's financial statement is as follows:
Enron is not taking this transaction into earnings. Enron will account for their $330 million liability under the Mahonia Forward Sale Contract as an increase to its "Liability from Price Risk Management Activities." As September 30, 2000 Enron had total assets from price risk management activities of $14.7 billion and total liabilities from price risk management activities of $13.5 billion, for a net asset position of $1.2 billion

SENATE
MAH - 023

OIA Confidential Treatment
Requested by JPMC

George Serice
12/28/2000 10:57 AM

GSF George Serice@Chase.com 713-216-8079 Fax Number 713 216-4583

To: Jeffrey W Dellapina/CHASE
cc
Subject: Re:

revised to show Fleet as co-arranger

enac-mahonia fee letter.do
Jeffrey W. Dellapina

Jeffrey W. Dellapina
12/28/2000 09:03 AM

To: George Serice/CHASE@CHASE
cc:
Subject.

please review the attached - do I need to conform this to a joint fee letter with Fleet ?

Enron1200Fees doc

FOIA Confidential Treatment
Requested by JPMC

Permanent Subcommittee on Investigations
EXHIBIT #194i

2010

CHASE

The Chase Manhattan Bank
Commodity Derivatives
270 Park Avenue 6th Floor
New York, N.Y. 10017

December 29, 2000

Mr. Joseph M. Deffner
Chief Financial Officer
Enron North America Corp.
1400 Smith Street
Houston, TX 77002-7361

FEE LETTER

Subj: Fees associated with the prepaid forward sale transaction between Enron North America Corporation ("ENAC") and Mahonia Natural Gas Limited ("Mahonia")

ENAC and its ultimate parent, Enron Corp., (collectively "Enron") have requested The Chase Manhattan Bank ("Chase") and Fleet National Bank ("Fleet") co-arrange a prepaid, natural gas, forward sale in the amount of approximately $330,000,000.00 (the "Transaction") between ENAC and Mahonia. In connection with the Transaction, Enron has agreed to pay an arrangement fee of $2,145,000.00 at closing, which fee will be equally split among Chase and Fleet (the "Co-Arrangers"). In this connection, Enron acknowledges that Chase shall be forwarding the prepayment amount for and on behalf of Mahonia and agrees that Chase may deduct the fees for the benefit of the Co-Arrangers from the prepayment amount of approximately $330,000,000.00 resulting in a net payment to Enron of approximately $327,855,000.00.

Please acknowledge your agreement with the above by signing below.

Regards,

Jeffrey W. Dellapy
Managing Director
The Chase Manhattan Bank

SENATE
MAH - 02305

FOIA Confidential Treatment
Requested by JPMC

_____

[Signor]
[Title]
Fleet National Bank

Acknowledged and Agreed by:

_____

Mr. Joseph M. Deffner
Chief Financial Officer
Enron North America Corp.

Enron North America Corp.

FOIA Confidential Treatment
Requested by JPMC

SENATE
MAH - 02306

The information below needs to be updated

Acct #
NationsBank - Dallas, A.B.A. No. 111000012

$500,000,000.00 (debited to Mahonia)

Less: Fees to Chase:	$ 1,250,000.00
Net payment to Enron	$498,750,000.00 (credited to ENGMC account above)

FOIA Confidential Treatment
Requested by JPMC

SENATE
MAH - 02307

From: Allen, Melissa
Sent: Tuesday, July 24, 2001 2:14 PM
To: Dennard, Virginia
Cc: Faldyn, Rodney
Subject: Presentation Stuff

Here are my pictures for the presentation. I've also added one with color....I'm not sure which is better for the offsite, though I always prefer color....

I've heard that Kent isn't going to be able to be there, but he may be adding my stuff into his own (so this may be duplication).

Camelot Overview.ppt

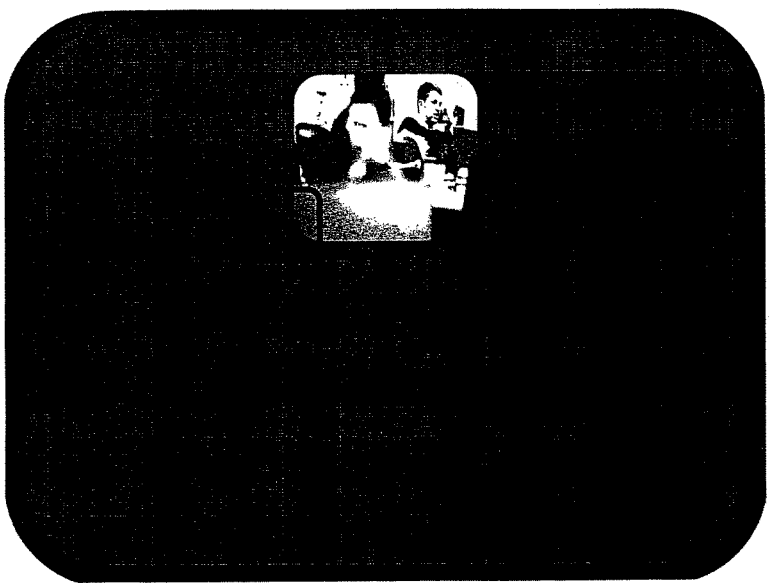
-----Original Message-----
From: Allen, Melissa
Sent: 24 July 2001 13:42
To: Castleman, Kent
Subject: SFAS 49 Stuff

Here's a little pic of Camelot and the key issues we addressed. I'm not sure if it matches with your presentation from a content perspective, so let me know if you're concerned. I've left it nice and boring from a style perspective so that you can just copy it into whatever you've put together and the format from your presentation should fit without issues.

Camelot Structure.ppt

Permanent Subcommittee on Investigations
EXHIBIT #194j

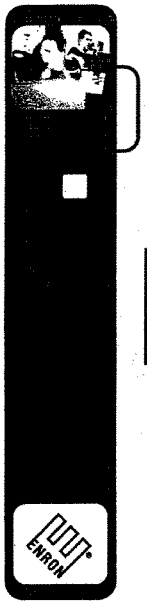
2014



ECp000093267

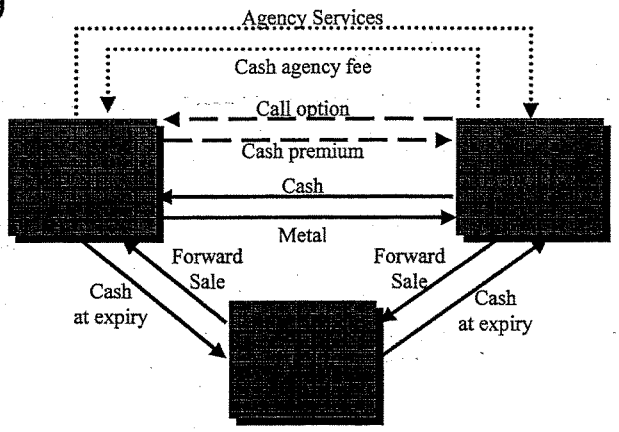
PROJECT CAMELOT

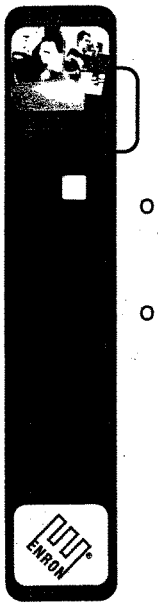
Accounting Overview



Camelot Structure

ECp000093268





Camelot
Accounting Considerations

ECp000983269

Two main considerations:

- Treatment of the transaction as a sale versus a product financing
- Timing of revenue recognition in consideration of the agency arrangement

Camelot
Key Sale Considerations

ECp000093270

- Is the forward purchase from the LME a 'requirement to repurchase'?
- Does Enron's option to repurchase from Barclays create an economic compulsion to repurchase?
- Can Enron's option be for the specific metal sold?
- Can Enron act as agent in respect of the metal without affecting sale treatment?

Camelot
Key Agency Considerations

ECp000083271

- Does the agency arrangement satisfy all of the requirements for separate recognition?
- Can Enron be responsible for acquiring and maintaining proper insurance?

Enron Confidential

EGM Inventory Financing
August 2001

ENRON

Permanent Subcommittee on Investigations
EXHIBIT #194k

Effect on EGM Financials

Assumptions		Impact on EGM Financials, $ 000's	
Facility Size, $	200,000,000	Gross Margin	(8,150) *
6 Month Libor	3.72%	EBIT (includes upfront fee + implementation costs)	(10,650) *
Average Spread (Barclays w.avg)	0.36%		
Upfront Fee	0.50%	Capital Charge (savings on imputed debt)	7,500 *
All In Costs	4.58%		
		Net Income After Tax at 35%	(2,048) *
Implementation Costs			
Upfront Legal Fees, $	500,000	Equity Employed	(100,000)
Adminstration (9 FTE's), $	1,000,000		
Total, $	1,500,000	Return on Equity	+ 6.3% **
		Return on Invested Capital	+ 3.5% **
		Imputed Funds Flow (i.e. 3X due to lower int. exp.)	26,217,800

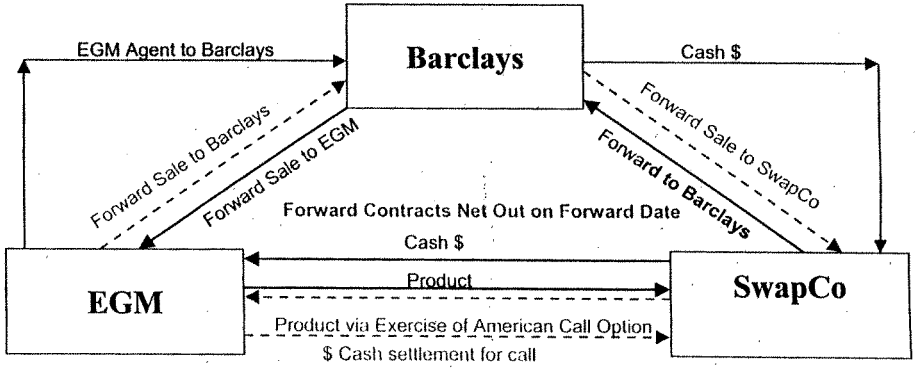
* Have agreed with Wes Colwell that EGM will be relieved of the Gross Margin/EBIT effects of the transaction such that any impact is below the EBIT line

** On the facility of $200,000,000 a capital charge is assessed on $100,000,000 (50% debt) @ 7.5 % amounting to $7,500,000

EC2 00007648

2020

Transaction Structure



Day 1:	EGM sells product to SwapCo and receives cash. Price based on forward market price (Day X) less discount for basis, interest rate, insurance, margin. Option price equals difference between spot price and forward discounted price
	SwapCo/3rd party bank sells forward to Barclays, who in turn sells forward to EGM
Call Exercise:	EGM exercises call option and purchases product. Strike price is forward market price less discount for basis, interest rate, insurance, margin for remaining days (Days X to call exercise day)
	EGM sells forward to Barclays who in turn sells forward to SwapCo/3rd party bank

EC2 000007649

2021

Transaction Structure

- EGM sells inventory to SwapCo (a third party entity controlled by but NOT affiliated to Barclays) which takes full legal title to Enron inventory and receives cash
- Enron purchases a series of American call options from SwapCo on the various tranches of product
- To mitigate commodity price risk, all physical product sold to SwapCo will be hedged through Barclays back to Enron
- As Enron exercises call options, new forwards will be written to offset the original forward contracts
- The facility will mimic a revolving credit facility as Enron sells and repurchases product on a continuous basis over the term of the contract
- Enron will act as agent to Barclays to manage all operations & logistics associated with inventory
- Financing is secured by title to inventory. Bank essentially takes Enron credit risk on commodity price decline

EC2 000007650

2022

SULLIVAN & CROMWELL

TELEPHONE: 1-202-956-7500
FACSIMILE: 1-202-293-6330
WWW.SULLCROM.COM

1701 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-5805

NEW YORK • LOS ANGELES • PALO ALTO
FRANKFURT • LONDON • PARIS
BEIJING • HONG KONG • TOKYO
MELBOURNE • SYDNEY

Confidential Treatment Requested

May 22, 2002

By Hand

Robert L. Roach, Esq.
Counsel and Chief Investigator,
U.S. Senate Permanent Subcommittee on Investigations,
199 Russell Senate Office Building,
Washington, D.C. 20510.

Re: Barclays Capital (Subpoena E02498)

Dear Bob:

On behalf of Barclays Capital, I attach a list of transactions involving Barclays Capital and Enron Corp. and its affiliates ("Enron") in response to the subpoena of the Subcommittee on Investigations served on Barclays Capital on April 11, 2002 (the "Subpoena"). Pursuant to our discussions, this will confirm that Barclays Capital will submit additional material in response to the Subpoena on a rolling basis only if the Subcommittee determines that it requires any of the underlying documents upon review of the list of transactions.

Also pursuant to our discussions, I enclose on behalf of Barclays Capital certain additional documents in response to the Subpoena. These documents bear control numbers BAR 003631-005317 and include the following:

1. documents and account statements in response to subpoena request number 1 relating to the accounts of Big River Funding LLC

Permanent Subcommittee on Investigations
EXHIBIT #194

(account numbers 050-79387 and 050-79388) and Little River Funding LLC (account numbers 050-79389 and 050-79390) (*see* BAR 003631-003956). Other than the Maples & Calder accounts discussed below, Big River Funding LLC and Little River Funding LLC are the only entities listed in Subpoena request number 1 for which Barclays Capital has been able to identify bank accounts with Barclays Capital;

2. wire transfer summaries taken from searches of Barclays Capital's systems for those entities listed in (a) through (bb) of request number 1 (*see* BAR 5019-5031, 5205-5317). These summaries list transfers involving entities that had no accounts with Barclays Capital (e.g., Chewco Investments LP, SONR #1 LLC, Michael Hinds, Enron Capital Management LP, JEDI LP, and JEDI SPV 1) because the searches captured any transfers that passed through Barclays Capital's systems without regard to whether the named entity maintained an account with Barclays Capital;

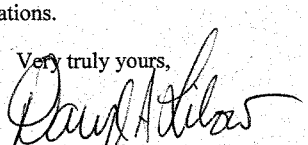
3. documents relating to the September 2001 swap transaction involving Barclays, Enron and Credit Suisse First Boston (*see* BAR 005032-005204); and

4. certain additional documents relating to the "Chewco" transaction (*see* BAR 003957-005018) to supplement Barclays Capital's initial production of April 22, 2002.

I would like to discuss with you the Subpoena's request for documents relating to financial accounts at Barclays Capital in the name of Maples & Calder (request number 1(cc)), as it appears that this request would capture numerous documents entirely unrelated to Enron. Additionally, once you have had a chance to review the enclosed materials, I would like to confirm with you that Barclays Capital has produced all documents of interest to the Subcommittee at this time. Please call me at your earliest convenience.

The attached transaction list and the documents provided with this letter in response to the Subpoena are confidential and/or commercially sensitive, and contain proprietary business information, confidential financial information and trade secrets. We therefore request that this letter, the attached transaction list and the enclosed documents and the information contained therein be maintained in the strictest confidence, and accorded the full protection provided by the Senate's Standing Rules, the Committee's rules and all other applicable rules and regulations.

Very truly yours,



Daryl A. Libow

(Enclosures)

cc: Guy Dempsey, Esq.
(Barclays Capital)

Confidential Treatment Requested

Enron Transaction List[1]

A. Barclays as Lead Bank, Agent or Sole Lender

1. Uncommitted Credit Facility – Enron Corp. as borrower. In effect since 1997, evidenced by Promissory Note. $15m outstanding as at December 2, 2001. Barclays as sole lender.

2. Besson Trust – $80m. Entered into September 2001. Senior tranche of $72m is guaranteed by Enron Corp. via a total return swap. $8m of subordinated obligations. Funded the Trust's acquisition, from an Enron affiliate, of an economic interest in a 38% limited partnership interest in EOTT, a crude oil gathering and trading MLP (publicly traded on NYSE). EOTT's general partner is Enron. Original maturity September 26, 2003. Barclays as Agent; entire senior tranche held by Barclays; subordinated obligations held by CSFB, but risk transferred to Barclays via total return swap.

3. Enron Europe Limited; Bond, Guarantee and Indemnity Facility – Uncommitted limit of $7m. To support obligations owing to UK customs, others. Barclays as sole lender.

4. Contractual Asset Securitization Trust V ("Cash V") – Loan to the Trust monetized electricity capacity payments from VEPCO, a regulated utility. Barclays as Agent for syndicate of Lenders. Closed June 30, 1997 with a total financing of $130.9m. Original maturity February 2007. $68.3m outstanding, Barclays' share $27m. Structure included an interest rate swap between Barclays and the Trust.

5. Contractual Asset Securitization Trust VI ("Cash VI") – $50m. Entered into June 1998. Barclays as sole lender. Loan to the Trust monetized an electricity swap between a subsidiary of British Energy and an Enron subsidiary. Original maturity July 30, 2006. Structure also involved the Trust entering into an FX swap, interest rate swap, in-the-money electricity swap and PPI swap with an Enron subsidiary (ECTRIC), guaranteed by Enron Corp.

6. Chewco Bridge Financing – Barclays financed 50% of $383m credit facility to Chewco Investments L.P. to effect the buy-out of Calpers one-half interest in JEDI; guaranteed by Enron Corp. Closed November 1997 and repaid December 1997. Barclays and Chase as co-arrangers.

7. Chewco Subdebt – $240m, 364-day subordinated loan to Chewco, guaranteed by Enron. Entered into December 1997. Repaid in November 1998 via the proceeds of the facilities described in #8 below. Barclays as Agent for syndicate of Lenders.

8. A. Term Loan Facility to JEDI – $205m five-year amortizing loan facility; Barclays' share $75m. Barclays as Administrative Agent and co-arranger with CSFB. Closed

[1] Barclays has attempted to identify and include in this list all relevant financings and other transactions since 1997. While this list includes structured transactions and other transactions Barclays believes may be of interest to the Subcommittee (including swaps and other transactions that had the effect of providing financing to Enron), it does not include routine swaps, options and FX and commodity trades, which number in the thousands.

November 1998. Repaid March 2001.

B. Revolving Credit to JEDI – $120m margin loan secured by equity investments in 8 publicly traded companies. Barclays as Agent for syndicate of lenders. Closed November 1998 and repaid over time with final repayment in March 2001.

C. JEDI SPV1, L.L.C. $225m Private Placement – JEDI formed JEDI SPV 1, L.L.C. in October 1998, whose sole assets were (i) Enron shares and (ii) a put on the shares to Enron at $54 1/16. In March 1999, JEDI SPV 1, L.L.C. issued privately placed notes against the value of the assets. Barclays as sole Placement Agent. Repaid December 1999.

9. Big River/Little River Loans – $11.4m credit facilities to Big River Funding L.L.C. ($11,033,847) and Little River Funding L.L.C. ($331,015) in connection with the refinancing of Calpers interest in JEDI. Barclays as sole lender. Repaid December 1999. Initial cash collateral of $6,580,000 for the two facilities, increased over time through distributions from Chewco.

10. Enserco – $125m Senior Credit Facility. Amended and restated December 31, 1998. Original financing December 12, 1996. Barclays as arranger and agent of syndicated loan. Enserco was a 50%/50% joint venture established between a subsidiary of Enron and SCF Partners – an unrelated third party. Repaid April 2000.

11. Sutton Bridge Financing Limited – BZW Securities Inc. (predecessor to Barclays Capital Inc.) as joint bookrunner with Merrill Lynch for £286m offering of secured bonds due 2022 issued by Sutton Bridge Financing Limited, guaranteed by Sutton Bridge Power (an Enron subsidiary). Proceeds used to finance construction of gas turbine power station in the U.K. US$ and Sterling Bond issued May 30, 1997.

12. Sutton Bridge Power Ltd. – £16m cost overrun facility. Barclays as sole lender. Committed May 30, 1997. Facility guaranteed by Enron Corp.; available for drawing until December 1999; latest date for repayment of any drawings May 30, 2002; expired undrawn.

13. Teesside Power Ltd. ("TPL") – December 19, 1996 refinancing. Barclays co-lead arranger and agent of a £755.5m refinancing of this UK power project. Syndicated in June 1997. Barclays' share is £15.5m with a series of interest rate swaps running off by April 1, 2008. Loan matures April 1, 2008, although a refinancing is expected in the next few weeks that would relax the amortization schedule but not the final maturity date. Enron Corp. indirectly own 42.5% of TPL. Current total loan outstandings are £656.7m

14. Enron Funding Corp. ("EFC") – Barclays as Agent for $355m syndicated revolving credit facility, providing liquidity to backstop commercial paper issuance by EFC. The facility was credit enhanced by a $355m insurance policy provided by Winterthur International U.K. Ltd. Transaction closed December 31, 1999. Full reimbursement of outstanding amount (approximately $58m) received from Winterthur on December 26, 2001.

15. Meter Acquisition LP – Credit Agreement dated September 1999. Barclays, as Agent, for this syndicated $45m bank financing. Barclays' share $15m. The financing served to monetize the fixed portion of a service contract between Houston Pipeline (100% owned sub of Enron) and Hanover Measurement Services – a joint venture between Enron and Hanover Compressor. Repaid May 24, 2001.

16. Blackbird Trust – Loan to an Enron SPV ("Blackbird 1 Interest Owner Trust"), guaranteed by Enron Corp. $73.5m funding used to monetize a contract between Enron Energy Services Operations, Inc. and Computer Sciences Corporation, an unrelated third party. Barclays as sole lender. Originated December 1999. Prepaid April 2000.

17. Enron Europe Power 3 Ltd ("EEP3") – Barclays served as Agent for a £160m syndicated loan guaranteed by Enron Corp, executed Jan. 15, 1999. This loan refinanced an existing maturing loan . The intention was that £110m should be a bridge to a longer term unguaranteed bond financing. £110m was repaid with the proceeds of a private placement of notes in July 1999 (see #18 below). The remaining £50m was scheduled for payment in 2002 and remains outstanding.

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20. Wessex Water Acquisition Finance – Executed August 18, 1998. Bridge financing in connection with Enron's acquisition of Wessex Water, a regulated water company headquartered in Bristol. Barclays and Nat West joint lead arrangers for two facilities: a) US$1,100 million revolver guaranteed by Enron Corp, borrowers Enron Corp and Enron Water (Holding) LLC, final maturity July 23, 1999; and b) £736 million, no guarantee, borrower Enron Water (Europe) PLC (the direct acquirer of Wessex Water), final maturity latest July 23, 2003. Syndication done in September and October 1998. Both facilities cancelled and/or repaid in full in first half of 1999.

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22. Wessex Water Loan – October 2000. Barclays as sole lender for £50m 364-day revolving credit facility. Facility never drawn.

23. Sox – Monetization by Enron North America ("ENA") of its inventory of US sulfur dioxide pollution emission permits ("SOX") issued by the United States Environmental Protection Agency ("EPA"). The initial transaction took place in September 2001 ($138m) and was renewed in October 2001 ($170m). Under each transaction, Colonnade Limited (a Guernsey SPV) received from ENA, in exchange for the purchase price, title to all of the SOX and was registered as owner in the books of EPA. To enable Colonnade to complete its purchase, Barclays made limited recourse loans to Colonnade (in each case equal to the purchase price) secured against all of Colonnade's assets, including the SOX. Herzelerde LLC (an affiliate of ENA) purchased an American style call option in respect of the SOX from Colonnade. In addition, in respect of the second transaction, Colonnade paid a premium to purchase put options in respect of the SOX from Grampion (an affiliate of ENA). In each case, the strike prices of the options were to be at prevailing market rates at the time of exercise. The risk of any adverse price movements as well as the benefit of any up-turn was borne by ENA through a series of swap agreements. Enron Corp. guaranteed the obligations of the other companies in the Enron group and provided cash collateral ($59.5 million) in relation to Barclays' exposures to the Enron group (including in respect of the SOX transactions).

24. JGB/LAB Trust – Barclays, as Agent, for $92,517,750, two-year credit facility to monetize Enron's shareholding in Catalytica and Avici Corporation through loans to two trusts (JGB Trust with respect to Catalytica shares and LAB Trust with respect to Avici shares). Credit Agreement entered into December 7, 2000. The financing involved a notes and certificates structure, incorporating a total return swap between Enron N. A. and the Trusts. The $52.2m LAB Trust tranche prepaid in full March 2001. Remaining loans repaid in full October 2001.

25. London Metals Exchange (LME) Warrant Facility and Physical Metals Facility – Two linked multiple monetization facilities ($750m LME warrants; $1bn physical metals) for utilization by either Enron Metals Limited or Enron Metal and Commodities Limited. The warrants facility was put in place in September, 2000 for a term of 12 months and was renewed for a further 3 months in 2001. The physical metals facility was put in place in November 2000 for 12 months with an option for Enron to extend for a further 6 months. The warrants facility could be increased with an offsetting decrease in the physical facility but not *vice versa*. When the facilities were utilized, Barclays received, in exchange for the purchase price, title to either the warrants or to the physical metals and granted options to Enron to repurchase equivalent commodities. Barclays hedged the price risk on the London Metals Exchange. The utilization at December 2, 2001 was $850m on the physical metals facility and $896m on the warrants facility.

26. Cocoa Facilities – Single monetization facility (£40m) for utilization by Enron Metals Limited. The transaction took place in December 2000 and had a term of 2 months. Under the facility, Barclays received, in exchange for the purchase price, title to cocoa in LIFFE designated warehouses from Enron. Barclays granted Enron a call option exercisable at the end of the term.

27. Enron Metals Ltd. Loan – Barclays had $149.5m in unsecured loans outstanding to MG PLC at the time MG PLC was acquired by Enron in October 2000. MG PLC was renamed Enron Metals Ltd. Loans were repaid December 2000.

28. Yosemite Bridge (Crude Oil) Swap – $110m (£66m) crude oil swap entered in December 1999 for 90 days, subsequently extended an additional 31 days. Barclays paid cash to Enron N.A. upfront in settlement of the fixed leg and received the value of the floating leg at maturity. The oil market risk was sold by Barclays to Toronto Dominion in a swap with fixed and floating cashflows both at maturity at a price that was related to the Enron price but reflected the impact of the different fixed cashflow date. This transaction along with similar transactions by Enron with Royal Bank of Canada and Salomon Smith Barney comprised the bridge financing associated with the Sterling bond issue described in #43 below.

B. Barclays as participant (or swap counterparty) in facilities led or arranged by other banks

29. 5-year Revolving Credit Facility – $1.25b syndicated facility. Original maturity May 18, 2005. Administrative agents are JPM/Chase and Citibank. Barclays is a participant.

30. 364-day Revolving Credit Facility – $1.75b syndicated credit facility. Original maturity May 13, 2002. Administrative agents are JPM/Chase and Citibank. Barclays is a participant.

31. 5-year Letter of Credit Facility – $500m syndicated facility. Original maturity May 13, 2005. Administrative agents are JPM/Chase and Citibank. Barclays is a participant.

32. Ponderosa Pine Energy L.L.C. – $215.2m syndicated loan entered into in June 2000. In effect, guaranteed by Enron Corp. through a total return swap structure. Vehicle holds Enron's equity interest in the Tenaska power station located in Texas. Original maturity March 31, 2002. Secured by the equity in Tenaska. KBC Bank as Agent. Barclays is a participant with a $20m share.

33. Brazil Power Development Trust – $460.75m syndicated loan, guaranteed by Enron Corp., entered into December 2000 to fund construction of Brazilian power project. Original maturity August 31, 2002. Secured by the project's assets, which include several natural gas turbines being constructed. West LB as Lead Arranger and Administrative Agent. Barclays as participant with a $19 m share of commitments ($14m outstanding).

34. J T Holdings Lease – $110m syndicated facility entered into 1992. Original maturity December 7, 2005. Loan to an SPV that owns and leases to Enron a methanol plant. Secured by plant and certain Enron Corp. obligations. Citibank as Agent. Barclays as participant with a $12m share.

35. Rawhide Investors L.L.C. – $690m syndicated loan. Loan is to Rawhide, an investor in an Enron subsidiary that owns project assets in the US, Argentina and Brazil. Original maturity March 28, 2002. Citicorp as Agent. Barclays as participant with a $35m share.

36. Brazos VPP Trust – $250m syndicated finance facility. Facility enabled an SPV (Brazos VPP Limited Partnership) to purchase oil and gas volumetric production payments (VPP's) from third parties. Original maturity December 31, 2005. Secured by VPP's.

Bank of America as Agent. Barclays as participant with $12m share of commitments.

37. JEDI SPV1, L.L.C. $513m Term Loan – 364-day syndicated credit facility supported by approximately12m shares of Enron stock valued at the face amount of the loan via a share-settled swap between the SPV and Enron Corp. Chase as Agent and Arranger. Entered into December 1999. Maturity extended to June, 2001. Barclays served as one of four underwriters (Chase, Lehman, CSFB) initially funding $128.375 m each. After bank syndication Barclays' share as participant was reduced to $38.875 m.

38. JEDI II Bridge Loan – $500m. Chase as Agent for a six-month loan. JEDI II is a joint venture which included Enron subsidiaries as the 1% General Partner and a 49% Limited Partner, and CALPERS as a 50% limited Partner. Entered into December 1997. Barclays and Chase committed $100m each and four other banks committed $75m each. Repaid through financing referenced in #39 below.

39. JEDI II – $500m syndicated revolving loan entered into May 1998. (Commitment reduced to $250m December 22, 2000). Original maturity June 2001. Chase as Agent. Barclays as a participant with a $28.5m share. Outstanding loans repaid in September 2001 and commitments expired at the end of October 2001 without any loans outstanding.

40. Enron Corp. Zero Coupon Convertible Senior Notes due 2021 – Private Placement of notes with Salomon Smith Barney as Lead Placement Agent. January 31, 2001 placement raised $1.25b (face amount of notes $1.9b).

41. Delta Energy Corporation Commodity Swaps – Entered into December 31, 1998. Delta, an SPV, borrowed $500m from a Citibank conduit and used the proceeds to purchase and prepay for $300m worth of natural gas and $200m of crude oil at an agreed price. Barclays entered into offsetting energy swaps with Delta and an Enron subsidiary (Enron Capital and Trade Resources). The structure unwound November 17, 1999.

42. Commodity Swap – Executed September 27, 2001. Barclays served as a swap counterparty to both Enron North America and CSFB for the energy price component of a $300m commodity linked financing (crude oil prepay) provided to Enron by CSFB.

43. Yosemite Securities Company Ltd. – £200m 8.75% Series 2000-A Linked Enron Obligations ("LEO's") due 2027. Issue date February 15, 2000. Lead Manager Salomon Smith Barney International. Barclays as co-manager, with Royal Bank of Scotland.

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Confidential Treatment Requested

November 21, 2002

By Hand

Robert L. Roach, Esq.,
Counsel and Chief Investigator,
U.S. Senate Permanent Subcommittee on Investigations,
199 Russell Senate Office Building,
Washington, D.C. 20510.

Re: Barclays Capital (Subpoena E02498)

Dear Bob:

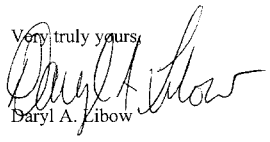
On behalf of Barclays Capital, I enclose a chart listing the fees, commissions, interest or profit earned or losses incurred with respect to each transaction involving Barclays Capital and Enron Corp. or its affiliates and a revised list of those transactions pursuant to our recent discussions and in further response to the subpoena of the Subcommittee on Investigations dated April 11, 2002. As you know, on May 22, 2002, Barclays Capital produced to the Subcommittee an initial list of its transactions involving Enron-related entities.

The chart lists interest figures on a "net" basis, which is how interest income is listed in the records of Barclays Capital. Net interest is calculated on the margin above the London Interbank Offered Rate (LIBOR) (or similar benchmark) or the cost of funds and is, thus, "net" of the cost of capital. (Because certain loans became non-performing in 2001, certain transactions show a negative net interest amount for this

year.) The enclosed transaction list and fee chart includes six transactions (transactions 29-33 and 49) inadvertently omitted from Barclays' May 22 transaction list. (These six transactions are comprised of one securitization transaction dating back to 1994 (transaction 29), three project finance transactions, two of which date back to 1994 or earlier (transactions 30, 32 and 33) and two credit facilities relating to JEDI that were repaid in 1997 or 1998 (transactions 31 and 49).) The chart lists interest, fees and other income earned based on the best information Barclays has been able to identify to date in its systems and records. The compilation of this information required Barclays to retrieve and assemble data from multiple systems and records in both London and New York. If and as additional information becomes available, Barclays will supplement the data provided to the Subcommittee on the enclosed chart.

The enclosed chart, transaction list and this letter provided in response to the Subpoena are confidential and/or commercially sensitive, and contain proprietary business information, confidential financial information and trade secrets. We therefore request that this letter, the enclosed chart, transaction list and the information contained therein be maintained in the strictest confidence, and accorded the full protection provided by the Senate's Standing Rules, the Committee's rules and all other applicable rules and regulations.

Very truly yours,



Daryl A. Libow

(Enclosures)

cc: Guy Dempsey, Esq.
(Barclays Capital)

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(Amounts in USD)

Key	1997 Net Interest	1997 Fees	1997 Other Income	1998 Net Interest	1998 Fees	1998 Other Income	1999 Net Interest	1999 Fees	1999 Other Income	2000 Net Interest	2000 Fees	2000 Other Income	2001 Net Interest	2001 Fees	2001 Other Income	Unwind Charges
1	17,199		6,604	44,798		3,537	15,007		3,065	50,337		5,014	(55,000)		11,408	X
2													443,840	307,345		X
3	4,748	7,000		24,345	26,055		24,321	17,236								
4	338,537	178,375		54,894	512,796		271,731	9,768		166,486	9,888		(187,872)	9,701		X
5				24,454	117,247		211,548	34,201		105,678	60,262		176,043	35,194		X
6 and 7	179,276			2,597	748,596											
8 a and b				53,533	1,446,599		342,675	1,285,898		244,435	96,644		39,155	29,068		
8 c								1,125,000								
9	756			23,308	329,854		82,463	572,147								
10	30,256	377,348		31,813	539,956		174,812	62,662		29,485	15,483					
11		624,734														
12					91,217			62,583			40,464					
13	1,713,521	362,132		472,061	123,485		364,991	126,115		184,757	127,298		181,022	133,403		X
14											364,238		18,206	155,948		
15							63,687	352,796		30,721	38,194		7,497	11,011		
16							43,207			124,516	362,000					
17							662,544	1,376,204		3,905	19,987		5,869	20,641		X
18								3,445,784								
19				761	2,284											
19								625,000								
20				469,303	3,421,813		610,524	17,601								
21								759,038								
22													7,202	113,935		
23															1,535,000	
24										40,207	343,234		284,009	153,159		
25												2,726,600			7,432,368	
26												143,274				
27	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD				
28									68,000			398,000				
29	347,875	47,415		156,530	5,040		2,947	33								
30	97,635	55,542														
31	205,884	5,658			8,583											
32										348,833	77,423		489,717	43,826		
33	60,169	9,521														
34 and 36 and 36		57,689			149,188			80,637			409,585		(470,000)	131,315		X
37										18,141	6,336		(22,000)	39,025		X
38										23,386	255,353		146,920	218,556		X
39	152,381	30,624		23,646	203,351		115,309	30,283		44,405	5,356		46,304	1,130		X
40								298,921			352,432		109,511	171,790		X
41													81,434	22,972		X
42							287,922	251,112		458,077	310,593		72,447	16,901		
43 and 44	2,911	360		45,724	1,274,102		170,257	38,983		59,789	68,788		33,017	261,615		
45														489,585		
46						250,000			250,000							
47															390,000	
48											197,467					
49	172,635	61,796		302,633	904,062											

**Negative net interest for 2001 in Key Numbers 1, 4 34,35,36 and 37 is approximate and reflects the failure of obligor to pay interest due after bankruptcy filing.

Prepared: November 21, 2002

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Key	Enron Transaction List Names
1	Enron Corporation
2	Besson Trust
3	Enron Europe Ltd; Bond, Guarantee and Indemnity Facility
4	CASH V
5	CASH VI
6	Chewco Bridge Financing
7	Chewco Subdebt
8a	Term Loan Facility to JEDI
8b	Revolving Credit to JEDI
8c	JEDI SPV1, L.L.C. $225m Private Placement
9	Big River/Little River Loans
10	Enserco
11	Sutton Bridge Financing Ltd.
12	Sutton Bridge Power Ltd.
13	Teesside Power Ltd.
14	Enron Funding Corp.
15	Meter Acquisition LP
16	Blackbird Trust
17	Enron Europe Power 3 Ltd
18	Enron Europe Power 3 Ltd. PP
19	Spokane Energy $155m Senior Notes due 2015
20	Wessex Water Acquisition Finance
21	Wessex Water Bonds
22	Wessex Water Loan
23	Sox
24	JGB/LAB Trust
25	London Metals Exchange
26	Coca Facilities
27	Enron Metals Ltd. Loan
28	Yosemite Bridge (Crude Oil) Swap
29	Project Cactus
30	Clearlake
31	JILP
32	Lost Creek/Wind River
33	Richmond Power
34	5-year Revolving Credit Facility
35	364-day Revolving Credit Facility
36	5-year Letter of Credit Faclity
37	Ponderosa Pine Energy LLC
38	Brazil Power Development Trust
39	JT Holdings Lease
40	Rawhide Investors LLC
41	Brazos VPP Trust
42	JEDI SPV1, L.L.C. $513m Term Loan
43	JEDI II Bridge Loan
44	JEDI II
45	Enron Corp Zero Coupon Convert Senior Notes due 2021
46	Delta Energy Corporation Commodity Swaps
47	Commidity Swap
48	Yosemite Securities Company Ltd.
49	JEDI I

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Enron Transaction List[1]

A. Barclays as Lead Bank, Agent or Sole Lender

1. Uncommitted Credit Facility – Enron Corp. as borrower. In effect since 1997, evidenced by Promissory Note. $15m outstanding as at December 2, 2001. Barclays as sole lender.

2. Besson Trust – $80m. Entered into September 2001. Senior tranche of $72m is guaranteed by Enron Corp. via a total return swap. $8m of subordinated obligations. Funded the Trust's acquisition, from an Enron affiliate, of an economic interest in a 38% limited partnership interest in EOTT, a crude oil gathering and trading MLP (publicly traded on NYSE). EOTT's general partner is Enron. Original maturity September 26, 2003. Barclays as Agent; entire senior tranche held by Barclays; subordinated obligations held by CSFB, but risk transferred to Barclays via total return swap.

3. Enron Europe Limited; Bond, Guarantee and Indemnity Facility – Uncommitted limit of $7m. To support obligations owing to UK customs, others. Barclays as sole lender.

4. Contractual Asset Securitization Trust V ("Cash V") – Loan to the Trust monetized electricity capacity payments from VEPCO, a regulated utility. Barclays as Agent for syndicate of Lenders. Closed June 30, 1997 with a total financing of $130.9m. Original maturity February 2007. $68.3m outstanding, Barclays' share $27m. Structure included an interest rate swap between Barclays and the Trust.

5. Contractual Asset Securitization Trust VI ("Cash VI") – $50m. Entered into June 1998. Barclays as sole lender. Loan to the Trust monetized an electricity swap between a subsidiary of British Energy and an Enron subsidiary. Original maturity July 30, 2006. Structure also involved the Trust entering into an FX swap, interest rate swap, in-the-money electricity swap and PPI swap with an Enron subsidiary (ECTRIC), guaranteed by Enron Corp.

6. Chewco Bridge Financing – Barclays financed 50% of $383m credit facility to Chewco Investments L.P. to effect the buy-out of Calpers one-half interest in JEDI; guaranteed by Enron Corp. Closed November 1997 and repaid December 1997. Barclays and Chase as co-arrangers.

7. Chewco Subdebt – $240m, 364-day subordinated loan to Chewco, guaranteed by Enron. Entered into December 1997. Repaid in November 1998 via the proceeds of the facilities described in #8 below. Barclays as Agent for syndicate of Lenders.

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[1] Barclays has attempted to identify and include in this list all relevant financings and other transactions since 1997. While this list includes structured transactions and other transactions Barclays believes may be of interest to the Subcommittee (including swaps and other transactions that had the effect of providing financing to Enron), it does not include routine swaps, options and FX and commodity trades, which number in the thousands.

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8. A. Term Loan Facility to JEDI – $205m five-year amortizing loan facility; Barclays' share $75m. Barclays as Administrative Agent and co-arranger with CSFB. Closed November 1998. Repaid March 2001.

   B. Revolving Credit to JEDI – $120m margin loan secured by equity investments in 8 publicly traded companies. Barclays as Agent for syndicate of lenders. Closed November 1998 and repaid over time with final repayment in March 2001.

   C. JEDI SPV1, L.L.C. $225m Private Placement – JEDI formed JEDI SPV 1, L.L.C. in October 1998, whose sole assets were (i) Enron shares and (ii) a put on the shares to Enron at $54 1/16. In March 1999, JEDI SPV 1, L.L.C. issued privately placed notes against the value of the assets. Barclays as sole Placement Agent. Repaid December 1999.

9. Big River/Little River Loans – $11.4m credit facilities to Big River Funding L.L.C. ($11,033,847) and Little River Funding L.L.C. ($331,015) in connection with the refinancing of Calpers interest in JEDI. Barclays as sole lender. Repaid December 1999. Initial cash collateral of $6,580,000 for the two facilities, increased over time through distributions from Chewco.

10. Enserco – $125m Senior Credit Facility. Amended and restated December 31, 1998. Original financing December 12, 1996. Barclays as arranger and agent of syndicated loan. Enserco was a 50%/50% joint venture established between a subsidiary of Enron and SCF Partners – an unrelated third party. Repaid April 2000.

11. Sutton Bridge Financing Limited – BZW Securities Inc. (predecessor to Barclays Capital Inc.) as joint bookrunner with Merrill Lynch for £286m offering of secured bonds due 2022 issued by Sutton Bridge Financing Limited, guaranteed by Sutton Bridge Power (an Enron subsidiary). Proceeds used to finance construction of gas turbine power station in the U.K. US$ and Sterling Bond issued May 30, 1997.

12. Sutton Bridge Power Ltd. – £16m cost overrun facility. Barclays as sole lender. Committed May 30, 1997. Facility guaranteed by Enron Corp.; available for drawing until December 1999; latest date for repayment of any drawings May 30, 2002; expired undrawn.

13. Teesside Power Ltd. ("TPL") – December 19, 1996 refinancing. Barclays co-lead arranger and agent of a £755.5m refinancing of this UK power project. Syndicated in June 1997. Barclays' share is £15.5m with a series of interest rate swaps running off by April 1, 2008. Loan matures April 1, 2008, although a refinancing is expected in the next few weeks that would relax the amortization schedule but not the final maturity date. Enron Corp. indirectly own 42.5% of TPL. Current total loan outstandings are £656.7m

14. Enron Funding Corp. ("EFC") – Barclays as Agent for $355m syndicated revolving credit facility, providing liquidity to backstop commercial paper issuance by EFC. The facility was credit enhanced by a $355m insurance policy provided by Winterthur International U.K. Ltd. Transaction closed December 31, 1999. Full reimbursement of outstanding amount (approximately $58m) received from Winterthur on December 26,

2001.

15. Meter Acquisition LP – Credit Agreement dated September 1999. Barclays, as Agent, for this syndicated $45m bank financing. Barclays' share $15m. The financing served to monetize the fixed portion of a service contract between Houston Pipeline (100% owned sub of Enron) and Hanover Measurement Services – a joint venture between Enron and Hanover Compressor. Repaid May 24, 2001.

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22. Wessex Water Loan – October 2000. Barclays as sole lender for £50m 364-day revolving credit facility. Facility never drawn.

23. Sox – Monetization by Enron North America ("ENA") of its inventory of US sulfur dioxide pollution emission permits ("SOX") issued by the United States Environmental Protection Agency ("EPA"). The initial transaction took place in September 2001 ($138m) and was renewed in October 2001 ($170m). Under each transaction, Colonnade Limited (a Guernsey SPV) received from ENA, in exchange for the purchase price, title to all of the SOX and was registered as owner in the books of EPA. To enable Colonnade to complete its purchase, Barclays made limited recourse loans to Colonnade (in each case equal to the purchase price) secured against all of Colonnade's assets, including the SOX. Herzelerde LLC (an affiliate of ENA) purchased an American style call option in respect of the SOX from Colonnade. In addition, in respect of the second transaction, Colonnade paid a premium to purchase put options in respect of the SOX from Grampion (an affiliate of ENA). In each case, the strike prices of the options were to be at prevailing market rates at the time of exercise. The risk of any adverse price movements as well as the benefit of any up-turn was borne by ENA through a series of swap agreements. Enron Corp. guaranteed the obligations of the other companies in the Enron group and provided cash collateral ($59.5 million) in relation to Barclays' exposures to the Enron group (including in respect of the SOX transactions).

24. JGB/LAB Trust – Barclays, as Agent, for $92,517,750, two-year credit facility to monetize Enron's shareholding in Catalytica and Avici Corporation through loans to two trusts (JGB Trust with respect to Catalytica shares and LAB Trust with respect to Avici shares). Credit Agreement entered into December 7, 2000. The financing involved a notes and certificates structure, incorporating a total return swap between Enron N. A. and the Trusts. The $52.2m LAB Trust tranche prepaid in full March 2001. Remaining loans repaid in full October 2001.

25. London Metals Exchange (LME) Warrant Facility and Physical Metals Facility – Two linked multiple monetization facilities ($750m LME warrants; $1bn physical metals) for utilization by either Enron Metals Limited or Enron Metal and Commodities Limited. The warrants facility was put in place in September, 2000 for a term of 12 months and was renewed for a further 3 months in 2001. The physical metals facility was put in place in November 2000 for 12 months with an option for Enron to extend for a further 6 months. The warrants facility could be increased with an offsetting decrease in the physical facility but not *vice versa*. When the facilities were utilized, Barclays received, in exchange for the purchase price, title to either the warrants or to the physical metals and granted options to Enron to repurchase equivalent commodities. Barclays hedged the price risk on the London Metals Exchange. The utilization at December 2, 2001 was $850m on the physical metals facility and $896m on the warrants facility.

26. Cocoa Facilities – Single monetization facility (£40m) for utilization by Enron Metals Limited. The transaction took place in December 2000 and had a term of 2 months. Under the facility, Barclays received, in exchange for the purchase price, title to cocoa in LIFFE designated warehouses from Enron. Barclays granted Enron a call option exercisable at the end of the term.

27. Enron Metals Ltd. Loan – Barclays had $149.5m in unsecured loans outstanding to MG PLC at the time MG PLC was acquired by Enron in October 2000. MG PLC was renamed Enron Metals Ltd. Loans were repaid December 2000.

28. Yosemite Bridge (Crude Oil) Swap – $110m (£66m) crude oil swap entered in December 1999 for 90 days, subsequently extended an additional 31 days. Barclays paid cash to Enron N.A. upfront in settlement of the fixed leg and received the value of the floating leg at maturity. The oil market risk was sold by Barclays to Toronto Dominion in a swap with fixed and floating cashflows both at maturity at a price that was related to the Enron price but reflected the impact of the different fixed cashflow date. This transaction along with similar transactions by Enron with Royal Bank of Scotland and Salomon Smith Barney comprised the bridge financing associated with the Sterling bond issue described in #48 below.

29. Project Cactus – In 1994, Sheffield Receivables Corp., a securitization conduit sponsored by Barclays, entered into a $400m facility to purchase from Cactus Hydrocarbon III Production Payment Trust certificates representing interests in a limited partnership that owned oil and gas production payments. Enron's relationships with Cactus and the limited partnership included an Enron subsidiary acting as general partner of the limited partnership, various Enron subsidiaries being obligated to purchase the hydrocarbons and Enron Funding Corp. entering into a commodity swap with Cactus. Sheffield funded its certificate purchases through issuances of commercial paper. Barclays arranged and agented a syndicated liquidity facility ($412 million) to support Sheffield's payment obligations on the commercial paper. These arrangements were extended through 1999.

30. Clear Lake Cogeneration LP – Barclays, as Agent, for $115 million term loan facility and $10 million revolving credit facility for Clear Lake Cogen, which was wholly-owned by Enron. These were limited recourse facilities secured by liens on project contracts and assets. The facilities were established in 1994 with original maturity in 2003. The Loans were repaid in 1997.

31. JILP Investment LP Trust –Barclays, as Agent, for $29.1 million seven-year syndicated credit facility and as purchaser of $900,000 of trust certificates. Transaction entered into in September 1995 to monetize the forecast dividend stream payable to Enron by JEDI. Prepaid in 1997.

32. Lost Creek Gathering Company LLC – Barclays, as Agent, for $66 million senior secured credit facility established in September 1999 to fund the construction of the Wind River pipeline. During construction the credit facility was severally guaranteed by the project sponsors in proportion to their respective ownership stakes: 65% for Burlington Resources Inc. and 35% for Enron Corp. Upon completion of the project (and the resulting termination of the sponsor guarantees), Enron sold it ownership stake in the project to Northern Border Pipeline in on October 5, 2001.

33. Richmond Power Marketing Inc. – Barclays, as Agent, for non-recourse project finance facility established in late 1980's relating to a power plant subsequently purchased by Enron in 1995. Enron sold the plant to VEPCO in 1997 and, at that time, the facility was repaid with proceeds from the Cash V facility described in #4 above.

B. Barclays as participant (or swap counterparty) in facilities led or arranged by other banks

34. 5-year Revolving Credit Facility – $1.25b syndicated facility. Original maturity May 18, 2005. Administrative agents are JPM/Chase and Citibank. Barclays is a participant.

35. 364-day Revolving Credit Facility – $1.75b syndicated credit facility. Original maturity May 13, 2002. Administrative agents are JPM/Chase and Citibank. Barclays is a participant.

36. 5-year Letter of Credit Facility – $500m syndicated facility. Original maturity May 13, 2005. Administrative agents are JPM/Chase and Citibank. Barclays is a participant.

37. Ponderosa Pine Energy L.L.C. – $215.2m syndicated loan entered into in June 2000. In effect, guaranteed by Enron Corp. through a total return swap structure. Vehicle holds Enron's equity interest in the Tenaska power station located in Texas. Original maturity March 31, 2002. Secured by the equity in Tenaska. KBC Bank as Agent. Barclays is a participant with a $20m share.

38. Brazil Power Development Trust – $460.75m syndicated loan, guaranteed by Enron Corp., entered into December 2000 to fund construction of Brazilian power project. Original maturity August 31, 2002. Secured by the project's assets, which include several natural gas turbines being constructed. West LB as Lead Arranger and Administrative Agent. Barclays as participant with a $19 m share of commitments ($14m outstanding).

39. J T Holdings Lease – $110m syndicated facility entered into 1992. Original maturity December 7, 2005. Loan to an SPV that owns and leases to Enron a methanol plant. Secured by plant and certain Enron Corp. obligations. Citibank as Agent. Barclays as participant with a $12m share.

40. Rawhide Investors L.L.C. – $690m syndicated loan. Loan is to Rawhide, an investor in an Enron subsidiary that owns project assets in the US, Argentina and Brazil. Original maturity March 28, 2002. Citicorp as Agent. Barclays as participant with a $35m share.

41. Brazos VPP Trust – $250m syndicated finance facility. Facility enabled an SPV (Brazos VPP Limited Partnership) to purchase oil and gas volumetric production payments (VPP's) from third parties. Original maturity December 31, 2005. Secured by VPP's. Bank of America as Agent. Barclays as participant with $12m share of commitments.

42. JEDI SPV1, L.L.C. $513m Term Loan – 364-day syndicated credit facility supported by approximately12m shares of Enron stock valued at the face amount of the loan via a share-settled swap between the SPV and Enron Corp. Chase as Agent and Arranger. Entered into December 1999. Maturity extended to June, 2001. Barclays served as one of four underwriters (Chase, Lehman, CSFB) initially funding $128.375 m each. After bank syndication Barclays' share as participant was reduced to $38.875 m.

43. JEDI II Bridge Loan – $500m. Chase as Agent for a six-month loan. JEDI II is a joint venture which included Enron subsidiaries as the 1% General Partner and a 49% Limited Partner, and CALPERS as a 50% limited Partner. Entered into December 1997. Barclays and Chase committed $100m each and four other banks committed $75m each. Repaid through financing referenced in #44 below.

44. JEDI II – $500m syndicated revolving loan entered into May 1998. (Commitment reduced to $250m December 22, 2000). Original maturity June 2001. Chase as Agent. Barclays as a participant with a $28.5m share. Outstanding loans repaid in September 2001 and commitments expired at the end of October 2001 without any loans outstanding.

45. Enron Corp. Zero Coupon Convertible Senior Notes due 2021 – Private Placement of notes with Salomon Smith Barney as Lead Placement Agent. January 31, 2001 placement raised $1.25b (face amount of notes $1.9b).

46. Delta Energy Corporation Commodity Swaps – Entered into December 31, 1998. Delta, an SPV, borrowed $500m from a Citibank conduit and used the proceeds to purchase and prepay for $300m worth of natural gas and $200m of crude oil at an agreed price. Barclays entered into offsetting energy swaps with Delta and an Enron subsidiary (Enron Capital and Trade Resources). The structure unwound November 17, 1999.

47. Commodity Swap – Executed September 27, 2001. Barclays served as a swap counterparty to both Enron North America and CSFB for the energy price component of a $300m commodity linked financing (crude oil prepay) provided to Enron by CSFB.

48. Yosemite Securities Company Ltd. – £200m 8.75% Series 2000-A Linked Enron Obligations ("LEO's") due 2027. Issue date February 15, 2000. Lead Manager Salomon Smith Barney International. Barclays as co-manager, with Royal Bank of Scotland.

49. JEDI I – Syndicated loan facility established in 1993 to JEDI. Repaid in 1997 with the proceeds of the JEDI facilities described in #'s 8.A, 8.B and 8.C above. Chase as Agent.

REVIEW & OUTLOOK

Enron's Enablers

The muck generated by Enron continues to spread, and last week it embraced two of the world's biggest financial institutions—J.P. Morgan Chase and Citigroup. We're not the type to easily bash business. But from the evidence we've looked at, these banks deserve the beating they're now getting.

Citigroup and Morgan have some explaining to do.

This unsavory business involved "structured finance" deals that helped Enron hide some of its debt. Structured financings are transactions backed by bonds or loans called collateralized debt obligations. They are always horridly complicated and involve off-shore—and off-balance sheet—special-purpose entities. In the Enron arrangements, the instruments of choice were contracts for the future delivery of oil or gas for which Enron received its payment in advance of delivery.

These deals are now being investigated for criminal and civil liability by the Securities and Exchange Commission, Manhattan District Attorney Robert Morgenthau, the Federal Reserve Bank of New York and the Justice Department. But we did get a glimpse of what looks like financial flimflam during Congressional hearings last week. The outline that emerged from the Senate seems to show that Citi and Morgan were energetically helping Enron disguise reality from investors.

About a decade ago, Chase Manhattan Bank (now merged with J.P. Morgan) set up a special-purpose entity named Mahonia. Its very special purpose was to reduce Enron's taxes. By trading prepaid oil and gas contracts with Mahonia, Enron was able to transfer tax liabilities from one period to another.

As the years rolled by, the cash-up-front property of the contracts proved irresistible and Enron increasingly tapped Mahonia as a source of financing. The money flowed back and forth, the size of the transactions grew bigger and bigger and the repayment periods got longer and longer. Enron booked the money as cash from trading operations, thereby pumping up its cash flow and obscuring the size of its debt. Meanwhile, Morgan hedged its risk with credit derivatives and surety bonds from insurance companies.

Citigroup's structured financing was similar. The bank set up schemes—with names like Yosemite, Delta and Roosevelt—designed to make the financing of Enron look like trading activity. Money was raised from investors through the sale of credit-linked notes. Then Citigroup shipped that money to off-shore special-purpose entities which, in turn, sent the money back to Enron, allowing Enron to borrow money but record the loans as prepay contracts.

The result of this daisy chain was that Enron got almost $9 billion that may have overstated its cash flow by 50%. That money also decreased Enron's debt by 40%, allowing it to avoid nasty credit downgrades. Meanwhile, ahem, the banks made hundreds of million of dollars in fees and commissions.

Then there are the broader malign effects. These financings and their accounting were cleverly crafted to fool others big time—investors in the structured deals themselves, insurance companies and Enron investors. Since the banks sold this type of financing to other energy companies, those investors were hoodwinked too. And don't forget the banks' own shareholders. As the details of their Enron deals have become known, investors in Citigroup and Morgan have watched their stock sink like a stone.

At the Senate hearings, Citigroup and Morgan defended themselves by arguing that it is up to their clients to properly account for, and disclose, these deals. This is not ethically reassuring. It sounds like the getaway car driver denying knowledge of what was going on inside the bank.

But the big loser in all this was the efficiency of financial markets. Good markets depend on transparency—investors need to have a grip on reality for capital to flow to its best uses. These structured financings were opaque in the extreme. Even if they were technically legal, they were in substance designed to mislead. What's legal isn't always ethical.

Citigroup CEO Sandy Weill all but admits this when he says that he wishes he'd never heard of Enron, and that while the practice was legal and standard, Citi won't do it again. While they await the legal consequences, the CEOs of Citigroup and Morgan could start to reclaim the reputations of their institutions by showing they can clean out their own stables without government orders.

Permanent Subcommittee on Investigations
EXHIBIT #195

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August 15, 2002

Mary D. Robertson
Chief Clerk
Permanent Subcommittee on Investigations
8617 Groveland Drive
Springfield, VA 22153

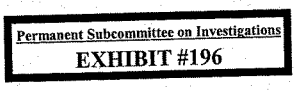
Re: Transcript of Testimony of Moody's Investors Service

Dear Ms. Robertson:

Enclosed please find corrections made by John C. Diaz and Pamela M. Stumpp to the transcript of their testimony before a hearing of the Permanent Subcommittee on Investigations on July 23, 2002. Mr. Diaz and Ms. Stumpp testified on behalf of Moody's Investors Service at the hearing, which focused on the role of financial institutions in the collapse of Enron Corp. ("Enron").

Moody's would also like to provide additional clarification to a portion of its testimony, referenced on pages 112 to 114 of the enclosed transcripts. In a colloquy between Senator Fitzgerald and the panelists, Senator Fitzgerald referenced a conversation between Robert Rubin of Citibank and Peter Fisher, the Undersecretary of the Treasury for Domestic Financial Markets, regarding Enron and the credit rating agencies. Senator Fitzgerald indicated that Mr. Rubin had called Undersecretary Fisher to ask whether a Treasury official would "'ask credit rating agencies to give Enron a break,'" and that Undersecretary Fisher declined to do so. Senator Fitzgerald then asked questions of the rating agency representatives on the panel, regarding whether anyone from Citibank or "any banks" called the rating agencies to "lobby you to give Enron a break."

In formulating her initial response to these questions, Ms. Stumpp mistakenly believed that Senator Fitzgerald was asking whether anyone from the government had contacted Moody's, in order to lobby on behalf of Enron. As Moody's received no such contacts from any government officials, Ms. Stumpp at first replied "No." Moody's did, however, receive some phone calls from investment bankers in November 2001 regarding Enron and a proposed merger between Enron and Dynegy, Inc. ("Dynegy"). Although Ms. Stumpp believes that these bankers did not call to "lobby" on behalf of Enron, had she fully understood Senator Fitzgerald's questions, she would have augmented her answer to indicate that Moody's had received these calls.



As the line of questioning continued, Mr. Diaz and Ms. Stumpp did in fact amplify their answer in that regard. Mr. Diaz referenced his previous testimony before the Committee on Governmental Affairs, in which he discussed these contacts from investment bankers regarding Enron and the Dynegy merger deal. Ms. Stumpp then also provided additional detail regarding a meeting that Moody's had with investment bankers regarding the potential merger. However, to ensure that the Subcommittee has the most complete record possible, Moody's wanted to provide this additional clarification to the Subcommittee.

Moody's again wishes to thank the Subcommittee staff for their assistance in this matter. Please do not hesitate to contact me if you have any additional questions.

Sincerely,

Lanny A. Breuer / CJB

Lanny A. Breuer

Enclosures

cc: Linda J. Gustitus, Chief Counsel/Staff Director, Permanent Subcommittee on Investigations

Robert L. Roach, Counsel & Chief Investigator, Permanent Subcommittee on Investigations

WHAT MERRILL KNEW

"Enron believes they can structure anything to be off balance sheet."
–Merrill Lynch internal email, May 19, 2000, Bates MS 19571

"[T]hey [LJM] do a bunch of balance sheet deals similar to your barge deal . . . ."
–Merrill Lynch internal email, April 12, 2001, Bates MS 21257

"Merrill Lynch received a request from Enron that Merrill Lynch provide a $25 million [loan] . . . . such [loan] would not be drawn. . . . The loan commitment is required by Enron's accountants to insure that the structure receives off-balance sheet treatment."
–Merrill Lynch Interoffice Memorandum, December 10, 1998, Bates MS 06910

Prepared by U.S. Senate Permanent Subcommittee on Investigations, July 2002

Permanent Subcommittee on Investigations
EXHIBIT #201

NIGERIAN BARGE CHRONOLOGY

June 1999	Enron purchases 9 power barges for $56.5 million from the government of Philippines. Each of these barges operates as a floating electricity generator. Three of the nine barges are located in Nigeria. Enron contributes the Nigerian barges to a company it has created, Enron Nigeria Barge Limited (ENBL), in exchange for 100% of the company's stock, consisting of Preferred A, Preferred B and Common shares.
Mid to Late-December 1999	Enron, through Jeff McMahon, asks Merrill to invest in the Nigerian barges so that Enron's African division can book a $12 million gain on the transaction and make its earnings target. In the course of negotiations, Merrill agrees to invest based upon Enron guarantees that it will arrange for the resale of Merrill's interest in the barges at a profit within six months time, i.e., by June 30, 2000. Merrill also asks Enron to guarantee it a specified rate of return on its investment. Enron ultimately agrees to provide Merrill with a $250,000 upfront fee and assure it receives a 15% per annum rate of return.
Late December 1999	Merrill insists that the guarantee conveyed by McMahon be confirmed by Enron's chief financial officer Andrew Fastow. In a conference call between Enron and Merrill, Mr. Fastow confirms that Enron will ensure that Merrill will not own an interest in the barges in six months time and that Merrill will be "taken out" of the barge investment by June 30, 2000. In interviews with the Subcommittee staff, Merrill indicated it would not have proceeded with the transaction but for the representations made by Enron that it would be taken out within six months. Merrill also indicated it was aware that Enron was treating this transaction as a sale.
December 29, 1999	To complete the transaction, Merrill establishes a wholly owned corporation called Ebarge, LLC, which it later re-domiciles in the Cayman Islands. On December 29, 1999, just before the end of the fourth quarter, Ebarge purchases an interest in the Nigerian barges for $28 million. Specifically, Ebarge pays ENBL, the Enron entity that owns the three Nigerian power barges, $28 million by making a $7 million cash investment and entering into a $21 million loan financed by another Enron-related entity, Enron Nigeria Power Holding, Ltd. In exchange, Ebarge receives ENBL's Preferred A and Common Shares. Shortly thereafter, Merrill also receives the agreed-upon $250,000 fee from Enron. Enron's guarantee to arrange for the resale of Merrill's interest in the barges by June 30, 2000, with a 15% return on its investment appears in an early version of the transaction documents, but not in the final written agreement. One Merrill employee told the Subcommittee staff that Enron informed Merrill that the assurances could not be put into writing.

Permanent Subcommittee on Investigations
EXHIBIT #202

June 13, 2000 Over the course of the following 6 months, Merrill reminds Enron on mulitple occasions of its promise to arrange for the resale of Merrill's interest in the barges. A June 13, 2000 email from one Merrill employee to another asks: "As we approach June 30, 2000 I am getting questions concerning Ebarge, LLC. It was our understanding that [Merrill] would be repaid its equity investment as well as a return on its equity by this date. Is this on schedule to occur?"

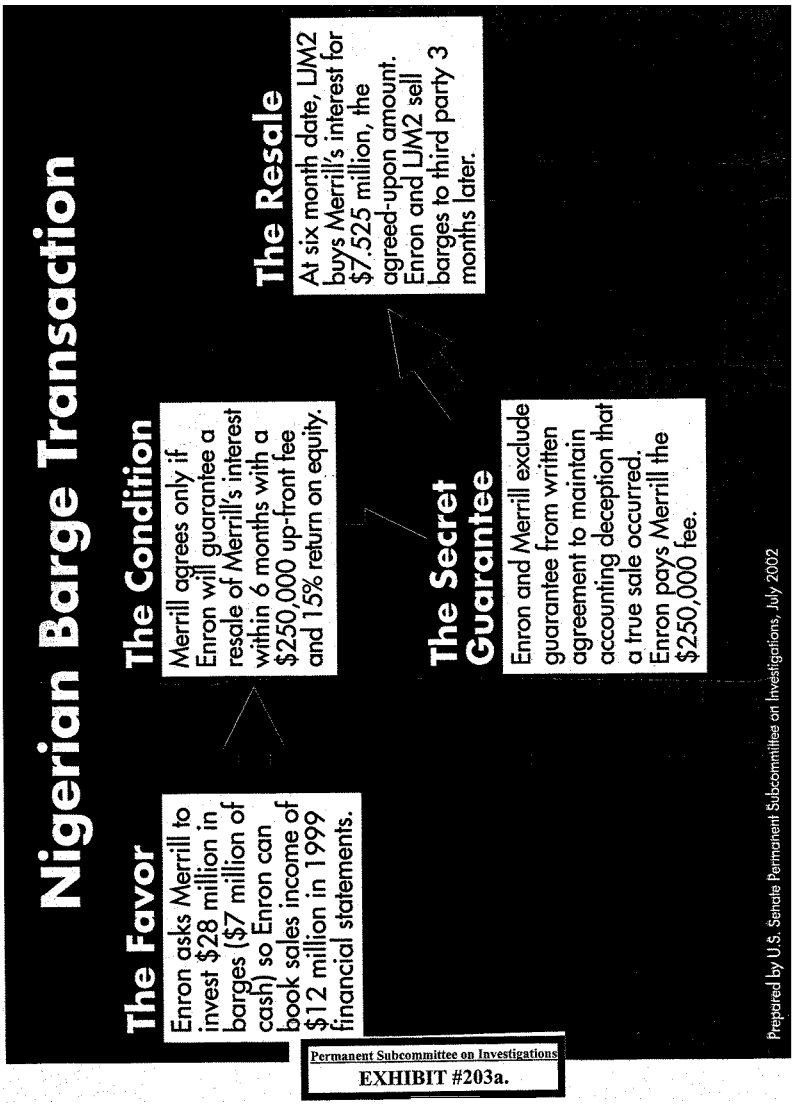
June 14, 2000 A Merrill employee drafts a letter to Enron reminding it of its obligation to arrange for the resale of Merrill's interest by a date certain with an agreed upon profit: "Enron has agreed to purchase the shares from Ebarge by June 30, 2000 for a purchase price . . . of $7,510,976.65."

Later the same day, Dan Boyle of Enron informs Merrill that "Enron has lined up a new buyer" – LJM2, a Fastow-run partnership – to purchase Merrill's interest in the barges. A June 14 email by a Merrill employee notes that the conversation with Boyle "pre-empted our letter" and the "new buyer will purchase our ownership interest in the EBarge for the agreed upon amount."

June 29, 2000 On June 29, 2000, LJM2 purchases Merrill's interest in Ebarge for $7.525 million, which is equal to the agreed-upon 15% rate of return, and assumes the $21 million loan. Merrill's total profit from the transaction is $775,000 ($7.525 million + $250,000 fee - $7 million initial layout). Notwithstanding loan documents which seem to require Ebarge to pay interest on the loan, Ebarge apparently did not pay any interest, maintaining that Enron was obligated to pay those sums. The evidence indicates that Enron may have also guaranteed LJM2 that it would receive a fee and specified rate of return on its "investment" in the barges.

An internal LJM2 document describing the transaction, prepared by an employee who works for both Enron and LJM2, explains why LJM2 purchased Merrill's interest in the barges: "Enron sold the barges to Merrill Lynch (ML) in December of 1999, promising that Merrill would be taken out by sale to another investor in June, 2000. The project could not be sold by June, so without LJM2's purchase Enron would have had to strain the LM/Enron relationship or repurchase the assets and reverse earnings and funds flow on the original transaction."

September 2000 As part of a larger transaction involving both Enron and LJM2, AES Corporation purchases LJM2's interest in Ebarge for $31.2 million. Approximately $23 million is used to pay off the outstanding loan ($21 million initial loan + accrued interest) held by the Enron affiliate. LJM2 apparently received the remaining $8.2 million ($7.525 million return of initial layout + 15% return + 350,000 fee + $25,000 in "expenses").



Permanent Subcommittee on Investigations
EXHIBIT #203a.

Permanent Subcommittee on Investigations
EXHIBIT #203b.

NIGERIAN BARGE TRANSACTION

ENRON'S GUARANTEE		LJM2'S PURCHASE	
Takeout By June 30, 2000		Purchase on June 29, 2000	
Return of Equity	$ 7,000,000		
Return on Equity[1]	525,000		
	$ 7,525,000	Purchase Price	$ 7,525,000
Fee (paid by Enron)	$ 250,000	Fee (paid by Enron)	$ 250,000
Total to Merrill	$ 7,775,000	Total to Merrill	$ 7,775,000

[1] Assuming 15% interest at 6 months.

Prepared by U.S. Senate Permanent Subcommittee on Investigations, July 2002.

Factors Leading to Non-Recognition of Revenue in a Sales Transaction Under Generally Accepted Accounting Principles

Under SEC Staff Accounting Bulletin No. 101 - Relevant factors pointing to non-recognition of revenue in a sales transaction are:

Permanent Subcommittee on Investigations
EXHIBIT #204a

- The seller has significant obligations for future performance to directly bring about resale of the product by the buyer.
- The risks of ownership did not pass from the seller to the buyer.
- The seller provides interest-free or significantly below market financing to the buyer beyond the seller's customary sales terms and until the products are resold.

Prepared by the U.S. Permanent Subcommittee on Investigations, July 2002.

How Nigerian Barge Deal Failed to Meet Generally Accepted Accounting Principles

- Enron had significant obligations for future performance to directly bring about resale of the Nigerian barges by Ebarge (a Merrill Lynch SPE).
- The risks of ownership did not pass from Enron to EBarge.
- Neither Ebarge nor Merrill paid interest on the financing provided by Enron.

Permanent Subcommittee on Investigations
EXHIBIT #204b.

MERRILL LYNCH ANALYSTS' RELATIONSHIP WITH ENRON AND IMPACT ON FEES

July 15, 1997	Merrill Lynch analyst, John Olson, downgrade's Enron's equity rating.
April 18, 1998	Memo from Investment Banking Division officials to Merrill Lynch's President stating that Merrill Lynch was not selected as lead or co-manager of $750 million common stock offering. "...the decision was based solely on the research issue and was intended to send a strong message as to how 'viscerally' Enron's senior management feels about our research effort." Merrill Lynch's President was asked to call Ken Lay and Jeff Skilling in an attempt to have Merrill Lynch inserted as a co-manager.
April 28, 1998	Merrill Lynch having been added as a co-manager on the common stock offering begins calling potential investors about this investment. Merrill Lynch provides its calling list to Andy Fastow and Enron's investor relations group on April 28, 30, and May 4.
August 30, 1998	John Olson leaves Merrill Lynch.
November 16, 1998	New analyst, Donato Eassey, upgrades Enron's equity rating.
January 18, 1999	E-mail from Investment Banking Division to Merrill Lynch's President with an update on Merrill's "relationship with Enron since you spoke to their CEO, Ken Lay, last spring regarding our difficult relationship in Research. It is clear that your responsive message was appreciated by the Company, and any animosity in that regard seems to have dissipated in the ensuing months...To that end, we have recently been awarded two significant mandates by Enron...Total fees to Merrill Lynch for these two transactions alone should be $40-50 million."

Prepared by the U.S. Senate Permanent Subcommittee on Investigations, July 2002.

Permanent Subcommittee on Investigations
EXHIBIT #205

U.S. SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS HEARING EXHIBIT VIDEOTAPE EXCERPTS

Excerpts, lasting approximately 7 minutes, are taken from a videotaped portion of a presentation about LJM2 made by Andrew S. Fastow and Michael J. Kopper of Enron Corporation on or about September 16, 1999, for Merrill Lynch's Private Equity Group representatives. Location of presentation was Merrill Lynch North Tower Building at 250 Vesey Street, New York City, New York. The complete videotape, about 50 minutes in length (bates stamped MS 21269), was produced by Merrill Lynch in response to a Subcommittee subpoena.

Prepared by the U.S. Senate Permanent Subcommittee on Investigations, July 2002

Permanent Subcommittee on Investigations
EXHIBIT #206a

TRANSCRIPT OF EXCERPTS FROM VIDEOTAPE RECORDING

LJM2 PRESENTATION BY
ANDREW S. FASTOW AND MICHAEL J. KOPPER OF ENRON CORP.
BEFORE
MERRILL LYNCH PRIVATE EQUITY GROUP REPRESENTATIVES

On or about September 16, 1999

MR. FASTOW: This is what I'd like to do. I mean, being CFO of Enron is as good a CFO position as anyone could have in America, I think. This is what I want to be my next step. I want to have a – I want an investment business, and this is a unique opportunity to set it up with unique access to deals and to develop that track record I need to develop.

- - -

MR. FASTOW: Let me simply say I can do twice better than anyone else since I will have better information than anyone else. [Laughter.]

- - -

MR. FASTOW: The business units own their assets at Enron, manage their portfolios, manage their risks in their portfolios. Do I know everything that's going on? Do I have to sign off on every deal that goes in there? Yes. So I'm in the unique position of not having the ownership or the responsibility or obligation to sell the assets, but I know everything about them and I've been involved in their approval and maybe in their structuring.

- - -

MERRILL LYNCH PARTICIPANT: Isn't your privileged position of having better information than any other bidder going to deter other bidders which in turn [inaudible] Enron . . . .

MR. FASTOW: Really, it isn't. It is in Enron's best interest because Enron needs the capital, number one, okay? They want to expand their businesses, huge opportunities.

Number two, I'm not going to buy a deal and pay a lower price than someone else would pay in the market. It's that simple. So think about it as no harm, no foul. Even if someone three years from now comes back and says LJM2 -- LJM2 earned a 300 percent IRR; Enron must have sold those deals at the wrong price. It was the best price in the market that they could get. We have competing quotes to validate it. So, again, if I didn't earn 300 percent, someone else would have earned 310 percent.

MERRILL LYNCH PARTICIPANT: Do the other bidders that are out there know that there's an insider there that can [inaudible] have this opportunity? Are they aware that you're there? Or is this sort of like--like going to an auction . . .

MR. FASTOW: It's like an auction. It's . . .

MERRILL LYNCH PARTICIPANT: --where there is a house bid on the inside and you don't know what that house bid is?

MR. FASTOW: That's right.

- - -

MR. FASTOW: The principals have all been involved in virtually all aspects of the fund business. That's a little hard to read, but I think you get the idea. We've been doing this for a while. We've been together as a team for a while. And I think we understand the issues that our investors will have, and the philosophy is generally to address those issues before they become issues. [Chart displayed in background: "Involvement of Principals in Price Funds," listing Andrew Fastow, Michael Kopper, Ben Glisan and Anne Yaeger.]

- - -

CHART DISPLAYED BY MR. FASTOW:

Why LJM2 Is Unique

1. Preferred access to proprietary deal flow
2. Enron and its investments have significantly outperformed the market
3. Investments analyzed/operated/structured by Enron
4. Ability for LJM2 to evaluate investments with full knowledge
5. LJM2 speed and knowledge advantage
6. Financial expertise of Principals

- - -

MERRILL LYNCH PARTICIPANT: As you probably have all concluded, this transaction is probably going to take a bit of extra work in developing investor--potential investor lists. And as we're probably a good week or two away from having a final offering memorandum, what I'd like to endeavor to do definitely within the next week, and particularly in connection with a conversation we plan to have or we have scheduled with Andy about a week from now, is really have all of you think about the specific targeted investors we'd like to go to with this.

- - -

MERRILL LYNCH PARTICIPANT: This is really a culmination of what has been, Andy, I believe, about a five-year discussion with you about fundraising in one form or another. In fact, I dusted off the file the other day, and I do have 1994 correspondence.

MR. FASTOW: I won't tell you what Ben's first reaction was four years ago. [Laughter.]

- - -

MERRILL LYNCH PARTICIPANT: In addition, I failed to introduce at the beginning of the program here, we also have the benefit of some great Merrill Lynch resources in connection with this transaction.

- - -

MR. FASTOW: No, we haven't taken it out to the institutional market. We've had a couple of discussions, obviously, with Ben and then the team here and with one other team that probably you know the people over there. And--but we--we haven't taken it out into the market until we felt we got the consensus from the people who know the market best. You're--you're the people who know the market best. And so we count a lot on Ben and David and the team here, their counsel as well as their ability to [inaudible]. So I didn't think--I agreed with them, until very recently, until we had the track record to show, four prior deals and things like that, with varying degrees of involvement, it probably wasn't something we should take out. But I think now it's something we can take out. And, again, based on the initial response from institutions that know us very well, our banks, et cetera, it's something that--that people are comfortable with. So I think we have a real opportunity here to bust it wide open.

- - -

MERRILL LYNCH PARTICIPANT: As you would expect, Andy as chief financial officer at Enron, is heavily banked, so to speak. And as a result, there are five or six of the name brand banks who have stepped up and said they'll commit to this. I mean, if--if anything, what we--our objective here is to--is to modulate the size of the banks because the real money that Andy wants to get at is the pension fund money and, to a lesser extent, insurance.

UNIDENTIFIED VOICE: Never going to get to the billion or 2 billion fund by doing commercial --

MERRILL LYNCH PARTICIPANT: Right. Right. That will stick and grow. And all the, as you can imagine, the name brand commercial banks know Andy, know Enron. It's a quick, easy decision for them, or straightforward. It's a straightforward decision.

- - -

MR. FASTOW: I think you have to go back to the volume of the deals and the nature of the deals. The prime hunting ground is going to be highly complex, structured deals that have to be moved in a short time frame. There just isn't enough of a market for that.

- - -

MERRILL LYNCH PARTICIPANT: A couple more mundane questions. Ben and Michael, do they work for Enron or do they work for the fund? And are they compensated by the fund or by Enron?

MR. FASTOW: All of the--all of the issues related to my compensation that I addressed are the same with them. They're employees of Enron, and, again, until we're in a position where it would be prudent to step out of that role as employees of Enron, we will continue to be employees of Enron. Base and bonus are pretty much within a defined range for all of us at this point, and we would work arrangements with Enron to make sure enough of our time was available to be involved in LJM to accomplish what we have to accomplish at LJM.

- - -

MERRILL LYNCH PARTICIPANT: Okay. Thank you, everybody, for your attention here –

MR. FASTOW: Thanks very much. Thanks especially given the weather.

MERRILL LYNCH PARTICIPANT: And now you can have lunch.

- End of Tape -

APPROPRIATION REQUEST COVER PAGE

($ In Thousands)

Management Unit:	CICG	**Project Name:**	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. Enron must close this transaction by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they have assured us that we will be taken out of our investment within six months. The investment would have a maximum 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is projected to be$39 million from the Nigerian government. Enron wants to sell the first 3 years of cash flow for $28MM. They propose to do this by having ML establish a U.S. special purpose entity (the SPE"), owned by Merrill Lynch. The SPE will be capitalized by our $7MM investment and a $21MM non-recourse loan from Enron Corp which will then purchase non-voting common stock in the Enron subsidiary that owns the barges. Enron will have a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment to guaranty the ML takeout within six months.

Enron has strongly requested ML to enter into this transaction. Enron has paid ML approximately $40 million in fees in 1999 and is expected to do so again in 2000.

Permanent Subcommittee on Investigations
EXHIBIT #207

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG **Project Name:** Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: _____ Rob Furst

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

Group Finance Director: _____

Group EVP: _____

Other Reviews		Corporate Approvals	
Debt Markets Capital Committee:	_____ Group/Date	Chief Financial Officer:	_____
Peer Project Review:	_____ Date	Executive Committee:	_____
		Audit and Finance Committee:	_____
Date Approved:	_____	Other:	_____

MS 05331

Appendix

I. PROPOSED CORPORATE STRUCTURE

Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to SPV)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project Only

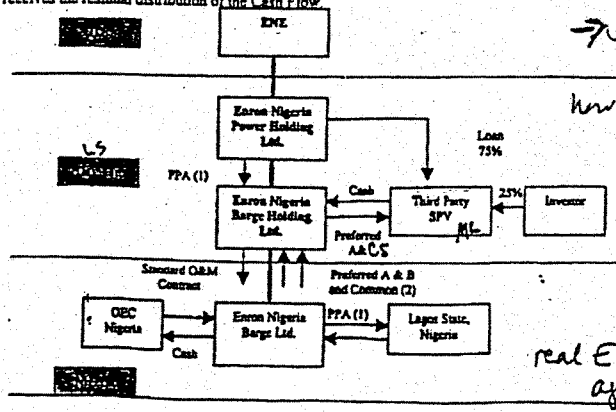
Shareholder Structure

There will be three classes of stock two preferred and one common. The Purchaser will purchase the Preferred A Shares and the Common Shares. Enron will own the Preferred B Shares. The summary below indicates the economic interests before and after the Trigger Date. In each case, the table indicates the Cash Flow rights of each shareholder class after the previous class shareholder has received their percentage share of the Cash Flow.

Economic Interest (Percent of Cash Flow ("CF")

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B, (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.00% of CF After Pref A&B	100.00% of CF After Pref A&B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% of the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.



TIME LINE

(1) PPA is between Enron Nigeria Power Holding Ltd and the Lagos State of Nigeria. Subsequently, the rights to the PPA (barge activities only) are assigned to Enron Nigeria Barge Holding Ltd. Which in turn assigns the rights to Enron Nigeria Barge Ltd.

(2) Enron Nigerian Barge Ltd. A&B Preferred and Common Shares are issued to Enron Barge Holding Ltd.

(3) Preferred A Shares and Common are sold from Enron Nigeria Barge Holding Ltd. To a third party who assumes true equity risk involved with the Enron Nigeria Barge Ltd.

II. BARGE PROJECT ECONOMIC SUMMARY

Cost Summary (US $000)

Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,123	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and d90% of the three year cash flow is $39.7 million.

It is the intention of Enron to provide to the Investor monthly distributions of net cash flow, and to have an Enron affiliate provide up to 75% of seller financed debt. The proposed debt period is three years with an interest rate of 12% per year.

III. ENRON OVERVIEW

Merrill Lynch's relationship with Enron Corp. (the "Company" or "Enron") has developed significantly over the past year as Enron will generate more than $40 million in investment banking fees in 1999. The following points identify current issues related to the Company and significant recent Enron transactions in which Merrill was involved.

- Lead managed Azurix's, Enron's international water utility subsidiary, IPO ($700 million)
  - Advised on subsequent $235 million acquisition of AMX Acqua Management Inc.
  - Currently working on several buy side advisory assignments
  - Co-lead for $500-750 million high yield issuance (currently on hold)
- Co-managed a New Issue Common Equity offering for Enron Corp. ($865 million)

Currently working with the CFO to raise a $500 million private equity fund (LJM2)

Currently pitching to become Enron's financial advisor for private equity in its telecommunications subsidiary (Enron Communications)

The Company is actively exploring power opportunities in continental Europe

Company Overview

Enron is a global diversified energy company. Enron is the largest buyer and seller of natural gas and electricity in the world and owns 32,000 miles of natural gas pipelines in the U.S. The Company also is one of the largest independent developers, operators and producers of electricity worldwide, with facilities in Europe, Asia, the Americas and the Pacific Rim. Once completed, the Company's long-haul fiber optic network will be the first Internet Protocol backbone in the U.S. Additionally, through its international water company, Enron owns and/or operates water systems in the U.S., Europe, Canada, Mexico and Argentina. As of June 30, 1999, Enron's total assets were $34 billion and its equity market capitalization was approximately $32 billion. For the year ended December 31, 1998, Enron generated revenue of $31.3 billion, up 52% over the year ended December 31, 1997. The Company has grown its revenue and operating profit at an annualized rate of 50% and 30% over the period from 1995 to 1998, respectively, and has been named the most innovative company in the world by Forbes for the past four years.

Enron is organized as a holding company with four energy-related operating subsidiaries (Enron North America, Enron Gas Pipelines, Enron Energy Services and Portland General) a telecommunications subsidiary (Enron Communications) and an international water company (Azurix). Enron's regulated business includes two operations - natural gas pipelines, comprised of Enron Gas Pipelines, which owns and operates all of Enron's federally regulated interstate natural gas pipelines, and Portland General (Enron recently announce the sale of Portland General which should close in the next year), an electric distribution, transmission and generation company serving the Oregon market. Wholesale energy services, comprised of Enron North America, is currently Enron's largest business as measured by operating profit, and provides commodity sales (natural gas, electricity, and other energy commodities) and services (asset management, risk management) to large industrial, commercial and utility customers in the U.S. and internationally. Enron's newest energy business is its retail energy services business, comprised of Enron Energy Services, which provides total energy outsourcing solutions to major corporations in the U.S. These solutions include infrastructure management packaged with new equipment installation and commodity purchases on behalf of the large corporate customers.

Enron's two newest businesses, Enron Communications and Azurix, are positioned to take advantage of positive business fundamentals outside of Enron's energy operations. Enron Communications is constructing an over 10,000 mile nationwide long haul fiber optic network that will offer broadband application services over an Internet Protocol network. Additionally, Enron Communications is pursuing an opportunity to create a market for the trading of bandwidth capacity on fiber systems. Azurix is an $850 million publicly traded international water company (70% controlled by Enron) which plans to take advantage of the significant opportunities that exist for private sector participation in the global water industry, including acquiring existing water and wastewater systems via privatizations, providing water and wastewater related services to municipal and industrial water markets and developing and managing water resources.

C.C: Stranberg Mancic

Greg, This just came to me. It looks like this has to be on the books of A Sub of ML. Please take a look at this, the structure & let me know what this SPV should be.

Interoffice Memorandum

Merrill Lynch

To: Dan Bayly
Mark McAndrews
Jim Brown
Kevin Cox
Schuyler Tilney
Mark Devito

From: Robert Furst
Tel: 214/849-5350
Date: December 21, 1999

Subject: Enron Corp.

Jeff, McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $10MM of earnings. The transaction must close by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they believe our hold will be for less than six months. The investment would have a 22.5% return.

The Transaction:

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is $39 million. Enron wants to monetize the first 3 years of cash flow for $28MM. They will do this by establishing a special purpose vehicle. The special purpose vehicle will be capitalized by our $7MM investment and a $21MM loan from Enron Corp. Enron has a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end.

ML Rational for pursuing this transaction:

Enron is a top client to Merrill Lynch. Enron views the ability to participate in transactions like this as a way to differentiate ML from the pack and add significant value. I completed several financings like this at CSFB and they all worked to CSFB's advantage. I strongly recommend we complete this transaction.

R/S

A Preferred / Common } Minority Int.

D 21

E 7

Citibank Guarantee of Nigeria Contract

Barges under Construction

IC not ready to use

Enron Nigeria Barge Holding - Nigeria LLC

Permanent Subcommittee on Investigations
EXHIBIT #208

MS 06168

Nigeria Barge Project Sell Down
Transaction and Shareholder Structure

17 December 1999

The following transaction structure has been developed to allow the Purchaser to purchase 90% of the projected after tax cash flow to be generated over three (3) years by the 90 MW Nigeria Barge Project (the "Barge Project") while 1) funding the purchase price with 25% equity and 75% seller financed debt, 2) basing the purchase price on the net present value of such cash flow and providing a projected yield to purchaser of approximately 25% on invested equity and 3) allowing Enron to book a gain based on the sale of such cash flows.

Following extensive review and discussion with Enron accounting staff and outside auditors, the following structure has been developed and approved to ensure the desired accounting treatment for the transaction. Whereas the structure is more complex than desired and originally envisaged, it is necessary to meet all of the objectives for the transaction.

A Few Definitions

Cash Flow: The operating distributable cash flow generated by the Barge Project from all revenues less all expenditures including but not limited to operating and administrative costs, fuel, all taxes and debt service; and as further delineated in the Financial Model.

Cumulative Cash Flow: The aggregate monthly cumulative Cash Flow commencing on the commercial operations of the Barge Project and ending on the Trigger Date (as defined below).

Early Liquidation: The termination of the Power Purchase Agreement or the otherwise winding up of Enron Nigeria Barge Ltd. prior to the Trigger Date.

Liquidation Proceeds: The cash proceeds from the Early Liquidation of the Barge Project excluding proceeds (if any) from the sale or disposition of the barges.

Trigger Cash Flow: The projected Cash Flow (approximately $44.1 million) to be generated by the Barge Project during its first 3 years of operations.

Trigger Date: The date upon which the Cumulative Cash Flow equals the Trigger Cash Flow.

Transaction Structure

Purchaser Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to Purchaser)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project

Shareholder Structure

There will be three classes of stock, two preferred and one common. The Purchaser will purchase the Preferred A Shares and the Common Shares. Enron will own the Preferred B shares. The summary below indicates the economic interests before and after the Trigger Date. In each case, the table indicates the Cash Flow rights of each shareholder class after the previous class shareholder has received their percentage share of the Cash Flow.

Economic Interest (Percent of Cash Flow ("CF"))

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.00% of CF After Pref A & B	100.00% of CF After Pref A & B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.

Early Liquidation

In the event of an Early Liquidation, the Purchaser shall receive via the Preferred A Shares an amount stipulated in an appendix to be attached to the Share Purchase Agreement. Generally, the Early Liquidation proceeds payable to Purchaser via the Preferred A Shares and included in the appendix shall be designed to ensure the Purchaser a 25% internal rate of return on invested equity. Upon an Early Liquidation, The Preferred B Shares shall then receive 99.0% of the remaining Liquidation Proceeds after the liquidation payment to the Preferred A shares and all Phase I Facilities (as defined in the Power Purchase Agreement). The Common shares shall receive 100.00% of the remaining Liquidation Proceeds after the payments to the Preferred A and Preferred B Shares.

Return Considerations

If the Cumulative Cash Flow equals the Trigger Cash Flow at the end of 3 years of operations, the return to the Purchaser would be approximately 25%.

If the Cumulative Cash Flow equals the Trigger Cash Flow before the end of 3 years, then the return to the Purchaser would exceed 25%. If the Trigger Cash Flow level is reached after the end of 3 years, the Purchaser's return may be below 25%. It is intended for the Purchaser to take this risk and upside opportunity.

If there is an early liquidation, and there are sufficient liquidation proceeds (which the letter of credit shall ensure) the liquidation payment schedule is designed to ensure the Purchaser an approximate 25% return on invested equity.

Voting Rights

Each share class shall have the following number of shareholder votes and shall also appoint the same number of directors to the Board of Directors. This structure is necessary to ensure conformity to Nigerian law.

Share Class	Votes	Directors
Preferred A	1	1
Preferred B	8	8
Common	1	1

1.4 Barge Project Economic Summary

Cost Summary (US$000)

Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working Capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US$000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,213	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and 90% of the three year cash flow is $39.7 million.

It is the intention of Enron to provide to the Investor monthly distributions of net cash flow, and to have an Enron affiliate provide up to 75% of seller financed debt. The proposed debt period is three years with an interest rate of 12% per year.

From: DiMassimo, Vincent J. (Corp Credit - NY)
Sent: Tuesday, January 22, 2002 5:40 PM
To: Cox, Kevin (Corporate Risk Management)
Subject: AMERICAS CREDIT FLASH REPORT; Week ending 12/3/99

Flash_12_23_99.doc

Permanent Subcommittee on Investigations
EXHIBIT #209

MS 06150

Americas Credit Flash Report: Week ending 12/23/99

Summary

- Slow week in advance of holidays and Y2K countdown.
- Most unusual transaction of the week was IBK request to approve Enron Corporation "relationship" loan – ML asked to invest of $7mm equity in Nigerian power project.
- REDACTED BY PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

1. Framework Issues/Exceptions

none

2. Significant Credit Events of the Week

Enron Corporation (ML-6)

- Requested by Enron Corporation to make a $7mm equity investment in an Enron sponsored Nigerian power project. The project consists of three barge-mounted power plants Enron will place into service in Nigeria in February 2000. Enron had been speaking with another investor that apparently could not close on the deal prior to year-end. The transaction will allow Enron to move assets off-balance sheet and book future cash flows currently as 1999 earnings (approximately $12mm). The proposal went to DMCC and has been signed off on by Tom Davis. IBK was supportive based on Enron relationship (approx. $40mm in annual revenues) and assurances from Enron management that we will be taken out of our $7mm investment within the next 3-6 months. Enron itself will have $45mm invested in the project. *(T. Trinkel/P. Wood)*

Bridge Information Systems (ML-8)

- REDACTED BY PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Banco Latinoamericano de Exportaciones (BLADEX) (ML-7)

- REDACTED BY PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

3. Other Counterparty Issues

REDACTED
BY
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

4. New Product Commentary

None

5. Other Initiatives

None

December 23, 1999

Mr. Jeff McMahon
Executive Vice President and Treasurer
Enron Corp.
1400 Smith Street
Houston, TX 77002-7369

Dear Mr McMahon:

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") is pleased to act as exclusive advisor to Enron Corp. ("Enron") for the sale of equity in Enron Nigeria Barge Ltd ("ENB"), representing the rights to certain cash flows generated via the sale of electricity to Lagos State Government under a power purchase agreement (together with the Equity Investment, as defined below, the "Transaction"). Lagos State Government's obligations under the power purchase agreement will be guaranteed by the Federal Republic of Nigeria

As Enron's advisor, Merrill Lynch will (i) form a U.S special purpose entity (the "SPE"), and (ii) fund the purchase by the SPE of a non-controlling $28 million equity interest in ENB, $21 million of which the SPE will borrow from Enron or an affiliate on a non-recourse basis (the "Equity Investment"). The SPE will receive a yield of approximately 15 00% per annum on $7 million of its equity investment. The SPE or its equity interest in ENB will be subsequently sold to third party equity investors or purchased by Enron or an affiliate. The closing of the Equity Investment will be subject to documentation acceptable to the parties, and the Transaction complying with all applicable laws and regulations

1. Fees and Expenses

As compensation for Merrill Lynch assisting in the structuring of the Transaction, as advisor, Enron will pay to Merrill Lynch an advisory fee (the "Advisory Fee") equal to $250,000. Payment of the Advisory Fee will occur upon closing of the Equity Investment.

Enron shall be responsible for all costs and expenses incurred in structuring, placing and closing the Transaction. Enron shall be obligated to pay all costs and expenses of the Transaction regardless of whether the Transaction is actually consummated. Such costs and expenses shall include, but not be limited to, reasonable legal fees and disbursements of counsel to the SPE and Merrill Lynch, as well as the cost of establishing the SPE, its ongoing fees and expenses, filing and recording fees and reasonable out-of-pocket expenses of Merrill Lynch.

Permanent Subcommittee on Investigations
EXHIBIT #210

MS 05229

4. Notice, Defense and Settlement

An Indemnified Party shall notify Enron in writing promptly after it receives notice of any claim or the commencement of any action or proceeding with respect to which it may seek indemnification hereunder; provided, however, that failure to notify Enron shall not relieve Enron from any liability that it may have to such Indemnified Party except to the extent Enron is materially prejudiced by such failure. Enron will assume the defense of such action or proceeding and will employ counsel satisfactory to the Indemnified Parties and will pay the fees and expenses of such counsel. Notwithstanding the preceding sentence, an Indemnified Party will be entitled to employ counsel separate from counsel for Enron and from any other party in such action if such Indemnified Party determines that a conflict of interest exists which makes representation by counsel chosen by Enron not advisable or if such Indemnified Party reasonably determines that Enron's assumption of the defense does not adequately represent its interest. In such event, the fees and disbursement of such separate counsel will be paid by Enron.

Enron will not, without Merrill Lynch's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought under the indemnification provision of this Agreement (whether or not Merrill Lynch or any other Indemnified Party is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising out of such claim, action or proceeding.

In the event Merrill Lynch or any Indemnified Party is requested or required to appear as a witness in any action brought by or on behalf of or against Enron or any affiliate or any participant in a transaction covered hereby in which Merrill Lynch or such Indemnified Party is not named as a defendant, Enron will reimburse Merrill Lynch for all expenses incurred by it in connection with such Indemnified Party's appearing and preparing to appear as a witness, including, without limitation the fees and disbursements of its legal counsel, and to compensate Merrill Lynch in an amount to be mutually agreed upon.

5. Survival of Certain Provisions

The representations, warranties, indemnities, and agreements of Enron and its officers or representatives shall remain in full force and effect regardless of any investigation made by or on behalf of Enron or Merrill Lynch or any affiliates, and shall survive the consummation of the Transaction

6. Amendments; Survival of Provisions

No waiver, amendment or other modification of this Agreement shall be effective unless in writing and signed by each party to be bound. The provisions relating to expenses, indemnification, limitations on the liability of Indemnified Parties, contribution, settlements, choice of law and waiver of the right to trial by jury will survive any termination of this letter agreement.

7. Parties

This Agreement shall inure to the benefit of and be binding on Enron, Merrill Lynch and their respective successors. Enron has retained Merrill Lynch to act as an independent contractor, and any duties of Merrill Lynch arising out of its engagement shall be owed solely to Enron. This Agreement does not confer any rights upon any person other than Enron, including, but not limited to, any security holder, employee, or creditor of Enron. This Agreement incorporates the entire understanding of the parties with respect to this engagement of Merrill Lynch by Enron, and supersedes all previous agreements regarding such engagement, should they exist.

8. Governing Law

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

9. Consent to Jurisdiction and Waiver of Jury Trial

Enron hereby: (i) consents to personal jurisdiction and service and venue in any court in which a claim subject to this Agreement is brought against Merrill Lynch or any other Indemnified Party, and (ii) waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) related to or arising out of the engagement of Merrill Lynch pursuant to, or the performance by Merrill Lynch of the services contemplated by, this Agreement.

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to Merrill Lynch the enclosed duplicate copy of this Agreement.

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: _____
Title: _____

Agreed and Accepted as of the date written above:
ENRON CORP.

By: _____
Title: _____

DEC 29 '99 05:21PM

James A. Brown
Managing Director
Debt Markets
Global Structured Finance

Corporate and Institutional
Client Group

World Financial Center
North Tower
New York, New York 10281-1
212 449 [illegible]
FAX 212 449 7284

Merrill Lynch

December 29, 1999

Mr. Andrew S. Fastow
Executive Vice President and Chief Financial Officer
Enron Corp.
1400 Smith Street
Houston, TX 77002-7369

Dear Mr. Fastow:

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") is pleased to act as exclusive advisor to Enron Corp. ("Enron") for the sale of equity in Enron Nigeria Barge Ltd. ("ENB")(the "Transaction").

As Enron's advisor, Merrill Lynch will (i) form a U.S. special purpose entity (the "SPE"), and (ii) fund the purchase by the SPE of a non-controlling $28 million equity interest in ENB, $21 million of which the SPE will borrow from Enron or an affiliate on a non-recourse basis (the "Equity Investment"). The closing of the Equity Investment will be subject to documentation acceptable to the parties, and the Transaction complying with all applicable laws and regulations.

1. Fees and Expenses

As compensation for Merrill Lynch assisting in the structuring of the Transaction, as advisor (the "Services"), Enron will pay to Merrill Lynch an advisory fee (the "Advisory Fee") equal to $250,000. Payment of the Advisory Fee will occur upon closing of the Equity Investment.

Enron shall be responsible for all costs and expenses incurred in structuring, placing and closing the Transaction. Enron shall be obligated to pay all costs and expenses of the Transaction regardless of whether the Transaction is actually consummated. Such costs and expenses shall include, but not be limited to, reasonable legal fees and disbursements of counsel to the SPE and

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MS 05232

Merrill Lynch

Merrill Lynch, as well as the cost of establishing the SPE, its ongoing fees and expenses, filing and recording fees and reasonable out-of-pocket expenses of Merrill Lynch.

2. Indemnification, Contribution and Limit on Liability

Enron will indemnify and hold harmless Merrill Lynch and its affiliates, and its and their respective directors, officers, employees, agents and controlling persons (Merrill Lynch and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, as incurred, to which such Indemnified Party may become subject under any applicable United States federal or state or non-U.S. law or otherwise, and related to or arising out of the engagement of Merrill Lynch pursuant to, and the performance by Merrill Lynch of the Services as contemplated by, this Agreement; provided, however, that Enron will not be liable under clause (2) hereof to the extent that any loss, claim, damage or liability is found in a final judgment by a court to have resulted from Merrill Lynch's bad faith or gross negligence in performing the Services described above. Enron will also reimburse any Indemnified Party for all expenses (including counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of Enron. No Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to Enron or its security holders or creditors related to or arising out of the engagement of Merrill Lynch pursuant to, or the performance by Merrill Lynch of the Services contemplated by, this Agreement except to the extent that any loss, claim, damage or liability is found in a final judgment by a court to have resulted from Merrill Lynch's bad faith or gross negligence.

If the indemnification provided for in this Agreement is for any reason held unenforceable, Enron will contribute to the losses, claims, damages and liabilities, as incurred, for which such indemnification is held unenforceable in such proportion as is appropriate to reflect the relative benefits to Enron, on the one hand, and Merrill Lynch, on the other hand, of the Transaction (whether or not the Transaction is consummated), provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For the purposes of this paragraph, the relative benefits to Enron and Merrill Lynch of the Transaction shall be deemed to be in the same proportion that the total value of equity in ENB placed or contemplated to be placed, bears to the Advisory Fee paid or contemplated to be paid; provided, however, that, to the extent permitted by applicable law, in no event shall the Indemnified Parties be required to contribute an aggregate amount in excess of the aggregate Advisory Fee actually paid to Merrill Lynch under this Agreement.

3. Notice, Defense and Settlement

An Indemnified Party shall notify Enron in writing promptly after it receives notice of any claim or the commencement of any action or proceeding with respect to which it may seek

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indemnification hereunder; provided, however, that failure to notify Enron shall not relieve Enron from any liability that it may have to such Indemnified Party except to the extent Enron is materially prejudiced by such failure. Enron will assume the defense of such action or proceeding and will employ counsel satisfactory to the Indemnified Parties and will pay the fees and expenses of such counsel. Notwithstanding the preceding sentence, an Indemnified Party will be entitled to employ counsel separate from counsel for Enron and from any other party in such action if such Indemnified Party determines that a conflict of interest exists which makes representation by counsel chosen by Enron not advisable or if such Indemnified Party reasonably determines that Enron's assumption of the defense does not adequately represent its interest. In such event, the fees and disbursement of such separate counsel will be paid by Enron.

Enron will not, without Merrill Lynch's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought under the indemnification provision of this Agreement (whether or not Merrill Lynch or any other Indemnified Party is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising out of such claim, action or proceeding.

In the event Merrill Lynch or any Indemnified Party is requested or required to appear as a witness in any action brought by or on behalf of or against Enron or any affiliate or any participant in a transaction covered hereby in which Merrill Lynch or such Indemnified Party is not named as a defendant, Enron will reimburse Merrill Lynch for all expenses incurred by it in connection with such Indemnified Party's appearing and preparing to appear as a witness, including, without limitation the fees and disbursements of its legal counsel, and to compensate Merrill Lynch in an amount to be mutually agreed upon.

4. Survival of Certain Provisions

The representations, warranties, indemnities, and agreements of Enron and its officers or representatives shall remain in full force and effect regardless of any investigation made by or on behalf of Enron or Merrill Lynch or any affiliates, and shall survive the consummation of the Transaction.

DEC 29 '99

Merrill Lynch

5. Amendments; Survival of Provisions

No waiver, amendment or other modification of this Agreement shall be effective unless in writing and signed by each party to be bound. The provisions relating to expenses, indemnification, limitations on the liability of Indemnified Parties, contribution, settlements, choice of law and waiver of the right to trial by jury will survive any termination of this letter agreement.

6. Parties

This Agreement shall inure to the benefit of and be binding on Enron, Merrill Lynch and their respective successors. Enron has retained Merrill Lynch to act as an independent contractor, and any duties of Merrill Lynch arising out of its engagement shall be owed solely to Enron. This Agreement does not confer any rights upon any person other than Enron, including, but not limited to, any security holder, employee, or creditor of Enron. This Agreement incorporates the entire understanding of the parties with respect to this engagement of Merrill Lynch by Enron, and supersedes all previous agreements regarding such engagement, should they exist.

7. Governing Law

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

DEC 29 1999 15:21 212 449 9215 PAGE.05

MS 05235

DEC-29-1999 16:02

Merrill Lynch

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to Merrill Lynch the enclosed duplicate copy of this Agreement.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: _____
Title: Managing Director

Agreed and Accepted as of the date written above:
ENRON CORP.

By: _____
Title: EVP & CFO

DEC 29 1999 15:31 212 449 9819 PAGE.06

TOTAL P.06

** TOTAL PAGE.06 **

DEC-21-1999 10:57 MERRILL LYNCH 214 849 5399 P.01

Investment Banking Group
200 Crescent Court
Suite 550
Dallas, Texas 75201

Merrill Lynch

Facsimile Cover Sheet

Don Boyle

To: Jim Brown
Company: ML
Phone:
Fax: 212-449-1787

From: Rob Furst
Phone: (214) 849-5350
Fax: (214) 849-5399

Date: December 21, 1999

26 pages including this cover page.

Message
Paul Wood
2-6318

"NIGERIAN TAX HOLIDAY" = foreign tax (income, withh, VAT, etc.)
MAYBE = environmental
RISK = operating performance
RISK = failure to complete
YES NOT SURE HOW = expropriation
= failure to pay under PPA (no PPA signed yet?)
= No regulatory delay from Enron
= foreign currency risk
= Enron credit/performance risk
= regulatory risk is mid/late term income stn'l. unmitigated

Attention: Employee Faxing Material
This facsimile should not contain information not for public distribution or any proprietary information deemed for internal use only.

Attention: Recipient of Faxed Material
The information herein has been obtained from sources which we believe to be reliable, but we do not guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes a solicitation by us of the purchase or sale of any securities.

Permanent Subcommittee on Investigations
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MS 06518

Handwritten note at bottom of Merrill Lynch Facsimile Cover Sheet:

". . . reputational risk i.e. aid/abet Enron income stmt [statement] manipulation . . ."

–Handwritten note of Merrill employee on Merrill document dated 12/21/99, MS 06518

Jim Brown
1-212-449-1787

Confidential Memorandum

Preferred Stock Representing a Set Duration 90% Economic Interest in

ENRON NIGERIA BARGE LTD.

IMPORTANT NOTICE TO RECIPIENT

The information contained in this Preliminary information Memorandum (this "Information Memorandum") is being furnished by Enron Nigeria Barge Holdings Ltd., a Cayman Islands company ("Enron"), to a limited number of selected persons who have expressed interest in acquiring redeemable preference shares (the "Shares") of Enron Nigeria Barge Ltd. (the "Company") entitled, subject to the terms of the Share Purchase Agreement (as hereinafter defined), to a distribution of 90% of the Cash Flows of the Company, a private, limited liability company incorporated under the laws of the Federal Republic of Nigeria and a wholly owned subsidiary of Enron.

The sole purpose of this Information Memorandum is to provide preliminary background information on a confidential basis to assist the recipient in deciding whether to proceed with an investment in the Company and the Shares. This Information Memorandum is not an offer, nor is it intended to provide the basis of any credit or any other evaluation and is not to be considered as a recommendation by the Company or any other person that any recipient of this Information Memorandum should purchase the Shares or provide loans or other credit to the Company or any of its affiliates. Each recipient of this Information Memorandum contemplating purchasing shares of, or otherwise investing in, the Company must make (and will be deemed to have made) its own independent investigation and appraisal of the operations, financial condition, prospects, creditworthiness, status and affairs of the Company, the Project and any other matter it considers relevant to a decision to purchase the Shares, or to provide loans or other credit to the Company, including, without limitation, its own independent investigation and appraisal of the risks.

This Information Memorandum is directed at persons whose ordinary activities involve them, as principal or as agent, in acquiring, holding, managing or disposing of investments of this nature. It would be imprudent for other persons to respond to this Information Memorandum.

No representation or warranty (express or implied) regarding the accuracy or completeness of the information contained in this Information Memorandum is hereby made by the Company or any of its shareholders or its or their affiliates or advisors. The only representations or warranties that will be made in connection with the proposed financing will be such representations and warranties, if any, set forth in the definitive, written Share Purchase Agreement for the sale and purchase of the Shares.

The information contained in this Information Memorandum, except where the context expressly states otherwise, has been based on the assumption that the Project is implemented as described herein. Any financial projections in this Information Memorandum are estimates prepared and set out for illustrative purposes only, have been prepared using data available to date and do not constitute a forecast. Such financial projections may be affected by changes in economic and other circumstances and the reliance, if any, that the recipient of this Information Memorandum places upon such projections is a matter for its own commercial judgment. No representation or warranty

(expressed or implied) is made about the accuracy or completeness of any of the information contained in this Information Memorandum or any other written or oral information, including, without limitation, any projection, forecast, opinion, information, advice, assumption or estimate. **THEREFORE, NOTHING CONTAINED IN THIS INFORMATION MEMORANDUM IS, OR SHOULD BE RELIED ON BY ANY INTERESTED PERSON OR RECEPIENT AS, A REPRESENTATION AS TO THE FUTURE PERFORMANCE OF THE COMPANY, ANY OF ITS RESPECTIVE AFFILAITES, THE PROJECT OR THE SHARES, OR AS A REPRESENTATION THAT ANY PROJECTION, FORECAST, ASSUMPTION OR ESTIMATE WILL BE ACHIEVED. RECIPIENT AND ITS RESPECTIVE REPRESENTATIVES EACH HEREBY AGREES THAT BY ACCEPTING THIS INFORMATION MEMORANDUM NEITHER THE COMPANY, ITS RESPECTIVE AFFILIATES, NOR ANY OF THEIR REPRESENTATIVES SHALL HAVE ANY LIABILITY TO RECEPIENT OR ANY OF ITS REPRESENTATIVES RESULTING FROM THE USE OF ANY SUCH INFORMATION BY RECIPIENT OR ITS REPRESENTATIVES AND NO PERSON WILL HAVE ANY LIABILITY RELATING TO SUCH INFORMATION OR FOR ANY ERRORS THEREIN OR OMISSIONS THEREFROM. NEITHER THE COMPANY, ITS RESPECTIVE AFFILIATES, NOR ANY OF THEIR REPRESENTATIVES MAKE ANY REPRESENTATION OR WARRANTY ABOUT THE TAX EFFECT OR THE LEGAL EFFECT OF ANY ARRANGEMENT DESCRIBED IN THIS INFORMATION MEMORANDUM OR ANY OTHER INFORMATION GIVEN TO ANY INTERESTED PERSONS OR RECIPIENTS, EXCEPT FOR PARTICULAR REPRESENTATIONS AND WARRANTIES, IF ANY, WHICH MAY BE MADE BY THE SELLER IN THE SHARE PURCHASE AGREEMENT WHEN, AS AND IF EXECUTED, AND SUBJECT TO THE LIMITATIONS AND RESTRICTIONS SPECIFIED IN THE SHARE PURCHASE AGREEMENT. EACH INTERESTED PERSON SHOULD CONDUCT ITS OWN INDEPENDENT INVESTIGATION AND ANALYSIS OF THE COMPANY AND THE SHARES AND THE INFORMATION SET FORTH IN THIS INFORMATION MEMORANDUM OR OTHERWISE SUPPLIED BY ENRON, THE COMPANY OR ANY OF THEIR REPRESENTATIVES AND AFFILIATES.** As used above, "representatives" shall include, without limitation, such person's employees, agents and attorneys, accountants, financial advisors, potential financing sources, or any employees, agents and attorneys of the foregoing.

Certain documents and agreements are described herein in summary form and, in the case of agreements or amendments to agreements not yet executed, are described based on drafts of such agreements or amendments as proposed by the Company. The summaries do not purport to be complete descriptions of such documents and agreements. They are intended only to assist in a reading of such documents and agreements, are qualified in their entirety by reference to the actual documents and agreements and should not be relied on as a basis for contracting. With respect to the discussions herein concerning the development, financing, construction and operation of the Project, the Company has not yet finalized (or in certain cases commenced) negotiation of the documents and agreements that will be required in connection therewith; consequently, said discussions merely reflect the Company's assumptions and current expectations concerning the manner in which the Project will be developed, financed, constructed and operated and should in no event be viewed as either (i) a final, complete or accurate description as to how such matters will ultimately be resolved or (ii) a representation or warranty (expressed or implied) from the Company that such matters will be resolved as discussed herein.

This Information Memorandum contains descriptions and other information believed to be accurate as of the date hereof. The delivery of this Information Memorandum at any time does not

imply that the information in it is correct as of any time after the date set out on the cover hereof, or that there has been no change in the operations, financial condition, prospects, creditworthiness, status or affairs of the Company or the Project, or of any other person since that date.

The information contained herein is proprietary to the Company and its shareholders. By accepting delivery of this Information Memorandum and any other information concurrently or separately submitted in conjunction herewith, the recipient agrees not to permit its duplication, dissemination or disclosure, in whole or in part, and, if the recipient is not interested in purchasing the Shares or any portion thereof, the recipient agrees to return the same to the Company.

Unless prior written consent has been obtained from the Company or unless disclosure of specific information is required by law, the recipient agrees not to divulge to any person any information about the Project, the Company or its shareholders or affiliates, or the fact that such information has been made available to the recipient. In no event shall the recipient divulge any such information without giving the Company advance notice and an opportunity to take any action the Company deems reasonable under the circumstances.

Additional information about the contents of this Memorandum may be obtained from the following persons:

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Telephone: +44 20 7783 6770
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A. Power Purchase Agreement
B. Fuel Supply Agreement
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Abbreviations

EE&CC -	Enron Engineering & Construction Company
ENBL -	Enron Nigeria Barge Ltd. or "the Company"
ENPH -	Enron Nigeria Power Holdings Ltd.
EPC -	Engineering, Procurement and Construction
FSA -	Fuel Supply Agreement
IPP -	Independent Power Producer
LSG -	Lagos State Government of Nigeria
NEPA -	Nigeria Electric Power Authority
O&M -	Operation and Management
PPA -	Power Purchase Agreement
TDA -	Transmission and Distribution Agreement
YFP -	Y.F. Power

1. EXECUTIVE SUMMARY

1.1 Introduction

Enron, its affiliates and Y.F.Power ("YFP"), an affiliate of Yinka Folawiyo and Sons Ltd. ("Yinka Folawiyo") have nearly completed development of a 3 x 30 MW emergency power barge mounted gas turbine electric power facility (the "Barges") to be located in Ijara, Lagos, Nigeria and are developing a 548MW long term power generation facility, both with electrical capacity and energy sales to the National Electric Power Authority ("NEPA") as directed by the Lagos State Government of Nigeria ("LSG"). Enron affiliate, Enron Nigeria Power Holdings Ltd. ("ENPH") is expected to enter into a Power Purchase Agreement (the "PPA") with NEPA as purchaser, the Federal Republic of Nigeria ("FRN") as guarantor and NEPA as transmission and distribution provider to provide a combination of emergency and long term electrical energy and capacity. In turn, LSG is expected to have first right to direct the transmission and distribution of the power sold under the PPA.

Under the PPA, Phase I covers the thirteen (13) year three (3) month operating period for the Barges and Phase II covers a 20 year operating period for the 548 MW gas fired power plant (the "Power Plant") Phase III covers the thirteen (13) year three (3) month operating period for 180MW of additional barge mounted power generation.

Phase I, Phase II and Phase III of the Project are being developed by Enron affiliates and YFP, an affiliate of Yinka Folawiyo, a Nigerian holding company with interests in shipping, cement, construction, agriculture, fishing, energy and banking. During Phase I of the Project, Yinka Folawiyo is to receive an annual fee for their participation and during Phase II, an equity ownership position.

Enron desires to sell Shares in the Company entitled to distribution of 90% of the net cash flow expected to be generated by the Company over the initial three years of operations of the Barges in the form of preferred and common shares. Enron currently holds 100% of the preferred and common shares of the Company. Finally, an affiliate of Enron is available to provide up to 75% of the purchase price with seller financed debt.

Figure No.1 shows the contractual structure for the Project and the relationship of the various Enron entities involved in the Project as of the date of signing the PPA. Figure No. 2 shows the Preferred Share Structure.

Figure No. 1

Nigerian Power Barge, Power Plant & Additional Power Ownership Structure

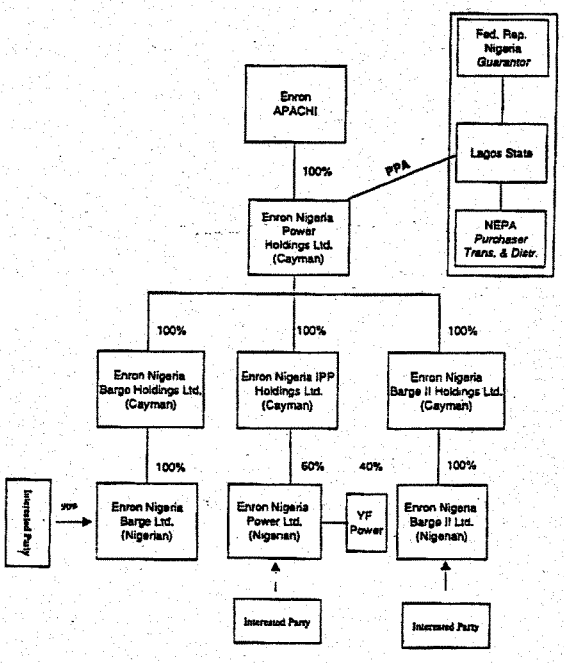
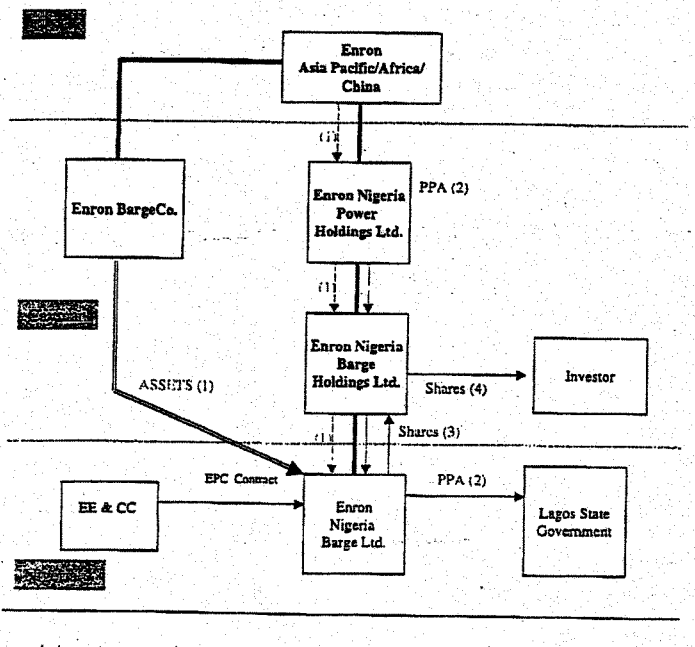


Figure No. 2

Preferred Share Structure



(1) Assets (barges) are sold to Enron Nigeria Barge, Ltd. at fair market value. Cash to finance the purchase is passed down from Enron Corp. and relayed to Enron Barge Co.

(2) The rights to the PPA (Phase I barge activities only) are passed down to Enron Nigeria Barge Ltd

(3) Enron Nigeria Barge Ltd. Preferred Stock is issued to Enron Nigeria Barge Holdings Ltd. Preferred A and Common shares are entitled to cash flows from operations based on their equity stake.

(4) Preferred A and Common Shares are sold to the Investor.

1.2 Project Description

1.2.1 Phase I – The Barges

Under the PPA, ENPH will provide power for thirteen (13) years three (3) months from commercial operations of the Barges. The Barges shall be initially fired on No. 2 Diesel Fuel with an expectation to convert them to gas within 15 months of the commercial operations date. First power is expected by the end of February 2000. The pricing for Phase I under the PPA is based on the following:

- 13 years 3 months of capacity and energy with payment in US$
- Capacity Payment of $20.04 per KW-Month (approx. $0.029/kWh)
- Fuel Cost will be a pass-through (approx. $0.056/kWh on No.2 Diesel Fuel), substantially less on gas.

LSG will provide to Enron a Standby Letter of Credit ("Standby L/C") in the amount of US$31,000,000. The Standby L/C is expected to be issued by Citibank London. LSG will also establish for Enron an Escrow Account for the term of the project, whereby electricity sales proceeds from a select group of commercial and industrial customers shall be collected and held to ensure payment to ENPH under the terms of the PPA.

ENPH is indirectly 100% owned by Enron Corp., a Delaware corporation. Affiliates of Enron have provided procurement and technical services during the construction of the Barges and will provide technical assistance and operation services for the Barges. A consortium of three local diesel fuel oil suppliers have been contracted to supply the 690 metric tons of fuel per day required by the three Barges. Arrangements to secure gas from existing and planned production is underway.

1.2.2 Phase II – The Power Plant

In addition to the Power Barges, ENPH may provide long term electrical energy and capacity to LSG over a 20 year period. Under the PPA, ENPH expects to finance, build, own, operate and maintain a Power Plant, to be located near Agbara, Lagos State, Nigeria – near the Benin border. The Power Plant is to be owned by Enron Nigeria Power Ltd. which is expected to be 60% owned by Enron Nigeria IPP Holdings Ltd. and 40% by YFP.

In respect of the Power Plant, LSG and the FRN are to provide Enron Nigeria IPP Holdings Ltd. an additional Standby L/C in the amount of US$76,000,000, as well as, rights to an Escrow Account for the term of the project. First power from the Power Plant is expected by the end of December 2002. The pricing for Phase II of the PPA is based on the following:

- 20 years of capacity and energy with payment in US$
- Capacity Payment of $20.23 per KW-Month
- Fuel Cost is a pass-through with per kwh price based on delivered gas cost

Whereas the PPA also contemplates the construction of an offshore gas pipeline from the Delta Region of Nigeria to the Power Plant, ENPH is reviewing a number of alternatives including the use of the existing Escravos to Lagos Pipeline.

1.2.3 Phase III Emergency Power

In addition to the Power Barges, ENPH shall have the option to provide at least 180MW of additional emergency power ("Additional Power") under substantially the same terms as the Power Barge. Enron currently owns an additional 6 power barges of approximately 180 MW. Subject to further due diligence and completion of the terms related to the Additional Power, Enron expects to install such power barges as soon as practicable. The additional power barges may initially use distillate fuel. However, Enron expects to convert such barges to gas as soon as commercially reasonable.

1.3 Project Status

On August 13, 1999, an affiliate of ENPH signed a Memorandum of Understanding ("MOU") with LSG in connection with the Barges and the Power Plant. Under the MOU, Enron was granted a 90 day exclusive negotiation period with LSG, and the PPA was required to be executed within 90 days of LSG issuing a notice to ship order ("NTS") for the Barges.

LSG issued the NTS order on September 6, 1999 and committed to pay transportation charges in the event the PPA is not concluded within the 90 day period. The Barges are presently in Lagos, Nigeria following delivery from Cebu, Philippines.

With respect to the Power Plant, a site has been identified and rights to the site are provided under the PPA. The PPA also grants all permits and approvals for the Barges, the Power Plant and the Pipeline.

Enron has identified a consortium of three local distributors for the fuel supply and is presently negotiating the Fuel Supply Agreement ("FSA") is nearly ready for execution. Discussions with potential gas suppliers is also underway

Outstanding conditions for the projects include finalizing the Standby L/C, the Escrow Account, the FSA and environmental approvals. Additionally, the Power Plant requires securing of third party debt financing for at least 70% of the project.

1.4 Barge Project Economic Summary

Cost Summary (US$000)

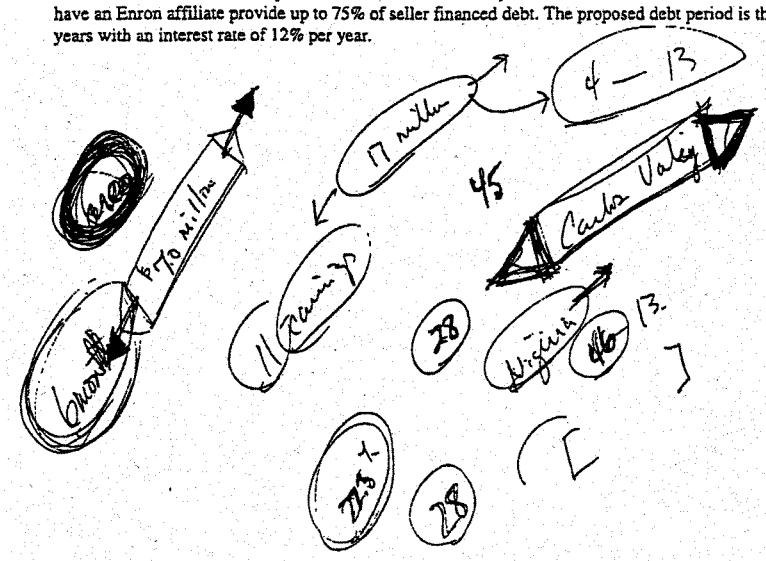
Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working Capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US$000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,213	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and 90% of the three year cash flow is $39.7 million.

It is the intention of Enron to provide to the Investor monthly distributions of net cash flow, and to have an Enron affiliate provide up to 75% of seller financed debt. The proposed debt period is three years with an interest rate of 12% per year.



2. Facilities Description

2.1 The Barges

The project consists of three Power Barges with a combined nominal net output of approximately 90 MW and certain ancillary systems and facilities located on-shore. The Power Barges are moored in Lagos Lagoon in close proximity to the National Electric Power Authority's (NEPA) 132/33/11 kV Ijora substation on Iddo Island in Lagos.

Mitsui manufactured the Power Barges, which are not self-propelled. Each Barge has one General Electric (GE) PG6531 gas turbine and an Ahlstrom air to air cooled generator installed on board for the generation of electricity. Control of the gas turbine generator is provided by a GE Mark IV Speedtronic control system located in an in-line control cab onboard the Barge.

Approximately 30 MW of 50 Hz power at 11.5 kV is generated on each Barge by its gas turbine generator operating in open cycle on light distillate fuel. The output of each generator is stepped up to 132 kV through its own 45 MVA transformer at which voltage is evacuated from the Barges, combined with the output of the other Barges, and delivered to NEPA's Ijora substation. These Barges, which were originally designed by GEC Ahlstrom to generate 60 Hz power at 13.8 kV and step up to 69 kV or 138 kV, have been converted to produce 50 Hz power at 11.5 kV.

Each Power Barge has an essentially self-contained power plant. In addition to the gas turbine generator, control system and step-up transformer mentioned above, other electrical equipment on each Barge includes a generator circuit breaker, a unit auxiliary transformer, switch gear and overhead connection to shore. Gas turbine support systems on board each Barge include: a standard type, three stage, non-self-cleaning inlet air filtration system, a diesel engine generator gas turbine starting (including black start) system, oil lubrication and cooling system, exhaust gas stack, fuel storage, treating, handling and forwarding equipment, an off-line water wash system, and CO_2 and sea water fire protection systems.

Each Barge has 2.5 million liters of fuel oil storage capability (approximately 9.5 days supply at a 90%-100%-100%-100% load factor) on board. The Power Barges are refueled by fuel Barges that operate in Lagos harbor. Since none was originally provided, each gas turbine has been modified with a water injection skid for NOx abatement.

The raw water storage and treatment facilities and the de-mineralized water storage and forwarding systems required for gas turbine water injection are located on-shore. Additional on-shore facilities include the electrical dead end structure from which the single circuit 132 kV transmission line to the Ijora substation runs, roads, parking facilities, fencing, lighting and buildings for maintenance, warehousing and administrative offices.

Barge dimensions are as follows:

- Length 46 meters
- Width 22 meters
- Depth 4.4 meters
- Draft (when loaded) 3.5 meters
- Gross Weight 3,646 tons

These Power Barges are three of the nine that Enron recently acquired from NAPOCOR, an electric utility company in the Philippines. NAPOCOR employed the Barges in peaking service since about the 1990 time frame. Since acquiring them, Enron has refurbished both the gas turbines and the Barge hulls to address areas requiring attention as identified by the inspection that Enron conducted prior to the acquisition.

The actual fired hours, equivalent operating hours, starts, and fired hours since last overhaul of each of these gas turbines are as follows:

Barge Number	Actual Fired Hours	Equivalent Op Hours	Starts	Fired Hours Since Last Overhaul
207	31,800	47,692	2,465	11,800
208	23,300	34,866	1,705	3,800
209	27,500	41,223	1,945	10,625

2.1.1 The Barges Site

As mentioned above, the three Power Barges are to be moored in Lagos Lagoon adjacent to the south side of NEPA's Ijora substation on Iddo Island in Lagos. The on-shore facilities are located on property to be leased by the Company adjacent to the barge jetty and the Ijora substation.

2.1.2 Fuel Supply

A consortium of three local diesel fuel oil suppliers are expected to supply the 690 metric tons of fuel per day required by the 3 x 30 MW Power Barges under a three year FSA. Each barge has 2,100 mt of fuel storage capacity on board. The consortium has local storage of approximately 45,000 mt of fuel, 30,000 mt, which will be dedicated to the Barges. Every third day, a fuel barge will re-supply the Power Barges with 2,000 mt, topping them off. Two of the local suppliers receive their fuel from local refineries and the third has a contract with a Dutch company, Chimimex, which has an arrangement with a Balkan refinery. Two of the three have extensive operations in the Lagos area, owning and operating transport vessels and refueling Barges. All three suppliers have extensive contracts and operations in place with most of the major oil companies in Nigeria (Chevron, Shell, Total, Elf, etc). Specific logistics and the interaction between the three suppliers are being finalized.

Enron shall use commercially reasonable efforts to convert the Barges, including the Additional Power, to gas as soon as practicable. The target conversion date is fifteen months after commercial operations of the Barges. Enron is currently conducting due diligence as to the appropriate site for gas based generation for the barges as well as the most appropriate source of gas supply and transportation.

2.1.3 Engineering, Procurement and Construction

Enron Engineering & Construction Company ("EE&CC") has been engaged by the Company to perform the turnkey engineering, procurement and construction ("EPC") for the Project. In its capacity as turnkey EPC Contractor, EE&CC will have total responsibility managing the project and for

providing a completely operational power facility. EPC for the project includes development engineering, detailed engineering and construction management.

Development engineering consisted of developing preliminary design specifications, geotechnical analysis, environmental considerations, design schematics, right of ways, project cost estimates, schedules, quality assurance and the process control plan.

The detailed design work consisted of developing detailed engineering and design, bid and construction drawings, bid specifications, material procurement, job books, expediting, shop inspection, project management, cost control, permits and other detailed activities.

The construction management effort consists of field inspection, mechanical completion, commissioning, start-up, facility turnover, completion of as-built drawings, final project documentation, and post completion review.

2.1.4 Operations and Maintenance

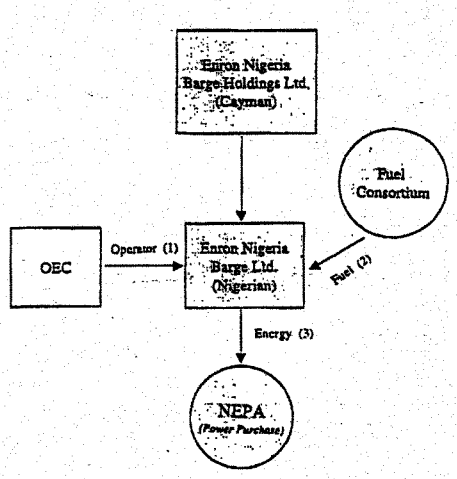
Figure No. 3 outlines the operations and maintenance and administrative services arrangements for the Project.

Operational Energy Corp. ("OEC"), a subsidiary of Enron Corp., will provide technical, operations and maintenance services to the Company in exchange for a fee under the Operations and Maintenance Agreement (the "O&M Agreement"). The O&M Agreement allows for adjustments to the OEC fee, should the plant operate below agreed performance levels. OEC will be responsible for providing a budget and maintenance schedule for the Company's approval on an annual basis as well as meeting the operating requirements stipulated in the PPA.

Figure No. 3.

Operations and Maintenance Diagram

Phase I - Barges Project



(1) Operations and Maintenance Agreement
(2) Fuel Supply and Management Agreement
(3) Power Purchase Agreement

2.2 Additional Emergency Power

In addition to the Power Barges, ENPH shall have the option to provide at least 180MW of additional emergency power ("Additional Power") under substantially the same terms of the PPA. Enron currently owns an additional 6 power barges of approximately 180 MW. Subject to further due diligence and completion of the terms related to the Additional Power Enron expects to install such power barges as soon as practicable. The additional power barges will initially use distillate fuel. However, Enron expects to convert such barges to gas as soon as commercially reasonable.

2.3 The Power Plant

The Power Plant is expected to consist of five General Electric PG9171E combustion turbine generators ("CTGs") (or similar technology from another vendor) operating in open cycle. It will have a nominal, net new and clean output of approximately 548,000 kW (approximately 110 MW per turbine) at the site average ambient (design) conditions of 27.2° C (81° F), 82.5% relative humidity, and an atmospheric pressure of 14.696 psia. The CTGs are to be configured to burn natural gas using Dry Low NO_x ("DLN") combustors to reduce NO_x pollutant discharge at the stack to 25 ppm.

3. CONTRACTUAL ARRANGEMENTS

Figure No. 1 outlines the contract structure for the Barges. The following summaries provide additional information on the contracts. The actual contracts are provided in the Appendices.

3.1 Power Purchase Agreement

The PPA is to be entered into by and between ENPH and LSG, NEPA and the FRN and covers the sale and purchase of 90MW of capacity and energy from the Barges over a thirteen year three month term (Phase I) and the subsequent sale and purchase of 548MW of capacity and energy from the Power Plant over a 20 year period (Phase II). ENPH is expected to assign its Phase I PPA rights and obligations to the Company and its Phase II PPA rights and obligations to Enron Nigeria Power Ltd.

LSG is the power purchaser and is responsible for making the capacity and energy payments under the PPA. NEPA is responsible for transmission and distribution of the power to end users and the FRN guarantees the obligations of LSG and NEPA. However, it is anticipated that the LSG rights and obligations as purchaser under the PPA will be assigned to NEPA, resulting in NEPA serving as purchaser and the party responsible for transmission and distribution.

Several noteworthy aspects of the PPA are further addressed below. The full PPA is provided as an appendix.

3.1.1 Letter of Credit

The letter of credit is to be a standby letter of credit (the "Standby L/C") issued by a minimum A-rated offshore financial institution. Citibank London is expected to be the offshore Standby L/C bank. ENPH will be entitled to draw upon the Standby L/C in the event that LSG, NEPA or the FRN fail to meet their obligations under the PPA, particularly their payment obligations. The Standby L/C will be $31 million – equal to approximately six months worth of projected revenues for the Barges and $76 million for the Power Plant. If at any time the Standby L/C is drawn upon, it must be immediately replenished to the initial amount. The Standby L/C is revolving, meaning it must always be in place, and replenished if drawn.

Figure No. 4 provides a summary of the Standby L/C and Escrow Account Structure.

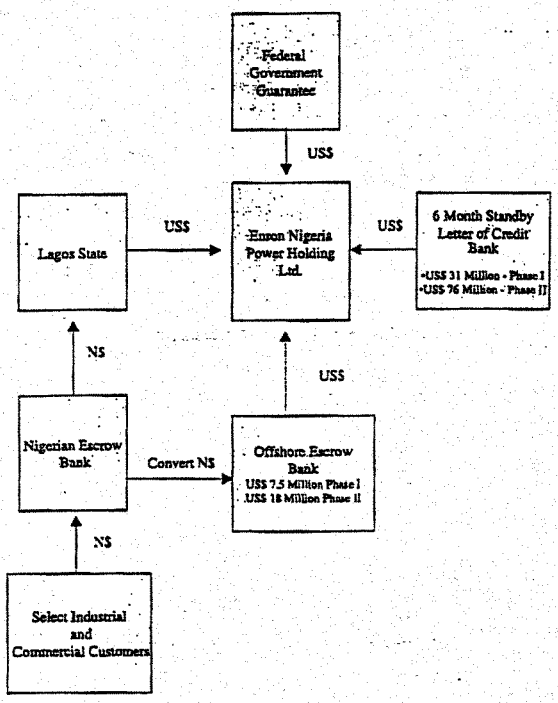
3.1.2 Escrow Account

Under the terms of the PPA, NEPA and LSG are required to establish an escrow account into which revenues from electricity sales to a select group of industrial and commercial customers will be paid. During Phase I, the minimum balance in the Escrow Account is to be $7.5 million and $18.0 million in Phase II. Escrow funds above the minimum level are subject to periodic release after the Company (or in the case of the Power Plant, Enron Nigeria Power Ltd.) is paid for the electrical capacity and energy. In the event electrical capacity and energy payments are not paid as agreed, the funds in the escrow account may be released to the Company (and to Enron Nigeria Power Ltd. in the case of the Power Plant).

Figure No. 4 provides a summary of the Standby L/C and Escrow Account Structure.

Figure No. 4

Escrow Account & Letter of Credit Structure



3.2 Fuel Supply Contract

The FSA is expected to be entered into with a consortium of three local fuel suppliers. The fuel will be required to meet designated quality standards and will be tested regularly. The fuel supplier will be required to provide a performance letter of credit of $3 million issued by an A-rated financial institution that can be drawn upon by the Company in the event of fuel supplier non performance.

Under the PPA, the cost of fuel is a past through to the electricity purchaser. Within 15 months of the commercial operations date, the Company shall have converted the Barges to gas fuel and commercial operations on gas. Otherwise the Company shall have the right to invoke the buyout provisions under the PPA. In any event, the Company has commercial discussions with potential gas suppliers and early indications are that the 15 month schedule to conversion is achievable.

The FSA is provided as an appendix.

3.3 Engineering Procurement and Construction

EE&CC is the EPC Contractor. A lump sum, turnkey EPC Agreement is expected to be executed between the Company and EE&CC. All project EPC activities performed by EE&CC or its subcontractors are to be performed by qualified companies and individuals experienced in the required work. The contracts shall be in writing and approved in accordance with EE&CC requirements. EE&CC will identify the required contract activities, determine responsibility and assure bid and approval requirements are met.

The EPC Agreement provides guarantees, on EE&CC's part, for first power from the first barge and for project completion. Commensurate Liquidated Damages (LDs) associated with not meeting these guaranteed first power and project completion dates, due strictly to the fault of EE&CC, are also provided for in the Agreement.

Inasmuch as the project is employing "used" equipment, the EPC Agreement does not provide for either performance or availability guarantees or LDs associated with such guarantees.

3.4 Operations and Maintenance

OEC is the O&M Contractor for the Project, and is expected to provide the expertise and management resources necessary to ensure that the operations and maintenance activities are carried out in accordance with the Company's objective of obtaining maximum availability with minimal capital expenditures during the three year term of the O&M Agreement. For this purpose, the O&M activities will be carried out on a "conditions based maintenance" basis. Barge operations and maintenance staff will be employed by OEC, or its designee, and shall have the authority to plan and direct the activities required to execute OEC's responsibilities under the O&M Agreement.

The O&M Agreement is provided as an appendix.

4. PROJECT ECONOMICS

4.1 Assumptions

The economic assumptions are provided in the Financial Model.

APPENDICES

See attached files.

Nigeria Barge Project Sell Down
Transaction and Shareholder Structure

17 December 1999

The following transaction structure has been developed to allow the Purchaser to purchase 90% of the projected after tax cash flow to be generated over three (3) years by the 90 MW Nigeria Barge Project (the "Barge Project") while 1) funding the purchase price with 25% equity and 75% seller financed debt, 2) basing the purchase price on the net present value of such cash flow and providing a projected yield to purchaser of approximately 25% on invested equity and 3) allowing Enron to book a gain based on the sale of such cash flows.

Following extensive review and discussion with Enron accounting staff and outside auditors, the following structure has been developed and approved to ensure the desired accounting treatment for the transaction. Whereas the structure is more complex than desired and originally envisaged, it is necessary to meet all of the objectives for the transaction.

A Few Definitions

Cash Flow: The operating distributable cash flow generated by the Barge Project from all revenues less all expenditures including but not limited to operating and administrative costs, fuel, all taxes and debt service; and as further delineated in the Financial Model.

Cumulative Cash Flow: The aggregate monthly cumulative Cash Flow commencing on the commercial operations of the Barge Project and ending on the Trigger Date (as defined below).

Early Liquidation: The termination of the Power Purchase Agreement or the otherwise winding up of Enron Nigeria Barge Ltd. prior to the Trigger Date.

Liquidation Proceeds: The cash proceeds from the Early Liquidation of the Barge Project excluding proceeds (if any) from the sale or disposition of the barges.

Trigger Cash Flow: The projected Cash Flow (approximately $44.1 million) to be generated by the Barge Project during its first 3 years of operations.

Trigger Date: The date upon which the Cumulative Cash Flow equals the Trigger Cash Flow.

Transaction Structure

Purchaser Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to Purchaser)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project

Shareholder Structure

There will be three classes of stock, two preferred and one common. The Purchaser will purchase the Preferred A Shares and the Common Shares. Enron will own the Preferred B shares. The summary below indicates the economic interests before and after the Trigger Date. In each case, the table indicates the Cash Flow rights of each shareholder class after the previous class shareholder has received their percentage share of the Cash Flow.

Economic Interest (Percent of Cash Flow ("CF"))

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.00% of CF After Pref A & B	100.00% of CF After Pref A & B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.

Early Liquidation

In the event of an Early Liquidation, the Purchaser shall receive via the Preferred A Shares an amount stipulated in an appendix to be attached to the Share Purchase Agreement. Generally, the Early Liquidation proceeds payable to Purchaser via the Preferred A Shares and included in the appendix shall be designed to ensure the Purchaser a 25% internal rate of return on invested equity. Upon an Early Liquidation, The Preferred B Shares shall then receive 99.0% of the remaining Liquidation Proceeds after the liquidation payment to the Preferred A shares and all Phase I Facilities (as defined in the Power Purchase Agreement). The Common shares shall receive 100.00% of the remaining Liquidation Proceeds after the payments to the Preferred A and Preferred B Shares.

Return Considerations

If the Cumulative Cash Flow equals the Trigger Cash Flow at the end of 3 years of operations, the return to the Purchaser would be approximately 25%.

If the Cumulative Cash Flow equals the Trigger Cash Flow before the end of 3 years, then the return to the Purchaser would exceed 25%. If the Trigger Cash Flow level is reached after the end of 3 years, the Purchaser's return may be below 25%. It is intended for the Purchaser to take this risk and upside opportunity.

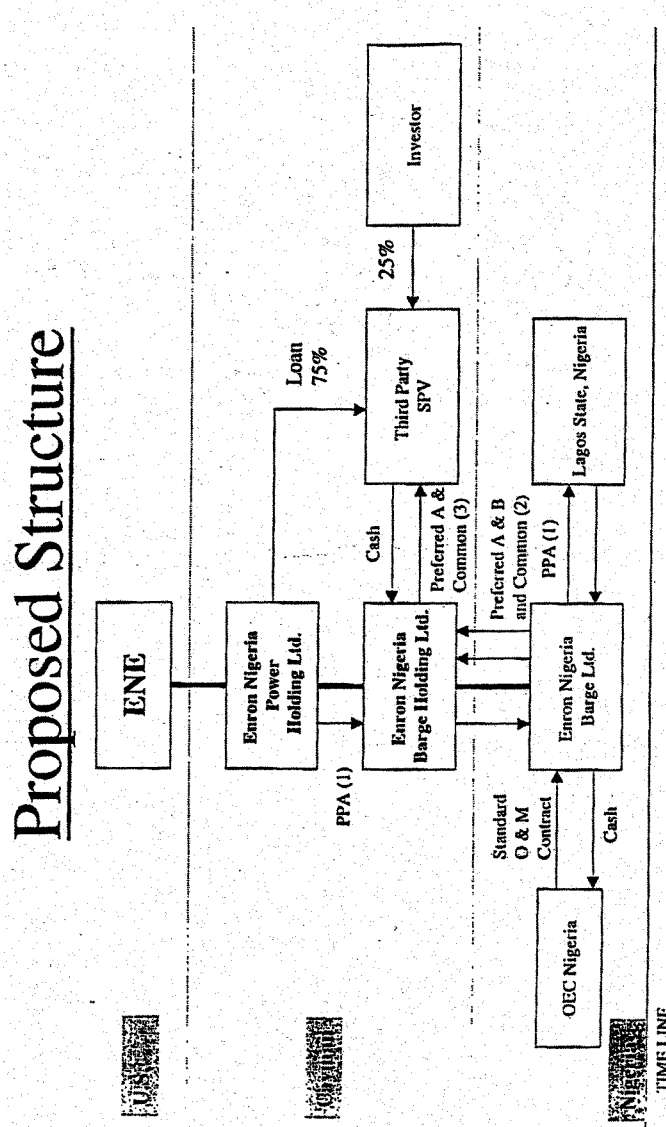
If there is an early liquidation, and there are sufficient liquidation proceeds (which the letter of credit shall ensure) the liquidation payment schedule is designed to ensure the Purchaser an approximate 25% return on invested equity.

Voting Rights

Each share class shall have the following number of shareholder votes and shall also appoint the same number of directors to the Board of Directors. This structure is necessary to ensure conformity to Nigerian law.

Share Class	Votes	Directors
Preferred A	1	1
Preferred B	8	8
Common	1	1

Proposed Structure



(1) PPA is between Enron Nigeria Power Holding Ltd. and the Lagos State of Nigeria. Subsequently, the rights to the PPA (barge activities only) are assigned to Enron Nigeria Barge Holding Ltd. which in turn assigns the rights to Enron Nigeria Barge Ltd.

(2) Enron Nigerian Barge Ltd. A & B Preferred and Common Shares are issued to Enron Nigeria Barge Holding Ltd.

(3) Preferred A Shares and Common are sold from Enron Nigeria Barge Holding Ltd. to a third party who assumes true equity risk involved with the Enron Nigeria Barge Ltd.

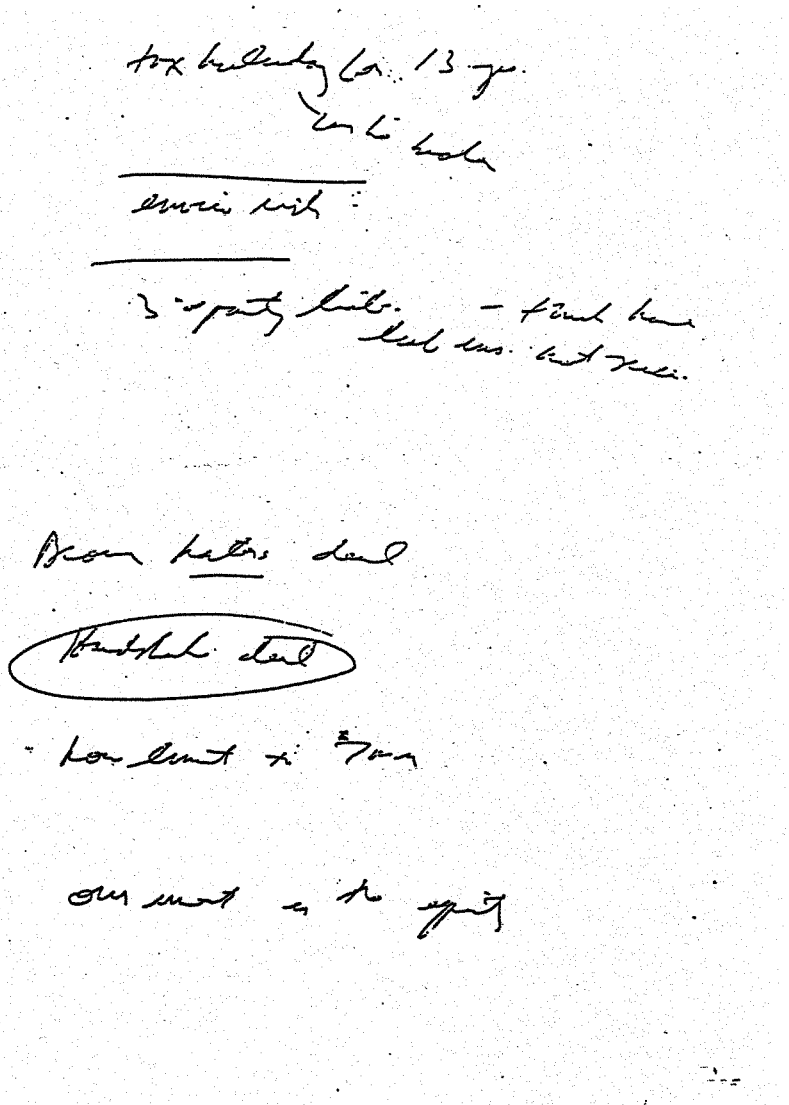
FILE BELONGS TO

Merrill Lynch
Merrill Lynch Bank USA

Administrative Offices
800 Scudders Mill Road
Plainsboro, New Jersey 08536
609 282 2650
FAX 609 282 1997
personal@exchange.ml.com

Paul J. Wood
Director of
Corporate Credit

Permanent Subcommittee on Investigations
EXHIBIT #213



MS 05298

LIMITED LIABILITY COMPANY AGREEMENT

OF

EBARGE, LLC

This Limited Liability Company Agreement (this "Agreement") of Ebarge, LLC, dated and effective as of December 29, 1999, is entered into by ML IBK Positions, Inc., as the sole member (the "Member").

The Member has formed a limited liability company pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del.C. § 18-101, et seq.), as amended from time to time (the "Act"), and hereby agrees as follows:

1. **Name**. The name of the limited liability company formed is Ebarge, LLC (the "Company").

2. **Certificates**. The Member and William R. Fuhs are authorized persons within the meaning of the Act. The Member and William R. Fuhs are hereby authorized to execute, deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

3. **Purposes**. The Company has been formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is, engaging in any lawful act or activity for which limited liability companies may be formed under the Act.

4. **Powers**. In furtherance of its purposes, but subject to all of the provisions of this Agreement, the Company shall have the power and is hereby authorized to:

(a) Acquire by purchase, lease, contribution of property or otherwise, own, hold, sell, convey, transfer or dispose of any real or personal property that may be necessary, convenient or incidental to the accomplishment of the purposes of the Company;

(b) Act as a trustee, executor, nominee, bailee, director, officer, agent or in some other fiduciary capacity for any person or entity and to exercise all of the powers, duties, rights and responsibilities associated therewith;

(c) Take any and all actions necessary, convenient or appropriate as trustee, executor, nominee, bailee, director, officer, agent or other fiduciary, including the granting or approval of waivers, consents or amendments of rights or powers relating thereto and the execution of appropriate documents to evidence such waivers, consents or amendments;

(d) Operate, purchase, maintain, finance, improve, own, sell, convey, assign, mortgage, lease or demolish or otherwise dispose of any real or personal property that may be necessary, convenient or incidental to the accomplishment of the purposes of the Company;

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(e) Borrow money and issue evidences of indebtedness in furtherance of any or all of the purposes of the Company, and secure the same by mortgage, pledge or other lien on the assets of the Company;

(f) Invest any funds of the Company pending distribution or payment of the same pursuant to the provisions of this Agreement;

(g) Prepay, in whole or in part, refinance, recast, increase, modify or extend any indebtedness of the Company and, in connection therewith, execute any extensions, renewals or modifications of any mortgage or security agreement securing such indebtedness;

(h) Enter into, perform and carry out contracts of any kind, including, without limitation, contracts with any person or entity affiliated with the Member, necessary to, in connection with, convenient to, or incidental to the accomplishment of the purposes of the Company;

(i) Employ or otherwise engage employees, managers, contractors, advisors, attorneys and consultants and pay reasonable compensation for such services;

(j) Enter into partnerships, limited liability companies, trusts, associations, corporations or other ventures with other persons or entities in furtherance of the purposes of the Company;

(k) To enter into, execute and deliver, without any further act, approval or vote of the Member, notwithstanding any of the provisions of this Agreement, the Act or any applicable law, rule or regulation, including, without limitation:

(i) The Share Purchase Agreement, dated December 29, 1999, between the Company and Enron Nigeria Barge Holding Ltd.;

(ii) The Pledge Agreement, dated December 29, 1999, between the Company and Enron Nigeria Power Holding Ltd.;

(iii) Loan Agreement, dated Decmber 29, 1999, between the Company and Enron Nigeria Power Holding Ltd.;

(iv) The Shareholders' Agreement, dated December 29, 1999, between the Company, Enron Nigeria Barge Holding Ltd. and Enron Nigeria Barge Ltd.;

(v) The Tax Indemnity Letter, dated December 29, 1999, from the Company to Enron Nigeria Power Holding, Ltd., Enron Nigeria Barge Ltd. and Enron Nigeria Barge Holding Ltd.;

(vi) The Stock Power form pertaining to 999 Ordinary Shares;

(vii) The Stock Power form pertaining to 1 Ordinary Share; and

(viii) The Stock Power form pertaining to 1,000 Preferred A Shares.

do such other things and engage in such other activities related to the foregoing as may be necessary, convenient or incidental to the conduct of the business of the Company, and have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act.

5. **Principal Business Office.** The principal business office of the Company shall be located at World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281.

6. **Registered Office.** The address of the registered office of the Company in the State of Delaware is c/o The Corporation Service Company, 1013 Centre Road, Wilmington, Delaware 19805.

7. **Registered Agent.** The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware are The Corporation Service Company, 1013 Centre Road, Wilmington, New Castle County, Delaware 19805.

8. **Members.** The name and the mailing address of the Member are as follows:

Name	Address
ML IBK Positions, Inc.	World Financial Center North Tower 250 Vesey Street New York, New York 10281

9. **Limited Liability.** Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Member shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member of the Company.

10. **Capital Contributions.** The Member is deemed admitted as the Member of the Company upon its execution and delivery of this Agreement. The Member has contributed $7,000,000.00 in cash, and no other property, to the Company.

11. **Additional Contributions.** The Member is not required to make any additional capital contribution to the Company. However, the Member may at any time make additional capital contributions to the Company.

12. **Allocation of Profits and Losses.** The Company's profits and losses shall be allocated solely to the Member.

13. **Distributions.** Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to the Member on

account of his interest in the Company if such distribution would violate Section 18-607 of the Act or other applicable law.

14. **Management**. In accordance with Section 18-402 of the Act, management of the Company shall be vested in the Member. The Member shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, possessed by members of a limited liability company under the laws of the State of Delaware. The Member has the authority to bind the Company.

15. **Officers**. The Member may, from time to time as it deems advisable, select natural persons who are employees or agents of the Company and designate them as officers of the Company (the "Officers") and assign titles (including without limitation, President, Vice President, Secretary, and Treasurer) to any such person. Unless the Member decides otherwise, if the title is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law, the assignment of such title shall constitute the delegation to such person of the authorities and duties that are normally associated with that office. Any delegation pursuant to this Section 15 may be revoked at any time by the Member. An Officer may be removed with or without cause by the Member. The Member hereby appoints the following officers to manage the affairs of the Company:

Name	Office
James A. Brown	Chairman of the Board and President
Joseph S. Valenti	Vice President - Finance and Treasurer
Gerard Haugh	Vice President and Secretary
Kira J. Toone	Vice President, Assistant Secretary and Assistant Treasurer
Frank J. Conley	Vice President and Assistant Secretary
William R. Fuhs	Vice President and Assistant Secretary

16. **Other Business**. The Member may engage in or possess an interest in other business ventures of every kind and description, independently or with others. The Company shall not have any rights in or to such independent ventures or the income or profits therefrom by virtue of this Agreement.

17. **Exculpation and Indemnification**. No Member or Officer shall be liable to the Company or any other person or entity who has an interest in the Company for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Member or Officer in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Member or Officer by this Agreement, except that a Member or Officer shall be liable for any such loss, damage or claim incurred by reason of such Member's or Officer's willful misconduct. To the full extent permitted by applicable law, a Member or Officer shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Member or Officer by reason of any act or omission performed or

omitted by such Member or Officer in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Member or Officer by this Agreement, except that no Member or Officer shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Member or Officer by reason of willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section 17 shall be provided out of and to the extent of Company assets only, and the Member shall not have personal liability on account thereof.

18. **Assignments**. The Member may at any time assign in whole or in part its limited liability company interest in the Company. If the Member transfers all of its interest in the Company pursuant to this Section 18, the transferee shall be admitted to the Company upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement. Such admission shall be deemed effective immediately prior to the transfer, and, immediately following such admission, the transferor Member shall cease to be a member of the Company.

19. **Resignation**. The Member may at any time resign from the Company. If the Member resigns pursuant to this Section 19, an additional member shall be admitted to the Company, subject to Section 20 hereof, upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement. Such admission shall be deemed effective immediately prior to the resignation, and, immediately following such admission, the resigning Member shall cease to be a member of the Company.

20. **Admission of Additional Members**. One or more additional members of the Company may be admitted to the Company with the written consent of the Member.

21. **Dissolution**.

(a) The Company shall dissolve and its affairs shall be wound up upon the first to occur of the following: (i) the written consent of the Member, (ii) at any time there are no members of the Company unless, within 90 days of the occurrence of the event that terminated the continued membership of the last remaining member of the Company (the "Termination Event"), the personal representative of the last remaining member agrees in writing to continue the Company and to the admission to the Company of such personal representative or its nominee or designee as a Member, effective as of the occurrence of the Termination Event, and such successor or its nominee or designee shall be admitted upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement, or (iii) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

(b) The bankruptcy of the Member shall not cause the Member to cease to be a member of the Company and upon the occurrence of such an event, the business of the Company shall continue without dissolution.

(c) In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Act.

22. **Separability of Provisions**. Each provision of this Agreement shall be considered separable, and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement that are valid, enforceable and legal.

23. **Entire Agreement**. This Agreement constitutes the entire agreement of the Member with respect to the subject matter hereof.

24. **Governing Law**. This Agreement shall be governed by, and construed under, the laws of the State of Delaware (without regard to conflict of laws principles), all rights and remedies being governed by said laws.

25. **Amendments**. This Agreement may not be modified, altered, supplemented or amended except pursuant to a written agreement executed and delivered by the Member.

26. **Sole Benefit of Member**. Except as expressly provided in Section 17, the provisions of this Agreement (including Section 11) are intended solely to benefit the Member and, to the fullest extent permitted by applicable law, shall not be construed as conferring any benefit upon any creditor of the Company (and no such creditor shall be a third-party beneficiary of this Agreement), and no Member shall have any duty or obligation to any creditor of the Company to make any contributions or payments to the Company.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby has duly executed this Agreement as of the date first written above.

ML IBK Positions, Inc.

By: _____
Name: Joseph S. Valenti
Title: Vice President

SHARE TRANSFER FORM

Consideration Money N	Certificate Lodged with the Registrar *(for completion by Registrar)*

Name of ~~ORGANIZING~~ COMPANY	ENRON NIGERIA BARGE LIMITED
Description of Shares	ORDINARY SHARES OF N1,000 EACH

Number or Amount of Shares and in figures column only, number and denomination of units [if any]	WORDS	FIGURES
	NINE HUNDRED AND NINETY-NINE ORDINARY SHARES	999 ORDINARY SHARES

Name[s] of Registered holder[s] should be given in full. The address should be given where there is only one holder	In the name[s] of ENRON NIGERIA BARGE HOLDING LIMITED HUNTLAW BUILDING, FORT A GEORGETOWN, GRAND CAYMAN, CAYMAN ISLANDS

We hereby transfer the above securily out of the name aforesaid to the person[s] named below:

Signature of the Transferor:

1. _____ Date: 12/30/99
   Director, James W. Derrick, Jr.
2. _____ Date: 12/30/99
   Assistant Secretary, Tanya R. Sanford

Full name[s], full postal address[es] including state of the person to whom the security is transferred	EBARGE, LLC C/O ML LEASING EQUIPMENT CORP; 250 VESSEY ST; NEW YORK, NY 10281 U. S. A.

Sworn [illegible] subscribed before me this 30th day of December 1999.

_____

JULIANA I. SHERMAN
MY COMMISSION EXPIRES
November 3, 2002

DEC 30 '99 09:[illegible]

[illegible]

MS 05183

Permanent Subcommittee on Investigations
EXHIBIT #215

SHARE TRANSFER FORM

Consideration Money N	Certificate Lodged with the Registrar *(for completion by Registrar)*

Name of ~~UNDERLYING~~ COMPANY	ENRON NIGERIA BARGE LIMITED
Description of Shares	ORDINARY SHARES OF N1,000 EACH

Number or Amount of Shares and in figures column only, number and denomination of units [if any]	WORDS ONE ORDINARY SHARE	FIGURES 1 ORDINARY SHARE

Name[s] of Registered holder[s] should be given in full. The address should be given where there is only one holder	In the name[s] of ENRON NIGERIA BARGE HOLDING LIMITED HUNTLAW BUILDING GEORGETOWN, GRAND CAYMAN, . CAYMAN ISLANDS

We hereby transfer the above security out of the name aforesaid to the person[s] named below:

Signature of the Transferor:

1. Director, James V. Derrick, Jr. Date: 12/30/99
2. Assistant Secretary, Tanya R. Sanford Date: 12/30/99

Full name[s], full postal address[es] including state of the person to whom the security is transferred	EBARGE, LLC C/O GE LEASING EQUIPMENT CORP. 250 VESSEY ST. NEW YORK, NY 10281 U.S.A.

Sworn to and subscribed before me this 30th day of December 1999.

JULIANA I. SHERMAN
MY COMMISSION EXPIRES
November 8, 2000

30 '99 09:51 PAGE.03

SHARE TRANSFER FORM

Consideration Money N	Certificate Lodged with the Registrar *For completion by Registrar*

Name of ~~[illegible]~~ COMPANY	ENRON NIGERIA BARGE LIMITED
Description of Shares	PREFERRED 'A'. SHARES OF N1,000 EACH

	WORDS	FIGURES
Number or Amount of Shares and in figures column only, number and denomination of units [If any]	ONE THOUSAND PREFERRED 'A' SHARES	1,000 PREFERRED 'A' SHARES

Name[s] of Registered holder[s] should be given in full. The address should be given where there is only one holder	In the name[s] of ENRON NIGERIA BARGE HOLDING LIMITED HUNTLAW BUILDING GEORGETOWN, GRAND CAYMAN, CAYMAN ISLANDS

We hereby transfer the above security out of the name aforesaid to the person[s] named below:

Signature of the Transferor:

1. [signature] Director, James V. Derrick, Jr. Date: 12/30/99 EB
2. [signature] Assistant Secretary, Tanya A. Sanford Date: 12/30/99 EB

Full name[s], full postal address[es] including state of the person to whom the security is transferred	ETARGE, LLC C/O ML LEASING EQUIPMENT CORP; 250 VESSEY ST; NEW YORK, N 10281 U. S. A.

Sworn to and subscribed before me this [illegible] day of December 1999.

[signature]

[illegible] NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES AUGUST 1, 2002

30 '99 09:57

EXECUTION COPY

Dated 29 December 1999

ENRON NIGERIA POWER HOLDING, LTD.
(as Lender)

and

EBARGE, LLC
(as Borrower)

LOAN AGREEMENT

Permanent Subcommittee on Investigations
EXHIBIT #216a.

THIS LOAN AGREEMENT (this "Agreement") is made on 29 December 1999

BETWEEN:

(1) ENRON NIGERIA POWER HOLDING, LTD., a company registered in the Cayman Islands with its registered office at the Huntlaw Building, Fort Street, George Town, Grand Cayman, Cayman Islands (together with its successors and permitted assigns, the "Lender"); and

(2) EBARGE, LLC, a limited liability company registered in Delaware, with its registered office at c/o ML Leasing Equipment Corp., 250 Vesey Street, New York, New York 10281 (together with its successors and permitted assigns, the "Borrower").

WHEREAS, the Lender has agreed to lend and the Borrower has agreed to borrow and repay the Lender a fixed interest rate US Dollar term loan in each case on the terms and subject to the conditions of this Agreement,

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement:

"Acquisition" means the acquisition by the Borrower from the Seller of the Shares.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for business in New York City.

"Default" means an Event of Default or an event which, with the giving of notice, expiry of any applicable grace period or determination of materiality by the Lender specified (in any such case) in Clause 13 (Default) (or any combination of the foregoing), would constitute an Event of Default.

"Dollars", "US Dollars", "US$" or "$" means the lawful currency for the time being of the United States of America.

"ENBL" means Enron Nigeria Barge Limited, a company organised under the laws of the Republic of Nigeria.

"Event of Default" means an event specified as such in Clause 13.1 (Events of Default).

"Finance Document" means:

(a) this Agreement; or

(b) the Pledge Agreement.

"Financial Indebtedness"

means (without double counting) any indebtedness in respect of:

(a) moneys borrowed;

(b) any debenture, bond, note, loan stock or other security;

(c) any acceptance credit;

(d) receivables sold or discounted (otherwise than on a non-recourse basis);

(e) the acquisition cost of any asset to the extent payable before or more than 180 days after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;

(f) any lease entered into primarily as a method of raising finance or financing the acquisition of the asset leased;

(g) any currency swap or interest swap, cap or collar arrangement or any other derivative instrument;

(h) any amount raised under any other transaction having the commercial effect of a borrowing or raising of money; or

(i) any guarantee, indemnity or similar assurance against financial loss of any person.

"Full Repayment Date" means 31 December 2002.

"Interest Period" has the meaning specified in Clause 6.1.

"Loan" means the loan made or to be made by the Lender to the Borrower pursuant to clause 2.1(a) of this Agreement or the principal amount outstanding of that loan from time to time.

"Material Adverse Effect" means any event, occurrence or circumstance having, or being reasonably likely to have, a material adverse effect on the ability of the Borrower to perform and comply with its payment obligations hereunder.

"Material Agreement" means the Share Purchase Agreement and/or the Shareholders Agreement.

"Maximum Rate" means, on any day, the highest rate of interest on the Loan permitted by applicable law (if any) on such day.

"Party" means a party to this Agreement.

"Permitted Transaction" means:

(a) a reconstruction, amalgamation, reorganisation, merger or consolidation of the Borrower on terms approved by the Lender; or

(b) a disposal of assets permitted by the terms of this Agreement.

"**Pledge Agreement**" means the Pledge Agreement dated the date hereof between the Borrower and the Lender in relation to the Shares.

"**Power Purchase Agreement**" means the power purchase agreement dated 6th December 1999 by and among Enron Nigeria Power Holdings Limited and the other entities named therein.

"**Repayment Date**" means the last Business Day of each Interest Period.

"**Security Interest**" means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security.

"**Seller**" means Enron Nigeria Barge Holdings Limited, a company organised under the laws of the Cayman Islands.

"**Share Purchase Agreement**" means the share purchase agreement dated 29 December 1999 between the Seller and the Borrower in relation to the Shares.

"**Shareholders Agreement**" means the shareholders agreement dated 29 December 1999 between the Seller and the Borrower in relation to ENBL.

"**Shares**" means 1000 preferred A shares and 1000 ordinary shares of ENBL.

"**United States**" and "**U.S.**" mean the United States of America.

1.2 Construction

(a) In this Agreement, unless the contrary intention appears, a reference to:

(i) "**assets**" includes real, personal, tangible and intangible properties, revenues and rights of every description;

an "**authorisation**" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration and notarisation;

a "**month**" is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(1) if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that calendar month; or

(2) if an Interest Period commences on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which it is to end; and

a "**person**" shall be construed as a reference to any person, firm, company, corporation, limited liability company, government, state, agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law, but if not having the force of law being of a type with which the person concerned is accustomed to comply) of any governmental body, agency, department or regulatory, self-regulatory or other authority or organisation;

(ii) a provision of a law is a reference to that provision as amended or re-enacted;

(iii) a Clause or a Schedule is a reference to a clause of or a schedule to this Agreement;

(iv) a person includes such person's successors and permitted transferees, novatees, and assigns;

(v) a contract or other document is a reference to that contract or other document as amended, novated, supplemented, restated, replaced or renewed; and

(vi) a time of day is a reference to New York time.

Unless the contrary intention appears, a term used in any notice given under or in connection with this Agreement has the same meaning in that notice as in this Agreement.

The table of contents to and the headings in this Agreement are for convenience only and are to be ignored in construing this Agreement.

Unless the context otherwise requires and otherwise defined herein, words and expressions defined in the Share Purchase Agreement and the Power Purchase Agreement shall have the same meanings when used in this Agreement.

THE FACILITY

Loan

Subject to the terms of this Agreement, the Lender shall on the date hereof make to the Borrower a Loan in an amount equal to US$21,000,000.

No more than one Loan shall be made.

Conditions Precedent

e obligations of the Lender to the Borrower under this Agreement are subject to the following nditions precedent:

execution of the Pledge Agreement; and

(b) satisfaction of all conditions precedent under the Share Purchase Agreement and Shareholders Agreement (other than any condition relating to the satisfaction of conditions precedent under this Agreement).

2.3 Disbursement

Subject to the terms hereof, the Lender shall disburse the Loan to the Borrower on the date hereof in such manner as shall be agreed by the Lender and the Borrower, including, without limitation, the transfer of funds into a bank account of the Borrower or another person specified by the Borrower.

3. APPLICATION OF PROCEEDS

(a) The Borrower shall apply the Loan made to it for the purposes of financing the cost of the Acquisition.

(b) Without affecting the obligations of the Borrower in any way, the Lender is not bound to verify the application of the Loan.

4. REPAYMENT

On each Repayment Date the Borrower shall repay the Loan in the amount of US$773,010.33, or such lesser amount as shall have been received by the Borrower for such repayment period from ENBL. The Borrower shall repay the remainder of the Loan in full on the Full Repayment Date.

5. PREPAYMENT AND CANCELLATION

5.1 Voluntary prepayment

The Borrower may at any time, by giving not less than 3 Business Days' prior notice to the Lender, prepay the Loan, in whole or in part, together with all accrued and unpaid interest hereunder, then due and payable.

5.2 Mandatory prepayment

The Borrower shall prepay the Loan, together with all other amounts payable by the Borrower under this Agreement upon the happening of the earlier of the following events:

(a) liquidation of ENBL; or

(b) the receipt by the Borrower of distributions from ENBL following any buy-out of the Phase I Facilities pursuant to clause 18 of the Power Purchase Agreement.

5.3 Miscellaneous provisions

(a) All prepayments under this Agreement shall be made together with accrued interest on the amount prepaid.

(b) No prepayment is permitted except in accordance with the express terms of this Agreement.

(c) No amount prepaid may subsequently be re-borrowed.

6. INTEREST PERIODS

6.1 Interest periods

The Loan will have successive interest periods as specified in this Clause 6.1 (each an "Interest Period"). The first Interest Period shall commence on the date hereof and will end on 30 April 2000. Subsequent Interest Periods will commence on the expiry of the preceding Interest Period and shall have a length of 1 month.

6.2 Overrunning of repayment dates

If an Interest Period would otherwise overrun the date when all the outstanding principal amount of the Loan has been repaid or, without limitation, prepaid, that Interest Period shall be shortened so that it ends on such date.

7. INTEREST

7.1 Interest rate

(a) The rate of interest on the Loan for each of its Interest Periods is 12 percent per annum.

(b) Interest shall not be compounded.

(c) Interest shall be calculated based on a 365-day year and the actual number of days elapsed.

7.2 Due dates

(a) Except as otherwise provided in paragraph (b) below or elsewhere in this Agreement, accrued interest on the Loan is payable by the Borrower on the last day of each Interest Period.

(b) Subject to the provisions of Clause 7.3 (Default interest), the last payment of accrued interest on the Loan shall be made by the Borrower on the last day of the last Interest Period or on the date of a mandatory prepayment or acceleration pursuant to Clause 5.2 (Mandatory prepayment) or Clause 13.14 (Acceleration).

7.3 Default interest

If the Borrower fails to pay all amounts payable by it under this Agreement on the Repayment Date, it shall forthwith on demand by the Lender pay interest on the overdue amount from the due date up to the date of actual payment, as well after as before judgment, at two percent (2%) per annum in excess of the rate specified in Clause 7.1 (Interest rate).

7.4 Maximum rate

Notwithstanding any provision contained herein or in any document related hereto, the Lender shall in no circumstance be entitled to receive, collect or apply as interest on the Loan any amount in excess of the Maximum Rate. If the Lender ever receives, collects or applies as interest any such excess, the amount that would be excessive interest hereunder shall be deemed to be a partial prepayment of principal on the Loan and treated hereunder as such. In determining whether or not interest paid or payable exceeds the Maximum Rate, the Borrower and the Lender shall, to the maximum extent permitted under applicable law, amortize, prorate, allocate and spread, in equal parts, the total amount of interest throughout the entire contemplated term of the Loan so that the interest rate is uniform throughout the entire term and the rate or amount of interest on account of the Loan does not exceed the Maximum Rate.

8. PAYMENTS

8.1 Place

All payments by the Borrower under this Agreement shall be made to the account of the Lender at such bank in the United States as it may notify to the Borrower for this purpose.

8.2 Currency and funds

Payments under this Agreement to the Lender shall be made in Dollars for value on the due date.

8.3 Set-off and counterclaim

All payments made by the Borrower hereunder shall be made without set-off or counterclaim.

8.4 Non-business days

(a) If a payment hereunder is due on a day which is not a Business Day, the due date for that payment shall instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal under this Agreement interest is payable on the principal at the rate payable on the original due date.

8.5 Partial payments

(a) If the Lender receives a payment insufficient to discharge all the amounts then due and payable by the Borrower hereunder, the Lender shall apply that payment towards the obligations of the Borrower hereunder in the following order:

(i) first, in or towards payment pro rata of any accrued interest due but unpaid under this Agreement;

(ii) secondly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and

(iii) thirdly, in or towards payment pro rata of any other sum due but unpaid under this Agreement.

(b) Paragraph (a) above shall override any appropriation made by the Borrower.

9. NOT USED

10. ILLEGALITY

If it is or becomes unlawful or contrary to any regulation in any jurisdiction for the Lender to give effect to any of its obligations as contemplated by this Agreement or to fund or maintain its participation in the Loan, then:

(a) the Lender shall promptly notify the Borrower accordingly; and

(b) the Borrower shall, on the latest day permitted by the relevant law or regulation, prepay the Loan together with all other amounts payable by it to the Lender under this Agreement.

11. REPRESENTATIONS AND WARRANTIES

11.1 Representations and warranties

The Borrower makes the representations and warranties set out in this Clause 11 (Representations and warranties) to the Lender.

11.2 Status

(a) It is a Delaware limited liability company; and

(b) it has the power to own its assets and carry on its business as it is being conducted.

11.3 Powers and authority

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, this Agreement and the transactions contemplated by this Agreement.

11.4 Legal validity

This Agreement constitutes its legal, valid, binding and enforceable obligation, subject, as to enforceability, to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

11.5 Non-conflict

The entry into and performance by it of, and the transactions contemplated by, this Agreement do not and will not:

(a) conflict with any U.S. law or regulation, judicial or official order;

(b) conflict with its Certificate of Formation or Operating Agreement; or

(c) conflict with any document which is binding upon it.

11.6 No default

No Event of Default or Default is outstanding or will result from the Loan.

11.7 Authorisations

All authorisations required of the Borrower by the laws of Delaware or by any other applicable law in the United States in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, this Agreement have been obtained or effected (as appropriate) and are in full force and effect.

11.8 Litigation

No litigation, arbitration or administrative proceedings involving the Borrower are current or, to its knowledge, pending or threatened:

(a) to restrain the entry into, exercise of any of its rights, and/or performance or enforcement of or compliance with any of its obligations, hereunder; or

(b) which have a Material Adverse Effect.

11.9 Assets

The Borrower is and will remain the legal and/or beneficial owner of all its assets free from any Security Interests, other than the Pledge Agreement.

11.10 No commitment

The Borrower has no Financial Indebtedness (other than the Loan made hereunder).

11.11 Payment of taxes

The Borrower has paid all taxes, assessments and other governmental charges imposed on it that have become due and payable.

11.12 Investment Borrower Act of 1940

Neither the Borrower, nor any of its Subsidiaries, is an "investment company" within the meaning of the U.S. Investment Borrower Act of 1940, as amended.

11.13 Times for making representations and warranties

The representations and warranties set out in this Clause 11 (Representations and warranties) are made by the Borrower, unless it is expressly provided to the contrary, on the date of this Agreement.

11.14 Qualifications to representations

The Borrower shall promptly disclose to the Lender if any representation and warranty to be made under this Clause 11 (Representations and warranties) ceases to be correct as at the date it is to be made. Any misrepresentation which has arisen or which may arise and which has been disclosed to the Lender may be waived only by a written instrument executed by the Lender expressly setting forth such waiver.

12. UNDERTAKINGS

12.1 Duration

The undertakings in this Clause 12 (Undertakings) remain in force from the date of this Agreement for so long as any amount in respect of principal or interest payable under this Agreement is outstanding.

12.2 Information - miscellaneous

The Borrower shall promptly supply to the Lender such information in the possession or control of the Borrower regarding its financial condition and operations as the Lender may reasonably request and which the Borrower is able to provide without breaching any legal obligation or regulation.

12.3 Notification of default

The Borrower shall notify the Lender of any outstanding Default (and the steps, if any, being taken to remedy it) promptly (and in any event within five days) upon an executive officer of the Borrower becoming aware of its occurrence.

12.4 Authorisations

The Borrower shall promptly obtain, maintain and comply with the terms of any authorisation required under any law or regulation to enable it to perform its obligations under or for the validity or enforceability of this Agreement; provided, that the Lender shall use all reasonable efforts to keep the Borrower properly informed in relation to any laws or regulations in Nigeria that may be binding upon the Borrower and relevant to the transaction reflected in this Agreement.

12.5 Pari passu ranking

The Borrower shall procure that its payment obligations hereunder do and will rank at least pari passu with all its other present and future unsecured and unsubordinated obligations, except for obligations which are mandatorily preferred by law applying to companies generally.

12.6 Disposals

The Borrower shall not sell, transfer, encumber or otherwise dispose of, grant any security over, or cease to exercise control over any of the Shares acquired by it except strictly in accordance with the provisions of the Pledge Agreement, the Share Purchase Agreement and Shareholders Agreement.

12.7 Change of business

The Borrower shall procure that no substantial change is made to the general nature or scope of the business of the Borrower from that carried on at the date of this Agreement. An extension into ancillary businesses does not constitute a change in the general nature or scope of the business of the Borrower for the purposes of this Clause 12.7.

12.8 Constitutional documents

The Borrower will not, without the prior consent of the Lender or as required by applicable law, amend or seek or agree to amend or replace its Certificate of Formation in any way which would be likely materially and adversely to affect the interests of the Lender hereunder.

12.9 Compliance with laws

The Borrower shall comply in all material respects with all applicable laws and regulations, whether domestic or foreign, having jurisdiction over it or any of its assets, failure to comply with which has a Material Adverse Effect; provided, that the Lender shall use all reasonable efforts to keep the Borrower properly informed in relation to any laws or regulations in Nigeria that may be binding upon the Borrower and relevant to the transaction reflected in this Agreement.

13. DEFAULT

13.1 Events of Default

Each of the events set out in Clauses 13.2 (Non-payment of principal) to 13.13 (Repudiation of Material Agreements and Finance Documents) (inclusive) is an Event of Default (whether or not caused by any reason whatsoever outside the control of the Borrower or any other person).

13.2 Non-payment of principal

The Borrower does not pay on the due date any amount of principal payable by it to the Lender hereunder at the place and in the currency in which it is expressed to be payable and such non-payment continues unremedied for 3 Business Days from the receipt by the Borrower of notice of non-payment from the Lender.

13.3 Breach of other obligations

The Borrower fails to comply with any other undertaking hereunder and such failure continues unremedied for 30 days from the earlier of the Borrower becoming aware of such failure and receipt by the Borrower of notice of such non-compliance from the Lender.

13.4 Misrepresentation

A representation, warranty or statement made in this Agreement is incorrect in any material respect when made or deemed to be made by reference to the facts and circumstances then subsisting and, if the circumstances causing the misrepresentation are capable of remedy within that period, that misrepresentation is not remedied within 28 days of the earlier of the Borrower

becoming aware of the misrepresentation and receipt by the Borrower of notice from the Lender requiring remedy.

13.5 Cross default

Any Financial Indebtedness of the Borrower exceeding in the aggregate $250,000 becomes prematurely due and payable or is placed on demand as a result of an event of default (howsoever described) under the document relating to such Financial Indebtedness.

13.6 Insolvency; Insolvency proceedings

(a) An involuntary case shall be commenced against the Borrower and the petition shall not be dismissed, stayed, bonded or discharged for a period of 60 days; or a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower in an involuntary case, under any applicable bankruptcy, insolvency or other similar law now or hereinafter in effect; or any other similar relief shall be granted under any applicable federal, state or local law; or the board of directors of the Borrower (or any committee thereof) adopts any resolution or otherwise authorizes any action to approve any of the foregoing;

(b) a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Borrower or over all or a substantial part of the assets of the Borrower shall be entered and such decree or order shall not be stayed, dismissed or discharged for a period of 60 days; or an interim receiver, trustee or other custodian of the Borrower or of all or a substantial part of the assets of the Borrower shall be appointed or a warrant of attachment, execution or similar process against any substantial part of the assets of the Borrower shall be issued and any such event shall not be stayed, dismissed, bonded or discharged for a period of 60 days; or the board of directors of the Borrower (or any committee thereof) adopts any resolution or otherwise authorizes any action to approve any of the foregoing;

(c) the Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its assets; or the Borrower shall make any assignment for the benefit of creditors or shall be unable or fail, or shall admit in writing its inability, to pay its debts as such debts become due, or the board of directors of the Borrower (or any committee thereof) adopts any resolution or otherwise authorizes any action to approve any of the foregoing; or

(d) any other step (including petition, proposal or convening a meeting) is taken with a view to the rehabilitation, administration, custodianship, liquidation, winding-up or dissolution of the Borrower or any other insolvency proceedings involving the Borrower, and, in the case of any such step taken by any person other than the Borrower, is not withdrawn, discharged or stayed within 60 days, except for any which arises from a Permitted Transaction.

13.7 [Intentionally deleted.]

13.8 [Intentionally deleted.]

13.9 Cessation of business

The Borrower ceases to carry on all or a substantial part of its business, other than in connection with a Permitted Transaction.

13.10 Unlawfulness

It is or becomes unlawful for the Borrower to perform any of its material obligations hereunder.

13.11 Expropriation

The authority or ability of the Borrower to conduct its business is wholly or substantially curtailed by any expropriation or renationalisation by or on behalf of any governmental authority.

13.12 Breach of Material Agreements and Finance Documents

The Borrower commits a material unremedied breach of any Material Agreement or any other Finance Document and such failure continues unremedied for 30 days from the earlier of the Borrower becoming aware of such failure and receipt by the Borrower of notice of such non-compliance from the Lender.

13.13 Repudiation of Material Agreements and Finance Documents

Any Material Agreement or any other Finance Document is repudiated in accordance with its terms.

13.14 Acceleration

(a) The Lender shall have the right, by notice to the Borrower at least three (3) Business Days following the occurrence of an Event of Default (other than in the case of an Event of Default under Clause 13.6, in which case such notice shall not be required and acceleration shall be automatic) to demand that all or part of the Loan, together with accrued interest under this Agreement be immediately paid, whereupon they shall become immediately due and payable.

(b) The Lender agrees that it will look solely to the Collateral (as such term is defined in the Pledge Agreement) for repayment of the Loan and all other amounts accrued under this Agreement, and that neither the Borrower nor any of its partners, employees or agents (including, without limitation, any of the persons set forth in Clause 19 (No Recourse) hereof) is personally liable to the Lender for any amounts due under this Agreement.

(c) Notwithstanding the non-recourse nature of the Borrower's obligations under this Agreement, it is understood and agreed that foreclosure actions (or similar proceedings) may be maintained against the Borrower but any judgment obtained shall be enforced only against the Collateral (as such term is defined in the Pledge Agreement), it being further understood and agreed that nothing herein shall be construed in any way so as to affect or impair the lien of the Pledge Agreement, or to affect or impair the holder's right to foreclose on said security as provided by applicable law or, subject only to the aforesaid limitation upon enforcement of any judgment against the Borrower or any of its partners, employees or agents or against any of the persons set forth in Clause 19 (No Recourse)

hereof, otherwise to limit or restrict any of the rights and remedies of the Lender in any foreclosure proceeding or other enforcement of payment of the Loan out of and from the Collateral (as such term is defined in the Pledge Agreement).

14. CHANGES TO THE PARTIES

14.1 Transfers by the Borrower

The Borrower may not assign, transfer, novate or dispose of any of, or any interest in, its rights and/or obligations under this Agreement without the prior written consent of the Lender, which consent shall not be unreasonably withheld or delayed.

14.2 Transfers by the Lender

The Lender shall have the right to assign, transfer or novate its rights and/or obligations under this Agreement without the consent of the Borrower.

15. SEVERABILITY. COUNTERPARTS

(a) If a provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

(i) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or

(ii) the legality, validity or enforceability in other jurisdictions of that or any other provision of this Agreement.

(b) This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

16. NOTICES

16.1 Giving of notices

Except as otherwise expressly provided herein in any particular case, all notices, approvals; consents, requests and other communications hereunder shall be in writing and shall, if addressed as provided in Clause 16.2 (Addresses for notices), be deemed to have been given, (i) when delivered by hand, (ii) one Business Day after being sent by a private nationally or internationally recognized overnight courier service, or (iii) when sent by telecopy, if immediately after transmission the sender's facsimile machine records in writing the correct answer back. However, a notice given in accordance with the above but received on a day that is not a Business Day or after business hours in the place of receipt will only be deemed to be given on the next Business Day in that place.

16.2 Addresses for notices

The address, telex number and facsimile number of each Party for all notices under or in connection herewith are:

(i) for the Borrower – those specified in the Share Purchase Agreement; and

(ii) for Lender: Enron Nigeria Power Holding Ltd.
333 Clay Street, Suite 1800
Houston, Texas 77002
Attention: Senior Vice President, Africa
Fax Number: (713) 646-7433

with a copy of all legal notices to:

Enron Asia Pacific/Africa/China
333 Clay Street, Suite 1800
Houston, Texas 77002
Attention: General Counsel
Fax number: (713) 345-5538

17. GOVERNING LAW

This Agreement, any amendments hereto in the form of supplemental agreements or otherwise, and any disputes between the Parties arising under or in connection with this Agreement shall be governed by and construed in accordance with the laws of the State of New York, United States of America. Any claim or controversy in connection with this Agreement shall be settled by arbitration conducted under the Rules of Conciliation and Arbitration of the International Chamber of Commerce ("ICC Rules") not inconsistent with the provisions of this Agreement. The arbitration proceeding may commence at the request of either Party and shall be conducted before a panel of three (3) arbitrators, one (1) appointed by each Party and one (1) by the two so chosen. If an arbitrator is not appointed within twenty (20) days of request by either Party, any New York court of competent jurisdiction shall appoint such arbitrator. Judgment may include costs and attorneys' fees and may be entered in any court of competent jurisdiction. The arbitration shall be conducted in New York, NY, United States of America or other such place as the Parties may agree, in the English language. Arbitration shall be the sole method of resolving disputes not settled by mutual agreement. The determination of the arbitrators shall be final and binding on all Parties and may enforced by appropriate judicial order.

18. WAIVER OF SOVEREIGN IMMUNITY

The Borrower represents and warrants that this Agreement and the incurring by the Borrower of the Loan are commercial rather than public or governmental acts and that the Borrower is not entitled to claim immunity from set-off, action, legal proceedings, attachment prior to judgement, other attachment, execution of judgement or enforcement proceedings with respect to itself or any of its assets on the grounds of sovereignty or otherwise under any law or in any jurisdiction where an action may be brought for enforcement of any of the obligations arising under or relating to this Agreement. To the extent that the Borrower or any of its assets has or hereafter may acquire any right to immunity from set-off, action, legal proceedings, attachment prior to judgement, other attachment, execution of judgement or enforcement proceedings on the grounds of sovereignty or otherwise, the Borrower hereby irrevocably waives such rights to immunity in respect of its obligations arising under or relating to this Agreement.

19. NO RECOURSE

The Borrower's obligations under this Agreement are intended to be the obligations of the limited liability company only and no recourse for the payment of the Loan and for any other amount due under this Agreement or for any claim based hereon or thereon or otherwise in respect thereof, shall be had against any member of the Borrower or any incorporator, managing member, officer, director or Affiliate, as such, past, present or future of any such managing member (or the general partner thereof) or of any successor corporation to such managing member (or the general partner thereof) or of any member of the Borrower, or against any direct or indirect parent corporation of such managing member (or the general partner thereof) or of any member of the Borrower or any other subsidiary or Affiliate of any such direct or indirect parent corporation or any incorporator, shareholder, officer or director, as such, past, present or future, of any such parent or other subsidiary or Affiliate.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF the parties have duly executed this Agreement on the day and year first above written.

ENRON NIGERIA POWER HOLDING, LTD.

By: _____
Name: _____
Position: _____

EBARGE, LLC

By: _____
Name: _____
Position: _____

[Signature Page to Loan Agreement]

IN WITNESS WHEREOF the parties have duly executed this Agreement on the day and year first above written.

ENRON NIGERIA POWER HOLDING, LTD.

By: _____
Name: _____
Position: _____

EBARGE, LLC

By: _____
Name: Joseph S. Valenti
Position: Vice President & Treasurer

[Signature Page to Loan Agreement]

EXECUTION COPY

DATED 29 DECEMBER 1999

ENRON NIGERIA BARGE HOLDING LTD.

- and -

EBARGE, LLC

– and –

ENRON NIGERIA BARGE LTD.

SHAREHOLDERS' AGREEMENT

Permanent Subcommittee on Investigations
EXHIBIT #216b.

SHAREHOLDERS AGREEMENT dated 29 December, 1999

BETWEEN:

(1) ENRON NIGERIA BARGE HOLDING LTD., a company registered in the Cayman Islands with its registered office at Huntlaw Building, Fort Street, George Town, Grand Cayman, Cayman Islands ("Enron");

(2) EBARGE, LLC, a limited liability company registered in Delaware, with its registered office at c/o ML Leasing Equipment Corp., 250 Vesey Street, New York, New York 10281 ("Ebarge"); and

(3) ENRON NIGERIA BARGE LTD., a company registered in Nigeria with its registered office at 35 Moloney Street, Lagos, Nigeria (the "Company").

WHEREAS:

(A) Enron and Ebarge are parties to an agreement dated 29 December, 1999 (the "Share Purchase Agreement") whereby, inter alia, Ebarge agrees to purchase certain shares in the Company from Enron.

(B) The authorised share capital of the Company as at the date hereof is N10,000,000 divided into 1,000 preferred A shares of N1,000 each, 8,000 preferred B shares of N1,000 each, and 1,000 ordinary shares of N1,000 each.

(C) The issued share capital of the Company is held by the Parties as set forth in Schedule 1 hereto.

(D) The Parties have entered into this Agreement in order to provide for the governance of the Company and certain other matters pertaining to the relationship between them.

IT IS AGREED as follows:

1. Interpretation and Definitions

1.1 In this Agreement, the following terms shall (unless the context requires otherwise) have the following respective meanings:

"A Directors" means the Directors appointed from time to time by the holders of the A Shares.

"A Shares" means the 1,000 preferred A shares of N1,000 each in the capital of the Company, defined as such in the Articles.

"A Shareholders" means the holders from time to time of the A Shares.

"Affiliate" means with respect to any Person, any other Person that (a) controls or owns the first Person, (b) is owned or controlled by the first Person, or (c) is under common ownership or control with the first person, where "*own*" means ownership of 50% or more of the equity interests or rights to distributions on account of equity of the Person and "*control*" means the power to direct the management or policies of the Person, whether through the ownership of voting securities, by contract, or otherwise.

"Articles" means the articles of association of the Company in force from time to time.

"B Directors" means the Directors appointed from time to time by the holders of the B Shares.

"B Shares" means the 8,000 preferred B shares of N1,000 each in the capital of the Company, defined as such in the Articles.

"B Shareholders" means the holders from time to time of the B Shares.

"Board" means the board of directors of the Company from time to time.

"Business Day" means a day other than a Saturday or a Sunday on which banks are open for business in Lagos, Nigeria.

"Communication" has the meaning specified in clause 16.1.

"Completion" has the meaning given to such expression in the Share Purchase Agreement.

"Control" means in relation to a company, any one or more of:

(a) legal and/or beneficial ownership of shares carrying the right to exercise at least 50% of the votes entitled to be cast at general meetings of the shareholders of the company, or any holding company of that company; or

(b) the right to appoint directors or other officers to the board or equivalent governing bodies of the company, or any holding company of that company, who have the right to exercise at least 50% of the votes entitled to be cast at meetings of such directors or other officers; or

(c) the right (legal or de facto) to manage or direct the management of the company, or any holding company of that company.

"Court" has the meaning specified in clause 18.1.

"day" means a calendar day.

"Director" or *"Directors"* means a director or the directors from time to time of the Company.

"Engagement Letter" means the letter of even date herewith between Merrill Lynch, Pierce, Fenner & Smith Incorporated and Enron Corp. relating to the acquisition of certain of the Shares and certain ancillary matters connected therewith.

"Fair Market Value" means the value which is stated in writing by the firm of PricewaterhouseCoopers, or such other accountancy firm of international repute as the Parties may agree, whose charges shall be borne by the Company, to be in their opinion the fair value of the Shares concerned on a sale between a willing seller and a willing purchaser, having regard to the rights and restrictions attached to such Shares.

"Major Decisions" has the meaning specified in clause 5.1.

"N" or "Naira" means the lawful currency of the Republic of Nigeria.

"Offer Price" has the meaning given in the Articles.

"Ordinary Directors" means the directors appointed from time to time by the holders of the Ordinary Shares.

"Ordinary Shareholder" means a holder of Ordinary Shares.

"Ordinary Shares" means the 1,000 ordinary shares of N1,000 each in the capital of the Company.

"Party" or *"Parties"* means any party to this Agreement or all of them, as the context requires.

"Person" includes any individual, corporation, company, limited liability company, partnership (general or limited), business, trust, or other governmental or non-governmental entity or association.

"Power Purchase Agreement" means the power purchase agreement dated 6 December 1999 made by and among Enron Nigeria Power Holding Ltd, Lagos State, the Federal Republic of Nigeria and the National Electric Power Authority of Nigeria.

"Sale Notice" has the meaning specified in the Articles.

"Shareholder" means a holder of Shares.

"Share Purchase Agreement" has the meaning specified in recital (A).

"Shares" means the Ordinary Shares and/or the A Shares and/or the B Shares, as the context shall require.

"Transfer" means to sell, transfer, assign, pledge, charge, or grant a security interest over, or otherwise to dispose; and *"Transferee"* and similar expressions shall be construed accordingly.

"United States" and *"US"* means the United States of America.

1.2 Except where the context requires otherwise, references to clauses or Schedules are to clauses of or Schedules to this Agreement.

1.3 Headings are inserted for convenience only and shall not affect the construction of this Agreement.

1.4 References to any gender include all others if applicable in the context.

1.5 All uses of *include* or *including* mean without limitation.

1.6 References to a contract, agreement, or other document mean that contract, agreement, or document as amended, modified, or supplemented, if applicable, from time to time.

2. Existing Business and Interests of the Company

2.1 *Existing Business of the Company.* The business of the Company is the financing, development, ownership and/or operation of, initially, three (3) barge mounted electricity generating units located or to be located in Lagos, Nigeria, or activities ancillary thereto.

2.2 *Best Interests of the Company.* The Parties acknowledge that the business of the Company shall be conducted by the Directors in the best interests of the Company on sound commercial profit-making principles so as to generate the maximum achievable maintainable cash flows available for distribution.

3. Directors of the Company

3.1 *Appointment.* The A Shareholders shall have the right, exercisable by notice in writing to the Company, to appoint at any time up to, but no more in aggregate at any one time than, one A Director. The B Shareholders shall have the right, exercisable by notice in writing to the Company, to appoint at any time up to, but no more in aggregate at any one time than, eight B Directors. The Ordinary Shareholders shall have the right, exercisable by notice in writing to the Company, to appoint at any time up to, but no more in aggregate at any one time than, one Ordinary Director.

3.2 *Removal.* Any A Director may be removed or replaced, with or without cause, and any vacancy may be filled by notice delivered to the Company by, the A Shareholders. Any B Director may be removed or replaced, with or without cause, and any vacancy may be filled by notice delivered to the Company by the B Shareholders. Any Ordinary Director may be removed or replaced with or without cause, and any vacancy may be filled by notice delivered to the Company by, the Ordinary Shareholders. To the extent that any further action (corporate or shareholder) is required to give full legal effect to any such notice, the Parties shall procure that such further action is taken promptly and in any event within 21 days of the date of the notice.

3.3 *Chairperson.* The position of chairperson of the Board shall be a nominee from time to time of the B Directors from among their number. The chairperson of the Board shall have a casting vote at all and any meetings of the Board.

3.4 *Actions of Directors.* The A Shareholders, the B Shareholders and the Ordinary Shareholders shall take all reasonable steps to ensure that their respective nominees as Directors at all times comply with the requirements of this Agreement. If a Director votes other than in accordance with the requirements of this Agreement, then:

(a) as between the Parties, the vote shall be deemed to be invalid and ineffective; and

(b) the Shareholder who nominated that Director will procure that such Director is immediately removed from office and replaced by a further nominee of such Shareholder.

3.5 *Payment of Directors.* The Directors will not be entitled to payment from the Company in their capacity as Directors, other than reimbursement of expenses in accordance with any agreement reached with the Company from time to time.

3.6 *Board meetings.* The Board will meet not less than twice in each year, and on any other occasion requested by a Director, by the Company giving not less than 10 Business Days' prior written notice to the Directors.

3.7 *Alternate directors.* Subject to the Articles, each Director shall be entitled to appoint, remove and replace from time to time an alternate director. In the absence of the Director appointing him, an alternate director shall have all powers of that Director in relation to the Board and be deemed to be a member of the Board for all purposes.

3.8 *Quorum.* The quorum for a meeting of the Board shall be five Directors (or their alternates). If a quorum is not present at any meeting of the Board proposed with due notice, the meeting shall be reconvened on the 10th Business Day after (and excluding) the date of the original meeting.

3.9 *Voting.* Subject to Clauses 3.10 and 3.11, each decision of the Board shall, if the decision does not constitute a Major Decision, require a majority affirmative vote of the Directors.

3.10 *Management.* The Directors shall, subject to the Articles and to applicable law (but to the fullest extent permitted thereby), have full and complete authority to conduct the day-to-day management and activities of the Company as they shall in their absolute discretion determine.

3.11 *Financing.* In the event that it would at any time, in the opinion of the Board be in the interests of the Company to seek or obtain any further financing or refinancing of the business or operations of the Company:

(a) the Board, or such Person or Persons as the Board may nominate, shall and shall be entitled to arrange, negotiate and conclude any such financing or refinancing on behalf of the Company; and

(b) the Shareholders shall co-operate in such financing or refinancing and shall provide such undertakings and such pledges, mortgages and charges over or in respect of the Shares as may reasonably be required in connection therewith.

3.12 *Indemnification.*

(a) The Shareholders shall procure that the Company shall indemnify each Director appointed under or following execution of this Agreement (and any alternate of such director) from all losses, costs, liabilities and expenses associated with that individual's service as a Director or alternate director; provided, however, that such indemnification shall not apply to actions constituting gross negligence or wilful misconduct.

(b) The Shareholders shall procure that the Company and the Company agrees that it shall (out of the funds of the Company) indemnify each Shareholder and its managing member (including the general partner thereof) and their respective officers, members, directors, employees, and agents from and against all losses, costs, liabilities, and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by such party in defending any proceedings, whether civil or criminal, arising in connection with this Agreement or as a result of such Shareholder's membership in the Company or involvement in the affairs of the Company, in which judgment is given in such party's favor, or in which such party is acquitted, or in connection with any application under Section 641 of the Decree (as defined in the Articles) in which relief is granted to such party by the Court.

4. Shareholders

4.1 *Meetings of Shareholders.* The Shareholders shall meet at least once every fiscal year, at such location and on such date and time as may be determined by the Board. Meetings of the Shareholders may be called by the Board, and shall be called by the Board upon the request of any Shareholder owning Shares representing at least 25% of a particular class of Shares, upon 10 Business Days' notice to all Shareholders. No business shall be acted upon at such a meeting that is not stated in the notice of the meeting.

4.2 *Quorum.* No action may be taken at a meeting of the Shareholders unless a majority of the B Shareholders are present at such meeting by way of authorised representative.

5. **Major Decisions**

5.1 ***Major Decisions.*** The Shareholders shall not, and shall procure that their appointees as Director shall not, make any Major Decision unless, in addition to any other consents or approvals that may be required, a majority of Directors have approved such Major Decision at a meeting of the Board or in writing (and subject and without prejudice to the provisions of the Articles). The following decisions constitute "Major Decisions":

(a) undertaking borrowings, or incurring other indebtedness, in excess of $5 million;

(b) mergers, consolidations, sale of all or substantially all of the assets, liquidation (partial or complete) or dissolution of the Company;

(c) issuing additional Shares in the Company or granting any right to acquire any other equity interest in (or instrument convertible into equity interests in) the Company;

(d) amendment to the memorandum of association of the Company or of the Articles; and/or

(e) a decision to wind up the Company.

6. **Taxation**

6.1 All matters in relation to taxation of the Company shall be treated or determined as the Board shall in its absolute discretion decide.

6.2 The Shareholders or any of them shall be entitled to procure that the Company pays all amounts required to be paid by the taxation codes and laws of Nigeria and any other applicable law, and withholds such amounts from distributions to the Shareholders to the extent required to be withheld by any such codes or law.

6.3 A Shareholder shall reimburse to the Company any amount distributed to the Shareholder in respect of which the Company has paid any withholding taxes on behalf of such Shareholder in accordance with applicable law, promptly following receipt from the Company of evidence of payment of such taxes.

6.4 The Shareholders acknowledge that the Company shall be treated as a partnership for the purposes of United States income tax, and that the Company shall not be otherwise characterised for the purposes of any tax returns, statements or reports filed by the Shareholders or any of their Affiliates with the income tax authorities of the United States. The Shareholders shall prepare and file, or shall procure the preparation and filing of, with the income tax authorities of the United States, any form, election, or application which in their reasonable opinion is necessary to cause the Company to be treated as a partnership for the purposes of United States income tax.

6.5 The Shareholders shall not amend the memorandum of association of the Company or the Articles where such amendment might reasonably be expected to cause the Company not to be treated as a partnership for the purposes of United States income tax.

6.6 None of Shareholders or their Affiliates shall take any action that might reasonably be expected to result in the Company:

(a) having income effectively connected with a United States trade or business for the purposes of United States federal income tax;

(b) receiving income from a United States source for such purposes; or

(c) otherwise being required to file a United States income tax return subject to Clause 6.7.

6.7 Except to the extent that the Board otherwise determines and subject to clause 6.8, the Shareholders shall prepare and file, or shall procure the preparation and filing of, with the income tax authorities of the United States, for or in respect of the Company:

(a) any information and/or reporting returns for the purposes of United States income tax;

(b) at the request of any Shareholder, an election under Section 754 of the United States Tax Code, subject to the right of any Shareholder to seek to revoke any such election in relation to subsequent transactions; and

(c) any other form, election, application or request reasonably determined by the Board to be desirable,

and shall provide any information reasonably required from them for the purposes of any such filing.

6.8 The Shareholders shall procure that the Company shall provide a copy of any filing proposed to be made in accordance with this clause 6 to all Shareholders a reasonable time prior to the making of such filing, and no such filing shall be made to the extent that it might reasonably be expected to result in any increased direct or indirect tax cost to the Company. The Shareholders shall procure that, as soon as reasonably practicable and not later than 90 days following any such filing, the Company shall provide a copy of such filing to each of the Shareholders.

7. [Not Used]

8. Transfer of Shares

8.1 *General.* Except as expressly provided in this Agreement or with the written consent of each other Shareholder, no Shareholder may Transfer any of its Shares.

8.2 *Transfers to Affiliates and Connected Persons.* A Shareholder shall be free to sell and transfer to an Affiliate of that Shareholder, on any terms and at any price, all or any of its Shares, provided that:

(a) the proposed transferee shall first have executed and delivered an assumption document in accordance with clause 8.3; and

(b) any transfer pursuant to this clause 8.2 shall not release the transferring Shareholder from any of its obligations or liabilities under or arising out of this Agreement prior to the time of the transfer.

8.3 *Transferee obligations.* A Shareholder shall not Transfer any of its Shares unless prior to any such Transfer the intended transferee assumes (in a written document on terms reasonably satisfactory to the non-transfering Shareholders) all of such Shareholder's obligations under this Agreement.

9. Warranties

9.1 *Mutual warranties.* Each Shareholder warrants to the other Shareholders that:

(a) it is a duly organised, validly existing entity, is in good standing under the laws of the jurisdiction of its formation and has all requisite power and authority to enter into and to perform its obligations under this Agreement;

(b) its execution, delivery and performance of this Agreement have been authorised by all necessary corporate action on its part and that of its equity owners (if required) and do not and will not (i) violate any law, rule, regulation, order or decree applicable to it or (ii) violate its organisational documents;

(c) this Agreement is a legal and binding obligation of that Shareholder, enforceable against that Shareholder in accordance with its terms, except to the extent enforceability is modified by bankruptcy, reorganisation and other similar laws affecting the rights of creditors generally and by general principles of equity;

(d) there is no litigation pending or, to the best of its knowledge, threatened to which that Shareholder or any of its Affiliates or any Person that Controls that Shareholder is a party that could reasonably be expected to have a material adverse effect on the financial condition, prospects, or business of that Shareholder or its ability to perform its obligations under this Agreement.

10. Events of Default

10.1 *Events of Default.* It is an Event of Default, whether or not it is within the control of any Shareholder, if:

(a) *material breach*:

(i) any Shareholder breaches any material obligation under this Agreement;

(ii) another Shareholder gives written notice of the breach to the Shareholder in default and to the other Shareholders; and

(iii) where such breach is capable of remedy, the Shareholder in default does not remedy the breach within 30 days after the date of the notice;

(b) *winding-up*: an application or order is made for the winding-up of any Shareholder or a resolution is passed or any steps are taken to pass a resolution for such winding-up;

(c) *receiver*: a receiver, receiver and manager, trustee in bankruptcy, administrator or similar officer is appointed over the assets or undertaking of any Shareholder;

(d) *arrangements*: any Shareholder becomes insolvent and enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;

(e) *disposal of shares*: any Shareholder Transfers or purports to Transfer any of its shares in breach of the Articles or this Agreement.

10.2 *Effect of Event of Default.* Without prejudice to any other right or remedy of the Parties under this Agreement or at law, if an Event of Default occurs in respect of a Shareholder such Shareholder shall be deemed to have issued to the remaining Shareholders, to be received on the last date on which any of the remaining Shareholders becomes aware of such Event of Default, a Sale Notice in accordance with the Articles in respect of all Shares held by such Shareholder, and specifying as the Offer Price the Fair Market Value of such Shares.

11. Dissolution and Liquidation

11.1 *Events Causing Dissolution.* The Company shall be dissolved and its affairs wound up upon the occurrence of any of the following events:

(a) the consent in writing to dissolve and wind up the affairs of the Company by the affirmative vote of Shareholders which in the aggregate own more than two-thirds (2/3) of all the Shares;

(b) the sale or other disposition by the Company of all or substantially all of its assets and the collection of all amounts derived from any such sale or other disposition, including all amounts payable to the Company under any promissory notes or other evidences of indebtedness taken by the Company (unless the Shareholders shall elect to distribute such indebtedness to the Shareholders in liquidation), and the satisfaction of contingent liabilities of the Company in connection with such sale or other disposition; or

(a) the occurrence of any other event that, under Nigerian law, would cause the dissolution of the Company or that would make it unlawful for the business of the Company to be continued.

11.2 *Distributions Upon Dissolution.*

(a) Upon the dissolution of the Company, the Board (or any other person or entity responsible for winding up the affairs of the Company) shall proceed without any unnecessary delay to sell or otherwise liquidate the assets of the Company, other than the Barges (as defined in the Power Purchase Agreement) or any of them, and pay or make due provision for the payment of all debts, liabilities and obligations of the Company.

(b) The Board (or any other person or entity responsible for winding up the affairs of the Company) shall distribute the net liquidation proceeds and any other liquid assets of the Company, accrued in accordance with clause 11.2(a), after the payment of all debts, liabilities and obligations of the Company, the payment of expenses of liquidation of the Company and the establishment of a reasonable reserve in an amount estimated by the Board to be sufficient to pay any amounts reasonably anticipated to be required to be paid by the Company, which shall be distributed to the Shareholders in proportion to their respective holdings of Shares (subject always to any preferential rights attaching to such Shares). With the written consent of all of the Shareholders, the Company's assets may be distributed in kind to the Shareholders in the manner set forth in the previous sentence using valuation mechanisms agreed in writing by all of the Shareholders.

1.3 *Reasonable Time for Winding Up.* A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to clause 11.1 in order to minimize any losses otherwise attendant upon such a winding up.

2. Bank Accounts; Books and Records; Financial Statements

2.1 *Bank Accounts.* All funds of the Company shall be deposited in its name in such bank

accounts, time deposits or certificates of deposit, or other accounts at such banks as shall be designated by the Board from time to time, and the Board shall arrange for the appropriate conduct of such account or accounts.

12.2 *Books and Records.* The Board shall keep, or cause to be kept, accurate, full and complete books and accounts showing assets, liabilities, income, operations, transactions and the financial condition of the Company. Any Shareholder, or its respective designee, shall have access thereto at any reasonable time during regular business hours and shall have the right to copy said records at its own expense.

12.3 *Financial Statements and Information.*

(a) All financial statements prepared pursuant to this clause 12.3 shall present fairly the financial position and operating results of the Company and shall be prepared in accordance with generally accepted accounting principles and any applicable legal requirements relating to local statutory accounting and reporting standards.

(b) Within 90 days after the end of each financial year of the Company, the Board shall prepare and submit or cause to be prepared and submitted to the Shareholders: (i) an audited balance sheet, together with audited statements of profit and loss, Shareholders' equity and changes in financial position for the Company during such year; (ii) a report of the activities of the Company during the year; and (iii) an audited statement showing any amounts distributed to the Shareholders in respect of such year.

13. Shareholder obligations

(a) Each Shareholder covenants that neither it nor any of its Affiliates nor any of their officers, directors, employees, agents or stockholders shall make, or cause to be made, in connection with the business or affairs of the Company, any payments, loans or gifts or promises or offer of payments, loans or gifts of any money or anything of value, directly or indirectly:

(i) to or for the use or benefit of any official or employee of any government or agency or instrumentality thereof;

(ii) to any political party, or official or candidate thereof; or

(iii) to any other Person either as an advance or as a reimbursement if it knows that any part of such payment, loan or gift will be directly or indirectly given or paid by such other Person to an official, party, party official or candidate referred to in sub-paragraph (i) or (ii) above, or will reimburse such other Person for payments, gifts, or loans previously made, to any such official, party, party official or candidate.

(b) Each Shareholder shall provide, on or before the 30th day after notice from one of the other Shareholders so requesting, the requesting Shareholder with certification to the effect that it has not, and its Affiliates and their personnel have not, made or sought any payments, directly or indirectly, in violation of this clause 13.

14. Conflicts and further assurances

14.1 ***Conflicts.*** In the event of any conflict between the provisions of this Agreement and the Articles, the provisions of this Agreement shall prevail as between the Shareholders.

14.2 ***Further assurances.*** The Parties shall, and shall cause their respective Affiliates and the Company to: (a) exercise all voting and other rights and powers available to them so as to give effect to the provisions of this Agreement; and (b) if necessary ensure any required amendment to the memorandum or articles of association of the Company as may be necessary to give effect to the intent and purpose of this Agreement.

15. Confidentiality

15.1 ***Duty of confidence.*** Each Shareholder shall, and shall cause its Affiliates to, keep confidential all written and/or electronically stored data in relation to the business, operation and affairs of the Company; provided, however, that this obligation of confidentiality shall not apply to any disclosure of information:

(a) that is in or enters the public domain without a breach of a duty of confidentiality by the disclosing Person;

(b) the disclosure of which is required by law, regulation, legal process, or order of any court or governmental body having jurisdiction or pursuant to the regulations of any securities exchange upon which any of the Parties is listed;

(b) to its Affiliates, and to the employees, agents, consultants, bankers, financial and professional advisers of that Party or its Affiliate, provided that (i) they have a reasonable need to know the information and (ii) they are instructed and agree in writing to maintain such information confidential; or

(c) where such disclosure is reasonably required in connection with the financing or refinancing of the business or operations of the Company or of any Affiliate of the Company.

15.2 ***Specific exceptions.*** Notwithstanding the provisions of clause 15.1, in the course of a negotiation to sell Shares in accordance with clause 8, a Shareholder may disclose information that would otherwise be subject to the provisions of clause 15.1 to a prospective purchaser or adviser, provided that such Person shall first enter into a binding undertaking with the other Parties that such Person will (a) only use such information for the purpose of evaluating the proposed purchase of Shares, and (b) maintain the confidentiality of such information in accordance with the provisions of clause 15.1 as if it were party to this Agreement and bound by it.

15.3 ***Remedy for breach.*** Each Shareholder acknowledges that damages would be an insufficient remedy for a breach of clauses 15.1 or 15.2 and that any Party may apply for injunctive relief to compel compliance by a Shareholder with the provisions of such clauses. The provisions of clauses 15.1 to 15.3 inclusive are intended to benefit each Party and their respective Affiliates.

15.4 ***Announcements.*** Without prejudice to Clause 15.1, any announcement or circular or other publicity relating to this Agreement or any termination hereof shall prior to its publication be approved in writing by each of the Parties as to its content, form and manner of publication (such approval not to be unreasonably withheld or delayed) save

for any announcement, circular or other publicity required to be made or issued by any Party pursuant to the regulations of any securities exchange upon which it is or is to be listed. Save as permitted by the preceding sentence, no Party shall make any announcement or issue any circular or other publicity relating to this Agreement or any termination hereof, provided that such Party shall use its reasonable endeavours to provide a copy of such publicity five Business Days prior to the making or issue thereof.

15.5 *Survival.* The provisions of clauses 15.1 to 15.4 inclusive shall survive for a period of 3 years following any termination of this Agreement.

16. Notices

16.1 *Manner of service.* Any written communication or document, including process in any legal action or proceedings (a "Communication") which any Party may desire to give or deliver in connection with this Agreement shall be delivered by hand or sent by fax to the addressee at its address or fax number set out in clause 16.3 (any such notice sent by fax to be confirmed in hard copy form by post or by hand, provided that this shall not prevent the notice from having been effectively delivered upon receipt by the addressee of the relevant fax).

16.2 *Time of notice.* A Communication shall be deemed to have been given, if delivered by hand, at the time of delivery, or, if sent by fax, on the Business Day following the day on which the same shall have been transmitted (provided that a copy of the Communication is delivered by hand as soon as is practicable).

16.3 *Addresses.* At the date of this Agreement the addresses, fax numbers and, where applicable, contact names of the Parties for the purposes of Communications are as follows:

If the notice is to Enron:

Enron Nigeria Barge Holding Ltd.
333 Clay Street, Suite 1800
Houston, Texas 77002
Attention: Senior Vice President, Africa
Fax Number: 1 713 646 7433

with a copy of all legal notices to:

Enron Asia Pacific/Africa/China

333 Clay Street, Suite 1800
Houston, Texas 77002
Attention: General Counsel
Fax Number: 1 713 345 5538

If the notice is to Ebarge:

Ebarge, LLC
c/o ML Leasing Equipment Corp.
World Financial Center
North Tower
250 Vesey Street

New York, New York 10281
Attention: William Fuhs
Telephone: (212) 449-9782
Telecopy: (212) 449-1787

with a copy of each such notice to be simultaneously given, delivered or served to the following address:

ML Leasing Equipment Corp.
Controller's Office
World Financial Center
South Tower-14th Floor
225 Liberty Street
New York, New York 10080
Attention: Kira Toone
Telephone: (212) 236-7203
Telecopy: (212) 236-7584

The Parties may change their address, fax number or contact name for the purpose of Communication by notice on the other Parties served in accordance with this clause.

16.4 ***Proof of service.*** In proving service of a Communication, it shall be sufficient to prove that the envelope containing the Communication was properly addressed and delivered to the address shown thereon, or that fax transmission of the Communication was made after obtaining in person or by telephone appropriate evidence of the capacity of the addressee to receive the same, as the case may be.

17. General

17.1 ***Regulation.*** The Parties shall cooperate with each other from time to time to ensure that all information necessary or desirable for the making of (or responding to any requests for further information consequent upon) any notifications or filings made in respect of this Agreement, or the transactions contemplated hereunder are supplied to the Person dealing with such notification and filings and that they are properly, accurately and promptly made.

17.2 ***Successors and Assigns.*** Neither Party may assign any of its rights or obligations under this Agreement in whole or in part without the approval of each of the other Parties. This Agreement shall enure for the benefit of and be binding on the respective successors in title and permitted assigns of each Shareholder who shall procure in transferring any of its Shares in the Company that each such transferee shall execute an assumption document as provided in Clause 8.3 hereof.

17.3 *No waiver.* No waiver by a Party of a failure or failures by any of the other Parties to perform any provision of this Agreement shall operate or be construed as a waiver in respect of any other or further failure whether of a like or different character or a waiver by any other Party. No failure or delay on the part of a Shareholder in exercising any right, power or privilege hereunder and no course of dealing between the Shareholders and the Company shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any other rights or remedies which a Shareholder would otherwise have at law or in equity or otherwise.

17.4 *Amendment.* Except where specifically provided, this Agreement may be amended only by an instrument in writing signed by duly authorised representatives of each of the Parties.

17.5 *No partnership or agency; no fiduciary duties.*

(a) Nothing in this Agreement (or in any of the arrangements contemplated hereby) shall be deemed to constitute a partnership between the Parties or any of them (other than in accordance with the provisions of clause 6), nor constitute any Party the agent of any other Party for any purpose.

(b) No Shareholder shall without the written consent of each of the other Shareholders enter into contracts with third parties as agent for the Company nor shall any Shareholder describe itself as agent as aforesaid or in any way hold itself as being agent as aforesaid or as representing the Company.

(c) Except as expressly and specifically provided in this Agreement or in another agreement in writing to which it is a party, no Shareholder and no Affiliate of a Shareholder shall by virtue of this Agreement or otherwise owe any duty of care, duty of loyalty or other fiduciary duty to any other Party or its Affiliates. In particular, but without limitation to the generality of the foregoing, nothing in this Agreement shall prevent a Shareholder or its Affiliate from carrying on or owning an interest in any other business or opportunity without having to offer that business or opportunity to the Company.

17.6 *Severance.* If any provision of this Agreement is finally determined to be, or becomes, invalid, illegal or unenforceable, or if the actions or matters contemplated by any of the provisions of this Agreement are finally determined to be, or become, illegal, then such provision shall, so far as invalid or unenforceable, be given no effect and shall be deemed not to be included in this Agreement, but without affecting or invalidating the remaining provisions of this Agreement. Notwithstanding the foregoing, the Parties shall thereupon negotiate in good faith in order to agree the terms of a mutually satisfactory provision achieving as nearly as possible the same commercial effect, to be substituted for the provision found to be invalid, illegal or unenforceable.

17.7 *Costs and expenses.* Costs and expenses incurred in connection with the negotiation, entering into and completion of this Agreement shall be paid in accordance with the Engagement Letter.

17.8 *Entire Agreement.* This Agreement sets out the entire agreement and understanding between the Parties with respect to the subject matter hereof, save for any agreement expressly contemplated by this Agreement. It is agreed that:

(a) no Party has entered into this Agreement in reliance upon any representation, warranty or undertaking of any other Party which is not expressly set out or referred to in this Agreement;

(b) no Party shall have any remedy in respect of misrepresentation or untrue statement made by any other Party unless and to the extent that a claim lies for breach of a warranty under this Agreement;

(c) this clause shall not exclude any liability for fraudulent misrepresentation.

17.9 *Counterparts.* This Agreement may be entered into in any number of counterparts, each of which when executed by one or more Parties shall be an original, but all the counterparts shall together constitute one and the same instrument.

17.10 *Limitation on Liability.* Notwithstanding any other provision of this Agreement, no Shareholder nor any of its Affiliates shall be liable, whether in contract, tort, warranty, negligence, strict liability, or otherwise, for any special, indirect, incidental, or consequential damages arising out of or in connection with this Agreement or its status as a Shareholder or an Affiliate of a Shareholder.

17.11 *No Recourse.* The obligations of each of the Parties under this Agreement are intended to be the obligations of a limited liability company only and no recourse for the payment of any amount due under this Agreement or for any claim based hereon or thereon or otherwise in respect thereof, shall be had against any member of such Party or any incorporator, managing member, officer, director or Affiliate, as such, past, present or future of any such managing member (or the general partner thereof) or of any successor corporation to such managing member (or the general partner thereof) or of any member of such Party, or against any direct or indirect parent corporation of such managing member (or the general partner thereof) or of any member of such Party or any other subsidiary or Affiliate of any such direct or indirect parent corporation or any incorporator, shareholder, officer or director, as such, past, present or future, of any such parent or other subsidiary or Affiliate.

18. Governing Law; Dispute Resolution

This Agreement, any amendments hereto in the form of supplemental agreements or otherwise, and any disputes between the Parties, shall be governed by and construed in accordance with the laws of the State of New York, United States of America. Any claim or controversy in connection with this Agreement shall be settled by arbitration conducted under the Rules of Conciliation and Arbitration of the International Chamber of Commerce ("ICC Rules") not inconsistent with the provisions of this Agreement. The arbitration proceeding may commence at the request of either Party and shall be conducted before a panel of three (3) arbitrators, one (1) appointed by each Party and one (1) by the two so chosen. If an arbitrator is not appointed within twenty (20) days of request by either Party, any New York court of competent jurisdiction shall appoint such arbitrator. Judgment may include costs and attorneys fees and may be entered in any court of competent jurisdiction. The arbitration shall be conducted in New York, NY, United States of America or other such place as the Parties may agree, in the English language. Arbitration shall be the sole method of resolving disputes not settled by mutual agreement. The determination of the arbitrators shall be final and binding on all Parties and may enforced by appropriate judicial order.

19. Not Used

20. Waiver of Sovereign Immunity

Each Party for itself and its Affiliates unconditionally and irrevocably agrees that:

(a) its obligations under this Agreement constitute private and commercial acts rather than public or governmental acts;

(b) to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to it or its assets or revenues such immunity (whether or not claimed), it shall not claim, and it irrevocably waives, such immunity to the full extent permitted by the laws of such jurisdiction; and

(c) it waives, to the fullest extent permitted by applicable law, any power, right or entitlement that it might otherwise have in any proceedings in connection with this Agreement to request or seek that any other Party should be required to provide security for the costs of such Party in such proceedings.

21. Duration

21.1 This Agreement shall continue in full force and effect until the first to occur of the following dates:

(a) the date on which the holders of shares of one class in the capital of the Company acquire all of the shares of each other class; or

(b) the date of the Company's winding-up, or its dissolution in accordance with clause 11,

Provided that the terms of this Agreement shall nevertheless continue to bind the Shareholders thereafter to such extent and for so long as may be necessary to give effect to the rights and obligations embodied herein.

[Remainder of page left intentionally blank]

AS WITNESS this Agreement has been signed by the duly authorised representatives of the Parties the day and year first before written.

ENRON NIGERIA BARGE HOLDING LTD.
By:
Name: James A Hughes
Title: Director

EBARGE, LLC
By:
Name:
Title:

ENRON NIGERIA BARGE LTD.
By:
Name: James A Hughes
Title: Director

[Signature Page to Shareholders' Agreement]

AS WITNESS this Agreement has been signed by the duly authorised representatives of the Parties the day and year first before written.

ENRON NIGERIA BARGE HOLDING LTD.
By:
Name:
Title:

EBARGE, LLC
By: Joseph S. Valenti
Name: Joseph S. Valenti
Title: Vice President & Treasurer

ENRON NIGERIA BARGE LTD.
By:
Name:
Title:

[Signature Page to Shareholders' Agreement]

SCHEDULE 1

Issued Share Capital

Shareholder	Class of Shares	No. of Shares
Ebarge, LLC	Preferred A Shares	1,000
	Ordinary Shares	1,000
Enron Nigeria Barge Holding Ltd.	Preferred B Shares	8,000

BENEFITS TO ENRON SUMMARY

Deal Name: Bargeco Dollar Amount: **$7.5 million**
Date: **6/29/00**
Description of Transaction: **Enron sold barges to Merrill Lynch (ML) in December of 1999, promising that Merrill would be taken out by sale to another investor by June, 2000. The project could not be sold by June, so without LJM2's purchase Enron would have had to strain the ML/Enron relationship or repurchase the assets and reverse earnings and funds flow on the original transaction.**

Enron Business Unit Benefited: **Enron International (Africa)**

Did the deal result in a direct or indirect benefit to Enron? **Indirect**

Primary Benefit: **Avoidance of earnings and funds flow reversal (indirect)**

Funds Flow Direct: Funds Flow Indirect: **$28.0 million**

Earnings Direct: **$2.0** Earnings Indirect: **$12.0 million**

Fees Saved:

Other equity investors bidding on the transaction: **none**

Did the deal close with LJM? **yes**

Other benefits to Enron:
- **Protected the Enron/ML relationship**
- **Speed of execution – under three weeks**
- **Complexity – Nigerian structured transaction**
- **Willingness of execution – Project was located in Nigeria, project was behind schedule and little time was available for due diligence.**

Compiled by: **Ace Roman**

Permanent Subcommittee on Investigations
EXHIBIT #217

Confidential Treatment Requested

Valenti, Joseph S (IBK-NY)

From: Toone, Kira (IBK-NY)
Sent: Tuesday, June 13, 2000 1:21 PM
To: 'ahoffman@wbam.com'
Cc: Valenti, Joseph S (IBK-NY); Haugh, Gerard (IBK-NY)
Subject: Ebarge LLC

Alan,

As we approach June 30, 2000 I am getting questions concerning Ebarge, LLC. It was our understanding that Merrill Lynch IBK positions would be repaid its equity investment as well as a return on its equity by this date. Is this on schedule to occur? Please advise.

Regards,
Kira

Permanent Subcommittee on Investigations
EXHIBIT #218

Valenti, Joseph S (IBK-NY)

From: Carlin, Gary (IBK-NY)
Sent: Thursday, June 15, 2000 8:44 AM
To: Valenti, Joseph S (IBK-NY)
Subject: FW: Ebarge Letter-Enron

fyi
—Original Message—
From: Tomaselli, Jean (IBK-NY)
Sent: Wednesday, June 14, 2000 2:54 PM
To: Carlin, Gary (IBK-NY)
Subject: FW: Ebarge Letter-Enron

Gary:

See below—latest info re Enron subject we discussed yesterday.

Jean

—Original Message—
From: Furst, Robert (IBK-DAL)
Sent: Wednesday, June 14, 2000 2:52 PM
To: Tomaselli, Jean (IBK-NY)
Subject: FW: Ebarge Letter

FYI, all is well

—Original Message—
From: Fuhs, William R.(IBK-NY)
Sent: Wednesday, June 14, 2000 1:25 PM
To: Wilson, Geoffrey (IBK-NY); Furst, Robert (IBK-DAL)
Subject: RE: Ebarge Letter

Rob & Geoff,
I just had a call with Dan Boyle (he pre-empted our letter) about the Nigerian Barges transaction.
Enron has lined up a new buyer. This new buyer will purchase our ownership interest in the EBarge for the agreed upon amount outlined in the previously forwarded memo. Additionally, Enron has already engaged V&E to draft the documentation necessary & there should be no problem wrapping this up rather quickly.
Thanks,
Bill

—Original Message—
From: Wilson, Geoffrey (IBK-NY)
Sent: Wednesday, June 14, 2000 12:58 PM
To: Furst, Robert (IBK-DAL)
Cc: Fuhs, William R.(IBK-NY)
Subject: Ebarge Letter

Rob-

Attached for your review is the letter to Enron concerning our equity investment in Enron Nigeria Barge Ltd. Let me know if you would like me to make any changes.

Regards,

Geoff Wilson
Strategic Asset Lease & Finance Group
(212) 449-9036

<< File: Letter1.doc >>

Permanent Subcommittee on Investigations
EXHIBIT #219

June 14, 2000

Mr. Dan Boyle
Enron Corp.
1400 Smith Street
Houston, TX 77002-7369

Re: Equity Investment in Enron Nigeria Barge Ltd.

On December 29, 1999, Ebarge LLC, a limited liability company controlled by Merrill Lynch ("Ebarge"), purchased 1,000 Preferred A Shares and 1,000 Ordinary Shares of Enron Nigeria Barge Ltd. for $28 million. $21 million of the $28 million purchase price was lent to Ebarge by Enron Nigeria Power Holding, Ltd. The remaining $7 million represents Ebarge's net equity investment in Enron Nigeria Barge Ltd. Enron has agreed to purchase the shares from Ebarge by June 30, 2000 for a purchase price, net of the balance on the loan from Enron Nigeria Power Holding, Ltd., of $7,510,976.65.

Please wire this amount to the following account on or before June 30, 2000:

Chase Manhattan Bank
For the Account of ML IBK Positions, Inc.
Account#: [redacted]
ABA#: 021-000-021

Our counsel, Whitman Breed Abbott & Morgan, will forward on to you for your execution prior to the transfer of funds, documentation including a Stock Purchase Agreement and Stock Transfers evidencing the transfer of shares from Ebarge LLC to Enron and the assumption of the Enron Nigeria Power Holding, Ltd. loan by Enron.

Sincerely,

Robert S. Furst
Managing Director

cc: J. Brown
J. Tomaselli
W. Fuhs
G. Wilson

Cariddi, Curt (Private Equity Finance)

From: Cariddi, Curt (Private Equity Finance)
Sent: Friday, January 18, 2002 10:50 AM
To: Valenti, Joseph S (Private Equity Finance); Devine, John (GMI NY-Finance); Fosina, John (ML & Co. Finance)
Cc: Carlin, Gary (IBK-NY)
Subject: RE: eBarge

FYI, descriptions for the acct #s provided by Joe Valenti

13019 - "Other Investments" used for other non-highly liquid investments in equity securities held by non-B/D not subject to SFAS #115.
43015 - "IBK Strategic Svcs"
46422 - "Other Revenue-Other" distributions from various partnerships (we got a K-1).

Curt Cariddi
Private Equity Finance
4 World Financial Ctr.-24th Flr. New York, NY 10080
95 Greene St.-7th Flr. Jersey City, NJ 07302
212-449-2303 201-671-0395
212-449-1119 201-671-4510
Cell 917-287-3459
ccanddi@exchange.ml.com

-----Original Message-----
From: Valenti, Joseph S (Private Equity Finance)
Sent: Friday, January 18, 2002 9:26 AM
To: Candda, Curt (Private Equity Finance); Devine, John (GMI NY-Finance); Fosina, John (ML & Co. Finance)
Cc: Carlin, Gary (IBK-NY)
Subject: RE: eBarge

Folks:
As requested, here are the accounts that were hit :

a) $7,000,000 investment - Acct 13019 on the books of MLIBK Positions, Inc.
b) 250,000 advisory fee - Acct 43015 on the books of MLPF&S
c) 525,000 return on equity - Acct 46422 on the books of MLIBK Positions, Inc.

Any further questions, please let me know.

-----Original Message-----
From: Cariddi, Curt (Private Equity Finance)
Sent: Friday, January 18, 2002 9:07 AM
To: Devine, John (GMI NY-Finance); Fosina, John (ML & Co. Finance)
Cc: Carlin, Gary (IBK-NY); Valenti, Joseph S (Private Equity Finance)
Subject: eBarge

On 12/30/99, ML IBK Positions funded a $7M equity investment in E-Barge, LLC through a direct payment to Enron Nigerian Power Hldgs Ltd. (one of E-Barge, LLC's investments). We were paid a fee of $250K at the time of funding. The funding was considered by Enron as a bridge to permanent equity and the arrangement called for them to pay interest of 15% per annum on such investment. The equity/bridge was taken out on 6/29/00 for $7.525M ($525K interest @ 15% for six months) on the sale of the investment to LJM-2 E-Barge LLC. The $250K fee plus the $525K interest totaled a 22.14% annualized return.
Any questions pls call me or Joe Valenti. I am in JC today.

Curt Cariddi
Private Equity Finance
4 World Financial Ctr.-24th Flr. New York, NY 10080
95 Greene St.-7th Flr. Jersey City, NJ 07302
212-449-2303 201-671-0395
212-449-1119 201-671-4510
Cell 917-287-3459
ccanddi@exchange.ml.com

Permanent Subcommittee on Investigations
EXHIBIT #220

MS 06146

Tracking:	Recipient	Read
	Valenti, Joseph S (Private Equity Finance)	Read: 01/18/2002 10:56 AM
	Devine, John (GMI NY-Finance)	Read: 01/22/2002 7:54 AM
	Fosina, John (ML & Co. Finance)	Read: 01/18/2002 10:54 AM
	Carlin, Gary (IBK-NY)	Read: 01/19/2002 5:25 PM

Valenti, Joseph S (IBK-NY)

From: Toone, Kira (IBK-NY)
Sent: Thursday, May 04, 2000 5:42 PM
To: Carlin, Gary (IBK-NY)
Cc: Valenti, Joseph S (IBK-NY)
Subject: Ebarge LLC

Gary,

Attached is the calculation of the income accrual for Ebarge LLC:

Income accrued from 12/29/99-12/31/99
($7,000,000 * 15%* 2 /365) = $5,753.42

Income accrued from 1/1/00- 5/3/00
($7,000,000 * 15% * 124/366) = $355,737.70

Total income accrued to date $5,753.42 + $355,737.70 = $ $361,491.12

FYI- the investment is on the books of ML IBK positions. You may receive wiring instructions from either Gerard Haugh or Mike DeBellis.

Regards,
Kira

Permanent Subcommittee on Investigations
EXHIBIT #221

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (the "Agreement") made as of the 29th day of June, 2000, by and between LJM2-EBARGE, LLC, a Delaware limited liability company (hereinafter referred to as the "Purchaser"), and ML IBK POSITIONS, INC., a Delaware corporation (hereinafter referred to as the "Seller").

WITNESSETH:

WHEREAS, the Seller is the record and beneficial owner of one (1) common share, par value $1.00, of EBARGE, LLC (the "Purchased Share"), constituting the entire share capital of EBARGE, LLC, a limited liability company incorporated under the laws of the Cayman Islands, B.W.I. (hereinafter referred to as the "Company"); and

WHEREAS, the Seller desires to sell, and the Purchaser desires to purchase, the Purchased Share upon and subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the foregoing premises, the mutual agreements, representations, warranties and covenants herein contained, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

PURCHASE AND SALE

1.1 Purchase of the Purchased Share. Simultaneously with the execution of this Agreement, the Seller shall sell to the Purchaser, and the Purchaser shall purchase from the Seller, the Purchased Share for the consideration specified in this Article I.

1.2 Purchase Price. The purchase price for the Purchased Share shall be seven million five hundred twenty-five thousand dollars ($7,525,000).

1.3 Payment of Purchase Price. Simultaneously with the execution of this Agreement, and in consideration for the Purchased Share, the Purchaser shall pay to the Seller the purchase price for the Purchased Share, by wire transfer of immediately available funds, to an account designated by the Seller, in the amount of seven million five hundred twenty-five thousand dollars ($7,525,000).

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of Seller. The Seller hereby represents and warrants to the Purchaser that:

Permanent Subcommittee on Investigations
EXHIBIT #222

(a) Due Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Purchased Share. The Seller is the lawful owner of the Purchased Share, free and clear of restrictions on transfer, taxes, security interests, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands resulting from the act or omission of the Seller. The Seller is not a party to any option, warrant, purchase right, or other contract or commitments that could require the Seller to sell, transfer, or otherwise dispose of any capital stock of the Company (other than this Agreement). The Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any capital stock of the Company. The Purchased Share constitutes all of the issued and outstanding shares of capital stock of the Company.

(c) Authorization. All of the issued and outstanding shares of capital stock of the Company have been duly authorized, are validly issued, fully paid, and nonassessable, and are held of record by the Seller. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require the Company to issue, sell, or otherwise cause to become outstanding any of its capital stock. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of the Company. The Seller has full corporate power and authority to execute the Agreement and perform its obligations hereunder. The execution, delivery and performance of this Agreement by the Seller has been duly authorized by all necessary corporate action on the part of the Seller and this Agreement constitutes a legal, valid, and binding obligation of the Seller enforceable in accordance with its terms. The Seller need not give notice to, or make any filing with, or obtain any authorization, consent or approval of any governmental or governmental agency in the United States in order to consummate the transactions contemplated hereby.

(d) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (1) violate any United States constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or court to which the Seller is subject under the laws of the United States or, any provision of its charter or bylaws or (2) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which the Seller is a party or by which it is bound or to which any of its assets is subject.

2.2 Representations and Warranties of the Company.

(a) Organization, Qualification, and Corporate Power. The Company is a company duly organized, validly existing, and in good standing under the laws of the jurisdiction of the Cayman Islands, B.W.I. The Company is duly authorized to conduct business and is in good standing under the laws of each jurisdiction where such qualification is required. Attachment A hereto lists the directors and officers of the Company. The Seller has delivered to the Purchaser correct and complete copies of the Memorandum and Articles of Association of the Company (as amended to date). The minute books (containing the records of meetings of the stockholders, the

board of directors, and any committees of the board of directors), the stock certificate books, and the stock records books of the Company are correct and complete.

(b) Title to Assets. The Company has good and marketable title to, or a valid leasehold in, the properties and assets used by it, located on its premises, free and clear of all security interests arising from any willing or knowing act or omission of the Company.

(c) Events Subsequent to December 29, 1999. Since December 29, 1999:

(i) the Company has not sold, leased, transferred, or assigned any of its assets, tangible or intangible;

(ii) the Company has not imposed any security interest upon any of its assets, tangible or intangible;

(iii) there has been no change made or authorized in the formation and organizational documents of the Company, other than in connection with the re-domiciling of the Company from Delaware to the Cayman Islands, B.W.I. on February 17, 2000 and the amendment made to the Articles of Association on the date hereof;

(iv) the Company has not issued, sold, or otherwise disposed of any of its capital stock, or granted any options, warrants, or other rights to purchase or obtain (including upon conversion, exchange, or exercise) any of its capital stock, other than in connection with the re-domiciling of the Company from Delaware to the Cayman Islands, B.W.I. on February 17, 2000 and the amendment made to the Articles of Association on the date hereof;

(v) the Company has not made any loan to, or entered into any other transaction with, any of its directors, officers, and employees;

(vi) there has not been any other material transaction involving the Company; and

(vii) the Company has not committed to any of the foregoing.

(d) Undisclosed Liabilities. The Company has no liabilities (and to its knowledge there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against the Company giving rise to any liability), except for liabilities under the Loan Agreement, dated December 29, 1999, between the Company and Enron Nigeria Power Holding, Ltd. and under the transaction documents related thereto.

(e) Legal Compliance. The Company has complied with all applicable United States federal, state and local laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder), and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against the Company alleging any failure so to comply.

(f) Tax Matters. The Company has filed all United States tax returns that it was required to file. All such tax returns were correct and complete in all respects. All United States taxes owed by the Company (whether or not shown on any tax return) have been paid.

(g) Certain Business Relationships. The Seller has not been involved in any business arrangement or relationship with the Company since December 29, 1999 and the Seller does not own any asset, tangible or intangible, which is used in the business of the Company.

2.3 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Seller that:

(a) Due Organization. The Purchaser is a limited liability company duly formed and is in good standing and has a legal existence under the laws of the State of Delaware and has the power and authority to enter into and perform its obligations under this Agreement.

(b) Authorization. The execution, delivery and performance of this Agreement by the Purchaser has been duly authorized by all necessary limited liability company action on the part of the Purchaser and this Agreement constitutes a legal, valid, and binding obligation of the Purchaser, enforceable in accordance with its terms.

(c) Reliance. The Purchaser does not rely on and has not been induced to enter into this Agreement on the basis of any warranties, representations, covenants, undertakings, indemnities or other statements whatsoever, other than those expressly set out in this Agreement, and acknowledges that neither the Seller, the Company nor any of its agents, officers or employees have given any such warranties, representations, covenants, undertakings, indemnities or other statements. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR IN THIS AGREEMENT, THE SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES ANY REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE, RELATING TO THE PURCHASED SHARE, INCLUDING ANY REPRESENTATION OR WARRANTY REGARDING ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) FURNISHED TO THE PURCHASER BY OR ON BEHALF OF THE SELLER OR THE COMPANY.

(d) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (1) violate any United States constitution, statute, regulation, rule, injunction, judgment, order decree, ruling, charge, or court to which the Purchaser is subject under the laws of the United States or, any provision of its organizational documents or (2) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which the Purchaser is a party or by which he or it is bound or to which any of its assets is subject.

(e) Solvency. As of the Closing (hereinafter defined), the Purchaser shall be solvent and will not be rendered insolvent by the transfer of the amount specified in Article I hereof.

(f) Investigation. The Purchaser has made its own independent investigation, analysis and evaluation of the Company and its assets, the value of the Purchased Share and business, financial condition, operation and prospects of the Company.

(g) Securities Act.

(i) The Purchaser is purchasing the Purchased Share for its own account and not with a view to any resale or distribution of such Purchased Share in violation of the United States Securities Act of 1933, as amended (the "Securities Act");

(ii) the Purchaser is an accredited investor within the meaning of Regulation D promulgated under the Securities Act and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment hereunder; and

(iii) the Purchaser acknowledges that (1) the sale of the Purchased Share to be purchased by it hereunder has not been registered or qualified under the Securities Act or any non-United States applicable securities laws, (2) such Purchased Share must be held indefinitely unless subsequently registered under the Securities Act or any non-United States applicable securities laws or an exemption from such registration is available.

2.4 Nature and Survival of Representations and Warranties. Notwithstanding any inspection or knowledge on the part of any party hereto, all representations, warranties, covenants and agreements herein contained on the part of each of the parties shall survive the Closing, the execution and delivery of the certificate representing the Purchased Share, and the payment of the consideration therefore until the later of: (i) three (3) years after the date of the Closing; or (ii) the expiration of the statute of limitations applicable to the cause of action asserted by the Purchaser or the Seller with respect thereto.

ARTICLE III

THE CLOSING

3.1 Time and Place. The Closing (the "Closing") of this transaction shall occur simultaneously with the execution of this Agreement.

3.2 Occurrences at Closing.

(a) The obligation of the Purchaser to consummate the transactions contemplated hereby shall be subject to the Seller delivering to the Purchaser the following:

(i) all of the minute books, stock ledgers, stock transfer records and other records of the Company;

(ii) a duly executed share transfer form representing the transfer of the Purchased Share;

(iii) the stock certificate representing the Purchased Share duly endorsed in blank;

(iv) a copy of Resolutions adopted by the Company authorizing, among other things, the deletion of Section 14(a) of the Articles of Association of the Company; and

(v) the written resignations of the directors and officers of the Company and a notice to Enron Nigeria Barge Ltd. of the removal of the A Director and the Ordinary Director (as defined in the Shareholders' Agreement, dated as of December 29, 1999 among Enron Nigeria Barge Holding Ltd., Enron Nigeria Barge, Ltd. and the Company), effective upon the Closing.

(b) At the Closing, the Purchaser shall deliver to the Seller a wire transfer to the Seller in immediately available funds, to an account designated by the Seller, in the amount of seven million five hundred twenty-five thousand dollars ($7,525,000).

ARTICLE IV

MISCELLANEOUS

4.1 Further Assurances. It is expressly understood and agreed that each party hereto shall upon such other party's reasonable request, and at the Purchaser's cost and expense, from time to time, execute and deliver to each other all such instruments and documents of further assurance or otherwise, and will do all such acts and things as reasonably may be required to carry out their respective obligations hereunder to consummate and complete this Agreement.

4.2 Notices. Any notices or demands desired or required to be given hereunder shall be in writing and deemed given when personally delivered or deposited in the United States mail, postage prepaid, sent certified or registered mail, or sent by overnight courier, and addressed:

If to the Purchaser:
LJM2-Ebarge, LLC
c/o LJM2 Co-Investment, L.P.
333 Clay Street
Suite 1203
Houston, TX 77002
Attention: General Partner

If to the Seller:
ML IBK Positions, Inc.
c/o Merrill Lynch & Co., Inc.
World Financial Center
South Tower
225 Liberty Street
New York, NY 10080-6114
Attention: Gerard Haugh

4.3 Best Efforts; Cooperation. The parties hereto shall each exert their reasonable efforts to obtain all consents and approvals necessary for the due and punctual performance of

this Agreement and the satisfaction of the conditions hereof on their part, and shall cooperate with the other party with respect thereto.

4.4 Entire Agreement. This Agreement, including the other agreements executed in connection herewith, constitutes and contains the entire agreement of the parties and supersedes any and all prior negotiations, correspondence, understandings and agreements between the parties respecting the subject matter hereof.

4.5 Parties and Interest. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto (including any successor by merger), whether herein so expressed or not, but neither this Agreement nor any of the rights, interests or obligations hereunder or of any party hereunder shall be assigned without the prior written consent of the other party hereto, provided that Purchaser can assign its rights, interests and obligations hereunder to an affiliate.

4.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument and in making proof hereof it shall not be necessary to produce or account for more than one such counterpart.

4.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

4.8 Severability. If any covenant or agreement provided in this Agreement or any agreement executed in connection with this Agreement is deemed to be contrary to law or otherwise unenforceable, that covenant or agreement will be deemed separable from the remaining covenants and agreements contained in this Agreement and will not affect the validity, interpretation, or effect of the other provisions of either this Agreement or any agreement executed pursuant to it or the application of that covenant or agreement to other circumstances not contrary to law or otherwise enforceable.

4.9 Headings. The titles and headings preceding the text of the paragraphs of this Agreement have been inserted solely for convenience of reference and neither constitute a part of this Agreement nor affect its meaning, interpretation, or effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this ___ day of June, 2000.

SELLER

ML IBK POSITIONS, INC.

By: /s/ Valenti
Name: Joseph A. Valenti
Title: Director, Vice President and Assistant Treasurer

PURCHASER

LJM2-EBARGE, LLC

By: LJM2 Co-Investment, L.P.,
its managing member

By: LJM2 Capital Management, L.P.,
its general partner

By: LJM2 Capital Management, LLC,
its general partner

By:_____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 29th day of June, 2000.

SELLER

ML IBK POSITIONS, INC.

By:_____
Name:
Title:

PURCHASER

LJM2-EBARGE, LLC

By: LJM2 Co-Investment, L.P.,
its managing member

By: LJM2 Capital Management, L.P.,
its general partner

By: LJM2 Capital Management, LLC,
its general partner

By: [signature]
Name: Kathy Lynn
Title: Authorized Person

Valenti, Joseph S (Private Equity Finance)

From: Toone-Meertens, Kira (GMI-PVT EQTY)
Sent: Thursday, January 17, 2002 12:42 PM
To: Valenti, Joseph S (Private Equity Finance)
Subject: Ebarge LLC confirmation of 15% equity return rate

Joe

I could not locate anything on the 15% equity return. Perhaps it would be noted in an LLC agreement. Do you have such an agreement in the folder? If I could take a look maybe I could find something. Let me know if (when) I could look through the folder if you're not currently using it.

Kira

Permanent Subcommittee on Investigations
EXHIBIT #223

Valenti, Joseph S (Private Equity Finance)

From: Valenti, Joseph S (Private Equity Finance)
Sent: Thursday, January 17, 2002 2:13 PM
To: Toone-Meertens, Kira (GMI-PVT EQTY)
Subject: RE:

thanks. He did receive the 250. I have an engagement letter him to enron

—Original Message—
From: Toone-Meertens, Kira (GMI-PVT EQTY)
Sent: Thursday, January 17, 2002 2:10 PM
To: Valenti, Joseph S (Private Equity Finance)
Subject:

Joe,

Gerard seemed to think the 22.5% is correct. What happened is 15% or $525,000 was the equity return and I believe Jim Brown received an upfront fee of $250,000. $525,000+$250,000= $775,000/$7,000,000*360/180 = 22.14%.

Kira

Permanent Subcommittee on Investigations
EXHIBIT #224

Valenti, Joseph S (Private Equity Finance)

From: Toone-Meertens, Kira (GMI-PVT EQTY)
Sent: Thursday, January 24, 2002 12:19 PM
To: Valenti, Joseph S (Private Equity Finance)
Subject: RE:

just questions about the accounting- like how did the SPE pay the interest on the loan, who the loan was payable to. I explained that the loan to Ebarge came from Enron and that the vehicle was structured so that we would recoup through the income payments the interest due on the loan and the equity return. Since the interest on the loan was to be paid by Enron(as a component of the income payments) to Enron as a lender no actual cash passed hands other than the equity return. She was fine with that.

—Original Message—
From: Valenti, Joseph S (Private Equity Finance)
Sent: Thursday, January 24, 2002 12:08 PM
To: Toone-Meertens, Kira (GMI-PVT EQTY)
Subject: RE:

such as ?

—Original Message—
From: Toone-Meertens, Kira (GMI-PVT EQTY)
Sent: Thursday, January 24, 2002 11:59 AM
To: Valenti, Joseph S (Private Equity Finance)
Subject:

I'm still getting calls on Ebarge from Liz Applebaum. the saga continues.....

Permanent Subcommittee on Investigations
EXHIBIT #225

Valenti, Joseph S (Private Equity Finance)

From: Toone-Meertens, Kira (GMI-PVT EQTY)
Sent: Friday, January 18, 2002 5:04 PM
To: Valenti, Joseph S (Private Equity Finance)
Subject: Ebarge LLC

Joe

I just got a call from Liz Applebaum in Financial Reporting. She was asking about the accounting on the Ebarge LLC. I was able to answer all of her questions except what account the investment was booked to on IBK positions. I tried reaching Mike but he was unavailable. She also said "Kira,you and Joe have your signatures all over this thing. Poor poor Kira and Joe!!!!"" She also advised us not to lose any sleep over this. We'll be fine.

Kira

Permanent Subcommittee on Investigations
EXHIBIT #226

LJM2 INVESTMENT SUMMARY

Deal Name: Bargeco
Originated: Enron Development
Expected Closing Date: 6/29/00
Expected Funding Date: 6/29/00

Date Completed: June 29th, 2000
Investment Analyst: Ace Roman
Investment Type: Equity

Investment

LJM2 Capital Commitment $7,525,000.00

Deal Description

LJM2 will purchase Merrill Lynch's interest in EBARGE, LLC a Cayman special purpose company set up to own the preferred A and ordinary shares of Enron Nigeria Barge Limited ("ENBL"). ENBL owns three barges and expects to own six additional barges that will be subject to Power Purchase Agreements ("PPAs") with the Federal Government of Nigeria, the Lagos State Government and the National Electric Power Authority of Nigeria ("NEPA"). Merrill Lynch purchased the equity in ENBL from Enron in December of 1999 for $28,000,000 of which $21,000,000 was a seller-financed loan. LJM2, through its ownership interest in EBARGE, LLC, will become party to that non-recourse loan.

Transaction Summary

LJM2 will purchase Merrill Lynch's interest in EBARGE for $7,525,000.00 and will adjust the $21,000,000 seller financed, non-recourse loan for project specific changes that have occurred since the original transaction closed. LJM2, through its ownership interest in EBARGE, LLC, will become party to a Loan Agreement with Enron, a Pledge Agreement with Enron for all 9 barges, and a Shareholders' Agreement with ENBL. Enron and EBARGE have the ability to remove and profitably relocate or liquidate the barges.

Investment Return Summary

ENBL's preferred A shares are entitled to .1% of all cash flows for the life of the project. The Ordinary shares receive 90% of all cash flows until the sum cash flow to the preferred A and ordinary shares reaches $37,543,000, after which the ordinary shares receive .9% of all cash flows. Interest and principal on the loan are serviced only to the extent that EBARGE, LLC receives project cash flows. Cash flows to LJM2 after debt service requirements give a return of capital in 15 months, a 28% IRR in 17 months, and a 49% IRR if held 23 months or longer.

Expected Project Cash Flows - Compound/Annualized IRR - 49%

Risks	Mitigants
PPA counterparty (Nigeria Credit) risk	LJM2's investment will be covered by a $60,000,000 standby letter of credit from Citibank for Nigerian default risk. Under a liquidation scenario, LJM2 is entitled to first cash flow as determined by a liquidation schedule. The current PPAs are not effective until the letter of credit is executed. If execution is delayed, it is possible to profitably relocate the barges.
Removal of barges under Nigerian payment default	Enron and EBARGE have the ability to remove and profitably relocate or liquidate the barges. If Enron and EBARGE are unable to remove the barges due to expropriation or political violence, a Political Risk Insurance ("PRI") contract will cover the value of the barges, however, claiming under the policy could result in, absent a collection under the letter of credit, delaying LJM2's liquidation cash flow.
Gas supply risk	Under the PPAs, NEPA is currently responsible for the projects' gas supply. If NEPA undergoes privatization, ENBL will need to obtain a replacement gas supply contract. NEPA is required to give a three month advance notice, which should give ENBL sufficient time to secure a replacement. Also, the cost of the gas supply is passed through to ENBL's counterparties in the PPA. This pass through of costs should serve as an incentive for NEPA's assistance in securing a replacement gas contract.

LJM029370

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EXHIBIT #227a.

Confidential Treatment Requested

Force Majeure / Contract Risk	▪ Capacity payments continue except when purchaser is not capable of receiving energy due to Force Majeure. ▪ If Force Majeure lasts longer than 180 days, NEPA must buyout ENBL (EBARGE receives first cash flow). ▪ If barges are producing electricity, capacity payment obligation applies to PPA counterparties. ▪ Capacity payment obligation applies if barges are not producing electricity due to delay caused by a PPA counterparty. ▪ Arbitration will be in London under ICC rules. ▪ Change in law adversely affecting ENBL is a Risk Event allowing compensating adjustments or buyout.

Attached Information
Attached is the Enron Risk Assessment and Controls Nigerian Barge deal approval sheet related to the transaction.

	Name	Signature	Date
ACKNOWLEDGED BY			
	Kathy Lynn		6/26/00
	Joyce Tang		6/29/00
APPROVALS			
	Ace Roman		6/29/00
	Michael Kopper		6/29/00
	Andrew Fastow		6/29/00

Confidential Treatment Requested

LJM029371

Bargeco

LJM2 purchased $7,525,000 of equity in EBARGE, LLC, a special purpose entity set up to own 9 power barges with capacity to produce 276 MW of electricity. The barges are expected to enter into long-term power purchase agreements with government agencies of third world countries backed by security letters of credit with a U.S. bank. LJM2's equity position is entitled to 90.1% of all project cash flows until it has reaches a specified dollar amount. LJM2 will keep .1% of all remaining cash flows. Under an early liquidation scenario, LJM2 is entitled to a pre-determined liquidation amount. LJM2 expects to be bought out by Enron within 7 months at a 15% annualized IRR. LJM2 will also receive a fee of $350,000. If Enron does not purchase EBARGE, LLC from LJM2 within 7 months, LJM2 expects to earn 49% from project cash flows within 18 months. Counterparty credit risk on PPA obligations will be mitigated by letters of credit issued by a U.S. bank, backing the obligations of PPA counterparties. In the event of a counterparty payment default, EBARGE, LLC will draw on a political risk insurance contract, which will indemnify the company in the event that it is unable to successfully remove the barges from their location.

Confidential Treatment Requested

Barge LLC Summary

Description	LJM2 will purchase $7,525,000 of equity in EBARGE, LLC, a special purpose entity set up to own 9 power barges with capacity to produce 276 MW of electricity. The barges are expected to enter into long-term power purchase agreements with government agencies of third world countries backed by security letters of credit with a U.S. bank.
Economics	LJM2's equity position will be entitled to 90.1% of all project cash flows until it has reached a specified dollar amount. LJM2 will keep .1% of all remaining cash flows. Under an early liquidation scenario, LJM2 is entitled to a pre-determined liquidation amount.
Expected Return	LJM2 expects to be bought out by Enron within 7 months at a 15% annualized IRR. LJM2 will also receive an upfront fee of $350,000. If Enron does not purchase EBARGE, LLC from LJM2 within 7 months, LJM2 expects to earn 69 % from project cash flows within 18 months.
Risks and Mitigants	Risk: Counterparty credit risk on PPA obligations. Mitigant: EBARGE, LLC will not enter into a PPA until a letter of credit has been issued by a U.S. bank backing the obligations of the PPA counterparty. Risk: EBARGE is unable to remove and re-deploy barges in the event of counterparty payment default. Mitigant: EBARGE, LLC will obtain political risk insurance which will indemnify the company in the event that it is unable to successfully remove the barges from their location.

Bargeco Economics

Bargeco economics are based on a negotiated return with Enron. Enron agreed to arrange a buyer for LJM2's equity within 7 months. LJM2 will receive a 15% annualized return on its investment and a $350,000 fee.

Expected at Close	Amount	Date
LJM2 investment	(7,525,000)	6/29/00
15% IRR at 7 months	658,438	1/31/01
Fee	350,000	1/31/01
Repayment of Capital	7,525,000	1/31/01
IRR	24%	

As of September 30, 2000 LJM2 sold it's equity interest in Bargeco for $8,235,000.

Realized	Amount	Date
LJM2 investment	(7,525,000)	6/29/00
15% IRR at 7 months	285,000	10/4/00
Fee	350,000	10/4/00
Actual vs. projected expenses (est.)	25,000	10/4/00
Repayment of Capital	7,525,000	10/4/00
IRR	37%	

Confidential Treatment Requested

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Nigeria Power Holding Ltd. divestiture
Counterparty: The AES Corporation
Business Unit: APACHI
Business Unit Originator: Sean Long/Keith Sparks
☐Public ☒Private
☐Merchant ☒Strategic
☒Conforming ☐Nonconforming

Date DASH Completed: November 1, 2000
RAC Analyst/Underwriter: N/A / Michael Tribolet
Investment Type: Divestiture
Capital Funding Source(s):
Expected Closing Date: October 4, 2000
Expected Funding Date: October 4, 2000
Board Approval: ☐Pending ☐Received ☐Denied ☐N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed

APPROVAL AMOUNT REQUESTED

Divestiture of projects up to $127,230,000*

*Total cash

EXPOSURE SUMMARY

This transaction, cancel existing exposure	($ 142,160,000)
Existing exposure approved	$ 142,160,000
Total	$ 0

TRANSACTION SUMMARY

This DASH proposes approval of: 1) a staged sale of all of Enron APACHI's interests in Nigeria to AES and 2) a related guaranty (up to $180 million) to the seller to secure our subsidiary's obligations under the Purchase and Sale Agreement.

The following APACHI assets will be sold contingent upon satisfaction of conditions precedent:

1) 95% Interest in Enron Nigeria Barge Ltd. which owns rights to a 270 MW barge mounted IPP project in the State of Lagos. This sale would occur in two stages. At closing, AES will own 30% of Nigeria Barge Ltd. AES will then have the option to purchase Enron's remaining 65% interest in this entity upon completion of their further due diligence and subject to certain conditions, Enron has the right to put the interest to AES.
2) Enron's 60% share in a 548 MW gas fired, simple cycle, combustion turbine Power Plant development project.
3) Enron's 70% share in an option to build a 240 km pipeline to supply the gas fired power plant, described above.

Event	Expected Date	Net Cash to Enron	Enron's Current Basis	Gain on Sale
Divestiture:				
Divestiture of 30% of Enron Nigeria Barge Ltd.	10/4/00	$8,785,000	$6,802,147	$1,982,853
Contingent Divestitures:				
Sale of Remaining 65% of Enron Nigeria Barge Ltd.	Q4, 2000	$81,013,566	$64,069,823	$16,943,743
Amended PPA Signing for 548 MW project	2001	$7,500,000	$2,000,000	$5,500,000
Earlier of Financial Close and start of Construction of 548 MW project	2001	$28,875,094	$0	$28,875,094
TOTALS FOR ALL SALES (including all Contingent Divestitures):		$126,173,660	$72,871,970	$53,301,690

DEAL DESCRIPTION

Enron APACHI has entered into an amended and restated Barge Power Purchase Agreement ("Barge PPA") between Enron Nigeria Power Holding Ltd. ("Enron Nigeria"), Enron Nigeria Barge Ltd. and various Nigerian federal and state governments and the national power company (see Nigeria Barge II Dash). The capital committed by Enron for this Barge PPA, including a value of $49.7 million for seven power barges and $7.0 million for two gas fired combustion turbines currently owned by

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EXHIBIT #227b.

Enron. is $142.2 million. The original PPA, that was amended, was for 90MW with a term of three years and was signed on December 6th, 1999. The Barge PPA (approved by Enron's Board of Directors) covers the construction and operation of 270 MW of barge-mounted, gas-fired generation facilities for a term of 13 years, 3 months ("Barge Project"). The Barge Project is supported by a letter of credit of $60 million. Enron Engineering and Construction Company ("EE&CC") has entered into an Engineering, Procurement and Construction Contract ("EPC Contract") with Enron Nigeria Barge Ltd. which includes the construction of onshore facilities, the refurbishment, reconditioning and conversion (frequency and fuel) of 7 existing liquid fuel fired barge mounted, combustion turbines, the construction of two power barges using combustion turbines purchased from Enron North America and associated performance guarantees (290MW).

In addition to the Barge PPA, Enron Nigeria is scheduled to sign an amended IPP Power Purchase Agreement ("IPP PPA"), within the month, with the same counterparties. The IPP PPA covers the construction and operation of a gas fired, simple cycle, combustion turbine Power Plant, with a nominal capacity of 548MW for a term of 20 years ("IPP Project"). The IPP Project will be supported by an additional letter of credit. In addition to the Barge Project and IPP Project, the PPA dated December 6, 1999, includes the right for Enron Nigeria to build a 240 km Pipeline to supply gas to the power plant ("Pipeline Project").

On December 29, 1999, Enron Nigeria Barge Holding Ltd., a wholly owned subsidiary of Enron Nigeria Power Holding Ltd., sold approximately 35% of the cash flows (value at time of transaction) in Enron Nigeria Barge Ltd.. to Ebarge, a wholly owned subsidiary of Merrill Lynch, for $28.0 Million. This purchase price, which entitled Ebarge to a tranche of Preferred Shares and Common Shares, was funded with 25% equity (Merrill Lynch) and 75% seller-financed debt (Enron Nigeria Power Holding Ltd.). Enron APACHI recognized $12.5 million of pre-tax earnings in 1999 with this transaction. In June of 2000, LJM2 purchased the shares of Ebarge from Merrill Lynch. To this date, the loan between Ebarge and Enron Nigeria Power Holding Ltd. ($21.0 million principal) has accrued $2.0 million in interest due to Enron Nigeria Power Holding Ltd..

On October 4, 2000, Enron APACHI, Enron Nigeria Barge Holding Ltd., Ebarge, Yinka Folawiyo Power (YFP) and AES Corp. (AES) , entered into a transaction for the purchase and sale to AES of 100% of the shares owned by Ebarge (now the cash flows are valued at approximately 19% of Enron Nigeria Barge Ltd.), and enter into a second Share Purchase Agreement with Enron APACHI for 100% of Enron Nigeria Power Holding Ltd. (holder of interests in Barge, IPP and Pipeline Projects) ("Transaction"). This transaction: 1) eliminated LJM2 Ebarge as the shareholder of Enron Nigeria Barge Ltd, 2) significantly reduced Enron Corp.'s exposure in Nigeria by way of equity syndication, and 3) generated cash flow and earnings in the 3rd quarter of 2000 through 2001. Exhibit II outlines the current and "new" ownership structures.

As stipulated in the Share Purchase agreement between Enron APACHI, Enron Nigeria Power Holding Ltd., and AES, two transactions will occur:

1- Purchase of 95% interest in Enron Nigeria Barge Ltd. and
2- Purchase of 100% interest in Enron Nigeria Power Holding Ltd.

The sale of equity encompasses a portion of YF Power's interest in the Project Companies.

1- Purchase of 95% Interest in Enron Nigeria Barge Ltd.

The purchase of a 95% interest in Enron Nigeria Barge Ltd., will be consummated with two payments. The first installment will took place October 4, 2000. A payment of $41.0 million was charged to AES in exchange for a 30% ownership in Enron Nigeria Barge Ltd. To achieve this, AES will entered into a Share Purchase Agreement with Ebarge (through LJM) which initiates the sale and purchase of 100% of Ebarge's shares in Enron Nigeria Barge Ltd. (Preferred A shares and Common) at a price of $31.6 million. $8.6 million of this acquisition price returns to LJM (through Ebarge). The remaining $23.0 million is transferred to Enron Nigeria Power Holding Ltd., on behalf of Ebarge, for repayment of interest and principal for the seller finance loan. Subsequently, as agreed upon in the second Share Purchase Agreement between AES, Enron Nigeria Barge Holding Ltd. and Enron APACHI, the Preferred A shares newly acquired by AES from Ebarge, and the Preferred B Shares of Enron will be retired. The ordinary shares will be re-classified and new ordinary common shares issued to Enron, as agreed in the Enron Nigeria Barge Ltd.'s shareholders agreement. AES will own 30% of the ordinary shares after the restructuring and paying Enron Nigeria Barge Holding Ltd. a promote fee of $9.785 million (of which $1 million is paid to YFP) to purchase the additional 11% interest in Nigeria Barge Ltd..

The second installment which will increase AES' ownership in Enron Nigeria Barge Ltd. to 95% will occur upon satisfaction of the condition precedent related to the barge company transaction in the Share Purchase Agreement. There must be a reasonable likelihood of AES being well received by all parties related to the Power Purchase Agreements in Nigeria. When such an event takes place AES will pay to Enron Nigeria Barge Holding Ltd. the promote balance due and all of Enron's costs up to the transfer of shares. At this point Enron Nigeria Barge Holding Ltd. will have no interest in Enron Nigeria Barge Ltd.

and AES and YFP will be the sole shareholders (95%/5% respectively). For Enron Nigeria Barge Holding Ltd. to sell 95% of the interest in Enron Nigeria Barge Company it must pay YFP for the option rights to 35% of a total 40% interest. This option expires December 15, 2000. This DASH grants approval to extend this option until June 30, 2001.

September 29, 2000	
AES Payment for 30% Ownership	$41,000,000
Less: Purchase Price to Ebarge	($31,600,000)
Less: Payment to YFP	($1,000,000)
Proceeds to Enron Nigeria Barge Holding Ltd.	$8,400,000
Plus: Loan and Interest Paid to Enron Nigeria Power Holding Ltd.	$23,000,000
Cash to Enron at Sept. 29, 2000:	**$31,400,000**
Conclusion of Satisfactory Due Diligence by AES	$43,794,684
Less: Payment to YFP	($22,912,257)
Proceeds to Enron Nigeria Barge Holding Ltd. at Milestone	**$20,882,427**
65% of Barge Turbine and capital cost	**$63,571,775**
Cash to Enron for its Sale of 100% Interest in Enron Nigeria Barge Ltd.	**$115,854,202**

2- Purchase of 100% interest in Enron Nigeria Power Holding Ltd.

On October 4, 2000, in addition to acquiring up to 95% of Enron Nigeria Barge Ltd. through Ebarge and Enron Nigeria Barge Holding Ltd., AES has entered into a put-call option agreement with Enron APACHI (Share Purchase Agreement). This put-call expires December 15, 2000. This DASH grants approval to extend this put-call until June 30, 2001. Upon the occurrence of certain conditions outlined below, AES has the option to call 100% of Enron APACHI's shares in Enron Nigeria Power Holding Ltd. at a promote price plus the pro-rated share of costs, less payment to YFP. Similarly, Enron APACHI has the option to put the same shares to AES at the same promote price subject to certain conditions as outlined below. When the conditions precedent are met and payment is made, AES is left with full ownership of Enron Nigeria Power Holding Ltd. and interest in its subsidiaries. These interests include ownership in the following Nigerian Project Companies; 80% (20% from YFP Equity through Enron) of the IPP Company, and 70% of Pipeline Project. YFP and Enron Nigeria Power Holding Ltd. have entered into a Project Development Contract (PDC) with which gives YFP the option to a call 40% interest in Enron Nigeria Barge Ltd., a 40% equity stake in Enron Nigeria IPP Ltd., and a 30% equity stake in Enron Nigeria Pipeline Ltd..

AES will be required to pay the remaining proceeds (as designated as the strike price) for 100% of Enron Nigeria Power Holding Ltd. upon reaching certain milestones as specified in the Share Purchase Agreement. For each milestone a designated monetary amount will be transferred from AES to Enron APACHI. Share will be exchanged when the first payment from AES is made. A success fee will also be paid to Enron at the earlier of Financial Close and Start of Construction. The following schedule illustrates the sale of 100% of Enron Nigeria Power Holding Ltd.:

Milestone / Condition Precedent to Sale	Estimated Timing	Payment to Enron
Amended IPP PPA Signing	October 1, 2000	$7,500,000
Earlier of Financial Close and Start of Construction of IPP	2001	$26,875,094
Cash to Enron (not including capitalized costs)		**$34,375,094**

RAC Deal Approval Sheet **Deal Name: Nigeria Power Holding Ltd. sale**

Strategic Rationale

This transaction allows Enron to achieve many of its immediate goals including cash in-flow, earnings recognition and asset divestment. This structure permits either a partial or full divestiture of the Nigerian barge project at a profit, as well as a sale of the Enron's interest in the 548 MW IPP development project and related pipeline at a gain upon satisfaction of conditions precedent.

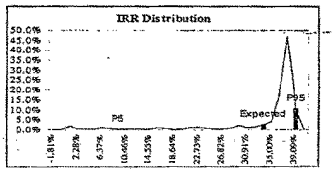
Enron will not be required to invest any additional capital to achieve the goals of this transaction. Due to the timing of the payments there is some Nigeria risk exposure, however it is lower, and potentially significantly lower than at present. All capital costs incurred before sell down will be recovered in full as the payments under the Share Purchase Agreement represent promote fees.

TRANSACTION SOURCES AND USES OF FUNDS (000) (Assumes closure of all contingent transactions)

	Sources		Uses
Sale of shares	$127,230	Enron Corp advances	$127,230
Total	$127,230		$127,230

RETURN SUMMARY (existing 270 MW barge IPP)

Probabilistic DCF by Component	Cumulative IRR		PV @ 29.5% Capital Price
Cash Outflows + Outstanding	NA	$	(80,800)
Fees	-100.00%	$	-
Ongoing Cash Flows	34.38%	$	94,247
Terminal Value	34.62%	$	917
Total	34.62%	$	14,365
Semivariance - +/-	0.358		



Given the time frame for closing this transaction, RAC has not been given the time to rerun the probabilistic model on the existing 270 MW . RAC has not been presented models on the new 548 MW IPP, or a model on the pipeline.

The barges have been valued at their capitalized cost to Enron. The discount rate of 29.05% was based on a blending of Nigerian sovereign risk with partial benefit for the LC covered portion of the investment. The Nigerian sovereign spread over equivalent Treasuries was 32.55%, equivalent to a weak CCC- rated bond.

A CCC bond has an implied 44% likelihood of default exists over the contract life. Given the CCC- credit profile of the sovereign risk, the default risk is greater than 44%. The model assumes that upon default the LC is drawn and the barges are recovered and sold within a five-year time frame at 50% of book value.

Not including the time value of money, and if the two-step sale of the barge IPP project is completed, the 270 MW barge IPP will yield an accounting gain of $25.42 million exceeds the $14.37 million in NPV from the June, 2000 DASH. This assumes the option which AES holds for the second stage 65% total purchases is executed.

This return summary does not reflect any gain on sale of the 548 MW powerplant and related pipeline project. Upon satisfaction of conditions precedent, the gain on these sales is expected to be approximately $10.9 million.

TRANSACTION UPSIDES/OPTIONALITY

N/A - Divestiture

EXIT STRATEGY

N/A

RAC Deal Approval Sheet — Deal Name: Nigeria Power Holding Ltd. sale

MILESTONES

December 15, 2000 - Purchase of remaining 65% and execution of new PPA
December 31, 2001 - Financial Close and start of Construction of 548 MW IPP

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Credit Risk of Counterparty - payment of the on-going obligations from the AES Project Company	The AES Corporation will issue a corporate guaranty. They are rated BB/Ba1.
Non-signing of amended IPP PPA	Negotiations have been completed and there are no outstanding issues. The signing is scheduled when Chairman of Nigeria Technical Board, Liyel Imoke returns to Abuja.
Neither Financial Close or Start of Construction of IPP Project is met	ENE has sold down 30% of the Barge Project and a portion of the IPP. This covers most of ENE's exposure irrespective of final payment

KEY SUCCESS FACTORS

	NA	Poor	Fair	Good	Very Good	Excellent
Core Business				X		
Strategic Fit				X		
Upside Potential				X		
Management	X					
Risk Mitigation						X

OTHER RAC COMMENTS:

RAC has not been presented sufficient time to rerun the model on the 270 MW barge IPP project, nor were models presented on the 548 MW IPP and 240 km pipeline project. Thus, RAC's analysis is limited to an accounting analysis of undiscounted cash flows. The first transaction at closing, the sale of 30% of the barge IPP and recasting of the YFP option, yields a cash profit of $1.98 million. Should AES complete its due diligence and gain additional commercial comfort, thereby executing their option to purchase the remaining 65%, APACHI would realize a $16.94 million profit. While not taking into account the time value of consideration, completion of these two transactions could total $18.92 million versus the $14.37 million value RAC derived in June. This comparison does not take into account the offsetting value of the option AES will hold for the second-round 65% purchase.

The amended PPA signing is expected in early 2001, which would yield an additional $5.5 million gain. Should the 548 MW IPP reach the earlier of financial close or start of construction, Enron stands to gain another $28.88 million.

Despite the short period to analyze this transaction, RAC is supportive based on the reduction of the significant Nigerian country risk (which caused RAC to recommend not proceeding with the additional barge investment in June), the positive accounting earnings, and cash generated from this sale.

RAC Deal Approval Sheet

Deal Name: Nigeria Power Holding Ltd. sale

APPROVALS	Name	Signature	Date
Originator	Sean Long		1 Nov 2000
Legal	Yao Apasu		
Regional Management	Rebecca McDonald/Jim Hughes	Rebecca McDonald	11
RAC Management	Rick Buy/Dave Gorte		14 November 2000
Enron Global Finance	Andy Fastow/Ben Glisan		Nov 14, 00
Office of the Chairman	Jeffrey Skilling/Joe Sutton		11/14/00

RAC Deal Approval Sheet

Deal Name: Nigeria Power Holding Ltd. sale

APPROVALS	Name	Signature	Date
Originator	Sean Long		1 Nov 2000
Legal	Yao Apasu		
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RAC Management	Rick Buy/Dave Gorte		
Enron Global Finance	Andy Fastow/Ben Glisan		
Office of the Chairman	Jeffrey Skilling/Joe Sutton		

RCO 19935

RAC Deal Approval Sheet

Deal Name: Nigeria Power Holding Ltd. sale

EXHIBIT I

NIGERIA BARGE COMPANY VALUATION

GAIN CALCULATION

Total Basis (From Balance Sheet at Transaction)	63,955	
LJM Basis (From Balance Sheet at Transaction)	15,324	18.62%
Basis Enron Barge Holding	48,631	
Percent Allocated to Enron Barge Holding Shares		81%
Sold to AES		30.00%
Amount in EBarge		18.62%
Amount Allocated to "New Shares"		11.38%
NEW ENE BARGE HOLDING PERCENT:		70.00%
Percent of Enron Shares:		14.0%
Promote:		8,400
Basis		6,802
Gain:		1,598

ENRON NIGERIA BARGE LIMITED
BALANCE SHEET AS AT SEPTEMBER 29, 2000

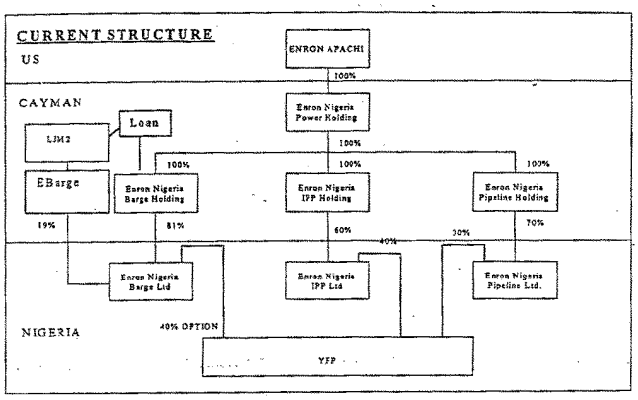
	Sept. 29, 2000 Adj. Bal	ESTIMATED Oct. 2000 Adj. Bal	
Assets:			
Fixed Assets - Barges	56,800,000.00	56,800,000.00	
Capitalized Work In Place	7,154,757.23	41,002,730.03	
Inv. In Subsidiary	0.00	0.00	
Other Cur. Assets	0.00	0.00	
A/R-Intercompany	0.00	0.00	
N/R-Intercompany	0.00	0.00	
Liabilities			
A/P-Intercompany	0.00	0.00	
N/P-Intercompany	0.00	0.00	
Other Cur. Liabilities	0.00	0.00	
Net Assets	**63,954,757.23**	**97,802,730.03**	*33,847,972.80 (Additional CAPEX EQUITY)*
Shareholder's Equity			
AES Common	22,126,146.68	32,280,538.52	
ENE Barge Hold. Common	41,828,610.55	60,632,055.01	
YFP Common	0.00	4,890,136.50	
Retained Earnings	0.00	0.00	
Total S/E	**63,954,757.23**	**97,802,730.03**	

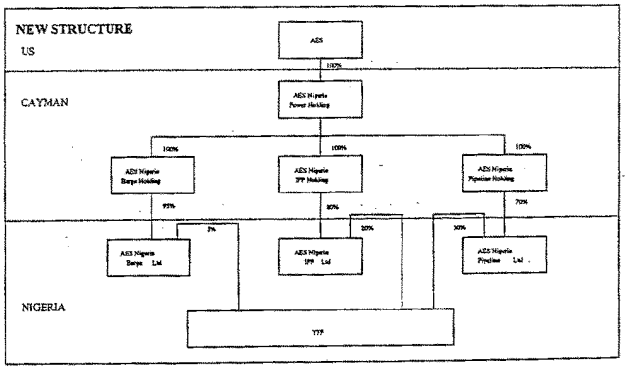
PRE-RESTRUCTURING

Common Stock	0.00
Preferred Stock	80,563.95
Additional PIC	48,550,193.28
Retained Earnings	0.00
Minority Interests	15,324,000.00
TOTAL S/E	63,954,757.23

Gain Calculation (BARGES 65% SALE)		
Promote	$20,882,427	
Proportion of Costs (65%)	$53,571,775	*(Barges/Turbines and Dev. Costs)*
Total Proceeds from Sale:	$84,454,202	NOTE: Barges and Turbines are purchased at NO gain (at cost)
Less: Basis (Enron Barge Holding Ltd.)	$60,632,055	
GAIN ON SALE:	$23,822,147	

EXHIBIT II


CURRENT STRUCTURE
US
ENRON APACHI
100%
CAYMAN
Loan
LJM2
Enron Nigeria Power Holding
100%
EBarge
100%
Enron Nigeria Barge Holding
100%
Enron Nigeria IPP Holding
100%
Enron Nigeria Pipeline Holding
19%
81%
60%
40%
30%
70%
Enron Nigeria Barge Ltd
Enron Nigeria IPP Ltd
Enron Nigeria Pipeline Ltd.
NIGERIA
40% OPTION
YFP


NEW STRUCTURE
US
AES
CAYMAN
100%
100%
100%
95%
70%
5%
30%
30%
NIGERIA
YFP

3 July 02

16

Nigerian barges

Tomorrow's mtg. to communicate LJM's interest is good through
mid January at the latest

7,525,000

15% w/ 835,000 fee

conversion is $1.625

[I can't understand why we don't own it, even if they exercise the option,
have to buy it from LJM2 and will use the due diligence that
doesn't exist

need to buy lower strike equity

Confidential Treatment Requested

Permanent Subcommittee on Investigations
EXHIBIT #228

Valenti, Joseph S (IBK-NY)

From: Toone, Kira (IBK-NY)
Sent: Thursday, June 15, 2000 8:46 AM
To: Valenti, Joseph S (IBK-NY)
Subject: RE:

What is LJM2 and how long will it take for them to buy us out with capital calls? I assume interest will continue accruing to ML IBK positions until they are fully bought out. Also, I believe we would want to change the directors at that time(once ownership transfers) if ML IBK positions will no longer have an interest in Ebarge, LLC. As you mentioned in your e-mail to Gary is Jim Brown and also is Alan Hoffman aware of this arrangement? Please advise.

Regards,
Kira

-----Original Message-----
From: Valenti, Joseph S (IBK-NY)
Sent: Wednesday, June 14, 2000 8:08 PM
To: Carlin, Gary (IBK-NY)
Cc: Toone, Kira (IBK-NY); DeBellis, Michael (IBK-NY); Haugh, Gerard (IBK-NY)
Subject: FW:

Gary:
This is kind of interesting. Look at slide "Barge%2BSlide.ppt" below. It appears that the way we are getting out of the Enron investment on MLIBK Positions books ($7.0m + interest) is having LJM2 Co-Investment LP buy us out through LP Capital Calls, in which MLIBK is also a limited partner. On one hand we get our money back, on the other we will make a prorata investment back into LJM2 which will invest. I guess this also means that the employee syndication will also put funds up for its prorata share as well.

Does Jim Brown know about this ?

Lets discuss

Joe

-----Original Message-----
From: Amy.Flores@ljminvestments.com [SMTP:Amy.Flores@ljminvestments.com]
Sent: Wednesday, June 14, 2000 7:09 PM
To: kathy.lynn@ljminvestments.com
Subject:

Attached is a cover letter and over views on seven new investments. If you have any questions please feel free to contact me at 713-345-5867.

Thank you,
Amy Flores

<< File: ~6557897.doc >> << File: advisory committe slide.ppt >> << File: Barge%2BSlide.ppt >> << File: BlueRidge_AdvComm.ppt >> << File: coyotesp.ppt >> << File: raptor2.ppt >> << File: tnpcsumm.ppt >> << File: ~2189312.ppt >>

Permanent Subcommittee on Investigations
EXHIBIT #229

MS 06635

Timeline of Pertinent Information
Ebarge, LLC

	Date(s)
(1) Investment and APR information	Dec 21 & 23 1999
(2) Minutes of MLIBK to form and capitalize Ebarge, LLC ($7M).	29-Dec-99
(3) Engagement letter with Enron - to A. Fastow from J. Brown ($250,000)	29-Dec-99
(4) $7M equity investment by MLIBK to capitalize Ebarge, LLC	30-Dec-99
(5) Ebarge, LLC financials and workpapers as of :	31-Dec-99
(6) MLIBK consent to re-domicile Ebarge, LLC in the Caymans	February 2000
(7) Share Purchase Agreement between MLIBK and LJM-2 Ebarge, LLC for $7,525,000.	29-Jun-00
(8) Receipt of cash into MLIBK Positions, Inc and RTS summary	29-Jun-00
(9) Ebarge, LLC financials and workpapers as of : (a)	29-Jun-00
(10) Ebarge, LLC Register of Officers and Directors	

(a) Records are then forwarded to Whitman Breed to forward on to Enron.

Please note: any unsigned MLIBK consents or minutes in this package should be executed in the OGC files.

Permanent Subcommittee on Investigations
EXHIBIT #230

SUMMARY OF MERRILL LYNCH ENRON-RELATED
INVESTMENT BANKING COMPENSATION (BY BUSINESS SEGMENT)

YEAR	ADVISORY	CAPITAL MARKETS (DEBT)	CAPITAL MARKETS (EQUITY)	TOTAL
YEAR	ADVISORY	CAPITAL MARKETS (DEBT)	CAPITAL MARKETS (EQUITY)	TOTAL
1997	$0	$1,416,745	$852,000	$2,268,745
1998	$0	$814,500	$2,441,000	$3,255,500
1999	$1,000,000	$2,694,000	$27,746,000	$31,440,000
2000	$0	$4,276,078	$0	$4,276,078
2001	$0	$1,544,000	$0	$1,544,000
TOTAL	$1,000,000	$10,745,323	$31,039,000	$42,784,323

Permanent Subcommittee on Investigations
EXHIBIT #231

NYA 526422.4

Hogan, Mark (PBS - NJ)

From:	Fox, Paul (CICG NY-GLS)
Sent:	Friday, June 09, 2000 6:37 PM
To:	Chapin, Samuel; DeVito, Mark; Fox, Paul; Kaplan, Todd; Lyons, Robert; Yang, John
Cc:	Brisson, Neil; Browning, Karen; Dardano, Ray; Feeley, Carol; Hogan, Mark; McClave, Norman; Mcgillicuddy, Sheila; Rooney, John; Siegel, Harold; Swadba, John; Wood, Paul
Subject:	LJM2

Gentlemen,

The Committee is being asked to consider a $10MM share of a $65MM 364-day liquidity facility for the LJM2 Co - Investment LP. LJM2 is a Delaware limited partnership organized by the CFO of Enron to make private equity investments in the energy and telecom sectors. The primary source of deal flow for the partnership will be Enron however Enron nor any of its subsidiaries will issue any guarantees with respect to the financial performance or minimum net worth of the Fund.

Merrill Lynch's private equity group acted as placement agent for LJM2 and generated $4.8MM in fees in 1999. It is expected that there will be a LJM3 for which there is a high likelihood that Merrill will act as placement agent.

I have spoken with MLBUSA and the initial read is that due to the lack of a rating and nature of the borrower this would not be a strong candidate for the Bank.

Please respond with your Yes/No vote at your earliest convenience. Additionally, should you have any questions or need further information please do not hesitate to contact me.

Thank You

Paul

LJM2 selection form.doc

Permanent Subcommittee on Investigations
EXHIBIT #232

Merrill Lynch Debt Markets
Request to Add a Company to ML Bank USA

Company: LJM2

Ratings (ST/LT): N/A

Date Submitted: June 6, 2000

IBK RM: Robert Furst

Amount Requested: $10 MM

CMS Coverage: N/A

Historical Relationship w/Company: LJM2 is a $391 MM private equity fund which was raised by Andy Fastow, the CFO of Enron Corp. (ENE). Merrill Lynch's Private Equity Group acted as the placement agent for LJM2. In addition to raising the fund, ML has had a significant investment banking relationship with Enron Corp. over the past several years.

Timing of: Chase Securities fully underwrote the $65 MM facility on December 22, 1999. They are now syndicating the facility out to other banks. They have asked for a response as soon as practical.

Total Revenue for ML in 1999: $4.8 MM from LJM2, $26.7 MM from Enron

Anticipated Future Revenue: $5 MM from LJM3 (see below)
$10-15 MM per year in fees from Enron Corp.

Will ML Have the Opportunity to Generate Future Incremental Business: Yes
(elaborate on future revenue figures): It is anticipated that Andy Fastow will raise an additional fund (LJM3) for which ML has a high likelihood of acting as placement agent. Also, Merrill Lynch has historically maintained a steady and profitable relationship with Enron Corp. Committing to this LJM2 facility will build ML's relationship with Andy Fastow, and assist ML in securing future investment banking opportunities with Enron. Enron is very active both in the capital and M&A markets. ML is currently engaged to assist Enron with the purchase of the Sithe generation assets in Asia. Additionally, ML is competing for an Enron mandate to be decided on June 15, 2000.

Committee Response: **Date** _____ **Accept** _____ **Decline** _____

Committee Rationale:

Hogan, Mark (PBS - NJ)

From: Fox, Paul (CICG NY-GLS)
Sent: Friday, June 16, 2000 2:21 PM
To: Chapin, Samuel; DeVito, Mark; Fox, Paul; Kaplan, Todd; Lyons, Robert; Yang, John
Cc: Furst, Robert (IBK-DAL); Brisson, Neil; Browning, Karen; Dardano, Ray; Feeley, Carol; Hogan, Mark; McClave, Norman; Mcgillicuddy, Sheila; Rooney, John; Siegel, Harold; Swadba, John; Wood, Paul
Subject: FW: LJM2

Gentlemen,

It is clear that this name will not work in the MLBUSA and Norm McClave has explored the possibility of placing it in ML International Private Finance but to no avail. I need to get back to Rob Furst (the RM) with an answer so that he can get back to Enron.

I look for the guidance of your collective wisdom to resolve this issue.

Thank You

Paul

-----Original Message-----
From: Fox, Paul (CICG NY-GLS)
Sent: Friday, June 09, 2000 6:37 PM
To: Chapin, Samuel; DeVito, Mark; Fox, Paul; Kaplan, Todd; Lyons, Robert; Yang, John
Cc: Brisson, Neil; Browning, Karen; Dardano, Ray; Feeley, Carol; Hogan, Mark; McClave, Norman; Mcgillicuddy, Sheila; Rooney, John; Siegel, Harold; Swadba, John; Wood, Paul
Subject: LJM2

Gentlemen,

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Merrill Lynch's private equity group acted as placement agent for LJM2 and generated $4.8MM in fees in 1999. It is expected that there will be a LJM3 for which there is a high likelihood that Merrill will act as placement agent.

I have spoken with MLBUSA and the initial read is that due to the lack of a rating and nature of the borrower this would not be a strong candidate for the Bank.

Please respond with your Yes/No vote at your earliest convenience. Additionally, should you have any questions or need further information please do not hesitate to contact me.

Thank You

Paul

LJM2 selection form.doc

Hogan, Mark (PBS - NJ)

From: Hogan, Mark (PBS - NJ)
Sent: Friday, May 18, 2001 10:57 AM
To: Wood, Paul (Corp Credit - NY)
Subject: FW: LJM2

-----Original Message-----
From: DeVito, Mark (CICG - CAPMKTS)
Sent: Monday, June 12, 2000 4:01 PM
To: Chapin, Samuel R (IBK-NY); McClave, Norman (Corp Credit - NY); Fox, Paul (CICG NY-GLS)
Cc: Lyons, Robert (CICG - CAPMKTS); Yang, John F. (CICG NY - GLS); Dardano, Ray (PBS - SLC); Hogan, Mark (PBS - NJ); Swadba, John (Corporate Risk Management); Wood, Paul (Corp Credit - NY)
Subject: RE: LJM2

I agree also...However, this should be evaluated by jack yang's area given the signifcance of the overall business relationship and the going forward private equity opportunities....Mark.

-----Original Message-----
From: Chapin, Samuel R (IBK-NY)
Sent: Monday, June 12, 2000 3:41 PM
To: McClave, Norman (Corp Credit - NY); Fox, Paul (CICG NY-GLS)
Cc: DeVito, Mark (CICG - CAPMKTS); Lyons, Robert (CICG - CAPMKTS); Yang, John F. (CICG NY - GLS); Dardano, Ray (PBS - SLC); Hogan, Mark (PBS - NJ); Swadba, John (Corporate Risk Management); Wood, Paul (Corp Credit - NY)
Subject: RE: LJM2

I agree. Sam

-----Original Message-----
From: McClave, Norman (Corp Credit - NY)
Sent: Monday, June 12, 2000 11:53 AM
To: Fox, Paul (CICG NY-GLS)
Cc: Chapin, Samuel R (IBK-NY); DeVito, Mark (CICG - CAPMKTS); Lyons, Robert (CICG - CAPMKTS); Yang, John F. (CICG NY - GLS); Dardano, Ray (PBS - SLC); Hogan, Mark (PBS - NJ); Swadba, John (Corporate Risk Management); Wood, Paul (Corp Credit - NY)
Subject: RE: LJM2

I have confirmed that this would be well outside our mandate, and therefore will not be a candidate for the Bank to take.

-----Original Message-----
From: Fox, Paul (CICG NY-GLS)
Sent: Friday, June 09, 2000 6:37 PM
To: Chapin, Samuel; DeVito, Mark; Fox, Paul; Kaplan, Todd; Lyons, Robert; Yang, John
Cc: Brisson, Neil; Browning, Karen; Dardano, Ray; Feeley, Carol; Hogan, Mark; McClave, Norman; Mcgillicuddy, Sheila; Rooney, John; Siegel, Harold; Swadba, John; Wood, Paul
Subject: LJM2

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Merrill Lynch's private equity group acted as placement agent for LJM2 and generated $4.8MM in fees in 1999. It is expected that there will be a LJM3 for which there is a high likelihood that Merrill will act as placement agent.

MS 16673

I have spoken with MLBUSA and the initial read is that due to the lack of a rating and nature of the borrower this would not be a strong candidate for the Bank.

Please respond with your Yes/No vote at your earliest convenience. Additionally, should you have any questions or need further information please do not hesitate to contact me.

Thank You

Paul

<< File: LJM2 selection form.doc >>

Interoffice Memorandum

To: Tom Davis

From: Ben Sullivan
Schuyler Tilney
Robert Furst

Merrill Lynch

Date: July 7, 2000

Subject: Request for an Exception to Policy for a $10MM Loan commitment to LJM II

Background
LJM II is a private equity partnership managed by Enron's CFO, Andrew Fastow. The fund's mandate is to invest in Enron's Merchant banking transactions. We raised $392 million for Mr. Fastow.

Mr. Fastow has asked Merrill Lynch to participate in a $65 million loan facility for the fund lead by Chase.

We respectfully request an Exception to Policy so Merrill Lynch can participate in this loan for the following reasons:

Enron is an excellent client.
$40MM in revenue for 1999
$20MM in revenue for 2000 year to date
Andy Fastow is in an influential position to direct business to Merrill Lynch.
LJM II will raise its second fund next year and we have an excellent chance of raising money for this fund.
Capitalize on successful momentum with Enron (Nigeria Barges, Electricity Swap, LJM II fund raising).

It would be most helpful to have closure on this issue by July 11th.

cc: Dan Bayly

Permanent Subcommittee on Investigations
EXHIBIT #233

MS 11360

From: Browning, Karen (Corp Credit - NY)
Sent: Tuesday, November 27, 2001 11:00 AM
To: Yang, John F. (CICG NY - GLS)
Subject: RE: LJM - updated summary

The concern on the part of the banks is that the whole Enron situation, including all the lawsuits, could somehow cause us to end up on the short end of the stick between now and maturity date. They all committed to this loan, as did we, because of the Andy Fastow/Enron relationship and now that Fastow is definitely gone, and Enron most likely gone as well, they have no patience for waiting around to get their money back. They, in fact, want the attornies to try and come up with an immediately EOD, notwithstanding the fact that we've already had a default and will be in an EOD situation on Jan. 22. They don't seem likely at this point to agree to the waiver request.

There is a conference call among the banks and our attornies scheduled for this Thursday at 10 am. I am assuming Carol Feeley and Mike Mingione will participate, along with Dmitry and me.

Karen

—Original Message—
From: Yang, John F. (CICG NY - GLS)
Sent: Tuesday, November 27, 2001 10:00 AM
To: Browning, Karen (Corp Credit - NY)
Subject: RE: LJM - updated summary

request seems pretty good, is there a better outcome here? other than default/acceleration and forced repayment?

—Original Message—
From: Browning, Karen (Corp Credit - NY)
Sent: Monday, November 26, 2001 1:30 PM
To: Yang, John F. (CICG NY - GLS)
Cc: Baron, Dmitry (Corp Credit - NY)
Subject: RE: LJM - updated summary

66 2/3% required (Dmitry, pls. confirm). Yes, facility will be reduced & become a term loan.

—Original Message—
From: Yang, John F. (CICG NY - GLS)
Sent: Monday, November 26, 2001 1:23 PM
To: Browning, Karen (Corp Credit - NY)
Subject: RE: LJM - updated summary

is the waiver a 100% vote? and idf i understand this right the total facility will be reduced to $55mm(the 70mm funded less the 15 mm cash repayment?)

—Original Message—
From: Browning, Karen (Corp Credit - NY)
Sent: Monday, November 26, 2001 1:07 PM
To: Feeley, Carol (CICG NY - GLS); Mingione, Michael (Corp Credit - NY); Lurie, Michael (Corp Credit - NY); Dolan, Gary (OGC); Fotak, Zoran (Global Debt Markets); Alini, Eric (CICG - NY Mortgages); Yang, John F. (CICG NY - GLS)
Cc: Baron, Dmitry (Corp Credit - NY); DiMassimo, Vincent J. (Corp Credit - NY); Moriarty, Edmond N (Corporate Risk Management)
Subject: FW: LJM - updated summary

As there have been many opinions expressed as to how we aggressive we should appear during the LJM2 loan negotiations, I am forwarding Dmitry's update of this situation as background. I second Carol Feeley's request that we have a conference call this afternoon to discuss.

—Original Message—
From: Baron, Dmitry (Corp Credit - NY)
Sent: Monday, November 26, 2001 12:56 PM
To: Browning, Karen (Corp Credit - NY)

Permanent Subcommittee on Investigations
EXHIBIT #234

MS 19401

Interoffice Memorandum

To: Chris Birosak

From: Robert Furst
At: Merrill Lynch IBK Dallas
Tel: 214-849-5350
Date: February 7, 2001

Merrill Lynch

Subject: **Enron**

In 2000, Enron completed 52 transactions for $19 billion of financings - $16 billion of this was structured paper. ML recently lost the mandate to underwrite $1.25 billion of zero coupon convertible debt because Enron does not believe ML is a financial partner. CSFB, Chase, Citigroup and Bank of America all have in excess of $1.0 billion of exposure to Enron. This is our competition. SSB received the LYON mandate.

An example of an Enron deal:

Enron established a joint venture with CalPERS in 1994 to pursue energy investments. CalPERS contributed $250 million in cash and Enron contributed $250 million in Enron unregistered common stock. In 1998, Enron purchased CalPERS interest for approximately $400 million dollars. Enron approached CSFB to participate with Barclays in a $320 million bank facility. The collateral package included various interests in public and private energy companies and Enron stock valued at $500 million. Enron syndicated the facility with a targeted hold for CSFB and Barclays at $40 million, which was completed in three months after funding. The facility was not Enron credit but had a trigger whereby Enron had to purchase subordinated partnership units for cash if asset coverage ratios were not met subject to a monthly test. While CSFB has protected itself with credit default derivatives, other institutions have opted to help Enron with syndication, then sell their participation in the secondary loan market. (DLJ and BT Alex Brown have successfully implemented this strategy.) Recent conversation with CSFB indicates most of their positions could be sold for 98.5% to 99.25% of commitment amount.

Merrill Lynch has decided to help Enron underwrite and syndicate these types of deals. The objective today is to assemble the team to execute these deals.

Permanent Subcommittee on Investigations
EXHIBIT #235

From: Kulick, Adam (CAPMKTS)
Sent: Wednesday, July 11, 2001 5:05 PM
To: Lyons, Robert (CICG - CAPMKTS)
Subject: Enron - rawhide

Fyi - please see the note below. so now we either say no or say yes and get it approved using schuylers credibility. If we say no, I think we should cushion the blow with the offer of the larger facility and wrap it in to a bigger picture quid pro quo conversation. What do you think?

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----Original Message----
From: Bellissimo, Dean (CICG - NY SWAPS) <D_Bellissimo@ml.com>
To: Diehl, Bowen (IBK-DAL) <bdiehl@exchange.ml.com>; Kulick, Adam (CAPMKTS) <AdamK@exchange.ml.com>; Furst, Robert (IBK-DAL) <rfurst@exchange.ml.com>
Sent: Wed Jul 11 15:59:13 2001
Subject: Rawhide

I just heard back from James and he told me that Enron will definitely not tie our loss to new business. He's looking for us to give a final answer on the deal by the end of the day, as he will have to go back to all the banks in the facility within a week.

Dean

Permanent Subcommittee on Investigations
EXHIBIT #236

From: Baron, Dmitry (Corp Credit - NY)
Sent: Monday, July 16, 2001 9:58 AM
To: Diehl, Bowen (IBK-DAL)
Cc: Browning, Karen (Corp Credit - NY); Furst, Robert (IBK-DAL)
Subject: RE: LJM2 / Enron

Allen got back to me saying that he was not involved at all in this transaction.
I would really appreciate your help in getting some more information about this exposure. Thanks a lot

Dmitry

-----Original Message-----
From: Diehl, Bowen (IBK-DAL)
Sent: Friday, July 13, 2001 6:42 PM
To: Baron, Dmitry (Corp Credit - NY); Custard, Allen (IBK-NY)
Cc: Browning, Karen (Corp Credit - NY); Furst, Robert (IBK-DAL)
Subject: RE: LJM2 / Enron

Allen, can you provide any insight here?

As far as selling, we took a substantial P/L hit for selling Zephyrus, not something we want to repeat if possible

bowen

Bowen S. Diehl
Vice President
Merrill Lynch & Co
IBK - Dallas
200 Crescent Court, Suite 550
Dallas, Texas 75201

ph: 214-849-5360
fx 214-849-5399
cel: 214-693-5317

-----Original Message-----
From: Baron, Dmitry (Corp Credit - NY)
Sent: Friday, July 13, 2001 4:52 PM
To: Diehl, Bowen (IBK-DAL); Custard, Allen (IBK-NY)
Cc: Browning, Karen (Corp Credit - NY)
Subject: LJM2 / Enron
Importance: High

Bowen, Allen, it came to our attention that we don't have much information on LJM2's loan. Do you know who would be the best person to talk to about it to see what the situation with their investments is (it's a fund set up by Enron's CFO to invest in telecommunication and energy projects). Also, it would be interesting to find put what the price of this loan on sec. market is and why ML does not consider a strategy to sell our participation down (as we are doing w/Zephyrus). Thanks a lot for your help.

Best regards,

Dmitry Baron
Energy/Corporate Credit Risk Management
212 236-5557

MS 16908

Permanent Subcommittee on Investigations
EXHIBIT #237

From: Browning, Karen (Corp Credit - NY)
Sent: Tuesday, December 04, 2001 8:51 AM
To: Alini, Eric (CICG - NY Mortgages); Cox, Kevin (Corporate Risk Management); Moriarty, Edmond N (Corporate Risk Management); Chandler, Jeff (Debt eCommerce); Fotak, Zoran (Global Debt Markets); Yang, John F. (CICG NY - GLS)
Cc: Woodward, Natalia (Corp Credit - NY); DiMassimo, Vincent J. (Corp Credit - NY); Lurie, Michael (Corp Credit - NY)
Subject: RE: Structured loan transactions

the 3 Funding loans are Master Lease transaction (Jim Brown) utility subsidiary bridge loans. These facilities are approved by the Lease Investment Advisory Committee.

LJM2 is $5.8MM funded.

-----Original Message-----
From: Alini, Eric (CICG - NY Mortgages)
Sent: Tuesday, December 04, 2001 11:03 AM
To: Cox, Kevin (Corporate Risk Management); Browning, Karen (Corp Credit - NY); Moriarty, Edmond N (Corporate Risk Management); Chandler, Jeff (Debt eCommerce); Fotak, Zoran (Global Debt Markets); Yang, John F. (CICG NY - GLS)
Subject: Structured loan transactions

kevin,

As a follow up to the sunday call, a snapshot of the structured loans in the portfolio are as follows

zephyrus	22.5mm
ljm2	9.8 mm
mighty oak	40mm
Us bancorp synthetic lease	25mm

names which we do not recognize which are listed on the all loans report are:

LMB funding
Outwater funding
surfside funding

given the sometimes cryptic names used by the transactions, are there any others which should be included which we missed?

as discussed if u would us to undertake a underwrite/review, identify risks and suggest hedging strategies, pls let me know.

thanks eric

Permanent Subcommittee on Investigations
EXHIBIT #238

Interoffice Memorandum

Merrill Lynch

To: Herb Allison
At: New York

From: Rick Gordon
Schuyler Tilney
At: Houston
Tel: 713/759-2510/2530
Date: April 18, 1998

Subject: Enron Common Stock Offering

We are requesting that you call the two senior executives of Enron – Ken Lay, Chairman and Chief Executive Officer, and Jeff Skilling, President and Chief Operating Officer – regarding Merrill Lynch's participation in Enron's contemplated $750 million common stock offering. Ken Lay will be in his office in Houston at about 8:30 a.m. CDT while Jeff Skilling will be in his office at approximately 11:00 a.m. CDT. Ken's telephone number is 713/853-6773, and Jeff's is 713/853-6894.

Background of Transaction

Enron was notified approximately six weeks ago by Moody's Investors Service that it is considering downgrading Enron's debt due to the increase in the Company's leverage over the past few years. After several meetings with Moody's to better understand its concerns, Enron determined that it needed to undertake a large common stock offering to avoid a credit rating downgrade. The Company is extremely sensitive with regard to confidentiality concerning this transaction (past equity offerings undertaken by the Company have been leaked in advance of the offerings, with negative consequences to the stock price); therefore, Enron solicited advice from only Merrill Lynch regarding size and terms of and market receptivity to the offering. We were obviously apprised of the transaction in the strictest confidence and were informed that no other investment banks would be contacted in order to lessen the likelihood of a leak.

In connection with our dialogue with Enron on the offering, we obviously stressed not only our strong desire but also our unique qualifications to serve as lead manager. This role was actively supported both by Enron's senior finance staff (for whom we have successfully executed several large-sized debt offerings in recent months) and its corporate development group (for whom we were are presently engaged to execute a $1 billion divestiture of their electric generation assets). However, our research relationship with Enron has been strained for a long period of time. Our equity research analyst on Enron is John Olson. He has a poor relationship with Jeff and, particularly, Ken, for several reasons. First, John has not been a real supporter of the Company, even though it is the largest, most successful company in the industry. Second, Enron views his research as flawed, particularly as it relates to a valuation of at least certain of its businesses (e.g., retail marketing). Finally, John often makes snide

Permanent Subcommittee on Investigations
EXHIBIT #239

MS 06920

and potentially embarrassing remarks about the Company in meetings with analysts while in the presence of Ken and Jeff.

Recent Developments

Enron's Chief Financial Officer, Andy Fastow, called last night to inform us that Merrill Lynch would not be selected as lead manager of the offering and, further, that we would not even be included as a co-manager. He stated that the decision was based solely on the research issue and was intended to send a strong message as to how "viscerally" Enron's senior management feels about our research effort. He also stated that inclusion of Merrill Lynch in the offering would effectively constitute an endorsement of Olson's valuation methodology of the Company, and, in particular, of his negative valuation of Enron's burgeoning retail electricity and gas business. Importantly, Enron management believes that the success of its common stock offering will be tied to the successful sale of the retail electricity and gas story. Andy further stated that Enron management did not wish to harm its investment banking relationship with Merrill Lynch and that Enron would make a point of compensating us on other transactions; however, their decision on this stock offering has been made solely on the basis of research coverage (DLJ, whose top-ranked analyst has Enron's stock on his recommended list, will lead the offering and all of the co-managers have Buy ratings on Enron).

Purpose of Your Call

We would appreciate you calling both Ken and Jeff in an attempt to have Merrill Lynch inserted as a co-manager. Your call should focus on Merrill Lynch's longstanding relationship with the Company (see below for detail) and our support of the Company through a wide variety of transactions over many years. While you should probably acknowledge our difficult research relationship, you might also point out that Olson has at least been more positive on their stock in recent months (Olson currently rates the stock a 3-1).

History of the Relationship

Enron was formed in 1985 from the merger of two large pipelines, InterNorth and Houston Natural Gas. We advised Houston Natural Gas (of which Lay was the CEO) on the transaction while we were at First Boston. Since such time, we have executed numerous transactions for Enron and have been one of the Company's lead investment banks, including acting as lead manager for their last common stock offering in 1992 (again while at First Boston)

For this reason as well as our leadership position in the natural gas industry, exclusion of Merrill Lynch from this transaction would be quite negative to us as well as detrimental to the Company in terms of transaction execution.

cc: Tom Davis

Dan Bayly
Brian Hehir

From: Tilney, Schuyler (IBK-HOU)
Sent: Monday, January 15 1999 4:02 PM
To: Allison, Herbert M (NY-EXE)
Cc: Bayly, Daniel H (IBK-NY)
Subject: Enron Account Update

Herb:

Thanks for your response re Baker Hughes. On a positive note, I wanted to update you on recent developments in our relationship with Enron since you spoke to their CEO, Ken Lay, last spring regarding our difficult relationship in Research. It is clear that your responsive message was appreciated by the Company, and any animosity in that regard seems to have dissipated in the ensuing months. To that end, we have recently been awarded two significant mandates by Enron: the first to lead-manage the $1.5 billion IPO of their water company (Azurix), which is expected to file in late February; and the second to raise a $1 billion private equity fund on behalf of the parent, which is expected to kick-off in early March. Total fees to Merrill Lynch for these two transactions alone should be $45-50 million.

I wanted you to be aware of these two transactions and to thank you for your support with Ken. If it wouldn't be too much of a burden, I might also ask you to make a follow-up call to Ken later this spring (once we see how these deals progress). I will keep you apprised on that subject.

Many thanks,

Schuyler

Permanent Subcommittee on Investigations
EXHIBIT #240

From: Tilney, Schuyler (IBK-HOU)
Sent: Thursday, February 11, 1999 4:26 PM
To: Jones, Rob (IBK-HOU)
Subject: RE: Enron Mandate/ Lay Letter

r: excellent letter s

-----Original Message-----
From: Jones, Rob (IBK-HOU)
Sent: Wednesday, February 10, 1999 6:51 PM
To: Allison, Herbert M (NY-EXE)
Cc: Tilney, Schuyler (IBK-HOU)
Subject: Enron Mandate/ Lay Letter

Herb-

As a follow-up to your recent discussion with Schuyler Tilney, we thought that it might be appropriate for you to send a note to Ken Lay at Enron thanking him for a recent mandate to serve as a co-manager on a 12 million share common stock offering ($775MM). The deal is expected to price this week (maybe as soon as Thursday). As Schuyler also indicated, we are working on several other assignments which could turn out to be quite meaningful financially to Merrill Lynch. We will keep you posted. We have taken the liberty of drafting a short note for you to use or edit.

Regards,
Rob
<< File: Herb Allison Letter.doc >>

Rob L. Jones
Merrill Lynch & Co.
713-759-2545 (Tel.)
713-759-2581 (fax)
rob_jones@ml.com

Permanent Subcommittee on Investigations
EXHIBIT #241

Interoffice
Memorandum

Merrill Lynch

To: Dan Bayly
At: IBK - New York

From: Schuyler Tilney/Rosser Newton Bert Peakes
At: Global Energy & Power - Houston
Tel: 713/759-2530 2548 2547
Date: December 3, 1998

Subject: Andy Fastow (SVP & CFO of Enron) visit on December 4th

Overview

Thank you for visiting with Andy Fastow at 10:00 a.m. on Friday, December 4th. Andy is in New York to meet with our team regarding the $1 billion equity fund Merrill Lynch is raising for Enron. Enron will contribute $500 million to the fund, of which a portion may be in the form of Enron common stock, and institutions and Enron managers will contribute the balance. Ben Sullivan, David Sullivan, Schuyler Tilney and Rosser Newton form the balance of the team on this project.

Background

Andy is a very important relationship for the firm and is principally responsible for Merrill Lynch's participation in the project. As you know, Merrill Lynch was nearly excluded from Enron's $750 million common stock offering earlier this year, so this mandate is critical to re-igniting our relationship with Enron.

Merrill Lynch recently lead-managed an Enron debt offering as well as a STEERS offering.

The Company

Enron is among the largest energy companies and has a market capitalization of approximately $20 billion. Enron has recently announced a number of transactions, including the acquisition of Wessex Water and of Cogen Technologies. Merrill Lynch represented the minority stockholders of Cogen in the sale to Enron.

As you know, Enron is one of the most critical relationships in the Houston office and the largest company based in Houston. We have had a close relationship with them for many years and it would be helpful if you could acknowledge our appreciation for this longstanding relationship during the course of the conversation.

Permanent Subcommittee on Investigations
EXHIBIT #242

Investment Banking
Group

One Houston Center
1221 McKinney
Suite 2700
Houston, Texas 77010

Merrill Lynch

Facsimile Cover Sheet

To: Andrew Fastow & Mark Koenig

Company: Enron Corp.
Phone: 713/853-7427 / 5981
Fax: 713/646-2300 / 3002
Subject Enron Corp. Calling List

From: Schuyler Tilney
Phone: 713/759-2530
Fax: 713/759-2539

Date: April 28, 1998
3 Pages including this cover page.
(Should you have problems receiving this transmission, please contact Teresea Goodgame (713)759-2516

Andrew & Mark,

Attached is a calling list from John Olson for the Enron Corp. common stock offering as of today. We will send to you an updated list as it becomes available. Please feel free to call either myself, Rob or Adam with any questions or comments between now and the pricing.

Attention: Employee Faxing Material
This facsimile should not contain information not for public distribution or any proprietary information deemed for internal use only.

Attention: Recipient of Faxed Material
The information herein has been obtained from sources which we believe to be reliable, but we do not guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes a solicitation by us of the purchase or sale of any securities.

Permanent Subcommittee on Investigations
EXHIBIT #243

As of 04/28/98 at 5:38 PM

John Olson - Enron Call List

	Name	Company	Comments
1	Ray Chan	Franklin Funds	Bought stock before Q1 report. May buy some more. EES valuation is an issue
2	John Gavin	AmEx - IDS	Likes story. Thinks it will be the next WMB. Is concerned about the size of the premium on Enron Energy Services (EES). Could be a buyer.
3	Dennis Walsh	Fleet Financial Group	Left Voice Mail / Enron Story
4	Larry Tedeschi	BancOne	Likes story, undecided on it. Meeting with Lou Pai on Thursday. Will decide on Friday.
5	John Lennon	Colonial Management	Likes story. Concept player will visit on Friday A.M. May buy more.
6	Dave Powers	Ohio State Teachers	Enron story & its valuations. Likes stock - will meet with Lou Pai Wednesday. Will make up mind on Friday.
7	Bruce Williams	Morgan Guaranty	Left Voice Mail /Enron Story
8	Joann Barry	Scudder Kemper	Left Voice Mail /Enron Story
9	Zia Mian	Northern Trust	Left Voice Mail /Enron Story
10	Tom Bolgart	First Star	Owns Stock/Likes story/ undecided if he will buy more. EES valuation premium is an issue.
11	Rod Mitchell	Mitchell Group	Wants to buy cheaper/He's a bargain hunter.
12	Stacy Saul	George Weiss Associates	Left Voice Mail/Enron Story
13	Peter Vig	Tiger Mgmt	Will probably pass
14	Monroe Helm	Barrow Hanley	Left Voice Mail /Enron Story
15	Gregg Winneke	USAA	Left Voice Mail /Enron Story
16	Christine Drisch	American Capital Mgmt	Doesn't own/may be interested. Asked a lot of questions.
17	James Elliot	Cowen Asset Mgmt	Left Voice Mail /Enron Story
18	Jarl Ginsberg	Provident Capital Mgmt	Left Voice Mail /Enron Story
19	Jim Boyd	Harbor Capital Mgmt	Left Voice Mail /Enron Story
20	Jim McMadden	Silcap	Left Voice Mail /Enron Story
21	John Murphy (212) 598-8104	Mitchell	Left Voice Mail /Enron Story
22	Mike Nohe	Neuberger Berman	Left Voice Mail /Enron Story
23	Tom Moore	State Street	Left Voice Mail /Enron Story
24	Barbara Friedman	John Hancock	Like the idea. will consider it. Doesn't own now.
25	Barry Allen	Putnam	Thinks price is too high. Might bite @$44 - $45
26	Phil Kaukkonen	Lord Abbott	Left Voice Mail /Enron Story
27	Bruce Bottomley	Sasco Capital	Left Voice Mail /Enron Story

As of 04/28/98 at 5:38 PM

28	Lisa Nurmi	Mass Financial	Left Voice Mail /Enron Story
29	John Wong	Mass Financial	Left Voice Mail /Enron Story
30	Don Kilbride	The Boston Company	Left Voice Mail /Enron Story
31	George DeLucas		Left Voice Mail /Enron Story
32	Bill Burt		Left Voice Mail /Enron Story
33	Joel Kurth	Columbus Circle	Like Enron/owns stock. Bought in February/Will see Mgmt next Monday @ 1:00pm (deal prices that day!) could buy more.
34	Tony Giammalva	Dawson Samburg	Bought big position @$41 - $42. Debby Pratt has retired. Huge bull on stock. Bought more today. Will probably buy more on deal-price sensitive
35	Martin Roberts	Salomon Asset Mgmt	Will look at - May buy on weakness.

Investment Banking
Group

One Houston Center
1221 McKinney
Suite 2700
Houston, Texas 77010

Merrill Lynch

Facsimile Cover Sheet

To: Andy Fastow & Mark Koenig

Company: Enron Corp.
Phone: 713/853-7427 / 5981
Fax: 713/646-2300 / 3002
Subject Updated Enron Corp. Calling List

From: Schuyler Tilney
Phone: 713/759-2530
Fax: 713/759-2539

Date: April 30, 1998
5 Pages including this cover page.
(Should you have problems receiving this transmission, please contact Teresea Goodgame (713)759-2516

Andy & Mark,

Attached is an updated calling list from John Olson for the Enron Corp. common stock offering. We will send to you another updated list when it becomes available. Again, please feel free to call either myself, Rob or Adam with any questions or comments between now and the pricing.

Attention: Employee Faxing Material
This facsimile should not contain information not for public distribution or any proprietary information deemed for internal use only.

Attention: Recipient of Faxed Material
The information herein has been obtained from sources which we believe to be reliable, but we do not guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes a solicitation by us of the purchase or sale of any securities.

John Olson - Enron Call List
4/29/98

	Name	Company	Comments
1	Pat Kane	Federated Research	Left Voice Mail / Enron Story
2	John Segner	Invesco	Left Voice Mail / Enron Story
3	Brad Evans	Heartland Advisors	Discussed Enron in detail/Not interested. Owns big position in SWN
4	Jim Marguard	Rainier Invt. Mgmt	Discussed Enron in detail/Doesn't know story well/ But will look at it. Smart investor - likes gas commodity
5	Brian Wall	Munder Capital Mgmt	Left Voice Mail / Enron Story
6	Robert Leslie	Trusco Capital Mgmt	Left Voice Mail / Enron Story
7	Leon Tsirlin	Lehman Ark Mgmt	Has sold down Enron position/No interest in the stock. Wants to move up Sonat instead
8	Peter Viehl	Trust Company in West	Discussed Enron in detail/ Set up appt @10:00 am /will see Enron on Friday/e-mailed research
9	Jim McFadden	Silcap	Discussed Enron/Will look at it/No sense of the depth of interest/
10	Mike Custer	First Chicago - NBD	Left Voice Mail / Enron Story
11	Kevin McCabe	Bank of New York	Left Voice Mail / Enron Story
12	Bill Selesky	Mitchell Hutchins	Left Voice Mail / Enron Story
13	Katie O'Conner	Bankers Trust	Left Voice Mail / Enron Story
14	Joe Hill	Sun Trust	Discussed Enron in detail/Not interested.
15	Brian Hannon	Delaware Mgmt.	Discussed Enron/Likes story long term/Can't get others interested/ Doesn't want to pay $49.50/ Thinks stock could be good/Sitting on the fence post
16	Paul Crovo	General Accident	Left Voice Mail / Enron Story
17	Jackson Hockley	Farmers Insurance	Left Voice Mail / Enron Story
18	Berne Fleming	IDS	Left Voice Mail / Enron Story
19	Michael Hoover	U.S. Trust	Discussed Enron in detail/owns a piece of Enron already/May add to position/likes to buy it cheaper/ Could be a buyer. Faxed him research
20	Martin Russell Jones	Compass Mgmt (London)	Discussed Enron story/E-mailed data/ could be a buyer.
21	Brent Hester	T.Rowe Price	Left Voice Mail / Enron Story
22	Diane Sobin	Chase Investor	Discussed Enron in detail. Already owns @ $41.00. Will visit with Ken Lay tomorrow AM/Borderline buyer.
23	Kim Schnabel	CREF	Left Voice Mail / Enron Story
24	Will Muggia	Westfield Capital	Left Voice Mail / Enron Story
25	Dave Zimmerman	Loomis Sayles	Discussed Enron in detail/already owns stock/Not big position/Looks like he will sit out on deal/wait for it to come down

4/28/98

	Name	Company	Comments
1	James Elliot	Cowen Asset	Discussed Enron/Didn't seem too interested.
2	Steve Pouns	Beutel Goodman	Discussed Enron/Will go to the roadshow next Monday/Luke warm to story
3	Peter Viehl	Trust Company of the West	Left Voice Mail / Enron Story
4	Bruce Williams	Morgan Guaranty	Discussed Enron/He likes it/But Terry Shu (Electric's) is calling the shots on Enron
5	Terry Shu	Morgan Guaranty	Left Voice Mail / Enron Story
6	Annie Tsao	Alliance Capital Mgmt	Discussed Enron in Detail. Annie is still up in the air. Cant tell what she is going to do.
7	Stacy Saul	George Weiss	Discussed Enron. Wants to know it better. No clear indication.
8	Joe Sheer	Omega Investors	Discussed Enron / Not interested/owns a lot of EOG, however. Will not be in deal.
9	Eric Scharpf	Miller Anderson	Left Voice Mail / Enron Story
10	Dick Koloski	Adams Express	Discussed Enron/Likes at a lower price. Owns EOG
11	Dwight Cowden	Mellon Bank	Left Voice Mail / Enron Story
12	Pat Kane	Federated	Left Voice Mail / Enron Story
13	Rob Boyd	investment Counsel of Maryland	Left Voice Mail / Enron Story
14	Bill Adams	NCNB/Boatman	Discussed Enron/ would become interested @ $43-$45, probably won't come in on deal
15	Gene Gillespie	Mississippi Valley	Discussed Enron . Stock too rich - will pass.
16	Dannette Miller	Mississippi Valley	Discussed Enron . Stock too rich - also will pass.
17	Eric Elvekrog	Duff & Phelps Asset Mgmt	Left Voice Mail / Enron Story
18	Jerry Jurs	Harris Trust	Left Voice Mail / Enron Story
19	Joe Woerner	State of Wisconsin	Left Voice Mail / Enron Story. Joe will be out of the office until May 1.
20	David Dowler	Luther King Asset Mgmt	Discussed Enron. Would be interested @ a lower price. Will go the meeting on Friday.

32	Bill Burt		Left Voice Mail /Enron Story
33	Joel Kurth	Columbus Circle	Like Enron/owns stock. Bought in February/Will see Mgmt next Monday @ 1:00pm (deal prices that day!) could buy more.
34	Tony Giammalva	Dawson Samburg	Bought big position @$41 - $42. Debby Pratt has retired. Huge bull on stock. Bought more today. Will probably buy more on deal-price sensitive
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Investment Banking
Group

One Houston Center
1221 McKinney
Suite 2700
Houston, Texas 77010

Merrill Lynch

Facsimile Cover Sheet

To: Andy Fastow & Mark Koenig

Company: Enron Corp.
Phone: 713/853-7427 / 5981
Fax: 713/646-2300 / 3002
Subject Final Enron Corp. Calling List

From: Schuyler Tilney
Phone: 713/759-2530
Fax: 713/759-2539

Date: May 4, 1998
7 Pages including this cover page.
(Should you have problems receiving this transmission, please contact Teresea Brooks at (713)759-2516

Andy & Mark,

Attached is the final calling list from John Olson for the Enron Corp. common stock offering. Please feel free to call either myself, Rob or Adam with any questions or comments between now and the pricing.

Attention: Employee Faxing Material
This facsimile should not contain information not for public distribution or any proprietary information deemed for internal use only.

Attention: Recipient of Faxed Material
The information herein has been obtained from sources which we believe to be reliable, but we do not guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes a solicitation by us of the purchase or sale of any securities.

John Olson - Enron Call List
5/1/98

	Name	Company	Comments
1	Paul Scoville	Carl Domino	Discussed Enron in detail/not interested
2	Jim Carroll	Loomis Sayles	Left Voice Mail / Enron Story
3	Annie Tsao	Alliance Capital	Sending her more information
4	Joe Hill	Sun Trust Mgmt	Discussed Enron (again)/Still not a buyer
5	Annie Tsao	Alliance Capital	Left voice mail more enron details
6	Sheldon Simon	Putnam	Discussed Enron/Coming into office at 2:00 pm /already owns stock/will decide after listening to story.
7	Pat Kane	Federated	Left Voice Mail / Enron Story
8	Bill Patzer	MLAM	Left Voice Mail / Enron Story
9	Walter Rogers	MLAM	Left Voice Mail / Enron Story
10	Claude Cody	AIM	Discussed Enron/will pass/ thinks its fairly valued
11	Frank Gallagher	Catalyst Fund	Discussed Enron / Not interested
12	Yasha Gofman	Dodge & Cox	Left Voice Mail / Enron Story
13	Jack LeVande	Ark Asset Mgmt	Left Voice Mail / Enron Story
14	Sunita Singh	Fiduciary	Left Voice Mail / Enron Story
15	Tom Musick	John Mcstay	Left Voice Mail / Enron Story
16	Pat Rowles	Kempner Investment	Discussed Enron/Not interested
17	Harry Flavin	Austin Calvert	Discussed Enron/Somewhat interested/was going to meeting
18	David Ginther	Waddell & Reed	Left Voice Mail / Enron Story
19	Monroe Helm	Barrow Hanley	Left Voice Mail / Enron Story
20	David Jordan	Fayez Sarofim	Discussed Enron in detail/Industry outlook/ Will meet on Wednesday May 13th.

4/30/98

	Name	Company	Comments
1	Ed Amberger	Morgan Stanley Dean Witter	Tried to leave voice mail/mailbox full
2	Joe Klimas	State of Michigan	Discussed Enron in detail. Won't pay up. Likes low P/Es. Full in his gas positions
3	Maura Shaunhessey	Mass financial Services	Left Voice Mail / Enron Story
4	Sheldon Simon	Putnam	Left Voice Mail / Enron Story
5	Steven Dray	Strong Capital	Left Voice Mail / Enron Story
6	Glenn Johnson	First Asset Mgmt	Left Voice Mail / Enron Story/New to Group
7	Jeff Erickson	Advantus	Left Voice Mail / Enron Story
8	Debby Janson	Stein Roe	Left Voice Mail / Enron Story
9	John Segner	Invesco	Discussed Enron in detail/Won't be in Enron deal/ Owns El Paso; wants to buy Sonat at lower price/ trying to get him interested in Columbia (CG) and Consolidated Natural (CNG)
10	Bob Unger	Columbia Mgmt	Left Voice Mail / Enron Story
11	Annie Tsao	Alliance	Discussed Enron in more detail/ Seems to like the story/May have a buyer here.
12	Jim Carroll	Loomis Sayles	Left Voice Mail / Enron Story
13	Pat Kane	Federated	Discussed Enron/Not interested
14	Mike Kerr	Capital	Discussed Enron in detail/Looking hard at stock/ May come in/Faxed research
15	Berne Fleming	IDS	Discussed Enron in detail/Owns Enron/ Doesn't want more/Looking @ CNG; CGP & CG owns big. Wants more gas exposure
16	Dave Zimmerman	Loomis Sayles	Discussed Enron in detail/not an Enron buyer/ Ran thru arguments - still not interested/ very interested in Williams/owns EPG
17	Annie Tsao	Alliance	More discussion on Enron/Still learning company/ don't think she will be in /wants Sonat data & Williams
18	James Elliot	Cowen Asset	Discussed Enron in detail/ Looking again at company/ may buy
19	Mike Kerr	Capital Research	Discussed Enron in detail/ live one here/ Could be a buyer
20	John Johnson	Berger Funds	Discussed Enron in detail/ Not interested

4/29/98

	Name	Company	Comments
1	Pat Kane	Federated Research	Left Voice Mail / Enron Story
2	John Segner	Invesco	Left Voice Mail / Enron Story
3	Brad Evans	Heartland Advisors	Discussed Enron in detail/Not interested. Owns big position in SWN
4	Jim Marguard	Rainier Invt. Mgmt	Discussed Enron in detail/Doesn't know story well/ But will look at it. Smart investor - likes gas commodity
5	Brian Wall	Munder Capital Mgmt	Left Voice Mail / Enron Story
6	Robert Leslie	Trusco Capital Mgmt	Left Voice Mail / Enron Story
7	Leon Tsirlin	Lehman Ark Mgmt	Has sold down Enron position/No interest in the stock. Wants to move up Sonat instead
8	Peter Viehl	Trust Company in West	Discussed Enron in detail/ Set up appt @ 10:00 am /will see Enron on Friday/e-mailed research
9	Jim McFadden	Silcap	Discussed Enron/Will look at it/No sense of the depth of interest/
10	Mike Custer	First Chicago - NBD	Left Voice Mail / Enron Story
11	Kevin McCabe	Bank of New York	Left Voice Mail / Enron Story
12	Bill Selesky	Mitchell Hutchins	Left Voice Mail / Enron Story
13	Katie O'Conner	Bankers Trust	Left Voice Mail / Enron Story
14	Joe Hill	Sun Trust	Discussed Enron in detail/Not interested.
15	Brian Hannon	Delaware Mgmt	Discussed Enron/Likes story long term/Can't get others interested/ Doesn't want to pay $49.50/ Thinks stock could be good/Sitting on the fence post
16	Paul Crovo	General Accident	Left Voice Mail / Enron Story
17	Jackson Hockley	Farmers Insurance	Left Voice Mail / Enron Story
18	Berne Fleming	IDS	Left Voice Mail / Enron Story
19	Michael Hoover	U.S. Trust	Discussed Enron in detail/owns a piece of Enron already/May add to position/likes to buy it cheaper/ Could be a buyer. Faxed him research
20	Martin Russell Jones	Compass Mgmt (London)	Discussed Enron story/E-mailed data/ could be a buyer.
21	Brent Hester	T.Rowe Price	Left Voice Mail / Enron Story
22	Diane Sobin	Chase Investor	Discussed Enron in detail. Already owns @ $41.00. Will visit with Ken Lay tomorrow AM/Borderline buyer.
23	Kim Schnabel	CREF	Left Voice Mail / Enron Story
24	Will Muggia	Westfield Capital	Left Voice Mail / Enron Story
25	Dave Zimmerman	Loomis Sayles	Discussed Enron in detail/already owns stock/Not big position/Looks like he will sit out on deal/wait for it to come down

4/28/98

	Name	Company	Comments
1	James Elliot	Cowen Asset	Discussed Enron/Didn't seem too interested.
2	Steve Pouns	Beutel Goodman	Discussed Enron/Will go to the roadshow next Monday/Luke warm to story
3	Peter Viehl	Trust Company of the West	Left Voice Mail / Enron Story
4	Bruce Williams	Morgan Guaranty	Discussed Enron/He likes it/But Terry Shu (Electric's) is calling the shots on Enron
5	Terry Shu	Morgan Guaranty	Left Voice Mail / Enron Story
6	Annie Tsao	Alliance Capital Mgmt	Discussed Enron in Detail. Annie is still up in the air. Cant tell what she is going to do.
7	Stacy Saul	George Weiss	Discussed Enron. Wants to know it better. No clear indication.
8	Joe Sheer	Omega Investors	Discussed Enron / Not interested/owns a lot of EOG, however. Will not be in deal.
9	Eric Scharpf	Miller Anderson	Left Voice Mail / Enron Story
10	Dick Koloski	Adams Express	Discussed Enron/Likes at a lower price. Owns EOG
11	Dwight Cowden	Mellon Bank	Left Voice Mail / Enron Story
12	Pat Kane	Federated	Left Voice Mail / Enron Story
13	Rob Boyd	investment Counsel of Maryland	Left Voice Mail / Enron Story
14	Bill Adams	NCNB/Boatman	Discussed Enron/ would become interested @ $43-$45, probably won't come in on deal
15	Gene Gillespie	Mississippi Valley	Discussed Enron . Stock too rich - will pass.
16	Dannette Miller	Mississippi Valley	Discussed Enron . Stock too rich - also will pass.
17	Eric Elvekrog	Duff & Phelps Asset Mgmt	Left Voice Mail / Enron Story
18	Jerry Jurs	Harris Trust	Left Voice Mail / Enron Story
19	Joe Woerner	State of Wisconsin	Left Voice Mail / Enron Story. Joe will be out of the office until May 1.
20	David Dowler	Luther King Asset Mgmt	Discussed Enron. Would be interested @ a lower price. Will go the meeting on Friday.

32	Bill Burt		Left Voice Mail /Enron Story
33	Joel Kurth	Columbus Circle	Like Enron/owns stock. Bought in February/Will see Mgmt next Monday @ 1:00pm (deal prices that day!) could buy more.
34	Tony Giammalva	Dawson Samburg	Bought big position @$41 - $42. Debby Pratt has retired. Huge bull on stock. Bought more today. Will probably buy more on deal-price sensitive
35	Martin Roberts	Salomon Asset Mgmt	Will look at - May buy on weakness.

Interoffice Memorandum

CONFIDENTIAL

Merrill Lynch

To:	Debt Markets Commitment Committee
From:	Energy & Global Power: Schuyler Tilney, Robert Furst, Bowen Diehl, Stephanie Schulz
	Leverage Finance: Michael Senft, Chris Stout, Allen Custard, Erica Cho
	Debt Capital Markets: Jack Scorzo, Adam Kulick
At:	Energy & Global Power: (713) 759-2530, (214) 849-5350, (214) 849-5360, (214) 849-5330
	Leverage Finance: (212) 449-8236, (212) 449-0982, (212) 449-4240, (212) 449-2675
	Debt Capital Markets: (212) 449-4908, (212) 449-3715
Date:	March 27, 2001

Subject: $40.0 million participation request from Enron Corp. ("Enron" or the "Company") in funding a five-year Senior Secured Credit Facility for Zephyrus Investments, LLC ("Zephyrus")

Transaction Summary:	
Borrower / Guarantor:	Zephyrus Investments, LLC / Enron Corp.
Facility:	Senior Secured Term Loan Facility
Amount of Facility:	$481,725,000
Use of Proceeds:	Funds a Special Purpose Entity to purchase receivables and other short term investment grade assets
Merrill Lynch Commitment:	$40.0 million
Timing:	As soon as practicable
Ratings:	Not Rated; underlying assets are BBB- or better with 1.25x asset coverage and Enron subordinated capital commitment
Maturity:	January 2001
Listing / Ticker:	Zephyrus is not listed, Enron is "ENE"
Administrative Agent:	JP Morgan Chase
Other Lenders:	Bank of America, BNP Paribas, Fleet National Bank, Sumitomo, Royal Bank of Scotland, First Union National Bank, Sanwa, Industrial Bank of Japan, WestLB, CIBC
Independent Auditors:	[KPMG LLC]
Group Head Approval:	Jack Yang / Christopher Johnson
Merrill Lynch Research Coverage:	Leo Kelser (Fixed Income), Donato Eassey (Equity)

Permanent Subcommittee on Investigations
EXHIBIT #244

MS 06880

Interoffice Memorandum

CONFIDENTIAL

To: Debt Markets Commitment Committee

From: Energy & Global Power: Schuyler Tilney, Robert Furst, Bowen Diehl, Stephanie Schulz
Leverage Finance: Michael Senft, Chris Stout, Allen Custard, Eric Cho
Debt Capital Markets: Jack Sconzo, Adam Kulick

At: Energy & Global Power: (713) 759-2530, (214) 849-5350, (214) 849-5360, (214) 849-5330
Leverage Finance: (212) 449-0982, (212) 449-[ ]
Debt Capital Markets: (212) 449 (212) 449-3715

Merrill Lynch

Date: March 27, 2001

Subject: $40.0 million participation request from Enron Corp. ("Enron" of the Company) in funding a five-year Senior Secured Credit Facility for Zephyrus Investments, LLC ("Zephyrus")

I. Summary

Merrill Lynch has been asked by Enron to participate in a credit facility for Zephyrus, a newly formed Delaware limited liability company created by Enron for the purpose of aiding in securitizing receivables. Merrill Lynch will take assignment of $40.0 million of a $481.725 million Senior Secured Term Loan Facility (the "Facility"), which will be funded in full at closing. Zephyrus was initially capitalized with $500 million, $481.725 million from the Facility and $18.275 million in equity. The debt at Zephyrus is ultimately secured by a portfolio of high-quality assets (the "Core Permitted Assets") purchased from Enron. The asset quality is further complemented by additional layers of equity in the structure which raise the asset coverage of the credit facility to 1.25 times. The purchase of the Core Permitted Assets from Enron will raise $500 million in proceeds to be used by the Company to refinance debt and for general corporate purposes, while providing Enron with $500 million of "minority interest" equity financing. Chase Securities Inc. ("CSI") arranged the credit facility for Zephyrus, which closed on November 28, 2000, with the participation of The Chase Manhattan Bank, Bank of America, N.A., BNP Paribas and FleetBoston Financial.

II. Merrill Lynch Relationship

Merrill Lynch has maintained a strong long-term relationship with Enron Corp. Recently, however, Enron management informed Merrill Lynch that it is at a distinct disadvantage because of Merrill's reluctance to use its balance sheet to support Enron's business activities. Enron has informed Merrill Lynch that, regardless of the firm's strengths in the various capital markets and advisory areas, hiring Merrill Lynch for high-profile assignments could jeopardize its relationships with its key providers of capital.

Endeavoring to improve its relationship with Enron, the Merrill Lynch Enron relationship team arranged a meeting on February 16, 2001 between the senior management of Enron (Andy Fastow – CFO) and Dan Bayly and Tom Davis, to discuss ways in which the two companies could work together. As a result of this meeting, Merrill Lynch agreed to seek ways to commit its balance sheet to "selected situations" that

were uniquely value-added to the Company. The transaction discussed herein is the first instance of such a situation since the meeting in New York. Enron has told Merrill Lynch that, despite its small size, this transaction is high profile and the firm's participation would be noticed.

Merrill Lynch lead-managed a $200.0 million TOPrS transaction in 1996, a $480.0 million project financing for Sutton Bridge Power in 1997, a $150.0 million TOPrS transaction in 1997 and a $200.0 million Remarketed Reset Notes transaction in 1997. Merrill Lynch co-managed a 15.0 million share and 12.0 million share common stock offering for Enron in 1998 and 1999 respectively, and lead-managed a 36.0 million share IPO of Enron's water company (Azurix) in 1999. Recently, Enron engaged Merrill Lynch as its buyside advisor for the potential purchase of Valero. Merrill Lynch also placed two one-year eurobonds for ¥10 billion and ¥20 billion and is engaged as an advisor on the purchase of Sithe's Asian generation assets.

III. Summary of Senior Secured Term Loan Facility

Facility	Amount	Tenor	LIBOR Margin	Additional Upfront Fees
Senior Secured Term Loan Facility	$481.725 MM	5-Year	100.0 bps	$50 MM -50 bps $35 MM - 35 bps $20 MM - 20 bps

The $481.725 million Senior Secured Term Loan Facility is structured as a five-year non-amortizing term loan. The Facility was made available to Zephyrus in a single drawing upon closing to finance a portion of the purchase price of the $500 million Preferred Units to be issued by EFP.

Structural Protections: Lenders under the Facility will have a first priority security interest in the Preferred Units and the LLC Agreement of EFP. EFP, in turn, has a perfected security interest in receivables owned by Sequoia. In addition, if EFP fails to comply with certain covenants under the LLC Agreement, an Event of Default will occur under the Facility.

Payment of Interest: Quarterly interest on the Facility will be paid from the Preferred Distributions by EFP. The Preferred Applicable Rate was set at LIBOR plus a spread (1.0202%), sufficient to cover anticipated interest payments on the Facility, expected yield on Zephyrus equity and estimated expenses, including local taxes.

Repayment of Principal: As their source of repayment, the Lenders will look to liquidation of EFP's Core Permitted Assets. The Facility may be prepaid by Zephyrus, in whole or in part, on any interest payment date under the Facility. The Facility is required to be prepaid upon the early redemption, disposition or purchase of the Preferred Units. In addition, 97% of any Partial Redemptions (the "Partial Redemptions") are required to be used to prepay the Facility.

IV. Sources and Uses

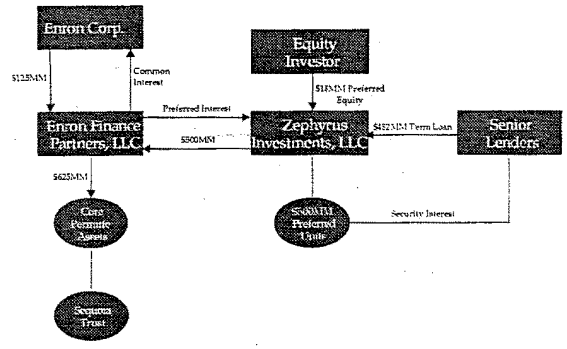
The table below sets forth sources and uses related to the capitalization of Zephyrus.

(dollars in millions)

Sources:		Uses:	
Term Loan	$481.725	Purchase of Preferred Units	$500
Equity Investment	18.275		
Total	$500	Total	$500

V. Transaction Overview

This transaction allows Enron to raise $500 million of "minority interest" equity financing and provides an efficient financing vehicle. The following is a transaction schematic to illustrate the flow of capital at closing.



EFP is an indirect subsidiary of Enron. Enron contributed $125 million in cash to EFP in exchange for 100% of EFP's common equity (the "Common Units"). On November 28, 2000, EFP issued $500 million of Preferred Units to Zephyrus, representing a preferred interest in EFP. Zephyrus purchased the Preferred Units with the proceeds from a $481,725,000 Senior Secured Term Loan Facility and $18,275,000 of equity. Zephyrus' sole purpose will be to manage and protect its preferred interest in EFP. It will not incur any additional debt or engage in any other business. Zephyrus' Limited Liability Company Agreement (the "LLC Agreement") governs the activities of EFP and contains certain covenants which apply to EFP.

EFP received $625 million of cash representing the proceeds from both the Common Unit and Preferred Unit issues. EFP can invest the $625 million "Core Permitted Assets" based on specific investment criteria detailed in the LLC Agreement. Included in the definition of Core Permitted Assets will be senior secured notes issued by Sequoia Financial Assets, LLC ("Sequoia") (the "Sequoia Notes") which are backed by and secured with:

(i) short term trade receivables (having a maturity of 30 days or less) generated in the normal course of business of Enron and certain of its subsidiaries, and

(ii) short term notes (having a maturity of 30 days or less) issued by Enron or certain Enron subsidiaries.

Sequoia is capitalized with a $50 million subordinated interest held by Enron. Any losses resulting from defaulted receivables will be allocated first to Enron's subordinated interest. The subordinated interest must be replenished to $50 million on a monthly basis. Sequoia has not experienced a default in its 18 months of operation. Ultimately, it is anticipated that EFP will invest approximately $315 million in Sequoia Notes, on a monthly basis.

EFP's $625 million in Core Permitted Assets provides a 1.25 to 1.0 asset coverage to the Preferred Units. The Sales and Servicing Agreement among Sequoia, Enron and certain Enron affiliates as Sellers further provides that 80% of the receivables backing EFP's Sequoia Notes have counterparties rated at least BBB- or Baa3 by S&P and Moody's, respectively (to ensure at least a 1.0 to 1.0 coverage of S&P/Moody's investment grade receivables to the Preferred Units). There is a further requirement that no more than 20% of the receivables pool be rated BBB- rating.

EFP's business activity will be to manage and to protect its investment in Core Permitted Assets. The EFP board of directors will be responsible for the management and investment decisions of EFP. Zephyrus will have the right to elect, in an event of default, 2 of the 3 directors to the board.

On an ongoing basis, EFP will receive cash flows generated by Core Permitted Assets in the form of interest. EFP will make quarterly distributions on the Preferred Units, ("Preferred Distributions"), intended to service Zephyrus' interest, dividends, taxes and expenses. Cash accumulating at EFP in excess of the Preferred Distribution will be reinvested in Core Permitted Assets.

Sequoia is an SPV established to purchase third party accounts receivables primarily from Enron North America ("ENA"), a 100% owned subsidiary of Enron as well as commercial paper issued by Enron. Sequoia Notes are included in the definition of Core Permitted Assets. Sequoia has been in operation for 18 months and has sold Sequoia Notes to Cherokee Finance V.O.F., ("Cherokee"). EFP and Cherokee will share pari passu (but pro-rata for their respective Core Permitted Asset Coverage Ratio) the entire pool of Sequoia's investment grade receivables. Enron's $50 million Class A Interest in Sequoia (which covers monthly defaults) will also be shared pari passu (but pro-rata for their respective Core Permitted Asset Coverage Ratio).

Mechanically, the receivables are transferred to Sequoia at a discount. Enron will continue to handle billing, credit policy, collection, cash management, tracking and reporting. Each month the portfolio turns over and the proceeds payable will be re-advanced under the Sequoia Notes, assuming compliance with the applicable purchase conditions. It is estimated that substantially all losses, if any, at Sequoia due to uncollectability of accounts would be absorbed by Enron through its subordinated Class A Interest in Sequoia.

To qualify as Core Permitted Assets, the Sequoia Notes must be backed by investment grade accounts receivables (rated BBB- or better) or Enron commercial paper rated A2/P2 or better. ENA generates a core group of receivables based on contracts for the supply of electricity or natural gas to certain standing customers. In accordance with industry standards, these contracts and accounts are billed on a monthly cycle. Payments of receivables must be due within 30 days.

Some of the key protections for the senior note holders in Sequoia are as follows:

1. Credit quality, liquidity and other eligibility requirements of the Sequoia portfolio.
2. EFP will have a perfected security interest in receivables owned by Sequoia.

3. In addition to the Sequoia Notes, Sequoia is capitalized with a $50 million subordinated interest held by Enron. Any losses resulting from defaulted receivables will be allocated first to Enron's subordinated interest. The subordinated interest must be replenished on a monthly basis. Further, Enron's monthly Class A Interest contribution must equal the greater of (i) $50 million or (ii) 2.5% of the aggregate face amount of the Monthly Notes.

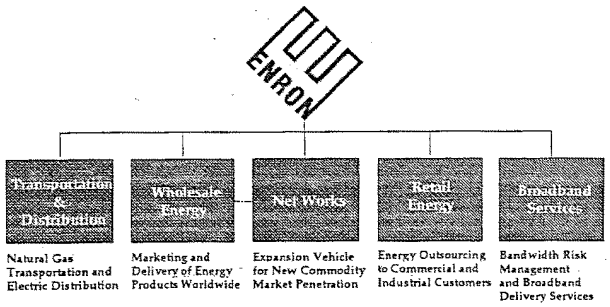
4. If credit losses at Sequoia were to exceed Enron's Class A subordinated interest, to the extent such losses impacted the asset coverage ratios, it would result in a default at EFP under its LLC Agreement and Cherokee under its General Partnership Agreement.

5. No consent to the addition of any "Seller" under the Sequoia Sales and Servicing Agreement unless adequate documents are delivered.

6. In the event of an Enron bankruptcy, the worst case scenario is EFP becomes a senior lender to Enron, with such loans being secured to the extent of receivables owing by third party obligors.

VI. Enron Corp Overview

Enron, headquartered in Houston, Texas, is one of the largest sellers of natural gas and electricity in deregulated and privatized markets on three continents with approximately $65.5 billion in assets, $100.8 billion in revenues, and funds flow from operations of $4.8 billion (excluding non-recurring items) for the year ended December 31, 2000. Currently, Enron's equity market capitalization is approximately $45.9 billion and its senior unsecured debt is rated BBB+/Baa1 by Standard & Poor's and Moody's, respectively. Enron provides products and services related to natural gas, electricity and communications to wholesale and retail customers. Enron's operations are conducted through its subsidiaries and affiliates, organized as follows:



Furthermore, Enron is the largest provider of energy risk management services in the world and owns the largest natural gas pipeline system in the U.S. Enron is also constructing a 10,000 mile nationwide fiber-optic telecommunications network. Enron is frequently characterized as the agent of change in the rapidly deregulating and privatizing energy markets and has been named the "Most Innovative Company in the World" for four consecutive years by *Fortune*. Enron currently ranks among the Fortune 100 companies with annual revenues of over $30 billion. Importantly, Enron has made investments of over $7 billion in each of the last two years in a variety of energy-related businesses and currently owns merchant investments of over $10 billion.

List of Appendices

Zephyrus Investments, LLC Information Memorandum	1
Zephyrus Investments, LLC Presentation	2
Press Release	3
Enron Annual Report – 2000	4
Available Upon Request	
Zephyrus LLC Agreement	
Amended and Restated Sale and Servicing Agreement	
Sequoia Financial Assets, LLC Note Purchase Agreement	
Zephyrus Investments, LLC Security Agreement	
Enron Finance Partners, LLC Limited Liability Company Agreement	
Enron Finance Partners, LLC Indemnification Agreement	
Funding Agreement	

Merrill Lynch & Co.
Capital Commitments

FOR INTERNAL USE ONLY

Commitment Committee Information

Company: (Include code-name, if any)	**Zephyrus Investments, LLC/Enron Corp.**
Issue:	**$481.725 MM Senior Secured Term Loan Facility (5-year facility)**
Currency:	**U.S. dollars**
Amount:	**$40 MM commitment**
Expected Ratings:	**Unrated (Enron: BBB+/Baa1)**
Form of Commitment:	**single draw down at closing**
Use of Proceeds:	Allows Enron to raise up to $500 million of "minority interest" equity financing and provides an efficient financing vehicle
Proposed DMCC Date:	**March 29, 2001**
Prospectus/OM Printing Date:	**N/A**
Deal Team:	Schuyler Tilney (713/759-2530), Rob Furst (214/849-5350), Bowen Diehl (214/849-5360), Travis Armayor (214/849-5370), Stephanie Schulz (214/849-5330)
Capital Markets:	Adam Kulick (212/449-3715), Chris Stout (212/449-0982), Allen Custard (212/449-4240), Michael Senft (212/449-8236), Jack Sconzo
Group Head Approval:	Rick Gordon (713/759-2510)
Research Analyst:	Leo Kelser (212/449-7803)
ML - Role:	**Lender**
ML Economics:	**40 bps**
Other Lenders:	**THE CHASE MANHATTAN BANK (administrative agent)** **BANK OF AMERICA (documentation agent)** **BNP PARIBAS (syndication agent)** **FLEETBOSTON FINANCIAL (senior management agent)** **Sumitomo** **Royal Bank of Scotland** **First Union National Bank** **Sanwa** **Industrial Bank of Japan** **WestLB** **CIBC**

Permanent Subcommittee on Investigations
EXHIBIT #245

MS 16622

Merrill Lynch & Co.
Capital Commitments

FOR INTERNAL USE ONLY

Gross Spread:	**$50 MM/50 bps** **$35 MM/35 bps** **$20 MM/20 bps**
Brief Description of Company:	Enron Corp. founded Enron Finance Partners, LLC ("EFP") to serve as a financing vehicle for Enron and its affiliates. As part of the formation of EFP, Enron raised $500 million of new financing through the sale of Preferred Units by EFP. Zephyrus Investments, LLC purchased the Preferred Class C Units for a cash price equal to $500 million. Zephyrus funded its purchase of the Preferred Units on November 28, 2000 with the proceeds from a $18,275,000 equity issuance and a five-year, $481,725,000 Senior Secured Term Loan Facility.
Public Equity:	"ENE" - **$59.6 Market Value** - **$59.40 Current Price** - **$90.75/$51.51 52 week High/Low**
Public Debt:	*(Dollars in millions)* As of December 31, 1999 Enron Corp. Senior debentures (6.75% to 8.25% due '05 – '12): $318 Notes payable 7.00% exchangeable notes due 2012: $239 6.45% to 9.88% due '01 – '28: $4,209 Floating rate notes due '99 – '04: $329 Northern Natural Gas Company Notes payable (6.75% - 8.00% due '05 – '11): $500 Transwestern Pipeline Company Notes payable (7.55% - 9.20% due '00 – '04): $142 Portland General First Mortgage Bonds (6.47% - 9.46% due '99 – '23): $398 Pollution Control Bonds (various rates due '10 – '33): $200

Memorandum

To: Andy Fastow

From: Schuyler Tilney, Robert Furst

Merrill Lynch

Date: October 7, 1999

Subject: Skilling Questions on LJM2

We would like to have a conversation with Jeff about LJM2. Our questions are as follows:

1. Have you considered the amount of time Andy and his team will devote to LJM2?
2. We are targeting a fund size of $200MM. If we should raise $500MM, are you still comfortable with the amount of time Andy and his team will devote to LJM2?
3. Are you comfortable with the internal mechanics put in place to resolve the conflict of interest issue? Have these internal policies been reviewed with internal and external counsel and the Board?

Permanent Subcommittee on Investigations
EXHIBIT #246

Interoffice
Memorandum

To: LJM Due Diligence File

From: Robert Furst
At: IBX Dallas

Merrill Lynch

Date: October 12, 1999

On October 11, 1999, Schuyler Tilney and Robert Furst spoke with Jeff Skilling, President and COO, of Enron Corp. We asked Jeff the questions listed on the memo dated 10/7/99 attached. It was apparent that Jeff Skilling has spent a great deal of time with LJM2 matters. Jeff is fully supportive of pursuing different methods of financing for Enron Corp. Jeff is comfortable with the conflict of interest issue for the following reasons.

1. Andy has no control of asset sale decision.
2. Rick Causey, EVP and Chief Accounting Officer, will review all transactions.
3. Audit Committee of the Board will receive LJM2 financial statements.

Jeff stressed how important transparency and disclosure will be to the success of this arrangement.

c. Schuyler Tilney
Brad Synum

MS 11454

Permanent Subcommittee on Investigations
EXHIBIT #247

Dolan, Gary (OGC)

From: Sullivan, David (IBK-NY)
Sent: Thursday, November 01, 2001 11:25 AM
To: Dolan, Gary (OGC)
Cc: Sullivan, Ben (IBK)
Subject: LJM2

LJM2 STATUS.xls

as of 9/30/01

The total capital committed was about $394 million
The total capital called is: $243,333,445
$511 committed to investments/$452 million invested
17 investments liquidated for a total proceeds of $394 million
$66.6 million of partners capital is currently drawn

Permanent Subcommittee on Investigations
EXHIBIT #248

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

LJM2 Co-Investment, L.P.

Merrill Lynch & Co.
Permanent Subcommittee on Investigations
EXHIBIT #249
AF100042
"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

PRIVATE PLACEMENT MEMORANDUM CONFIDENTIAL

LJM2 CO-INVESTMENT, L.P.
$200,000,000
Limited Partnership Interests

This Private Placement Memorandum ("Memorandum") is being furnished to prospective investors on a confidential basis in order that such prospective investors may consider an investment in limited partner interests (the "Interests") in LJM2 Co-Investment, L.P., a Delaware limited partnership ("LJM2" or the "Partnership"), and may not be used for any other purpose. Each potential investor, by accepting delivery of this Memorandum, agrees not to make a photocopy or other copy or to divulge the contents hereof to any other person other than a legal, business, investment, or tax advisor in connection with obtaining the advice of such person with respect to this offering.

The Interests are being offered in a private placement to a limited number of accredited investors and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. Accordingly, unless a disposition is exempt from the registration requirements of such laws, the Interests must be held until the Partnership is liquidated. In addition, the transferability of the Interests will be restricted by the Amended and Restated Limited Partnership Agreement of the Partnership (the "Partnership Agreement").

This Memorandum is intended to present, among other things, a general outline of the objectives and structure of the Partnership. The Partnership Agreement, which specifies the rights and obligations of the partners, should be reviewed thoroughly by each prospective investor. The summary of certain provisions of the Partnership Agreement contained herein is necessarily incomplete and is qualified by reference to such Partnership Agreement. Copies of the Partnership Agreement and other relevant material will be made available to prospective investors upon request.

In making an investment decision, investors must rely on their own examination of the Partnership and the terms of the offering, including the merits and risks involved. Each prospective investor or its representative may request copies of such documents, ask questions, and obtain additional information reasonably necessary to verify the accuracy of the information contained in this Memorandum. Except as provided herein, no person has been authorized in connection with this offering to give any information or to make any representations other than as contained in this Memorandum.

The Interests have not been approved or disapproved by the Securities and Exchange Commission ("SEC") or any state securities commission, and neither the SEC nor any state securities commission has passed upon the accuracy or adequacy of this Memorandum. Any representation to the contrary is a criminal offense.

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Investment in the Interests described herein will involve significant risks, including those described in the section titled "Risk Factors" below. Investors should have the financial ability and willingness to accept the risks and lack of liquidity which are characteristic of the investment described herein.

Prospective investors are not to construe the contents of this Memorandum as legal, investment, business, or tax advice. Each investor should consult its own counsel, accountant, and other advisors as to legal, investment, business, tax, and related aspects of a purchase of the Interests offered hereby. The Partnership is not making any representations to any offeree or purchaser of the Interests regarding the legality of an investment therein by such offeree or purchaser under appropriate legal investment or similar laws.

The Partnership reserves the right to withdraw this offering of the Interests at any time and the Partnership and LJM2 Capital Partners, LLC, a Delaware limited liability company that is the general partner of the Partnership (the "General Partner"), reserve the right to reject any commitment to subscribe for the Interests in whole or in part and to allot to any prospective investor less than the full amount of the Interests sought by such investor. The General Partner and certain related persons may acquire for their own account a portion of the Interests.

This Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Interests in any jurisdiction where, or to or from any person to or from whom, such offer or solicitation is unlawful or not authorized.

None of Enron Corp., an Oregon corporation ("Enron"), and its subsidiaries has issued, or guaranteed any payments with respect to, the Interests, and none of Enron and its subsidiaries is responsible for the financial or other performance of the Partnership.

This Memorandum includes or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Memorandum, including, without limitation, statements regarding the Partnership's future financial position, business strategy, and plans and objectives, including the ability of the Partnership to participate in investment opportunities generated by Enron and its subsidiaries, are forward-looking statements. Important factors that could cause actual results to differ materially from those anticipated by the Partnership include the willingness of Enron to permit the Partnership to participate in investment opportunities generated by Enron and its subsidiaries, the success of the Partnership in identifying other investment opportunities, the ability of the Partnership to participate in such investments on terms acceptable to the Partnership, and the actual performance of the investments in which the Partnership participates. Although the Partnership believes its expectations are reasonable, it can give no assurance that its investment objectives will be achieved.

No person has been authorized to give any information or to make any representation concerning the Partnership or the offer of the Interests other than the information contained in this Memorandum and, if given or made, such information or representation must not be relied upon as having been authorized by the Partnership, the General Partner, or Merrill Lynch & Co. The information contained in this Memorandum has been compiled as of October 13, 1999 (except as otherwise stated herein). Certain information presented herein about Enron has been compiled from public

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available sources. Enron has not prepared this Memorandum and Enron has not approved or endorsed the contents of this Memorandum. Neither the delivery of this Memorandum at any time, nor any sale hereunder, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to such date, and none of the Partnership, the General Partner, and Merrill Lynch & Co. undertakes an obligation to update or revise the information contained in this Memorandum, whether as a result of new information, future events or otherwise. The information is from sources believed to be reliable, but none of the Partnership, Merrill Lynch & Co., and any other person has independently verified the information contained herein.

Merrill Lynch, Pierce, Fenner & Smith Incorporated has been engaged as placement agent in connection with the formation of the Partnership and may use its affiliates to assist in its placing activities. Reference in this Memorandum to "Merrill Lynch & Co." shall be deemed to include Merrill Lynch, Pierce, Fenner & Smith Incorporated and, where the context so permits, its affiliates that assist in its placing activities.

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I. EXECUTIVE SUMMARY

Introduction

LJM2 Co-Investment, L.P., a Delaware limited partnership ("LJM2" or the "Partnership"), is being organized by Andrew S. Fastow, Executive Vice President and Chief Financial Officer of Enron Corp., an Oregon corporation ("Enron"), to make privately negotiated equity and equity-related investments in energy- and communications-related businesses and assets. The Partnership expects that Enron will be the Partnership's primary source of investment opportunities and that the Partnership will (i) co-invest with Enron or its subsidiaries in new investments in, or acquisitions of, businesses and assets, and (ii) make investments in, or acquire an investment interest from Enron or its subsidiaries relating to, existing assets or businesses owned by Enron or its subsidiaries. It is expected that in connection with the foregoing investments, Enron will retain a significant economic or operating interest in the businesses or assets in which the Partnership invests. The Partnership may also from time to time make investments in businesses or assets where Enron has no involvement. This is the second such fund formed by Mr. Fastow targeted at investing primarily in companies owned or controlled by Enron. The Partnership's objective is to generate an annualized internal rate of return ("IRR") in excess of 30% to investors in the Partnership after payment of all Partnership fees and expenses and payment of the carried interest to the General Partner.

Enron, headquartered in Houston, Texas, is one of the largest sellers of natural gas and electricity in deregulated and privatized markets on three continents. Additionally, Enron is the largest provider of energy risk management services in the world and owns the largest natural gas pipeline system in the U.S. Enron is also constructing a 10,000 mile nationwide fiber-optic telecommunications network. Enron is frequently characterized as the agent of change in the rapidly deregulating and privatizing energy markets and has been named the "Most Innovative Company in the World" for four consecutive years by *Fortune*. Enron currently ranks among the Fortune 100 companies with annual revenues of over $30 billion. Importantly, Enron has made investments of over $7 billion in each of the last two years in a variety of energy-related businesses and currently owns merchant investments of over $10 billion. *See* – "Overview of Enron." Under Mr. Fastow's management, the Partnership expects to have the opportunity to co-invest with Enron in many of Enron's new investment activities and the opportunity to acquire existing Enron assets on a highly selective basis. This access to deal flow should provide the Partnership with unusually attractive investment opportunities.

The target size of the Partnership is $200 million. The General Partner reserves the right to accept additional commitments in excess of $200 million. The Partnership is expected to generate significant co-investment opportunities for investors in the Partnership because the Partnership will be limited to investing no more than 10% of its committed capital in any one company, and the General Partner expects many of the opportunities the Partnership pursues to require capital in excess of the amount the Partnership is able to provide under this diversification limitation. Co-investment amounts will not be subject to a carried interest.

The General Partner of the Partnership will be LJM2 Capital Partners, LLC, a Delaware limited liability company (the "General Partner"), an entity owned and controlled by one or more of the Principals (as defined below). The Partnership will be managed on a day-to-day basis by a team of

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three investment professionals who all currently have senior level finance positions with Enro Andrew S. Fastow, Michael J. Kopper, and Ben Glisan, Jr. (collectively, the "Principals"). Tl Principals will continue their current responsibilities with Enron while managing the day-to-d operations of the Partnership. *See* – "Risk Factors – Dependence on Key Personnel" and "Conflic of Interest – Dual Role of Principals."

Investment Opportunity

The Principals believe that LJM2 provides investors with an unusually attractive investme opportunity for the following reasons:

Access to Significant Proprietary Deal Flow. Enron has extensive deal origination capabili that is derived from approximately 2,000 fully dedicated Enron-employed origination ar monitoring professionals located around the world. The deal flow emanating from th origination infrastructure has resulted in Enron making over $7 billion of energy-relat investments in each of the last two years and holding merchant investments of ov $10 billion. As a result of Enron's in-house deal sourcing capability as well as its leadi market position in most businesses in which it operates, Enron frequently has access investment opportunities that are not available to other investors. The Partnership expec to benefit from having the opportunity to invest in Enron-generated investment opportuniti that would not be available otherwise to outside investors.

Enron's Investment Record. Enron's record as a successful investor is reflected in retur it has generated for its shareholders as measured by the appreciation in its common stoc which, from January 1, 1990, through September 30, 1999, has increased 641% (pri increase plus assumed re-investment of dividends), as compared to returns of 363% for t S&P 500 and 141% for the S&P Energy Index for the same period. Furthermore, Enron h successfully managed two institutionally funded private equity partnerships, Joint Ener Development Investments Limited Partnership ("JEDI I") and Joint Energy Developme Investments II Limited Partnership ("JEDI II"), which have generated (or are estimated generate, as the case may be) an IRR after payment of fees and expenses of the partnersh and payment of a carried interest, if any, to the partnerships' general partners (each, a "N IRR") of 23% and 194%, respectively, compared to targeted IRRs for the partnerships invested capital before fees, expenses, and carried interest (a "Gross IRR") of 15% and 20 respectively. The General Partner believes that a significant portion of this superi performance can be attributed to the quality of investment opportunities sourced by Enro *See* – "Summary of Investment Experience."

Enron's Capabilities to Analyze and Structure Investments and Operate Assets. Over t years, Enron has developed a rigorous process of investment analysis, which emplo approximately 130 professionals in varying disciplines such as engineering, research, cred tax, legal, accounting, insurance, and risk analysis. As LJM2 expects that it primarily w be investing in assets in which Enron has an interest, it should benefit from Enron's experti in all areas relating to the investment in and management of energy and communicatio assets, including the physical and financial risk management of energy assets and extensi

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operating capabilities in all aspects of the energy industry and certain aspects of the communications industry.

The Ability to Evaluate Investments with Full Knowledge of the Assets. Due to their active involvement in the investment activities of Enron, the Principals will be in an advantageous position to analyze potential investments for LJM2. The Principals, as senior financial officers of Enron, will typically be familiar with the investment opportunities LJM2 considers. The Principals believe that their access to Enron's information pertaining to potential investments will contribute to superior returns.

Speed and Knowledge Advantage of LJM2. LJM2 will be positioned to capitalize on Enron's need to rapidly access outside capital due to the Principals' familiarity with Enron's assets and their understanding of Enron's objectives, which should facilitate LJM2's ability to quickly execute transactions. This ability to act quickly is invaluable to Enron and should enhance the flow of opportunities for LJM2.

Investment and Financial Expertise of Principals. The Principals are a group of highly talented financial professionals with extensive experience originating and structuring complex transactions. This experience has given the Principals the ability to create innovative financial structures around investments, which should enhance returns to investors in LJM2. The Principals have been involved in managing JEDI I and JEDI II.

The Principals

The day-to-day activities of the Partnership will be managed by Messrs. Fastow, Kopper, and Glisan. Each of the Principals has spent a significant portion of his professional career in energy and communications investing, structured finance, and risk management (including substantial involvement in the organization, operation, and investment management of each of JEDI I and JEDI II), and, as a team, the Principals possess specific expertise necessary to maximize the Partnership's performance.

Andrew S. Fastow, Executive Vice President and Chief Financial Officer of Enron, has been the Chief Financial Officer of Enron since 1997; prior to that, he was a Managing Director and principal financial officer for Enron Capital & Trade Resources Corp. ("ECT"), Enron's principal merchant and investing subsidiary. In these capacities, he has been involved in structuring and managing many of Enron's investments. Mr. Fastow has been with Enron for nine years. Michael J. Kopper, Managing Director in Enron's Global Equity Markets Group, is responsible for Enron's Global Equity and Structured Finance businesses. He has been with Enron for five years. Ben Glisan, Jr., Vice President in Enron's Global Equity Markets Group, is primarily responsible for Enron's structured finance activity. Mr. Glisan has been with Enron for three years. Summary biographies of the Principals are included elsewhere in this Memorandum. *See* – "Management of the Partnership – Biographies of the Principals."

The Principals will remain employees of Enron and will devote such of their business time and attention as they deem reasonably necessary to manage the affairs of the Partnership, subject to their obligation to devote their business time and attention primarily to the discharge of their

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responsibilities as senior financial officers of Enron. The Partnership should also benefit indirectly from time spent by the Principals in evaluating and structuring investments for Enron, as many of these investments may become candidates for investment by the Partnership.

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II. INVESTMENT STRATEGY

Investment Strategy

LJM2 believes that it will be uniquely positioned to capitalize on Enron's need for outside capital due to the Principals' familiarity with Enron's assets and their understanding of Enron's objectives and LJM2's ability to quickly execute transactions. This ability to act quickly is valuable to Enron and should result in a steady flow of opportunities for the Partnership to make investments at attractive prices. In order to fully capitalize on its advantages, LJM2 will seek to implement the following investment strategy:

Invest with Enron. LJM2 expects that Enron will be LJM2's primary source of investment opportunities and that LJM2 will (i) co-invest with Enron or its subsidiaries in new investments in, or acquisitions of, businesses and assets, and (ii) make investments in, or acquire an investment interest from Enron or its subsidiaries relating to, existing assets or businesses owned by Enron or its subsidiaries. LJM2 may, however, make investments in businesses or assets where Enron has no involvement.

Invest in Assets and Businesses Where the Seller Retains an Ongoing Economic Interest. LJM2 will typically require that the seller (expected to be Enron in most cases) retain a significant ongoing economic or operating interest in the assets. By requiring Enron to retain a significant economic or operating interest in its deals, LJM2 should ensure that it will have access to the significant resources of Enron in order to manage assets on an ongoing basis.

Capitalize on Financial Expertise. Once a target investment has been identified, the Principals will seek to enhance the risk/return profile of such investment through the use of innovative transaction structures and will implement rigorous risk management techniques in order to seek to protect investments from downside risk.

LJM2 will typically seek to exit transactions either by negotiating co-sale rights or by securitizing and placing investments into the capital markets. LJM2 will typically have no hold restrictions and may also individually re-market an investment to industry and financial investors.

Rationale for Enron Providing Investment Opportunities to LJM2

Enron has been active in making investments over the past seven years. It is notable that, as of June 30, 1999, Enron had $34 billion of assets on its balance sheet, but was owner or manager of assets in excess of $51 billion (the difference between these numbers represents the amount of assets financed off-balance sheet, often through co-investment partnerships or joint ventures). When Enron acquires an investment, it may decide to reduce its operating and financial risk by selling a portion of its investment to co-investors; in many cases, it seeks to maintain an active or controlling role in the underlying investment.

The pace of sales of investments by Enron to co-investors has increased recently for three reasons. First, Enron's investment opportunities continue to accelerate. The global energy markets in which Enron is a leading participant exceed $1 trillion per year in revenues. The natural gas and electricity

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industries are among the most capital-intensive industries in the world. Enron, as one of the leaders in these industries on three continents, must invest significant amounts of capital in order to retain and enhance its leadership position. Enron has also recently entered the communications business, which has significant investment opportunities as well.

Second, Enron's growth capital is derived from the sale or partial sale of investments. To capitalize on its unique growth (as evidenced by its more than $10 billion in merchant investments and its ability to invest $7 billion a year for the past two years), Enron must have significant capital resources. Although investments in the natural gas, electricity, and communications industries may have very attractive rates of return, such investments often do not generate cash flow or earnings in the first several years. Lack of cash flow may restrict a company's ability to finance the investment with debt, and lack of current earnings may restrict a company's ability to issue public equity. By bringing in co-investors or by disposing of portions of investments, Enron can finance substantial growth and make investments while maintaining its investment grade credit rating, meeting current earnings expectations, and retaining desired financial and operating involvement in its investments.

Third, in addition to the equity return earned on its investments, a significant portion of Enron's earnings is derived from fees garnered from the physical marketing of commodities, price risk management (related to those commodities), and asset development and management. Notwithstanding that the initial investment is still generating significant returns, in order to invest in new, additional fee-generating assets, Enron may sell down investments.

As a result of Enron's substantial investment opportunities and because of its need to optimize its financial flexibility, the Principals expect that Enron will continue to seek co-investors or to dispose of portions of investments. The Partnership's strategy will be to capitalize on Enron's needs by being a value-added investor for Enron through the Partnership's ability to invest quickly and its ability to structure deals that match Enron's objectives.

Profiles of Selected Example Investments

Described below are three transactions that Enron either has completed or is in the process of completing and that are representative of the types of investments in which LJM2 might participate:

East Coast Power LLC – Co-investment with Enron. In February 1999, JEDI II (whose partners are Enron (or a subsidiary thereof) and California Public Employee Retirement System ("CalPERS")) formed East Coast Power LLC ("East Coast Power") in order to acquire assets from Cogen Technologies Group for a total of $1.5 billion. East Coast Power indirectly owns equity interests in three combined-cycle natural gas co-generation power plants in New Jersey. Each plant sells electricity to investor-owned utilities in New York or New Jersey pursuant to long-term power purchase agreements. The facilities have a combined nameplate capacity of 1,037 megawatts of electrical power production. By securitizing the power purchase agreements, Enron was able to reduce the equity capital required to finance the acquisition from 30% to 9% of total capitalization. This generated base case equity returns in excess of 20% compared to similar projects that typically generate returns in the low teens. In July 1999, JEDI II sold approximately 50% of its ownership interest in East Coast Power to a third party, generating a Gross IRR of 5048% for the portion of the investment sold. Messrs. Fastow and Kopper were involved in the structuring of this transaction.

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Project Margaux – Investment in Existing Enron Assets. Enron is currently working on Project Margaux, a new structured finance transaction that monetizes the dividend streams of five European assets developed or acquired by Enron over the past 10 years. In this transaction, Margaux Holdings, a newly formed entity, is expected to acquire indirect equity interests in the five European assets from Enron. Project Margaux would be capitalized with approximately $525 million of high yield debt or bank debt and approximately $50 million of equity. Repayments of the high yield issuance or bank facility and a return to the equity investors will come from the distributions made by the individual projects to their equity owners.

Enron Energy Services – Investment in an Existing Enron Business. In 1997, Enron created a new business unit named Enron Energy Services ("EES"). Unlike Enron's existing businesses, which were selling energy products and services at the wholesale level, EES was developing a business model to sell products "around" the utility and directly to various end-users. While this market had been open previously on a limited basis, new legislation at the state levels was pending that would open much of the $300 billion market to competition. Mr. Fastow helped Enron obtain investments in EES by two pension funds totaling $165 million in exchange for 8.7% of the equity of EES. Based on these investments, the implied market value of EES at the time of the investment was $1.9 billion. Equity research analysts currently estimate the value of EES to be between $4 billion and $10 billion, which would generate an estimated Gross IRR of between 77% and 229% if the investors were to liquidate the investment at year-end 1999.

Dual Role Advantages

Mr. Fastow will continue to hold the titles and responsibilities of Executive Vice President and Chief Financial Officer of Enron, and Messrs. Kopper and Glisan will continue to serve as senior financial officers of Enron, while acting as the owners and managers of the General Partner. As a result, investors in the Partnership should benefit from Mr. Fastow's and the other Principals' dual roles which will facilitate the Partnership's access to Enron deal flow. The Principals' dual roles in managing the Partnership while remaining employed as senior financial officers of Enron, however, raise certain conflicts of interest that could affect the Partnership. *See* – "Conflicts of Interest."

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III. INVESTMENT HIGHLIGHTS

The Principals believe that the Partnership represents an attractive investment opportunity for the following reasons:

Access to Significant Proprietary Deal Flow

Enron has extensive deal origination capability that is derived from approximately 2,000 fully dedicated Enron-employed origination and monitoring professionals located around the world. The deal flow emanating from this origination infrastructure has resulted in Enron making over $7 billion of energy-related investments in each of the last two years and holding merchant investments of over $10 billion.

Enron's leadership position in the markets in which it competes also creates proprietary investment opportunities for Enron. The global energy markets in which Enron is a leading participant exceed $1 trillion per year in revenues. The forces of deregulation and privatization are driving the restructuring of this enormous industry. As gas and electricity markets have opened up in the U.S. and internationally, Enron has consistently been or has become a market leader. In most deregulated markets in which it operates, Enron sells more gas and electricity than any of its competitors, including the incumbent utilities. This market leader position has led to unique and proprietary investment opportunities for Enron. Enron has recently entered the communications business, which has significant investment opportunities as well.

As a result of Enron's in-house deal sourcing capability as well as its leading market position in most businesses in which it operates, Enron frequently has access to investment opportunities that are not available to other investors. The Partnership expects to benefit from having the opportunity to invest in Enron-generated investment opportunities that would not be available otherwise to outside investors.

Enron's Investment Record

Enron's record as a successful investor is reflected in returns it has generated for its shareholders as measured by the appreciation in its common stock, which, from January 1, 1990, through September 30, 1999, has increased 641% (price increase plus assumed re-investment of dividends), as compared to returns of 363% for the S&P 500 and 141% for the S&P Energy Index for the same period. Furthermore, Enron has successfully managed two institutionally funded private equity partnerships JEDI I and JEDI II, which have generated (or are estimated to generate, as the case may be) Net IRRs to outside investors of 23% and 194%, respectively, compared to targeted Gross IRRs of 15% and 20%, respectively. *See* – "Summary of Investment Experience."

Enron's Capabilities to Analyze and Structure Investments and Operate Assets

A key element of Enron's ability to create value has been its ability to structure and implement complex transactions. Over the years, Enron has developed a rigorous process of investment analysis, which employs approximately 130 professionals in varying disciplines such as engineering, research, credit, tax, legal, accounting, insurance, and risk analysis. This creative approach t

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structuring many of its investments has enabled Enron to mitigate downside risk, provide opportunities for early return of capital, enhance its returns, and provide additional upside opportunity. The Principals have been the key architects of many of these innovative structures and will employ such structures, where appropriate, for the benefit of investments made by LJM2. Since LJM2 expects that it primarily will be investing in assets in which Enron has an interest, it should benefit from Enron's expertise in all areas relating to the investment in and management of energy and communications assets, including the physical and financial risk management of energy assets and extensive operating capabilities in all aspects of the energy industry and certain aspects of the communications industry.

The Ability to Evaluate Investments with Full Knowledge of the Assets

Due to their active involvement in the investment activities of Enron, the Principals will be in an advantageous position to analyze potential investments for LJM2. The Principals, as senior financial officers of Enron, will typically be familiar with the investment opportunities the Partnership considers. The Principals believe that their access to Enron's information pertaining to potential investments will contribute to superior returns.

Speed and Knowledge Advantage of LJM2

LJM2 will be positioned to capitalize on Enron's need to rapidly access outside capital due to the Principals' familiarity with Enron's assets and their understanding of Enron's objectives. The Principals' positions at Enron should enable them to recognize investment opportunities early, to make decisions quickly, and to structure investments to meet LJM2's and Enron's objectives. This ability to act quickly is invaluable to Enron and should enhance the flow of opportunities for the Partnership.

Investment and Financial Expertise of Principals

The Principals are a group of highly talented financial professionals with extensive experience in originating and structuring complex transactions. This experience has given the Principals the ability to create innovative financial structures around investments, which should enhance returns to investors in LJM2. The Principals have been involved in managing both JEDI I and JEDI II.

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IV. SUMMARY OF INVESTMENT EXPERIENCE

The Principals have extensive experience in originating, structuring, and executing complex transactions, and each has had extensive involvement in the organization, investment activity, and operations of JEDI I and JEDI II. The Principals believe that the performance information regarding JEDI I and JEDI II presented below will be useful to investors considering an investment in LJM2 because of the Principals' involvement in JEDI I's and JEDI II's investment activity, and because the investments made by those partnerships are indicative of some of the types of investment opportunities that will be available to LJM2. Prospective investors should note that past performance is not necessarily indicative of future results, and there can be no assurance that LJM2 will achieve comparable results. Prospective investors should also note that there are material differences between LJM2 and each of JEDI I and JEDI II, including overlapping but different investment mandates (JEDI I and JEDI II target co-investment with Enron in new energy investments, but cannot purchase existing investments from Enron) and different profit-sharing arrangements among the partners, which should be considered when evaluating the investment performance information presented below.

JEDI I was formed in 1993 with $500 million of capital commitments. Enron and CalPERS each contributed $250 million to JEDI I. Enron Capital Management, L.P., an affiliate of Enron, is the general partner of JEDI I. The investment guidelines for JEDI I were to achieve a Gross IRR of 15% by investing in new investments (primarily natural gas-related) made by Enron in the debt, equity-linked, and equity securities of energy companies located in the U.S. Using a combination of contributed capital, debt financing, and reinvestment of investment proceeds, JEDI I invested $2.1 billion in 63 separate transactions. Upon a sale of its interest in JEDI I in 1997, CalPERS realized $383 million on its $250 million of contributed capital, generating a Net IRR to CalPERS of 23%.

JEDI II was formed in 1997 with $1 billion of capital commitments. Enron and CalPERS each committed $500 million to JEDI II. Enron Capital Management II Limited Partnership, an affiliate of Enron, is the general partner of JEDI II. The investment guidelines for JEDI II are to achieve a Gross IRR of 20% by investing in new investments (energy-related) made by Enron in debt, equity-linked, and equity securities of energy companies located in the U.S. and internationally. Using a combination of contributed capital, debt financing, and reinvestment of investment proceeds, JEDI II has invested $810 million in 31 separate transactions to date. As of June 30, 1999, the partners of JEDI II had made capital contributions to JEDI II of $237.5 million. The Principals estimate that if JEDI II's unrealized investments had been liquidated for their then fair value and JEDI II had been liquidated as of June 30, 1999, the unrealized value of CalPERS' $118.8 million of contributed capital would have been $214.7 million, generating a Net IRR to CalPERS of 194%.

The estimated value of JEDI II's investments is determined in accordance with the fair valu accounting methodology. Generally, an investment's "fair value" is an estimate, based on a variet of factors, of the amount that may be realized currently upon an orderly disposition of suc investment; under the fair value accounting methodology, the carrying value of investments periodically increased or decreased to reflect changes in their fair value, even where no realizatio event has occurred. For publicly traded securities, fair value is based upon quoted market prices; fo securities that are not publicly traded, fair value is determined based on other relevant factor including dealer price quotations, price activity for comparable instruments, and valuation pricin

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models. "Fair value" is only an estimate of current value for an unrealized investment. The actual realized return on all unrealized investments will depend on the value of the investments at the time of disposition, any related transaction costs, and the manner of disposition. Accordingly, the actual realized returns on all unrealized investments may differ materially for the values indicated herein.

Summary of Investment Experience[a] ($ in millions, as of June 30, 1999)						
			Value			
Partnership	Year Established	Contributed Capital	Realized	Estimated Unrealized[b]	Total	Net IRR[c]
JEDI I	1993	$250.0	$383.0	$0.0	$383.0	23%
JEDI II	1997	118.8	0.0	214.7	214.7	194%

[a] This table presents investment performance information for the outside investor in each of JEDI I and JEDI II. The amounts shown under the headings "Contributed Capital," "Realized," "Estimated Unrealized," "Total," and "Net IRR" represent the performance investment for such outside investor.

[b] Unrealized values are accounted for under the fair value accounting methodology. Generally, an investment's "fair value" is an estimate, based on a variety of factors, of the amount that may be realized currently upon an orderly disposition of such investment; under the fair value accounting methodology, the carrying value of investments is periodically increased or decreased to reflect changes in their fair value, even where no realization event has occurred. For publicly traded securities, fair value is based upon quoted market prices. For securities that are not publicly traded, fair value is determined based on other relevant factors, including dealer price quotations, price activity for comparable instruments, and valuation pricing models.

[c] The fees, expenses, and carried interests of JEDI I and JEDI II are different from the proposed terms of the Partnership.

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V. MANAGEMENT OF THE PARTNERSHIP

Overview

The General Partner of the Partnership is LJM2 Capital Partners, LLC, a Delaware limited liability company owned by one or more of the Principals. The manager of the Partnership is LJM2 Capital Management, L.P., a Delaware limited partnership ("Manager"), and as such will manage the day-to-day affairs of the Partnership. The Manager is owned, directly and indirectly, by the Principals. Each of the Principals is and will remain an employee of Enron. Enron's Office of the Chairman has waived certain provisions of Enron's employee code of conduct to permit the Principals to form and operate the Partnership, and Enron's Board of Directors has ratified that waiver as it applies to Mr. Fastow. The Principals will devote such of their business time and attention as they deem reasonably necessary to manage the affairs of the Partnership, subject to their obligation to devote their business time and attention primarily to the discharge of their responsibilities as senior financial officers of Enron. The Partnership should also benefit indirectly from time spent by the Principals in evaluating and structuring investments for Enron, as many of these investments may become candidates for investment by the Partnership. The Principals also have plans to hire additional personnel to provide support services to the Partnership. Furthermore, the Manager will enter into a support services agreement with Enron, pursuant to which the Manager will receive and pay for certain support services from Enron. *See* – "Risk Factors – Dependence on Key Personnel."

Conflict of Interest

One of the most challenging due diligence issues for the Partnership is the potential for a conflict as a result of the Principals' dual positions as Enron employees and Principals of the Partnership. *See* – "Risk Factors – Dependence on Key Personnel" and "Conflicts of Interest – Dual Role of Principals." Several steps have been taken to assure that the conflict-of-interest issue is fully vetted and appropriate procedures are put in place to allow for operation of the Partnership in situations where conflicts arise. The Partnership will establish an Advisory Committee (as defined below) to provide for an independent review of decisions made by the General Partner in a situation where the General Partner believes a conflict of interest exists. In addition, Richard Causey, Executive Vice President and Chief Accounting Officer of Enron, will, in behalf of Enron, monitor and mediate conflict-of-interest issues between Enron and the Partnership.

Biographies of the Principals

The following are professional biographies of the Principals. Each of the Principals has spent a significant portion of his professional career in energy and communications investing, structured finance, and risk management, and, as a team, the Principals possess the specific expertise necessary to maximize the Partnership's performance.

Andrew S. Fastow

Andrew S. (Andy) Fastow, 37, is Executive Vice President and Chief Financial Officer of Enron and, as such, is responsible for Enron's finance and treasury activity. Previously, Mr. Fastow was a Managing Director with ECT. He joined ECT in 1990 to develop the company's funding busines:

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and to obtain and manage the debt and equity capital required for ECT's third-party finance business as well as for ECT's physical and financial acquisitions and investments. During 1996, Mr. Fastow led the development of Enron's retail energy business. Mr. Fastow was named CFO of Enron in 1997 and Executive Vice President of Enron in 1999.

Mr. Fastow has been responsible for the formation and operation of three private equity partnerships while at Enron. Currently, Mr. Fastow owns the general partner of LJM Cayman, L.P., a Cayman Islands excepted limited partnership ("LJM1"), an investment partnership with total capital commitments of $16 million. LJM1 was formed in 1999 with objectives that are substantially similar to those of LJM2.

Prior to joining ECT, Mr. Fastow served as senior director in Continental Bank's Asset Securitization Group in Chicago, where he structured short- and medium-term asset backed securities for commercial banks, leasing companies, and corporate clients.

Mr. Fastow received a B.A. in Economics and Chinese from Tufts University and an M.B.A. in Finance from Kellogg Graduate School of Management at Northwestern University.

Michael J. Kopper

Michael J. Kopper, 34, is a Managing Director in Enron's Global Equity Markets Group. He also manages the general partner of Chewco, an investment fund with approximately $400 million in capital commitments that was established in 1997 to purchase from Enron an interest in a defined pool of Enron assets. Prior to his current position, Mr. Kopper was a Managing Director in Enron Capital Management (in its Structured Finance Group) arranging financing for electric power projects, oil and gas producers, other supply-side customers, and end-users such as local distribution companies and co-generation facilities.

Before joining Enron, Mr. Kopper was employed by Toronto Dominion Bank from 1991 to 1994. There he specialized in negotiating and structuring project financings. His client focus was primarily non-regulated subsidiaries of electric utility companies, independent power producers, and natural gas pipeline companies. Mr. Kopper specialized in off-balance sheet project and structured financings relying on the interrelationship of cash flows as an economic basis for investment. These investments included natural gas pipelines, natural gas storage fields, and electric co-generation facilities.

From 1988 to 1991, Mr. Kopper was at Chemical Bank where he assisted marketing officers and transaction officers in documenting and closing a variety of financings across a broad spectrum of clients. At Chemical Bank, he focused on non-recourse facilities and project financings in the energy and utility sectors.

Mr. Kopper received his B.A. in economics from Duke University and completed his graduate work in accounting and finance at the London School of Economics.

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Ben Glisan, Jr.

Ben Glisan, Jr., 33, is a Vice President in Enron's Global Equity Markets Group. Prior to his current position, Mr. Glisan worked at Enron Capital Management in its Structured Finance Group. Mr. Glisan has worked at Enron, or an affiliate thereof, for the past three years. Mr. Glisan's responsibilities include leading transaction teams that execute highly complex non-recourse or limited recourse joint venture and asset-based financings.

Before joining Enron, Mr. Glisan worked at Coopers & Lybrand and Arthur Andersen. His responsibilities included providing accounting and finance services principally to financial institutions as well as helping to develop financing transaction structures.

Mr. Glisan received his B.B.A. and his M.B.A. from the University of Texas at Austin.

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VI. OVERVIEW OF ENRON

Enron is one of the world's leading international integrated natural gas and electricity companies. Enron's activities are conducted through its subsidiaries and affiliates, which are principally engaged in the transportation of natural gas through pipelines to markets throughout the U.S.; the generation and transmission of electricity to markets in the northwestern U.S.; the marketing of natural gas, electricity and other commodities, and related risk management and finance services worldwide; the development, construction, and operation of power plants, pipelines, and other energy-related assets worldwide; and the delivery of high bandwidth communication applications throughout the U.S. Enron has a proven track record of creating value in markets that are deregulating and privatizing in North America, Europe, and other areas worldwide.

Transportation and Distribution

Enron's transportation and distribution business is comprised of its North American interstate natural gas transportation systems and its electricity transmission and distribution operations in Oregon.

Interstate Transmission of Natural Gas. Included in Enron's domestic interstate natural gas pipeline operations are Northern Natural Gas Company ("Northern"), Transwestern Pipeline Company ("Transwestern"), and Florida Gas Transmission Company ("Florida Gas") (indirectly 50% owned by Enron). Northern, Transwestern, and Florida Gas are interstate pipelines and are subject to the regulatory jurisdiction of the Federal Energy Regulatory Commission. Each pipeline serves customers in a specific geographical area: Northern serves the upper Midwest, Transwestern serves principally the California market and pipeline interconnects on the east end of the Transwestern system, and Florida Gas serves the State of Florida. In addition, Enron holds an interest in Northern Border Partners, L.P., which owns a 70% interest in the Northern Border Pipeline system. One of Enron's subsidiaries operates the Northern Border Pipeline system, which transports gas from western Canada to delivery points in the midwestern United States.

Electricity Transmission and Distribution Operations. Enron conducts its electric utility operations through its wholly owned subsidiary, Portland General Electric Company ("Portland General"). Portland General is engaged in the generation, purchase, transmission, distribution, and sale of electricity in the State of Oregon. Portland General also sells energy to wholesale customers throughout the western U.S. Portland General's Oregon service area is approximately 3,170 square miles. At June 30, 1999, Portland General served approximately 711,000 customers.

Wholesale Energy Operations and Services

Enron's wholesale energy operations and services businesses operate in North America, Europe, and evolving energy markets in developing countries. These businesses provide integrated energy-related products and services to wholesale customers worldwide. Wholesale energy operations and services can be categorized into two business lines: (a) Commodity Sales and Services, and (b) Energy Assets and Investments.

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Commodity Sales and Services. Enron's commodity sales and services operations include the purchase, sale, marketing, and delivery of natural gas, electricity, liquids, and other commodities; the restructuring of existing long-term contracts; and the management of Enron's commodity portfolios.

In addition, Enron provides risk management products and services to energy customers that hedge movements in price and location-based price differentials. Enron's risk management products and services are designed to provide stability to customers in markets impacted by commodity price volatility. Also included in this business is the management of certain operating assets that directly relate to this business, including domestic intrastate pipeline and storage facilities.

Energy Assets and Investments. In the energy assets and investments business, Enron manages and operates assets related to natural gas, electricity, and communications and offers financing alternatives to customers. Activities include developing, constructing, operating, and managing energy assets, including power plants and natural gas pipelines. Enron also provides capital to energy and communication customers seeking debt or equity financing.

Retail Energy Services

EES is a nationwide provider of energy outsource products to U.S. business customers. These services include sales of natural gas and electricity and energy management services directly to commercial and industrial customers as well as investments in related businesses. EES provides end-users with a broad range of energy products and services at competitive prices. These products and services include energy tariff and information management, demand-side services, and financial services.

Communications

Enron is building a long-haul fiber-optic network on strategic routes throughout the United States to create the nation's first Pure IPSM (Internet Protocol) backbone known as the Enron Intelligent Network (the "EIN"). The EIN, which is enabled with intelligent messaging software, enhances Enron's existing national fiber-optic network to bring to market a reliable, bandwidth-on-demand platform for delivering data and applications and streaming rich media to the desktop. Enron's strategy is based on a business model that offers immediate national reach while minimizing capital deployed through strategic alliances with industry technology leaders whose presence, customer access, market share, and content enable Enron to efficiently enter this new, emerging marketplace.

Available Information

Enron is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements, and other information with the Securities and Exchange Commission ("SEC"). Such reports, proxy statements, and other information may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, NW, Room 1024, Washington, DC 20549, and at the following regional offices of the SEC: Midwest Regional Office, Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, IL 60661-2511; and Northeast Regional Office, 7 World Trade Center, New York, NY 10048. Copies of such materials may also be obtained from the Public Reference Section of the SEC

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at 450 Fifth Street, NW, Room 1024, Washington, DC 20549, at prescribed rates or from the site maintained by the SEC on the World Wide Web at http://www.sec.gov. Enron's common stock is listed on the New York, Chicago, and Pacific Stock Exchanges. Reports, proxy statements, and other information concerning Enron may be inspected and copied at the respective offices of these exchanges at 20 Broad Street, New York, NY 10005; 120 South LaSalle Street, Chicago, IL 60603; and 301 Pine Street, San Francisco, CA 94014.

Certain of the information herein relating to Enron has been taken from reports filed by Enron with the SEC. The information regarding Enron herein is qualified by the other information in such reports, including information regarding forward-looking statements.

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VII. SUMMARY OF PRINCIPAL TERMS

This Summary of Principal Terms is qualified by reference to the Partnership Agreement of the Partnership and the Subscription Agreement relating thereto (collectively, the "Agreements"). This Memorandum and forms of the Agreements should be reviewed carefully.

The Partnership:	LJM2 Co-Investment, L.P., a Delaware limited partnership (the "Partnership").
Investment Objective and Focus:	The objective of the Partnership is to achieve significant long-term capital appreciation through privately negotiated equity and equity-related investments ("Investments") in companies principally engaged in energy- or communications-related businesses. The Partnership expects that Enron will be the Partnership's primary source of investment opportunities and that the Partnership will (i) co-invest with Enron or its subsidiaries in new investments in, or acquisitions of, businesses and assets, and (ii) make investments in, or acquire an investment from Enron or its subsidiaries relating to, existing assets or businesses owned by Enron or its subsidiaries. It is expected that in connection with the foregoing Investments, Enron will retain a significant economic or operating interest in the business or assets in which the Partnership invests. The Partnership may also from time to time make Investments in businesses or assets where Enron has no involvement.
The General Partner:	LJM2 Capital Partners, LLC, a Delaware limited liability company (the "General Partner") owned by one or more of the Principals.
The Manager:	LJM2 Capital Management, L.P., a Delaware limited partnership (the "Manager") owned by the Principals.
The Principals:	Andrew S. Fastow, Michael J. Kopper, Ben Glisan, Jr.
Committed Capital:	The Partnership is targeting an aggregate of $200 million in capital commitments from prospective investors ("Limited Partners"), although the General Partner reserves the right to accept capital commitments in an aggregate amount less than or greater than $200 million. The minimum capital commitment for a Limited Partner in the Partnership will be $5 million; provided that the General Partner reserves the right to reduce the minimum capital commitment for selected investors.

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Sponsor Commitment:	The General Partner will commit to invest, or cause the Manager or other affiliates to invest, a minimum of one percent (1%) of the Partnership's aggregate capital commitments in or alongside the Partnership (the "Sponsor Commitment"). The Sponsor Commitment may be increased (but not decreased) by up to $1 million annually.
Management of the Partnership:	The General Partner will manage the Partnership and will have sole discretionary authority with respect to Investments. The Manager will manage the day-to-day affairs of the Partnership in behalf of the General Partner.
Commitment Period:	All partners of the Partnership ("Partners") will be obligated to fund their capital commitments during the period (the "Commitment Period") commencing on the initial closing date and ending on the third anniversary of the final closing date, and thereafter, to the extent necessary, to: (i) cover expenses, liabilities, and obligations of the Partnership, including Management Fees; (ii) complete Investments by the Partnership in transactions which were in process as of (or contemplated by the terms of securities held by the Partnership prior to) the end of the Commitment Period; and (iii) effect additional Investments in companies in which the Partnership had an Investment as of the end of the Commitment Period (in an aggregate amount not to exceed 10% of the Partnership's capital commitments).
Term:	The Partnership will have a term of ten years from the date of the final closing of the Partnership, but may be extended at the discretion of the General Partner for up to a maximum of two additional one-year periods to facilitate an orderly liquidation of the Partnership's assets.
Initial and Subsequent Closings:	An initial closing of the Partnership will be held once the General Partner determines that a sufficient minimum amount of capital commitments has been obtained. The General Partner has the right to accept additional capital commitments and to permit existing Limited Partners to increase their capital commitments to the Partnership in subsequent closings ("Subsequent Closings"). Such newly admitted Limited Partners (or Limited Partners increasing their capital commitments to the Partnership) will make contributions to the Partnership such that each Limited Partner (regardless of when such Limited Partner's capital commitment is made) will

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participate pro rata in all Investments and expenses of the Partnership in the manner provided below.

Subsequent Closings may occur up to 270 days after the initial closing of the Partnership. In the event that Limited Partners fund any portion of their capital commitments to the Partnership prior to the expiration of such 270-day period, each Limited Partner that makes capital commitments on closing dates subsequent to any such funding will pay (i) the amount of its capital commitment that would have been funded if such Limited Partner (and all other Limited Partners) had funded its capital commitment at the time of such funding, and (ii) interest on the amount set forth in clause (i) above from the date of each such funding at the prime rate plus 2%. Any amounts paid under clauses (i) and (ii) above shall be distributed as follows: (x) to the Manager in an amount equal to all Management Fees (as defined below) payable in respect of such Limited Partner's commitment retroactive to the initial closing date (together with any interest thereon at the prime rate plus 2% from the initial closing date), and (y) the remaining amount to the Partners that participated in prior closings ratably based on the amount and timing of their previous capital contributions to the Partnership.

Drawdowns; Reinvestment:

Each Partner's capital commitment will be payable when called by the General Partner to make Investments and to meet anticipated Partnership expenses and liabilities (including Management Fees). Any amounts returned to the Partners (i) as a distribution of Investment Proceeds (as defined below) prior to the second anniversary of the final closing date, (ii) in connection with the subsequent admission of additional Limited Partners (less any interest received with respect thereto), or (iii) as a return of capital contributions made in respect of an unconsummated Partnership Investment, may, in each case, be recalled and will be available for future investments.

If 25% or more of the Limited Partner commitments are from employee benefit plans or other funds subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), each Limited Partner will pay its pro rata share of each quarterly Management Fee and other Partnership expenses directly to the General Partner or the Manager, as appropriate, until the Partnership has qualified for the "venture capital operating company" exception to the Department of Labor plan asset regulations (i.e., until

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the Partnership has made its first qualifying investment), but for purposes of calculating when each Limited Partner has fulfilled its commitment and for purposes of calculating gains, losses, distributions, and sharing ratios, all amounts so paid, as well as any corresponding amounts payable by the General Partner to fulfill its commitment, will be treated as having been paid into the Partnership as a capital contribution by each Partner.

Co-Investment Opportunities: Where possible and appropriate, the General Partner intends, but will be under no obligation, to provide an opportunity to the Limited Partners to co-invest alongside the Partnership.

Diversification: Without the approval of a majority in interest of the Limited Partners, no more than 10% of the total capital commitments of the Partners may be invested in a single portfolio company.

Distributions: Distributions of the net proceeds from disposition of Investments, as well as distributions of securities in kind, together with any dividends, interest, or other investment income (other than certain short-term investment income) received with respect to Investments (collectively, "Investment Proceeds"), generally will be made in the following order of priority:

(a) first, 100% to the Partners in proportion to funded commitments until the cumulative amount distributed equals (i) the aggregate funded capital commitments of the Partners, *and* (ii) a preferred return on amounts included in clause (i) at a rate of 8% per annum, compounded annually (the "Preferred Return");

(b) second, 100% to the General Partner until such time as the General Partner has received, pursuant to this paragraph (b), 20% of the sum of the distributed Preferred Return and distributions made pursuant to this paragraph (b); and

(c) third, (i) 80% to all Partners in proportion to funded commitments, and (ii) 20% to the General Partner in respect of its carried interest.

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Prior to the second anniversary of the final closing date, the General Partner will have the right to elect to distribute, hold, or re-invest Investment Proceeds (and for purposes of clause (c) of the distribution provisions above, the General Partner's funded commitment will be deemed to include 20% of the realized gains upon Investments, the Investment Proceeds from which were re-invested in accordance with this sentence). After the second anniversary of the final closing date, the General Partner will distribute (i) the net proceeds from the sale or other disposition of Investments within 180 days of receipt by the Partnership, and (ii) dividends, interest, and other short-term investment income at least annually, each subject to the availability of cash after paying Partnership expenses and setting aside appropriate reserves by the General Partner for reasonably anticipated liabilities and obligations of the Partnership.

Prior to the termination of the Partnership, distributions will be in cash or marketable securities. Upon termination of the Partnership, distributions may also include restricted securities or other assets of the Partnership.

Notwithstanding the foregoing, the General Partner may cause the Partnership to make distributions from time to time to the General Partner in amounts sufficient to permit the payment of the tax obligations of the General Partner and its members in respect of allocations of income related to the carried interest. The General Partner will endeavor to make annual aggregate distributions to the Limited Partners in an amount sufficient to permit payment of the Limited Partners' tax obligations in respect of their interests in the Partnership. Cash held by the Partnership prior to expenditure or distribution will be invested in short-term, high-grade instruments.

The amount of any taxes paid by or withheld from receipts of the Partnership allocable to a Partner from an Investment will be deemed to have been distributed to such Partner.

Allocation of Income, Expenses, Gains, and Losses:

Income, expenses, gains, and losses of the Partnership will generally be allocated among the Partners in a manner consistent with the distribution of proceeds described in "Distributions" above.

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Management Fee:	During the Commitment Period, the Partnership will pay the Manager an annual management fee (the "Management Fee"), payable semi-annually in advance, equal to 2.0% of the aggregate commitments of Limited Partners. After the expiration of the Commitment Period, the Management Fee will equal 2.0% of an amount ("Capital Under Management") equal to the lesser of (i) the aggregate commitments of the Limited Partners and (ii) the aggregate amount invested by the Partnership in Investments. Capital Under Management will be calculated as of the beginning of each semi-annual period to which the Management Fee applies.
Operating Expenses:	The Manager will pay all ordinary operating expenses of the Partnership for salaries, rent, and similar expenses in connection with the investigation of investment and disposition opportunities for the Partnership and monitoring of the Partnership's Investments (to the extent not reimbursed by a portfolio company), except as set forth below under "Partnership Expenses."
Partnership Expenses:	The Partnership will pay or reimburse the General Partner, the Manager, and their respective affiliates for: (i) out-of-pocket expenses of the General Partner and Manager (including third-party fees and expenses) incurred in connection with unconsummated Investments; (ii) out-of-pocket expenses, including, but not limited to, all expenses incurred in connection with the origination, making, holding, monitoring, sale, or proposed sale of Investments (not otherwise paid in connection with the closing of the proposed origination or disposition), litigation or other extraordinary expenses, insurance, and indemnity expenses and expenses of liquidating the Partnership; and (iii) any other direct expenses incurred in connection with the Investments. The Partnership will also be responsible for all routine administrative expenses of the Partnership, including, but not limited to, the cost of the preparation of the annual audit, financial statements, and tax returns, expenses of the Advisory Committee, cash management expenses, and legal expenses.
Offering and Organizational Expenses:	The Partnership will bear all legal, accounting, and other offering and organizational expenses, including out-of-pocket expenses of the General Partner or the Manager incurred in connection with the formation of the Partnership. The Manager will bear the cost of placement

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agent fees charged in connection with the formation of the Partnership.

Transaction, Break-up, and Advisory Fees:

The General Partner and the Manager will not charge any transaction fees, break-up fees, advisory, monitoring, or similar fees in connection with actual or prospective Investments.

Other Investment Activities:

Without the approval of a majority in interest of Limited Partners, none of the General Partner, the Manager, and the Principals will commence investment activities for a Competing Fund (as defined below) in which such entity or person acts as sponsor or general partner until the earlier of (i) the termination of the Commitment Period or (ii) the date on which at least 70% of the total aggregate capital commitments of the Partnership have been taken down or committed. However, there will be no restrictions on the activities of the Principals in their capacities as employees of Enron; and these restrictions will not bind or otherwise obligate Enron. A "Competing Fund" means a pooled equity investment vehicle other than the Existing Funds (as defined below), the Partnership, and any Parallel Investment Vehicle (as defined below) which has investment objectives and strategies that are substantially similar to those of the Partnership and does not include any pooled equity investment vehicle managed, sponsored, or controlled by Enron or its subsidiaries or affiliates or any Parallel Investment Vehicle.

Allocation of Investment Opportunities:

The Principals currently are involved in the management of investment limited partnerships, including LJM1 and Chewco (the "Existing Funds"), that have investment objectives and strategies that are substantially similar to those of the Partnership. The General Partner expects that to the extent that both the Partnership and the Existing Funds would have capital available for investment in an opportunity, the Principals would cause the investmen opportunity to be allocated to the Partnership and th Existing Funds in a manner determined to be fair an reasonable to both (taking into account the amount o available capital for each Partnership) consistent wit prudent portfolio management and fiduciary concern Neither Enron nor any Existing Fund in which Enron h an interest has any obligation to offer investme opportunities to the Partnership, and the ability of Enron any such Existing Fund to offer certain investments m be restricted by contractual obligations to third parties.

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Advisory Committee:	An Advisory Committee, whose members will be selected representatives of the Limited Partners, will be established. The Advisory Committee will advise the General Partner and resolve issues involving conflicts of interest presented by the General Partner.
Parallel Investment Vehicles:	The General Partner may establish one or more additional entities or other similar arrangements (a "Parallel Investment Vehicle") prior to the expiration of the 270-day period following the initial closing to facilitate the ability of certain types of investors to invest in parallel with the Partnership. If formed, any Parallel Investment Vehicle will invest in each Investment on a pro rata basis (based on available capital) and on substantially the same terms and conditions as the Partnership.
Alternative Investment Structure:	If the General Partner determines in good faith that for legal, tax, regulatory, or other reasons it is in the best interests of the Partners that an Investment be made through an alternative investment structure, the General Partner may structure the making of all or any portion of such Investment outside of the Partnership by requiring the Partners to make such Investment through a limited partnership or other entity (other than the Partnership) that will invest on a parallel basis with or in lieu of the Partnership, as the case may be.
Exculpation and Indemnification:	None of the Principals, the General Partner, the Manager, their respective affiliates, and each of their respective officers, directors, members, managers, partners, employees, agents, and representatives (each, an "Indemnified Person") will be liable to the Partnership or to any Limited Partner for any act or omission by such Indemnified Person in connection with the conduct of the business of the Partnership, unless such act or omission constitutes such Indemnified Person's bad faith, gross negligence, or willful misconduct. The Partnership will indemnify each Indemnified Person from and against any losses, claims, liabilities, damages, and expenses (including legal fees and expenses, judgments, and amounts paid in settlement) incurred by such Indemnified Person in connection with the Partnership's activities, unless such losses, claims, liabilities, damages, or expenses result from such Indemnified Person's bad faith, gross negligence, or willful misconduct. The General Partner may require the Partners to return distributions made to each such Partner for the purpose of meeting such

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	Partner's pro rata share of the Partnership's indemnification obligations referred to above or to satisfy any other Partnership obligations (subject to certain limitations).
Limited Partner Withdrawal and Transfer:	Limited Partners generally may not withdraw from the Partnership. In addition, no Limited Partner may transfer or assign any of its interests, rights, or obligations with respect to its interest, except with the written consent of the General Partner, which written consent may be given or withheld in the General Partner's sole and absolute discretion. No such assignee, purchaser, or transferee of an interest may be admitted as a substitute Limited Partner without the written consent of the General Partner, which written consent may be given or withheld in its sole and absolute discretion. The General Partner may require a Limited Partner to withdraw from the Partnership under certain limited circumstances. Subject to certain conditions, the General Partner may (or may be required to) permit a Limited Partner to withdraw from the Partnership under certain limited circumstances.
ERISA Considerations:	The General Partner intends to cause the Partnership to qualify as a "venture capital operating company" under the Department of Labor plan asset regulations.
Tax Considerations:	An investment in the Partnership will have particular consequences for certain kinds of investors under the U.S. Federal income tax laws. The Partnership may engage in transactions that will cause tax-exempt Limited Partners to recognize "unrelated business taxable income" ("UBTI") within the meaning of Section 512 of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of their investment in the Partnership, and the Partnership may engage in transactions that will cause foreign Limited Partners to recognize income treated as effectively connected with the conduct of a trade or business within the United States within the meaning of Section 864 of the Code as a result of their investment in the Partnership. Prospective investors should consult with their own tax advisors as to the consequences of making an investment in the Partnership. The General Partner intends to work with prospective investors to address their individual concerns.
Reporting:	The General Partner will send the Limited Partners within 120 days after the end of each fiscal year of the Partnership

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	(or as soon thereafter as practicable in the event of delays in receiving information from portfolio companies) an audited annual financial report and tax information necessary for completion of each Limited Partner's U.S. Federal income tax return. The Partnership will also send its Limited Partners unaudited financial statements and other information within 60 days after the end of each quarter.
Auditors:	PricewaterhouseCoopers.
Legal Counsel:	Kirkland & Ellis.
Placement Agent:	Merrill Lynch & Co.

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VIII. RISK FACTORS

Potential investors should be aware that an investment in the Partnership involves a high degree of risk. There can be no assurance that the Partnership's investment objectives will be achieved or that a Limited Partner will receive a return of its capital. The following considerations, among others, should be evaluated carefully before making an investment in the Partnership.

Dependence on Access to Enron Investment Opportunities

The Partnership's investment strategy is dependent upon the Partnership's access to investment opportunities from Enron. The Principals expect that Enron will continue for the foreseeable future to generate sufficient attractive investment opportunities to enable the Partnership to execute its investment strategy. Enron has no obligation to present investment opportunities to the Partnership, and no assurances can be given that Enron will continue to generate suitable investment opportunities or make such investment opportunities available to the Partnership. Changes in law, regulation, accounting principles, credit, capital or commodities markets, general or sector-specific economic conditions, or other changes may cause Enron to cease, or slow the rate of, its investment activities or to decrease its reliance on capital provided by co-investors or purchasers of investments from Enron. Enron may determine not to make investment opportunities available to the Partnership for any reason, including that the Principals, or certain of them, have ceased to be employees of Enron. The Principals may not be involved in all investments that Enron makes, and their involvement in some of Enron's investments may be limited. Enron will have no obligation to offer investment opportunities to the Partnership, and the ability of Enron to make investments available to the Partnership may be restricted by contractual obligations to third parties.

Highly Competitive Market for External Investment Opportunities

The activity of identifying, completing, and realizing private equity investments is highly competitive and involves a high degree of uncertainty. Although the Partnership expects to invest principally in companies and assets owned or controlled by Enron, the Partnership also may seek to invest in other external investment opportunities. In these situations, the Partnership will be competing with other private equity investment vehicles, as well as individuals, financial institutions and other institutional investors.

Dependence on Key Personnel

The Limited Partners will be relying entirely upon the General Partner and the Manager to conduct and manage the affairs of the Partnership. The General Partner and the Manager depend upon the efforts and expertise of the Principals to enable them to render investment management services to the Partnership. The Principals are obligated to dedicate their business time and attention primarily to the discharge of their responsibilities as management employees of Enron. In addition, the Principals also dedicate a portion of their business time and attention to managing existing investment limited partnerships. Subject to the demands of these other responsibilities, the Principals will devote as much of their business time and attention as they deem to be reasonably necessary to manage the affairs of the Partnership. There can be no assurance that the Principals will continue

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be employed by Enron throughout the life of the Partnership. As noted above, if the Partnership were to lose the services of the Principals, the Partnership could be adversely affected.

Limited Operating History

The Partnership, the General Partner, and the Manager will be newly formed entities, and none of the Partnership, the General Partner, and the Manager has an operating history of making private equity investments upon which prospective investors may base an evaluation of the likely performance of the Partnership.

Limited Sector Focus

The Partnership intends to concentrate on investments in energy- and communications-related businesses, and will be less diversified for industry risk than other, more broadly focused investment vehicles. As a result of the Partnership's sector focus, the effect on the Partnership of industry or general economic factors that have a greater impact upon the energy or communications sector than other industry sectors may be more pronounced than in more broadly focused investment vehicles.

Non-Control Investments

The Partnership expects to make Investments in portfolio companies over which Enron will acquire or retain ownership or control. The Partnership may not have the power, acting alone, to control a portfolio company's board of directors, management, or operations. In addition, the Partnership may not have the ability, acting alone, to cause a portfolio company to take, or refrain from taking, certain actions, or to cause a portfolio company to engage, or refrain from engaging, in material transactions, which conceivably could have an adverse effect on the Partnership's Investment, and the Partnership may not have the ability, acting alone, to control the timing of the liquidation of its Investment. In such Investments, the Partnership may be forced to rely on the fact that Enron will possess some or all of the foregoing control rights and that the interests of the Partnership and Enron will be sufficiently aligned such that Enron will exercise those rights in a manner that will protect the Partnership's Investment. Enron will have no obligation to align its interests with those of the Partnership.

Illiquid and Long-Term Investments

Although Investments may generate some current income, the return of capital and the realization of gains, if any, from an Investment generally will occur only upon the partial or complete disposition of such Investment. While an Investment may be sold at any time, frequently this will not occur for a number of years after the Investment is made. As noted above, in certain cases, the Partnership may be dependent upon Enron to create liquidity through a sale of, or other "exit" transaction involving, the portfolio company in which the Partnership holds an Investment. It is unlikely that there will be a public market for the securities held by the Partnership at the time of their acquisition. The Partnership generally will not be able to sell its securities publicly unless such sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases, the Partnership may be prohibited by contract from selling certain securities for a period of time.

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Non-U.S. Investments

The Partnership may invest in portfolio companies organized and operating outside of the U.S Foreign securities involve certain risks not typically associated with investing in U.S. securities including risks relating to: (i) currency exchange matters and costs associated with conversion o investment capital and income from one currency into another; (ii) differences between the U.S. an foreign securities markets, including potential price volatility in and relative illiquidity of som foreign securities markets and the absence of uniform accounting and financial reporting standard and disclosure requirements; (iii) certain economic and political risks, including potential restriction on foreign investment and repatriation of capital and the risks of political, economic, or socia instability; and (iv) the possible imposition of foreign taxes on income and gains recognized wit respect to such securities.

Passive Investment in Interests

Limited Partners will be relying entirely on the General Partner and the Manager to conduct an manage the affairs of the Partnership. The Agreement will not permit the Limited Partners to engag in the active management and affairs of the Partnership. Because specific Investments of th Partnership have not yet been identified, the Limited Partners must rely on the ability of the Gener Partner to make appropriate Investments for the Partnership and to dispose of such Investments an of the Manager to manage such Investments.

No Market for Partnership Interests

The Interests have not been registered under the Securities Act, the securities laws of any state, the securities laws of any other jurisdiction and, therefore, cannot be resold unless they a subsequently registered under the Securities Act and other applicable securities laws or exemptio from registration are available. It is not contemplated that registration of the Interests under t Securities Act or other securities laws will ever be effected. There is no public market for t Interests, and one is not expected to develop. A Limited Partner will not be permitted to assign Interests, except by operation of law, without the prior written consent of the General Partner, whi may be given or withheld in the General Partner's sole and absolute discretion. Except in extreme limited circumstances, voluntary withdrawals from the Partnership will not be permitted. Limit Partners must be prepared to bear the risks of owning Interests for an extended period of time.

Tax-Exempt Investors

The Partnership may engage in transactions that would generate UBTI. *See* – "Summary Principal Terms – Tax Considerations" and "Certain Tax and Regulatory Considerations – Fede Income Tax Matters – *General*"

Foreign Investors

The Partnership may engage in transactions that will cause foreign Limited Partners to recogr income effectively connected with the conduct of a trade or business within the U.S. *Se* "Summary of Principal Terms – Tax Considerations" and "Certain Tax and Regula

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Considerations – Federal Income Tax Matters – *Certain U.S. Tax Considerations for Foreign Investors.*"

SECURITIES OFFERED THROUGH HFBE CAPITAL, LP (MEMBER NASD/SIPC).
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IX. CONFLICTS OF INTEREST

Investors should be aware that there will be occasions where the General Partner and its affiliates may encounter potential conflicts of interest in connection with the Partnership's activities. The following discussion enumerates certain potential conflicts of interest which should be carefully evaluated before making an investment in the Partnership.

Dual Role of Principals

The Principals are employees of Enron and owe fiduciary duties to Enron and its subsidiaries; such fiduciary duties may from time to time conflict with fiduciary duties owed to the Partnership and its partners. Accordingly, the Principals, and entities controlled by the Principals, may take (or refrain from taking) such actions in behalf of the Partnership as the Principals in good faith determine to be necessary or appropriate in view of such conflicting duties. The Principals intend to consult regularly with the Advisory Committee regarding potential conflicts of interest regarding transactions with or involving Enron and its affiliates.

Transactions Involving Enron

To execute the Partnership's investment strategy (to capture investment opportunities generated by Enron), the Partnership will regularly evaluate, structure, negotiate, consummate, hold, manage, and liquidate Investments in companies in which Enron or its affiliates have an existing investment or which Enron or its affiliates control (including investments acquired directly from Enron or its affiliates). The evaluation (and valuation) of Investment opportunities and the negotiation of the price, terms, and conditions of an Investment will be conducted in behalf of the Partnership by the Principals acting in behalf of the General Partner.

Portfolio companies in which the Partnership invests may also engage in transactions with Enron or its affiliates, and profits derived by Enron or its affiliates from such transactions will not be shared with the Partnership.

In many cases, the Partnership will have a non-control Investment in a portfolio company controlled by Enron or its affiliates. The Partnership may invest in securities that are different from those held by Enron or may hold securities with a cost basis different from those held by Enron. Factors that influence Enron's or its affiliates' decision to exercise their rights in respect of their investment in such company (such as a decision to sell the company) may be more or less significant from the Partnership's perspective.

Carried Interest

The existence of the General Partner's carried interest could be viewed as an incentive for the General Partner to make riskier or more speculative investments in behalf of the Partnership than would be the case in the absence of this arrangement.

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Diverse Limited Partner Group

The Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in the Partnership. The conflicting interests of individual Limited Partners may relate to or arise from, among other things, the nature of Investments made by the Partnership, the structuring or the acquisition of Investments, and the timing of disposition of Investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner, including with respect to the nature or structuring of Investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Partnership, the General Partner will consider the investment and tax objectives of the Partnership and its Partners as a whole, not the investment, tax, or other objectives of any Limited Partner of the Partnership individually.

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X. CERTAIN TAX AND REGULATORY CONSIDERATIONS

Federal Income Tax Matters

General

The following discussion summarizes certain U.S. Federal income tax considerations generally applicable to a person considering the acquisition of an Interest. The discussion does not deal with all tax considerations that may be relevant to specific investors or classes of investors in light of their particular circumstances. In particular, the discussion does not address any considerations applicable to persons who acquire Interests in connection with the performance of services. Furthermore, no state, local, or foreign tax considerations are addressed. ALL PERSONS CONSIDERING AN INVESTMENT IN THE PARTNERSHIP ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE SPECIFIC U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES TO THEM OF SUCH INVESTMENT.

The Partnership will receive an opinion from Kirkland & Ellis, counsel for the Partnership, that the Partnership will be classified for federal income tax purposes as a partnership rather than as an association taxable as a corporation under currently applicable tax laws. Opinions of counsel, however, are not binding on the Internal Revenue Service ("IRS") or the courts, and no ruling has been or will be requested from the IRS. No assurance can be given that the IRS will concur with such opinion or the tax consequences set forth below.

The Partnership will not pay federal income taxes, but each Partner will be required to report its distributive share (whether or not distributed) of the income, gains, losses, deductions, and credits of the Partnership (which may include the income and other tax items of any partnerships in which the Partnership invests). It is possible that the Partners could incur income tax liabilities without receiving from the Partnership sufficient distributions to defray such tax liabilities. For example, the Partners will be allocated Partnership income and gains for U.S. Federal income tax purposes even if funds from such Partnership income and gains are used by the Partnership to make Investments or to pay Partnership expenses and liabilities and are not distributed to such Partners (or are distributed but are then recalled by the Partnership for future Investments). The Partnership Agreement will provide that the General Partner may elect to re-invest rather than distribute (or distribute and recall for investment) Investment Proceeds prior to the second anniversary of the Partnership's final closing date. The Partnership's taxable year will be the calendar year, or such other year as required by the Code. Tax information will be distributed to each Partner annually.

The following discussion summarizes certain significant U.S. Federal income tax consequences to a prospective investor who (i) owns, directly or indirectly through another partnership, an Interest as a Limited Partner, (ii) is, with respect to the U.S., a citizen or resident individual, a domestic corporation or partnership, an estate the income of which is subject to U.S. Federal income taxation regardless of its source, or a trust for which a court in the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions, as such terms are defined for U.S. Federal income tax purposes (a "U.S. Investor"), and (iii) is not tax-exempt.

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Interest on any amount borrowed by a Limited Partner (other than a corporation) to purchase an Interest in the Partnership will generally be "investment interest," subject to a limitation on deductibility. In general, investment interest will be deductible only to the extent of the taxpayer's "net investment income." For this purpose "net investment income" will generally include net income from the Partnership and other income from property held for investment (other than property which generates passive activity income). However, long-term capital gain is excluded from the definition of net investment income unless the taxpayer makes a special election to treat such gain as ordinary income rather than long-term capital gain. Interest that is not deductible in the year incurred because of the investment interest limitation may be carried forward and deducted in a future year in which there is sufficient investment income.

The Agreement will contain provisions intended to comply substantially with IRS regulations describing partnership allocations that will be treated as having "substantial economic effect," and hence, the Partnership's allocation will be respected for tax purposes. However, those regulations are extremely complex, and there can be no assurance that the allocations of income, deduction, loss, and gain for tax purposes made pursuant to the Partnership Agreement will be respected by the IRS, if reviewed. Even if the IRS were to review the Partnership allocations and determine that they do not technically comply with such regulations, such allocations would be determined "in accordance with each partner's interest in the partnership (determined by taking into account all facts and circumstances)." The allocations under the Partnership Agreement should, in most cases, be substantially identical to each "partner's interest in the partnership."

Under Section 67 of the Code, a non-corporate taxpayer (including a shareholder of an S corporation) may deduct certain miscellaneous deductions (e.g., investment advisory fees, tax preparation fees, unreimbursed employee expenses, and subscriptions to professional journals) only to the extent such deductions exceed, in the aggregate, 2% of the taxpayer's adjusted gross income. Each Limited Partner's share of the Management Fee and other Partnership expenses probably will be treated as miscellaneous itemized deductions. Accordingly, a Limited Partner who is an individual generally will be permitted to deduct such expenses only to the extent that the sum of such expenses plus the individual's other miscellaneous itemized deductions exceed 2% of the individual's adjusted gross income. However, corporate Limited Partners (other than S corporations) and tax-exempt organizations are not affected by the 2% floor (unless, in the case of a tax-exempt organization, it is not a corporation and has unrelated business taxable income from the Partnership). Section 68 of the Code separately imposes limitations on the deductibility of itemized deductions by an individual whose adjusted gross income exceeds a specified amount (e.g., $126,600 for unmarried individuals, or married individuals filing jointly, for 1999, adjusted annually for inflation), which may also affect the ability of any Partner who is an individual to deduct his or her share of the Management Fee and other Partnership expenses. A Limited Partner who is an individual also generally will not be permitted to deduct his or her share of the Management Fee and other Partnership expenses for purposes of calculating such individual's alternative minimum tax liability.

Non-corporate investors (and certain closely held, personal service, and S corporations) are subject to the limitations on using losses from passive business activities to offset business income, salary income, and portfolio income (i.e., interest, dividends, capital gains from portfolio investments, royalties, etc.). The Partnership's distributive share of income or losses from a portfolio company which is a partnership or limited liability company engaged in business generally will be treated as passive activity income or losses. Accordingly, an investor will be subject to the passive activity loss

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limitations on the use of any such portfolio company losses, but any such portfolio company income may be offset by other passive losses (such as losses from limited partnership interests in tax shelters). Other partnership income generally will be treated as portfolio income. Therefore, an investor generally will not be able to use passive activity losses to offset such portfolio income from the Partnership.

Except as described in the following paragraph, a tax-exempt Limited Partner's distributive share of the Partnership's income should consist principally of income from dividends, interest, and capital gain from corporate stock and corporate securities – types of income which (subject to the discussion of debt-financing below) are expressly excluded UBTI.

However, the Partnership may invest in securities (including equity interests in partnerships and limited liability companies) that will generate UBTI ("UBTI Investments"). Each tax-exempt Limited Partner generally would be subject to U.S. Federal income tax on its share of any UBTI earned by the Partnership (and the receipt of UBTI could give rise to additional tax liability for certain limited categories of tax-exempt investors).

If a tax-exempt Limited Partner borrows any amount to fund its capital commitment, some or all of its distributive share of income from the Partnership could be UBTI, which could be taxable to such tax-exempt Limited Partner (and which could give rise to additional tax liability for certain limited categories of tax-exempt Limited Partners). Moreover, debt incurred either by the Partnership directly or in connection with a UBTI Investment could give rise to UBTI to a tax-exempt Limited Partner.

Certain U.S. Tax Considerations for Foreign Investors

Limited Partners that are not U.S. Investors and are not tax-exempt ("Foreign Investors") generally should not be subject to U.S. Federal income tax on gains from the sale of Investments. Notwithstanding the foregoing, a Foreign Investor's share of the net gain recognized upon disposition by the Partnership of a United States real property interest would be treated for Federal income tax purposes as if it were effectively connected with a U.S. trade or business. In general, the Partnership would be required to withhold tax from allocations to Foreign Investors of such net gain and each Foreign Investor would be required to report its share of such gain on a U.S. Federal income tax return. For this purpose, the term "United States real property interest" generally would include: (i) shares of stock in a U.S. corporation that does not have a publicly traded class of stock outstanding if 50% or more of the value of the corporation's assets at any point during the preceding five years consisted of interests in U.S. real property, and (ii) shares of stock in a U.S. corporation that does have a publicly traded class of stock outstanding where (A) the corporation satisfies the real property ownership test described in clause (i) above, and (B) the Partnership held (directly or pursuant to certain attribution rules) more than 5% of the outstanding stock of any publicly traded class of shares or held shares of non-publicly traded stock with a fair market value greater than that of 5% of the publicly traded class of the corporation's stock with the lowest fair market value. In addition, if the Partnership invests in partnerships or other persons that generate income that is treated as effectively connected with a U.S. trade or business (including gain recognized upon disposition of an United States real property interest), Limited Partners will be subject to U.S. Federal income tax, including withholding tax (and possibly the branch profits tax), on their share of such income and on their share of gain realized on the Partnership's disposition of its interest in

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such other partnership's (or other person's) assets attributable to such U.S. trade or business, and they will be required to file appropriate returns. Dividends paid by portfolio companies generally will, and interest paid by portfolio companies and capital gains upon realization of certain Investments may, in certain circumstances, be subject to withholding taxes, including U.S. withholding taxes, but such taxes may be reduced or eliminated by treaty.

THIS MEMORANDUM DOES NOT ADDRESS ALL UNITED STATES FEDERAL TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP THAT MAY APPLY TO AN INVESTOR, AND IT DOES NOT ADDRESS ANY STATE, LOCAL, OR FOREIGN TAX CONSEQUENCES OF SUCH AN INVESTMENT. IN ADDITION, THE ABOVE DISCUSSION IS BASED ON CURRENT PROVISIONS OF THE CODE, TREASURY REGULATIONS, ADMINISTRATIVE RULINGS, AND JUDICIAL DECISIONS, AND NO ASSURANCE CAN BE GIVEN THAT FUTURE LEGISLATIVE, JUDICIAL, OR ADMINISTRATIVE ACTION WILL NOT AFFECT THE ACCURACY OF ANY STATEMENT IN THIS DISCUSSION, POSSIBLY WITH RETROACTIVE EFFECT. THE TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP MAY VARY DEPENDING ON AN INVESTOR'S PARTICULAR CIRCUMSTANCES. FOR THE FOREGOING REASONS, EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX COUNSEL AS TO THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP.

Certain ERISA Considerations

The U.S. Department of Labor ("DOL") has issued regulations under ERISA, which generally provide that when an employee benefit plan invests in an entity such as the Partnership, the plan's assets include both the limited partnership interest and an undivided interest in each of the underlying assets of the Partnership, unless (i) the equity participation in the Partnership by benefit plan investors is not "significant" (defined as 25% of any class of the Partnership equity interests), (ii) the Partnership complies with the "venture capital operating company" ("VCOC") exception, or (iii) the Partnership qualifies for another exception under the DOL plan asset regulations. If the underlying assets of the Partnership were to be considered plan assets of the ERISA plan investor, the General Partner of the Partnership would be an ERISA fiduciary and the Partnership would be subject to undesirable ERISA requirements with which the Partnership generally cannot comply.

The Partnership will not limit investment by benefit plan investors, and it is therefore possible that investment by benefit investors will be "significant." However, the Partnership has been designed and is intended to be managed to comply with the VCOC exception. If it qualifies for the VCOC exception, the Partnership will not be subject to the ERISA fiduciary rules and the underlying assets of the Partnership will not be deemed "plan assets" of any ERISA plan investor. The Partnership will qualify if it (i) has direct contractual rights to substantially participate in or substantially influence the management of operating companies comprising at least 50% of its portfolio (measured by cost), and (ii) in the ordinary course of its business, actively exercises such management rights with respect to at least one of the operating companies in which it invests. An "operating company" is an entity engaged in the production or sale of a product or service, as distinguished from a re-investing entity.

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The determination as to whether the fund qualifies as a VCOC is made when the Partnership mak its first long-term investment and thereafter on an ongoing basis. The Partnership must meet the 50 test at the time it makes its first long-term investment and on at least one day during each 90-d annual valuation period (generally beginning on the anniversary of the Partnership's first long-ter investment) thereafter. The Partnership also would cease to qualify if it did not in the ordina course of its business actually exercise its management rights with respect to at least one portfol company each year. Special rules will apply to any wind-up of the Partnership when it enters in it "distribution period" as defined in the DOL regulations.

Prospective Limited Partners who are subject to the provisions of ERISA (such as pension funds certain insurance company accounts) should consult with their counsel and advisors as to t provisions of ERISA applicable to an investment in the Partnership.

Certain Regulatory Matters

Investment Company Act of 1940, as amended (the "1940 Act")

The Partnership has not registered and does not plan to register under the 1940 Act in reliance the exception provided in Section 3(c)(7) of the 1940 Act. As a condition to its admittance to Partnership, each prospective Limited Partner will be required to represent to the Partnership and General Partner that such prospective Limited Partner is a "qualified purchaser" within the meani of Sections 2(a)(51) and 3(c)(7) of the 1940 Act and the regulations promulgated thereunder.

Securities Act

The offer and sale of the Interests will not be registered under the Securities Act in reliance upon exemption from registration provided by Section 4(2) thereof and Regulation D promulga thereunder. Each purchaser must be an "accredited investor" (as defined in Regulation D under Securities Act) and will be required to represent, among other customary private placem representations, that it is acquiring its Interest in the Partnership for its own account for investm purposes only and not with a view to resale or distribution.

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LJM2 Co-Investment, L.P.
Limited Partner Groups

Investor	Commitment	Type
American Home Assurance Company (AIG) SunAmerica	$30 million $10 million $40 million	Insurance Co. **Adv. Comm.**
AON Pension Plan David Greenberg	$5.0 million $0.1 million $5.1 million	Pension Fund **Adv. Comm.**
Acquisition Fund Four, L.P.	$5 million	Fund
Robert Basham	$3 million	Ind.
BT Investment Partners	$10 million	Fin. Inst. **Adv. Comm.**
Chemical Investments	$10 million	Fin. Inst.
CIBC Capital Corporation	$15 million	Fin. Inst. **Adv. Comm.**
C&I Partners	$2 million	Ind.
Citicorp	$10 million	Fin. Inst.
Eugene Conese Conese Family Investments L.P.	$1.5 million $1.5 million $3.0 million	Ind.
CRM 1999 Enterprise Fund (Cramer Rosenthal McGlynn)	$3 million	Fund
DLJ Fund Investment Partners III, L.P.	$5 million	Fund
Lakeview Direct Investments, L.P. Thomas Elden Investment Trust (GP of Lakeview)	$1.5 million $0.5 million $2.0 million	Fund
Ethervest, LLC (Tully Capital Partners)	$1 million	Ind.
First Union Investors, Inc.	$25 million	Fin. Inst.
Fort Washington Private Equity Investors II, L.P.	$10 million	Fund
Freidenrich Family Partnership, L.P. Freidenrich Twenty-Fifty, Ltd.	$4 million $2 million $6 million	Ind.
Institute for Advanced Studies	$5 million	Fund
J.P. Morgan Partnership Investment Corporation Sixty Wall Street Fund, L.P.	$12 million $ 3 million $15 million	Fin. Inst. **Adv. Comm.**

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Kleinwort Benson Holdings, Inc. Ironwood Investors, LLC (Dresdner Execs)	$5.0 million $0.9 million $5.9 million	Fin. Inst. **Adv Comm.**
LBI Group Inc. (Lehman Brothers)	$10 million	Fin. Inst.
John D. and Catherine T. MacArthur Foundation	$15 million	Foundation
Joe Marsh	$3 million	Ind.
Merchant Capital, Inc. (CSFB)	$10 million	Fin. Inst.
ML IBK Positions, Inc. ML/LJM2 Co-Investment, L.P. Louis Chiavacci	$5 million $16.145 million $1.0 million $22.145 million	Fin. Inst.
Mousseteek Free	$10 million	Ind.
Rho Mgmt. Viking Trust Gordon and Margaret Hargraves Alpine Investment Partners	 $15 million $0.5 million $15 million $30.5 million	 Ind. **Adv. Comm.**
Ulysses Mgmt. Nash Family Partnership, L.P. Jack Nash Josh Nash Leon Levy	 $2.5 million $3 million $2.5 million $4 million $12 million	 Ind.
Papyrus I Funding Trust (BofA) Weyerhaeuser Company Master Retirement Trust	$45 million $ 5 million $50 million	Pension Fund **Adv. Comm.**
Primerica Life Insurance Company Travelers Indemnity Company Travelers Insurance Company Travelers Life and Annuity Company	$0.2745 million $3.1765 million $1.3555 million $0.1935 million $5.0 million	Fin. Inst.
George Rohr	$3 million	Ind.
SFG-U Inc. (GECC)	$5 million	Fin. Inst.
State of Arkansas Teacher Retirement System	$30 million	Pension Fund
Total	**$386.645 million**	

Advisory Committee - % of Total Commitments 44.4%

LPgroups.doc

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Total Number of LPs	51	
Total Number of LP Groups*	33	

Investor Categories	Amount of Commiment($MM)	No./% of Commitments
Financial Institutions	$143.045	12/ 37.0%
Pension Funds	85.1	3/ 22.0%
Individuals	73.5	10/ 19.0%
Insurance Companies	40.0	1/ 10.3%
Funds	30.0	6/ 7.8 %
Foundation	15.0	1/ 3.9 %
	$386.645	33/100.0%

* LP Groups are based on related entities or individual investments under the same management company.

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No.	Name of Limited Partners	Agreement) of Limited Partner	Funded Capital	Contribution Commitment
1	Chemical Investments, Inc.	10,000,000.00	1,698,081.99	8,301,918.01
2	Conese Family Investments, LP	1,500,000.00	254,708.18	1,245,291.82
3	Eugene P. Conese, Sr	1,500,000.00	254,708.18	1,245,291.82
4	CIBC Capital Corporation	15,000,000.00	2,547,122.96	12,452,877.04
5	Citicorp Investments	10,000,000.00	1,698,081.99	8,301,918.01
6	SFG-U Inc. (GECC)	5,000,000.00	849,040.98	4,150,959.02
7	Merchant Capital, Inc.	10,000,000.00	1,698,081.99	8,301,918.01
8	BT Investment Partners, Inc.	10,000,000.00	1,698,081.99	8,301,918.01
9	DLJ Fund Investment Partners III, L.P.	5,000,000.00	849,040.98	4,150,959.02
10	J.P. Morgan Partnership Investment Corporation	12,000,000.00	2,037,698.39	9,962,301.61
11	Sixty Wall Street Fund, L.P.	3,000,000.00	509,424.61	2,490,575.39
12	LB I Group Inc.	10,000,000.00	1,698,081.99	8,301,918.01
13	ML IBK Positions, Inc.	5,000,000.00	849,040.98	4,150,959.02
14	Mousseteek Free	10,000,000.00	1,698,081.99	8,301,918.01
15	Rho Fund Investors II LLC	15,000,000.00	2,547,059.28	12,452,940.72
16	AON Pension Plan	5,000,000.00	849,019.75	4,150,980.25
17	Leon Levy	4,000,000.00	679,211.84	3,320,788.16
18	George Rohr	3,000,000.00	509,411.88	2,490,588.12
19	Joshua Nash	2,500,000.00	424,509.89	2,075,490.11
20	Jack Nash	3,000,000.00	509,411.88	2,490,588.12
21	Nash Family Partnership, L.P.	2,500,000.00	424,509.89	2,075,490.11
22	Acquisition Fund Four, L.P.	5,000,000.00	849,019.75	4,150,980.25
23	David Greenberg	100,000.00	16,980.39	83,019.61
24	Fort Washington Private Equity Investors II, L.P.	10,000,000.00	1,698,039.54	8,301,960.46
25	C&I Partners	2,000,000.00	339,607.90	1,660,392.10
26	Alpine Investment Partners	15,000,000.00	2,547,059.28	12,452,940.72
27	Thomas Elden Investment Trust	500,000.00	84,901.98	415,098.02
28	Lakeview Direct Investments, LP	1,500,000.00	254,705.92	1,245,294.08
29	Gordon and Margaret Hargraves	500,000.00	84,901.98	415,098.02
30	CRM 1999 Enterprise Fund, LLC	3,000,000.00	509,411.88	2,490,588.12
31	Weyerhaeuser Co.	5,000,000.00	849,014.10	4,150,985.90
32	American Home Assurance Company	22,783,000.00	3,868,617.69	18,914,382.31
32a	AIG Private Equity Portfolio, L.P.	7,217,000.00	1,225,466.96	5,991,533.04
33	Travelers Insurance Company	1,355,500.00	230,163.83	1,125,336.17
34	Primerica Life Insurance	274,500.00	46,610.08	227,889.92
35	The Travelers Indemnity Company	3,176,500.00	539,369.58	2,637,130.42
36	Arkansas Teacher Retirement System	30,000,000.00	5,093,998.83	24,906,001.17
37	Kleinwort Benson Holdings, Inc.	5,000,000.00	848,999.79	4,151,000.21
38	Louis Chiavacci	1,000,000.00	169,799.97	830,200.03
39	Joe Marsh	3,000,000.00	509,399.90	2,490,600.10
40	Travelers Life and Annuity Company	193,500.00	32,856.29	160,643.71
41	Robert Basham	3,000,000.00	509,399.90	2,490,600.10
42	Institute for Advanced Studies	5,000,000.00	848,999.79	4,151,000.21
43	Freidenrich Family Partnership	4,000,000.00	679,199.86	3,320,800.14
44	Freidenrich Twenty-Fifty, Ltd.	2,000,000.00	339,599.92	1,660,400.08
45	First Union Investors	25,000,000.00	4,244,999.05	20,755,000.95
46	MacArthur Foundation	15,000,000.00	2,546,999.41	12,453,000.59
47	Papyrus I Funding Trust	45,000,000.00	7,640,998.34	37,359,001.66
48	ML/LJM2 Co-Investment, L.P.	16,645,000.00	2,826,320.24	13,818,679.76
49	Sun America	10,000,000.00	1,697,999.62	8,302,000.38
50	Ironwood Investors LLC	900,000.00	152,819.96	747,180.04
51	Ethervest LLC	1,000,000.00	169,799.97	830,200.03
	Unfunded Partners' Capital			321,406,526.73

* Funded Capital means, with respect to each Limited Partner on any date, the Capital Contribution of such Limited Partner less the aggregate amount of cash distributed to such Limited Partner by the Borrower on or prior to such date which may be recalled by the Borrower pursuant to Section 3.1(c)(iii) of the Partnership Agreement.

Unfunded Partners Capital = $ 321,406,526.73

CONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

Permanent Subcommittee on Investigations
EXHIBIT #251

Permanent Subcommittee on Investigations
EXHIBIT #252

LJM
INVESTMENTS

Annual Partnership Meeting
October 26, 2000

AP100091
"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM Investments

Introduction: Meeting Agenda

- Introduction
- LJM Rationale
- LJM Strategy
- Activity Summary
- Valuation
- Sample Investments
- Other Issues
- Summary
- Guest Speakers: Jeff Skilling, Enron
  Gene Lockhart, The New Power Company
  Bill Jacobs, The New Power Company
  Will Byers, The New Power Company

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

Introduction

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM Investments

Introduction: Meeting Attendees

1.) LJM Investments
- Andrew Fastow
- Michael Kopper
- Kathy Lynn
- Michael Hinds
- Anne Yaeger
- Joyce Tang
- Chris Loehr
- Ace Roman

2.) LJM Consultants

Kirkland & Ellis
- Michael Edsall
- Martha Stuart

Price Waterhouse Coopers
- Ian Schachter

3.) LJM2 Limited Partners
- Chase Capital
- World Air Lease
- GE Capital
- J.P. Morgan Capital
- Merrill Lynch
- C&I Partners
- Dresdner
- AON
- Rho Management
- CSFB
- Ulysses Partners
- Fort Wash. Private Equity
- Morgan Stanley
- First Union Investors

4.) Guests

Enron
- Jeff Skilling

TNPC
- Gene Lockhart
- Bill Jacobs
- Will Byers

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM Rationale

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM Investments

LJM Rationale

- Fund created and managed by the CFO of Enron – Andrew S. Fastow
- Focused on acquiring energy and communications assets primarily owned by Enron

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"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

2298

LJM Investments

LJM Rationale: Why does Enron need private equity?

- Energy and communications assets typically do not generate earnings or cash flow within the first 1-3 years
  - Investments are dilutive to Enron's current EPS
  - Investments are dilutive to credit rating ratios
- Solutions
  - Enron must deconsolidate assets
  - Enron must create structures which accelerate projected earnings and cash flows

➢ This leads to opportunities for LJM

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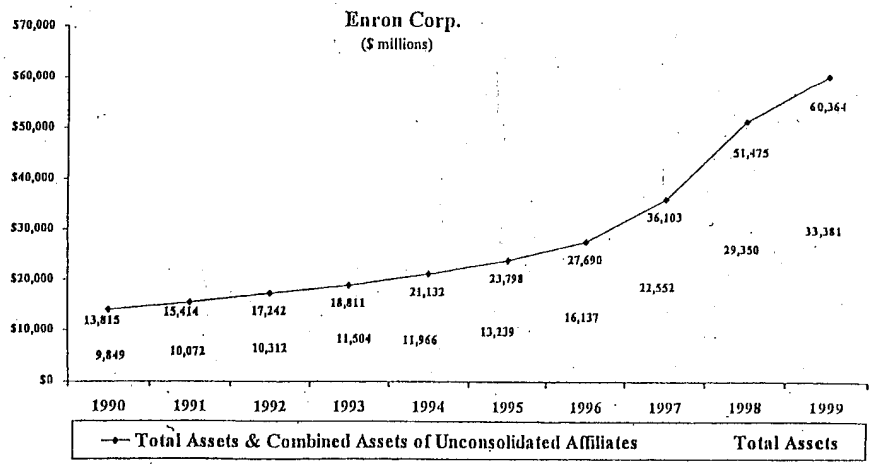
LJM Investments

LJM Rationale: Why does Enron need private equity?



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2300

LJM Rationale: Why does Enron need private equity?

- Additional applications of private equity have been developed
  - Risk management
  - Nature of earnings
  - Earnings generation

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM Strategy

2302

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM Strategy: Overview

- Maximize risk-adjusted spread over nominal return
- Provide services in addition to capital
- Create proper incentives for sponsor
- Ensure multiple exits

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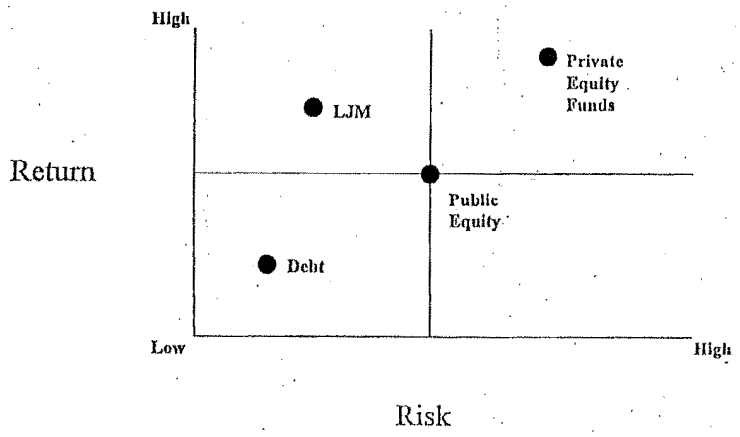
"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM Investments

LJM Strategy: Maximize risk-adjusted spread



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LJM Strategy: Provide services in addition to capital

- LJM offers a different product than traditional equity providers
  - Speed
  - Certainty of execution
  - Structured equity capability
  - Confidentiality
  - Knowledge of company's objectives and reliability
  - Ability to play GP role

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

2305

LJM Investments

LJM Strategy: Create proper incentives for sponsor

- Sponsor typically retains an ongoing economic interest in investment
- Sponsor typically benefits by assisting LJM in liquidation of investment

2306

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LJM Investments

LJM Strategy: Multiple exit routes

- Self – liquidating
- "Effective" put
- Sale
- Securitization

2307

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"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

Activity Summary

2308

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Activity Summary: Closing

- First close on December 22, 1999
- Final close on April 5, 2000
- Total capital commitments of $394 million
  - 42% financial institutions and insurance companies (Rated A- or higher)
  - 36% individual investors and private equity funds
  - 22% pension funds

2309

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Activity Summary: Overview

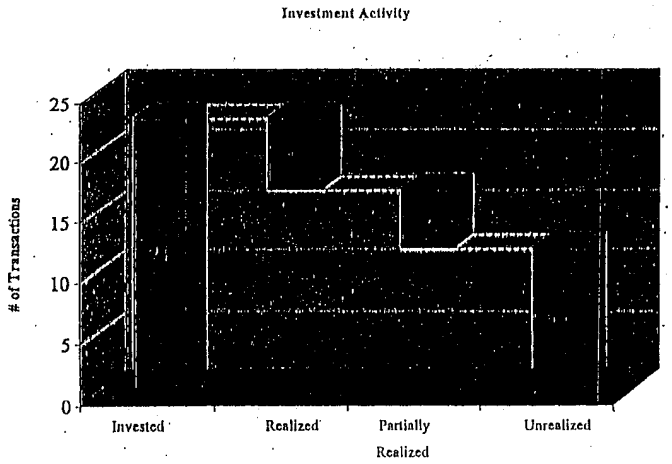
- 23 investments have been made
- $511 million committed to investments / $438 million invested
- 6 investments liquidated on schedule at target returns ($108 million)
- 5 investments partially realized ($123 million)
- $245 million of Partners' capital has been funded
- $135 million of debt used for investments
- Projected Net Limited Partner IRR* – 69% Cash multiple – 2.3X

*See Valuation: Key model assumptions slide

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Activity Summary: Investments



"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Activity Summary: Investments

Asset	Investment Date	Amount Invested	Asset Outlook (+/0/-)	Cash Received to Date	Current IRR	Projected Cash Multiple	Current Projected IRR
Unrealized Investments							
Subordinated Debt							
ENA CLO Trust I - Debt	22-Dec-99	19,600,000	0		-100%	1.83	14%
Total Debt		19,600,000					
Equity							
Backbone	30-Jun-00	29,990,763	0		-100%	1.18	18%
ENA CLO Trust I - Equity	22-Dec-99	12,900,000	0		-100%	3.10	32%
First Union CLO	29-Sep-00	25,200,000	0		-100%	2.42	24%
Marquux	12-Jul-00	10,000,000	0		-100%	1.84	16%
Osprey	12-Jul-00	26,000,000	0		-100%	1.53	20%
Osprey 2	11-Sep-00	6,500,000	0		-100%	3.10	75%
Raptor I-A	19-Sep-00	6,000,000	0		-100%	1.42	12.5%
Raptor II-A	13-Oct-00	1,100,000	0		-100%	1.41	12.5%
Raptor IV	21-Sep-00	30,000,000	0		-100%	2.37	125%
Resco	6-Jan-00	673,200	0		-100%	1.32	23%
TNPC	12-Jul-00	38,000,000	0		-100%	1.89	133%
Zenith	8-Aug-00	21,000,000	0		-100%	1.85	31%
Total Equity		207,363,963					
Total Unrealized Investments		226,963,963					
Partially Realized Investments							
GE 7EA Turbines	12-May-00	8,226,975	0	846,378	-100%	1.09	40%
Raptor	4-May-00	29,500,000	0	40,366,667	116%	2.37	193%
Raptor II	6-Jul-00	30,000,000	0	41,050,000	248%	2.37	278%
Raptor III	28-Sep-00	30,000,000	0	39,550,000	2500%	2.32	2300%
Rawhide	28-Mar-00	12,500,000	0	830,730	-100%	1.52	18%
Total Partially Realized Investments		110,226,975		122,643,775			
Realized Investments							
Bargeco	29-Jun-00	7,525,000		8,235,000	30%	1.09	
Bob West Treasure	29-Dec-99	2,953,125	n/a	3,246,649	21%	1.10	
Coyote Springs	7-Jul-00	-	n/a	3,357,000	-	-	
Pluto	29-Dec-99	26,313,610	n/a	26,794,115	8%	1.01	
Poland	22-Dec-99	30,000,000	n/a	32,641,500	41%	1.09	
Yosemite****	28-Feb-00	33,750,000	n/a	33,850,000	194%	1.003	
Total Realized		100,541,735		108,324,264			
Total Invested		437,732,673					
Total Portfolio IRR		51%					

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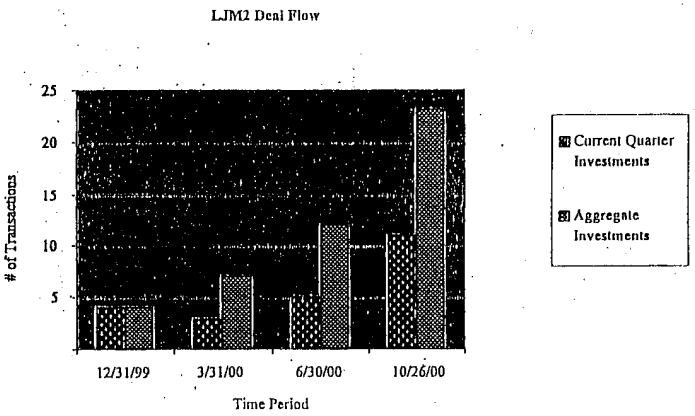
LJM2 Co-Investment, L.P.

Activity Summary: Investments



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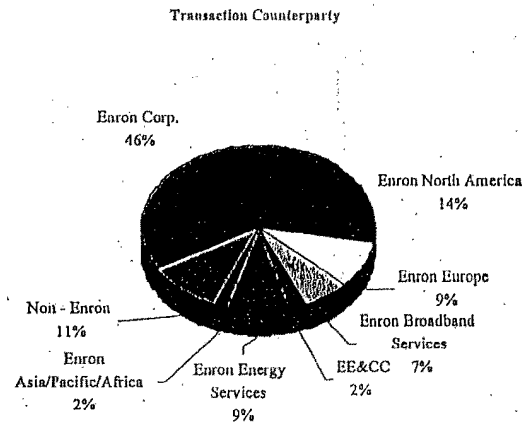
LJM2 Co-Investment, L.P.

Activity Summary: Portfolio



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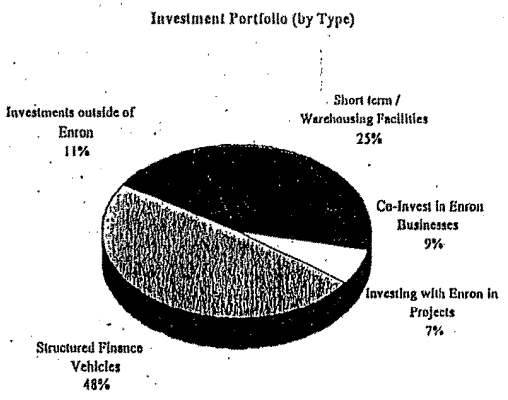
LJM2 Co-Investment, L.P.

Activity Summary: Portfolio



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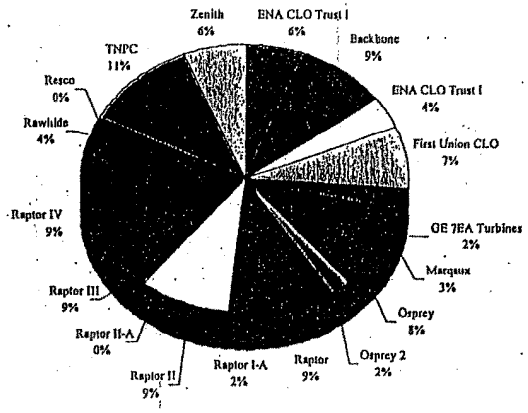
LJM2 Co-Investment, L.P.

Activity Summary: Portfolio

Investment Portfolio (by asset)



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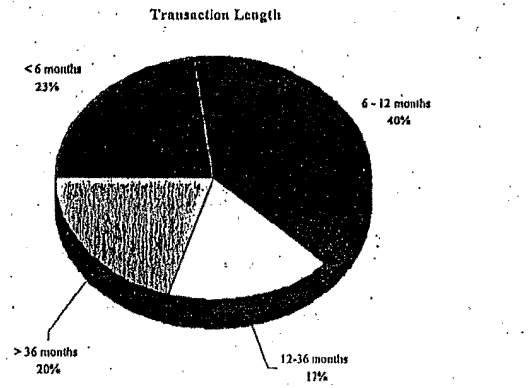
LJM2 Co-Investment, L.P.

Activity Summary: Cash flows



63% of LJM's investments are projected to pay out in less than one year

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Activity Summary: Cash flows

	CLO-Debt	Backbone	CLO-Eq.	First Union	OE-Turb.	Marqaux	Osprey	Osprey 2
12/31/99	(19,600,000)	-	(12,900,000)	-	-	-	-	-
3/31/00	-	-	-	-	-	-	-	-
6/30/00	-	(29,990,763)	-	-	(3,006,422)	-	-	-
9/30/00	-	-	-	-	(4,400,475)	(10,000,000)	(26,000,000)	-
12/31/00	-	-	1,296,603	(25,200,000)	8,326,975	450,000	-	(6,500,000)
3/31/01	2,861,466	-	1,233,307	552,832	-	-	1,657,500	414,375
6/30/01	-	35,389,100	-	1,335,990	-	600,000	-	-
9/30/01	1,392,580	-	1,260,668	1,381,846	-	-	1,657,500	828,750
12/31/01	-	-	-	1,640,130	-	600,000	-	-
3/31/02	1,392,580	-	2,599,150	1,591,359	-	-	1,657,500	828,750
6/30/02	-	-	-	1,611,779	-	1,066,667	-	-
9/30/02	1,392,580	-	2,254,686	1,633,661	-	-	1,657,500	828,750
12/31/02	-	-	-	1,632,259	-	1,066,667	-	-
3/31/03	1,392,580	-	2,431,131	1,586,804	-	-	33,099,273	16,398,372
6/30/03	-	-	-	1,607,756	-	766,667	-	-
9/30/03	1,392,580	-	2,296,841	1,628,742	-	-	-	-
12/31/03	-	-	-	1,627,715	-	766,667	-	-
3/31/04	1,392,580	-	2,420,769	1,604,704	-	-	-	-
6/30/04	-	-	-	1,604,406	-	766,667	-	-
9/30/04	1,392,580	-	2,011,623	1,626,117	-	-	-	-
12/31/04	-	-	-	1,625,718	-	766,667	-	-
3/31/05	1,392,580	-	1,837,535	1,550,860	-	-	-	-
6/30/05	-	-	-	1,561,573	-	766,667	-	-
9/30/05	1,392,580	-	1,345,985	1,586,127	-	-	-	-
12/31/05	20,767,478	-	19,026,735	24,659,058	-	10,782,456	-	-
Total Profits	16,362,164	5,398,337	27,115,033	28,449,435	920,078	8,399,122	13,729,273	12,798,997
IRR	14%	18%	32%	24%	40%	16%	21%	72%
Cash X*.	1.85	1.18	3.10	2.13	1.09	1.84	1.53	2.97

*Equals (profit+invested capital)/invested capital

Bold cash flows have been realized

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Activity Summary: Cash flows

	Raptor	Raptor I-A	Raptor II	Raptor II-A	Raptor III	Raptor IV	Rawhide	Resco	TNPC	Zenith
12/31/99	-	-	-	-	-	-	-	-	-	-
3/31/00	-	-	-	-	-	-	(12,883,717)	(673,200)	-	-
6/30/00	(29,450,000)	-	-	-	-	-	410,803	-	-	-
9/30/00	40,316,667	(6,000,000)	(29,950,000)	-	(29,950,000)	(29,950,000)	419,927	-	(38,000,000)	(21,000,000)
12/31/00	-	-	41,000,000	(1,100,000)	39,500,000	-	421,875	-	-	1,700,000
3/31/01	-	-	-	-	-	41,000,000	421,875	-	-	-
6/30/01	-	-	-	-	-	-	421,875	889,098	71,649,000	-
9/30/01	-	-	-	-	-	-	421,875	-	-	-
12/31/01	-	-	-	-	-	-	421,875	-	-	3,400,000
3/31/02	-	-	-	-	-	-	421,875	-	-	-
6/30/02	-	-	-	-	-	-	421,875	-	-	-
9/30/02	-	-	-	-	-	-	421,875	-	-	-
12/31/02	-	-	-	-	-	-	421,875	-	-	3,400,000
3/31/03	-	-	-	-	-	-	14,927,467	-	-	-
6/30/03	29,500,000	-	30,000,000	-	-	-	-	-	-	-
9/30/03	-	8,542,969	-	1,550,621	30,000,000	30,000,000	-	-	-	-
12/31/03	-	-	-	-	-	-	-	-	-	3,400,000
3/31/04	-	-	-	-	-	-	-	-	-	-
6/30/04	-	-	-	-	-	-	-	-	-	26,914,286
9/30/04	-	-	-	-	-	-	-	-	-	-
12/31/04	-	-	-	-	-	-	-	-	-	-
3/31/05	-	-	-	-	-	-	-	-	-	-
6/30/05	-	-	-	-	-	-	-	-	-	-
9/30/05	-	-	-	-	-	-	-	-	-	-
12/31/05	-	-	-	-	-	-	-	-	-	-
Total Profits	40,366,667	2,542,969	41,050,000	450,621	39,550,000	41,050,000	6,671,355	215,898	33,649,000	17,814,286
IRR	193%	12%	278%	12%	2503%	125%	18%	25%	133%	21%
Cash X*	2.37	1.42	2.37	1.41	2.32	2.37	1.52	1.32	1.89	1.85

*Equals (profit+invested capital)/invested capital

Bold cash flows have been realized

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Activity Summary: Cash flows

	Divested	Bargeco	Bob West	Coyote	Pluto	Poland	Yosemite	Total
12/31/99		-	(2,953,125)	-	(26,313,610)	(29,250,000)	-	(91,016,735)
3/31/00		-	-	-	26,794,115	31,891,502	100,000	45,228,700
6/30/00		(7,525,000)	3,246,649	-	-	-	-	(66,314,733)
9/30/00		-	-	3,557,000	-	-	-	(150,956,881)
12/31/00		8,205,000	-	-	-	-	-	68,100,453
3/31/01		-	-	-	-	-	-	48,141,354
6/30/01		-	-	-	-	-	-	110,285,064
9/30/01		-	-	-	-	-	-	6,943,219
12/31/01		-	-	-	-	-	-	6,062,005
3/31/02		-	-	-	-	-	-	8,491,214
6/30/02		-	-	-	-	-	-	3,100,320
9/30/02		-	-	-	-	-	-	8,189,052
12/31/02		-	-	-	-	-	-	6,520,801
3/31/03		-	-	-	-	-	-	69,835,627
6/30/03		-	-	-	-	-	-	61,874,422
9/30/03		-	-	-	-	-	-	75,411,753
12/31/03		-	-	-	-	-	-	5,794,381
3/31/04		-	-	-	-	-	-	5,418,053
6/30/04		-	-	-	-	-	-	29,285,358
9/30/04		-	-	-	-	-	-	5,030,320
12/31/04		-	-	-	-	-	-	2,392,384
3/31/05		-	-	-	-	-	-	4,780,975
6/30/05		-	-	-	-	-	-	2,328,240
9/30/05		-	-	-	-	-	-	4,324,692
12/31/05		-	-	-	-	-	-	75,235,727
Total Profits		680,000	293,524	3,557,000	480,505	2,641,502	100,000	344,483,767
IRR		29%	21%	INF	8%	41%	INF	51%
Cash X*		1.09	1.10	INF	1.02	1.09	INF	

*Equals (profit+invested capital)/invested capital

Bold cash flows have been realized

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Activity Summary: LP Capital Calls and Disbursements

	Capital Calls	Distributions
Drawn Capital by Final Close	$ 19,027,446	
June 26 Capital Call	$ 92,565,093	
June 29 Capital Call	$ 72,835,848	
Sept. 19 Capital Call	$ 37,620,037	
Oct. 11 Capital Call	$ 21,285,021	
Oct. 26 Drawn Level	$243,333,445	
Oct. 31 Scheduled Distribution		$ 97,376,617

2321

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

Valuation

2322

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Valuation: Overview

- Current portfolio of investments projected to yield IRR = 51%
- Leverage at LJM2 projected to increase yield to IRR = 69%
- Projected average life of investments = 2.25 years
- Cash multiple projected = 2.3X

2323

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Valuation: Projected Profits

LJM2 Valuations

(as of 10/22/00)

	# Transactions	Invested ($)	Realized Proceeds ($)	Remaining Value** ($)	Total Value ($)	Total Profits ($)
Realized	6	100,541,735	108,324,264	-	108,324,264	7,782,529
Partially Realized	5	110,226,975	122,643,775	117,660,042	240,303,817	122,643,775
Unrealized	12	226,963,963	-	441,023,426	441,023,426	214,059,463
Total	23	437,732,673	230,968,039	558,683,468	789,651,507	344,485,767

*Raptor I,II,III, Rawhide, GE/EE&CC Turbines

**Expected Future Cash Flows

2324

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Valuation: Key model assumptions

- Key investment assumptions impacting LJM2 projected return:
  - Osprey structure assumes a 15% growth in Enron stock to 1/15/03
  - The model assumes a full recovery of the capital invested in all Raptor structures based on the overcollateralization displayed in Raptor Daily Position Reports
  - TNPC assumes liquidation 6 months after IPO at $21 per share
- Debt level of $120 million
- Available debt invested ($50 million) at expected portfolio return for the length of the commitment period

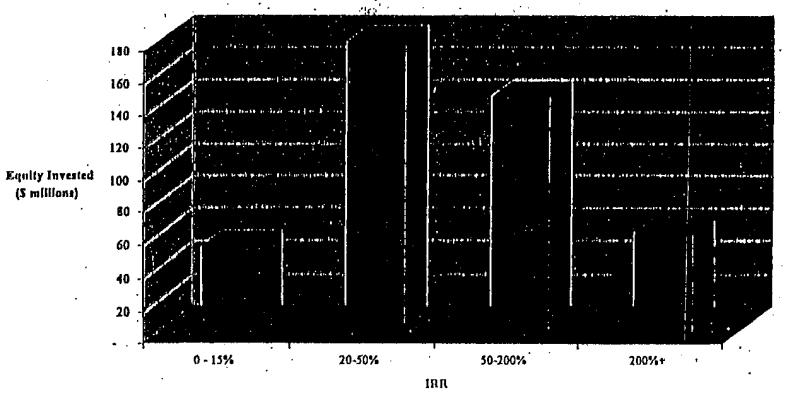
2325

"FOIA CONFIDENTIAL TREATMENT REQUESTE BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Valuation: Return distribution

LJM Projected Investment Performance



Overall projected asset IRR of 51%

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Valuation: Leverage facilities

- LJM2 currently has two credit facilities
  - $65 million revolver from Chase
  - $14.1 million from SE Acquisition, L.P. (Enron affiliate)
- The Chase revolver is fully drawn
- All outstanding debt will be repaid by the new $120 million credit facility expected to close November, 2000
- Assuming the $120 million credit facility is fully drawn and invested at the current projected IRR, then the projected 51% asset IRR translates into a 69% net IRR to the LPs

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

2327

Sample Investments

2328

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Sample Investments: Raptor I

- Raptor is a structured finance vehicle, capitalized with an Enron stock derivative and LJM equity, that will enter into derivative transactions with Enron related to investments in Enron's merchant investment portfolio
- Raptor helps Enron manage the impact of the price volatility of its merchant investment portfolio on its income statement
- Major risk to LJM is that Enron stock price drops below $48.00 per share (43% decline) six months after closing
- LJM's return is projected to be 84%
- LJM used for speed, flexibility, complexity of transaction, and confidentiality

2329

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Sample Investments: Osprey

- Osprey is a partner in an investment vehicle that purchases merchant assets from Enron; it is capitalized with 50 million shares of Enron stock + assets + equity, including $26 million from LJM
- This structure created a synthetic multibillion dollar balance sheet for Enron to deconsolidate assets and to generate funds flow
- Major risk to LJM is a decrease in Enron stock price below $47.00 per share coupled with a deterioration of asset values to zero
- LJM's return is 12.75% on the certificates with limited upside potential. LJM anticipates securitizing this asset along with similar portfolio assets in order to enhance Partners' returns
- LJM used for structured finance expertise and speed

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Sample Investments: Osprey Capitalization

	$ 4.1 billion Enron stock
+	$ 2.4 billion cash and Enron merchant assets
	$ 6.5 billion total assets
-	$ 2.4 billion debt
	$ 4.1 billion available to cover equity
÷	$ 220 million of equity
=	19 X coverage

2331

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Sample Investments: TNPC

- LJM2 ($38 million), along with co-investors ($12 million), invested $50 million for a 3.9% stake in TNPC, the residential energy services business started by Enron
- Enron desired to deconsolidate this business while TNPC gains critical mass
- The primary risk to LJM2 is successful execution of the TNPC business plan and equity market response
- Expected IRR of 133%

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

$	10.75	2nd Round Private Placement (LJM's cost basis per share)
$	21.00	IPO price
$	28.50	Opening trading price - 10/5/00
$	19.31	Current Price - 10/24/00
$	21.00	Expected case in model
	133%	IRR at expected case when lock-up expires
	1.9X	Cash multiple for expected case when lock-up expires

2333

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

Other Issues

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

Summary

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

LJM2 Co-Investment, L.P.

Summary

- As expected
  - Types of transactions
  - Strategic importance to Enron
  - Velocity (quick conversion to cash)
  - Rates of return
  - Use of leverage
- Not as expected
  - Higher level of deal flow
  - Greater ability to manage risk
  - More "permanent" investments

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

DEC-11-2000 17:29 MERRILL LYNCH 214 845 5399 P.02

file: LJM3

Merrill Lynch 12/11/00 4:26 PM

APPROPRIATION REQUEST ($ in thousands)

Management Unit:	Investment Banking (IBK)	Project Name:	LJM3 Co-Investment LP
Group:	CICG	Project Number:	2000-13141
Project Timing:	November 2000	Financial Commitment:	$5,000
Progress Evaluation Date:		Annual After-Tax Benefit:	$551

EXECUTIVE SUMMARY

The Energy and the Private Equity Group of Investment Banking are requesting approval to invest $5.0 million as a limited partner in LJM3 Co-Investment LP ("LJM3", the "Fund" or the "Partnership"), a private equity fund with a target capitalization of $200 million, being formed by Andrew S. Fastow, Chief Financial Officer of Enron Corp. ("Enron"). In addition to the financial return from investing in the Fund, the Energy Group expects that ML's investment in the Fund will enhance its strong relationship with Enron. In December 1999, Merrill Lynch acted as placement agent and invested $5 million in LJM2 resulting in total commitments of $394 million; Merrill Lynch employees invested over $16.7 million in LJM2. It is anticipated that a separate offering will be marketed to ML qualified employees in 2001. ML is acting as the placement agent for this fund which is a Delaware Limited Partnership.

Merrill Lynch has had an extremely lucrative relationship with Enron over the past few years. In 2000 our relationship with Enron yielded investment banking fees in excess of $17, including a private placement fee of approximately $6 million from our work on this fund.

LJM3 is being organized to make privately negotiated equity and equity-related investments in energy and communications-related businesses and assets. The primary source of investment opportunities will be companies owned or controlled by Enron. These investments will generally be co-investments with Enron whereby Enron will manage and operate the business.

The amount of investment by the Partnership in any one transaction will be limited to $20 million. The Partnership's objective is to generate a net IRR after fees and expenses of the Partnership in excess of 30%. LJM3 provides investors with a unique investment opportunity for several primary reasons:

- **LJM3 will have Preferred Access to Proprietary Deal Flow.** Enron has extensive and unique deal origination capability that derives from its over 2,000 fully dedicated origination and monitoring professionals located around the world. The deal flow emanating from this unparalleled origination infrastructure has resulted in investments by Enron averaging approximately $7 billion in each of the last two years and an existing merchant investment portfolio of over $10 billion.
- **The Investment Opportunities Sourced by Enron are Attractive.** In addition to being abundant, the investments sourced through Enron give LJM3 the opportunity to achieve attractive returns. The quality of the investments originated by Enron's deal origination infrastructure is reflected in the financial performance of Enron and several of its investment partnerships. Enron's common stock has generated total returns to shareholders (price appreciation plus reinvestment dividends) of 1,393% since January 1, 1990.
- **Investments will be Analyzed, Structured and Operated by Enron.** Over the years, Enron has developed a rigorous process of investment analysis, which employs over 130 professionals in disciplines such as: engineering and research, credit, tax, legal, accounting, insurance and risk analysis.
- **Proven Track Record of LJM2.** The current portfolio of investments is projected to yield an IRR of 51% that increases to 69% when the effects of leverage are included. LJM2's investments have a projected average of 2.3 yrs with over 63% of the portfolio expected to pay out in less than one year.

The fund is structured with a five-year commitment period and estimated ten-year life. Limited Partners and the General Partner (collectively, the "Partners") will share in the profits of the Fund on the following basis: (1) Partners will receive an 8% cumulative compound annualized rate of return, subject to the Partners first receiving return of 100% of their invested capital used to acquire realized investments plus write downs on unrealized investments and including capital contributions in the form of the Partners' pro rata share of all organizational expenses and partnership expenses (including management fees) allocated to realized investments and write downs on unrealized investments; (2) thereafter, 100% to the GP and others participating in carried interest up to 20%; (3) after which, 80% to the Limited Partners. Annual management fees will be equal to 2.0% of aggregate commitments.

Because of Enron's deal flow, our commitment could be due by 12-15-00. Projected pre-tax and after-tax returns are estimated at 23% and 17%, respectively.

Ten-year Incremental Financial Results Compared to a Base Case of: NO INVESTMENT

	Net Revenue	Expense	Pre-Tax Earnings	Net Earnings	ROE	Net Cash Flow	Headcount Cum. Incr.
2001	(100)	0	(100)	(64)	(4.5%)	(913)	0
2002	(100)	0	(100)	(64)	(4.5%)	(913)	0
2003	(100)	0	(100)	(64)	(2.7%)	(913)	0
2004	(100)	0	(100)	(64)	(1.9%)	(913)	0
2005	(100)	0	(100)	(64)	(1.5%)	(913)	0
2006-10	9,100	0	9,100	5,830	N/A	10,076	0
Total	$8,610	N/A	$8,610	$5,510	N/A	$5,510	N/A

Current Year Cost Budget

Yes [X] No [ ] Partial [ ]

P&L Impact

Excess Over Budget $0

[ ] Will be absorbed by other Identified reductions

[ ] Will be excess annual cost

Financial Commitment	Proposal	Budget
Capitalized	$5,000	$5,000
Expensed	0	0
PV Lease/Contract	0	0
TOTAL	$5,000	$5,000

Other Financial Data

After-Tax IRR @7.2%	17.1%
After-Tax NPV Benefit @ 7.2%	$2,226
After-Tax NPV Benefit @ 14.4%	$442
Effective Tax Rate	36%
Project Incremental Equity	$5,000

Permanent Subcommittee on Investigations
EXHIBIT #253

MS 18600

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit:	Investment Banking	**Project Name:**	LJM3 Co-Investment LP
GROUP:	CICG	**Financial Commitment:**	5,000

SPONSOR:		CO-SPONSOR:	
Originator:	Ben Sullivan	Originator:	Robert Furst
Originator:	David Webb	Originator:	Rick Gordon
IBK Unit Head:	Gary M. Carlin	Private Eq. Inv. Group:	Alfred F. Hurley
Sector Finance Director:	David B. Gendron	Group EVP:	Thomas W. Davis

Other Reviews		Corporate Approvals	
New Product Review:	Group/Date	Chief Financial Officer:	Thomas H. Patrick
Peer Process Review:	Date	Executive Committee:	
		Audit and Finance Committee:	
To be completed after approval.		Other:	
Appropriation No.			
MRS/Cost Center No.		Date Approved:	
Project Analysis No.			

EDAT Co-Investors, L.P.
Investor Status Summary
($ in millions)

Status Following Meetings

Committed	Soft Circle	Soft Circle and Wired Close	Pending After Meeting(s)
First Closing 12/31/99			
EDAT	100.0	Celsius & Dyad	Harvard
Capital Resolution	[illegible]	Cascade (Bill Gates)	Document
Ellis	[illegible]	Lehman	HOOPP
Calgary Teachers	[illegible]	Document	Howard Hughes
Cook Family	[illegible]	University of Chicago	K2 Capital
Cullen	[illegible]	10%	BASF
Hendricks '961	[illegible]		Duke Endowment
[illegible]	[illegible]		University of MD
[illegible]	[illegible]		World Bank
[illegible]	[illegible]		
[illegible]	[illegible]		
JP Morgan	[illegible]		
Lehman Brothers	[illegible]		
Merrill Lynch (Bain)	[illegible]		
Morgan Stanley	[illegible]		
Second Closing 2/1/00			
[illegible]	[illegible]		
Alpine Inv (Blue)	[illegible]		
ARM Pension Fund	[illegible]		
Cook Children's Endowment	[illegible]		
[illegible]	[illegible]		
[illegible]	[illegible]		
[illegible]	[illegible]		
Goldman Morgan Hargraves	[illegible]		
Jay Black	[illegible]		
[illegible]	[illegible]		
[illegible]	[illegible]		
Lone Tree	[illegible]		
Merrill Lynch Partnership, LP	[illegible]		
Sam Houston Fund	[illegible]		
Viking Fund (Blue)	[illegible]		
Third Closing 3/2/00			
[illegible]	[illegible]		
[illegible]	[illegible]		
Interests in a Meeting			
Allen, Edward			
Cisco			
[illegible]			
Colonial Mutuals			
Wealth Mgt [illegible]			
Fourth Closing [illegible]			
[illegible]	[illegible]		
[illegible]	[illegible]		
Alliance Fund (Chartered)	[illegible]		
Capital Fund (Chartered)	[illegible]		
Hanover Fund	[illegible]		
Jeff Dunn	[illegible]		
Prudential Family (Key Capital)	[illegible]		
Retirement Fund (Chartered)	[illegible]		
Stonewall (Prudential)	[illegible]		
Joe Hirsch	[illegible]		
Lehman Brothers (Cendant)	[illegible]		
Lone Tree (Additional) (commitment)	[illegible]		
Jones Chestnut	[illegible]		
Jim Arthur	[illegible]		
Mike Ellis	[illegible]		
Robert Jackson (Middleweight)	[illegible]		
Sun Ameritas	[illegible]		
Sun Trust	[illegible]		
Weyerhaeuser/Reed & Swap	[illegible]		

Column Totals	1965	1965.7	Column Totals	863	863	Column Totals	863	869
Cumulative	1965	1965.7	Cumulative	1965.7	1965.7	Cumulative	1965.7	1965.7

Declines After Meeting

Harvard
Bellsouth
Cambridge
Clarke
Fidelity Equities (feasibility of program, concerned about leverag
First Chicago
George Tech
Goldman Sachs
Government of Singapore
Guggenheim Foundation
Hellman
Houston Fire
Houston Island
Kaiser Foundation
Lee Hood
MIT, EDFAD
Oracle

Schneider, Don (GMI-HR)
From: Schneider, Don (CICG-HR)
Sent: Tuesday, November 21, 2000 5:54 PM
To: Albert, Kevin (IBK-NY)
Cc: Bolz, Cathy (HR - CICG)
Subject: RE: ML investment in LJM III

Thanks for the heads up. I am sure that people will be interested in this.

Given the closing date of December 15 mentioned below, do we need to rush this out or is CICG making a commitment that we will pass along to our employees to the extent they are interested?

Regards, Don
Donald J. Schneider
FVP, CICG Human Resources
Merrill Lynch & Co.
4 World Financial Center – 8th Floor
New York, NY 10080
Tel: [212] 449-7005 – Fax: [212] 449-7011
don_schneider@ml.com

-----Original Message-----
From: Albert, Kevin (IBK-NY)
Sent: Tuesday, November 21, 2000 12:37 PM
To: Schneider, Don (CICG-HR)
Subject: FW: ML investment in LJM III

Don-I wanted to give you an advance "heads up" a new LJM program is in the works and I think there will probably be substantial interest in re-doing the employee vehicle early next year. KA

-----Original Message-----
From: Cariddi, Curt (CICG-Pvt Eqty)
Sent: Tuesday, November 21, 2000 12:30 PM
To: Hurley, Alfred (CICG-Pvt Eqty)
Cc: Webb, David (IBK-NY); Sullivan, David (IBK-NY); Carlin, Gary (IBK-NY); O'Sullivan, Francis (IBK-NY); Albert, Kevin (IBK-NY)
Subject: FW: ML investment in LJM III

Al,
I just spoke with Kevin Albert and he indicated that he conferred with David Webb and due to their limited budget they would like to take $5 million of the LJM III offering. Would you like me to speak with Don Schneider about the possibility of an employee offering, as in the case of LJM II? Pls let me know so that we can keep the ball rolling on this time sensitive investment.
Curt

-----Original Message-----
From: O'Sullivan, Francis (IBK-NY)
Sent: Monday, November 20, 2000 12:41 PM
To: Cariddi, Curt (CICG-Pvt Eqty)
Subject: FW: ML investment in LJM III

Permanent Subcommittee on Investigations
EXHIBIT #254

as previously mentioned - we need to know if we should set up a committee meeting. the timing is going to be very tight.

-----Original Message-----
From: Furst, Robert (IBK-DAL)
Sent: Friday, November 17, 2000 4:20 PM
To: Hurley, Alfred (CICG-Pvt Eqty); O'Sullivan, Francis (IBK-NY)
Cc: Tilney, Schuyler (IBK-HOU); Sullivan, Benjamin (IBK-NY); Sullivan, David (IBK-NY)
Subject: ML investment in LJM III

LJM III is a private equity fund managed by the CFO of Enron Corp., Andrew Fastow, that coinvest with Enron Corp in Enron originated deal. ML was the placement agent for LJM II and is the placement agent for LJM III. LJM II is a $392mm fund the was closed last year. Returns to date have been 70% irr. LJM funds differentiates themselves from other pivot equity funds for its mandate is to invest in highly structured transactions versus an investment in operating companies. This strategy provides very competitive returns while drastically reducing risk. Therefore, I am asking for a $10mm investment form IBK and seeking $35mm investment from other pockets of ML managed private equity. ML IBK invested $5mm in LJM II and ML employees invested $16mm. Enron Corp has generated $23mm in fees for 1999 and 12mm in fees for 2000. Enron Corp is considered a core ML Energy Group account. The closing will occur on of before Dec 15, 2000.

Robert S. Furst
Investment Banking-Dallas
214-849-5350 phone
214-849-5399 fax
Robert_furst@ml.com

From: alan biloski [alanbiloski@msn.com]
Sent: Friday, December 21, 2001 11:47 AM
To: KCantlon@exchange.ml.com
Subject: Re: ML/LJM2 Co-Investment, L.P. Capital Call ($140K Commit)

YOU MUST BE JOKING MAKING A CALL INTO THIS SHIT FUND --- IT WON"T BE LONG
BEFORE THE SEC CLOSES DOWN THIS SHOP FOR FRAUD

>From: "Cantlon, Kieran J (GMI Private Equity Finance)"
><KCantlon@exchange.ml.com>
>To: "Dolan, Gary (OGC)" <GaryD@exchange.ml.com>
>CC: "Cariddi, Curt (GMI-Pvt Eqty)" <CCariddi@exchange.ml.com>,
"Tully,
>Robert F (CICG Private Equity Finance)" <RTully@exchange.ml.com>,
"Zrike,
>Katherine (OGC)" <KZrike@exchange.ml.com>, "Hurley Jr., Alfred F
(Private
>Equity)" <AHurley@exchange.ml.com>, "Dobosh, Larry (OGC)"
><LDobosh@exchange.ml.com>, "Schneider, Don (CICG-HR)"
><Don_Schneider@ml.com>
>Subject: ML/LJM2 Co-Investment, L.P. Capital Call ($140K Commit)
>Date: Fri, 21 Dec 2001 11:33:36 -0500
>
>
>This is a notice by the General Partner of ML/LJM2 Co-Investment, L.P.
(the
>"Feeder Fund") of a Capital Call. The purpose of the Capital Call is
to
>fund a capital call made by LJM2 Co-Investment,
>L.P. ("LJM2"), the proceeds of which are to be used to pay down LJM2's
>credit facility, which has been called by the banks under the terms of
the
>loan agreement.
>
>The amount of your Capital Call is $9,100 representing 6.5% of your
>$140,000 Commitment. After this Capital Call, your total investment in
the
>Feeder Fund, net of capital and profits previously
>returned to you, will be $25,913 representing 18.5% of your Commitment.

>The General Partner of LJM2 has stated that it does not currently
>anticipate making further capital calls during the remaining
>life of the partnership (though it retains the right to make further
calls
>if the need arises).
>
>On December 28, we will deduct the amount of the Capital Call from the
CMA
>account that you identified for such purpose in your Subscription
>Agreement. Please be sure to have sufficient funds
>available in the account.
>
>Questions have been raised as to whether you are required to pay this
>capital call.
>
>The Feeder Fund, as a limited partner of LJM2, does not have any right
>under the LJM2 partnership agreement to decline to pay LJM2's capital
call.

Permanent Subcommittee on Investigations
EXHIBIT #255

MS 19212

> Similarly, as a limited partner of the Feeder Fund,
>you do not have any right under the Feeder Fund partnership agreement
to
>decline to pay this capital call.
>
>Your failure to meet this capital call would be a breach of your
>contractual obligation and will result in adverse consequences to you.
>
>The General Partner of the Feeder Fund will continue to monitor
>developments concerning LJM2. If, prior to the time we remit the
Feeder
>Fund's capital commitment to LJM2, circumstances arise that
>cause us to determine to withhold our capital commitment, we will
advise
>you promptly.
>
><< attach3 >>

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http://www.hotmail.com

Interoffice Memorandum

To: John Swadba
At:

From: Schuyler Tilney
Rob Jones
Lisa Bills
Rosser C. Newton
Tessa Giddens

Merrill Lynch

Date: December 10, 1998

Subject: **Enron Corp. Loan Commitment**

Background/Request

Merrill Lynch has been mandated by Enron Corp. ("Enron") to lead a $70 million transaction utilizing a STEERS-like structure with owner trusts as the funding vehicle. This transaction is similar to the successful Trailblazer STEERS transaction we executed on behalf of Enron in early November, and Enron has mandated Merrill Lynch for two similar transactions for year-end 1998 closings (see Exhibit 1).

On Wednesday, Merrill Lynch received a request from Enron that Merrill Lynch provide a $25 million revolver for 60 days to support Enron's construction commitment with respect to the pipelines imbedded in the financing. Enron has indicated that no construction will be undertaken during the pendancy of the Merrill Lynch commitment and, as a result, such revolver would not be drawn. The revolver would be guaranteed by Enron Corp (the parent company, which is rated BBB+). It is anticipated that the revolver would be refinanced by a non-recourse construction loan to fund Enron's investment obligations in the Powder River pipeline over the next 10 – 12 months. Merrill Lynch would lend the money to a newly created SPE named "PR-Z LLC" which will be 100% owned by Enron Capital and Trade Resources Corp., a significant subsidiary of Enron ("ECT"). If a non-recourse lender is not found, Enron would be required to repay the Merrill Lynch loan/commitment after 60 days. The loan commitment is required by Enron's accountants to insure that the structure receives off-balance sheet treatment.

Enron is required to have the loan in place by Monday December 14th in order to execute the pipeline LLC agreement with its partners and to provide sufficient time to negotiate and execute the trust financing in which we are acting as placement agent.

Approval is requested to lend $25 million to PR-Z LLC with an Enron guarantee for 60 days.

Overview of Enron

Enron is among the Merrill Lynch Energy Group's most significant clients. In the past six months, Merrill Lynch has led two debt transactions, a STEERs transaction, co-managed an equity offering and we are presently advising with respect to a major M&A assignment. Enron has an equity market capitalization of approximately $18 billion and an adjusted market capitalization of approximately $27 billion. The Energy Group is very familiar with Enron's businesses as a result of constant dialogue and transactions.

Permanent Subcommittee on Investigations
EXHIBIT #256

Transaction Structure

Enron is in near closure on two agreements with its partners for the construction and operation of pipelines in Wyoming, in each of which Enron will own an approximate 1/3rd interest.

Enron will set-up an LLC to own its member interest in the pipeline LLC. The interest will be split into an "A" interest (100% voting and .01% economic) and a "B" interest (0% voting and 99.99% economic). The A interest will be held at ECT. ECT will be responsible for capital calls made by the pipeline LLC. ECT will look to the non-recourse construction lender to fund ECT's portion of the pipeline construction.

The B interest will flow through two SPE LLCs wholly-owned by ECT until the owner trust purchases it. The trust will be funded by 97% debt placed by Merrill Lynch and 3% equity placed by Enron. The deal term is 12 months with two six-month interest payments. The interest due amount will be held in an account chosen by the 97% debt provider and accepted by the equity provider.

The principal will be repaid by Enron or a subsidiary in the following manner. Within 30 – 90 days after deal closing, Merrill Lynch, as "notification agent" will provide notice to the parties that the trust must elect its expiry take-out option of either putting the B interest back to the ECT SPE or keeping the B interest without any Enron guaranty. The debt provider will control the decision making process which is expected/anticipated to be the put option. Assuming the put option is elected, the appraiser which the trust hired to appraise the "as built" pipeline prior to closing will reappraise the pipeline 2 – 4 months prior to deal expiry. The value determined at this time will constitute the put price. If the new value equals the old value, the debt and equity are repaid in full. If the new value exceeds the old value, the debt and equity are repaid in full and Enron receives the excess. If the new value is less than the old value, Enron, through a total return swap with the trust, will repay any shortfall to the debt. The equity would incur a loss of its investment.

In summary, Enron is entering into this FAS-125 transaction in order to take its investment in the pipeline LLC off its balance sheet but is guaranteeing the debt provider full repayment on its loan investment at the end of 12 months.

Description of Enron

Enron, an Oregon corporation, is an integrated natural gas and electricity company with headquarters in Houston, Texas. Enron's operations are conducted through its subsidiaries and affiliates which are principally engaged in the exploration for and production of natural gas and crude oil in the United States and internationally; the transportation of natural gas through pipelines to markets throughout the United States; the generation and transmission of electricity to markets in the northwestern United States; the marketing of natural gas, electricity and other commodities and related risk management and finance services worldwide; and the development, construction and operation of power plants, pipelines and other energy related assets in international markets. As of December 31, 1997, Enron employed approximately 15,500 persons.

Effective July 1, 1997, Enron merged with Portland General Corporation ("PGC") in a stock-for-stock transaction. PGC, through its wholly-owned subsidiary Portland General Electric Company ("PGE"), serves retail electric customers in northwest Oregon as well as wholesale electricity customers throughout the western United States.

In October 1998, Enron acquired Wessex Water, a U.K. based water company, for approximately $2 million.

Unknown

From: Furst, Robert (IBK-DAL)
Sent: Friday, May 19, 2000 9:47 AM
To: Sullivan, David (IBK-NY); Diehl, Bowen (IBK-DAL)
Cc: Moomjy, Alexander (IBK-NY)
Subject: RE: Enron Net Works

Are you implying that the most we can raise for this venture is $2.0 billion? I agree with your logic and lets us prepare a presentation along the two step process to distribute to the team on Monday.

-----Original Message-----
From: Sullivan, David (IBK-NY)
Sent: Friday, May 19, 2000 8:14 AM
To: Diehl, Bowen (IBK-DAL)
Cc: Furst, Robert (IBK-DAL); Moomjy, Alexander (IBK-NY)
Subject: RE: Enron Net Works

Some clarification on your two structures:

I don't think a $3 billion private placement of stock in Net Works is feasible (it would roughly be the equivalent of the IPO of Lucent and MetLife. What we discussed was more of a 2 step process:

Step 1: Enron sells an interest in the existing online business to a combination of strategic (Cargill, J. Aron, etc.) and financial investors (Hicks, Muse, KKR, etc.) for $1 billion or so. Capping the return poses some issues as to who the buyers of this security would be as most buyers we sell to are after the upside.

Step 2: Enron contributes this cash to a blind pool vehicle where we go out and raise $1+ billion to invest in underlying physical assests (aluminum, copper plants) as well as develop the trading business). For this product to sell, investors in this fund would need to participate in the value creation of the trading businesses. Finally, if these guys are not worried about the debt on the balance sheet, there is no need for them to sell 50% and have LJM2 act as the general partner.

The blind pool investors have a limited ability to analyze a deal if you contribut the NetWorks business to the fund whereas Alex's buyer do have this ability.

-----Original Message-----
From: Diehl, Bowen (IBK-DAL)
Sent: Thursday, May 18, 2000 6:18 PM
To: Weingart, Jack (IBK - PA); Sullivan, David (IBK-NY); Moomjy, Alexander (IBK-NY)
Cc: Furst, Robert (IBK-DAL); Quinn, Kristie (IBK-DAL)
Subject: Enron Net Works

Rob spoke to Jeff McMahon at Enron and learned the following,

- Enron not worried about debt on the balance sheet, as they can structure around it.
- definitely do not want public minority shareholders
- do not have projected financials, would like very much for us to help them come up with a revenue model
- Enron will put all of EOnline into the new entity Net Works (only as an exchange platform - Enron will pay a fee to Net Works as a participant on the exchange)

The following are some inputs that he gave us:
- 2000 trades / day, $200 billion in notional volume
- 2000 industrial viewers
- will soon be launching auctions of pipeline capacity
- Chemax, a chemical exchange, currently charges $500/trade

Two structures that we have come up with that make sense:

I. Private Placement of stock in Net Works
- Enron will contribute all EOnline to Net Works
- Merrill will raise $3 billion in subsidiary stock in Net Works - private placement
- Enron wants the equity to be callable at anytime after the offering at a 35% IRR
- After five years, the investors can sell their equity stake, privately

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- After five years, the investors can force an IPO of Net Works

II. Blind Pool Fund
- Enron contributes EOnline stock to partnership for LP interests
- Blind Pool investors contribute cash for LP interests
- LGM contributes cash for the GP interest
- other "wish list" provisions for the above deal will apply here

Let us know your thoughts, we will be sending out some pages, schematics, etc. soon.

Also, Jack we need to discuss your thoughts on creating a revenue model

Regards

Bowen

Unknown

From: Furst, Robert (IBK-DAL)
Sent: Friday, May 19, 2000 10:18 AM
To: Sullivan, David (IBK-NY); Sullivan, Benjamin (IBK-NY); Tilney, Schuyler (IBK-HOU); Weingart, Jack (IBK - PA); Diehl, Bowen (IBK-DAL); Moomjy, Alexander (IBK-NY)
Subject: Enron Net Works

We are confirmed to meet with Enron in Houston on May 26th at 11:00 am to review our thoughts about fund raising.

Clarification points:
Off Balance sheet debt - Not a primary driver because Enron believes they can structure anything to be off balance sheet.
EoI- they have no projections but are doing back of the envelope valuations assuming they convert this business to an exchange model. Jack - we need you to give us parameters for valuation and comps to ballpark value. They have materially backed off of the $7-$10 billion valuation but think a valuation of $3-4 billion premoney is easy to get to by using revenue multiples of 20-40x.
Benefit from trading and Enron risk management- all upside will be the in the fund. For example, when they buy a paper company, Enron will transfer its trading activities to the fund for paper and pulp so all the upside will remain in the fund. They will not do this for gas and power but will do this for new vertical markets.
LJM as GP of the Fund- McMahon said this is the best alternative for keeping all activities of balance sheet.
We need to address execution risk and time. Speed is critical. We also need to discuss our willingness to provide and bridge for Enron wants to move immediately.

Jack - I will try to move the meeting for your schedule for you are best equipped to deal with valuation and competitive landscape for EoI

Robert S. Furst
Investment Banking-Dallas
214-849-5350 phone
214-849-5399 fax
Robert_Furst@ml.com

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Lum, Mary (Doc. Prod.-NY)

From: Furst, Robert (IBK-DAL) [IMCEAEX-_O=ML_OU=NORTHAMERICA_CN=60 _CN=RECIPIENTS_CN=RFURST@exchange.ml.com]
Sent: Thursday, April 12, 2001 12:10 AM
To: Kulick, Adam (CAPMKTS)
Subject: RE: enron meetings

do we have a home for the 3% interest in their structured deals. They said this could be structured as true equity risk or bond risk. Prefered size is 15mm to 150mm. I will talk to the private guys who are looking for 25%+ returns.

> -----Original Message-----
> From: Kulick, Adam (CAPMKTS)
> Sent: Wednesday, April 11, 2001 4:16 PM
> To: Furst, Robert (IBK-DAL); Diehl, Bowen (IBK-DAL); Tilney, Schuyler (IBK-HOU)
> Cc: Sconzo, Jack (CAPMKTS)
> Subject: enron meetings
>
> met with kathy lynn and michael hinds - both md's at ljm, and anne jaeger who i believe you know. ljm invests in enron deals primarily, but is looking to branch out. they do a bunch of balance sheet
> deals similar to your barge deal - in fact they bought the barges from ml - and also invest in the debt-like equity tranches of structured deals. for example they own equity in txu's pinnacle
> (osprey-like) deal, held the certificates in yosemite, own osprey certificates etc. they are also interested in looking at deals in the telecom sector. they may be useful in certain structured
> finance deals.
>
> also, clint freeland and anne are coming in tomorrow to discuss the credit derivatives market. this is a similar conversation to the initiation of yosemite. enron suffers from a lack of liquidity
> in the default market and this impacts their bond and bank market pricing (ben glisan mentioned this at the credit conference). the purpose of the meeting is to provide general education on the
> market, analyze enron specific issues and suggest solutions to the lack of liquidity in their name. we have a couple of ideas that they may find appealing. please find attached the executive
> summary of our book i will send you a copy of the full book when it is ready later today. i would welcome your involvement if you wish to join by phone. pls. let me know.
>
> cheers, adam
>
>
> Strategic Solutions Group
> Merrill Lynch
> Tel: 212 449 3715
> Fax: 212 738 2227
> adamk@ml.com
>
> << File: Enron Cred Deriv.ppt >>

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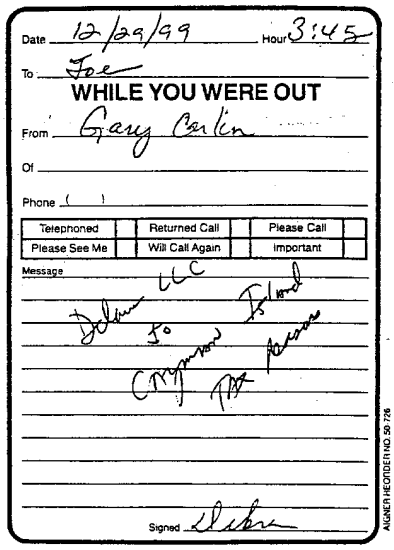
Valenti, Joseph S (IBK-NY)

From: Toone, Kira (IBK-NY)
Sent: Wednesday, December 29, 1999 3:38 PM
To: Jackiewicz, Denise (Treasury, NY)
Cc: Valenti, Joseph S (IBK-NY)
Subject: New Account Opening

Hi Densie,

I'd like to open a Chase account for a new entity which I account for in my area. Would you be so kind as to forward me the account opening questionnaire? This account will be similar to the other 066 accounts I have opened at Chase under the ML Leasing Equipment Corp umbrella. Please contact me with any questions at 236-7203.

Thanks,
Kira

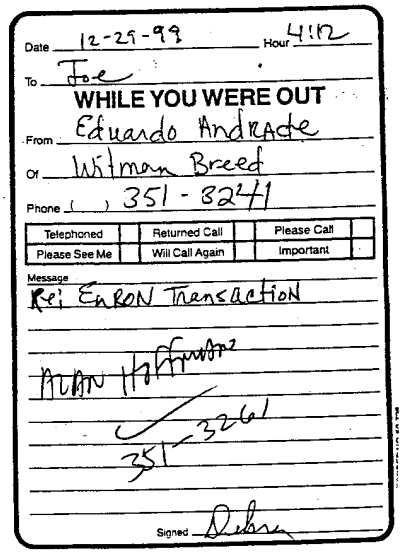


Date 12/29/99 Hour 3:45
To Joe
WHILE YOU WERE OUT
From Gary Carlin
Of
Phone ( )

Telephoned	Returned Call	Please Call
Please See Me	Will Call Again	Important

Message
LLC
Island
To
Signed

AIGNER HEOTIDER NO. 50 726



Date 12-29-99 Hour 4:12
To Joe
WHILE YOU WERE OUT
From Eduardo Andrade
Of Witman Breed
Phone ( ) 351-8241

Telephoned	Returned Call	Please Call
Please See Me	Will Call Again	Important

Message
Re: ENRON Transaction
3261
351
Signed

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MS 06610

Valenti, Joseph S (IBK-NY)

From: Toone, Kira (IBK-NY)
Sent: Wednesday, March 08, 2000 11:04 AM
To: Valenti, Joseph S (IBK-NY); Haugh, Gerard (IBK-NY)
Subject: FW:

FYI

-----Original Message-----
From: Hoffman, Alan S. [SMTP:AHoffman@WBAM.com]
Sent: Wednesday, March 08, 2000 10:34 AM
To: 'Toone, Kira (IBK-NY)'
Subject: RE:

All of the documents are currently being assembled for distribution by Enron, but I can try to locate the Agreement. Also, we have converted the entity to the Cayman Islands; upon receipt of the stamped confirmation of this from the Cayman filing company (which is due any day), we intend to file a certificate of withdrawal in Delaware.

-----Original Message-----
From: Toone, Kira (IBK-NY) [mailto:KToone@exchange.ML.com]
Sent: Wednesday, March 08, 2000 10:07 AM
To: 'ahoffman@wbam.com'
Subject:

Alan,

I have not yet received copies of the documents for Ebarge, LLC. Can I receive a signed copy of the documents or at least the LLC Agreement? Secondly has this entity been converted to a Cayman Island's LLC yet?

Regards,
Kira

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MS 06233

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NOTE: Below is list of Merrill Lynch employees investing in LJM2

Last Name	First Name	MLAcct #	Acct Type	Units	Dollars	- Notes -
FRIEDBERG	BARRY	278-96Y27#A	A	325	$ 325,000.00	Corporate - Active
ABDOO	BRIAN	82B-99K37#A	A	32.5	$ 32,500.00	GMI - Active
ALBERT	KEVIN	896-30425#A	A	162.5	$ 162,500.00	GMI - Active
ANDERSON	MICHAEL	857-99P56#A	A	65	$ 65,000.00	GMI - Active
BAYLY	DANIEL	100-24050#A	A	130	$ 130,000.00	GMI - Active
BIRLE	JAMES	896-46260#A	A	97.5	$ 97,500.00	GMI - Active
BROWN	JAMES	896-45387#A	A	32.5	$ 32,500.00	GMI - Active
CHANDLER	ROBERT	20X-10F41#A	A	260	$ 260,000.00	GMI - Active
CICCO	MARTIN	830-96Y03#A	A	65	$ 65,000.00	GMI - Active
CORCORAN JR	FRANCIS	706-99T23#A	U	97.5	$ 97,500.00	GMI - Active
DALY	EMMETT	82B-99K39#A	A	48.75	$ 48,750.00	GMI - Active
DAUHAJRE	MUNIR	894-99Q21#A	A	130	$ 130,000.00	GMI - Active
DAVIS	THOMAS	100-22412#A	A	97.5	$ 97,500.00	GMI - Active
DODSON III	SAMUEL	542-99L75#A	A	195	$ 195,000.00	GMI - Active
DREW	MARISA	546-99X68#A	A	48.75	$ 48,750.00	GMI - Active
DUNLEAVY	KEVIN	100-22951#A	A	48.75	$ 48,750.00	GMI - Active
DUNN	RICHARD	176-99H53#A	A	325	$ 325,000.00	GMI - Active
FIDDLE	FREDERICK	896-37138#A	A	48.75	$ 48,750.00	GMI - Active
FLAHERTY	JAMES	230-99H31#A	A	32.5	$ 32,500.00	GMI - Active
FURST	ROBERT	42X-10L28#A	A	130	$ 130,000.00	GMI - Active
GEITZ	MICHAEL	100-23733#A	A	65	$ 65,000.00	GMI - Active
GODVIN	MARK	542-96Y11#A	A	65	$ 65,000.00	GMI - Active
GORDON	RICHARD	582-99E21#A	A	325	$ 325,000.00	GMI - Active
HABERMAN	SCOTT	896-37197#A	A	32.5	$ 32,500.00	GMI - Active
HAMMOND	MICHAEL	82B-99892#A	A	65	$ 65,000.00	GMI - Active
HARRINGTON	MICHELE	278-99263#A	A	32.5	$ 32,500.00	GMI - Active
HARTMAN	ALAN	896-46400#A	A	32.5	$ 32,500.00	GMI - Active
HEHIR	BRIAN	891-99965#A	A	97.5	$ 97,500.00	GMI - Active
HOFFMAN	PETER	896-99V64#A	A	97.5	$ 97,500.00	GMI - Active
HORN	KEITH	100-24261#A	A	65	$ 65,000.00	GMI - Active
JOHNSON	CHRISTOPHER	896-52099#A	A	32.5	$ 32,500.00	GMI - Active
JONES	ROB	589-99744#A	A	65	$ 65,000.00	GMI - Active
KNORR	GERALD	896-37063#A	A	130	$ 130,000.00	GMI - Active
LEBEC	ALAIN	278-96Y25#A	A	650	$ 650,000.00	GMI - Active
LUND	DAVID	896-49657#A	A	65	$ 65,000.00	GMI - Active
MALMSTROM	EDWARD	832-99908#A	A	65	$ 65,000.00	GMI - Active
MARION	JOSEPH	850-99X33#A	A	130	$ 130,000.00	GMI - Active
MATURO	FRANK	861-99464#A	A	65	$ 65,000.00	GMI - Active
MCCARTHY	DAVID	270-96Y02#A	A	130	$ 130,000.00	GMI - Active
MCCREARY	THOMAS	546-99126#A	A	32.5	$ 32,500.00	GMI - Active
MCMANUS	WILLIAM	827-99R53#A	A	65	$ 65,000.00	GMI - Active
MIZE	CHRISTOPHER	582-99R94#A	A	65	$ 65,000.00	GMI - Active
NESI	VICTOR	896-49511#A	A	32.5	$ 32,500.00	GMI - Active
O'GARA	BRIAN	896-47099#A	A	162.5	$ 162,500.00	GMI - Active
OVERLANDER	KEITH	877-99053#A	A	48.75	$ 48,750.00	GMI - Active
PAVELEC	MICHAEL	29S-99390#A	A	32.5	$ 32,500.00	GMI - Active
PEPE	PAUL	833-99944#A	A	97.5	$ 97,500.00	GMI - Active
PRATT	JOHN	626-99H23#A	A	97.5	$ 97,500.00	GMI - Active
RAGHAVAN	HARISH	100-23480#A	A	65	$ 65,000.00	GMI - Active
RESSA	LEO	879-99251#A	A	48.75	$ 48,750.00	GMI - Active
REUBENSTONE	RICHARD	896-47521#A	A	32.5	$ 32,500.00	GMI - Active
RIDDLE	WILLIAM HOWARD	706-99R08#B	A	390	$ 390,000.00	GMI - Active
ROBINSON	DOUGLAS	83E-99220#A	A	130	$ 130,000.00	GMI - Active

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Last Name	First Name	MLAcct #	Acct Type	Units	Dollars	- Notes -
SAGGURTI	PURNA	86B-99240#A	A	32.5	$ 32,500.00	GMI - Active
SCHULTE	MARK	850-99639#A	A	65	$ 65,000.00	GMI - Active
SEIBERT	GREGG	100-24256#A	A	97.5	$ 97,500.00	GMI - Active
SHAFFER	JOHN	825-99N79#A	U	65	$ 65,000.00	GMI - Active
SIMON	KURT	786-99007#A	A	97.5	$ 97,500.00	GMI - Active
SQUIRES	DOUGLAS	879-99305#A	A	32.5	$ 32,500.00	GMI - Active
STERLING	BRIAN	840-99XD0#A	A	65	$ 65,000.00	GMI - Active
SULLIVAN	BENJAMIN	896-46046#A	A	97.5	$ 97,500.00	GMI - Active
SYCOFF	TODD	896-45358#A	U	65	$ 65,000.00	GMI - Active
TAMMARO	JAMES	819-99C85#A	A	97.5	$ 97,500.00	GMI - Active
TAYABJI	M	818-99F88#A	A	65	$ 65,000.00	GMI - Active
TILNEY	SCHUYLER	574-99668#A	A	487.5	$ 487,500.00	GMI - Active
TROY	THOMAS	894-99M94#A	A	130	$ 130,000.00	GMI - Active
TULLY	DANIEL	861-96Y17#A	A	130	$ 130,000.00	GMI - Active
WOLF	LOUIS	100-23456#A	A	65	$ 65,000.00	GMI - Active
WONG	RAYMOND	879-99309#A	A	325	$ 325,000.00	GMI - Active
WRIGHT	THOMAS	874-99625#A	A	65	$ 65,000.00	GMI - Active
BILOSKI	ALAN	25Z-10K53#A	A	91	$ 91,000.00	GMI - Inactive
CAMPBELL	DANIEL	896-34769#A	A	195	$ 195,000.00	GMI - Inactive
DOYLE	HELEN	857-99X89#A	A	32.5	$ 32,500.00	GMI - Inactive
LANE	MARK	2AX-99914#A	A	32.5	$ 32,500.00	GMI - Inactive
MC ANDREWS	MARK	100-23767#A	A	32.5	$ 32,500.00	GMI - Inactive
MONTGOMERY	WILLIAM	83V-99008#A	A	48.75	$ 48,750.00	GMI - Inactive
RICHARDS	DANIEL	862-99H04#A	U	65	$ 65,000.00	GMI - Inactive
LURIE	HERB	850-99073#A	A	65	$ 65,000.00	GMI - RIF
LYNETT	THOMAS	816-99B01#A	A	130	$ 130,000.00	GMI - RIF
MEYER	PETER	770-58331#A	A	162.5	$ 162,500.00	GMI - RIF
MEYER	JAMES	857-99783#A	A	195	$ 195,000.00	GMI - RIF
MURPHY	CHARLES	891-99Q65#A	A	487.5	$ 487,500.00	GMI - RIF
SENFT	MICHAEL	896-49155#A	A	48.75	$ 48,750.00	GMI - RIF
VAUGHAN	ROBERT	896-53670#A	A	32.5	$ 32,500.00	GMI - RIF
ROSENBERG	RONALD	896-47528#A	A	65	$ 65,000.00	MLIM - Active
ZIMMERMAN	STEPHEN	110-99842#A	C	162.5	$ 162,500.00	MLIM - Retired
BAKER	GARY	896-54561#A	A	65	$ 65,000.00	Research - Active
GENCO	WILLIAM	546-99996#A	A	162.5	$ 162,500.00	Research - Active
GOLDBERG	KENNETH	86G-99597#A	U	32.5	$ 32,500.00	Research - Active
HUGHES	MICHAEL	204-99498#A	A	292.5	$ 292,500.00	Research - Active
LABOWITZ	JERRY	278-96Y21#A	A	162.5	$ 162,500.00	Research - Active
MCCANN	ROBERT	231-99806#B	A	130	$ 130,000.00	Research - Active
ROBERTS	JOHN	85E-99375#A	U	32.5	$ 32,500.00	Research - Active
SCHIEDERMAYER	CLARE	850-99P59#A	A	32.5	$ 32,500.00	Research - Active
ULLMANN	DONALD	2BL-99J35#A	A	130	$ 130,000.00	Research - Active
CABRERA	EDUARDO	582-99L97#A	A	65	$ 65,000.00	Research - RIF
					$ 10,816,000.00	

December 23, 1999

[Who should sign? APACHI]
Enron Corp.
1400 Smith Street
Houston, TX 77002-7369

Deleted: [Name]
[Title]

Dear Mr. McMahon:

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") is pleased to act as exclusive advisor to Enron Corp. ("Enron") for the sale of equity in Enron Nigeria Barge Ltd. ("ENB"), representing the rights to certain cash flows generated via the sale of electricity to Lagos State Government under a power purchase agreement (together with the Equity Investment, as defined below, the "Transaction").

Deleted: Lagos State Government's obligations under the power purchase agreement will be guaranteed by the Federal Republic of Nigeria.

As Enron's advisor, Merrill Lynch will (i) form a U.S. special purpose entity (the "SPE"), and (ii) fund the purchase by the SPE of a non-controlling $28 million equity interest in ENB, $21 million of which the SPE will borrow from Enron or an affiliate, which will be collateralized only by the shares of ENB (the "Equity Investment"). The closing of the Equity Investment will be subject to documentation acceptable to the parties, and the Transaction complying with all applicable laws and regulations.

Deleted: on a non-recourse basis

Deleted: The SPE will receive a yield of approximately 15.00% per annum on $7 million of its equity investment. The SPE or its equity interest in ENB will be subsequently sold to third party equity investors or purchased by Enron or an affiliate.

1. Fees and Expenses

As compensation for Merrill Lynch assisting in the structuring of the Transaction, as advisor, Enron will pay to Merrill Lynch a non-refundable advisory fee (the "Advisory Fee") equal to $250,000. Payment of the Advisory Fee will occur upon closing of the Equity Investment.

Deleted: n

Enron shall be responsible for all costs and expenses incurred in structuring, placing and closing the Transaction. Enron shall be obligated to pay all costs and expenses of the Transaction regardless of whether the Transaction is actually consummated. Such costs and

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ECp000055004

expenses shall include, but not be limited to, reasonable legal fees and disbursements of counsel to the SPE and Merrill Lynch, as well as the cost of establishing the SPE, its ongoing fees and expenses, filing and recording fees and reasonable out-of-pocket expenses of Merrill Lynch.

2. **Indemnification, Contribution and Limit on Liability**

Enron will indemnify and hold harmless Merrill Lynch and its affiliates, and its and their respective directors, officers, employees, agents and controlling persons (Merrill Lynch and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, as incurred, to which such Indemnified Party may become subject under any applicable United States federal or state or otherwise, and related to or arising out of any transaction contemplated by this Agreement or the engagement of Merrill Lynch pursuant to, and the performance by Merrill Lynch of the services contemplated by, this Agreement [Law: we must be comfortable that this relates solely to US Securities law.]; provided, however, that Enron will not be liable under clause 2 hereof to the extent that any loss, claim, damage or liability is found in a final judgment by a court to have resulted from Merrill Lynch's bad faith or gross negligence in performing the services described above. Enron will also reimburse any Indemnified Party for all expenses (including counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of Enron. No Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to Enron or its security holders or creditors related to or arising out of the engagement of Merrill Lynch pursuant to, or the performance by Merrill Lynch of the services contemplated by, this Agreement except to the extent that any loss, claim, damage or liability is found in a final judgment by a court to have resulted from Merrill Lynch's bad faith or gross negligence.

Deleted: [illegible] U.S. law

Deleted: (ii)

If the indemnification provided for in this Agreement is for any reason held unenforceable, Enron will contribute to the losses, claims, damages and liabilities, as incurred, for which such indemnification is held unenforceable in such proportion as is appropriate to reflect the relative benefits to Enron, on the one hand, and Merrill Lynch, on the other hand, of the Transaction (whether or not the Transaction is consummated), provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For the purposes of this paragraph, the relative benefits to Enron and Merrill Lynch of the Transaction shall be deemed to be in the same proportion that the total value of equity in ENB placed or contemplated to be placed, bears to the Advisory Fee paid or contemplated to be paid; provided, however, that, to the extent permitted by applicable law, in no event shall the Indemnified Parties be required to contribute an aggregate amount in excess of the aggregate Advisory Fee actually paid to Merrill Lynch under this Agreement.

3. **Notice, Defense and Settlement**

An Indemnified Party shall notify Enron in writing promptly after it receives notice of any claim or the commencement of any action or proceeding with respect to which it may seek indemnification hereunder; provided, however, that failure to notify Enron shall not relieve Enron from any liability that it may have to such Indemnified Party except to the extent Enron is materially prejudiced by such failure. Enron will assume the defense of such action or proceeding and will employ counsel satisfactory to the Indemnified Parties and will pay the fees and expenses of such counsel. Notwithstanding the preceding sentence, an Indemnified Party will be entitled to employ counsel separate from counsel for Enron and from any other party in such action if such Indemnified Party determines that a conflict of interest exists which makes representation by counsel chosen by Enron not advisable or if such Indemnified Party reasonably determines that Enron's assumption of the defense does not adequately represent its interest. In such event, the fees and disbursement of such separate counsel will be paid by Enron.

Enron will not, without Merrill Lynch's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought under the indemnification provision of this Agreement (whether or not Merrill Lynch or any other Indemnified Party is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising out of such claim, action or proceeding.

In the event Merrill Lynch or any Indemnified Party is requested or required to appear as a witness in any action brought by or on behalf of or against Enron or any affiliate or any participant in a transaction covered hereby in which Merrill Lynch or such Indemnified Party is not named as a defendant, Enron will reimburse Merrill Lynch for all expenses incurred by it in connection with such Indemnified Party's appearing and preparing to appear as a witness, including, without limitation the fees and disbursements of its legal counsel, and to compensate Merrill Lynch in an amount to be mutually agreed upon.

4. Survival of Certain Provisions

The representations, warranties, indemnities, and agreements of Enron and its officers or representatives shall remain in full force and effect regardless of any investigation made by or on behalf of Enron or Merrill Lynch or any affiliates, and shall survive the consummation of the Transaction.

5. Amendments; Survival of Provisions

No waiver, amendment or other modification of this Agreement shall be effective unless in writing and signed by each party to be bound. The provisions relating to expenses, indemnification, limitations on the liability of Indemnified Parties, contribution, settlements, choice of law and waiver of the right to trial by jury will survive any termination of this letter agreement.

6. Parties

This Agreement shall inure to the benefit of and be binding on Enron, Merrill Lynch and their respective successors. Enron has retained Merrill Lynch to act as an independent contractor, and any duties of Merrill Lynch arising out of its engagement shall be owed solely to Enron. This Agreement does not confer any rights upon any person other than Enron, including, but not limited to, any security holder, employee, or creditor of Enron. This Agreement incorporates the entire understanding of the parties with respect to this engagement of Merrill Lynch by Enron, and supersedes all previous agreements regarding such engagement, should they exist.

7. Governing Law

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

8. Consent to Jurisdiction and Waiver of Jury Trial

Enron hereby: (i) consents to personal jurisdiction and service and venue in any court in which a claim subject to this Agreement is brought against Merrill Lynch or any other Indemnified Party, and (ii) waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) related to or arising out of the engagement of Merrill Lynch pursuant to, or the performance by Merrill Lynch of the services contemplated by, this Agreement.

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to Merrill Lynch the enclosed duplicate copy of this Agreement.

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: _____
Title: _____

Agreed and Accepted as of the date written above:
ENRON CORP.

By: _____
Title: _____

Bargeco Economics

Bargeco economics are based on a negotiated return with Enron. Enron agreed to arrange a buyer for LJM2's equity within 7 months. LJM2 will receive a 15% annualized return on its investment and a $350,000 fee.

Expected at Close	Amount	Date
LJM2 investment	(7,525,000)	6/29/2000
15% IRR at 7 months	658,438	1/31/2001
Fee	350,000	1/31/2001
Repayment of Capital	7,525,000	1/31/2001
IRR	24%	

As of September 30, 2000 LJM2 sold it's equity interest in Bargeco for $8,235,000.

Realized	Amount	Date
LJM2 investment	(7,525,000)	6/29/2000
15% IRR at 7 months	285,000	10/4/2000
Fee	350,000	10/4/2000
Actual vs. projected expenses (est.)	25,000	10/4/2000
Repayment of Capital	7,525,000	10/4/2000
IRR	37%	

Permanent Subcommittee on Investigations
EXHIBIT #263

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Nigeria Barges Equity Sell Down	Date DASH Completed: January 13, 2000
Counterparty: National Electric Power Authority	RAC Analyst:
Business Unit: Enron Africa / Pacific / Asia	Investment Type: Equity
Business Unit Originator: Sean Long / Keith Sparks	Capital Funding Source(s): Balance Sheet
☐Public ☒Private	Expected Closing Date: December 31, 1999
☐Merchant ☒Strategic	Expected Funding Date: December 31, 1999
☐Conforming ☒Nonconforming	Board Approval: ☐Pending ☐Received ☐Denied ☒N/A

RAC Recommendation: ☒Proceed with Transaction ☐Returns Below Capital Price ☐Do Not Proceed

APPROVAL AMOUNT REQUESTED

This DASH represents the sale of 90% of the expected three-year cash flows from Enron's Nigerian Barge Project for $28 million. Enron will receive $7 million up-front and $21 million will be seller-financed by Enron via a three-year loan.

EXPOSURE SUMMARY

This transaction:	NA
Total	$37.987 million*

Represents Enron net exposure for Phase I after the sale ($44.987 – 7.0 million). [We are going to loan the spare parts and working capital (total of $2,740), so the outstanding equity should be reduced by this amount]

DEAL DESCRIPTION

Enron Africa requests approval for two aspects of the Nigerian Barge Project: (i) revisions to the original transaction structure, and (ii) the sale of equity of the Nigerian company, which approximates 90% of the project cash flows for the first three years.

Revisions to Original Structure

The original DASH dated November 29, 1999 represented the sale of emergency power under a three-year PPA to the National Electric Power Authority ("NEPA") of Nigeria. During the final PPA negotiations, NEPA (and the Nigerian Government) asked Enron to commit (i) to a longer-term PPA and (ii) to convert the barges to natural gas. This resulted in a thirteen year and three month PPA that gives Enron the right to terminate the PPA if the barges are not converted to natural gas within fifteen months. Enron has no obligation to convert to natural gas. The gas conversion costs and resulting economics are uncertain at this time. If the barges are not converted to natural gas within fifteen months and NEPA does not grant an extension for the conversion, Enron can terminate the PPA and force NEPA (backed by the Nigerian government guarantee) to pay a termination payment that is equivalent to the present value of the remaining capacity payments and minimum-take energy payments discounted at LIBOR + 4% of. The structure provides Enron with the flexibility to either terminate the PPA and receive the termination payment or renegotiate the terms of the PPA on or before the fifteenth month.

It is important to note that the $31 million letter of credit has not been finalized. The region has indicated that the delay is due only to administrative problems and that it should be finalized no later than [date].

Sale of Equity in Nigeria Barge Project ~~Project Cash Flows~~

The Africa region has agreed to sell equity in ~~a portion of the cash flows from~~ the Nigerian Barge Project indirectly to Merrill Lynch. The primary objectives of the sale are to accelerate earnings recognition into 1999 (approximately $124.5 million) and to reduce Enron's capital exposure in Nigeria. The equity Enron sold represents approximately 90% of the project's first three-year cash flows to a Special Purpose Vehicle ("SPV") for $28 million. The SPV has a 75%/25% debt to equity capital structure, with $7 million of equity funded by Merrill Lynch and $21million of debt in the form of an Enron "seller-financed" note. Enron received $7 million at closing. The note bears an interest rate of 12%, a term of three years, and monthly amortization of $773,010.33 (the first debt service payment is scheduled to be in April 2000) and is secured by the equity interest in the SPV. Merrill Lynch, the equity holder, will receive all cash in excess of debt service.

The transaction is designed such that the equity purchased by the SPV (see below) receives approximately 90% of the available cash flows until it has received an amount of $37.5 million ("Trigger Amount"). Thereafter, the SPE will receive approximately 1% of the project distributions. Merrill Lynch received a $250,000 fee at closing. Assuming the Trigger Amount is reached at the end of three years, Merrill Lynch's equity return is expected to be 22.5% exclusive of the fee and 23.9% inclusive of the fee.

The Nigeria project has issued three classes of stock, two preferred and one common. The SPV purchased the Preferred A Shares and the Common Shares. Enron owns the Preferred B shares. The summary below highlights the economic interests

Permanent Subcommittee on Investigations
EXHIBIT #264

RAC Deal Approval Sheet **Deal Name: Nigeria Barges**

before and after the Trigger Amount. In each case, the table indicates the distribution rights of each shareholder class after the previous class of shareholder has received their percentage share of the distributions

Stock Class	Pre-Trigger Amount	Post-Trigger Amount
Preferred A (SPV)	0.1% of DS*	0.1% of DS
Preferred B (Enron)	9.9% of DS after Pref. A	99.0% of DS after Pref. A
Common Stock (SPV)	100.0% of DS after Pref. A & B	100.0% of DS after Pref. A & B

*Distributions, which are limited to net income of the Nigerian company. The excess cash will be loaned to Enron

Prior to reaching the Trigger Amount, the SPV will receive approximately 90% of the distributions via the Common Stock and .1% from the Preferred A stock. After the Trigger Amount, the Enron Preferred B Shares receive approximately 99.0% of the distributions and, after the allocation to the Preferred A and Preferred B, the Common Stock receives the residual distributions.

Enron will maintain control of the board of directors of the project company and the SPV.

TRANSACTION UPSIDES
None.

EXIT STRATEGY
NA

OTHER RAC COMMENTS:
None.

RAC Deal Approval Sheet **Deal Name: Nigeria Barges**

APPROVALS	Name	Signature	Date
RAC Management	Rick Buy or David Gorte		
Legal	Yao Apasu		
Region Originator	Sean Long or Keith Sparks		
EECC Management	Larry Izzo or Fred Kelly		
Region Management	Rebecca McDonald or Jim Hughes		
Enron Capital Management	Andy Fastow or Jeff McMahon		
ENE Management	Jeffrey Skilling		

RAC Deal Approval Sheet

Deal Name: Nigeria Barges

Global Finance Summary (addendum to DASH)

1. **Transaction Summary**

	Amount ($000)
Total Deal/Project Capital Commitment	
Less: Financings	
Less: Syndications	
Net Enron Investment	0

2. **Investment terms and pricing:** ❑ Market ❑ Above Market ❑ Below Market

Describe (if necessary):

3. **Financing terms and pricing:** ❑ Market ❑ Above Market ❑ Below Market

Describe (if necessary):

4. **Legal or practical liquidity restrictions:** ❑ Unrestricted ❑ Legally Restricted ❑ Practically Restricted

Describe (if necessary):

5. **Any recourse to Enron (other than investment):** ❑ Recourse ❑ No Recourse

Describe (if any):

6a. **Business unit intent to syndicate:** ❑ None ❑ Partial ❑ All

Describe (if necessary):

6b. **Intended Enron hold period:**

6c. **Likely Syndication Market:**

❑ **Industry/Strategic Partner**
❑ **Capital Markets**
❑ **JEDI 2**
❑ **LJM 1 or 2**
❑ **Other:** _____

❑ **Direct Private Equity**
❑ **JEDI 1**
❑ **Enserco**
❑ **Condor**
❑ **Margaux**

6d. **Is this a JEDI 2 "Qualified Investment"?** ❑ Yes ❑ No

Global Finance Representative: _____ Rob Gay _____

Signature | Name (Printed) | Date

Dan O. Boyle
2000 Deals and Accomplishments

Nigerian Barges

Successfully closed $28 mm equity sale to ML on 12/30/00. Equity sold represents 90% of the first three years of cash flow from the project, allowing ENE to retain upside relating to long term PPA. Equity purchased by a ML SPV, which was capitalized with $7.0 mm equity contribution and a $21 mm of seller financing. Negotiated the terms of equity and seller financing to achieve sale treatment, resulting in a before tax gain of $12.5 mm. ML stated intention (with ENE's commitment) is to sell the equity position by 6/30/00 but business unit not in a position to market ML equity to third party investor by deadline. Negotiated and executed the sale of the ML equity to LJM, fulfilling obligation to ML. LJM equity subsequently sold to AES on 9/30/00. Eric Boyt, Paul Palmer, Ace Roman, Keith Sparks, Ed Essandoh and Martha Braddy were instrumental in closing the various stages of the transaction.

Project MacArthur

Successfully unwound the FAS 125 transaction (originally closed in 3/99) via documented auction process. At the time of the bid, it was the intent of ENE APACHI to sell its investment in the project to its partner (Tomen) prior to the funding of the unwind. Subsequent to the submission of the bid, APACHI was reorganized and the sale to Tomen fell through. Given the sequence of events, it was no longer possible to keep the asset from touching the ENE balance sheet, however we identified a strategy to sell the asset to Whitewing and meet the FAS 66 guidelines. Unfortunately, Whitewing was fully utilized at quarter end and the asset was placed on balance sheet. The day before the release of the second quarter 10Q, AA raised an issue relating to the asset valuation, as determined by the independent appraisal, and the bid submitted by ENE APACHI. Worked with the independent appraiser to resolve this issue in a matter of hours, avoiding a write off of $1.5 mm and the possible reversal of the original gain. Barry Schnapper, Rodney Faldyn, Steve Jernigan and Brain Blakley were closely involved in the transaction.

Blue Dog

Worked successfully with EE&CC, LJM and GE to close the purchase of two EA6 turbines over a ten-day period. The transaction gives EE&CC a six month option (11/10/00) to purchase the turbines, maintaining maximum flexibility for the turbines ultimate disposition. Worked closely with accounting, legal and ENE North America to negotiate appropriate assignment provisions in light of conflicting positions of GE and LJM. Successfully originated "Agency and Development" concept to accommodate "market" liquidated damages and finalized negotiations of the option premium and option period with LJM. Coordinated with Lisa Bills to accommodate schedule for take out of these turbines along with those in the West LB structure. Big team effort involving Trevor Randolf, Rose Engledorf, Lisa Bills, Rodney Faldyn, Ryan Siurek, Michael Hinds, Ace Roman as well as EE&CC team.

Dragon

Participated in the early stages of the joint venture proposal with Marubeni to purchase power generation assets of Sithe Asia and the contribution of Asian power generation assets of JV partners to establish a pan-Asian IPP with financial strength necessary to aggregate additional Asian power assets. Worked closely with Jeremy Thirsk to evaluate capital requirements and develop alternative funding structures as the transaction evolved. Project started as an evaluation of all assets in APACHI (Diva) but the focus has narrowed to the four operating, cash generating assets in the APACHI portfolio. A very significant time commitment, functioned primarily as the liaison between the region and head office, including presentations to senior management of APACHI, working with ML and coordination of the engagement of potential lenders (ABN and CFSB). Removed from the project in May with move to Corporate Finance. Enron withdrew from project in 10/00.

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Permanent Subcommittee on Investigations
EXHIBIT #265

SK Enron
Project under development to monetize $278 mm equity investment in SK Enron joint venture and capture CTA gain. Objective is to extract as much cash as possible while providing the joint venture with a two-year window to develop the business sufficiently to support an IPO. Additionally, seek to layoff a portion of the Korean credit risk via the monetization. Initiated meetings with tax and accounting to discuss conceptual alternatives for the structure in light of the significant tax and trapped cash issues. Next step hinged on the development of a financial model, approved by APACHI and ENE senior management, which accurately represents the current value and cash generating capacity of the SK Enron joint venture. Removed from project in May with move to Corporate Finance.

Osprey
Team leader responsible for successful closing of $1.1 billion follow on offering for Osprey. Transaction incorporated the sale of an additional $50 mm of equity as well as the marketing and sale of $750 mm, 7.797% and €315 million, 6.375% senior secured notes due 2003. DLJ ($ tranche) and Deutsche Bank (€ tranche) were joint book running managers with CSFB, Lehman and UBS servings as co-managers. Responsible for negotiating fees, drafting revisions to offering memo, developing and participating in U.S. and European road show, resolving structural issues primarily related to € tranche, finalizing pricing and execution documents. Primary challenge related to incorporating the € tranche into the structure and mediating DLJ (which was acquired by CSFB during the transaction) and Deutsche Bank. Pricing was very tight to the existing Osprey notes with a new issue premium of approximately 5 bpts and virtually no additional premium for the € tranche.

Worked with Ryan Siurek to develop structure alternative that would permenantly avoid expensing all the deal related fees. Due to last minute changes in the documents, the alternative could not provide all of the intended benefit, however, our position with AA was modified and we were successful achieving half the original intended benefit. Total transaction costs of $16.5 mm. Of this amount, $9.0 mm relates to "opportunity costs" of the FX hedge. These costs will not be expensed but will be absorbed by the future appreciation of the ENE stock held by Condor. The balance of the deal fees, $7.5 mm, will be amortized over the life of the transaction.

Transaction provided critical liquidity to the Osprey structure and expanded Enron's funding base by bringing in new European investors. The offering was the last structured transaction off the DLJ capital markets desk and one of the first BBB rated, structured transactions in the Euro market. The follow on offering was preceded by indepth discussions with Deutsche Bank regarding a strurtural enhancement that would have taken the follow on offering off ENE's credit by means of an equity derivative. Very strong team effort including Trevor Randolf, Ryan Siurek, Julia Chin, Gina Karathanos, Anne Marie Tiller, Brent Vasconcellos

EE&CC
Served as the EGF liaison with EE&CC and RAC following Don Herrick's move to Networks. In addition to Blue Dog which is discussed above, reviewed and coordinated the DASH \ FASH approvals for Blue Girl, Bethlehem Steel, EPC #63, EPC #64, Wolf Hollow and the Nigerian Barge EPC. Worked with Gordon McKillop to facility or evaluate several EE&CC projects with LJM or into Condor.

Tammy
Coordinated one phase of Project Tammy. Initiated discussions with Chase regarding the sale of the minority interest in the structure. Coordinated the contribution of the EREC option to Tammy and reviewed the ENE debt portfolio to identify appropriate debt issues to use in the structure in light of Project Summer. Inherited the project from Charlie and subsequently returned to Charlie for execution.

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Campaign 2K

As part of the yearend monetization effort to generate funds flow, coordinated the effort to evaluate the following assets: EREC, Hainan Island cash and receivable, Active Power, Catalytica, Copel, McGarrett A, Avici, Networks Limited Partnership interest. Currently in the process of structuring $100 mm FAS 125 with Barclays relating to our equity investments in Catalytica and Avici. Closing scheduled for 12/11/00.

Working with Ann Yaegar to close $150 -200 mmn FAS 125 prior to yearend with Citibank relating to our LP interest in Enron Networks Partners. In the event that the Network partnership does not close prior to yearend, we are developing a structure to create a "synthetic" partnership that will allow the FAS 125 transaction to proceed, achieving income statement and balance sheet objectives.

Analyst and Associate Recruiting

Finance Team leader under Paula Rieker responsible for analyst recruiting at Texas A&M. Participated in four organizational meetings, recruiting training, campus visits with key faculty and staff as well as on campus recruiting. In addition, participated in on campus interviews at Thunderbird, one Super Saturday dinner and a dinner in College Station to cultivate a relationship with the students that were offered positions.

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Permanent Subcommittee on Investigations
EXHIBIT #266

LJM Investments

LJM Cayman - Benefit Summary

	Funds Flow ($ in millions)			Earnings ($ in millions)		
	Direct	Indirect	Total	Direct	Indirect	Total
LJM Cayman						
Cuiaba	$12.3	$0.0	$12.3	$0.0	$20.0	$20.0
RhythmsNet Derivative	0.0	255.5	255.5	0.0	222.0	222.0
Osprey	15.0	1,485.0	1,500.0	0.0	0.0	0.0
ENE Promissory Note	64.0	0.0	64.0	1.8	0.0	1.8
Subtotal LJM Cayman	$91.3	$1,740.5	$1,831.8	$1.8	$242.0	$243.8

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LJM Investments

LJM2 - Benefit Summary

	Funds Flow ($ in millions)			Earnings ($ in millions)		
	Direct	Indirect	Total	Direct	Indirect	Total
LJM2						
SE Acquisitions[a]	$0.0	$0.0	$0.0	$2.2	$0.0	$2.2
Nowa Saryzna	30.0	7.9	37.9	16.0	4.0	20.0
Resco	[TBD]	0.0	0.0	20.0	0.0	20.0
ENA CLO Equity	6.3	0.0	6.3	0.0	19.0 [b]	19.0
ENA CLO Debt	11.2	156.7	167.9 [c]	0.0	0.0	0.0
EEX	3.3	101.7	105.0	5.0	0.0	5.0
Coyote Springs II	0.0	39.0	39.0	0.0	3.0	3.0
Pluto	0.8	24.0	24.8	2.5	0.0	2.5
Yosemite	33.8	766.2	800.0	0.0	0.0	0.0
Raptor	0.0	0.0	0.0	74.9	443.0	517.9
Rawhide[d]	0.0	750.0	750.0	0.0	0.0	0.0
Backbone	30.0	69.0	99.0	55.0	21.7	76.7 [e]
Bargeco	0.0	28.0	28.0	2.0	12.0	14.0 [f]
EE&CC Turbines	0.0	0.0	0.0	0.0	1.5	1.5
Raptor / TNPC	0.0	0.0	0.0	0.0	196.0	196.0
NetWorks	8.0	200.0	208.0	0.0	100.0	100.0
Avici	1.1	34.6	35.7	0.0	0.0	0.0
Catalytica	1.8	58.2	60.0	0.0	0.0	0.0
TNPC	0.0	0.0	0.0	0.0	0.0	0.0
Osprey	26.0	1,134.0	1,160.0	0.0	0.0	0.0
Margaux	10.0	115.0	125.0	0.0	0.0	0.0
Subtotal LJM2	$162.3	$3,484.3	$3,646.6	$177.6	$800.2	$977.8

(a) *Facilitated LJM2's ability to purchase the following assets from Enron at year-end 1999: Nowa Saryzna, ENA CLO debt and equity, EEX and Pluto.*

(b) *Instituting a sharing ratio for earnings in excess of a 30% return on LJM's capital allowed the business unit to show no loss on the Merlin transaction. Without the sharing ratio, the business unit would have suffered a $19 million loss.*

(c) *$174.2 million is the total fund flow for the Merlin transaction (including debt and equity), which was made feasible by LJM2's purchase of the equity and the bridge piece.*

(d) *LJM2's purchase of Harch Capital's equity investment facilitated the extension of the Rawhide structure.*

(e) *Earnings to Enron include $55 million gain on sale, $2.7 million of interest received on seller-financing, and $21.7 million of upside sharing when the fibers were sold and LJM2 received its agreed upon return.*

(f) *Merrill Lynch purchased Bargeco from Enron with the understanding that they would be taken out within six months. LJM2 purchased Merrill's interest preserving the relationship and as an alternative to Enron buying it back and reversing $12.0 million of earnings and $28.0 million of funds flow taken on the original transaction with Merrill in 1999. $2.0 million of earnings were interest earned on seller financing.*

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LJM Investments

Overall - Benefit Summary

	Funds Flow ($ in millions)			Earnings ($ in millions)		
	Direct	Indirect	Total	Direct	Indirect	Total
LJM Cayman	$91.3	$1,740.5	$1,831.8	$1.8	$242.0	$243.8
LJM2	162.3	3,484.3	3,646.6	177.6	800.2	977.8
Total	$253.6	$5,224.8	$5,478.4	$179.4	$1,042.2	$1,221.6

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Definitions

Direct Funds Flow- Usually the direct investment made by LJM. For example, LJM invested $30 million of equity in the Backbone fibers or LJM purchased the Catalytica 125 equity for $1.8 million.

Indirect Funds Flow- Any other funds flow that resulted from LJM's direct investment. For example, LJM's Catalytica 125 equity was joined with $58.2 million of debt so Enron received proceeds (total funds flow) of $60 million, but only a portion of that is directly attributable to LJM.

Direct Earnings- Direct earnings to Enron including: gain on sale, interest income received on seller financing, etc. For example, Backbone generated a gain on sale of $55 million. The seller financing produced $2.7 million of interest income. For Raptor, direct earnings is from swaps that have settled.

Indirect Earnings- Usually earnings taken in previous periods that Enron would not have to reverse because a transaction with LJM preserved them. Also includes Enron's participation in upside sharing when the asset is sold by LJM. For example, the sale by LJM of the Backbone fibers to a 3rd party generated $21.7 million of upside for Enron (the value above and beyond LJM's agreed upon return). For Raptor, indirect earnings are from unsettled swaps.

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LJM Investments
Deal Benefit Summary - Alphabetical

Avici
- Speed of execution (two weeks)
- No other 3rd party would purchase 125 equity on a public security (capped upside, all downside)

Backbone
- Created funds flow
- Generated earnings to reach EBS's earnings target
- Provided upside to EBS on ultimate sale to 3rd party

BargeCo
- Preserved Merrill Lynch relationship by taking them out
- Unless Enron could find another 3rd party buyer for Nigerian barges, Enron would have reveresed earnings from sale to Merrill

Catalytica
- Speed of execution (two weeks)
- No other 3rd party would purchase 125 equity on a public security (capped upside, all downside)

Coyote Springs II
- Facilitated Enron's deal to sell a turbine and development project to Avista
- Brought forward earnings to time of sale rather than over time

Cuiaba
- Deconsolidated the power plant and generated mark-to-market earnings on the gas supply contract
- LJM agreed to an extension without a step-up in return, saving ESA money and allowing more time for ESA to sell Cuiaba $1 mm

EE&CC Turbines
- Kept a turbine off Enron's balance sheet and allowed Enron the optionality to buy it back
- LJM extended the option exercise period to give Enron further flexibility even though the turbine's value was decreasing

Confidential Treatment Requested

LJM Investments
Deal Benefit Summary - Alphabetical

EEX (Bob West Treasure)
- Allowed ENA to mark-to-market gains on gas prepay
- Provided time to refinance the debt and generate further gains

ENA CLO Debt & Equity (Merlin)
- LJM was "the plug" for the BB notes that couldn't be sold
- LJM shared the upside on the equity tranche with ENA, allowing ENA to avoid an earnings loss on the transaction

LJM Cayman Formation
- Funds flow from the promissory note and unlocking of increased value of Enron shares

Margaux
- Deconsolidated Sarlux, Trakya, Nowa Sarzyna

NetWorks
- Deconsolidated the pulp & paper business
- Generated $100 million of earnings

Nowa Sarzyna
- Deconsolidated the power plant until Margaux closed

Osprey
- LJM provided ease and certainty of execution while marketing continued with other 3rd parties

Pluto (MEGS)
- Allowed ENA to mark-to-market earnings on the gas gathering contract
- No other 3rd party would take the Mariner exposure in the timeframe that LJM did

Confidential Treatment Requested

LJM Investments
Deal Benefit Summary - Alphabetical

Raptors (1,2,4)
- Avoided realized losses of $75 million and unrealized losses of $443 million on Enron's volatile investments
- LJM extremely accomodating on derivative approval

Raptor 3 (TNPC)
- Avoided unrealized losses of $196 million on Enron's total return swap exposure in Hawaii 125-O

Rawhide
- LJM purchased Harch's equity, facilitating Rawhide's extension (Harch needed out and would not agree to extension)

Resco
- Deconsolidated EES's residential business while it gained critical mass
- Avoided consolidation of negative earnings onto Enron's income statement

RhythmsNet
- Generated $222 million of earnings on Enron's income statement
- LJM was the only counterparty available for guaranteed execution and confidentiality

SE Acquisition Loan
- Provided additional liquidity to LJM to make Enron investments and generated interest income for Enron

TNPC
- LJM provided capital prior to the IPO
- LJM brought in additional capital by bringing in co-investors

Yosemite
- Speed of execution (deal that had to close by year-end)
- Provided additional time to find permanent 3rd party buyer for the equity

Confidential Treatment Requested

Facsimile Cover Sheet

To: Michelle Wu
Company: BWC
Phone:
Fax: 646-471-2701

From: ~~Andrew S. Fastow~~ Ace Roman
Company: LJM2 Co-Investment, L.P.
Phone: ~~713-853-7427~~ 713.853.9587
Fax: 713-646-8656

Date: 5/2/01
Pages including this cover page: 4

Comments:

Michelle,

LJM2 purchased and sold the 1 share that vested up the equity in EBARGE LLC (Merrill Lynch SPV). All reps + warranties in the purchase + sale agreements between LJM + Merrill and between LJM + AES (final purchaser) were related to the 1 share of EBARGE.

- Ace Roman

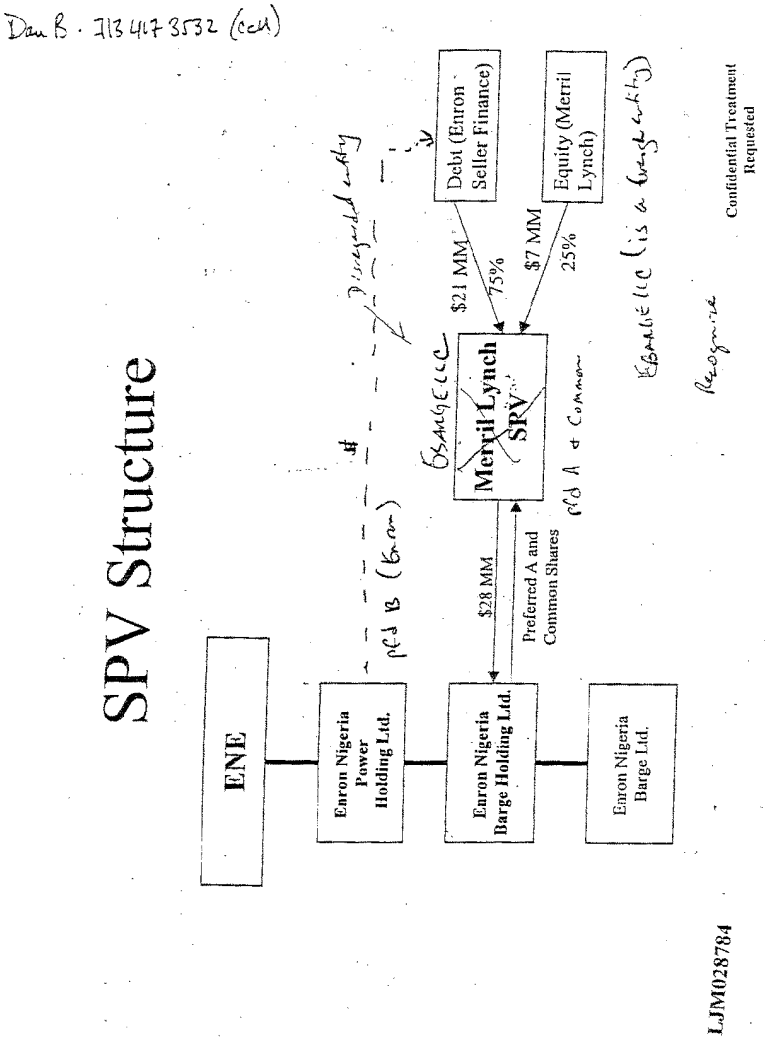
LJM028782

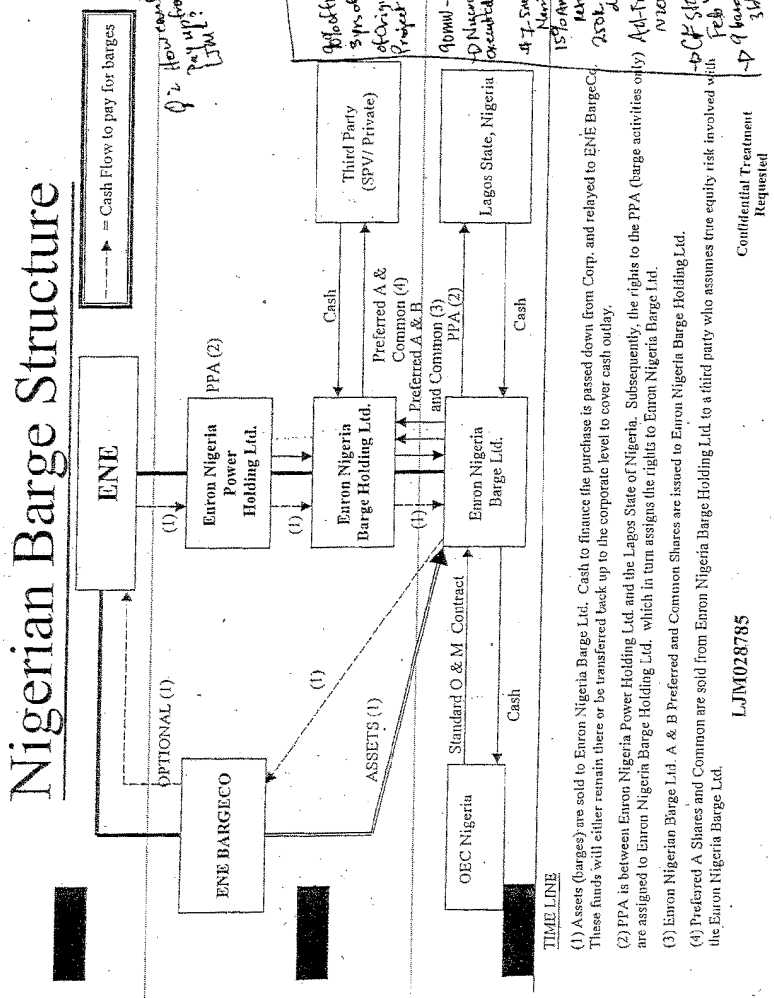
Permanent Subcommittee on Investigations
EXHIBIT #267

SCHEDULE 1

PARTICULARS OF THE COMPANY

Name:	Enron Nigeria Barge Ltd.
Registered office:	35 Moloney Street, Lagos, Nigeria
Registered number:	R.C. 366,057
Date and place of incorporation:	7th October 1999, Abuja, Nigeria
Directors:	James V. Derrick James A. Hughes Rebecca A. McDonald Cassandra R. Schultz Gbenga Oyebode
Secretary:	Gbenga Oyebode
Authorised share capital:	N10,000,000
Issued share capital:	
Preferred A shares:	1,000 of N1,000 each
Preferred B shares:	8,000 of N1,000 each
Ordinary shares:	1,000 of N1,000 each


SPV Structure
ENE
Enron Nigeria Power Holding Ltd.
Enron Nigeria Barge Holding Ltd.
Enron Nigeria Barge Ltd.
$28 MM
Preferred A and Common Shares
Merril Lynch SPV
$21 MM
75%
$7 MM
25%
Debt (Enron - Seller Finance)
Equity (Merril Lynch)
Confidential Treatment Requested
LJM028784



(1) Assets (barges) are sold to Enron Nigeria Barge Ltd. Cash to finance the purchase is passed down from Corp. and relayed to ENE BargeCo. These funds will either remain there or be transferred back up to the corporate level to cover cash outlay.

(2) PPA is between Enron Nigeria Power Holding Ltd. and the Lagos State of Nigeria. Subsequently, the rights to the PPA (barge activities only) are assigned to Enron Nigeria Barge Holding Ltd. which in turn assigns the rights to Enron Nigeria Barge Ltd.

(3) Enron Nigerian Barge Ltd A & B Preferred and Common Shares are issued to Enron Nigeria Barge Holding Ltd.

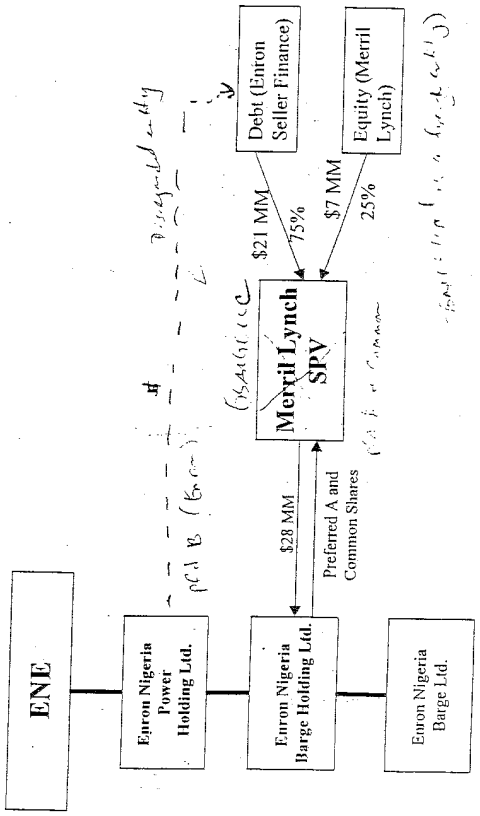
(4) Preferred A Shares and Common are sold from Enron Nigeria Barge Holding Ltd. to a third party who assumes true equity risk involved with the Enron Nigeria Barge Ltd.

LJM028785

Confidential Treatment Requested

Dan B. 713 417 3532 (cell)

SPV Structure



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LJM0028786

CLIFFORD
CHANCE
ROGERS & WELLS

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James B. Weidner
Partner

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DIRECT FAX +1 212 878 8375
james.weidner@cliffordchance.com

April 24, 2002

BY HAND

The Honorable Carl Levin
Chairman
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510-6250

Dear Mr. Chairman:

I write on behalf of Merrill Lynch in response to your April 10, 2002 letter requesting information and documents relating to Merrill Lynch's dealings with Enron Corporation. Merrill Lynch appreciates this opportunity, and is producing the requested materials to the Subcommittee on a voluntary basis.

Merrill Lynch has invested significant resources in reviewing currently available records and information to respond to the Subcommittee's requests. The enclosed materials (bates stamped MS 00001 through MS 21427) represent the majority, or entirety, of materials likely to be identified as responsive to a number of the requests. Given time constraints and other limitations noted below, however, Merrill Lynch is continuing the process of identifying and collecting additional responsive materials and will produce such materials to the Subcommittee on a rolling basis. In particular, damage caused by the September 11 terrorist attacks, as well as technical limitations, has delayed full retrieval of archived e-mail communications. Access to a large volume of pre-September 11 e-mail communications, for example, is simply not possible at this time.

As requested in your April 10 letter, attached hereto as Exhibit A is a chart detailing Enron-related transactions responsive to your requests. Exhibit A provides information regarding specific advisory, capital markets, credit facility and proprietary transactions, and also includes a general description of the various types of derivatives trades Merrill Lynch engaged in with Enron-related entities.

Finally, we note that we have had several helpful telephone conversations with Bob Roach to clarify the scope of some of the requests in order to provide the Subcommittee with the most pertinent information at the outset.

Merrill Lynch's initial responses to your specific inquiries are set forth below.

Request #1

Enclosed herewith are materials (bates stamped MS 00001 through MS 04970) responsive to Request #1. Merrill Lynch is continuing its efforts to identify and collect any additional responsive materials, and will produce any such materials on a rolling basis.

Permanent Subcommittee on Investigations
EXHIBIT #268

Requests #2 and #3

Merrill Lynch is in the process of identifying and collecting materials responsive to Requests #2 and #3, and will produce such materials as they become available.

Request #4

Pursuant to our conversations with Bob Roach, enclosed herewith are materials (bates stamped MS 04970 through MS 06646, and MS 07273 through MS 21269) responsive to Request #4 relating to EBARGE, LLC and the LJM partnerships.

Request #5

Documents responsive to Request #5 are enclosed herewith within the materials provided in response to Request #4 (bates range MS 07273 through MS 21269).

Request #6

Any available documents responsive to Request #6 are enclosed herewith within the materials provided in response to Request #4 (bates range MS 07273 through MS 21269).

Request #7

Documents responsive to Request #7 are enclosed herewith within the materials provided in response to Request #4 (bates range MS 07273 through MS 21269). Merrill Lynch is continuing its efforts to identify and collect any additional responsive materials, and will produce any such materials on a rolling basis.

Request #8

Enclosed herewith are materials (bates stamped MS 06647 through MS 07272) responsive to Request #8. Pursuant to our discussions with Bob Roach, these materials have been culled from all available Enron-related files maintained by or on behalf of Robert Furst, Schuyler Tilney, Louis Chiavacci, and Robert Jones (relationship manager for Enron until 1998). We believe, based upon a comparison of these responsive documents with those otherwise available concerning LJM, EBARGE and one additional Enron-related transaction, that an omnibus search of all transaction files would be unlikely to retrieve any significant amount of additional substantive documents responsive to this request.

Requests #9 and #10

Documents responsive to Requests #9 and #10 are enclosed herewith within materials provided in response to Request #4 (bates range MS 04970 through MS 06646).

Request #11

Documents responsive to Request #11 are enclosed herewith within materials provided in response to Request #4 (bates range MS 07273 through MS 21269). Merrill Lynch is continuing its efforts to identify and collect any additional responsive materials, and will produce any such materials on a rolling basis.

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ROGERS & WELLS LLP

Request #12

Merrill Lynch is in the process of identifying and collecting materials responsive to Request #12, and will produce such materials as they become available.

Finally, you have noted that the Subcommittee staff may seek to interview Merrill Lynch personnel after reviewing the enclosed materials. Merrill Lynch will urge both current and former employees to cooperate fully with the Subcommittee. Please do not hesitate to contact me should you wish to conduct such interviews, or should you have any questions or further requests.

Respectfully,

James B. Weidner

enclosures

EXHIBIT A

MERRILL LYNCH TRANSACTIONS WITH ENRON-RELATED ENTITIES (1997 TO PRESENT)

I. ADVISORY

ENRON-RELATED ENTITY	DATE OF CONTRACT FOR SERVICES	DATE OF TRANSACTION	DESCRIPTION	MERRILL LYNCH ROLE	FEES
Azurix Corporation	May 6, 1999	September 24, 1999	Acquisition of AMX Aqua Management (a private Brazilian water company) for $55.6 million	Financial advisor	$1,000,000

II. CAPITAL MARKETS (DEBT AND EQUITY OFFERINGS)

ENRON-RELATED ENTITY	DATE OF UNDERWRITING, PURCHASE, OR SIMILAR AGREEMENT	DATE OF OFFERING	DESCRIPTION	MERRILL LYNCH ROLE	FEES
Enron Corporation	January 13, 1997	January 13, 1997	$150 million offering of 8.125% Perpetual Trust Originated Preferred Securities	Lead manager	$852,000
Enron Corporation	November 6, 1997	November 6, 1997	$200 million offering of floating rate Remarketed Reset Notes due November 15, 2037	Sole manager	$159,745

ENRON-RELATED ENTITY	DATE OF UNDERWRITING, PURCHASE, OR SIMILAR AGREEMENT	DATE OF OFFERING	DESCRIPTION	MERRILL LYNCH ROLE	FEES
Enron Corporation	May 5, 1998	May 5, 1998	$750 million offering of 15 million shares of common stock at $50 per share	Co-manager (Lead manager Credit Suisse First Boston)	$2,441,000
Enron Corporation	September 28, 1998	September 28, 1998	$250 million offering of floating rate notes due March 30, 2000	Lead manager	$223,000
Enron Corporation	November 12, 1998	November 12, 1998	$49 million private placement of Medium-Term Structured Enhanced Return Trust Debt Units	Placement agent	$245,000
Enron Corporation	February 11, 1999	February 11, 1999	$752 million offering of 12 million shares of common stock at $62.6875 per share	Co-manager (Lead managers Credit Suisse First Boston and Donaldson Lufkin & Jenrette)	$1,952,000
Enron Corporation	November 29, 1999	November 29, 1999	¥10 billion offering of Euro Medium Term Notes 0.58% due November 30, 2000	Lead arranger and sole book runner	$80,000

ENRON-RELATED ENTITY	DATE OF UNDERWRITING, PURCHASE, OR SIMILAR AGREEMENT	DATE OF OFFERING	DESCRIPTION	MERRILL LYNCH ROLE	FEES
Enron Corporation	December 29, 1998	December 29, 1998	$41.4 million private placement of PR-B Interest Owner Trust Interest Notes	Placement agent	$346,500 (an additional $252,078 received in Jan. 2000 in connection with rollover)
Enron Corporation	December 29, 1998	December 29, 1998	$25.8 million private placement of WR-B Interest Owner Trust Interest Notes	Placement agent	
Enron Corporation	April 28, 2000	April 28, 2000	¥20 billion offering of Euro Medium Term Notes 0.51% due May 2, 2001	Lead arranger and sole book runner	$246,000
Enron Corporation	May 16, 2000	May 16, 2000	¥20 billion offering of Euro Medium Term Notes 0.48% due May 17, 2001	Lead arranger and sole book runner	$226,000
Enron Corporation	May 17, 2001	May 17, 2001	¥25 billion offering of Euro Medium Term Notes 0.520% due May 15, 2002	Lead arranger and sole book runner	$257,000
Enron Corporation	June 14, 2001	June 14, 2001	¥40 billion offering of Euro Medium Term Notes (Enron North America) 30-month Yen LIBOR + 62 basis points due June 18, 2003	Lead arranger and sole book runner	$830,000

ENRON-RELATED ENTITY	DATE OF UNDERWRITING, PURCHASE, OR SIMILAR AGREEMENT	DATE OF OFFERING	DESCRIPTION	MERRILL LYNCH ROLE	FEES
Enron Corporation	June 14, 2001	June 14, 2001	¥10 billion offering of Euro Medium Term Notes (Enron North America) 0.770% due June 14, 2002	Lead arranger and sole book runner	$208,000
Enron Corporation	June 14, 2001	June 14, 2001	¥10 billion offering of Euro Medium Term Notes (Enron North America) 0.970% due June 18, 2004	Lead arranger and sole book runner	$95,000
Enron Corporation	June 22, 2001	June 22, 2001	¥20 billion offering of Euro Medium Term Notes (Enron North America) 0.493% due June 13, 2002	Lead arranger and sole book runner	$154,000
Azurix Corporation	June 9, 1999	June 9, 1999	$695 million initial public offering of 36.6 million shares at $19 per share	Lead manager	$20,537,000
Azurix Corporation	February 11, 2000	February 11, 2000	$200 million offering of high-yield bonds (10.75% senior notes due February 15, 2010; $240 million, 100 million British pounds 10.375% senior notes due February 15, 2007	Lead manager	$3,552,000
Enron Oil & Gas	November 25, 1997	November 25, 1997	$100 million offering of 6.5% notes due 2007	Co-manager (Lead manager Goldman Sachs)	$87,000

ENRON-RELATED ENTITY	DATE OF UNDERWRITING, PURCHASE, OR SIMILAR AGREEMENT	DATE OF OFFERING	DESCRIPTION	MERRILL LYNCH ROLE	FEES
Enron Oil & Gas	August 10, 1999	August 10, 1999	$689.75 million offering of 31 million shares of common stock at $22.25 per share	Co-manager (Lead manager Goldman Sachs)	$2,212,000
Enron Teesside Operations Ltd.	May 1999	August 15, 1999	$116 million private placement of debt securities	Placement agent	$2,614,000
Sutton Bridge Financing Limited	May 30, 1997	May 30, 1997	$150 million offering of 7.97% guaranteed secured bonds due 2022; 195 million British pounds 8.625% guaranteed secured bonds due 2022	Lead manager	$1,170,000
LJM2 Co-Investment, L.P.	September 16, 1999	December 15, 1999 (initial closing) (three additional closings between February and April 2000)	Merrill Lynch raised approximately $265 million of $390 million private equity fund	Placement agent	$3,045,000

III. CREDIT FACILITIES

ENRON-RELATED ENTITY	DATE OF COMMITMENT	DESCRIPTION	MERRILL LYNCH ROLE	FEES, INTEREST[1], LOSSES
Enron Corporation	May 18, 2000	Merrill Lynch Bank U.S.A. commitment of $50 million to (1) $1.25 billion five-year senior unsecured credit facility, and (2) $1.75 billion 364-day senior unsecured revolving credit facility	Syndicate member (Agent banks – Salomon Smith Barney and Chase Securities, Inc.)	$25,000 (fee); LIBOR plus 45 basis points per annum (interest)
Enron Corporation	May 14, 2001	Merrill Lynch Bank U.S.A. commitment of $50 million to (1) May 2000 $1.25 billion five-year senior unsecured credit facility, (2) renewal of May 2000 $1.75 billion 364-day senior unsecured revolving credit facility, and (3) two-year letter of credit facility	Syndicate member (Agent banks – Salomon Smith Barney and JPMorgan)	$7,000 (fee); LIBOR plus 45 basis points per annum (interest); <$38.6 million> (loss exposure)
Azurix Corporation	September 29, 1999	Merrill Lynch commitment of $25 million to $150 million loan facility (repaid February 2000)	Syndicate member (Agent bank – Chase Bank of Texas, NA)	$93,750 (fee); LIBOR plus 150 basis points per annum (interest)
Zephyrus Investments, LLC	March 31, 2001	Merrill Lynch commitment of $40 million to $482 million senior secured five-year non-amortizing loan	Syndicate member (Agent bank – JPMorgan Chase)	$160,000 (fee); LIBOR plus 102 basis points per annum (interest); <$22.5 million> (loss exposure)

[1] For each credit facility, the listed interest rate reflects the generally applicable rate as of the commitment date. The terms of each credit facility called for modifications to the applicable rate upon certain events, including, for example, a change in the debtor's credit rating.

ENRON-RELATED ENTITY	DATE OF COMMITMENT	DESCRIPTION	MERRILL LYNCH ROLE	FEES,INTEREST LOSSES
LJM2 Co-Investment, L.P.	July 26, 2000	Merrill Lynch Capital Corporation commitment of $10 million to $65 million 364-day unsecured revolving credit facility (repaid November 2000)	Syndicate member (Agent bank -- Chase Securities, Inc.)	$15,000 (fee); LIBOR plus 300 basis points per annum (interest)
LJM2 Co-Investment, L.P.	November 13, 2000	Merrill Lynch Capital Corporation commitment of $10 million to $120 million five-year senior unsecured revolving credit facility (replaced commitment in July 2000 facility)	Syndicate member (Agent bank -- Dresdner Bank AG)	$50,000 (fee); LIBOR plus 300 basis points per annum (interest); <$5.8 million> (loss exposure)

IV. PROPRIETARY INVESTMENTS

ENRON-RELATED ENTITY	DATE OF INVESTMENT	DESCRIPTION	MERRILL LYNCH ROLE	FEES
Enron Nigeria Barge Holding, Ltd.	December 29, 1999	Merrill Lynch purchase of shares of Enron Nigeria Barge, Ltd. for $7 million	Principal	$250,000 (advisory fee), $525,000 (gain realized through June 2000 sale of interest)
LJM2 Co-Investment, L.P.	December 21, 1999	Merrill Lynch proprietary investment of $5 million	Limited partner	N/A
LJM2 Co-Investment, L.P.	April 5, 2000	Investment of $17.6 million by 97 Merrill Lynch employees	Limited partner	N/A

V. DERIVATIVES TRADING

ENRON-RELATED ENTITY	DATES OF TRANSACTIONS	DESCRIPTION	MERRILL LYNCH ROLE
Enron Power Marketing, Inc.	June 1999 – March 2001	Energy derivative trades	Counterparty
Enron North America Corporation	June 2000 – November 2001	Interest rate swaps	Counterparty
Enron North America Corporation	Mid-1999 – November 2001	Spot and forward foreign exchange transactions	Counterparty
Enron Credit Derivatives	March 2000 – October 2001	Credit default swaps and credit default basket transactions	Counterparty
Enron North America Corporation	June 2000 – October 2001	Equity swaps	Counterparty

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JOYCE A. RECHTSCHAFFEN, STAFF DIRECTOR AND COUNSEL
HANNAH S. SISTARE, MINORITY STAFF DIRECTOR AND COUNSEL

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

August 16, 2002

Mr. G. Kelly Martin
Senior Vice President
Merrill Lynch, Pierce, Fenner & Smith, Inc.
4 World Financial Center
250 Vesey Street, 32nd Floor
New York, NY 10080

Dear Mr. Martin:

Thank you for appearing before the Senate Permanent Subcommittee on Investigations at its July 30, 2002, hearing. In the course of questioning, you agreed to provide additional information with respect to several matters. In addition, the Subcommittee has a number of follow-up questions that it requests you answer. Please provide your responses in writing by August 30, 2002. If Merrill Lynch possesses documents or other materials relevant to the issues raised below that it has not already produced, please provide them to the Subcommittee with your responses.

1. Why did Merrill Lynch redomicile Ebarge, LLC in the Cayman Islands?

2. Did Ebarge, LLC ever pay any taxes to the United States? If so, how much did it pay? Did it ever pay taxes to any other jurisdiction? If so, how much did it pay and to whom?

3. Did Merrill Lynch conduct a review of the conference call involving, inter alia, Daniel Bayly of Merrill Lynch and Andrew Fastow of Enron that occurred in mid-to-late December 1999 relating to the Nigerian barge transaction? If so, please provide the results of that review and all documents relating to the conference call and Merrill Lynch's review of that call. Please include all documents containing communications to or from Mr. Bayly relating to this conference call.

4. In his deposition, Mr. Bayly described a meeting involving, inter alia, Tom Davis, Mr. Bayly, Kathy Zrike, Kevin Cox and Mark Devito that took place in Mr. Davis' office regarding the Nigerian barge transaction. Please provide a list of the participants in that meeting, Merrill Lynch's description of the substance of that meeting, and all documents containing any reference to the substance of this meeting, including any communications about this meeting by or between Mr. Davis, Mr. Bayly, Ms. Zrike, Mr. Cox or Mr. Devito.

5. Did Merrill Lynch ever investigate whether there were communications in 1998 between

Permanent Subcommittee on Investigations
EXHIBIT #269

anyone at Merrill Lynch and John Olson regarding (a) Enron's complaints about his analysis of Enron stock; (b) actions Enron had taken in whole or in part as a result of his analysis; (c) the subject matter of the April 18, 1998, memorandum from Rick Gordon and Schuyler Tilney to Herb Allison; (d) the fact that Merrill Lynch was denied participation (or almost denied participation) in a lucrative deal with Enron solely or in part because of his research coverage of Enron; or (e) steps that needed to be taken to make his analysis of Enron stock more supportive of Enron? Did any Merrill Lynch employee superior or equal to Mr. Olson in rank speak or communicate with Mr. Olson regarding any of these issues? If so, please identify the parties to and the substance of those communications?

6. What was the substance of the call(s) that took place between Mr. Allison and Kenneth Lay and/or Jeffrey Skilling relating to the April 18, 1998, memorandum from Mr. Gordon and Mr. Tilney to Mr. Allison?

7. Why did Mr. Olson stop working for Merrill Lynch in 1998? Was his departure in any way related to the subject matter of the April 18, 1998, memorandum from Mr. Gordon and Mr. Tilney to Mr. Allison? Please provide all documents related to Mr. Olson's termination.

8. Did Merrill Lynch seek or obtain a legal opinion from its counsel relating to its role in the LJM2 private placement offering or to the LJM2 private placement offering in general? If so, please provide a copy of that opinion. If not, why not?

9. Did anyone at Merrill Lynch contact anyone on the Enron Board of Directors about LJM2? If so, what was discussed or communicated? If not, why not?

10. How many Merrill Lynch stock options did Robert Furst receive during the course of his employment at Merrill Lynch, how many did he exercise, when did he exercise them, and what was the value of those options at the time of their exercise?

11. Does Merrill Lynch's settlement with the New York State Attorney General preclude Merrill Lynch from having a research analyst make calls similar to those made by Mr. Olson to prospective Enron investors in late April and early June 1998?

12. Attached please find a copy of an August 8, 2002, New York Times article that describes a December 1999 energy transaction between Enron and Merrill Lynch. This transaction was not included in the list Merrill Lynch gave the Subcommittee describing Enron/Merrill Lynch transactions. With respect to this issue, why did Merrill Lynch not include this transaction on the list it provided to the Subcommittee? Are there additional transactions between Merrill Lynch and Enron that Merrill Lynch did not include? Please confirm or deny the accuracy of the facts presented in the article and please describe the transaction. Who were the primary people involved in the transaction on behalf of Merrill Lynch and on behalf of Enron?

If you have any questions about this request, please contact Tim Henseler at (202) 224-9123 (Senator Levin) or Claire Barnard at (202) 224-3721 (Senator Collins). Thank you for your response.

Sincerely,

Susan Collins
Ranking Member

Carl Levin
Chairman

Permanent Subcommittee on Investigations

CL:SC:th
Enclosure

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September 13, 2002

BY HAND

Timothy Hensler, Esq.
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510-6250

Dear Mr. Hensler:

I write on behalf of Merrill Lynch in response to your oral questions on August 16, 2002 arising out of the Subcommittee staff's July 30, 2002 deposition of Dan Bayly. Merrill Lynch is pleased to provide the requested information, which is set forth below.

1. **Who was on the DMCC in December 1999?**

In December 1999, certain designated representatives from the following areas within Merrill Lynch were eligible to serve as members of the Debt Markets Commitment Committee (the "DMCC") for the Americas Region (the regional committee that reviewed the barge transaction): Investment Banking; Corporate Credit; Risk Management; Research; Corporate and Institutional Client Group ("CICG") Counsel; and/or Capital Commitments Management. The individuals eligible in December 1999 to act as representatives from each of the above groups in the Americas Region are listed in Exhibit A attached hereto.

We note, however, that the composition of the DMCC group reviewing any given transaction varied depending upon the type of transaction at issue. For example, in addition to the areas identified above, DMCC review of certain transactions also required the presence of representatives from other areas, including the Global Loan Syndicate Group (required for transactions involving loan facilities), Sales Management (required for transactions designated by Capital Commitments Management), or High Yield Syndicate, Municipal Markets Underwriting or Capital Markets (required for transactions in which the sale of certain securities was contemplated). Additionally, Capital Commitments Management, in consultation with the Regional Chief Operating Officer (with notice to CICG Counsel), may have designated additional senior bankers to act as representatives of the Investment Banking Group or Debt Capital Markets Group. The manager of each of the other groups listed in Exhibit A also may have designated additional representatives from their respective areas. Finally, the senior investment banker or debt originator sponsoring the transaction at issue also was required to attend the DMCC meeting.

2. How was membership on the DMCC determined?

Please see response to Question #1.

3. How long is a term of membership on the DMCC?

An individual, once so designated, remains eligible for an indefinite period to serve on the DMCC as a representative for his or her respective group within his or her respective geographic region, subject to any relevant material changes in employment status.

4. What were the policies and procedures in 1999 that determined when and why a transaction would be submitted to the DMCC for review?

Generally, the DMCC was responsible for reviewing and approving Merrill Lynch's participation in a number of different types of transactions, including:

- commitments to lead manage or co-manage certain public offerings of preferred stock or debt securities;
- commitments to act as placement agent in connection with certain private placements of preferred stock or debt securities;
- certain restructuring assignments involving the purchase, sale or exchange of certain preferred stock or debt securities;
- the issuance of forward commitments, including "back stops" and "spread locks" for preferred stock or debt securities; and
- involvement as arranger, originator, syndicator of, or participant in, any senior loan facilities, bridge loans or subordinated loan commitments.

Even in circumstances where DMCC approval was not required, any representative listed in Exhibit A could have specifically requested that the DMCC review and approve a particular transaction.

5. Is there a Committee similar to the DMCC that reviews equity investments?

Generally speaking, there is no designated committee within Merrill Lynch established to review proprietary equity investments. The Equity Commitment Committee ("ECC"), for example, generally reviews and approves only Merrill Lynch's participation in equity securities offerings as a

global coordinator, lead manager, co-lead manager, co-manager, underwriter, placement agent or distributor.

In most instances, Merrill Lynch proprietary investments are reviewed and approved pursuant to an appropriations governance policy that involves (i) the development of an Appropriations Request package, (ii) approval from senior management, and (iii) a technical concurrence review by certain designated representatives from different areas within Merrill Lynch. Because of the potentially lengthy nature of this process, and given time constraints, the barge transaction was instead reviewed by the DMCC, which was occasionally asked to scrutinize proposed non-debt transactions such as equity investments structured with bridge-like features.

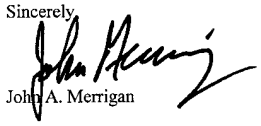
6. **Brian Hehir is listed as a copy recipient of the April 18, 1998 memorandum from Rick Gordon and Schuyler Tilney to Herb Allison (MS 06921). What was Mr. Hehir's title and to whom did he report in 1998? Is he still with Merrill Lynch? If so, in what capacity?**

In 1998, Mr. Hehir served as a Managing Director in the Equity Capital Markets Origination group, and reported to Michael Ryan. Mr. Hehir remains with Merrill Lynch today, and currently serves as a Managing Director and Vice Chairman of Investment Banking.

7. **Who was the head of research at Merrill Lynch from April to June 1998? Is this person still an employee of Merrill Lynch? If not, does Merrill Lynch know where this person works?**

Andrew Melnick and Rosemary Berkery were co-heads of Merrill Lynch's Equity Research department during the relevant time period. Ms. Berkery presently serves as General Counsel to Merrill Lynch & Co. Mr. Melnick is currently employed by Goldman Sachs.

Sincerely,



John A. Merrigan

EXHIBIT A

DEBT MARKETS COMMITMENT COMMITTEE

AMERICAS REGION

DMCC Chair: Kevin Cox

HIGH GRADE/HIGH YIELD AND GLOBAL LOAN SYNDICATION
(*including Municipal Finance, Structured Finance & Preferred Stock*)

Senior Bankers	Senior Bankers for Municipal Finance	Syndicate	Corporate Credit	Risk Management	Research	CICG Counsel	Capital Commitments Management
Christopher Birosak	Matt Deane	Mike Berman	Karen Browning	Laurie O'Loughlin	George Chalhoub	Matt Abrusci	Kevin Cox
Harry Crosby	John Daniel	John Hagerty	Armando Gayoso	Alex Telchberg	Ken Goldberg	Rob Everett	John Swadba
David Dysenchuk	Wendy Franklin	Ed Moriarity	Michael Lurie		Christy Parsons	Tara Flanagan	
Christopher Johnson	Bob Jacobsen	Chris Turner	Robert McDonough		Jon Savas	Lisa Gershowitz	
Jack Lucid	Michael Lexton	David Wallf	Cynthia Roney		Mike Plancey	Peter Kelly	
Eugene Miao	Chris Melvin		John Rooney		Clare Schiedermayer	Ben Lau	
Brian O' Callahan	Bob Doherty		Jade Teoh		Sharyl Van Winkle	Cara Londin	
Carla Ormsbee	Steve Coma		Andrea Walker			Frank Marinaro	
Steve Paras	Frank King		Don Wilson			Juno Mayer	
Michael Senft	Frank McKenna		Paul Wood			Ken Nixon	
Harold Siegel	Eric Rockhold					Jack Shannon	
Chantal Simon	Cody Press					Monica Singh	
Gregg Smart	Tim Romer					John Sprung	
Chris Stout	Eugenio Mendoza					Michele Taub	
Jack Yang	Ed Malmstrom					Kathy Zrike	
	David Johnson						
	Gerald Knorr						
	Joseph Marion						
	Maureen Spivack						
	Mark Paris						
	Barbara Feldman						
	Samuel Corliss						

INTERNATIONAL EMERGING MARKETS

Senior Bankers	Syndicate	Corporate Credit	Risk Management	Research	CICG Counsel	Capital Commitments Management
Maria Herrera	Keith Horn	Rafael Lemos	Laurie O'Loughlin	Blaine Frantz	Pete Kelly	Kevin Cox
Udi Margulies		Renee Picazo	Alex Telchberg	Mike Plancey	Leslie Payton-Jacobs	John Swadba
Willie Reca		Cynthia Roney		Jon Savas	Christine Walsh	

C L I F F O R D
C H A N C E

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NEW YORK NY 10166 0153
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September 13, 2002

BY HAND

The Honorable Carl Levin, Chairman
The Honorable Susan Collins, Ranking Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510-6250

Dear Sir and Madam:

I write on behalf of Merrill Lynch in response to your letter of August 16, 2002 to G. Kelly Martin posing certain follow-up questions arising out of the Subcommittee's July 30, 2002 hearing concerning Enron Corporation. Merrill Lynch welcomes this opportunity to further assist the Subcommittee in its investigation.

The specific responses to your questions, drawn from the best information available to Merrill Lynch at this time, are set forth below and reflected in the enclosed documents. (As noted in Merrill Lynch's response of April 24, 2002 to Chairman Levin, damage caused by the September 11 terrorist attacks, as well as technical limitations, has significantly delayed Merrill Lynch's ability fully to retrieve archived e-mail communications.) Please do not hesitate to contact me should you require any additional information or materials.

1. Why did Merrill Lynch redomicile Ebarge, LLC in the Cayman Islands?

When Enron approached Merrill Lynch about the barge transaction in December 1999, the proposed structure of the transaction, as developed by Enron and its advisors, contemplated that the special purpose entity (the "SPE") established to purchase the equity interest in Enron Nigeria Barge Ltd. (ultimately, Ebarge) would be domiciled outside the United States for tax purposes relating to Enron. In closing the transaction, Merrill Lynch did not establish Ebarge as a foreign SPE because there was not enough time before year-end to complete the required paperwork and to conduct the necessary diligence associated with setting up such an entity. With the benefit of additional time, Merrill Lynch later was able to follow Enron's initial proposed structure, and the domicile of Ebarge was transferred from Delaware in February 2000.

2. **Did Ebarge, LLC ever pay any taxes to the United States? If so, how much did it pay? Did it ever pay taxes to any other jurisdiction? If so, how much did it pay and to whom?**

In determining any tax obligations, Merrill Lynch treated Ebarge, a limited liability company wholly owned by ML IBK Positions, Inc. (a United States corporation), as a "flow-through entity." Thus, while Ebarge itself would not have directly paid any taxes in the United States or elsewhere, any taxes due on income generated by Ebarge during the period of Merrill Lynch's ownership interest would have been reflected in Merrill Lynch's consolidated corporate income tax returns filed in the United States.

Merrill Lynch, of course, also paid income taxes in the United States in connection with the gain it recognized on the June 2000 sale of its interest in Ebarge.

3. **Did Merrill Lynch conduct a review of the conference call involving, inter alia, Daniel Bayly of Merrill Lynch and Andrew Fastow of Enron that occurred in mid-to-late December 1999 relating to the Nigerian barge transaction? If so, please provide the results of that review and all documents relating to the conference call and Merrill Lynch's review of that call. Please include all documents containing communications to or from Mr. Bayly relating to this conference call.**

It appears that individuals from Merrill Lynch and Enron held a conference call on December 23, 1999 regarding the barge transaction. The primary speakers on the call were Dan Bayly and Andrew Fastow, and it appears that Schuyler Tilney, Robert Furst, and Jeffrey McMahon may have been passive participants. As Mr. Bayly has explained, he wanted to impress upon Mr. Fastow that Merrill Lynch did not typically make this type of investment, and was doing so primarily as an accommodation to Enron. He also wanted to confirm that Enron would make every effort to facilitate Merrill Lynch's exit from the investment within a reasonable period. Mr. Fastow expressed Enron's appreciation during the call and said that Enron would attempt to locate a third-party investor to replace Merrill Lynch as soon as possible.

To date, we have located only two documents relating to the conference call. Enclosed is a page from Mr. Bayly's personal calendar (bates stamped MS 24407) indicating the scheduled call. We also refer you to the previously produced draft Appropriation Request (bates stamped MS 06508 through MS 06512), which references the anticipated conference call.

4. **In his deposition, Mr. Bayly described a meeting involving, inter alia, Tom Davis, Mr. Bayly, Kathy Zrike, Kevin Cox and Mark DeVito that took place in Mr. Davis' office regarding the Nigerian barge transaction. Please provide a list of the participants in that meeting, Merrill Lynch's description of the substance of that meeting, and all documents containing any reference to the substance of this meeting, including any communications about this meeting by or between Mr. Davis, Mr. Bayly, Ms. Zrike, Mr. Cox or Mr. DeVito.**

It appears that on December 22, 1999 Tom Davis (then the Executive Vice President in charge of Merrill Lynch's Corporate and Institutional Client Group) met with Mr. Bayly (then global head of Merrill Lynch's Investment Banking Group), Kathy Zrike (counsel to the Investment Banking Group), Kevin Cox (chairman of the Debt Markets Commitment Committee, which had reviewed the barge transaction), and Mark DeVito (then a senior member in the Debt Capital Markets Group). These individuals provided Mr. Davis with their respective views on the barge transaction to assist him in deciding whether to approve Merrill Lynch's equity investment. (Mr. Davis had the authority to approve proprietary equity investments up to $10 million.) All in attendance at the meeting supported Merrill Lynch's participation in the transaction, and Mr. Davis granted his approval.

The only document located to date relating to this meeting is the previously identified page from Mr. Bayly's personal calendar (enclosed herewith and bates stamped MS 24407), which indicates the scheduled meeting and expected participants.

5. **Did Merrill Lynch ever investigate whether there were communications in 1998 between anyone at Merrill Lynch and John Olson regarding (a) Enron's complaints about his analysis of Enron stock; (b) actions Enron had taken in whole or in part as a result of his analysis; (c) the subject matter of the April 18, 1998 memorandum from Rick Gordon and Schuyler Tilney to Herb Allison; (d) the fact that Merrill Lynch was denied participation (or almost denied participation) in a lucrative deal with Enron solely or in part because of his research coverage of Enron; or (e) steps that needed to be taken to make his analysis of Enron stock more supportive of Enron? Did any Merrill Lynch employee superior or equal to Mr. Olson in rank speak or communicate with Mr. Olson regarding any of these issues? If so, please identify the parties to and the substance of those communications?**

Mr. Olson has recently stated publicly that no individual at Merrill Lynch ever discussed the April 18, 1998 memorandum with him, and no individual within Merrill Lynch superior or equal to Olson in rank, moreover, specifically recalls any discussions with Olson that related to complaints about his research coverage of Enron. However, a recently retrieved e-mail communication (enclosed herewith and bates stamped MS 24408) seems to indicate that Andrew Melnick, then co-head of Merrill Lynch's equity research department, had a conversation with Olson on or about May 20, 1998, during which they discussed at least in part Enron-related issues.

6. **What was the substance of the call(s) that took place between Mr. Allison and Kenneth Lay and/or Jeffrey Skilling relating to the April 18, 1998 memorandum from Mr. Gordon and Mr. Tilney to Mr. Allison?**

Mr. Allison recalls only one conversation with an Enron executive, which he believes occurred sometime in April 1998. While Mr. Allison does not recall the substance or specifics of the conversation, he is certain that he did not suggest to Enron that he or anyone else at Merrill Lynch would attempt to influence the research analyst coverage of Enron's stock. Mr. Allison further states that he never did anything to compromise the integrity or independence of Merrill Lynch's research analyst coverage of Enron's stock or the stock of any other company.

7. Why did Mr. Olson stop working for Merrill Lynch in 1998? Was his departure in any way related to the subject matter of the April 18, 1998, memorandum from Mr. Gordon and Mr. Tilney to Mr. Allison? Please provide all documents related to Mr. Olson's termination.

As is often the case with personnel decisions, there were a number of considerations underlying Olson's departure. First, as reflected in the enclosed materials (e.g., MS 24409, MS 24467), Merrill Lynch in 1998 reorganized and consolidated its coverage of gas industry companies under a single analyst as part of an ongoing implementation of cost-cutting and efficiency improvement measures. Another consideration informing the decision to release Olson was his consistent failure to achieve recognition in connection with various independent rankings of research analysts. Finally, the decision to terminate Olson's employment was also influenced by critical reviews from colleagues and others. For example, as reflected in the enclosed Termination Authorization Form (bates stamped MS 24411), Olson maintained "consistently poor relationships with the bankers covering his industry," which "undermined" his effectiveness and therefore Merrill Lynch's "competitive position in the marketplace ... to effectively sell and market its products and services."

Enclosed herewith are all additional materials identified to date (bates stamped MS 24410 through MS 24469) relating to Olson's termination.

8. Did Merrill Lynch seek or obtain a legal opinion from its counsel relating to its role in the LJM2 private placement offering or to the LJM2 private placement offering in general? If so, please provide a copy of that opinion. If not, why not?

As is the normal industry practice with respect to such mandates, Merrill Lynch did not engage legal counsel to provide an opinion in connection with its role as the private placement agent for LJM2 Co-Investment, L.P.

9. Did anyone at Merrill Lynch contact anyone on the Enron Board of Directors about LJM2? If so, what was discussed or communicated? If not, why not?

As placement agent, Merrill Lynch conducted due diligence in connection with LJM2 that addressed a number of issues, including, particularly, the concerns presented by Mr. Fastow's dual role as Enron Chief Financial Officer and managing member of LJM2's general partner. In addition to conferring with the law firms of Vinson & Elkins (Enron's outside counsel) and Kirkland & Ellis (LJM2 counsel), Merrill Lynch consulted with senior members of Enron's management, including Jeffrey Skilling, who at the time was both Chief Operating Officer and a member of Enron's Board of Directors.

In the course of this due diligence, Merrill Lynch was informed that Enron's Board had reviewed and approved Mr. Fastow's dual role (and, in so doing, waived the applicable code of conduct). Merrill Lynch also participated in separate telephone calls with Enron's Chief Accounting Officer Richard Causey and Mr. Skilling to confirm that they understood the structure of LJM2 and Fastow's proposed role. It was apparent to Merrill Lynch that they had spent a great deal of time considering

LJM2 matters, and were comfortable with Mr. Fastow's dual role. As memorialized in a previously produced Merrill Lynch memorandum (bates stamped MS 14783 through MS 14784), Mr. Skilling told Merrill Lynch the following reasons for Enron's comfort level: (1) Fastow had no control over asset sale decisions; (2) Causey would review all proposed transactions with LJM2; and (3) the Audit Committee of Enron's Board would receive and review LJM2's financial statements.

10. How many Merrill Lynch stock options did Robert Furst receive during the course of his employment at Merrill Lynch, how many did he exercise, when did he exercise them, and what was the value of those options at the time of their exercise?

Upon joining Merrill Lynch in July 1999, Mr. Furst received the right to 5,124 units payable in Merrill Lynch stock upon vesting (known as "Restricted Units") as partial compensation for forfeited income from his former employer. Based on the price of Merrill Lynch's stock at the time, the Restricted Units had a value of approximately $200,000. The Units do not fully vest until January 31, 2004.

For performance year 1999, Mr. Furst received stock-based compensation valued at approximately $390,000, including 5,954 Restricted Units valued at approximately $235,000 and 15,870 stock options (with a strike price of $43.78) valued at approximately $155,000. The Restricted Units do not fully vest until January 31, 2003. Mr. Furst exercised 3,174 of the options in May 2001 when the stock price was $68.04 (for a pre-tax gain of approximately $77,000). Of the remaining options, 3,174 are exercisable but "out of the money," and 9,522 are not yet exercisable.

For performance year 2000, Mr. Furst's stock-based compensation was valued at approximately $400,000, including 2,579 Restricted Units valued at approximately $200,000 and 10,315 stock options (with a strike price of $77.56) valued at approximately $200,000. The Restricted Units do not fully vest until January 31, 2004. While the options fully vested on August 1, 2001, Mr. Furst has not exercised any of them, as they are all "out of the money."

Mr. Furst did not receive any stock-based compensation for 2001.

11. Does Merrill Lynch's settlement with the New York State Attorney General preclude Merrill Lynch from having a research analyst make calls similar to those made by Mr. Olson to prospective Enron investors in late April and early June 1998?

No. While the May 21, 2002 agreement with the New York State Attorney General established a new industry standard for research independence and objectivity, it does not preclude research analysts from providing information concerning securities offerings to prospective investors, a common industry practice.

12. Attached please find a copy of an August 8, 2002, New York Times article that describes a December 1999 energy transaction between Enron and Merrill Lynch. This transaction was not included in the list Merrill Lynch gave the Subcommittee describing Enron/Merrill Lynch transactions. With respect to this issue, why did

Merrill Lynch not include this transaction on the list it provided to the Subcommittee? Are there additional transactions between Merrill Lynch and Enron that Merrill Lynch did not include? Please confirm or deny the accuracy of the facts presented in the article and please describe the transaction. Who were the primary people involved in the transaction on behalf of Merrill Lynch and on behalf of Enron?

The fact that Merrill Lynch had engaged in energy derivatives trades with Enron Power Marketing, Inc. ("EPMI") was disclosed to the Subcommittee. The list that Merrill Lynch provided to the Subcommittee in response to Chairman Levin's April 10, 2002 letter to David Komansky set forth in a document entitled "Exhibit A" specific advisory, capital markets, credit facility, and proprietary transactions. The list also set forth a general description of the various types of derivatives trades engaged in with Enron-related entities, including specifically "energy derivative trades" with EPMI. The list was provided in response to the request in the second paragraph of the April 10 letter and, as noted in Merrill Lynch's April 24 letter response, in accordance with discussions with the Subcommittee staff that clarified the scope of the overall requests.

Merrill Lynch conducted a substantial energy trading business from mid-1998 until the business was sold in January 2001. One of the counterparties in that business – and also a competitor of Merrill Lynch – was Enron. The derivatives trades that are the subject of the New York Times article you referenced were a part of that business.

The facts relating to the transactions are as follows. In early December 1999, Clifford Baxter (then the Chief Executive Officer of Enron North America) proposed to Dan Gordon (then head of Merrill Lynch's Global Power Trading Group) that EPMI and Merrill Lynch enter into two derivatives transactions. Under the first transaction, EPMI would purchase from Merrill Lynch daily call options that gave EPMI the right to obtain from Merrill Lynch the difference in dollars between (i) the market price of energy in the future as reflected in a designated index, and (ii) strike prices set forth in an agreement (financially settled call options). Under the second transaction, Merrill Lynch would buy from EPMI daily call options that gave Merrill Lynch the right to obtain the delivery of power from EPMI at contractually specified prices.

Mr. Gordon reviewed the proposed transactions and, with the assistance of Merrill Lynch's risk management team, attempted to assess and quantify the risks to which Merrill Lynch would be exposed in connection with them. They concluded that the trading risks were significant.

Mr. Gordon's conclusion was confirmed by his superior, Jeff Kronthal, then the head of Merrill Lynch's Global Derivatives Group. Mr. Kronthal believed that in addition to the trading risks identified by Mr. Gordon, Merrill Lynch faced significant operational risks should EPMI decide to satisfy its obligations through delivery of the output of Enron's power facilities. Messrs. Gordon and Kronthal concluded that Merrill Lynch would need to charge a relatively large premium to compensate for these trading and operational risks. (Eventually, Enron agreed to structure the trades, consistent with normal market practice, such that there was a $17 million net present value difference between the options premiums to be paid by the respective parties over the course of the trades in Merrill Lynch's favor.)

Merrill Lynch also was sensitive to the fact that the proposed trades were to take place just prior to year-end and would provide Enron with certain accounting benefits. Specifically, Mr. Baxter explained that Arthur Andersen had determined that Enron could continue to maintain off-balance sheet treatment of certain power facilities by selling the output of those facilities to Merrill Lynch through the call options. Merrill Lynch also understood that Enron would book additional revenue as a result of the trades.

Merrill Lynch engaged in an extensive review and approval process designed to ensure that the transactions (1) were legitimate "at-risk" transactions, (2) were fully considered by senior Merrill Lynch personnel in every key area, and (3) were known to and approved by senior Enron management and Arthur Andersen.

After Messrs. Gordon and Kronthal consulted with the Merrill Lynch investment bankers primarily responsible for the Enron relationship (Rob Furst and Schuyler Tilney), the group agreed that firm policy required that the proposed trades be presented to Merrill Lynch's Special Transactions Review Committee (the "STRC"), which was responsible for assessing and approving certain types of transactions that may yield a fee to Merrill Lynch of more than $5 million.

In advance of the STRC meeting, Mr. Gordon, in consultation with the Merrill Lynch lawyers covering the Power Trading Group, prepared a memorandum for the STRC summarizing the trades and the various issues presented. Specifically, the memorandum indicated (1) the year-end nature of the transactions, (2) Arthur Andersen's approval of the accounting treatment, and (3) the risks to Merrill Lynch.

Several days after receiving the memorandum, the STRC met to review the proposed trades. Attendees included Robert McCann (STRC Chairman and Chief Operating Officer of Merrill Lynch's Corporate and Institutional Group) and John McDermott (STRC Secretary and Merrill Lynch's Chief Compliance Officer for the Corporate and Institutional Group), as well as representatives from the legal, credit, risk management and business units.

The STRC discussed the nature of the trades and focused on the proposed accounting benefits to Enron. The committee ultimately determined that it would be prudent to proceed with the trades only after receiving assurances (1) that senior Enron managers were aware of the transactions (as well as the attendant risks and costs) and (2) that Arthur Andersen approved of the proposed accounting treatment.

The STRC obtained these assurances by speaking directly with Richard Causey, Enron's Chief Accounting Officer. Mr. Causey assured the STRC that Enron senior management was fully cognizant of the trades and had consulted extensively with Arthur Andersen regarding the accounting treatment. Impressed with Causey's familiarity with the transactions and his openness about the benefits to Enron, the STRC approved the trades, subject to receiving a letter from Mr. Causey confirming his oral representations. Shortly after the meeting, Mr. Causey sent Merrill Lynch a letter representing that "Enron has reviewed the Transactions with its outside auditors Arthur Andersen and Arthur Andersen concurs with Enron's proposed accounting for the Transactions."

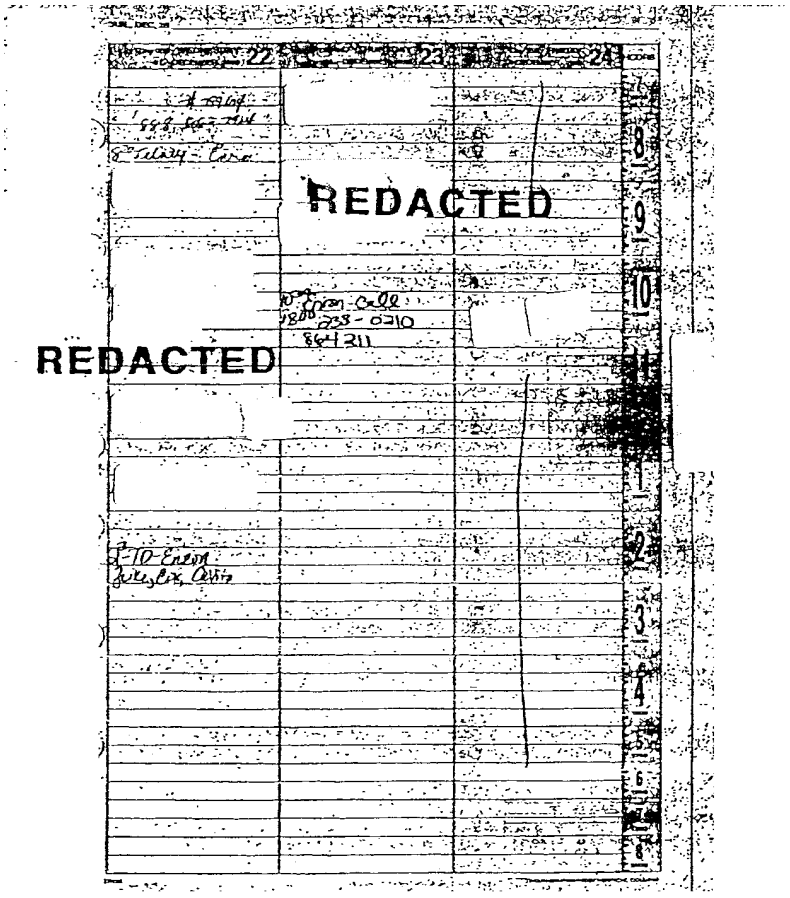
In February or March 2000, Mr. Baxter contacted Mr. Gordon to see if he would be willing to unwind the trades. Mr. Gordon said that he was willing to do so, but only if EPMI then paid a significant portion of the differential to Merrill Lynch that was embedded in the options premiums over the life of the transactions. Mr. Baxter declined the offer. By June 2000, Merrill Lynch's mark-to-market profit on the trades had increased by more than $2 million, and Mr. Baxter once again contacted Mr. Gordon to ask if he would terminate the transactions. This time, Messrs. Gordon and Baxter were able to reach agreement on a termination differential of $8.5 million.

Finally, Merrill Lynch believes there was nothing improper about the transactions, nor was there any pre-arrangement to cancel them. As to the latter issue, the negotiations that occurred in the first quarter of 2000 – when no agreement could be reached concerning termination – confirm that there was no such pre-arrangement. To the extent that anything appearing in the New York Times article is inconsistent with the facts set forth in this letter, Merrill Lynch stands by the statements contained herein.

Respectfully,

James B. Weidner

enclosures


REDACTED
REDACTED

Unknown

From: Olson, John (RSCH-HOU)
Sent: Friday, May 22, 1998 3:13 PM
To: Melnick, Andrew (RSCH)
Subject: Last Wednesday's Events

Andy, I was so stunned at your decision of Wednesday that I still feel bewildered at exactly where I have transgressed so badly in this Enron situation. I have taken the liberty of asking Ken Lay, Chairman and CEO of Enron Corporation to call you for no other reason but to tell you that I have made no "snide" remarks about Enron and/or its management team---recently or ever. Any reading of my last dozen reports on Enron will show you we have either been neutral or occasionally positive on the stock. We were right. ENE delivered a 15.5% average annual total return for the past five years. The market delivered 20.8%: and our recommendations delivered 22% to 40% annually (e.g. Williams). This has been an entirely professional relationship. I do not know where you are getting the information to have made this judgement about me: but I can only regret it.

As to my middle-of-the-road marketing rankings, I would urge you to remember that gas companies are not computer companies; and unfortunately they do not have the high profiles that we all want. When you find my replacement, it would be good of you to keep this in perspective.

One final problem. On the prior Friday, I had gone out and closed on my wife's dream house, never expecting the turn of events that came on last Wednesday. Had I known this was coming, I *never* would have closed on this house. We will be forced to put it back on the market immediately: and we will be lucky to sell it at what we paid for it.

The brokerage commission alone ran $103,500---which is what I will be out when the house sells. Could you be good enough to consider whether you can raise my exit settlement from $400,000 to $500,000 so as to mitigate this calamity? Obviously, my wife and I would be very greatful. Otherwise, I will be in touch with Linda G. next week. Thanks and regards, John Olson

Merrill Lynch

Memo

To: U.S. Fundamental Equity Research, Sales, Trading and Investment Banking

From: Stanley Rubin and Margo Vignola

Date: 09/05/2030

Re: Donato Eassey

We are pleased to announce that Donato Eassey our number 2 ranked Institutional Investor analyst (#1 in Greenwich) in Natural Gas Distributors will be assuming full coverage of the distributors, pipelines and integrated companies. In this endeavor, Donato will manage a team of analysts, including Rebecca Followill, Molly Ladd and Stephanie Joe. Donato and his team will continue to be based in Houston. John Olson who provided coverage on the pipelines and major integrateds has left Merrill Lynch to join another company in the region. Donato will resume coverage of John Olson's companies in a short amount of time. We wish all the best in these new endeavors.

Interoffice
Memorandum

Merrill Lynch

To: Margot Leffler
Human Resources, ML&Co

From: Susan Prel
Global Securities Research

Date: 5-15-98

RE: Attached TAF

Hi, Margot.

Linda asked me to put together the attached TAF because Andy is going to Houston on Tuesday and wants to take the A&R with him. I apologize for the last minute request...

John will be 56 in July; he currently earns $175,000. Under the policy, he is entitled to 9 weeks' basic severance, or 18 with signature. In addition, Research wishes him to receive a one-time only payment of $200,000 (representing 50% of his 1997 bonus). He received a stock grant of $125,000 in 1997, $100,000 in 1996, $80,000 in 1995 and $60,000 in 1994.

Do you think we can get this done in time?

(REVISED)
TERMINATION AUTHORIZATION FORM (Jan-98)

98C

JOHN OLSON	06871			
Employee Name	Employee Number			Initiative Number
9/28/92	6/26/98	8/31/98	10/30/98	1/1/99
Employment Date	Termination Date (Proposed)	SBC Start Date (Proposed)	Standard Policy SBC End Date (Proposed)	Transition Policy SBC End Date (Proposed)
GLOBAL SECURITIES RESEARCH	SR. SPECIALIST/FVP			98
Group/Department	Position Title			Grade/Band

REASON FOR TERMINATION

In the space below, state all factors involved in your decision to terminate this employee. Specify why this particular person is bein selected for salary and benefits continuation (SBC). Describe deficiencies in the employee's performance and make comparisons t other employee who perform similar work.

John Olson was hired in 1992 to be the Senior Fundamental Equities Research analyst for the Natural Gas industry. John is based i Houston. In his role as the senior most analyst in his industry segment, one of his most important responsibilities is to develop solic productive and cordial relationships with the internal and external clients of Merrill Lynch. In his tenure with the Firm, John has ha consistently poor relationships with the bankers covering his industry. Because he does not have good working relationships wit banking, his effectiveness is undermined. He has not, for instance, been ranked in *Institutional Investor* for some time. The result i that he cannot represent Merrill Lynch nor provide the firm with the competitive position in the marketplace it requires to effectivel sell and market its products and services.

We are requesting approval to job eliminate John. Research will not replace him; the senior position will be maintained by a senio analyst currently covering part of the same industry. A junior will be hired to support the other senior analyst.

We are recommending outplacement services for John.

Linda Gausney		
Manager's Name (print or type)	Manager's Signature	Date
Next-Level Manager's Name (print or type)	Next-Level Manager's Signature	Date
Margot Leffler		
Human Resources Representative's Name (print or type)	Human Resources Representative's Signature	Date Approved
Terry Kassel		
Human Resources Counsel's Name (print or type)	Human Resources Counsel's Signature	Date Approved

TERMINATION VERIFICATION	Termination Date (Actual)	Agreement and Release: ☐ unsigned or late ☐ signed and attached	Human Resources Representative's Signature

MS 24411

TERMINATION AUTHORIZATION FORM (Jan-98)

JOHN OLSON		06871		
Employee Name		Employee Number		Initiative Number
9/28/92	6/26/98	6/29/98	8/28/98	10/30/98
Employment Date	Termination Date (Proposed)	SBC Start Date (Proposed)	Standard Policy SBC End Date (Proposed)	Transition Policy SBC End Date (Proposed)
GLOBAL SECURITIES RESEARCH		SR. SPECIALIST/FVP		98
Group/Department		Position Title		Grade/Band

REASON FOR TERMINATION

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We are requesting approval to job eliminate John. Research will not replace him; the senior position will be maintained by a sen analyst currently covering part of the same industry. A junior will be hired to support the other senior analyst.

We are recommending outplacement services for John.

Linda Gausney	Second Rule for Linda Gausney	5-15-98
Manager's Name (print or type)	Manager's Signature	Date
Next-Level Manager's Name (print or type)	Next-Level Manager's Signature	Date
Margot Leffler		
Human Resources Representative's Name (print or type)	Human Resources Representative's Signature	Date Approved
Terry Kassel		
Human Resources Counsel's Name (print or type)	Human Resources Counsel's Signature	Date Approved

TERMINATION VERIFICATION	Termination Date (Actual)	Agreement and Release: ☐ unsigned or late ☐ signed and attached	Human Resources Representative's Signature

MS 24412

Registration Department

Office of General Counsel

100 Church Street
12th Floor
New York, New York 10080-6512
212 602-8475
FAX 212 602-6945

Merrill Lynch

September 9, 1998

John E. Olson
3448 Overbrook
Houston TX 77027

Dear Mr Olson:

Enclosed please find a copy of Form U5 which has been submitted to the appropriate regulatory agencies on your behalf.

Should you have any questions regarding this form, kindly call the contact person indicated on the bottom of this form.

Sincerely,

Michael Halecky

Michael Halecky
Manager

MH/jh
Enc.

FORM U-5

UNIFORM TERMINATION NOTICE FOR SECURITIES INDUSTRY REGISTRATION

Only items 13-15 may be amended. To amend, complete only items 1-4 and the item(s) being amended.

(1) LAST NAME	JR./SR., etc.	FIRST NAME	MIDDLE NAME (Specify if none)	(2) CRD # / NFA # / SOC SEC #
Olson		Jon		

(3) FIRM NAME: Merrill Lynch, Pierce, Fenner & Smith, Inc. — (2) FIRM CRD # / FIRM NFA #: 7691 / 2001

(4) FIRM MAIN ADDRESS — STREET: One Bessy Street Headquarters — CITY: New York — STATE: NY — ZIP: [illegible]

(6) BRANCH I.D. # | (7) OFFICE OF EMPLOYMENT ADDRESS — STREET: World Financial Center North Tower 4th Floor — CITY: New York — STATE: NY — ZIP: 102[illegible]

(5) If this is a multiple termination with one or more firms under common ownership or control with the firm named in item 3 above, list all firm CRD numbers and the firm name(s).

Firm CRD # _____ Name of Firm _____

Firm CRD # _____ Name of Firm _____

Firm CRD # _____ Name of Firm _____

(9) CHECK ONE: ☒ Full Termination (skip item 10) ☐ Partial Termination (If partial termination, check appropriate box(es) in item 10)

(10) TO BE TERMINATED WITH THE FOLLOWING:

SRO: ☐ ASE ☐ BSE ☐ CBOE ☐ CSE ☐ MSE ☒ NASD ☐ NFA ☐ NYSE ☐ PHLX ☐ PSE ☐ OTHER (Specify) _____

JURISDICTION: ☐ AK ☐ AL ☐ AR ☐ AZ ☐ CA ☐ CO ☐ CT ☐ DC ☐ DE ☐ FL ☐ GA ☐ HI ☐ IA ☐ ID ☐ IL ☐ IN ☐ KS ☐ KY ☐ LA ☐ MA ☐ MD ☐ ME ☐ MI ☐ MN ☐ MO ☐ MS ☐ MT ☐ NC ☐ ND ☐ NE ☐ NH ☐ NJ ☐ NM ☐ NV ☐ NY ☐ OH ☐ OK ☐ OR ☐ PA ☐ RI ☐ SC ☐ SD ☐ TN ☐ TX ☐ UT ☐ VA ☐ VT ☐ WA ☐ WI ☐ WV ☐ WY ☐ PR

(11) DATE TERMINATED 03/26/99 (Month / Day / Year) (Complete date of termination is required for full or partial termination.)

(12) REASON FOR TERMINATION: (Check one)

☐ Voluntary ☐ Deceased * ☐ Permitted to Resign * ☐ Discharged * ☒ Other

* Provide an Explanation: Reduction in staff

Complete Items 13-15 and signature block on reverse side.
Incomplete forms will be returned.

MS 24467

Rev. Form U-5 (11/97)

FORM U-5
UNIFORM TERMINATION NOTICE FOR SECURITIES INDUSTRY REGISTRATION

LAST NAME	JR./SR., etc.	FIRST NAME	MIDDLE NAME (Specify if none)
[illegible]		[illegible]	

CRD #	NFA #	SOCIAL SECURITY #	FIRM CRD #
35 [illegible]34		[illegible]-[illegible]-[illegible]3c	0 7 [illegible] 1

IF YOU ANSWER 'YES' TO ANY OF THE FOLLOWING QUESTIONS IN ITEMS 13 - 15 IS 'YES' AND YOU CANNOT UTILIZE THE CERTIFICATION IN ITEM 16 BELOW, ATTACH COMPLETE DETAILS OF ALL EVENTS OR PROCEEDINGS ON DRP-S(S).

REFER TO THE EXPLANATION OF TERMS SECTION OF FORM U-5 INSTRUCTIONS FOR EXPLANATIONS OF ITALICIZED TERMS.

		YES	NO	
13A	While employed by or associated with your firm, was the individual *involved* in any *disciplinary action* by a domestic or foreign governmental body or *self regulatory organization* (other than those designated as a *"minor rule violation"* under a plan approved by the U.S. Securities and Exchange Commission) with jurisdiction over the *investment-related* businesses?	☐	☐	1
13B	(1) In connection with events that occurred while the individual was employed or associated with your firm, was the individual:			
	(a) named as a respondent/defendant in an *investment-related*, consumer-initiated arbitration or civil litigation which alleged that the individual was *involved* in one or more *sales practice violations* and which: (i) is still pending, or; (ii) resulted in an arbitration award or civil judgment against the individual, regardless of amount, or; (iii) was settled for an amount of $10,000 or more. -OR-			
	(b) the subject of an *investment-related*, consumer-initiated, written complaint, not otherwise reported under question 13B(1)(a)(i-iii) above, which alleged that the individual was *involved* in one or more *sales practice violations*, and which complaint was settled for an amount of $10,000 or more?	☐	☐	2
	(2) In connection with events that occurred while the individual was employed by or associated with your firm, but for a period not to exceed the most recent twenty-four (24) months of employment, was the individual the subject of an *investment-related*, consumer-initiated, written complaint, not otherwise reported under question 13B (1) above, which:			
	(a) alleged that the individual was *involved* in one or more *sales practice violations* and contained a claim for compensatory damages of $5,000 or more (if no damage amount is alleged, the complaint must be reported unless the firm has made a good faith determination that the damages from the alleged conduct would be less than $5,000). -OR-			
	(b) alleged that the individual was *involved* in forgery, theft, misappropriation or conversion of funds or securities?	☐	☐	3
13C	While employed by or associated with your firm, was the individual:			
	(1) convicted of or did the individual plead guilty or nolo contendere ("no contest") in a domestic, or foreign or military court to: (a) any felony. -OR-			
	(b) a *misdemeanor involving* investments or an *investment-related* business, or any fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses?	☐	☐	4
	(2) *charged* with any *felony* -or- *charged* with a misdemeanor specified in 13C (1)(b)?	☐	☐	5
14	Currently is, or at termination was, the individual the subject of an *investigation* or *proceeding* by a domestic or foreign governmental body or *self-regulatory organization* with jurisdiction over *investment-related* businesses?	☐	☐	6
15	Currently is, or at termination was, the individual under internal review for fraud or wrongful taking of property, or violating investment-related statutes, regulations, rules or industry standards of conduct?	☐	☐	7

DISCLOSURE CERTIFICATION (OPTIONAL)

You may only certify to the accuracy and completeness of the disclosure information in the individual's file if it has been fully provided in DRP format. If DRP(s) are not on file, do not answer these certification boxes. Provide full details of all matters on DRP-S(s). All appropriate questions in items 13-15 above must be answered, regardless of whether the certification is being utilized. Refer to the instructions on the inside cover of the Form U-5 for additional information on the utilization of the certification language.

16 This is to certify that details relating to the above answers to Items 13, 14 or 15 have been previously reported on amendments to Form U-4 or Form U-5 filed on behalf of the individual. Updated information will be provided, if needed, as it becomes available to the firm. This is to further certify the following:

(A) There is no additional information to be reported at this time ☐ 8

(B) There is additional information to disclose that is reported on the appropriate DRP U-5(s) ☐ 9

(C) There is updated information, reported on the appropriate DRP U-5(s), relating to disclosures previously reported ☐ 10

I verify the accuracy and completeness of the information contained in and with this form.

09/13/96
MONTH DAY YEAR

Marie Kurtzjaro Vice President
SIGNATURE OF APPROPRIATE SIGNATORY

Marie Kurtzjaro Vice President
PRINT NAME OF APPROPRIATE SIGNATORY

REASON TO CONTACT FOR FURTHER INFORMATION
(212) 601-1475
TELEPHONE # OF PERSON TO CONTACT

MS 24468

JOSEPH I. LIEBERMAN, CONNECTICUT, CHAIRMAN

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RICHARD A. HERTLING, MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510–6250

October 18, 2002

John Merrigan, Esq.
Piper Rudnick LLP
901 15th Street, N.W.
Washington, DC 20005-2301

Dear Mr. Merrigan:

We are in receipt of your letter dated September 13, 2002, written on behalf of your client Merrill Lynch. Based upon the responses you have provided, the Subcommittee has some additional questions we request your client respond to in writing by November 1, 2002. If Merrill Lynch possesses documents or other materials relevant to the issues raised below that it has not already produced, please provide them to the Subcommittee with your responses.

1. Please list the individuals on the Debt Markets Capital Committee (DMCC) that reviewed the proposed Nigerian Barge transaction between Enron and Merrill Lynch. Please describe how and when the DMCC convened to consider the proposed Nigerian barge transaction, and provide any minutes, notes or other documents relating to or resulting from those meetings or discussions. Please describe what was discussed at each meeting or discussion that addressed the Nigerian barge transaction. Please identify all individuals who attended and/or participated in those meetings or discussions (regardless of whether the individual was on the DMCC or not). Has Merrill Lynch conducted a search of the records, files or computers of each of these individuals to determine if they possess documents responsive to the Subcommittee subpoena? If so, please describe those efforts. Have all such responsive documents been produced?

2. Attached is a Merrill Lynch appropriations document relating to the Nigerian barge transaction between Merrill Lynch and Enron, Bates-stamped MS 05330-34. In whose records, files or computer was this document located? If a similar appropriations document was found in the records, files or computers of more than one individual, please list these individuals and produce these documents. Please identify the handwriting contained on Bates number MS 05332.

3. In response to a question relating to whether or not there exists a committee similar to the DMCC that reviews equity investments, you note in your September 13, 2002 letter that:

> Because of the potentially lengthy nature of [an appropriations governance] process, and given time constraints, the barge transaction was reviewed by the

DMCC, which was occasionally asked to scrutinize proposed non-debt transactions such as equity investments structured with bridge-like features.

How many other times in 1998, 1999, and 2000 did the DMCC scrutinize "proposed non-debt transactions"? What were the "bridge-like features" of the Nigerian barge transaction you mention in your letter? How many other times in 1998, 1999, and 2000 did the DMCC scrutinize equity investments structured with "bridge-like features"?

If you have any questions about these requests, please contact Tim Henseler at (202) 224-9123 (Senator Levin) or Claire Barnard at (202) 224-3721 (Senator Collins). Thank you for your responses.

Sincerely,

Susan M. Collins

Susan Collins, Ranking Republican

Carl Levin

Carl Levin, Chairman
Permanent Subcommittee on Investigations

CL:SC:th
Enclosure

APPROPRIATION REQUEST-COVER PAGE

($ in Thousands)

Management Unit:	CICG	Project Name:	Enron Nigerian Barge Equity
Group:	IBK	Financial Commitment:	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. Enron must close this transaction by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they have assured us that we will be taken out of our investment within six months. The investment would have a maximum 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is projected to be$39 million from the Nigerian government. Enron wants to sell the first 3 years of cash flow for $28MM. They propose to do this by having ML establish a U.S. special purpose entity (the SPE"), owned by Merrill Lynch. The SPE will be capitalized by our $7MM investment and a $21MM non-recourse loan from Enron Corp which will then purchase non-voting common stock in the Enron subsidiary that owns the barges. Enron will have a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment to guaranty the ML takeout within six months.

Enron has strongly requested ML to enter into this transaction. Enron has paid ML approximately $40 million in fees in 1999 and is expected to do so again in 2000.

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG

Project Name: Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: _____ Rob Furst

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

Group Finance Director: _____

Group EVP: _____

Other Reviews		Corporate Approvals	
Debt Markets Capital Committee:	_____ Group/Date	Chief Financial Officer:	_____
Peer Project Review:	_____ Date	Executive Committee:	_____
		Audit and Finance Committee:	_____
Date Approved:	_____	Other:	_____

Appendix

I. PROPOSED CORPORATE STRUCTURE

Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to SPV)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project Only

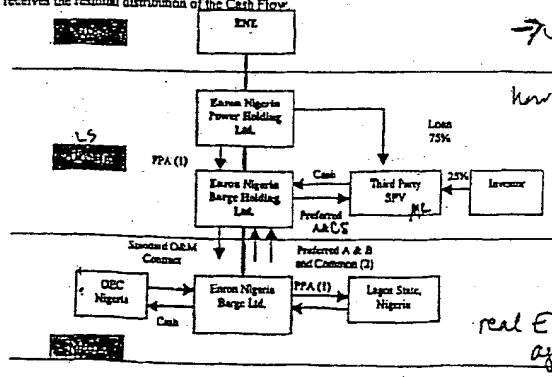
Shareholder Structure

There will be three classes of stock two preferred and one common. The Purchaser will purchase the Preferred A Shares and the Common Shares. Enron will own the Preferred B Shares. The summary below indicates the economic interests before and after the Trigger Date. In each case, the table indicates the Cash Flow rights of each shareholder class after the previous class shareholder has received their percentage share of the Cash Flow.

Economic Interest (Percent of Cash Flow ("CF")

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B, (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.005 of CF After Pref A&B	100.00% of CF After Pref A&B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% of the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.



TIME LINE

(1) PPA is between Enron Nigeria Power Holding Ltd and the Lagos State of Nigeria. Subsequently, the rights to the PPA (barge activities only) are assigned to Enron Nigeria Barge Holding Ltd. Which in turn assigns the rights to Enron Nigeria Barge Ltd.

(2) Enron Nigerian Barge Ltd. A&B Preferred and Common Shares are issued to Enron Barge Holding Ltd.

(3) Preferred A Shares and Common are sold from Enron Nigeria Barge Holding Ltd. To a third party who assumes true equity risk involved with the Enron Nigeria Barge Ltd.

II. BARGE PROJECT ECONOMIC SUMMARY

Cost Summary (US $000)

Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,123	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and d90% of the three year cash flow is $39.7 million.

It is the intention of Enron to provide to the Investor monthly distributions of net cash flow, and to have an Enron affiliate provide up to 75% of seller financed debt. The proposed debt period is three years with an interest rate of 12% per year.

III. ENRON OVERVIEW

Merrill Lynch's relationship with Enron Corp. (the "Company" or "Enron") has developed significantly over the past year as Enron will generate more than $40 million in investment banking fees in 1999. The following points identify current issues related to the Company and significant recent Enron transactions in which Merrill was involved.

- Lead managed Azurix's, Enron's international water utility subsidiary, IPO ($700 million)
  - Advised on subsequent $235 million acquisition of AMX Acqua Management Inc.
  - Currently working on several buy side advisory assignments
  - Co-lead for $500-750 million high yield issuance (currently on hold)
- Co-managed a New Issue Common Equity offering for Enron Corp. ($865 million)

Currently working with the CFO to raise a $500 million private equity fund (LJM2)

Currently pitching to become Enron's financial advisor for private equity in its telecommunications subsidiary (Enron Communications)

The Company is actively exploring power opportunities in continental Europe

Company Overview

Enron is a global diversified energy company. Enron is the largest buyer and seller of natural gas and electricity in the world and owns 32,000 miles of natural gas pipelines in the U.S. The Company also is one of the largest independent developers, operators and producers of electricity worldwide, with facilities in Europe, Asia, the Americas and the Pacific Rim. Once completed, the Company's long-haul fiber optic network will be the first Internet Protocol backbone in the U.S. Additionally, through its international water company, Enron owns and/or operates water systems in the U.S., Europe, Canada, Mexico and Argentina. As of June 30, 1999, Enron's total assets were $34 billion and its equity market capitalization was approximately $32 billion. For the year ended December 31, 1998, Enron generated revenue of $31.3 billion, up 52% over the year ended December 31, 1997. The Company has grown its revenue and operating profit at an annualized rate of 50% and 30% over the period from 1995 to 1998, respectively, and has been named the most innovative company in the world by Forbes for the past four years.

Enron is organized as a holding company with four energy-related operating subsidiaries (Enron North America, Enron Gas Pipelines, Enron Energy Services and Portland General) a telecommunications subsidiary (Enron Communications) and an international water company (Azurix). Enron's regulated business includes two operations - natural gas pipelines, comprised of Enron Gas Pipelines, which owns and operates all of Enron's federally regulated interstate natural gas pipelines, and Portland General (Enron recently announce the sale of Portland General which should close in the next year), an electric distribution, transmission and generation company serving the Oregon market. Wholesale energy services, comprised of Enron North America, is currently Enron's largest business as measured by operating profit, and provides commodity sales (natural gas, electricity, and other energy commodities) and services (asset management, risk management) to large industrial, commercial and utility customers in the U.S. and internationally. Enron's newest energy business is its retail energy services business, comprised of Enron Energy Services, which provides total energy outsourcing solutions to major corporations in the U.S. These solutions include infrastructure management packaged with new equipment installation and commodity purchases on behalf of the large corporate customers.

Enron's two newest businesses, Enron Communications and Azurix, are positioned to take advantage of positive business fundamentals outside of Enron's energy operations. Enron Communications is constructing an over 10,000 mile nationwide long haul fiber optic network that will offer broadband application services over an Internet Protocol network. Additionally, Enron Communications is pursuing an opportunity to create a market for the trading of bandwidth capacity on fiber systems. Azurix is an $850 million publicly traded international water company (70% controlled by Enron) which plans to take advantage of the significant opportunities that exist for private sector participation in the global water industry, including acquiring existing water and wastewater systems via privatizations, providing water and wastewater related services to municipal and industrial water markets and developing and managing water resources.

JOSEPH I. LIEBERMAN, CONNECTICUT, CHAIRMAN

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JOYCE A. RECHTSCHAFFEN, STAFF DIRECTOR AND COUNSEL
RICHARD A. HERTLING, MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510–6250

October 18, 2002

Mr. G. Kelly Martin
Senior Vice President
Merrill Lynch, Pierce, Fenner & Smith, Inc.
4 World Financial Center
250 Vesey Street, 32nd Floor
New York, NY 10080

Dear Mr. Martin:

We are in receipt of the letter dated September 13, 2002, written by Mr. James Weidner of Clifford Chance US LLP on behalf of Merrill Lynch. Based upon the responses Merrill Lynch has provided, the Subcommittee has the following additional questions which we would appreciate Merrill Lynch responding to in writing by November 1, 2002. As before, if Merrill Lynch possesses documents or other materials relevant to the issues raised below that it has not already produced, please provide them to the Subcommittee by the same date.

1. Please explain how Ebarge, LLC (Ebarge), a wholly owned Merrill Lynch special purpose entity, could generate tax benefits to Enron by being redomiciled in the Cayman Islands. If Merrill Lynch was the sole owner of Ebarge, what tax benefits could accrue to Enron as a result of Merrill Lynch's redomiciling Ebarge in the Cayman Islands? What tax benefits did accrue to Enron as a result of Merrill Lynch's redomiciling Ebarge in the Cayman Islands? Who at Enron communicated to Merrill Lynch the tax benefits Enron sought to achieve by redomiciling Ebarge in the Cayman Islands, and to whom at Merrill Lynch were those sought-after Enron tax benefits conveyed? Please provide copies of any documents that explain or relate to the tax benefits Enron sought from Merrill Lynch's redomiciling Ebarge in the Cayman Islands.

2. What benefits (tax or otherwise) did Merrill Lynch receive by redomiciling Ebarge in the Cayman Islands? Please identify and quantify all costs and any lost benefits that accrued to Merrill Lynch as a result of redomiciling Ebarge in the Cayman Islands.

3. Who at Merrill Lynch was involved in redomiciling Ebarge, and who at Merrill Lynch made the decision to redomicile Ebarge? Why did Merrill Lynch agree to redomicile Ebarge? Why were the Cayman Islands selected?

4. Did Ebarge generate any income during the period of Merrill Lynch's ownership? If so, how much did it generate? Was any of this taxable income, and if so, how much?

5. In your response to question 5 of our August 16, 2002 letter, you stated that "no individual within Merrill Lynch superior or equal to [Mr. John] Olson in rank . . . specifically recalls any discussion with Olson that related to complaints about his research coverage of Enron."

   (a) Does any individual who currently works for Merrill Lynch generally recall any communications with Mr. Olson related to any of the issues listed in question 5 of our August 16, 2002 letter? If so, please identify these individuals, and provide a summary of their communications with Mr. Olson relating to these issues.

   (b) Do any individuals who worked for Merrill Lynch in 1998 recall (generally or specifically) any communications with Mr. Olson related to any of the issues listed in question 5 of our August 16, 2002 letter? If so, please identify these individuals, and provide a summary of their communications with Mr. Olson relating to these issues.

   (c) Did Merrill Lynch at any time discuss any of the issues listed in question 5 of our August 16, 2002 letter with Andrew Melnick or any other former Merrill Lynch employee who was employed at Merrill Lynch in 1998? If so, please identify these individuals and provide a summary of each of those communications.

6. Your response to question 6 of our August 16, 2002 letter states that "Mr. Allison recalls only one conversation with an Enron executive, which he believes occurred sometime in April 1998." Please identify this executive and why Mr. Allison was speaking with this executive. Did Mr. Allison initiate the conversation? Was the conversation in person, by telephone, or by some other means? Does Mr. Allison recall anything about the call? If so, what does he recall?

7. Please respond "yes" or "no" to the following question: was Mr. Olson's departure from Merrill Lynch in any way related to the subject matter of the April 18, 1998 memorandum from Rick Gordon and Schuyler Tilney to Herb Allison? If the answer is "yes," please explain how it was related.

If you have any questions about these requests, please contact Tim Henseler at (202) 224-9123 (Senator Levin) or Claire Barnard at (202) 224-3721 (Senator Collins). Thank you for your response.

Sincerely,

Susan M. Collins — Susan Collins, Ranking Republican

Carl Levin — Carl Levin, Chairman
Permanent Subcommittee on Investigations

CL:SC:th

Piper Rudnick

November 8, 2002

BY HAND

The Honorable Carl Levin, Chairman
The Honorable Susan Collins, Ranking Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510-6250

Dear Sir and Madam:

I write on behalf of Merrill Lynch in response to your October 18, 2002 letter containing additional questions arising out of my letter to you of September 13, 2002. Merrill Lynch is pleased to provide the requested information, which is set forth below and in the enclosed documents. If Merrill Lynch can be of any further assistance to the Subcommittee in its investigation relating to Enron Corporation, please do not hesitate to contact me.

1. **Please list the individuals on the Debt Markets Capital Committee (DMCC) that reviewed the proposed Nigerian Barge transaction between Enron and Merrill Lynch. Please describe how and when the DMCC convened to consider the proposed Nigerian barge transaction, and provide any minutes, notes or other documents relating to or resulting from those meetings or discussions. Please describe what was discussed at each meeting or discussion that addressed the Nigerian barge transaction. Please identify all individuals who attended and/or participated in those meetings or discussions (regardless of whether the individual was on the DMCC or not). Has Merrill Lynch conducted a search of the records, files or computers of each of these individuals to determine if they possess documents responsive to the Subcommittee subpoena? If so, please describe those efforts. Have all such responsive documents been produced?**

Members of the Debt Markets Commitment Committee (the "DMCC") spoke on or about December 22, 1999 to discuss the proposed transaction. Likely participants included James Brown, Kevin Cox, Robert Furst, Schuyler Tilney, Paul Wood, and Katherine Zrike. Others may have participated in person or by phone. The meeting participants engaged in an open and frank discussion about the transaction, the fact that Arthur Andersen had approved Enron's proposed accounting treatment, the immaterial size of the transaction relative to Enron's revenues, and the financial risks to Merrill Lynch presented by the transaction. The group also specifically addressed concerns regarding the propriety of the transaction. Since the DMCC did not have the authority to approve proprietary investments, no vote was taken. However, members of the DMCC had no objection to proceeding with the transaction, subject to its being considered for approval by Thomas Davis.

To date, Merrill Lynch has engaged in extensive efforts to collect all materials relating to Enron that may be responsive to the Subcommittee's subpoena or to any of the numerous inquiries from other government agencies, including requests for and review of all related materials from each of the

above-referenced individuals. Additionally, Merrill Lynch continues to retrieve and review archived e-mail communications.

Enclosed herewith are additional materials (bates stamped MS 24572 through MS 24577) responsive to the Subcommittee's request. With this letter and its enclosures, Merrill Lynch has now produced all non-privileged information and materials identified to date relating to the DMCC's review of the barge transaction.

2. **Attached is a Merrill Lynch appropriations document relating to the Nigerian barge transaction between Merrill Lynch and Enron, Bates-stamped MS 05330-34. In whose records, files or computer was this document located? If a similar appropriations document was found in the records, files or computers of more than one individual, please list these individuals and produce these documents. Please identify the handwriting contained on Bates number MS 05332.**

The document in question was located in the files of Katherine Zrike, who also made the notations located on the page bearing the bates number MS 05332.

Additional copies of the draft Appropriation Request were located within the common electronic database for Merrill Lynch's Houston office, and also in the files of James Brown, Michael DeBellis, Christopher Vendome, Gary Dolan, and Joseph Valenti. All such copies are enclosed herewith and bates stamped MS 24578 through MS 24625.

3. **In response to a question relating to whether or not there exists a committee similar to the DMCC that reviews equity investments, you note in your September 13, 2002 letter that:**

> **Because of the potentially lengthy nature of [an appropriations governance] process, and given time constraints, the barge transaction was reviewed by the DMCC, which was occasionally asked to scrutinize proposed non-debt transactions such as equity investments structured with bridge-like features.**

How many other times in 1998, 1999, and 2000 did the DMCC scrutinize "proposed non-debt transactions"? What were the "bridge-like features" of the Nigerian barge transaction you mention in your letter? How many other times in 1998, 1999, and 2000 did the DMCC scrutinize equity investments structured with "bridge-like features"?

The DMCC is a highly respected committee within Merrill Lynch composed of professionals with wide-ranging expertise in credit, banking, legal, and risk management issues, and, as noted, the DMCC on occasion was asked to review complex proposed non-debt transactions technically outside

of the committee's province. Given the ad hoc nature of such reviews, however, the DMCC does not regularly keep records of transactions that it may comment on but does not approve. Thus, while the committee reviewed other non-debt transactions (including those that may have had "bridge-like" features) the exact number of such transactions cannot be determined.

Regarding the "bridge-like" nature of the barge transaction, clients occasionally ask Merrill Lynch to serve as a short-term investor to "bridge" projects or ventures through the purchase of equity. Enron requested that Merrill Lynch make such a short-term equity investment through the barge transaction.

Respectfully,

John Merrigan

enclosures

From: Bynum, Brad (IBK-DAL)
Sent: Wednesday, December 22, 1999 10:20 AM
To: DeVito, Mark (CICG - CAPMKTS); Brown, James (CICG - CAPMKTS); Fuhs, William (CICG - CAPMKTS)
Subject: DMCC for Enron Project

December 22 1999
MEMO2.doc

Brad Bynum
Associate
Investment Banking
200 Crescent Court, Suite 550
Dallas, Texas 75201
☎ 214-849-5320
🖷 214-849-5399
✉ bbynum@exchange.ml.com

MS 24572

Interoffice Memorandum

To: Debt Markets Commitment Committee

From: **Project Finance and Lease Group:** James Brown
Debt Capital Markets: Mark Devito
ML Houston: Schuyler Tilney
ML Dallas: Rob Furst, Brad Bynum

Tel: **Leveraged Finance Group:** x8427
Debt Capital Markets: x4908
ML Houston: 713-759-2530
ML Dallas: 214-849-5350, x5320

Merrill Lynch

Date: December 22, 1999

Subject: $7.0 MILLION EQUITY BRIDGE COMMITMENT

I. SUMMARY AND TRANSACTION OVERVIEW

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. The transaction must close by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they believe our hold will be for less than six months. The investment would have a 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is $39 million. Enron wants to monetize the first 3 years of cash flow for $28MM. They will do this by establishing a U.S. special purpose vehicle. The special purpose vehicle will be capitalized by our $7MM investment and a $21MM loan from Enron Corp. Enron has a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment.

Enron is a top client to Merrill Lynch. Enron views the ability to participate in transactions as adding significant value. Enron has generated a fee to ML in excess of $40 MM in 1999.

II. PROPOSED CORPORATE STRUCTURE

Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to SPV)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project Only

Draft

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Merrill Lynch

Date: December 22, 1999

Subject: $7.0 MILLION EQUITY BRIDGE COMMITMENT

TRANSACTION SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co.
Timing:	Closing by year end.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

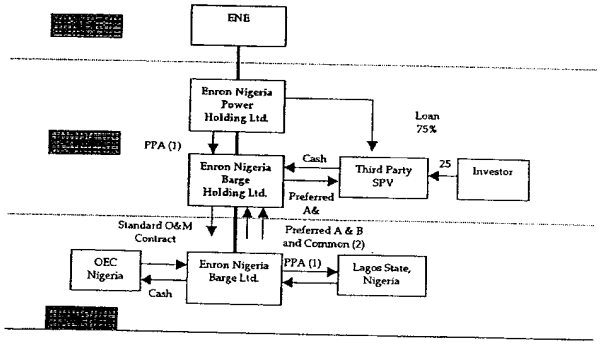
Shareholder Structure

There will be three classes of stock two preferred and one common. The Purchaser will purchase the Preferred A Shares and the Common "Shares. Enron will own the Preferred B Shares. The summary below indicates the economic interests before and after the Trigger Date. In each case, the table indicates the Cash Flow rights of each shareholder class after the previous class shareholder has received their percentage share of the Cash Flow.

Economic Interest (Percent of Cash Flow ("CF")

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B, (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.005 of CF After Pref A&B	100.00% of CF After Pref A&B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% of the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.



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Cost Summary (US $000)

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Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,123	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and d90% of the three year cash flow is $39.7 million.

It is the intention of Enron to provide to the Investor monthly distributions of net cash flow, and to have an Enron affiliate provide up to 75% of seller financed debt. The proposed debt period is three years with an interest rate of 12% per year.

IV. ENRON OVERVIEW

Merrill Lynch's relationship with Enron Corp. (the "Company" or "Enron") has developed significantly over the past year as Enron will generate more than $40 million in investment banking fees in 1999. The following points identify current issues related to the Company and significant recent Enron transactions in which Merrill was involved.

- Lead managed Azurix's, Enron's international water utility subsidiary, IPO ($700 million)
  - Advised on subsequent $235 million acquisition of AMX Acqua Management Inc.
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  - Co-lead for $500-750 million high yield issuance (currently on hold)
- Co-managed a New Issue Common Equity offering for Enron Corp. ($865 million)
- Currently working with the CFO to raise a $500 million private equity fund (LJM2)
- Currently pitching to become Enron's financial advisor for private equity in its telecommunications subsidiary (Enron Communications)
- The Company is actively exploring power opportunities in continental Europe

Company Overview

Enron is a global diversified energy company. Enron is the largest buyer and seller of natural gas and electricity in the world and owns 32,000 miles of natural gas pipelines in the U.S. The Company also is one of the largest independent developers, operators and producers of electricity worldwide, with facilities in Europe, Asia, the Americas and the Pacific Rim. Once completed, the Company's long-haul fiber optic network will be the first Internet Protocol backbone in the U.S. Additionally, through its international water company, Enron owns and/or operates water systems in the U.S., Europe, Canada, Mexico and Argentina. As of June 30, 1999, Enron's total assets were $34 billion and its equity market capitalization was approximately $32 billion. For the year ended

December 31, 1998, Enron generated revenue of $31.3 billion, up 52% over the year ended December 31, 1997. The Company has grown its revenue and operating profit at an annualized rate of 50% and 30% over the period from 1995 to 1998, respectively, and has been named the most innovative company in the world by Forbes for the past four years.

Enron is organized as a holding company with four energy-related operating subsidiaries (Enron North America, Enron Gas Pipelines, Enron Energy Services and Portland General) a telecommunications subsidiary (Enron Communications) and an international water company (Azurix). Enron's regulated business includes two operations - natural gas pipelines, comprised of Enron Gas Pipelines, which owns and operates all of Enron's federally regulated interstate natural gas pipelines, and Portland General (Enron recently announce the sale of Portland General which should close in the next year), an electric distribution, transmission and generation company serving the Oregon market. Wholesale energy services, comprised of Enron North America, is currently Enron's largest business as measured by operating profit, and provides commodity sales (natural gas, electricity, and other energy commodities) and services (asset management, risk management) to large industrial, commercial and utility customers in the U.S. and internationally. Enron's newest energy business is its retail energy services business, comprised of Enron Energy Services, which provides total energy outsourcing solutions to major corporations in the U.S. These solutions include infrastructure management packaged with new equipment installation and commodity purchases on behalf of the large corporate customers.

Enron's two newest businesses, Enron Communications and Azurix, are positioned to take advantage of positive business fundamentals outside of Enron's energy operations. Enron Communications is constructing an over 10,000 mile nationwide long haul fiber optic network that will offer broadband application services over an Internet Protocol network. Additionally, Enron Communications is pursuing an opportunity to create a market for the trading of bandwidth capacity on fiber systems. Azurix is an $850 million publicly traded international water company (70% controlled by Enron) which plans to take advantage of the significant opportunities that exist for private sector participation in the global water industry, including acquiring existing water and wastewater systems via privatizations, providing water and wastewater related services to municipal and industrial water markets and developing and managing water resources.

V. PRELIMINARY INFORMATION MEMORANDUM

Attached

APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	**Project Name:**	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. Enron must close this transaction by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they have assured us that we will be taken out of our investment within six months. The investment would have a maximum 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is projected to be$39 million from the Nigerian government. Enron wants to sell the first 3 years of cash flow for $28MM. They propose to do this by having ML establish a U.S. special purpose entity (the SPE"), owned by Merrill Lynch. The SPE will be capitalized by our $7MM investment and a $21MM non-recourse loan from Enron Corp which will then purchase non-voting common stock in the Enron subsidiary that owns the barges. Enron will have a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment to guaranty the ML takeout within six months.

Enron has strongly requested ML to enter into this transaction. Enron has paid ML approximately $40 million in fees in 1999 and is expected to do so again in 2000.

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG

Project Name: Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: _____ Rob Furst

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

Group Finance Director: _____

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Other Reviews

Debt Markets Capital Committee: _____ Group/Date

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Appendix

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Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
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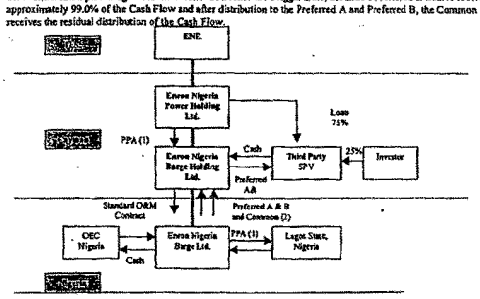

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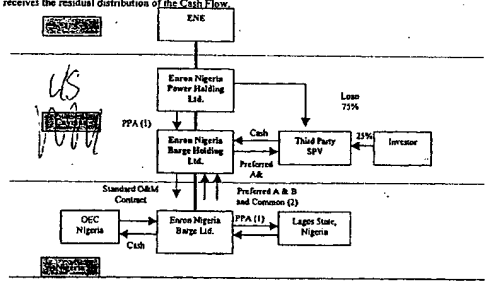

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APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	*Project Name:*	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. Enron must close this transaction by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they have assured us that we will be taken out of our investment within six months. The investment would have a maximum 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is projected to be$39 million from the Nigerian government. Enron wants to sell the first 3 years of cash flow for $28MM. They propose to do this by having ML establish a U.S. special purpose entity (the SPE"), owned by Merrill Lynch. The SPE will be capitalized by our $7MM investment and a $21MM non-recourse loan from Enron Corp which will then purchase non-voting common stock in the Enron subsidiary that owns the barges. Enron will have a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment to guaranty the ML takeout within six months.

Enron has strongly requested ML to enter into this transaction. Enron has paid ML approximately $40 million in fees in 1999 and is expected to do so again in 2000.

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG **Project Name:** Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: _____ Rob Furst

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

Group Finance Director: _____

Group EVP: _____

Other Reviews

Debt Markets Capital Committee: _____ Group/Date

Peer Project Review: _____ Date

Date Approved: _____

Corporate Approvals

Chief Financial Officer: _____

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Purchase Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to SPV)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project Only

Shareholder Structure

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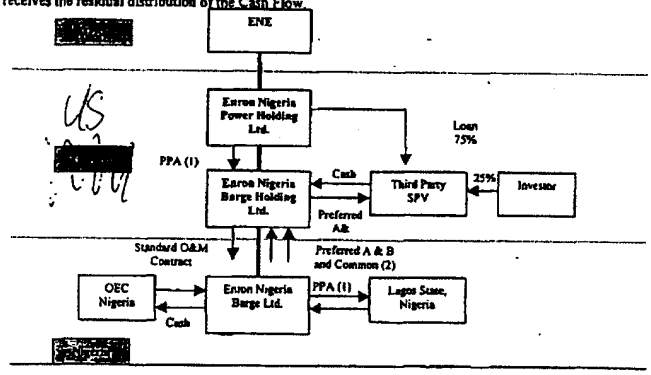
Economic Interest (Percent of Cash Flow ("CF")

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B, (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.005 of CF After Pref A&B	100.00% of CF After Pref A&B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% of the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.



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Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
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The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and d90% of the three year cash flow is $39.7 million.

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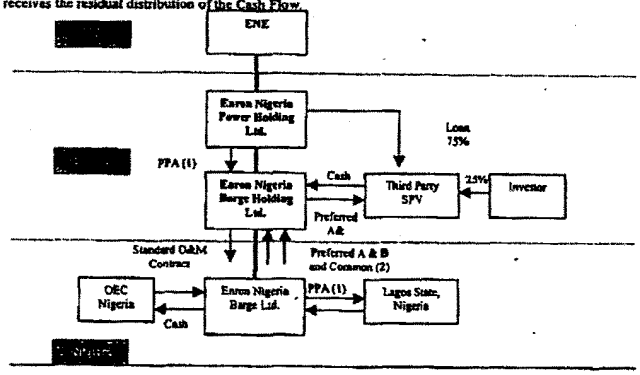

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DEC 23 '99 09:24 FR MERRILL LYNCH

APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	**Project Name:**	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

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DEC 23 '99 05:24 FR MERRILL LYNCH

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG **Project Name:** Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

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Rod Furst

Mgmt. Unit Controller: _____

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DEC 23 '99 08:25 FR MERRILL LYNCH

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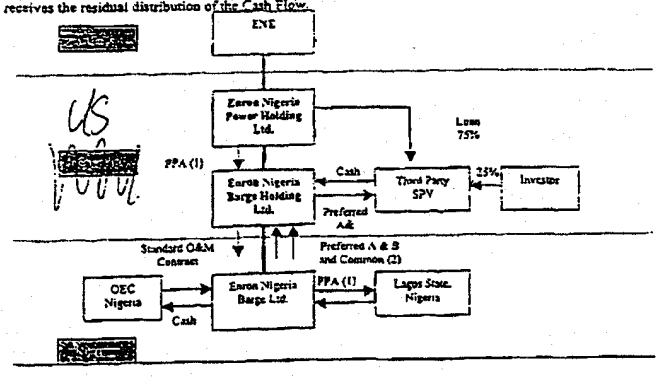

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APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	Project Name:	Enron Nigerian Barge Equity
Group:	IBK	Financial Commitment:	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. Enron must close this transaction by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they have assured us that we will be taken out of our investment within six months. The investment would have a maximum 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is projected to be$39 million from the Nigerian government. Enron wants to sell the first 3 years of cash flow for $28MM. They propose to do this by having ML establish a U.S. special purpose entity (the SPE"), owned by Merrill Lynch. The SPE will be capitalized by our $7MM investment and a $21MM non-recourse loan from Enron Corp which will then purchase non-voting common stock in the Enron subsidiary that owns the barges. Enron will have a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment to guaranty the ML takeout within six months.

Enron has strongly requested ML to enter into this transaction. Enron has paid ML approximately $40 million in fees in 1999 and is expected to do so again in 2000.

Appendix

I. PROPOSED CORPORATE STRUCTURE

Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to SPV)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project Only

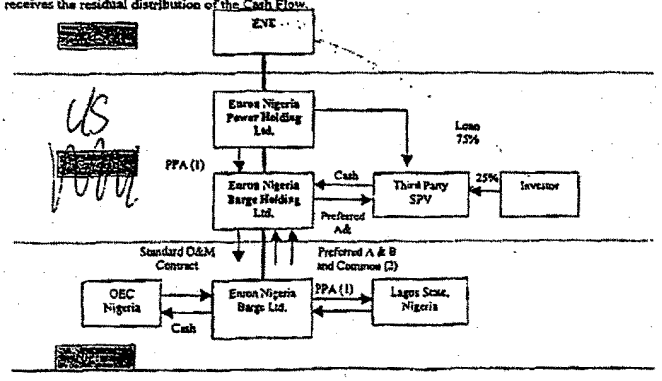
Shareholder Structure

There will be three classes of stock two preferred and one common. The Purchaser will purchase the Preferred A Shares and the Common "Shares. Enron will own the Preferred B Shares. The summary below indicates the economic interests before and after the Trigger Date. In each case, the table indicates the Cash Flow rights of each shareholder class after the previous class shareholder has received their percentage share of the Cash Flow.

Economic Interest (Percent of Cash Flow ("CF")

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B, (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.00% of CF After Pref A&B	100.00% of CF After Pref A&B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% of the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.



TIME LINE

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Cost Summary (US $000)

Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,123	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and d90% of the three year cash flow is $39.7 million.

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DEC 23 '99 09:24 FR MERRILL LYNCH

APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	**Project Name:**	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vinceet & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

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DEC 23 '95 09:24 FR MERRILL LYNCH

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG

Project Name: Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: _____ Rob Furst

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

Group Finance Director: _____

Group EVP: _____

Other Reviews

Debt Markets Capital Committee: _____ Group/Date

Peer Project Review: _____ Date

Data Approved: _____

Corporate Approvals

Chief Financial Officer: _____

Executive Committee: _____

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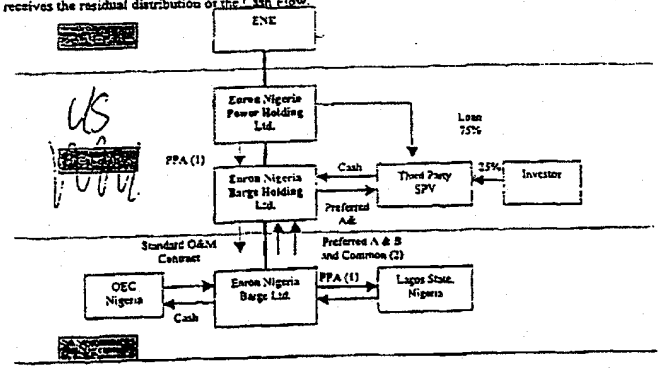

DEC 23 '99 09:25 FR ENRON ... 202 ... TO 3269 P.02

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Working capital and Spares	2,119
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To: Gary Dolan 3x3207

APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	**Project Name:**	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

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Maturity:	Less than six months
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Independent Auditors:	NA
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MS 24612

DEC 22 '99 05:15PM MERRILL LYNCH ABFG P.1/5

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG

Project Name: Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: _____ Rob Furst

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

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Other Reviews

Debt Markets Capital Committee: _____ Group/Date

Peer Project Review: _____ Date

Date Approved: _____

Corporate Approvals

Chief Financial Officer: _____

Executive Committee: _____

Audit and Finance Committee: _____

Other: _____

MS 24613

DEC 22 '99 08:15PM MERRILL LYNCH ABFG P.2/5

Appendix

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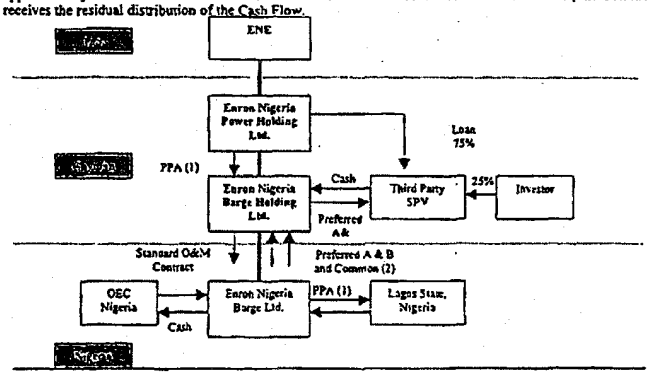

P.3/5
DEC 22 '99 05:15PM MERRILL LYNCH ABFG

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DEC 22 '99 05:16PM MERRILL LYNCH ABFG P.4/5

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To: Gary Dolan 3x3207

APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CIGG	**Project Name:**	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. Enron must close this transaction by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they have assured us that we will be taken out of our investment within six months. The investment would have a maximum 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is projected to be$39 million from the Nigerian government. Enron wants to sell the first 3 years of cash flow for $28MM. They propose to do this by having ML establish a U.S. special purpose entity (the SPE"), owned by Merrill Lynch. The SPE will be capitalized by our $7MM investment and a $21MM non-recourse loan from Enron Corp which will then purchase non-voting common stock in the Enron subsidiary that owns the barges. Enron will have a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment to guaranty the ML takeout within six months.

Enron has strongly requested ML to enter into this transaction. Enron has paid ML approximately $40 million in fees in 1999 and is expected to do so again in 2000.

P.1/5

DEC 22 '99 05:15PM MERRILL LYNCH ABFG

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG

Project Name: Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: Rob Furst

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

Group Finance Director: _____

Group EVP: _____

Other Reviews

Debt Markets Capital Committee: _____ Group/Date

Peer Project Review: _____ Date

Date Approved: _____

Corporate Approvals

Chief Financial Officer: _____

Executive Committee: _____

Audit and Finance Committee: _____

Other: _____

P.2/5

DEC 22 '99 05:15PM MERRILL LYNCH REFG

Appendix

I. PROPOSED CORPORATE STRUCTURE

Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to SPV)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project Only

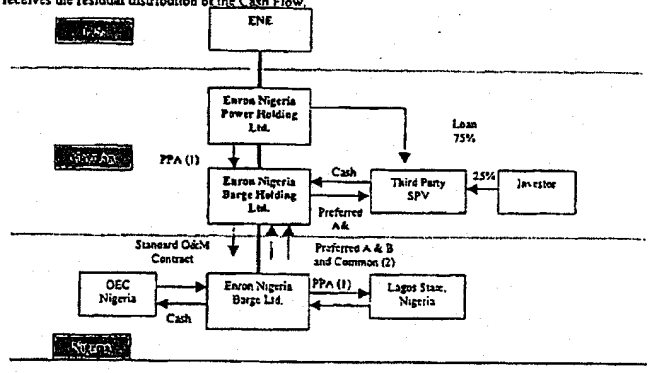
Shareholder Structure

There will be three classes of stock two preferred and one common. The Purchaser will purchase the Preferred A Shares and the Common "Shares. Enron will own the Preferred B Shares. The summary below indicates the economic interests before and after the Trigger Date. In each case, the table indicates the Cash Flow rights of each shareholder class after the previous class shareholder has received their percentage share of the Cash Flow.

Economic Interest (Percent of Cash Flow ("CF")

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B, (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.005 of CF After Pref A&B	100.00% of CF After Pref A&B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% of the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.



TIME LINE

(1) PPA is between Enron Nigeria Power Holding Ltd and the Lagos State of Nigeria. Subsequently, the rights to the PPA (barge activities only) are assigned to Enron Nigeria Barge Holding Ltd. Which in turn assigns the rights to Enron Nigeria Barge Ltd.

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(3) Preferred A Shares and Common are sold from Enron Nigeria Barge Holding Ltd. To a third party who assumes true equity risk involved with the Enron Nigeria Barge Ltd.

II. BARGE PROJECT ECONOMIC SUMMARY

Cost Summary (US $000)

Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,123	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and d90% of the three year cash flow is $39.7 million.

It is the intention of Enron to provide to the Investor monthly disvibutions of net cash flow, and to have an Enron affiliate provide up to 75% of seller financed debt. The proposed debt period is three years with an interest rate of 12% per year.

III. ENRON OVERVIEW

Merrill Lynch's relationship with Enron Corp. (the "Company" or "Enron") has developed significantly over the past year as Enron will generate more than $40 million in investment banking fees in 1999. The following points identify current issues related to the Company and significant recent Enron transactions in which Merrill was involved.

- Lead managed Azurix's, Enron's international water utility subsidiary, IPO ($700 million)
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- Co-managed a New Issue Common Equity offering for Enron Corp. ($865 million)

P.475

DEC 22 '99 05:15PM MERRILL LYNCH RBFG

- Currently working with the CFO to raise a $500 million private equity fund (LJM2)
- Currently pitching to become Enron's financial advisor for private equity in its telecommunications subsidiary (Enron Communications)
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P.5/5

DEC 22 '99 05:15PM MERRILL LYNCH AEFG

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DEC 23 '99 09:24 FR MERRILL LYNCH 212 449 9015 TO 9238/584 P.03/06

Merrill Lynch

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MS 24623

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C L I F F O R D
C H A N C E

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November 8, 2002

BY HAND

The Honorable Carl Levin, Chairman
The Honorable Susan Collins, Ranking Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510-6250

Dear Sir and Madam:

I write on behalf of Merrill Lynch in response to your October 18, 2002 letter to G. Kelly Martin posing additional questions arising out of my letter to you of September 13, 2002. Merrill Lynch welcomes this opportunity to further assist the Subcommittee in its investigation relating to Enron Corporation.

The specific responses to your questions are set forth below and reflected in the enclosed documents. As previously noted, damage caused by the September 11 terrorist attacks and technical limitations have impaired Merrill Lynch's ability to retrieve documents and e-mail communications. Accordingly, these responses are based upon the best information presently available to Merrill Lynch.

1. **Please explain how Ebarge, LLC (Ebarge), a wholly owned Merrill Lynch special purpose entity, could generate tax benefits to Enron by being redomiciled in the Cayman Islands. If Merrill Lynch was the sole owner of Ebarge, what tax benefits could accrue to Enron as a result of Merrill Lynch's redomiciling Ebarge in the Cayman Islands? What tax benefits did accrue to Enron as a result of Merrill Lynch's redomiciling Ebarge in the Cayman Islands. Who at Enron communicated to Merrill Lynch the tax benefits Enron sought to achieve by redomiciling Ebarge in the Cayman Islands, and to whom at Merrill Lynch were those sought-after Enron tax benefits conveyed? Please provide copies of any documents that explain or relate to the tax benefits Enron sought from Merrill Lynch's redomiciling Ebarge in the Cayman Islands.**

Prior to Merrill Lynch's involvement, Enron, along with its outside legal counsel and other advisors, developed a comprehensive structure for the proposed investment opportunity in Enron Nigeria Barge Ltd. ("ENB"). One of the specific terms developed was the $28 million share purchase price, with $7 million to be provided by the equity investor and the remaining $21 million to be financed

by an Enron affiliate. Enron and its advisors contemplated that the special purpose entity ("SPE") set up by the investor to purchase the ENB shares would be domiciled outside the United States. Merrill Lynch understood from Enron that the rationale for establishing a foreign SPE included the desire by Enron to avoid any potential income tax issues presented by the loan interest payments that the equity investor would make to the lending Enron affiliate.

Merrill Lynch is unaware of any tax benefits accruing to Enron during the period of Merrill Lynch's investment as a result of the transfer of Ebarge's domicile to the Cayman Islands, as Ebarge made no interest payments to the Enron affiliate during that period. (While Ebarge was obligated to pay 12% interest on the loan, payments were contingent upon distributions to ENB shareholders, which did not occur during Merrill Lynch's investment. When Merrill Lynch sold Ebarge, the purchaser assumed all liabilities of Ebarge, including payment of the principal and accrued interest on the loan from the Enron affiliate.)

2. **What benefits (tax or otherwise) did Merrill Lynch receive by redomiciling Ebarge in the Cayman Islands? Please identify and quantify all costs and any lost benefits that accrued to Merrill Lynch as a result of redomiciling Ebarge in the Cayman Islands.**

Merrill Lynch neither received any benefits nor incurred any costs (other than ordinary legal costs and associated expenses) as a result of transferring the domicile of Ebarge to the Cayman Islands.

Enclosed herewith are additional documents (bates stamped MS 24470 through MS 24568) relating to the domicile transfer of Ebarge.

3. **Who at Merrill Lynch was involved in redomiciling Ebarge, and who at Merrill Lynch made the decision to redomicile Ebarge? Why did Merrill Lynch agree to redomicile Ebarge? Why were the Cayman Islands selected?**

The law firm of Whitman Breed Abbott & Morgan handled the Ebarge domicile transfer on behalf of Merrill Lynch. The Merrill Lynch employees primarily involved in the transfer were Joseph Valenti and Kira Toone-Meertens.

As previously explained, Merrill Lynch initially could not accommodate Enron's request to establish Ebarge's domicile in the Cayman Islands because there was insufficient time before year-end to complete the required paperwork and to conduct the necessary diligence associated with setting up such an entity. Once the transaction closed, Merrill Lynch was able to follow the structure of the transaction as originally conceived by Enron and its advisors.

4. Did Ebarge generate any income during the period of Merrill Lynch's ownership? If so, how much did it generate? Was any of this taxable income, and if so, how much?

The 1999 Form 1120 and accompanying schedules prepared for ML IBK Positions, Inc. (enclosed herewith, bearing bates numbers MS 24569 through MS 24571) indicate that Merrill Lynch paid taxes on $5,753 in ordinary income earned by Ebarge in 1999.

5. In your response to question 5 of our August 16, 2002 letter, you stated that "no individual within Merrill Lynch superior or equal to [Mr. John] Olson in rank . . . specifically recalls any discussion with Olson that related to complaints about his research coverage of Enron."

(a) Does any individual who currently works for Merrill Lynch generally recall any communications with Mr. Olson related to any of the issues listed in question 5 of our August 16, 2002 letter? If so, please identify these individuals, and provide a summary of their communications with Mr. Olson relating to these issues.

(b) Do any individuals who worked for Merrill Lynch in 1998 recall (generally or specifically) any communications with Mr. Olson related to any of the issues listed in question 5 of our August 16, 2002 letter? If so, please identify these individuals, and provide a summary of their communications with Mr. Olson relating to these issues.

(c) Did Merrill Lynch at any time discuss any of the issues listed in question 5 of our August 16, 2002 letter with Andrew Melnick or any other former Merrill Lynch employee who was employed at Merrill Lynch in 1998? If so, please identify these individuals and provide a summary of their communications.

(a)(b): Merrill Lynch is unaware of any current or former employee who recalls any discussions with Olson involving any of the issues identified in Question No. 5 of your August 16, 2002 letter.

(c): Merrill Lynch on separate occasions discussed at least some of the issues identified in Question No. 5 of your August 16, 2002 letter with Andrew Melnick, Schuyler Tilney, Susan Preli, Linda Gausney, George Nitschelm, Stanley Rubin, and Ken Thompson. We note also that your Committee Staff has interviewed Messrs. Tilney and Furst and taken testimony from Mr. Bayly on this subject. Merrill Lynch refers you to the responses set forth herein and in my letter of September 13, 2002, which collectively reflect its current understanding with respect to such issues.

6. Your response to question 6 of our August 16, 2002 letter states that "Mr. Allison recalls only one conversation with an Enron executive, which he believes occurred sometime in April 1998." Please identify this executive and why Mr. Allison was

speaking with this executive. Did Mr. Allison initiate the conversation? Was the conversation in person, by telephone, or by some other means? Does Mr. Allison recall anything about the call? If so, what does he recall.

Merrill Lynch understands the following: Mr. Allison does not recall with certainty the person with whom he spoke, but he believes it was Kenneth Lay. The conversation was by telephone. Mr. Allison telephoned Mr. Lay because he had received a memorandum from Messrs. Tilney and Gordon asking him to do so. Mr. Allison's recollection is that the call was quite short. Mr. Allison has no recollection of the conversation, but his normal practice in a situation like this was to ask the CEO to explain whatever problem he had and then respond. Mr. Allison is certain that he did not suggest to Enron that he or anyone else at Merrill Lynch would attempt to influence the research analyst coverage of Enron stock.

7. **Please respond "yes" or "no" to the following question: was Mr. Olson's departure from Merrill Lynch in any way related to the subject matter of the April 18, 1998 memorandum from Rick Gordon and Schuyler Tilney to Herb Allison? If the answer is "yes," please explain how it was related.**

Mr. Melnick made the decision to terminate Olson. He has stated that his decision was not based on or related to the subject matter of the April 18, 1998 memorandum. Merrill Lynch respectfully refers you to Response Nos. 5 and 7 set forth in my letter to you of September 13, 2002 for further information regarding the issues surrounding Olson's departure.

With this letter and its enclosures, Merrill Lynch has now produced all non-privileged information and materials identified to date relating to the issues raised in the Subcommittee's October 18, 2002 letter to Mr. Martin.

Respectfully,

James B. Weidner

enclosures

TRIDENTTRUST
U.S. REPRESENTATIVE OFFICE

FAX MEMORANDUM

TO	Mr. Eduardo Andrade	DATE	December 28, 1999
COMPANY	Whitman Breed Abbott & Morgan, LLP	TIME	1:45 PM
FAX NO	(212) 351-3131	PAGES	9 including cover
FROM	Britt-Marie Holben	REF. NO	12/99/1582
FAX NO	(404) 233-9629		

Dear Mr. Andrade:

Further to our telephone conversation of earlier today, we are pleased to attach information on Limited Duration Companies in the Cayman Islands, a formation questionnaire, as well as fee details.

The price to form a Limited Duration Company is the same as for an Exempted Company.

We have asked our Group's Cayman Company to confirm that the copy of the Articles, which we have on file, is the most current. Upon receipt of a response from our local office, we will provide you with the correct copy.

Yours sincerely,

Britt-Marie Holben
Vice President - Client Services

Cc: Trident Trust Company (Cayman) Limited – Ms. Christine Rose-Smythe

The original will: ☐ follow by mail ☐ follow by courier ☐ follow by hand ☐ not follow

This facsimile transmission is intended only for the use of the addressee and may contain confidential information. If you are not the intended recipient, you are hereby notified that any use or dissemination of this communication is strictly prohibited. If you received this transmission in error, please notify us immediately by telephone so that we can arrange for the return of the documents to us at no cost to you.

TRIDENT CORPORATE SERVICES, INC.
3210-2 Peachtree Road N.E., Atlanta, Georgia 30305, U.S.
Tel (404) 233-5275 • Fax (404) 233-9629 • Email usa@tridentrust.com • www.tridentrust.com

TRIDENT TRUST

- Minimum government fee is US$573 upon incorporation and US$573 annually thereafter (payable in January of each year).
- Maximum authorised capital allowed for the minimum government fee is US$50,000.
- An Exempted Company which has issued bearer shares cannot own land or a vessel registered in the Cayman Islands; where no bearer shares have been issued an exemption can be applied for from the Financial Secretary to hold such assets.
- Company can be formed and registered within three working days.
- Foreign companies from approved jurisdictions may apply to be registered by way of continuation as a Cayman Exempted Company.

Limited Duration Companies & Companies Limited by Guarantee

Onshore fiscal authorities (for example, United States, Japan) will treat as partnerships companies which include in their corporate structure features customarily found in partnerships. To assist users of these corporate "pass-through" entities, the Cayman Islands in 1993 introduced amendments to the Companies Law that permit Exempted Companies to terminate their corporate existence on the occurrence of one or more events.

In addition, such companies (also known as *Limited Liability Companies*) may issue two classes of shares, one with the benefit of limited liability and one with unlimited liability.

Other recent amendments to the Companies Law permit shareholders of an Exempted Company to guarantee the debts of the company to their full extent or to a limited extent.

Exempted Companies with these special features are incorporated using special Memorandum and Articles of Association.

Foreign Companies

Any company incorporated outside of the Cayman Islands that establishes a presence in the Cayman Islands for the conduct of non-Cayman business must submit the following information for registration with the Registrar of Companies:

- a copy (in English), certified and authenticated under public seal, of its Memorandum and Articles of Association (or equivalent).
- a list of the company's directors and officers, including the address and nationality of each.
- the address of the company's registered office in the Cayman Islands, or the name and address of a person resident in the Cayman Islands who is authorised to accept service of process for the company. Every foreign company must exhibit at its place of business in the Islands, and must state on all letterheads, notices, bills, advertisements and other publications its name, its country of incorporation and the fact that the liability of its members is limited.

TRIDENT TRUST

CAYMAN ISLANDS
SCHEDULE OF FEES

COMPANIES

Exempted Company Formation	
Company Incorporation	US$ 750
Government fee	US$ 573
Registered office (per year)	US$ 750
Disbursements	US$ 302
TOTAL	**US$2,375**

Other Services	
Secretary (per year)	US$ 250
Nominee shareholder (per year)	US$ 250
Bank Signatories (per year)	US$ 250
Annual government fee	US$ 573

The above government fees are for an Exempted Company with a share capital of not more than US$50,000.

Annual fees are payable in advance on formation and are billed annually in advance in October each year prorated as necessary.

The annual government fee is not prorated and is also billed in October each year and paid to the government in January of the following year along with the annual filings.

EXEMPTED LIMITED PARTNERSHIPS

Registration	
Attending to registration	US$ 750
Government registration fee	US$ 1,037
Disbursements	US$ 100

Annual	
Registered office	US$ 750
Government fee	US$ 1,037

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TRIDENTTRUST

11

CAYMAN ISLANDS
SCHEDULE OF FEES

General Fee Information

Company and Trust fees are billed in advance upon formation and annually thereafter. Due to the nature of the service provided fees are generally not refundable.

Work performed in addition to the services described above will be charged at our standard rates applicable to the personnel performing the work. Such time will be billed in arrear either monthly, semi-annually or annually depending upon the volume of work performed.

- Hourly rates for additional services:
  - Directors US$250-300
  - Accountants US$130-250
  - Clerical US$50-130
  - Secretarial US$50
- Special transaction fees may be charged for work of a particularly onerous, time critical, high value or otherwise exceptional nature.
- To ensure that all January company filings are made in time fees should be paid no later than December 31.
- The above fee schedule excludes disbursements which are billed separately.
- The company may retain brokerage, insurance or any other commissions received in the normal course of its business.
- A termination fee equal to one year's annual trustee fee is charged if the trust is closed or transferred within three years.
- Fees and expenses are quoted and payable in US dollars.
- Fees are subject to annual review.
- The registered office fee includes providing the local registered office, filing of the annual corporate return with the Registrar of Companies, preparing the annual statutory minutes of directors' meetings and preparing proxies for annual directors' meeting.

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TRIDENT TRUST

CAYMAN ISLANDS

EXEMPTED COMPANY
INCORPORATION QUESTIONNAIRE

CONFIDENTIAL INFORMATION

Information about shareholders is not filed with the Cayman Registrar of Companies. The name and address of each Director and Officer is required to be filed but is not available for public inspection.

1. PROPOSED NAME (in order of preference)

a. _____

b. _____

c. _____

2. OBJECTS OF THE COMPANY

2.1 Short form general objects clause ☐ Yes ☐ No
This permits the company to do anything permitted under the Cayman Islands Company Law.
If no, please attach a detailed description of your requirements.

2.2 For our information only, please provide details of the proposed activities of the company

_____

_____

3. CAPITAL

- Authorised Capital may be stated in any currency.
- Unless instructed to the contrary, the company will be incorporated with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 par value each.
- Local government fees are higher where the authorised share capital exceeds US$50,000 or the equivalent.

Please select and complete as indicated one of the following options:

☐ Standard Authorised Share Capital

☐ US$ Authorised Share Capital

Number of shares _____ at par value of US$ _____ per share

☐ Other currency Authorised Share Capital

Number of shares _____ Currency and par value _____ per share

MS 24474

TRIDENT TRUST

CAYMAN ISLANDS

EXEMPTED COMPANY
INCORPORATION QUESTIONNAIRE

4. SHAREHOLDERS

- Exempted Companies must have a minimum of one shareholder.
- If shares in excess of US$1,000 are to be issued, please confirm that funds have been made available for this purpose.

Please select and complete as indicated one of the following options:

☐ **Registered Shares**

Names, addresses and nationality of Registered Shareholders — Number of Shares

a. _____

_____

b. _____

_____

If more than two Shareholders please provide information on a separate page.

☐ **Nominee Shareholders** (Cost: US$250 per annum) Shares will be held by Trident Nominees (Cayman) Ltd. for and on behalf of the beneficial owners.

☐ **Bearer Shares**

Number of shares to be issued for each certificate:

#1_____ #2_____ #3_____ #4_____ #5_____ #6_____

5. BENEFICIAL OWNERS

It is a requirement of Cayman Islands Law that Trident Trust Company (Cayman) Limited be advised of the full name, residential address, occupation, and nationality of each beneficial owner. Please provide this information on a separate schedule along with:

- A reference letter for each beneficial owner from a personal banker, an attorney/solicitor or an accountant
- A photocopy of the passport of each beneficial owner, including the signature page for recognition purposes

Trident Trust Company (Cayman) Limited will require the principal beneficial owner to sign its standard indemnity agreement.

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CAYMAN ISLANDS
EXEMPTED COMPANY
INCORPORATION QUESTIONNAIRE

6. DIRECTORS

A minimum of one Director is required. A director can be an individual or a company.

Please provide the following information for each director to be appointed. In the case of more than two directors, please attach a separate schedule.

Full Name _____

Address _____

Date of Birth/Incorporation _____

Full description of occupation/business purpose _____

_____

Nationality/Jurisdiction of Incorporation _____

Full Name _____

Address _____

Date of Birth/Incorporation _____

Full description of occupation/business purpose _____

_____

Nationality/Jurisdiction of Incorporation _____

7. OFFICERS

The company may have officers. If appointed, state title, name and address for each position.

(a) Title _____

Name _____

Address _____

(b) Title _____

Name _____

Address _____

(c) Title _____

Name _____

Address _____

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TRIDENT TRUST

CAYMAN ISLANDS

EXEMPTED COMPANY
INCORPORATION QUESTIONNAIRE

8. SECRETARY

Trident to act as Secretary (Cost: US$ 250 per annum) ☐ Yes ☐ No

If no, name and address of Secretary _____

9. REGISTERED OFFICE AND AGENT IN THE CAYMAN ISLANDS

This is a requirement of the Cayman Companies Law

Trident to provide Registered Office and act as Registered Agent ☐ Yes ☐ No

If no, location of Registered Office _____

10. COMPANY SEAL

Cayman companies are not required to have a company seal but can adopt a seal if desired. Please indicate whether a company seal is required. ☐ Yes ☐ No

11. ACCOUNTING REFERENCE DATE

Please confirm that the 31st December of each year should be specified as the financial year end of the company. ☐ Yes ☐ No

If no, please provide alternate date _____

12. BANK ACCOUNT

Please indicate whether you would like our assistance in the establishment of a bank account in the Cayman Islands. ☐ Yes ☐ No

Completed by:

Name _____ Title _____

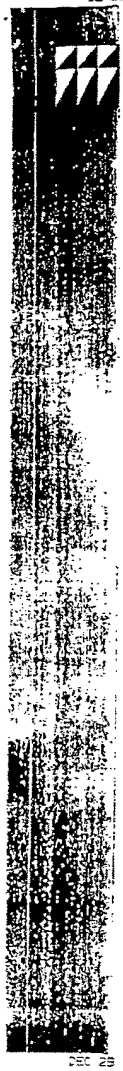
Company/Firm _____ E-Mail _____

Address _____ Phone ( )

_____ Fax ( )

Signature _____ Date _____

MS 24477



TRIDENT TRUST

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Tel 1-242-322-6154
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Email bahamas@tridentrust.com

BARBADOS
TRIDENT CORPORATE SERVICES (BARBADOS) LTD
Whitepark House
White Park Road
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Email barbados@tridentrust.com

BRITISH VIRGIN ISLANDS
TRIDENT TRUST COMPANY (B.V.I.) LTD
Trident Chambers, Wickhams Cay
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Road Town, Tortola
British Virgin Islands
Tel 1-284-494-2434
Fax 1-284-494-3754
Email bvi@tridentrust.com

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TRIDENT TRUST COMPANY (CAYMAN) LTD
One Capital Place
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Grand Cayman
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TRIDENT TRUST COMPANY (MIDDLE EAST) LTD
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29, Theklas Lyssiotis Street
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3731 Limassol, Cyprus
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Fax +357-5-361857
Email cyprus@tridentrust.com

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TRIDENT TRUST COMPANY (GUERNSEY) LTD
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The Bridge, Vale
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Fax +44 1481-43329
Email guernsey@tridentrust.com

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68 Connaught Road Central
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Fax 852-2850-4090
Email hongkong@tridentrust.com

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Fax +44-1624-620588
Email iom@tridentrust.com

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Fax +44-171-935 7240
Email uk@tridentrust.com

UNITED STATES
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3210-2 Peachtree Road, N.E.
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Tel 1-404-233-5275
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U.S. VIRGIN ISLANDS
TRIDENT TRUST COMPANY (V.I.) LTD
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P.O. Box 305304
St. Thomas, 00803-5304
U.S. Virgin Islands
Tel 1-340-774-7322
Fax 1-340-776-0653
Email usvi@tridentrust.com

www.tridentrust.com

TRIDENTTRUST
U.S. REPRESENTATIVE OFFICE

FAX MEMORANDUM

TO	Mr. Eduardo Andrade	DATE	December 29, 1999
COMPANY	Whitman Breed Abbott & Morgan, LLP	TIME	11:36 AM
FAX NO	(212) 351-3131	PAGES	26 *including cover*
FROM	Britt-Marie Holben	REF. NO	12/99/1599
FAX NO	(404) 233-9629		

Dear Mr. Andrade:

CAYMAN LDC

In reference to our telephone conversation of yesterday, we are pleased to attach a specimen copy of the Articles of Association for a Cayman LDC.

In the event you wish to receive this document via e-mail, we ask that you provide us with your e-mail address.

Our Group's Cayman Trust Company has advised us that there is a $250.00 LDC registration fee due upon the formation of such an entity. This amount is in addition to the incorporation fees.

Yours sincerely,

Britt-Marie Holben
Vice President - Client Services

The original will ☐ follow by mail ☐ follow by courier ☐ follow by hand ☐ not follow

This facsimile transmission is intended only for the use of the addressee and may contain confidential information. If you are not the intended recipient, you are hereby notified that any use or dissemination of this communication is strictly prohibited. If you received this transmission in error, please notify us immediately by telephone so that we can arrange for the return of the documents to us at no cost to you.

TRIDENT CORPORATE SERVICES, INC.
3210-2 Peachtree Road N.E., Atlanta, Georgia 30305, U.S.,
Tel (404) 231-5275 • Fax (404) 233-9629 • Email tcs@tridentusa.com • www.tridentrust.com

THE COMPANIES LAW

EXEMPTED LIMITED DURATION COMPANY LIMITED BY SHARES

MEMORANDUM & ARTICLES OF ASSOCIATION

OF

CLIENT

THE COMPANIES LAW

EXEMPTED LIMITED DURATION COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

CLIENT

1. The name of the Company is CLIENT.

2. The Registered Office of the Company shall be at the offices of Trident Trust Company (Cayman) Limited, Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands, British West Indies or at such other place as the Directors may from time to time decide.

3. The objects for which the Company is established are unrestricted and shall include, but without limitation, the following:

(i) (a) To carry on the business of an investment company and to act as promoters and entrepreneurs and to carry on business as financiers, capitalists, concessionaires, merchants, brokers, traders, dealers, agents, importers and exporters and to undertake and carry on and execute all kinds of investment, financial, commercial, mercantile, trading and other operations.

(b) To carry on whether as principals, agents or otherwise howsoever the business of realtors, developers, consultants, estate agents or managers, builders, contractors, engineers, manufacturers, dealers in or vendors of all types of property including services.

(ii) To exercise and enforce all rights and powers conferred by or incidental to the ownership of any shares, stock, obligations or other securities including without prejudice to the generality of the foregoing all such powers of veto or control as may be conferred by virtue of the holding by the Company of some special proportion of the issued or nominal amount thereof, to provide managerial and other executive, supervisory and consultant services for or in relation to any company in which the Company is interested upon such terms as may be thought fit.

(iii) To purchase or otherwise acquire, to sell, exchange, surrender, lease, mortgage, charge, convert, turn to account, dispose of and deal with real and personal property and rights of all kinds and, in particular, mortgages, debentures, produce, concessions, options, contracts, patents, annuities, licenses, stocks, shares, bonds, policies, book debts, business concerns, undertakings, claims, privileges and choses in action of all kinds.

(iv) To subscribe for, conditionally or unconditionally, to underwrite, issue on commission or otherwise, take, hold, deal in and convert stocks, shares and securities of all kinds and to enter into partnership or into any arrangement for sharing profits, reciprocal concessions or cooperation with any person or company and to promote and aid in promoting, to constitute, form or organize any company, syndicate or partnership of any kind, for the purpose of acquiring and undertaking any property and liabilities of the Company or of advancing, directly or indirectly, the objects of the Company or for any other purpose which the Company may think expedient.

(v) To stand surety for or to guarantee, support or secure the performance of all or any of the obligations of any person, firm or company whether or not related or affiliated to the Company in any manner and whether by personal covenant or mortgage, charge or lien upon the whole or any part of the undertaking, property and assets of the Company, both present and future, including its uncalled capital or by any such method and whether or not the Company shall receive valuable consideration therefor.

(vi) To engage in or carry on any other lawful trade, business or enterprise which may at any time appear to the Directors of the Company capable of being conveniently carried on in conjunction with any of the aforementioned businesses or activities or which may appear to the Directors or the Company likely to be profitable to the Company.

In the interpretation of this Memorandum of Association in general and of this Clause 3 in particular no object, business or power specified or mentioned shall be limited or restricted by reference to or inference from any other object, business or power, or the name of the Company, or by the juxtaposition of two or more objects, businesses or powers and that, in the event of any ambiguity in this clause or elsewhere in this Memorandum of Association, the same shall be resolved by such interpretation and construction as will widen and enlarge and not restrict the objects, businesses and powers of and exercisable by the Company.

4. Except as prohibited or limited by the Companies Law (Revised), the Company shall have full power and authority to carry out any object and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate in doing in any part of the world whether as principal, agent, contractor or otherwise whatever may be considered by it necessary for the attainment of its objects and whatever else may be considered by it as incidental or conducive thereto or consequential thereon, including, but without in any way restricting the generality of the foregoing, the power to make any alterations or amendments to this Memorandum of Association and the Articles of Association of the Company considered necessary or convenient in the manner set out in the Articles of Association of the Company, and the power to do any of the following acts or things, viz:
to pay all expenses of and incidental to the promotion, formation and incorporation of the Company; to register the Company to do business in any other jurisdiction; to sell, lease or dispose of any property of the Company; to draw, make, accept, endorse, discount, execute and issue promissory notes, debentures, bills of exchange, bills of lading, warrants and other negotiable or

transferable instruments; to lend money or other assets and to act as guarantors; to borrow or raise money on the security of the undertaking or on all or any of the assets of the Company including uncalled capital or without security; to invest monies of the Company in such manner as the Directors determine; to promote other companies; to sell the undertaking of the Company for cash or any other consideration; to distribute assets in specie to Members of the Company to make charitable or benevolent donations; to pay pensions or gratuities or provide other benefits in cash or kind to Directors, officers, employees, past or present and their families; to carry on any trade or business and generally to do all acts and things which, in the opinion of the Company or the Directors, may be conveniently or profitably or usefully acquired and dealt with, carried on, executed or done by the Company in connection with the business aforesaid PROVIDED THAT the Company shall only carry on the businesses for which a licence is required under the laws of the Cayman Islands when so licensed under the terms of such laws.

5. The liability of each member is limited to the amount from time to time unpaid on such member's shares.

6. The share capital of the Company is US$50,000 divided into 50,000 Common shares of a nominal or par value of US$1.00 each with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (Revised) (Cap.22) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that, unless the conditions of issue shall otherwise expressly declare, every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

7. If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 192 of the Companies Law (Revised) (Cap. 22) and, subject to the provisions of the Companies Law (Revised) and the Articles of Association, it shall have the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

8. The duration of the Company is limited to a period of thirty (30) years from the date of its registration, provided that the Company shall be taken to have commenced voluntary winding-up and dissolution upon the expiry of 90 days starting on the death, insanity, bankruptcy, dissolution, liquidation (whether compulsory or voluntary), withdrawal, retirement or resignation of any of its shareholders, unless there remain at least two shareholders of the Company and the Company is continued in existence by the unanimous written resolution of those shareholders pursuant to amended articles of association of the Company adopted during that 90 day period. Where the death, insanity, bankruptcy, dissolution, liquidation (whether compulsory or voluntary), withdrawal, retirement or resignation of any of the Company's shareholders causes the commencement of the winding-up of the Company in accordance with the Company's Memorandum and Articles of Association and Section 195D of the Companies Law (Revised) of

the Cayman Islands, the directors of the Company at the time of such commencement and without further action shall become the liquidators of the Company.

WE the several persons whose names and addresses are subscribed are desirous of being formed into a company in pursuance of this Memorandum of Association and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

DATED the day of , 199 .

SIGNATURE, ADDRESSES and DESCRIPTION OF SUBSCRIBERS	NUMBER OF SHARES TAKEN BY EACH
_____ Director Trident Nominees (Cayman) Ltd. P.O. Box 847, Grand Cayman Nominee Company	1 Ordinary share
_____ Director Trident Secretaries (Cayman) Ltd. P.O. Box 847, Grand Cayman Nominee Company	1 Ordinary share

_____
Witness to the above signatures

I, Registrar of Companies in and for the Cayman Islands DO HEREBY CERTIFY that this is a true and correct copy of the Memorandum of Association of this Company duly incorporated on the day of , 199 .

_____
REGISTRAR OF COMPANIES

THE COMPANIES LAW

EXEMPTED LIMITED DURATION COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

CLIENT

1. In these Articles Table A in the Schedule to the Statute does not apply and, unless there be something in the subject or context inconsistent therewith,

"Articles" means these Articles as originally framed or as from time to time altered by Special Resolution.

"The Auditors" means the persons for the time being performing the duties of auditors of the Company.

"The Company" means the above named Company

"Debenture" means debenture stock, mortgages, bonds and any other such securities of the Company whether constituting a charge on the assets of the Company or not.

"The Directors" means the directors for the time being of the Company.

"Dividend" includes bonus.

"Exempted Limited Duration Company" shall bear the meaning ascribed to it in the Statute.

"Member" shall bear the meaning ascribed to it in Section 37 of the Statute.

"Month" means calendar month.

"Ordinary Resolution" means a resolution passed by simple majority of the votes cast.

"Paid-up" means paid-up and/or credited as paid-up.

"The Registered Office" means the registered office for the time being of the Company.

"Seal" means the common seal of the Company and includes every duplicate seal.

"Secretary" includes an Assistant Secretary and any person appointed to perform the duties of Secretary of the Company.

"Share" includes a fraction of a share.

"Special Resolution" has the same meaning as in the Statute and includes a resolution approved in writing as described therein.

"Statute" means the Companies Law of the Cayman Islands as amended and every statutory modification or re-enactment thereof for the time being in force.

"Written" and "In Writing" include all modes of representing or reproducing words in visible form.

Words importing the singular number only include the plural number and vice-versa.

Words importing the masculine gender only include the feminine gender.

Words importing persons only include corporations.

2. The business of the Company may be commenced as soon after incorporation as the Directors shall see fit, notwithstanding that part only of the shares may have been allotted.

3. The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company including the expenses of registration.

CERTIFICATES FOR SHARES

4. Certificates representing shares of the Company shall be in such form as shall be determined by the Directors. Such certificates shall be under seal. All certificates for shares shall be consecutively numbered or otherwise identified and shall specify the shares to which they relate. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered in the register of members of the Company. All certificates surrendered to the Company for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled. The Directors may authorize certificates to be issued with the seal and authorized signature(s) affixed by some method or system of mechanical process.

5. Notwithstanding Article 4 of these Articles, if a share certificate be defaced, lost or destroyed, it may be renewed on payment of a fee of one dollar (US$1.00) or such less sum and on such terms (if any) as to evidence and indemnity and the payment of the expenses incurred by the Company in investigating evidence, as the Directors may prescribe.

ISSUE OF SHARES

6. (a) Subject to the provisions, if any, in that behalf in the Memorandum of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights previously conferred on the holders of existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares of the Company (including fractions of a share) with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper.

(b) The authorised share capital of the Company shall be US$50,000 divided into 50,000 Common Shares of US$1.00 par value each.

(i) The holders of Common Shares shall have the right to receive notice of, attend and vote at any general meeting of the Company , at which meeting the holder of each Common Share shall have the right to one vote for each such share registered in his name; and

(ii) The Directors shall be entitled to issue dividends to holders of Common Shares at such times and in such amounts as they, in their sole discretion, shall determine.

7. The Company shall maintain a register of its members and every person whose name is entered as a member in the register of members shall be entitled without payment to receive within two months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares or several certificates each for one or more of his shares upon payment of fifty cents (US$0.50) for every certificate after the first or such less sum as the Directors shall from time to time determine provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate and delivery of a certificate for a share to one of the several joint holders shall be sufficient delivery to all such holders.

TRANSFER OF SHARES PROHIBITED

8. No share in the Company may be transferred without the prior unanimous written consent of all the holders of Common Shares, or, whenever there are fewer than two holders of Common Shares then in office as Directors, without the unanimous prior written consent of all of the outstanding shares, which consent may in all cases be granted or withheld in each such holder's sole discretion.

REDEEMABLE SHARES

9. Subject to the provisions of the Statute and the Memorandum of Association, shares may be issued on the terms that they are, or at the option of the Company or the holder are, to be redeemed on such terms and in such manner as the Company, before the issue of the shares, may by Special Resolution determine.

10. Subject to the provisions of the Statute and the Memorandum of Association, the Company may purchase its own shares (including fractions of a share), including any redeemable shares, provided that the manner of purchase has first been authorized by the Company in general meeting and may make payment therefor in any manner authorized by the Statute, including out of capital.

VARIATION OF RIGHTS OF SHARES

11. If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

12. The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class of shares except that the necessary quorum shall be one (1) person holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

13. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

COMMISSION ON SALE OF SHARES

14. The Company may in so far as the Statute from time to time permits pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares of the Company. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

NON-RECOGNITION OF TRUSTS

15. No person shall be recognized by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future, or partial interest in any share, or any interest in any fractional part of a share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

REGISTRATION OF EMPOWERING INSTRUMENTS

16. The Company shall be entitled to charge a fee not exceeding one dollar (US$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

TRANSMISSION OF SHARES

17. In case of the death of a member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only persons recognized by the Company as having any title to his interest in the shares, but nothing herein contained shall release the estate of any such deceased holder from any liability in respect of any shares which had been held by him solely or jointly with other persons.

18. A person becoming entitled to a share by reason of the death or bankruptcy or liquidation or dissolution of the holder shall be entitled to the same dividends and other distributions to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company; and , further, he shall not be entitled to be registered as a member for a period of ninety-one (91) days (or such longer period as the Directors may in their absolute discretion determine either generally or in a particular case) following such death or bankruptcy or liquidation or dissolution, and in any event only if such registration as a member shall be approved by the unanimous prior written consent of all the holders of Common Shares, which consent may be granted or withheld in the sole discretion of each such holder.

AMENDMENT OF MEMORANDUM OF ASSOCIATION, CHANGE OF LOCATION OF REGISTERED OFFICE & ALTERATION OF CAPITAL

19. (a) Subject to and in so far as permitted by the provisions of the Statute, the Company may from time to time by ordinary resolution alter or amend its Memorandum of Association otherwise than with respect to its name and objects and may, without restricting the generality of the foregoing:

(i) increase the share capital by such sum to be divided into shares of such amount or without nominal or par value as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine.

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without nominal or par value;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

(b) All new shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

(c) Subject to the provisions of the Statute the Company may by Special Resolution change its name or alter its objects.

(d) Without prejudice to Articles 9 & 10 hereof and subject to the provisions of the Statute the Company may by Special Resolution reduce its share capital and any capital redemption reserve fund.

(e) Subject to the provisions of the Statute the Company may by resolution of the Directors change the location of its registered office.

CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

20. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any dividend, or in order to make a determination of Members for any other proper purpose, the Directors of the Company may provide that the register of Members shall be closed for transfers for a stated period but not to exceed in any case forty (40) days. If the register of Members shall be so closed for the purpose of determining Members entitled to notice of or to vote at a meeting of Members such register shall be so closed for at least ten (10) days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the register of Members.

21. In lieu of or apart from closing the register of members, the Directors may fix in advance a date as the record date for any such determination of members entitled to notice of or to vote at a meeting of the members and for the purpose of determining the members entitled to receive payment of any dividend the Directors may, at or within 90 days prior to the date of declaration of such dividend fix a subsequent date as the record date for such determination.

22. If the register of members is not so closed and no record date is fixed for the determination of members entitled to notice of or to vote at a meeting of members or members entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of members. When a determination of members entitled to vote at any meeting of members has been made as provided in this section, such determination shall apply to any adjournment thereof.

GENERAL MEETING

23. (a) Subject to paragraph (c) hereof, the Company shall within one year of its incorporation and in each year of its existence thereafter hold a general meeting as its Annual General Meeting and shall specify the meeting as such in the notices calling it. The Annual General Meeting shall be held at such time and place as the Directors shall appoint and if no other time and place is prescribed by them, it shall be held at the registered office of the Company on the second Wednesday in December of each year at ten o'clock in the morning.

(b) At these meetings the report of the Directors (if any) shall be presented.

(c) If the Company is exempted as defined in the Statute it may but shall not be obliged to hold an Annual General Meeting.

24. (a) The Directors may whenever they think fit, and they shall on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, proceed to convene a general meeting of the Company.

(b) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Registered Office of the Company and may consist of several documents in like form each signed by one or more requisitionists.

(c) If the Directors do not within twenty-one days from the date of the deposit of the requisition duly proceed to convene a general meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the said twenty-one days.

(d) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

NOTICE OF GENERAL MEETINGS

25. At least five days' notice shall be given of an Annual General Meeting or any other general meeting. Every notice shall be exclusive of the date on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company PROVIDED that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of Article 24 have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of a general meeting called as an Annual General Meeting by all the members entitled to attend and vote thereat or their proxies; and

(b) in the case of any other general meeting by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than seventy-five per cent (75%) in nominal value or in the case of shares without nominal value or par value seventy-five per cent (75%) of the shares in issue, or their proxies.

26. The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings of that meeting.

PROCEEDINGS AT GENERAL MEETINGS

27. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; two (2) members present in person or by proxy shall be a quorum.

28. A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

29. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week at the same time and place or to

such other time or such other place as the directors may determine and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the members present shall be a quorum.

30. The Chairman, if any, of the Board of Directors shall preside as Chairman at every general meeting of the Company, or if there is no such Chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting, or is unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting.

31. If at any general meeting no Director is willing to act as Chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their number to be Chairman of the meeting.

32. The Chairman may, with the consent of any general meeting duly constituted hereunder, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting; save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned general meeting.

33. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is, before or on the declaration of the result of the show of hands, demanded by the Chairman or any other member present in person or by proxy.

34. Unless a poll be so demanded a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's Minute Book containing the Minutes of the proceedings of the meeting shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

35. The demand for a poll may be withdrawn.

36. Except as provided in Article 38, if a poll is duly demanded it shall be taken in such manner as the Chairman directs and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded.

37. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the general meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

38. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the

Chairman of the general meeting directs and any business other than that upon which a poll has been demanded or is contingent thereon may be proceeded with pending the taking of the poll.

VOTES OF MEMBERS

39. The business of the Company shall be managed by the members who shall be deemed to be the Directors of the Company unless the members delegate the management to a board of Directors. The members may delegate the management to a person or persons other than a board of Directors.

40. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member of record present in person or by proxy at a general meeting shall have one vote and on a poll every member of record present in person or by proxy shall have one vote for each share registered in his name in the register.

41. In the case of joint holders of record the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

42. A member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis or other persons may vote by proxy.

43. No member shall be entitled to vote at any general meeting unless he is registered as a shareholder of the Company on the record date for such meeting nor unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

44. No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at such general meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the general meeting whose decision shall be final and conclusive.

45. On a poll or on a show of hands votes may be given either personally or by proxies.

PROXIES

46. The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorized in writing, or, if the appointor is a corporation under the hand of an officer or attorney duly authorized in that behalf. A proxy need

not be a member of the Company.

47. The instrument appointing a proxy shall be deposited at the Registered Office of the Company or at such other place as is specified for that purpose in the notice convening the meeting no later than the time for holding the meeting, or adjourned meeting provided that the Chairman of the Meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex, cable or telecopier confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company.

48. The instrument appointing a proxy may be in any usual or common form and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.

49. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the registered office before the commencement of the general meeting, or adjourned meeting at which it is sought to use the proxy.

50. Any corporation which is a member of record of the Company may in accordance with its Articles or in the absence of such provision by resolution of its Directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual member of record of the Company.

51. Shares of its own stock belonging to the Company or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any given time.

DIRECTORS

52. Notwithstanding anything to the contrary contained in these Articles, all provisions herein concerning Directors shall be subject to the provisions of Article 39.

53. There shall be a Board of Directors consisting of not less than one person and there shall be no maximum number of Directors (exclusive of Alternate Directors). The first Directors of the Company shall be determined in writing by, or appointed by a resolution of, the subscribers of the Memorandum of Association.

54. The remuneration to be paid to the Directors shall be such remuneration as the

Directors shall determine. Such remuneration shall be deemed to accrue from day to day. The Directors shall also be entitled to be paid their traveling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Directors, or any committee of the Directors, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

55. The Directors may by resolution award special remuneration to any Director of the Company undertaking any special work or services for, or undertaking any special mission on behalf of, the Company other than his ordinary routine work as a Director. Any fees paid to a Director who is also counsel or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to his remuneration as a Director.

56. A Director or Alternate Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.

57. A Director or Alternate Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or Alternate Director.

58. A shareholding qualification for Directors may be fixed by the Company in general meeting, but unless and until so fixed no qualification shall be required.

59. A Director or Alternate Director of the Company may be or become a Director or other Officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director or Alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or Officer of, or from his interest in, such other company.

60. No person shall be disqualified from the office of Director or Alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or Alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or Alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director (or his Alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is so interested as aforesaid PROVIDED HOWEVER that the nature of the interest of any Director or Alternate Director in any such contract or transaction shall be disclosed by him or the Alternate Director appointed by him at or prior to its consideration and any vote thereon.

61. A general notice that a Director or Alternate Director is a shareholder of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure under Article 60 and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

ALTERNATE DIRECTORS

62. Subject to the exception contained in Article 71 a Director who expects to be unable to attend Directors' Meetings because of absence, illness or otherwise may appoint any person to be an Alternate Director to act in his stead and such appointee whilst he holds office as an Alternate Director shall, in the event of absence therefrom of his appointor, be entitled to attend meetings of the Directors and to vote thereat and to do, in the place and stead of his appointor, any other act or thing which his appointor is permitted or required to do by virtue of his being a Director as if the Alternate Director were the appointor, other than appointment of an Alternate to himself, and he shall ipso facto vacate office if and when his appointor ceases to be a Director or removes the appointee from office. Any appointment or removal under this Article shall be effected by notice in writing under the hand of the Director making the same.

POWERS AND DUTIES OF DIRECTORS

63. The business of the Company shall be managed by the Directors (or a sole Director if only one is appointed) who may pay all expenses incurred in promoting, registering and setting up the Company, and may exercise all such powers of the Company as are not, from time to time by the Statute, or by these Articles, or such regulations, being not inconsistent with the aforesaid, as may be prescribed by the Company in general meeting required to be exercised by the Company in general meeting PROVIDED HOWEVER that no regulations made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

64. The Directors may from time to time and at any time by powers of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorneys as the Directors may think fit and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

65. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall from time to time by resolution determine.

66. The Directors shall cause Minutes to be made in books provided for the purpose:

(a) of all appointments of Officers made by the Directors;

(b) of the names of the Directors (including those represented thereat by an Alternate or by proxy) present at each meeting of the Directors and of any committee of the Directors;

(c) of all resolutions and proceedings at all meetings of the Company, and of the Directors and of Committees of Directors.

67. The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

68. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

MANAGEMENT

69. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in Article 70 shall be without prejudice to the general powers conferred by this paragraph.

70. (a) The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards or any managers or agents and may fix their remuneration.

(b) The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorize the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit. The Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

(c) Any such delegates as aforesaid may be authorized by the Directors to subdelegate all or any of the powers, authorities, and discretions for the time being vested in them.

MANAGING DIRECTORS

71. (a) The Directors may, from time to time, appoint one or more of their body (but not an Alternate Director) to the office of Managing Director for such term and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way and partly in another) as they may think fit but his appointment shall be subject to determination ipso facto if he ceases from any cause to be a Director and no Alternate Director appointed by him can act in his stead as a Director or Managing Director.

(b) The Directors may entrust to and confer upon a Managing Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

PROCEEDINGS OF DIRECTORS

72. Except as otherwise provided by these Articles, the Directors shall meet together for the despatch of business, convening, adjourning and otherwise regulating their meetings as they think fit. Questions arising at any meeting shall be decided by a majority of votes of the Directors and Alternate Directors present at a meeting at which there is a quorum, the vote of an Alternate Director not being counted if his appointor be present at such meeting. In case of an equality of votes, the Chairman shall have a second or casting vote.

73. A Director or Alternate Director may, and the Secretary on the requisition of a Director or Alternate Director shall, at any time summon a meeting of the Directors by at least two days' notice in writing to every Director and Alternate Director which notice shall set forth the general nature of the business to be considered unless notice is waived by all the Directors (or their Alternates) either at, before or after the meeting is held and PROVIDED FURTHER if notice is given in person, by cable, telex or telecopy the same shall be deemed to have been given on the day it is delivered to the Directors or transmitting organization as the case may be. The provisions of Article 26 shall apply mutatis mutandis with respect to notices of meetings of Directors.

74. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be two, a Director and his appointed Alternate Director being considered only one person for this purpose, provided always that if there shall at any time be only a sole Director the quorum shall be one. For the purposes of this Article an Alternate Director or proxy appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him is not present.

75. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the

Company, but for no other purpose.

76. The Directors may elect a Chairman of their Board and determine the period for which he is to hold office; but if no such Chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting.

77. The Directors may delegate any of their powers to committees consisting of such member or members of the Board of Directors (including Alternate Directors in the absence of their appointors) as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

78. A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the Chairman shall have a second or casting vote.

79. All acts done by any meeting of the Directors or of a committee of Directors (including any person acting as an Alternate Director) shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or Alternate Director, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director or Alternate Director as the case may be.

80. Members of the Board of Directors or of any committee thereof may participate in a meeting of the Board or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. A resolution in writing (in one or more counterparts), signed by all the Directors for the time being or all the members of a committee of Directors (an Alternate Director being entitled to sign such resolution on behalf of his appointor) shall be as valid and effectual as if it had been passed at a meeting of the Directors or committee as the case may be duly convened and held.

81. (a) A Director may be represented at any meeting of the Board of Directors by a proxy appointed by him in which event the presence or vote of the proxy shall for all purposes be deemed to be that of the Director.

(b) The provisions of Articles 46-49 shall mutatis mutandis apply to the appointment of proxies by Directors.

VACATION OF OFFICE OF DIRECTOR

82. The office of a Director shall be vacated:

(a) If he gives notice in writing to the Company that he resigns the office of Director;

(b) If he absents himself (without being represented by proxy or an Alternate Director appointed by him) from three consecutive meetings of the Board of Directors without special leave of absence from the Directors, and they pass a resolution that he has by reason of such absence vacated office;

(c) If he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(d) If he is found a lunatic or becomes of unsound mind.

APPOINTMENT AND REMOVAL OF DIRECTORS

83. The Company may by ordinary resolution appoint any person to be a Director and may in like manner remove any Director and may in like manner appoint another person in his stead.

84. The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total amount of Directors (exclusive of Alternate Directors) shall not at any time exceed the number fixed in accordance with these Articles.

PRESUMPTION OF ASSENT

85. A Director of the Company who is present at a meeting of the Board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

SEAL

86. The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorized by the Directors in that behalf and every instrument to which the Seal has been affixed shall be signed by one person who shall be either a Director or the Secretary or Secretary-Treasurer or some person appointed by the Directors for the purpose.

PROVIDED THAT the Company may have for use in any place or places outside the Cayman Islands, a duplicate seal or seals each of which shall be a facsimile of the Common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place

where it is to be used.

PROVIDED FURTHER THAT a Director, Secretary or other officer or representative or attorney may without further authority of the Directors affix the Seal of the Company over his signature alone to any document of the Company required to be authenticated by him under Seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

OFFICERS

87. The Company may have a President, a Secretary or Secretary-Treasurer appointed by the Directors who may also from time to time appoint such other Officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors from time to time prescribe.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

88. Subject to the Statute, the Directors may from time to time declare dividends (including interim dividends) and distributions on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available therefor.

89. The Directors may, before declaring any dividends, or distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business of the Company.

90. No dividend or distribution shall be payable except out of the profits of the Company, realized or unrealized, or out of the share premium account or as otherwise permitted by the Statute.

91. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends or distributions, if dividends or distributions are to be declared on a class of shares they shall be declared and paid according to the amounts paid or credited as paid on the shares of such class outstanding on the record date for such dividend or distribution as determined in accordance with these Articles but no amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this Article as paid on the share.

92. The Directors may deduct from any dividend or distribution payable to any member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

93. The Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures, or debenture stock of any other company or in any one or more of such ways and where any difficulty arises in

regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all members and may vest any such specific assets in trustees as may seem expedient to the Directors.

94. Any dividend, distribution, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the holder who is first named on the register of members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one or two or more joint holders may give effectual receipts for any dividends, bonuses, or other monies payable in respect of the share held by them as joint holders.

95. No dividend or distribution shall bear interest against the Company.

CAPITALIZATION

96. The Company may upon the recommendation of the Directors by ordinary resolution authorize the Directors to capitalise any sum standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend and to apply such sum on their behalf in paying up in full unissued shares for allotment and distribution credited as fully paid up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalization, with full power to the Directors to make such provisions as they think fit for the case of shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the members concerned). The Directors may authorize any person to enter on behalf of all the members interested into an agreement with the Company providing for such capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

BOOKS OF ACCOUNT

97. The Directors shall cause proper books of account to be kept with respect to:

(a) all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place;

(b) all sales and purchases of goods by the Company;

(c) the assets and liabilities of the Company.

Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

98. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members not being Directors and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorized by the Directors or by the Company in general meeting.

99. The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

AUDIT

100. The Company may at any Annual General Meeting appoint an Auditor or Auditors of the Company who shall hold office until the next Annual General Meeting and may fix his or their remuneration.

101. The Directors may before the first Annual General Meeting appoint an Auditor or Auditors of the Company who shall hold office until the first Annual General Meeting unless previously removed by an ordinary resolution of the members in general meeting in which case the members at that meeting may appoint Auditors. The Directors may fill any casual vacancy in the office of Auditor but while any such vacancy continues the surviving or continuing Auditor or Auditors, if any, may act. The remuneration of any Auditor appointed by the Directors under this Article may be fixed by the Directors.

102. Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and Officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.

103. Auditors shall at the next Annual General Meeting following their appointment and at any other time during their term of office, upon request of the Directors or any general meeting of the members, make a report on the accounts of the Company in general meeting during their tenure of office.

NOTICES

104. Notices shall be in writing and may be given by the Company to any member either personally or by sending it by post, cable, telex or telecopy to him or to his address as shown in the register of members, such notice, if mailed, to be forwarded airmail if the address be outside the Cayman Islands.

105. (a) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice, and to have been effected at the expiration of sixty hours after the letter containing the same is posted as aforesaid.

(b) Where a notice is sent by cable, telex or telecopy service of the notice shall be deemed to be effected by properly addressing and sending such notice through a transmitting organization, and to have been effected on the day the same is sent as aforesaid.

106. A notice may be given by the Company to the joint holders of record of a share by giving the notice to the joint holder first named on the register of members in respect of the share.

107. A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a share or shares in consequence of the death or bankruptcy of a member by sending it through the post as aforesaid in a pre-paid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

108. Notice of every general meeting shall be given in any manner hereinbefore authorized to:

(a) every person shown as a member in the register of members as of the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the register of members.

(b) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a member of record where the member of record but for his death or bankruptcy would be entitled to receive notice of the meeting; and

No other person shall be entitled to receive notices of general meetings.

WINDING UP

109. If the Company shall be wound up the Liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Statute, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he

deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The Liquidator may with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the Liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

110. If the Company shall be wound up, and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital paid up at the commencement of the winding up, on the shares held by them respectively. This Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

DURATION OF THE COMPANY

111. Notwithstanding any other provision contained elsewhere in these Articles the Company shall be taken to have commenced voluntary winding-up and dissolution automatically and without further action on the part of the Company or its members, upon the happening of any of the following events:

(a) when the period fixed for the duration of the Company by Clause 8 of the Memorandum of Association expires;

(b) upon the passing of a Special Resolution that the Company be wound-up voluntarily;

(c) upon the expiry of a period of 90 days starting on

(i) the death, insanity, bankruptcy, dissolution, liquidation (whether compulsory or voluntary), withdrawal, retirement or resignation of any Member;

(ii) the redemption, repurchase or cancellation of all of the shares of a member; or

(iii) the occurrence of any event which under the Memorandum of Association of the Company or these Articles terminates the membership of a member

unless there remain at least two members and the Company is continued in existence by a unanimous written resolution of those members pursuant to amended Articles adopted during that 90 day period;

(d) where the death, insanity, bankruptcy, dissolution, liquidation (whether compulsory or voluntary), withdrawal, retirement or resignation of any member as aforesaid causes the commencement of the winding-up and dissolution of the Company in accordance with the Company's Memorandum and Articles of Association and Section 195D of the Companies Law (Revised) of the Cayman Islands, the directors at the time of such commencement and without further action shall become the liquidators of the Company.

INDEMNITY

112. The Directors and Officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duty in their respective offices or trusts, except such (if any) as they shall incur or sustain by or through their own wilful neglect or default respectively and no such Director, Officer or trustee shall be answerable for the acts, receipts, neglects or defaults of any other Director, Officer or trustee or for joining in any receipt for the sake of conformity or for the solvency or honesty of any banker or other persons with whom any monies or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency of any security upon which any monies of the Company may be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through the wilful neglect or default of such Director, Officer or trustee.

FINANCIAL YEAR

113. Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31st December in each year and, following the year of incorporation, shall begin on 1st January in each year.

AMENDMENTS OF ARTICLES

114. Subject to the Statute, the Company may at any time and from time to time by special resolution alter or amend these Articles in whole or in part.

TRANSFER BY WAY OF CONTINUATION

115. If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

DATED the day of , 199 .

Director
Trident Nominees (Cayman) Ltd.
P.O. Box 847, Grand Cayman
Nominee Company

Director
Trident Secretaries (Cayman) Ltd.
P.O. Box 847, Grand Cayman
Nominee Company

Witness to the above signatures

I, Registrar of Companies in and for the Cayman Islands DO HEREBY CERTIFY that this is a true and correct copy of the Memorandum of Association of this Company duly incorporated on the day of , 199 .

REGISTRAR OF COMPANIES

TRIDENT TRUST
CAYMAN ISLANDS

FAX MEMORANDUM

TO	Mr. Eduardo Andrade	DATE	January 13, 2000
COMPANY	Whitman Breed	TIME	9:58 AM
FAX NO	1 212 351 3131	PAGES	7. including cover
FROM	Trident Trust Company (Cayman) Limited	REF. NO	TRIABD
FAX NO	(345) 949-0881		

Dear Mr. Andrade

EBARGE, LLC

We are pleased to advise that the Registrar of Companies has confirmed that the captioned Delaware LLC qualifies for registration as an exempted company in the Cayman Islands, without the need to amend it for share capital. Following registration in Cayman the company would still have to adopt a form of Memorandum & Articles of Association similar to that emailed to you previously.

I attach an extract of the Companies Law indicating the requirements for registration. Once you are ready to proceed we will prepare the necessary documents.

Kind regards
Yours sincerely
TRIDENT TRUST COMPANY (CAYMAN) LIMITED
Per:

M. CHRISTINE ROSE-SMYTH
Manager - Corporate Services

The original will ☐ follow by mail ☐ follow by courier ☐ follow by hand ☒ not follow

This facsimile transmission is intended only for the use of the addressee and may contain confidential information. If you are not the intended recipient, you are hereby notified that any use or dissemination of this communication is strictly prohibited. If you receive this transmission in error, please notify us immediately by telephone so that we can arrange for the return of the documents to us at no cost to you.

TRIDENT TRUST COMPANY (CAYMAN) LTD.
One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands, B.W.I.
Tel (345) 949-0880 • Fax (345) 949-0881 • Email cayman@tridentrust.com • www.tridentrust.com

PART XI - General

Fees in lieu of other provisions

218. (1) Wherever this Law provides for or requires the filing of any document, notice or return with the Registrar or the issue of any certificate or the Registrar provides a copy of any document in respect of which no fee is elsewhere specifically provided, the following fees shall be payable-

(a)	filing any document	~~$18~~ 20
(b)	issuing any certificate	~~$18~~ 30
(c)	providing a copy of any document (per folio of 72 words).	~~$15~~ 30.

(2) The Registrar may, in his discretion, extend the time within which any thing is required to be done by this Law, whether the time prescribed therefor has expired or not, ~~and waive any penalties or prosecutions prescribed under this Law.~~

28A - express fees.

PART XII-Transfer by Way of Continuation

Application for continuation

219. (1) A body corporate incorporated, registered or existing with limited liability and a share capital under the laws of any jurisdiction outside the Islands (which body corporate is in this Part referred to as a "registrant") may apply to the Registrar to be registered by way of continuation as an exempted company limited by shares under this Law.

(2) The Registrar shall register a registrant if-

(a) the registrant is incorporated, registered or existing in a jurisdiction whose laws permit or do not prohibit the transfer of the registrant in the manner hereinafter provided in this Part (hereinafter in this section referred to as "a relevant jurisdiction");

(b) the registrant has paid to the Registrar a fee equal to the fee payable on the registration of an exempted company under section 26;

(a) Delaware certified Copy of the LLC agreement

(b) list of directors + addresses. or equivalent In this case the Member + Officers.

(c) the registrant has delivered to the Registrar the documents listed in paragraphs (a) and (b) of section 203(1) (in this section referred to as "the charter documents");

(d) the name of the registrant is acceptable to the Registrar under section 30 or the registrant has undertaken to change the name to an acceptable name within sixty days of registration;

(e) the registrant has filed with the Registrar notice of the address of its proposed registered office in the Islands;

(f) the registrant has filed with the Registrar a declaration signed by a director of the registrant that the operations of the registrant will be conducted mainly outside the Islands;

(g) no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the registrant in any jurisdiction;

(h) no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the registrant, its affairs or its property or any part thereof;

(i) no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the registrant are and continue to be suspended or restricted;

(j) the registrant is able to pay its debts as they fall due;

(k) the application for registration is *bona fide* and not intended to defraud existing creditors of the registrant;

(l) the registrant has delivered to the Registrar an undertaking signed by a director of the registrant that notice of the transfer has been or will be given within twenty-one days to the secured creditors of the registrant;

(m) any consent or approval to the transfer required by any contract or undertaking entered into or given by the registrant has been obtained, released or waived, as the case may be;

(n) the transfer is permitted by and has been approved in accordance with the charter documents of the registrant;

(o) the laws of the relevant jurisdiction with respect to transfer have been or will be complied with;

(p) the registrant is constituted in a form or substantially a form which could have been incorporated as an exempted company limited by shares under this Law;

(q) the registrant will, upon registration hereunder, cease to be incorporated, registered or exist under the laws of the relevant jurisdiction;

(r) the registrant, if it is (or will when registered by way of continuation be) prohibited from carrying on its business in or from within the Islands unless licensed under any law, has applied for and obtained the requisite licence; and

(s) the Registrar is not aware of any other reason why it would be against the public interest to register the registrant.

(3) Paragraphs (g), (h), (i), (j), (k), (m), (n), (o) and (q) of subsection (2) shall be satisfied by filing with the Registrar a voluntary declaration or affidavit

of a director of the registrant to the effect that, having made due enquiry, he is of the opinion that the requirements of those paragraphs have been met, and which declaration or affidavit shall include a statement of the assets and liabilities of the registrant made up to the latest practicable date before making the declaration or affidavit.

(4) Whoever, being a director, makes a declaration or affidavit under subsection (3) without reasonable grounds therefor is guilty of an offence and liable on summary conviction to a fine of fifteen thousand dollars and to imprisonment for five years.

(5) Without prejudice to Part IX, a registrant may apply to be provisionally registered by way of continuation as an exempted company limited by shares under this Law.

(6) The Registrar shall provisionally register a registrant if-

(a) the registrant complies with the requirements of paragraphs (a), (c), (e), (f), (g), (h), (i), (j) and (p) of subsection (2); and

(b) the registrant has paid to the Registrar a fee of one thousand five hundred dollars.

(7) Paragraphs (g), (h), (i), (j) and (p) of subsection (2) shall be satisfied by filing with the Registrar a voluntary declaration or affidavit of a director of the registrant to the effect that, having made due enquiry, he is of the opinion that the requirements of those paragraphs have been met, and subsection (4) shall, *mutatis mutandis* apply with respect to such declaration or affidavit.

(8) The Registrar shall register a registrant which is provisionally registered under this Part upon the requirements of paragraphs (b), (d), (k), (l), (m), (n), (o), (q), (r) and (s) of subsection (2) being met, as to which subsection (3) shall, *mutatis mutandis*, apply where relevant.

N/A

(9) A registrant which is provisionally registered shall-

(a) within sixty days after registration, deliver, to the Registrar details of any changes in the information required by paragraphs (c) and (e) of subsection (2);

(b) file with the Registrar in January of each year following provisional registration, a voluntary declaration or affidavit in the form described in subsection (7); and

(c) pay to the Registrar in January of each year following provisional registration, a fee of one thousand dollars.

(10) A registrant which is provisionally registered and which fails to comply with paragraphs (b) and (c) of subsection (9) by 30th June in such year shall cease to be provisionally registered but without prejudice to being provisionally registered anew hereunder upon complying with the requirements of this Part.

Registration under this Part

220. (1) Upon registration of a registrant under this Part, the Registrar shall issue a certificate under his hand and seal of office that the registrant is registered by way of continuation as an exempted company and specifying the date of such registration, and section 27(3) shall apply, *mutatis mutandis*, to such certificate.

(2) The Registrar shall enter in the register of companies the date of registration of the registrant and, to the extent possible with respect to a registrant, particulars of the matters specified in paragraphs (a) to (h) of section 26(3).

(3) From the date of registration of the registrant it shall continue as a body corporate for all purposes as if incorporated and registered as an exempted company under and subject to this Law the provisions of which shall apply to the company and to persons and matters associated therewith as if such company were so incorporated and registered and such company shall have, but without limitation to the generality of the foregoing-

(a) the capacity to perform all the functions of an exempted company;
(b) the capacity to sue and to be sued;
(c) perpetual succession; and
(d) the power to acquire, hold and dispose of property,

and the members of the company shall have such liability to contribute to the assets of the company in the event of its being wound up under this Law as is provided therein:

Provided always that section 219 and this section shall not operate-

(a) to create a new legal entity;
(b) to prejudice or affect the identity or continuity of the registrant as previously constituted;
(c) to affect the property of the registrant;
(d) to affect any appointment made, resolution passed or any other act or thing done in relation to the registrant pursuant to a power conferred by any of the charter documents of the registrant or by the laws of the jurisdiction under which the registrant was previously incorporated, registered or existing;

(e) except to the extent provided by or pursuant to this Part, to affect the rights, powers, authorities, functions and liabilities or obligations of the registrant or any other person; or

(f) to render defective any legal proceedings by or against the registrant and any legal proceedings that could have been continued or commenced by or against the registrant before its registration hereunder may, notwithstanding the registration, be continued or commenced by or against the registrant after registration.

(4) Upon provisional registration of a registrant under this Part the Registrar shall issue a certificate under his hand and seal of office that the registrant is provisionally registered by way of continuation as an exempted company and specifying the date of such provisional registration.

(5) The Registrar shall enter in a register maintained for the purpose the date of provisional registration and name of the registrant.

(6) If a registrant which is provisionally registered under this Part is registered pursuant to section 219(2) it shall automatically cease to be provisionally registered and the Registrar shall cancel such provisional registration.

(7) Subsection (3) shall not apply to a registrant which is provisionally registered unless and until it is registered under section 219(2), and nothing in this section shall be construed as enabling a registrant which is provisionally registered to carry on business within the Islands unless it complies with the requirements of Part IX.

Amendment, etc., of charter documents

221. (1) A registrant shall, within ninety days of registration by special resolution passed in accordance with this Law, make such amendments, alterations, modifications, variations, deletions and additions (in this section referred to as "changes"), if any, to its charter documents as are necessary to ensure that they comply with the requirements of this Law as they relate to an exempted company.

(2) Within ninety days of registration, the registrant-

(a) may, instead of passing a special resolution making the changes required by subsection (1); or

(b) shall, whether or not it has passed such a special resolution making, or purporting to make, such changes, if the Registrar so directs,

apply to the Court for an order approving such changes and the Court, if satisfied that the changes (with such modifications, if any, as it considers appropriate) are necessary to ensure that the charter documents of the registrant comply with the requirements of this Law, may approve them accordingly and make such consequential orders as it thinks fit. Changes, when so approved, shall take effect as if they formed part of the charter documents.

(3) A copy of the special resolution passed under subsection (1) or of the order of the Court made under subsection (2) shall be filed with and registered by the Registrar whose certificate of registration thereof shall be conclusive evidence that the charter documents comply with the requirements of this Law.

(4) After registration of the registrant and until such time as the charter documents of the registrant are changed to comply with the requirements of this Law or to the extent they cannot be changed so to comply, this Law shall prevail.

(5) The provisions of the charter documents of a registrant which would, if the company had been incorporated under this Law, have been required by this Law to be included in its memorandum of association shall be deemed to be the registered memorandum of association of the company and the provisions of the charter documents that do not by virtue of the foregoing constitute the registered memorandum of association shall be deemed to be the registered articles of association of the company, and the company and its members shall be bound thereby accordingly.

Effect of registration under this Part on companies registered under Part IX

222. Where a registrant is also registered as a foreign company under Part IX it shall, upon registration under Part XII, automatically cease to be registered under Part IX and the Registrar shall cancel such registration.

Notice of registration, etc., to be given in Gazette

223. The Registrar shall forthwith give notice in the Gazette of the registration of a registrant under this Part, the jurisdiction under whose laws the registrant was previously incorporated, registered or existing and the previous name of the registrant if different from the current name.

De-registration of exempted companies included companies registered under this Part

224. (1) An exempted company incorporated and registered with limited liability and a share capital under this Law, including a company registered by way of continuation under this Part, which proposes to be registered by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Islands (hereinafter called an "applicant") may apply to the Registrar to be de-registered in the Islands.

(2) The Registrar shall so de-register an applicant if-

EBARGE, LLC
WRITTEN CONSENT OF THE SOLE MEMBER
TO ACTION IN LIEU OF MEETING

Pursuant to the provisions of Section 18-404(d) of the Limited Liability Company Act of the State of Delaware and consistent with the Certificate of Formation and Operating Agreement of EBARGE, LLC, a Delaware limited liability company (the "Company"), the undersigned, the directors of ML IBK Positions, Inc., the sole member of the Company, hereby consent to the adoption of the following resolutions and to the taking of the actions contemplated thereby, in each case, with the same force and effect as if presented to and adopted at a meeting of the member:

REGISTRATION BY WAY OF CONTINUATION

IT IS NOTED that the Company is registered as a limited liability company pursuant to the provisions of the Limited Liability Company Act of the State of Delaware under Section 18-201 and whereas it is considered to be in the best interest of the Company, IT IS RESOLVED that an application be made to the Registrar of Companies in the Cayman Islands for registration by way of continuation of the Company to the Cayman Islands under the provisions of Section 219-223 of Part XII of the Companies Law (1998 Revision).

IT IS FURTHER RESOLVED that the Memorandum and Articles of Association attached hereto as Attachment A be and hereby are approved and adopted as the Memorandum and Articles of Association of the Company effective upon the registration in the Cayman Islands as an exempted company limited by shares.

IT IS FURTHER RESOLVED that ML IBK Positions, Inc. is appointed as sole director of the Company.

IT IS FURTHER RESOLVED that any director of the member company and/or Trident Trust Company (Cayman) Limited be, and hereby is, authorized to execute and deliver, or cause to be executed and delivered, in the name and on behalf of the Company, and under its corporate seal or otherwise, a Declaration of Operations, substantially in the form of Attachment B hereto, a Notice of Transfer, substantially in the form of Attachment C hereto, a Declaration pursuant to Section 219 (2)(f) of the Companies Law of the Cayman Islands, substantially in the form of Attachment D hereto, a Certificate of Transfer, substantially in the form of Attachment E hereto and any and all certificates, agreements, authorizations and other instruments and documents, and to take any and all actions and to do any and all things as shall be necessary or appropriate to carry out the intent and purposes of the foregoing resolution.

IN WITNESS WHEREOF, we have hereunto set our hands as of the 14th day of February, 2000.

Gary M. Carlin

Mark F. McAndrews

Joseph S. Valenti

IN WITNESS WHEREOF, we have hereunto set our hands as of the 14th day of February, 2000.

Gary M. Carlin

Mark F. McAndrews

Joseph S. Valenti

IN WITNESS WHEREOF, we have hereunto set our hands as of the 14th day of February, 2000.

Gary M. Carlin

Mark F. McAndrews

Joseph S. Valenti

Our ref: EBA-A

February , 2000

The Registrar of Companies
Tower Building
Grand Cayman

Dear Sir

EBARGE, LLC

Pursuant to Section 219(2)(I) of Part XII of the Companies Law (1998 Revision), I Joseph S. Valenti, hereby undertake that notice of the transfer by way of continuation of **EBARGE, LLC** to the Cayman Islands has been or will be given within twenty-one days of such application to the Registrar of Companies to the secured creditors of the Company.

EBARGE, LLC,

By: ML IBK Positions, Inc., its sole Member

By: _____
Name: Joseph S. Valenti
Title: Director

4. A statement of the assets and liabilities of the company made up to the latest practicable date is attached.

EBARGE, LLC,

By: ML IBK Positions, Inc., its sole Member

By: _____
Name: Joseph S. Valenti
Title: Director

SWORN AND DECLARED before me at NEW YORK, NY this 3rd day of FEBRUARY 2000.

_____
Notary Public

IGNATHEA BARRETT
Notary Public, State of New York
No. 01BA4853814
Qualified in Westchester County
Commission Expires Feb. 17, 2000

IN THE MATTER OF
THE COMPANIES LAW
SECTION 219 (3)
AND
IN THE MATTER OF
EBARGE, LLC
VOLUNTARY DECLARATION

I, Joseph S. Valenti, make oath and say as follows: -

1. That I am the sole Director of the said Company which is applying for registration by way of continuation under the Companies Law, Cap. 219-223, of the laws of the Cayman Islands.

2. I am of the opinion that having made due inquiry, the requirements of the following paragraphs (g), (h), (i), (j), (k), (m), (n), (o) and (q) of subsection (2) of Section 219 of the Companies Law have been met, i.e.:
   - (g) no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the registrant in any jurisdiction;
   - (h) no receiver, trustee or administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the registrant, its affairs or its property or any part thereof;
   - (i) no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the registrant are and continue to be suspended or restricted;
   - (j) the registrant is able to pay its debts as they fall due;
   - (k) the application for registration is bone fide and not intended to defraud existing creditors of the registrant;
   - (m) any consent or approval to the transfer required by any contract or undertaking entered into or given by the registrant has been obtained, released or waived, as the case may be;
   - (n) the transfer is permitted by and has been approved in accordance with the charter documents of the registrant;
   - (o) the laws of the relevant jurisdiction with respect to transfer have been or will be complied with;
   - (q) the registrant will upon registration hereunder cease to be incorporated, registered or exist under the laws of the relevant jurisdiction;

3. That we make this Declaration pursuant to Section 219(3) of the Companies Law of the Cayman Islands to support the application of the said Company to be registered by way of continuation to the Cayman Islands.

IN THE MATTER OF
THE COMPANIES LAW
SECTION 219 (2)(f)
AND
IN THE MATTER OF
EBARGE, LLC
DECLARATION

I, Joseph S. Valenti, make oath and say as follows: -

1. That we propose to be a Director of the said Company which is applying for registration by way of continuation under the Companies Law, Cap. 219-223, of the laws of the Cayman Islands.

2. That the operation of the said Company will be conducted mainly outside the Cayman Islands.

3. That we make this Declaration pursuant to Section 219 (2)(f) of the Companies Law of the Cayman Islands to support the application of the said Company to be registered by way of continuation as an Exempted Company.

EBARGE, LLC,

By: ML IBK Positions, Inc., its sole Member

By: _____
Name: Joseph S. Valenti
Title: Director

SWORN AND DECLARED before me at NEW YORK, NY this 3rd day of FEBRUARY 2000.

_____
Notary Public

IGNATHEA BARRETT
Notary Public, State of New York
No. 01BA4953814
Qualified in Westchester County
Commission Expires Feb. 17, 2001

426651-v1 0064428-0053

** TX STATUS REPORT ** AS OF FEB 15 '00 10:27 PAGE.01

WBAM NYC

	DATE	TIME	TO/FROM	MODE	MIN/SEC	PGS	CMD#	STATUS
01	02/15	10:24	13459490881	EC--S	02'06"	005	226	OK

WHITMAN BREED ABBOTT & MORGAN LLP

200 PARK AVENUE ♦ NEW YORK, NY 10166 ♦ PHONE: 212-351-3000 ♦ FAX: 212-351-3131

FAX TRANSMITTAL SHEET

FROM	PHONE NUMBER	ROOM NUMBER
EDUARDO N.T. ANDRADE	212-351-3241	2861
DATE February 15, 2000	[redacted]	
TOTAL NUMBER OF PAGES (INCLUDING THIS PAGE):		

TO	COMPANY	FAX NUMBER	PHONE NUMBER
SABINA A. JERRYBANDAN	Trident Trust Company (Cayman) Ltd.	(345) 949-0881	(345) 949-0880

COMMENTS:

At long last, attached please find a copy of the executed Board Resolutions for Ebarge, LLC. Please let me know if there is anything else we have to do in order to get Ebarge registered by way of continuation. Once you inform me that that you are going to have Ebarge re-domiciled, I will have the Certificate of Transfer filed in Delaware (it is already pre-filed for easy filing). I should be able to get some kind of Certificate from Delaware stating that Ebarge is no longer domiciled there which I will send you once I get it.

In addition, have you received payment yet from Enron. I informed them to remit you payment forthwith, so let me know if you have not received it by wire or mail.

Regards,

Eduardo Andrade

FAXED

IF YOU HAVE NOT RECEIVED THE CORRECT NUMBER OF PAGES CALL (212) 351-3396

This message is intended only for the use of the individual or entity to which it is addressed, and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If you are neither the intended recipient, nor the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, notify us immediately by telephone, and return the original message to us at the above address by mail. Thank you.
429636-v1 0064428-0053

WHITMAN BREED ABBOTT & MORGAN LLP

200 PARK AVENUE ♦ NEW YORK, NY 10166 ♦ PHONE: 212-351-3000 ♦ FAX: 212-351-3131

FAX TRANSMITTAL SHEET

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Regards,

Eduardo Andrade

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429636-v1 0064428-0053

MS 24526

ML IBK POSITIONS, INC.

Assistant Secretary's Certificate

I, Douglas P. Madden, DO HEREBY CERTIFY that I am a duly appointed Assistant Secretary of ML IBK Positions, Inc., a Delaware corporation (the "Company"), and, in such capacity, am authorized to execute this certificate on behalf of the Company. I DO FURTHER CERTIFY that the following resolutions were duly adopted by unanimous written consent of the Board of Directors of the Company on February 14, 2000 and such resolutions have not been amended or modified and are in full force and effect as of the date hereof:

REGISTRATION BY WAY OF CONTINUATION

IT IS NOTED that the Company is registered as a limited liability company pursuant to the provisions of the Limited Liability Company Act of the State of Delaware under Section 18-201 and whereas it is considered to be in the best interest of the Company, IT IS RESOLVED that an application be made to the Registrar of Companies in the Cayman Islands for registration by way of continuation of the Company to the Cayman Islands under the provisions of Section 219-223 of Part XII of the Companies Law (1998 Revision).

IT IS FURTHER RESOLVED that the Memorandum and Articles of Association attached hereto as Attachment A be and hereby are approved and adopted as the Memorandum and Articles of Association of the Company effective upon the registration in the Cayman Islands as an exempted company limited by shares.

IT IS FURTHER RESOLVED that ML IBK Positions, Inc. is appointed as sole director of the Company.

IT IS FURTHER RESOLVED that any director of the member company and/or Trident Trust Company (Cayman) Limited be, and hereby is, authorized to execute and deliver, or cause to be executed and delivered, in the name and on behalf of the Company, and under its corporate seal or otherwise, a Declaration of Operations, substantially in the form of Attachment B hereto, a Notice of Transfer, substantially in the form of Attachment C hereto, a Declaration pursuant to Section 219 (2)(f) of the Companies Law of the Cayman Islands, substantially in the form of Attachment D hereto, a Certificate of Transfer, substantially in the form of Attachment E hereto and any and all certificates, agreements, authorizations and other instruments and documents, and to take any and all actions and to do any and all things as shall be necessary or appropriate to carry out the intent and purposes of the foregoing resolution.

Marinaro/misc/certificate

MS 24527

IN WITNESS WHEREOF, I have executed this Certificate on this 16th day of February 2000.

Name: Douglas P. Madden
Title: Assistant Secretary

EBARGE, LLC

CERTIFICATE OF ASSISTANT SECRETARY

I, Douglas P. Madden, acting in my capacity as Assistant Secretary of ML IBK Positions, Inc., ("ML IBK"), the sole director and sole member of Ebarge, LLC, a Delaware limited liability company (the "Company"), DO HEREBY CERTIFY that:

1. The persons whose respective signatures are stated on the following page, are duly appointed and qualified on this day to hold the office set forth opposite his name, and that the signatures set forth below are the genuine signature of such persons.

Name	Title	Signature
Gary M. Carlin	Director	Gary M. Carlin
Mark F. McAndrews	Director	Mark F. McAndrews
Joseph S. Valenti	Director	Joseph S. Valenti

IN WITNESS WHEREOF, I have executed this Certificate on this 16th day of February 2000.

ML IBK Positions, Inc.

By: _____
Name: Douglas P. Madden
Title: Assistant Secretary

** TOTAL PAGE.03 **
TOTAL P.05

FEB 16 '00 16:56 212 449 3207 PAGE.05

WHITMAN BREED ABBOTT & MORGAN LLP

200 PARK AVENUE ♦ NEW YORK, NY 10166 ♦ PHONE: 212-351-3000 ♦ FAX: 212-351-3131

FAX TRANSMITTAL SHEET

FROM		PHONE NUMBER	ROOM NUMBER
EDUARDO N.T. ANDRADE		**212-351-3241**	**2861**
DATE			
February 16, 2000			
TOTAL NUMBER OF PAGES (INCLUDING THIS PAGE):			
TO	COMPANY	FAX NUMBER	PHONE NUMBER
SABINA A. JERRYBANDAN	**Trident Trust Company (Cayman) Ltd.**	**(345) 949-0881**	**(345) 949-0880**

COMMENTS:

Attached please find the following executed documents pertaining to the re-domiciling of Ebarge, LLC:

(i) Assistant Secretary's Certificate, certifying as to the authenticity of the Board resolutions; and
(ii) Certificate of Assistant Secretary, certifying as to the incumbency of the directors of ML IBK Positions, Inc.

The originals of these documents will be arriving via DHL tomorrow from Merrill Lynch. If the body of either of these documents is deficient, please let me know and I will have the body of such certificate edited. In addition, I should be able to fax you a copy of the Certificate of Incorporation of ML IBK Positions, Inc. by tomorrow.

Regards,

Eduardo Andrade

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430299-v1 0064428-0053

MS 24531

WHITMAN BREED ABBOTT & MORGAN LLP

200 PARK AVENUE ♦ NEW YORK, NY 10166 ♦ PHONE: 212-351-3000 ♦ FAX: 212-351-3131

FAX TRANSMITTAL SHEET

FROM		PHONE NUMBER	ROOM NUMBER
EDUARDO N.T. ANDRADE		212-351-3241	2861
DATE February 17, 2000		[redacted]	
TOTAL NUMBER OF PAGES (INCLUDING THIS PAGE): 13			
TO	COMPANY	FAX NUMBER	PHONE NUMBER
SABINA A. JERRYBANDAN	Trident Trust Company (Cayman) Ltd.	(345) 949-0881	(345) 949-0880

COMMENTS:

Attached please find the Certificate of Incorporation for ML IBK Positions, Inc. I now hope that you have all the requested materials and that we can finally get Ebarge re-domiciled today. The reason I ask is that I am going on vacation next week so I really do have to have this wrapped up now. Please let me know when you have the documents filed so that I can have the Delaware Certificate of Transfer filed.

Regards,

Eduardo Andrade

IF YOU HAVE NOT RECEIVED THE CORRECT NUMBER OF PAGES CALL (212) 351-3396

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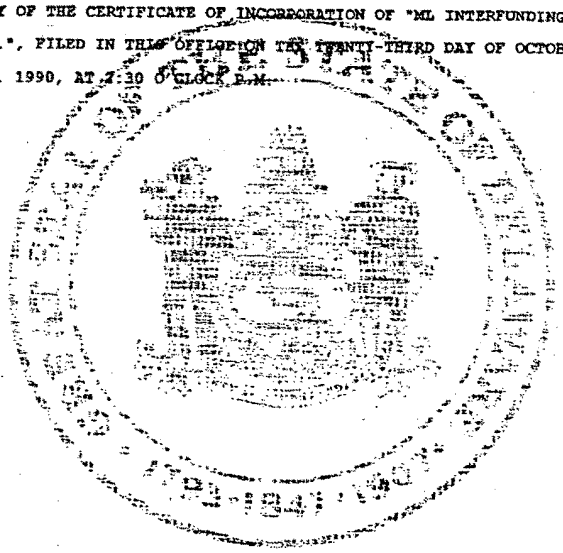
State of Delaware

Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "ML INTERFUNDING, INC.", FILED IN THIS OFFICE ON THE TWENTY-THIRD DAY OF OCTOBER, A.D. 1990, AT 3:30 O'CLOCK P.M.



Edward J. Freel, Secretary of State

2244576 8100

001078442

AUTHENTICATION: 0261362

DATE: 02-16-00

MS 24533

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 02:30 PM 10/23/1990
720296137 - 2244576

TEL No. Oct 23,90 13:48 P.02

CERTIFICATE OF INCORPORATION

of

ML INTERFUNDING, INC.

ARTICLE I

Name

The name of the Corporation is ML Interfunding, Inc.

ARTICLE II

Registered Office and Registered Agent

The registered office of the Corporation in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent is The Corporation Trust Company.

ARTICLE III

Corporate Purposes

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE IV

Authorized Shares

Section 1. Shares Authorized. The total number of shares of all classes of capital stock that the Corporation is authorized to issue is two thousand (2,000) shares, of which one thousand (1,000) shares shall be Common Stock, par value ten dollars ($10.00) per share ("Common Stock") and one thousand (1,000) shares shall be Preferred Stock, par value ten dollars ($10.00) per share ("Preferred Stock").

Section 2. Rights and Restrictions of Preferred Stock. Authority is hereby expressly vested in the Board of Directors of the Corporation, subject to the provisions of this Article IV and to the limitations prescribed by law, to authorize the issue from time to time of one or more series of Preferred Stock and with respect to

each such series to fix by resolution or resolutions the voting powers, full or limited, if any, of the shares of such series and the designations, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, the determination or fixing of the following:

(a) The designation of such series.

(b) The dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes or series of the Corporation's capital stock, and whether such dividends shall be cumulative or non-cumulative.

(c) Whether the shares of such series shall be subject to redemption for cash, property or rights, including securities of any other corporation, by the Corporation at the option of either the Corporation or the holder or both or upon the happening of a specified event, and, if made subject to any such redemption, the times or events, prices and other terms and conditions of such redemption.

(d) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of such series.

(e) Whether or not the shares of such series shall be convertible into, or exchangeable for, at the option of either the holder or the Corporation or upon the happening of a specified event, shares of any other class or classes or of any other series of the same or any other class or classes of the Corporation's capital stock and, if provision be made for conversion or exchange, the times or events, prices, rates, adjustments, and other terms and conditions of such conversions or exchanges.

(f) The restrictions, if any, on the issue or reissue of any additional Preferred Stock.

(g) The rights of the holders of the shares of such series upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

(h) The provisions as to voting, options and/or other special rights and preferences, if any.

Section 3. Rights and Restrictions of Common Stock. The powers, preferences, rights, qualifications, limitations or restrictions thereof in respect to the Common Stock are as follows:

(a) The Common Stock is junior to the Preferred Stock and is subject to all powers, rights, privileges, preferences and priorities of the Preferred Stock as herein or in any resolution or resolutions adopted by the Board of Directors pursuant to authority expressly vested in it by the provisions of Section 2 of this Article.

(b) The Common Stock shall have voting rights for the election of directors and for all other purposes, each holder of Common Stock being entitled to one vote for each share thereof held by such holder, except as otherwise required by law.

Section 4. Increase or Decrease in Amount of Authorized Shares. The number of authorized shares of any class or classes of capital stock of the Corporation may be increased or decreased by an amendment to this Certificate of Incorporation authorized by the affirmative vote of the holders of a majority of the shares of the Common Stock outstanding and entitled to vote thereon and, except as expressly provided in the Certificate of Incorporation or in any resolution or resolutions adopted by the Board of Directors pursuant to the authority expressly vested in it by the provisions of Section 2 of this Article with respect to the Preferred Stock and except as otherwise provided by law, no vote by holders of capital stock of the Corporation other than the Common Stock shall be required to approve such action.

Section 5. Shares Entitled to More or Less than One Vote. If, on any matter, any class or series of the Corporation's capital stock shall be entitled to more or less than one vote for any share, every reference in this Certificate of Incorporation and in any relevant provision of law to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock.

ARTICLE V

Corporate Existence

The Corporation is to have perpetual existence.

ARTICLE VI

Powers of Board of Directors

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized:

(a) To make, alter, amend or repeal the By-Laws, except as otherwise expressly provided in any By-Law made by the holders of the capital stock of the Corporation entitled to vote there-

on. Any By-Law may be altered, amended or repealed by the holders of the capital stock of the Corporation entitled to vote thereon at any annual meeting or at any special meeting called for that purpose.

(b) To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

(c) To determine the use and disposition of any surplus and net profits of the Corporation, including the determination of the amount of working capital required, to set apart out of any of the funds of the Corporation, whether or not available for dividends, a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

(d) To designate, by resolution passed by a majority of the whole Board of Directors, one or more committees, each committee to consist of two or more directors of the Corporation, which, to the extent provided in the resolution designating the committee or in the By-Laws of the Corporation, shall, subject to the limitations prescribed by law, have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers that may require it. Such committee or committees shall have such name or names as may be provided in the By-Laws of the Corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

(e) To adopt such pension, retirement, deferred compensation or other employee benefit plans or provisions as may, from time to time, be approved by it, providing for pensions, retirement income, deferred compensation or other benefits for officers or employees of the Corporation and of any corporation that is a subsidiary of the Corporation, or any of them, in consideration for or in recognition of the services rendered by such officers or employees or as an inducement to future efforts. No such plan or provision, which is not at the time of adoption unreasonable or unfair, shall be invalidated or in any way affected because any director shall be a beneficiary thereunder or shall vote for any plan or provision under which he may benefit.

(f) To exercise, in addition to the powers and authorities hereinbefore or by law conferred upon it, any such powers and authorities and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the laws of the State of Delaware and of the Certificate of Incorporation and of the By-Laws of the Corporation.

ARTICLE VII

Limitation of Directors' Liability; Indemnification by Corporation

Section 1. Limitation of Directors' Liability. (a) No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except, to the extent provided by applicable law, for liability (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is hereafter amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the liability of each director of the Corporation shall be limited or eliminated to the full extent permitted by the Delaware General Corporation Law as so amended from time to time.

(b) Neither the amendment nor repeal of this Section 1, nor the adoption of any provision of the Certificate of Incorporation inconsistent with this Section 1, shall eliminate or reduce the effect of this Section 1, in respect of any matter occurring, or any cause of action, suit or claim that, but for this Section 1, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

Section 2. Indemnification by Corporation. (a) The Corporation shall indemnify any person who is or was a director or officer of the Corporation, with respect to actions taken or omitted by such person in any capacity in which such person serves the Corporation, to the full extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer, as the case may be, and shall inure to the benefit of such person's heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any person in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized in advance, or unanimously consented to, by the Board of Directors of the Corporation.

(b) Directors and officers of the Corporation shall have the right to be paid by the Corporation expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

(c) The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation.

(d) The rights to indemnification and to the advancement of expenses conferred in this Section 2 shall not be exclusive of any other right that any person may have or hereafter acquire under this Certificate of Incorporation, the by-laws, any statute, agreement, vote of stockholders or disinterested directors, or otherwise.

(e) Any repeal or modification of this Section 2 by the stockholders of the Corporation shall not adversely affect any rights to indemnification and to advancement of expenses that any person may have at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

ARTICLE VIII

Reservation of Right to Amend Certificate of Incorporation

The Corporation reserves the right to amend, alter, change or repeal any provisions contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all the provisions of this Certificate of Incorporation and all rights and powers conferred in this Certificate of Incorporation on stockholders, directors and officers are subject to this reserved power.

ARTICLE IX

The name and mailing address of the incorporator is Dauna R. Williams, 250 Vesey Street, New York, New York 10281-1334.

For the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, the undersigned hereby declares and certifies that the facts herein stated are true; and accordingly has hereunto set her hand this 18th day of October, 1990.

Dauna R. Williams
Incorporator

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "ML INTERFUNDING, INC." CHANGING ITS NAME FROM "ML INTERFUNDING, INC." TO "ML IBK POSITIONS, INC.", FILED IN THIS OFFICE ON THE FOURTEENTH DAY OF JUNE, A.D. 1991, AT 10 O'CLOCK A.M.

Edward J. Freel, Secretary of State

2244576 8100

001078442

AUTHENTICATION: 0261363

DATE: 02-16-00

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:00 AM 06/14/1991
721165022 - 2244576

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

ML INTERFUNDING, INC.

ML Interfunding, Inc. a corporation organized and existing under the laws of the State of Delaware, DOES HEREBY CERTIFY:

First: That the Board of Directors of the Corporation, on April 22, 1991, at a meeting duly convened, adopted a resolution proposing and declaring advisable an amendment to the Certificate of Incorporation of the Corporation and directing that such amendment be submitted to the Next Meeting of Stockholders of the Corporation called, among other purposes, for the consideration thereof. Article I of the Certificate of Incorporation, as proposed to be amended by such resolution, is as follows:

Name

The name of the Corporation is ML IBK Positions, Inc.

Second: That on April 23, 1991 the next Meeting of Stockholders of the Corporation was duly held, and, pursuant to the aforementioned resolution of its Board of Directors, the foregoing proposed amendment was submitted to the stockholders of the Corporation entitled to vote thereon, such amendment being submitted to and voted upon by the holders of shares of Common Stock, the only class of stock of the Corporation outstanding and entitled to vote, at which meeting the foregoing amendment was adopted by the affirmative vote of a majority of all outstanding shares of Common Stock.

Third: That the foregoing amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by its President, with its corporate seal to be hereunto duly affixed and to be attested by its Secretary this 31st day of May, 1991.

ML INTERFUNDING, INC.

By: _____
Barry S. Friedberg
President

Attest: _____
James V. Caruso
Secretary

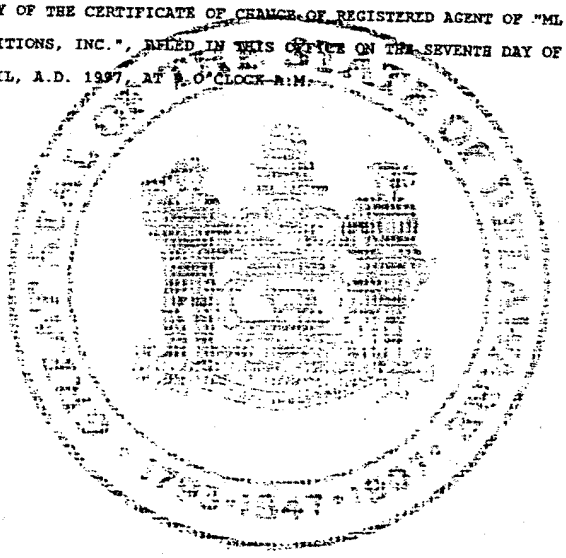
(Seal)

State of Delaware

Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF CHANGE OF REGISTERED AGENT OF "ML IBK POSITIONS, INC.", FILED IN THIS OFFICE ON THE SEVENTH DAY OF APRIL, A.D. 1997, AT 1 O'CLOCK P.M.



2244576 8100

001078442

Edward J. Freel, Secretary of State

AUTHENTICATION: 0261364

DATE: 02-16-00

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 04/07/1997
971111054 - 2244576

CERTIFICATE OF CHANGE OF LOCATION OF REGISTERED OFFICE AND OF REGISTERED AGENT

It is hereby certified that:

1. The name of the corporation (hereinafter called the "corporation") is

ML IBK POSITIONS, INC.

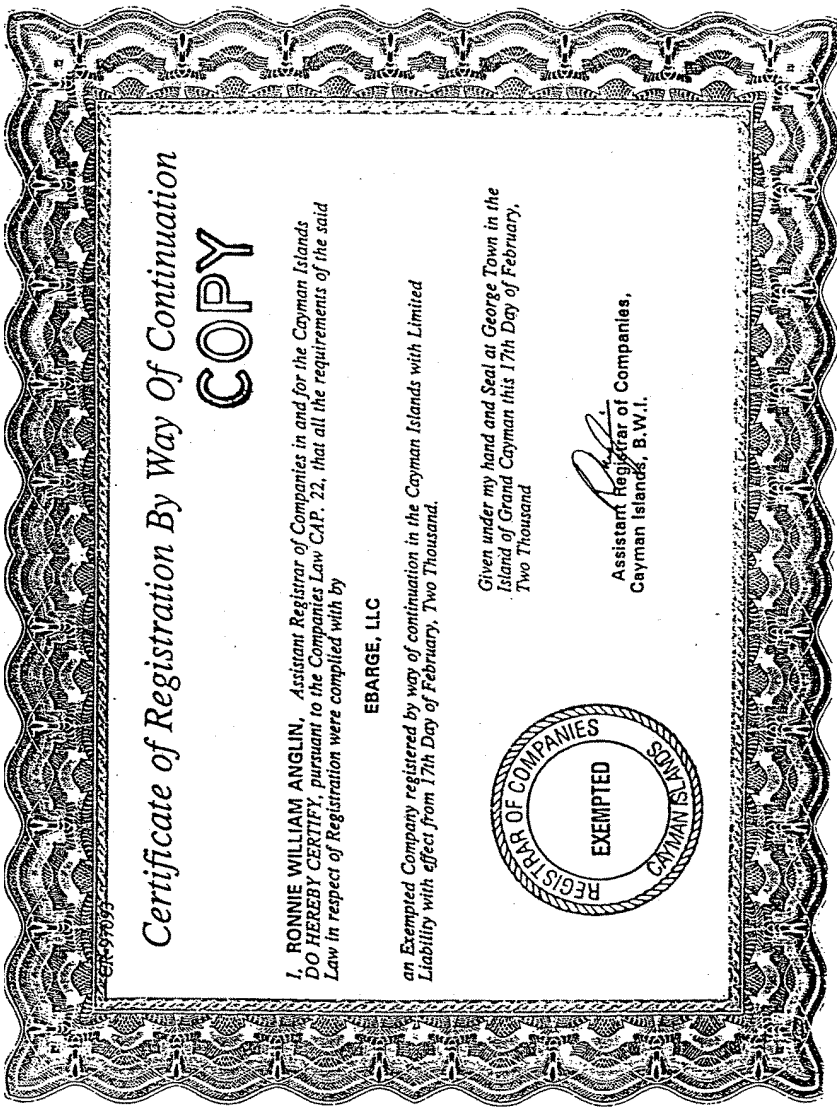
2. The registered office of the corporation within the State of Delaware is hereby changed to 1013 Centre Road, City of Wilmington 19805, County of New Castle.

3. The registered agent of the corporation within the State of Delaware is hereby changed to CORPORATION SERVICE COMPANY, the business office of which is identical with the registered office of the corporation as hereby changed.

4. The corporation has authorized the changes hereinbefore set forth by resolution of its Board of Directors.

Signed on APRIL 1, 1997.

MARCIA L. TU, SECRETARY



Certificate of Registration By Way Of Continuation

COPY

CR-97695

I, RONNIE WILLIAM ANGLIN, *Assistant Registrar of Companies in and for the Cayman Islands DO HEREBY CERTIFY, pursuant to the Companies Law CAP. 22, that all the requirements of the said Law in respect of Registration were complied with by*

EBARGE, LLC

an Exempted Company registered by way of continuation in the Cayman Islands with Limited Liability with effect from 17th Day of February, Two Thousand.

Given under my hand and Seal at George Town in the Island of Grand Cayman this 17th Day of February, Two Thousand

REGISTRAR OF COMPANIES EXEMPTED CAYMAN ISLANDS

Assistant Registrar of Companies,
Cayman Islands, B.W.I.

MS 24545

REGISTERED AND FILED
AS NO. 91093 THIS 11th DAY
OF February 2002
ASST REGISTRAR OF COMPANIES
CAYMAN ISLANDS

THE COMPANIES LAW

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

EBARGE, LLC

1. In these Articles the following words and expressions shall, where not inconsistent with the context, have the following meanings respectively and Table A of the Law shall be excluded:

"Auditor"	includes any individual or partnership;
"Notice"	means written notice unless otherwise specifically stated;
"Ordinary Shares"	means ordinary shares of US$1.00 each in the capital of the Company the holder or holders of which will have limited liability;
"Register of Members "	means the Register of Members kept in accordance with Article 13;
"Member"	means every person, body corporate or partnership registered in the Register of Members as the holder of Ordinary Shares in the Company, and when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders;
"the Law"	means the Companies Law (Revised) and any statutory modification thereof for the time being in force;
"the Company"	means EBARGE, LLC;
"Secretary:	means the person appointed to perform the duties of Secretary of the Company and includes any Assistant or Acting Secretary;
"share"	shall where the context so admits include a fractional share.

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"Special Resolution" means a resolution passed by all the Members who are entitled to vote.

2. In these Articles, unless there be something in the subject or context inconsistent with such construction, words importing the plural number shall be deemed to include the singular number and vice versa, and words of one gender include any other gender.

3. Expressions referring to writing shall, unless the contrary intention appears, be construed including printing, lithography, photography and other modes of representing words in a visible form.

4. Unless the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Companies Law (Revised) or any statutory modification thereof in force for the time being.

SHARES

5. (a) The authorised Share Capital of the Company is US$50,000 divided into 50,000 Ordinary Shares of a nominal or par value of US$1.00 each.

(b) Subject to these Articles the unissued shares of the Company (whether forming part of the original or any increased authorised capital) shall be at the disposal of the Members by majority resolution who may offer, allot, grant options over or otherwise dispose of them to such persons at such times and for such consideration and upon such terms and conditions as they may determine consistent with these Articles.

6. No share shall be issued except as fully paid up.

7. The name and address of every person being the holder of registered shares, and the date when they became or ceased to be a Member shall be entered in the Register of Members.

8. Every person whose name is entered as a Member in the Register of Members being the holder of registered shares, may request, and the Company shall issue thereto, a certificate specifying the share or shares held and the par value thereof, provided that in respect of a registered nominative share, or shares, held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one or several joint holders shall be sufficient delivery to all.

9. Any member receiving a share certificate shall indemnify and hold the Company harmless from any loss or liability which it may incur by reason of wrongful or fraudulent use or representation made by any person by virtue of the possession of such certificate. If a certificate is

worn out or lost it may be renewed on production of the worn out certificate, or on satisfactory proof of its loss together with such indemnity as a majority of the members may require.

REDEMPTION OF SHARE CAPITAL

10. Subject to the Companies Law (Revised), the Company may

(a) issue shares on terms that they are liable to be redeemed on such terms and in the manner as the Members by Special Resolution before the issue of the shares may determine; and

(b) buy its own shares including any redeemable shares; and

(c) make a payment in respect of the purchase or redemption of its own shares otherwise than out of its distributable profits, or the proceeds of a fresh issue of shares.

VARIATION OF RIGHTS OF SHARES

11. If at any time the authorised share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may only be varied or abrogated with the unanimous consent in writing of Members holding the issued shares or series of shares which may be affected by such variation at a separate class meeting of the holders of shares so affected. To every such class meeting the provisions of these Articles relating to General Meetings shall apply but so that the necessary quorum shall be one or more persons holding or representing by proxy at least two thirds of the issued shares or series of shares so affected.

12. The rights conferred upon the holders of the shares of any class or series issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class or series, be deemed to be varied by the creation or issue of further shares of that class or series. The holders of the shares of any class or series shall not have any preemptive right to purchase or subscribe for any shares of the Company unless expressly provided by the terms of the issue of the shares of that class.

REGISTRATION OF MEMBERS

13. The Company shall keep in one or more books a Register of its Members and shall enter therein the following particulars, that is to say:

(a) the name and address of each Member, the number of shares held by him and the amount paid or agreed to be considered to be paid on such shares;

(b) the date on which each person was entered in the Register of Members; and

(c) the date on which any person ceased to be a Member.

EVENTS RELATING TO MEMBERS THAT CAUSE WINDING UP AND DISSOLUTION

14. Any of the following events shall cause the winding and dissolution of the Company in accordance with Article 49:

(a) the bankruptcy, winding up, death, insanity, retirement, expulsion or dissolution of such Member;

(b) if such Member makes any assignment for the benefit of his creditors or files a petition voluntarily for bankruptcy under the laws of any country or files a petition seeking for himself any arrangement, re-organization, amalgamation, composition, re-adjustment, liquidation, dissolution or similar relief under any law or regulation;

(c) if such Member files an answer or other pleading admitting or failing to contest the material allegation of a petition filed against him in any proceedings of a nature described in the immediately proceeding paragraph of this Article;

(d) if such Member seeks consents to or acquiesces in the appointment of a trustee, receiver or liquidator of himself or all of a substantial part of his properties.

TRANSFER

15. No Member shall transfer, sell or assign or grant any option or other rights with respect to or otherwise dispose of any share held by him from time to time or any interest therein, in whole or in part, without the unanimous written consent of all the other Members. The Members shall not recognize any instrument purporting to transfer, or any other purported disposition of, any share or any interest therein in breach of the foregoing restriction and any purported transfer, sale or assignment of a share of any purported option or other right in respect of a share in breach of the foregoing restriction shall be void. Notwithstanding the foregoing, a Member shall have the right to create or permit to subsist any pledge, lien, charge or encumbrance over any economic interest in any shares held by him where this is necessary or desirable to obtain financing for the benefit the Member, provided, however, that such pledge, lien, charge or encumbrance does not allow the holder to exercise any voting rights or rights or powers with respect to management of the Company or entitle the holder to become Member. In any circumstances described in the immediately foregoing sentence, the consent of the other Members of the Company shall not be required.

16. In the event of the dissolution, liquidation, bankruptcy or insolvency of a Member, the Company shall be wound up and dissolved in accordance with Article 49.

17. The Members shall cause the share certificates of the Company issued, if any, to bear a legend making reference to the restriction contained in Article 15.

GENERAL MEETINGS

18. Any Member holding an Ordinary Share may convene a General Meeting of the Company, whether by telephone conference call or otherwise, for the purpose of:

(a) considering and if thought fit passing of a Special Resolution to alter or amend the Memorandum and Articles of Association of the Company or its authorised share capital or to require the Company to be dissolved; or

(b) to consider any matter in connection with the Company's affairs.

19. Fourteen days Notice in writing, by telex or facsimile of a general meeting shall be given to each of the Members entitled to vote at such meeting (which notice may be waived in writing) and mailed to each Member entitled to vote at his address as registered in the Register of Members by air mail (if appropriate) and such Notice shall state the time and place for such meeting and whether such meeting is to take place by conference call (and, if so giving the details thereof) and the objects of the Meeting (as far as practicable).

20. The accidental omission to give Notice of a meeting to or the non-receipt of Notice of a meeting by any person entitled to receive Notice shall not invalidate the proceedings at that meeting. Notice by telex or facsimile need only be given to a Member who gives the Company a telex or facsimile number.

21. A Meeting of the Company shall, notwithstanding that it is called by shorter Notice than that specified in these Articles, be deemed to have been properly called if it is so agreed by all the Members entitled to attend and vote thereat.

PROCEEDINGS AT GENERAL MEETINGS

22. (a) At any General Meeting of the Company, the Members present in person or by proxy shall elect by ordinary resolution a Chairman of the Meeting.

(b) At any General Meeting of the Company one or more Members entitled to vote present in person or representing in person or by proxy all of the outstanding voting shares of the share capital of the Company entitled to vote at such meeting shall form a quorum for the transaction of business; if within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the following day at the same time at the same

place, or by conference call, as the case may be.

(c) The Chairman may, with the consent of any meeting by unanimous resolution at which a quorum is present (and shall if so directed by the meeting by unanimous resolution), adjourn the meeting from time to time and from place to place, and only other business left unfinished at the meeting from which the Members present in person or represented by proxy have adjourned shall be dealt with. It shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at the adjourned meeting; save and except for a meeting adjourned sine die, when notice of the adjourned meeting shall be given as in the case of an original meeting.

23. (a) Subject to any rights or restrictions lawfully attached to any class or series of shares, at any meeting of the Company each Member holding Ordinary Shares shall be entitled to one vote for each share held by him and such vote may be given in person or by proxy.

(b) At any meeting of the Company other than in respect of a matter requiring a Special Resolution any question proposed for the consideration of the Members shall be decided by a majority vote of Members entitled to vote.

(c) At any meeting of the Company a declaration by the Chairman that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously or by a particular majority or lost and an entry in a book containing the minutes of the proceedings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such question.

24. When a vote is taken by ballot each Member entitled to vote shall be furnished with a ballot paper on which he shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the questions on which the vote is taken; and each ballot paper shall be signed, initialled or otherwise marked so as to identify the voter. At the conclusion of the ballot the ballot papers shall be examined by the Chairman with assistance of a Member appointed for the purpose, and the result of the ballot shall be declared by the Chairman.

25. An instrument appointing a proxy shall be in writing under the hand of a Member of his attorney duly authorised in writing or, if the Member is a corporation either under seal or under the hand of an officer or attorney of the corporation duly authorised, and shall be such other form as the Members may from time to time approve.

26. Any corporation which is a Member of the Company may by resolution of its directors authorize such persons as it thinks fit to act as its representative at any meeting of the Members of the Company and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company.

WRITTEN RESOLUTIONS

27. (a) A unanimous resolution in writing (whether on one or more separate papers) duly signed by all Members holding shares entitled to vote on the matter shall be deemed a valid resolution of a General meeting or a class meeting, as the case may be.

(b) A resolution in writing (whether on one or more separate papers) duly signed by Members holding one hundred per cent of the shares entitled to vote on the matter shall be deemed a valid Special Resolution of the General Meeting or class meeting as the case may be.

WRITTEN CONSENT

28. If all the Members entitled to vote in person or by proxy sign the minutes of meeting, the same shall be deemed to have been duly held notwithstanding that the members have not actually come together or that there may have been technical defects in the proceedings, and a unanimous resolution in writing in one or more parts signed by all the Members entitled to vote shall be as valid and effectual as if it has been passed at a meeting duly called and constituted.

MANAGEMENT

29. (a) The Members are considered to be directors of the Company for the purposes of Section 194 of The Companies Law, and shall, by majority resolution or unanimous written consent, have full, complete, and exclusive authority to manage and control the business affairs and to buy, sell and borrow on behalf of the Company and to perform all other acts or activities customary or incidental thereto.

(b) The Members shall, by majority resolution or unanimous written consent, have authority to execute all documents and hold all meetings otherwise required of directors of a company and to act pursuant to Sections 184 and 194 of The Companies Law (1998 Revision);

(c) The Members shall, by majority resolution or unanimous written consent, have authority to institute, bring, prosecute and defend proceedings in the name of the Company.

30. A Member of the Company may hold other office or place of profit with the Company and may be paid such extra remuneration therefor whether by way of salary, commission, participation of profits or otherwise.

31. The Members may, from time to time as they deem advisable, select natural persons who are employees or agents of the Company and designate them as officers of the Company (the "Officers") and assign titles (including without limitation, President, Vice President, Secretary, and Treasurer) to any such person. Unless the Members decide otherwise, if the title is one commonly used for officers of a business corporation formed under The Companies Law (1998 Revision), the assignment of such title shall constitute the delegation to

such person of the authorities and duties that are normally associated with that office. Any delegation pursuant to this Article 31 may be revoked at any time by the Members. An Officer may be removed with or without cause by the Members. The Member hereby appoints the following officers to manage the affairs of the Company:

Name	Office
James A. Brown	Chairman of the Board and President
Joseph S. Valenti	Vice President - Finance and Treasurer
Gerard Haugh	Vice President and Secretary
Kira J. Toone	Vice President, Assistant Secretary and Assistant Treasurer
Frank J. Conley	Vice President and Assistant Secretary
William R. Fuhs	Vice President and Assistant Secretary

32. No Member or Officer shall be liable to the Company or any other person or entity who has an interest in the Company for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Member or Officer in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Member or Officer by this Agreement, except that a Member or Officer shall be liable for any such loss, damage or claim incurred by reason of such Member's or Officer's willful misconduct. To the full extent permitted by applicable law, a Member or Officer shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Member or Officer by reason of any act or omission performed or omitted by such Member or Officer in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Member or Officer by this Agreement, except that no Member or Officer shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Member or Officer by reason of willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Article 17 shall be provided out of and to the extent of Company assets only, and the Member shall not have personal liability on account thereof.

33. A Member may be party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may vote in respect of it and shall not be accountable to the Company for any benefit which he derives from any such office or from any such transaction or arrangement and no such transaction or arrangement shall be avoidable on the grounds of such interest or benefit provided the Member shall first disclose his interest in the same to all other Members in writing.

34. The Members may, by majority resolution of each class or series of shares outstanding, delegate their power and authority pursuant to Article 29 to one or more persons who

may or may not be members.

35. The Company will be treated as a partnership of U.S. federal income tax purposes.

MINUTES

36. The Members shall cause minutes to be made in books provided for the purpose:

(a) of all appointments of officers made by the Members;

(b) of the names of the Members (including those represented thereat by an alternate or by proxy) present at each meeting of the Members and of any committee of the Members;

(c) of all resolutions and proceedings at all meetings of the Members.

COMPANY SECRETARY

37. The Members may by majority resolution appoint a Company Secretary to perform administrative functions on behalf of the Company.

CUSTODIAN

38. The Members may by majority resolution appoint a custodian or trustee for the safe keeping of all moneys, assets and securities of the Company with such powers and duties in respect thereof as may be specified in such appointment.

DISTRIBUTIONS

39. Subject to the Law, the Members may by majority resolution from time to time declare distributions (including interim distributions) on shares of the Company outstanding and authorise payment of the same out of the funds of the Company lawfully available therefor.

40. The members may by majority resolution, before declaring any distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the members, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business of the Company.

41. No distribution shall be payable except out of the profits of the Company, realised or unrealised, or out of the share premium account or as otherwise permitted by the Law.

42. The Members may by majority resolution declare that any distribution be paid wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures, or debenture stock or any other company or in any one or more of such ways and where any

difficulty arises in regard to such distribution, the Members may by unanimous resolution settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all members and may vest any such specific assets in trustees as may seem expedient to the Members.

43. Any distribution, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or. in the case of joint holders, to the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any distributions, bonuses, or other monies payable in respect of the share held by them as joint holders.

ACCOUNTS AND FINANCIAL STATEMENTS

44. The Members shall cause accounts to be kept of all transactions of the Company in such manner as to show a true and fair position of the assets and liabilities of the Company for the time being.

45. The Members by majority resolution shall have the power to fix and from time to time change the fiscal year of the Company and unless so changed, the fiscal year shall be the calendar year.

46. Each Member may demand and shall receive true and full information regarding the state of the business and financial condition of the company.

47. The Members shall by majority resolution have power to appoint and dismiss the Auditor from time to time.

48. The duties and remuneration of the Auditor shall be fixed by the Members or in such manner as the Members may by majority resolution determine.

WINDING UP AND DISSOLUTION

49. The Company shall be considered to have commenced voluntary winding up and dissolution automatically and without the requirement of any other act:

(a) upon the expiration of the period of fifty years from the date of its incorporation;

(b) if the Members of the Company pass a Special Resolution requiring the Company to be wound up and dissolved; or

(c) upon the happening of any event in relation to a Member as defined in Article 14.

50. On winding up and dissolution of the Company the balance of the assets available for distribution and subject to any special rights or restrictions attaching to any class or series of shares shall be applied in paying to the members the amounts paid up on the shares held by them and the surplus shall belong to such Members according to the respective number of shares held by them.

LIQUIDATOR

51. When the Company is in winding up and dissolution if no other liquidator is appointed, the Members shall act as liquidator or joint liquidators in the event that there shall be more than one.

NOTICES

52. Unless otherwise herein or by law expressly provided, a Notice may be served by the Company on any Member either personally or by telex or facsimile to his registered address or by sending it using air mail (if appropriate) through the post prepaid in an envelope addressed to such Member at his address as registered in the Register of Members.

53. Any Notice required to be given to the Members shall with respect to any shares held jointly by two or more parsons be given to all such persons.

54. Any Notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission, and in proving such service it shall be sufficient to prove that the Notice was properly addressed and prepaid, if posted, and the time when it was posted or transmitted by telex or facsimile as the case may be.

SEAL OF THE COMPANY

55. The Company may, if the Members so determine have a seal. The Seal of the

Company shall not be affixed to any instrument except over the signature of at least one Member and the Secretary or by some person appointed by the Members, provided that the Secretary may affix the Seal of the Company over his signature only to any authenticated copies of the Articles, the Memorandum of Association, the minutes of any meetings or any other document required to be authenticated by him and to any instrument which the Members have specifically approved beforehand.

ALTERATION OF ARTICLES

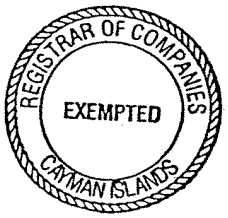
56. No Article shall be rescinded, altered or amended, and no new Article shall be made until the same has been proposed and passed as a Special Resolution at a General Meeting duly convened.

ASSIGNMENTS

57. The Members may at any time transfer in whole or in part their shares in the Company. If a Member transfers all of its shares in the Company pursuant to this Article 57, the transferee shall be admitted to the Company upon registration of a share transfer and the transferee's name being entered on the Register of Members. Such admission shall be deemed effective immediately on entry in the Register of Members, and, immediately following such entry, the transferor Member shall cease to be a Member of the Company.

ADMISSION OF ADDITIONAL MEMBERS

58. One or more additional members of the Company may be admitted to the Company with the written consent of the Members.



REGISTERED AND FILED
AS NO. 1102 THIS 17th DAY
OF February 2006
ASST REGISTRAR OF COMPANIES
CAYMAN ISLANDS

THE COMPANIES LAW

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

EBARGE, LLC

1. The name of the Company is EBARGE, LLC.

2. The principal business office of the Company shall be located at World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281.

3. The Registered Office of the Company shall be at the offices of Trident Trust Company (Cayman) Limited, Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands, British West Indies or at such other place as the Members may from time to time decide.

4. The objects for which the Company is established are unrestricted and shall include, but without limitation, the following:

(a) Acquire by purchase, lease, contribution of property or otherwise, own, hold, sell, convey, transfer or dispose of any real or personal property that may be necessary, convenient or incidental to the accomplishment of the purposes of the Company;

(b) Act as a trustee, executor, nominee, bailee, director, officer, agent or in some other fiduciary capacity for any person or entity and to exercise all of the powers, duties, rights and responsibilities associated therewith;

(c) Take any and all actions necessary, convenient or appropriate as trustee, executor, nominee, bailee, director, officer, agent or other fiduciary, including the granting or approval of waivers, consents or amendments of rights or powers relating thereto and the execution of appropriate documents to evidence such waivers, consents or amendments;

(d) Operate, purchase, maintain, finance, improve, own, sell, convey, assign, mortgage, lease or demolish or otherwise dispose of any real or personal property that may be necessary, convenient or incidental to the accomplishment of the purposes of the Company;

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(e) Borrow money and issue evidences of indebtedness in furtherance of any or all of the purposes of the Company, and secure the same by mortgage, pledge or other lien on the assets of the Company;

(f) Invest any funds of the Company pending distribution or payment of the same pursuant to the provisions of this Agreement;

(g) Prepay, in whole or in part, refinance, recast, increase, modify or extend any indebtedness of the Company and, in connection therewith, execute any extensions, renewals or modifications of any mortgage or security agreement securing such indebtedness;

(h) Enter into, perform and carry out contracts of any kind, including, without limitation, contracts with any person or entity affiliated with the Member, necessary to, in connection with, convenient to, or incidental to the accomplishment of the purposes of the Company;

(i) Employ or otherwise engage employees, managers, contractors, advisors, attorneys and consultants and pay reasonable compensation for such services; and

(j) Enter into partnerships, limited liability companies, trusts, associations, corporations or other ventures with other persons or entities in furtherance of the purposes of the Company.

The Company's business is not restricted to the furtherance of the objects expressly set out in this Memorandum of Association. The Company has full power and authority to carry out any objects not prohibited by law in the Cayman Islands. The Company is capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporation benefit.

In the interpretation of this Memorandum of Association in general and of this Clause 4 in particular no object, business or power specified or mentioned shall be limited or restricted by reference to or inference from any other object, business or power, or the name of the Company, or by the juxtaposition of two or more objects, businesses or powers and that, in the event of any ambiguity in this clause or elsewhere in this Memorandum of Association, the same shall be resolved by such interpretation and construction as will widen and enlarge and not restrict the objects, businesses and powers of and exercisable by the Company.

5. Except as prohibited or limited by the Companies Law (Revised), the Company shall have full power and authority to carry out any object and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate in doing in any part of the world whether as principal, agent, contractor or otherwise whatever may be considered by it necessary for the attainment of its objects and whatever else may be considered by it as incidental or conducive thereto or consequential thereon, including, but without in any way restricting the generality of the

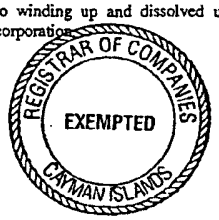
foregoing, the power to make any alterations or amendments to this Memorandum of Association and the Articles of Association of the Company considered necessary or convenient in the manner set out in the Articles of Association of the Company, and the power to do any of the following acts or things, viz:

to pay all expenses of and incidental to the promotion, formation and incorporation of the Company; to register the Company to do business in any other jurisdiction; to sell, lease or dispose of any property of the Company; to draw, make, accept, endorse, discount, execute and issue promissory notes, debentures, bills of exchange, bills of lading, warrants and other negotiable or transferable instruments; to lend money or other assets and to act as guarantors; to borrow or raise money on the security of the undertaking or on all or any of the Company's assets including uncalled capital or without security; to invest the Company's monies in such manner as the Members determine; to promote other companies; to sell the undertaking of the Company for cash or any other consideration; to distribute assets in specie to the Members of the Company; to make charitable or benevolent donations; to pay pensions or gratuities or provide other benefits in cash or kind to officers, employees, past or present and their families; to carry on any trade or business and generally to do all acts and things which, in the opinion of the Company or the Member, may be conveniently or profitably or usefully acquired and dealt with, carried on, executed or done by the Company in connection with the business aforesaid BUT the Company may only carry on the businesses for which a licence is required under the laws of the Cayman Islands when so licensed under the terms of such laws.

6. The Company shall be established as a limited liability company and the liability of the Members is limited to the amount from time to time unpaid on the Members' shares. It is intended that the Company be treated as a corporation for liability purposes and a limited partnership with respect to the laws regarding taxation in the United States.

7. The share capital of the Company is US$50,000 divided into 50,000 Ordinary Shares of a nominal or par value of US$1.00 each with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (Revised) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that, unless the conditions of issue shall otherwise expressly declare, every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

8. The Company shall be placed into winding up and dissolved upon the expiration of the period of fifty years from the date of its incorporation.



MS 24560

EBARGE, LLC

PROXY

I/We ML IBK Positions, Inc.

of Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, 10th Floor, New York, NY 10281 U.S.A.

being a Director of the above company hereby revoke all previous proxy appointments (if any) and do hereby appoint Trident Directors (Cayman) Ltd. of Grand Cayman or failing them Trident Nominees (Cayman) Ltd. of Grand Cayman as my/our proxy, to receive notice of, to attend and to vote for me/us and on my/our behalf to represent me/us at the Annual Meeting of the Directors held in the Cayman Islands, and at any adjournment thereof. This proxy is to remain in force until revoked in writing by me/us, by written notice to the Company.

This appointment is limited to allow the proxy to vote only in respect of:

- Approval of the Annual Return and the appointment of a person to sign and seal same;
- Filing of the Annual Return and payment of the annual government fee;
- Re-appointment of the directors previously in office;
- Convening of meetings for the foregoing purposes and the waiver of notice thereof;
- Such other matters as to which the proxy shall have received express written instructions from the appointor.

ML IBK Positions, Inc.
Director
Date signed:

TRIDENT TRUST COMPANY (CAYMAN) LIMITED

INDEMNITY

THIS AGREEMENT is made the 17th day of February 2000 by and between

1. Joseph S. Valenti, Director

of ML IBK Positions, Inc.

(hereinafter called "the Beneficial Owner(s)", which expression where the context so admits shall include his(her)(their) heirs, legatees, intestate successors, executors, administrators and assigns), of the one part, and

2. TRIDENT TRUST COMPANY (CAYMAN) LIMITED (hereinafter called "TTCayman" (which expression where the context so admits shall include its subsidiary, associated and affiliated companies wheresoever situated, its directors, officers and employees and the directors, officers and employees of its subsidiary, associated and affiliated companies), of the other part.

WHEREAS:

A. A company has been incorporated under the laws of the Cayman Islands under the name of

EBARGE, LLC

With registration number 97093 (hereinafter called "the Company")

B. TTCayman or one or more of its affiliated, associated or subsidiary companies or some, one or more of its directors, officers or employees, or some, one or more of the directors, officers or employees of its affiliated, associated or subsidiary companies may become the registered holder of the shares of the Company as nominee Shareholder for the Beneficial Owner(s), and

C. TTCayman or some, one or more of the directors, officers or employees of TTCayman and/or its affiliated, associated or subsidiary companies may consent at the request of the Beneficial Owner(s) to act as directors and officers of the Company and/or to act as authorised signatories either solely or jointly on such bank accounts as shall be operated by the Company, and

D. TTCayman or some, one or more of the directors, officers or employees of TTCayman and/or its affiliated, associated or subsidiary companies may consent at the request of the Beneficial Owner(s) to provide accounting, administration and such other services of like nature from time to time.

NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. In consideration of TTCayman or one or more of its affiliated, associated or subsidiary companies or some, one or more of its directors, officers or employees or some, one or more of the directors, officers or employees of its associated or subsidiary companies agreeing to act as nominee shareholders for the Beneficial Owner(s) or as directors and officers of the Company or as authorised signatories on the Company's bank account or to provide accounting, administration and such other services of like nature from time to time at the Beneficial Owner(s) request, the Beneficial Owner(s), and each of them jointly and severally covenant(s) with TTCayman and its affiliated, associated and subsidiary companies and (as a separate covenant) with every director, officer and employee of TTCayman and its affiliated, associated and subsidiary companies and their directors, officers and employees to keep them indemnified and held harmless against all actions, suits, proceedings, claims, demands, costs, expenses and other liabilities whatsoever which may be incurred or become payable by them in respect of or arising out of:

   1.1 them or any of them accepting or holding any office as director or otherwise of the Company or holding any shares or being entered on the register of members as a holder of any shares of the Company:

   1.2 anything done or omitted to be done as the registered holder of the shares or as a director or officer of the Company at the request or with the prior approval of or ratified by the Beneficial Owner(s) or any of them or his(her)(their) agents:

   1.3 any transaction executed on the Company's bank account by parties who shall have signing powers on the account at the request or instruction of the Beneficial Owner(s) or any of them or his(her)(their) agents.

   1.4 any accounting, administration and such other services of like nature provided from time to time at the request or instruction of the Beneficial Owner(s) or any of them or his(her)(their) agents.

2. The Beneficial Owner(s) shall not give to TTCayman or the registered members or directors of the Company any instructions or directions which are unlawful under the laws of the Cayman Islands or any other place having jurisdiction over the Company or applicable in the place where such instructions are to be performed.

3. For the avoidance of doubt TTCayman shall be deemed to have received instructions from the Beneficial Owner(s) whether same shall have been received in writing, verbally, by telephone, telex, facsimile, cable or otherwise, howsoever.

4. PROVIDED ALWAYS that TTCayman shall have acted in good faith and that this indemnity shall not be available for TTCayman in respect of any act or omission happening through the dishonesty, willful default or fraud of TTCayman.

5. This indemnity shall apply in favor of TTCayman notwithstanding that there may be some defect in its appointment or qualification or authority as an Officer or Director or authorized signatory of the Company. This indemnity is intended to inure for the benefit of TTCayman as a trust in its favor and so as to be enforceable by it against the Beneficial Owner(s).

6. This Agreement and the rights of the parties shall be governed and construed in accordance with the laws of the Cayman Islands and the parties agree to submit themselves to the non-exclusive jurisdiction of the courts of the Cayman Islands in connection with this Agreement.

7. Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include partnerships and bodies corporate.

IN WITNESS WHEREOF each of the parties hereto has caused this Agreement to be duly executed in its name and behalf by its officers duly authorized.

Dated this the 21st day of March, 2000.

Sole / All Beneficial Owner(s)

Witness(es)

Dated this the 15th day of March 2000.

Trident Trust Company (Cayman) Limited

Witness(es)

CAYMAN ISLANDS

EBARGE, LLC

DIRECTOR'S RESOLUTION

WHEREAS the undersigned, being all the Directors of the Company, hereby consent to the adoption of the following resolutions taken without a meeting, this instrument to have the same force and effect as if the actions herein referred to had been taken at a timely called and duly held meeting of the Directors of the Company and direct that this written consent to such action be filed with the minutes of the proceedings of the Directors of the Company and further direct that this written consent may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

SHARE CERTIFICATE

IT WAS RESOLVED that the Share Certificate, a specimen of which is attached hereto, be adopted as the form of Ordinary Share Certificate of the Company.

ISSUE OF SHARES

Applications having been received from the persons/companies named in the first column below for the allotment to them at par of the respective number of Shares appearing opposite their respective names in the second column, such applications were considered and, payment in full having been made by each of such applicants, IT WAS RESOLVED to allot to each of them the number of Shares appearing opposite their respective names in the third column, and that Share Certificates in respect of such Shares be signed, sealed and issued to the allottees:-

Applicant's Name	No. of Shares applied for	No. of Shares allotted
MI. IBK Positions, Inc.	1	1

The Secretary is instructed to make the necessary entries in the Register of Members and the Secretary and any Director, or any two Directors, are instructed to sign, seal and deliver the respective share certificate(s).

MI. IBK Positions, Inc.
Sole Director

Date signed: 3/16/2000

MS 24565

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF TRANSFER OF "EBARGE, LLC", FILED IN THIS OFFICE ON THE SEVENTEENTH DAY OF MARCH, A.D. 2000, AT 9 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE LIMITED LIABILITY COMPANY HAS FILED ALL DOCUMENTS AND PAID ALL FEES REQUIRED BY TITLE 8 OF THE GENERAL CORPORATION LAWS OF THE STATE OF DELAWARE.

Edward J. Freel, Secretary of State

3150007 0390

001136045

AUTHENTICATION: 0322719

DATE: 03-17-00

MS 24566

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09 00 AM 02 [illegible]
001136045 – 3150[illegible]

CERTIFICATE OF TRANSFER OF EBARGE, LLC

(a Delaware limited liability company)

Ebarge, LLC, a limited liability company organized under the Limited Liability Company Act of the State of Delaware (the "Act"), for the purpose of transferring or domesticating in a foreign jurisdiction, other than a state, pursuant to Section 18-213 of the Act, hereby certifies that:

1. The name of the limited liability company (the "Company") is Ebarge, LLC

2. The original certificate of formation of the Company was filed in the office of the Secretary of State of the State of Delaware on December 28, 1999.

3. The foreign jurisdiction to which the Company shall be transferred or in which it shall be domesticated is Cayman Islands, British West Indies.

4. The transfer or domestication herein certified has been duly approved in accordance with Section 18-213 of the Act.

5. The existence of the Company as a limited liability company of the State of Delaware shall cease when this Certificate of Transfer becomes effective.

6. The Company agrees that it may be served with process in the State of Delaware in any action, suit or proceeding for enforcement of any obligation of the Company arising while it was a limited liability company of the State of Delaware, and the Company hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in any such action, suit or proceeding.

7. The address to which a copy of the process referred to in subsection (b)(6) of Section 18-213 of the Act shall be mailed to the Company by said Secretary of State is Trident Trust Company (Cayman) Limited, 4th Floor, One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands, British West Indies.

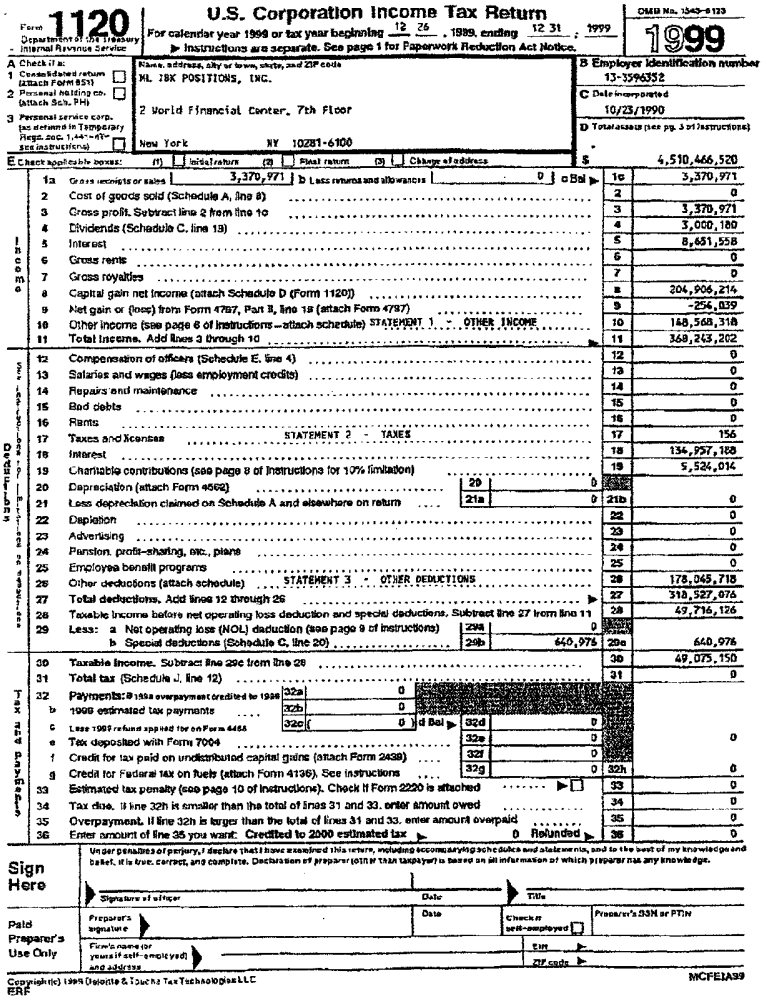
[signature page follows]

IN WITNESS WHEREOF, this Certificate of Transfer has been duly executed as of February 3, 2000, and is being filed in accordance with Section 18-213 of the Act by an authorized person of the surviving domestic limited liability company.

EBARGE, LLC

By: /s/ William R. Fuhs
Name: William R. Fuhs
Title: Vice President & Assistant Secretary

425942-v1 0064428-0053



Form **1120** Department of the Treasury Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1999 or tax year beginning 12 26 , 1999, ending 12 31 , 1999

▶ Instructions are separate. See page 1 for Paperwork Reduction Act Notice.

OMB No. 1545-0123

1999

A Check if a:
1 Consolidated return (attach Form 851) ☐
2 Personal holding co. (attach Sch. PH) ☐
3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T—see instructions) ☐

Name, address, city or town, state, and ZIP code

ML IBK POSITIONS, INC.

2 World Financial Center, 7th Floor

New York NY 10281-6100

B Employer identification number
13-3596352

C Date incorporated
10/23/1990

D Total assets (see pg. 3 of instructions)
$ 4,510,466,520

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address

Income	1a	Gross receipts or sales	3,370,971	b Less returns and allowances 0	c Bal ▶ 1c 3,370,971
	2	Cost of goods sold (Schedule A, line 8)			2 0
	3	Gross profit. Subtract line 2 from line 1c			3 3,370,971
	4	Dividends (Schedule C, line 19)			4 3,000,180
	5	Interest			5 8,651,558
	6	Gross rents			6 0
	7	Gross royalties			7 0
	8	Capital gain net income (attach Schedule D (Form 1120))			8 204,906,214
	9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)			9 -256,039
	10	Other income (see page 6 of instructions—attach schedule) STATEMENT 1 - OTHER INCOME			10 148,568,318
	11	Total income. Add lines 3 through 10			▶ 11 368,243,202
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)			12 0
	13	Salaries and wages (less employment credits)			13 0
	14	Repairs and maintenance			14 0
	15	Bad debts			15 0
	16	Rents			16 0
	17	Taxes and licenses STATEMENT 2 - TAXES			17 155
	18	Interest			18 134,957,188
	19	Charitable contributions (see page 8 of instructions for 10% limitation)			19 5,524,014
	20	Depreciation (attach Form 4562)		20 0	
	21	Less depreciation claimed on Schedule A and elsewhere on return		21a 0	21b 0
	22	Depletion			22 0
	23	Advertising			23 0
	24	Pension, profit-sharing, etc., plans			24 0
	25	Employee benefit programs			25 0
	26	Other deductions (attach schedule) STATEMENT 3 - OTHER DEDUCTIONS			26 178,045,718
	27	Total deductions. Add lines 12 through 26			▶ 27 318,527,076
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			28 49,716,126
	29	Less: a Net operating loss (NOL) deduction (see page 9 of instructions)		29a 0	
		b Special deductions (Schedule C, line 20)		29b 640,976	29c 640,976
	30	Taxable income. Subtract line 29c from line 28			30 49,075,150
Tax and Payments	31	Total tax (Schedule J, line 12)			31 0
	32	Payments: a 1998 overpayment credited to 1999	32a 0		
		b 1999 estimated tax payments	32b 0		
		c Less 1999 refund applied for on Form 4466	32c (0)	d Bal ▶	32d 0
		e Tax deposited with Form 7004			32e 0
		f Credit for tax paid on undistributed capital gains (attach Form 2439)			32f 0
		g Credit for Federal tax on fuels (attach Form 4136). See instructions			32g 0 32h 0
	33	Estimated tax penalty (see page 10 of instructions). Check if Form 2220 is attached ▶ ☐			33 0
	34	Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed			34 0
	35	Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid			35 0
	36	Enter amount of line 35 you want: Credited to 2000 estimated tax ▶ 0 Refunded ▶			36 0

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer | Date | Title

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ☐ | Preparer's SSN or PTIN

Firm's name (or yours if self-employed) and address | EIN ▶ | ZIP code ▶

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MS 24569

Journal Entry Summary Report

Year: 1999 Company Code N011 ML IBK POSITIONS, INC.

TMS Account Number	TMS Account Description	Amount
6049201	Pshp Portfolio Div Income	907,908.00
6065101	Pshp Portfolio Int Income	816,667.00
6090092	Pshp S.T. Capital Gain	87,057,680.00
6090192	Pshp S.T. Capital Loss	-11,711,631.00
6092092	Pshp L.T. Capital Gain	41,490,965.00
6092192	Pshp L.T. Capital Loss	-9,861,157.00
6094190	Pshp Ord. Loss - 4797	-257,118.00
6094191	Pshp Ord. Gain - 4797	3,079.00
6107090	OTHER SCHEDULE K INCOME	148,568,318.00
6190101	Charitible Contribution	908.00
6260820	Partnership Loss (TAX)	166,736,748.00

1999 Company Code N011 ML IBK POSITIONS, INC.

Partnership Name	Description	Amount
DT Account Number 6094191		
FS Equity Partners III L.P.	Net gain (loss) under section 1231 (other than due to casualty or theft)	1,094.00
FS EQUITY PARTNERS IV, L.P.	Net gain (loss) under section 1231 (other than due to casualty or theft)	1,125.00
KECALP INTERNATIONAL L.P. 1997	Net gain (loss) under section 1231 (other than due to casualty or theft)	860.00
Total for DT Account Number: 6094191		**3,079.00**
DT Account Number 6107090		
COLONY INVESTMENT PARTNERSHIP I, L.P.	Ordinary income(loss) from trade or business activities	600.00
COLONY INVESTMENT PARTNERSHIP VIII-G	Net income(loss) from rental real estate activities	62,190.00
COLONY INVESTORS, L.P.	Net income(loss) from rental real estate activities	5,628.00
DOLL TECHNOLOGY INVESTMENT FUND II	Portfolio income(loss): other portfolio income	5,025.00
EBARGE, LLC	Ordinary income(loss) from trade or business activities	5,753.00
FS Equity Partners III L.P.	Net income(loss) from rental real estate activities	3,079.00
FS Equity Partners III L.P.	Ordinary income(loss) from trade or business activities	48,752.00
FS EQUITY PARTNERS IV, L.P.	Ordinary income(loss) from trade or business activities	25,282.00
FS EQUITY PARTNERS IV, L.P.	Net income(loss) from rental real estate activities	3,151.00
FS EQUITY PARTNERS IV, L.P.	Portfolio income(loss): other portfolio income	11,803.00
JAPAN PORTFOLIO HOLDINGS II, LLC	Portfolio income(loss): other portfolio income	19,993.00
LJM2 CO-INVESTMENT, L.P.	Ordinary income(loss) from trade or business activities	14,505.00
LSML JAPAN HOLDINGS II, LLC	Portfolio income(loss): other portfolio income	25,047.00
LT CAPITAL VI L.P.	Ordinary income(loss) from trade or business activities	146,412,896.00
LT CAPITAL VI LTD.	Ordinary income(loss) from trade or business activities	127.00
NIPPON PORTFOLIO HOLDINGS II, LLC	Portfolio income(loss): other portfolio income	840.00
NPI II, L.L.C.	Other income(loss)	1,121.00
NPI II, L.L.C.	Net income(loss) from rental real estate activities	45,973.00
NPI II, L.L.C.	Portfolio income(loss): other portfolio income	121.00
OVERSIGHT PARTNER I, LLC.	Ordinary income(loss) from trade or business activities	1,480,846.00
THE GLOBAL CONVERGENCE FUND, L.P.	Other income(loss)	326,272.00
TK HOLDINGS	Ordinary income(loss) from trade or business activities	19,314.00
Total for DT Account Number: 6107090		**148,568,318.00**
DT Account Number 6190101		
FS Equity Partners III L.P.	Charitable contributions	583.00
FS EQUITY PARTNERS IV, L.P.	Charitable contributions	317.00
KECALP INTERNATIONAL L.P. 1997	Charitable contributions	8.00
Total for DT Account Number: 6190101		**908.00**
DT Account Number 6260820		
Amstar Property Rights Holding, LLC	Other deductions	32,920.00
ARENA CAPITAL INVESTMENT FUND, LP	Deductions related to portfolio income	70,389.00
BLACKSTONE MEZZANINE PARTNERS, L.P.	Interest expense on investment debts	4,480.00

From: Bynum, Brad (IBK-DAL)
Sent: Wednesday, December 22, 1999 10:20 AM
To: DeVito, Mark (CICG - CAPMKTS); Brown, James (CICG - CAPMKTS); Fuhs, William (CICG - CAPMKTS)
Subject: DMCC for Enron Project

December 22 1999
MEMO2.doc

Brad Bynum
Associate
Investment Banking
200 Crescent Court, Suite 550
Dallas, Texas 75201
☎ 214-849-5320
🖷 214-849-5399
✉ bbynum@exchange.ml.com

To: Debt Markets Commitment Committee

From: **Project Finance and Lease Group:** James Brown
Debt Capital Markets: Mark Devito
ML Houston: Schuyler Tilney
ML Dallas: Rob Furst, Brad Bynum

Tel: **Leveraged Finance Group:** x8427
Debt Capital Markets: x4908
ML Houston: 713-759-2530
ML Dallas: 214-849-5350, x5320

Merrill Lynch

Date: December 22, 1999

Subject: $7.0 MILLION EQUITY BRIDGE COMMITMENT

I. SUMMARY AND TRANSACTION OVERVIEW

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. The transaction must close by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they believe our hold will be for less than six months. The investment would have a 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is $39 million. Enron wants to monetize the first 3 years of cash flow for $28MM. They will do this by establishing a U.S. special purpose vehicle. The special purpose vehicle will be capitalized by our $7MM investment and a $21MM loan from Enron Corp. Enron has a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment.

Enron is a top client to Merrill Lynch. Enron views the ability to participate in transactions as adding significant value. Enron has generated a fee to ML in excess of $40 MM in 1999.

II. PROPOSED CORPORATE STRUCTURE

Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to SPV)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project Only

To: Debt Markets Commitment Committee

From: **Project Finance and Lease Group:** James Brown
Debt Capital Markets: Mark Devito
ML Houston: Schuyler Tilney
ML Dallas: Rob Furst, Brad Bynum

Tel: **Leveraged Finance Group:** x8427
Debt Capital Markets: x4908
ML Houston: 713-759-2530
ML Dallas: 214-849-5350, x5320

Merrill Lynch

Date: December 22, 1999

Subject: $7.0 MILLION EQUITY BRIDGE COMMITMENT

TRANSACTION SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co.
Timing:	Closing by year end.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

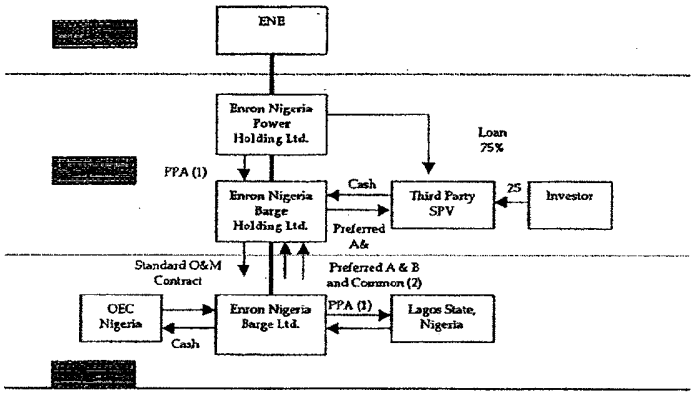
Shareholder Structure

There will be three classes of stock two preferred and one common. The Purchaser will purchase the Preferred A Shares and the Common "Shares. Enron will own the Preferred B Shares. The summary below indicates the economic interests before and after the Trigger Date. In each case, the table indicates the Cash Flow rights of each shareholder class after the previous class shareholder has received their percentage share of the Cash Flow.

Economic Interest (Percent of Cash Flow ("CF")

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B, (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.005 of CF After Pref A&B	100.00% of CF After Pref A&B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% of the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.



TIME LINE

(1) PPA is between Enron Nigeria Power Holding Ltd and the Lagos State of Nigeria. Subsequently, the rights to the PPA (barge activities only) are assigned to Enron Nigeria Barge Holding Ltd. Which in turn assigns the rights to Enron Nigeria Barge Ltd.

(2) Enron Nigerian Barge Ltd. A&B Preferred and Common Shares are issued to Enron Barge Holding Ltd.

(3) Preferred A Shares and Common are sold from Enron Nigeria Barge Holding Ltd. To a third party who assumes true equity risk involved with the Enron Nigeria Barge Ltd.

III. BARGE PROJECT ECONOMIC SUMMARY

Cost Summary (US $000)

Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,123	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and d90% of the three year cash flow is $39.7 million.

It is the intention of Enron to provide to the Investor monthly distributions of net cash flow, and to have an Enron affiliate provide up to 75% of seller financed debt. The proposed debt period is three years with an interest rate of 12% per year.

IV. ENRON OVERVIEW

Merrill Lynch's relationship with Enron Corp. (the "Company" or "Enron") has developed significantly over the past year as Enron will generate more than $40 million in investment banking fees in 1999. The following points identify current issues related to the Company and significant recent Enron transactions in which Merrill was involved.

- Lead managed Azurix's, Enron's international water utility subsidiary, IPO ($700 million)
  - Advised on subsequent $235 million acquisition of AMX Acqua Management Inc.
  - Currently working on several buy side advisory assignments
  - Co-lead for $500-750 million high yield issuance (currently on hold)
- Co-managed a New Issue Common Equity offering for Enron Corp. ($865 million)
- Currently working with the CFO to raise a $500 million private equity fund (LJM2)
- Currently pitching to become Enron's financial advisor for private equity in its telecommunications subsidiary (Enron Communications)
- The Company is actively exploring power opportunities in continental Europe

Company Overview

Enron is a global diversified energy company. Enron is the largest buyer and seller of natural gas and electricity in the world and owns 32,000 miles of natural gas pipelines in the U.S. The Company also is one of the largest independent developers, operators and producers of electricity worldwide, with facilities in Europe, Asia, the Americas and the Pacific Rim. Once completed, the Company's long-haul fiber optic network will be the first Internet Protocol backbone in the U.S. Additionally, through its international water company, Enron owns and/or operates water systems in the U.S., Europe, Canada, Mexico and Argentina. As of June 30, 1999, Enron's total assets were $34 billion and its equity market capitalization was approximately $32 billion. For the year ended

December 31, 1998, Enron generated revenue of $31.3 billion, up 52% over the year ended December 31, 1997. The Company has grown its revenue and operating profit at an annualized rate of 50% and 30% over the period from 1995 to 1998, respectively, and has been named the most innovative company in the world by Forbes for the past four years.

Enron is organized as a holding company with four energy-related operating subsidiaries (Enron North America, Enron Gas Pipelines, Enron Energy Services and Portland General) a telecommunications subsidiary (Enron Communications) and an international water company (Azurix). Enron's regulated business includes two operations - natural gas pipelines, comprised of Enron Gas Pipelines, which owns and operates all of Enron's federally regulated interstate natural gas pipelines, and Portland General (Enron recently announce the sale of Portland General which should close in the next year), an electric distribution, transmission and generation company serving the Oregon market. Wholesale energy services, comprised of Enron North America, is currently Enron's largest business as measured by operating profit, and provides commodity sales (natural gas, electricity, and other energy commodities) and services (asset management, risk management) to large industrial, commercial and utility customers in the U.S. and internationally. Enron's newest energy business is its retail energy services business, comprised of Enron Energy Services, which provides total energy outsourcing solutions to major corporations in the U.S. These solutions include infrastructure management packaged with new equipment installation and commodity purchases on behalf of the large corporate customers.

Enron's two newest businesses, Enron Communications and Azurix, are positioned to take advantage of positive business fundamentals outside of Enron's energy operations. Enron Communications is constructing an over 10,000 mile nationwide long haul fiber optic network that will offer broadband application services over an Internet Protocol network. Additionally, Enron Communications is pursuing an opportunity to create a market for the trading of bandwidth capacity on fiber systems. Azurix is an $850 million publicly traded international water company (70% controlled by Enron) which plans to take advantage of the significant opportunities that exist for private sector participation in the global water industry, including acquiring existing water and wastewater systems via privatizations, providing water and wastewater related services to municipal and industrial water markets and developing and managing water resources.

V. PRELIMINARY INFORMATION MEMORANDUM

Attached

APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	**Project Name:**	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. Enron must close this transaction by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they have assured us that we will be taken out of our investment within six months. The investment would have a maximum 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is projected to be$39 million from the Nigerian government. Enron wants to sell the first 3 years of cash flow for $28MM. They propose to do this by having ML establish a U.S. special purpose entity (the SPE"), owned by Merrill Lynch. The SPE will be capitalized by our $7MM investment and a $21MM non-recourse loan from Enron Corp which will then purchase non-voting common stock in the Enron subsidiary that owns the barges. Enron will have a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment to guaranty the ML takeout within six months.

Enron has strongly requested ML to enter into this transaction. Enron has paid ML approximately $40 million in fees in 1999 and is expected to do so again in 2000.

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG **Project Name:** Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: Rob Fursl

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

Group Finance Director: _____

Group EVP: _____

Other Reviews

Debt Markets Capital Committee: _____ Group/Date

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Appendix

1. PROPOSED CORPORATE STRUCTURE

Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to SPV)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project Only

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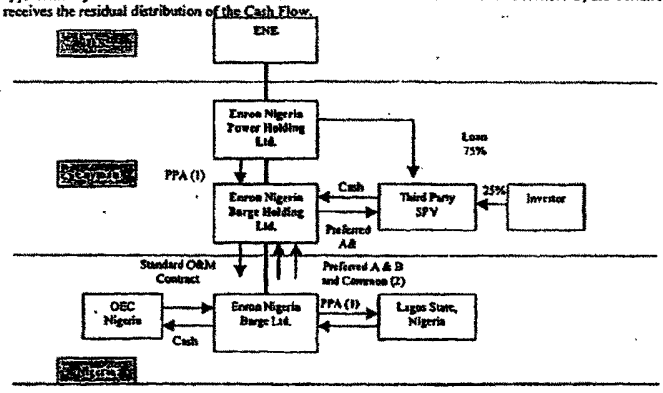
Economic Interest (Percent of Cash Flow ("CF")

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B, (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.005 of CF After Pref A&B	100.00% of CF After Pref A&B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% of the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.



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Cost Summary (US $000)

Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,123	$13,362	$13,706	$3,410	$39,691

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APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

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Group:	IBK	**Financial Commitment:**	$ 7 Million
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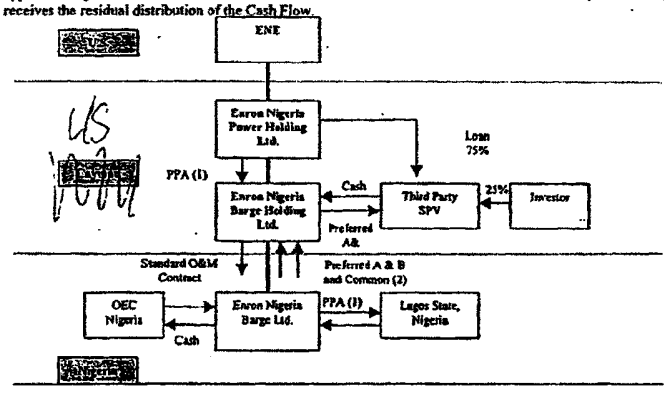

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($ in Thousands)

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Group:	IBK	**Financial Commitment:**	$ 7 Million
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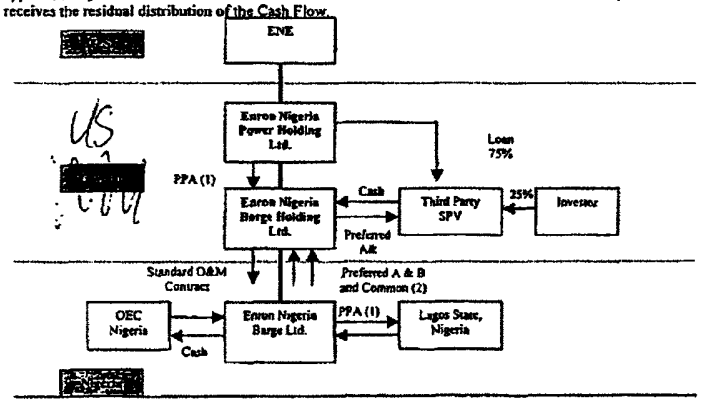

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Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG **Project Name:** Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: _____ Rob Furst

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

Group Finance Director: _____

Group EVP: _____

Other Reviews

Debt Markets Capital Committee: _____ Group/Date

Peer Project Review: _____ Date

Date Approved: _____

Corporate Approvals

Chief Financial Officer: _____

Executive Committee: _____

Audit and Finance Committee: _____

Other: _____

MS 24594

Appendix

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Purchase Equity Contribution	$ 7.00 Million
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Basis: 25% Internal Rate of Return on invested equity for Purchaser.
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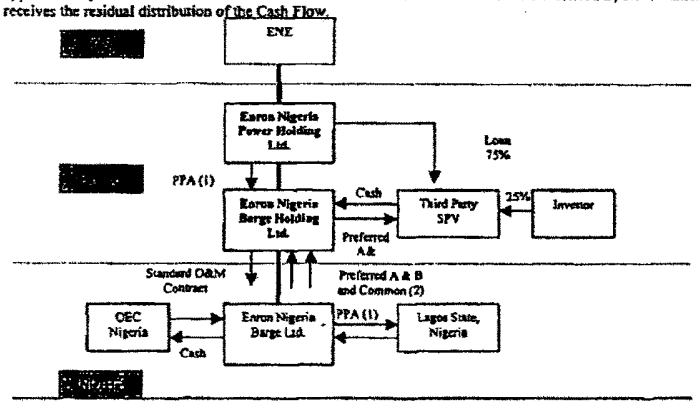

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Total Costs	$45,614

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DEC 23 '99 09:24 FR MERRILL LYNCH

APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	**Project Name:**	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B+, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

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DEC 23 '99 09:24 FR MERRILL LYNCH

Merrill Lynch

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Originator: _____ Rob Furst

Mgmt. Unit Controller: _____

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Date Approved: _____

Corporate Approvals

Chief Financial Officer: _____

Executive Committee: _____

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Other: _____

MS 24599

DEC 23 '99 09:25 FR MERRILL LYNCH

Appendix

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Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
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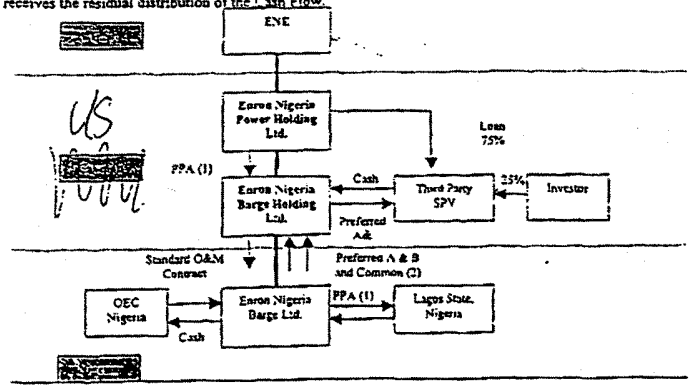

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APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	Project Name:	Enron Nigerian Barge Equity
Group:	IBK	Financial Commitment:	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
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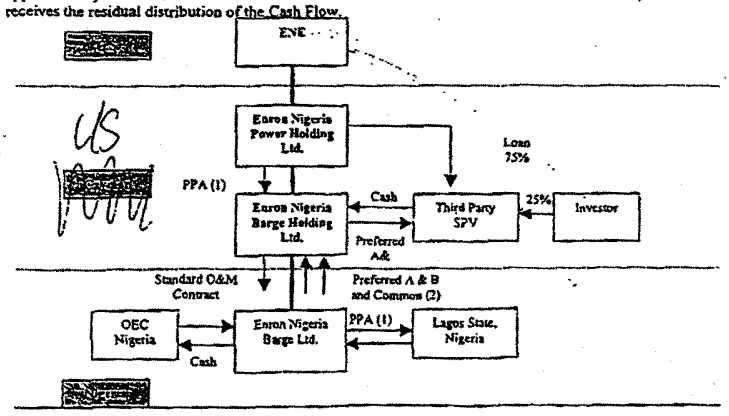

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DEC 23 '99 09:24 FR MERRILL LYNCH

APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

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DEC 23 '99 09:24 FR MERRILL LYNCH

Merrill Lynch

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Date Approved: _____

Corporate Approvals

Chief Financial Officer: _____

Executive Committee: _____

Audit and Finance Committee: _____

Other: _____

DEC 23 '99 09:25 FR MERRILL LYNCH

Appendix

I. PROPOSED CORPORATE STRUCTURE

Transaction Structure

Purchase Equity Contribution	$ 7.00 Million
Acquisition Loan (from Enron to SPV)	21.00 Million
Total Purchase Price	$28.00 Million

Basis: 25% Internal Rate of Return on invested equity for Purchaser.
Acquisition Loan Terms: 12% Interest Rate, 24 Month Term, Amortization to be Agreed
Loan secured by Purchaser's interest in the Barge Project Only

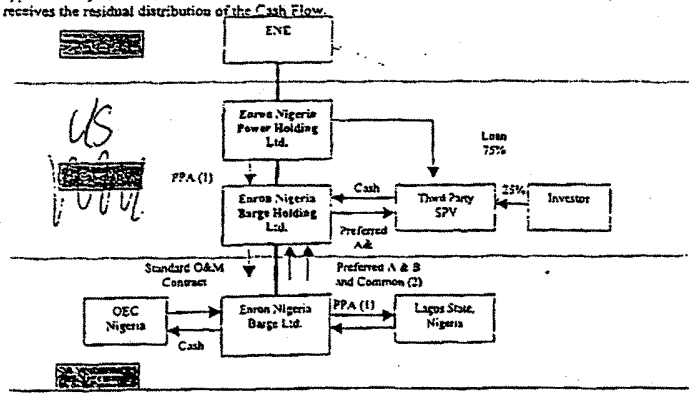
Shareholder Structure

There will be three classes of stock two preferred and one common. The Purchaser will purchase the Preferred A Shares and the Common "Shares. Enron will own the Preferred B Shares. The summary below indicates the economic interests before and after the Trigger Date. In each case, the table indicates the Cash Flow rights of each shareholder class after the previous class shareholder has received their percentage share of the Cash Flow.

Economic Interest (Percent of Cash Flow ("CF")

Stock Class	Pre Trigger Date	Post Trigger Date
Preferred A (Purchaser)	0.1% of CF	0.1% of CF
Preferred B, (Enron)	9.9% of CF After Pref A	99.0% of CF After Pref A
Common Stock (Purchaser)	100.00% of CF After Pref A&B	100.00% of CF After Pref A&B

Before the Trigger Date, the Purchaser is expected to receive approximately 90% of the Cash Flow via the Common Stock and a small percentage from the Preferred A. After the Trigger Date, the Enron Preferred B Shares receive approximately 99.0% of the Cash Flow and after distribution to the Preferred A and Preferred B, the Common receives the residual distribution of the Cash Flow.



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II. BARGE PROJECT ECONOMIC SUMMARY

Cost Summary (US $000)

Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,125	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and d90% of the three year cash flow is $39.7 million.

It is the intention of Enron to provide to the Investor monthly distributions of net cash flow, and to have an Enron affiliate provide up to 75% of seller financed debt. The proposed debt period is three years with an interest rate of 12% per year.

III. ENRON OVERVIEW

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- Lead managed Azurix's, Enron's international water utility subsidiary, IPO ($700 million)
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  - Currently working on several buy side advisory assignments
  - Co-lead for $500-750 million *high yield* issuance (currently on hold)
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- Currently pitching to become Enron's financial advisor for private equity in its telecommunications subsidiary (Enron Communications).
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To: Gary Dolan 3x3207

APPROPRIATION REQUEST COVER PAGE
($ in Thousands)

Management Unit:	CICG	**Project Name:**	Enron Nigerian Barge Equity
Group:	IBK	**Financial Commitment:**	$ 7 Million
Project Start / Finish:	Needs to Close by 12/31/99 – Takeout by 6/30/00		

EXECUTIVE SUMMARY

Entity:	Special Purpose Vehicle
Facility:	$7.0 Million Equity
Request	$7.0 Million
Expected Ratings (Moody's/S&P):	B-, B3
Maturity:	Less than six months
Use of Proceeds:	To purchase common and preferred equity in a Nigerian Barge Co., indirectly owned by Enron Corp.
Timing:	Closing by year end 1999.
Independent Auditors:	NA
Company Counsel:	Vincent & Elkins
Underwriter Counsel:	NA
Fees:	Proposed $250,000 plus 15% per annum or a flat 22.5% return per annum.
ML Research Coverage:	Leo J. Kelser

Jeff McMahon, EVP and Treasurer of Enron Corp. has asked ML to purchase $7MM of equity in a special purpose vehicle that will allow Enron Corp. to book $12MM of earnings. Enron must close this transaction by 12/31/99. Enron is viewing this transaction as a bridge to permanent equity and they have assured us that we will be taken out of our investment within six months. The investment would have a maximum 22.5% return.

Enron will have 3 barge mounted power plants in service by February 2000 in Nigeria. The first 3 years of cash flow is projected to be$39 million from the Nigerian government. Enron wants to sell the first 3 years of cash flow for $28MM. They propose to do this by having ML establish a U.S. special purpose entity (the SPE"), owned by Merrill Lynch. The SPE will be capitalized by our $7MM investment and a $21MM non-recourse loan from Enron Corp which will then purchase non-voting common stock in the Enron subsidiary that owns the barges. Enron will have a total investment of $46 MM in the project. Enron is in active negotiations with several equity investors, including Marubeni. However, they are not able to close the transaction with a long-term holder by year-end. Enron will facilitate our exit from the transaction with third party investors. Dan Bayly will have a conference call with senior management of Enron confirming this commitment to guaranty the ML takeout within six months.

Enron has strongly requested ML to enter into this transaction. Enron has paid ML approximately $40 million in fees in 1999 and is expected to do so again in 2000.

MS 24612

P.1/5

DEC 22 '99 05:15PM MERRILL LYNCH ABFG

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG

Project Name: Enron Nigerian Barge Equity

Financial Commitment: $7 million

SPONSOR:

Originator: Rob Furst

Mgmt. Unit Controller: _____

Mgmt. Unit Head: _____

Group Finance Director: _____

Group EVP: _____

Other Reviews

Debt Markets Capital Committee: _____ Group/Date

Peer Project Review: _____ Date

Date Approved: _____

Corporate Approvals

Chief Financial Officer: _____

Executive Committee: _____

Audit and Finance Committee: _____

Other: _____

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DEC 22 '99 05:15PM MERRILL LYNCH ABFG P.2/5

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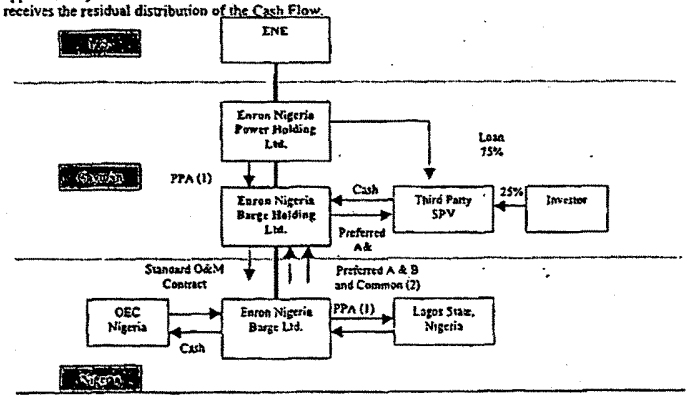

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DEC 22 '99 05:16PM MERRILL LYNCH RBFG P.4/5

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To: Gary Dolan 3x3207

APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

Management Unit:	CICG	**Project Name:**	Enron Nigerian Barge Equity
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DEC 22 '99 05:15PM MERRILL LYNCH ABFG P.1/5

Merrill Lynch

APPROPRIATION REQUEST APPROVALS

Management Unit: CICG

Project Name: Enron Nigerian Barge Equity

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Mgmt. Unit Controller: _____

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Other Reviews

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P.2/5

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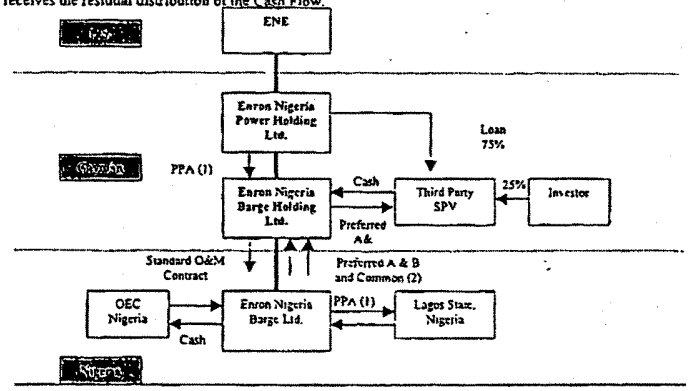

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APPROPRIATION REQUEST COVER PAGE

($ in Thousands)

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Group:	IBK	**Financial Commitment:**	$ 7 Million
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(2) Enron Nigerian Barge Ltd. A&B Preferred and Common Shares are issued to Enron Barge Holding Ltd.

(3) Preferred A Shares and Common are sold from Enron Nigeria Barge Holding Ltd. To a third party who assumes true equity risk involved with the Enron Nigeria Barge Ltd.

II. BARGE PROJECT ECONOMIC SUMMARY

Cost Summary (US $000)

Power Barges	$25,000
Barge Upgrades and Onshore Cost	15,800
Total EPC	40,800
Mobilization	1,014
Development Costs	1,500
Working capital and Spares	2,119
Contingency	181
Total Costs	$45,614

Projection of 90% of Net Cash Flow (US $000)

Year 2000	Year 2001	Year 2002	Year 2003	Total
$9,123	$13,362	$13,706	$3,410	$39,691

The $45.6 million project costs are to be paid by Enron. The net cash flow projected over the three year Phase I project life is $44.1 million, and d90% of the three year cash flow is $39.7 million.

It is the intention of Enron to provide to the Investor monthly distributions of net cash flow, and to have an Enron affiliate provide up to 75% of seller financed debt. The proposed debt period is three years with an interest rate of 12% per year.

III. ENRON OVERVIEW

Merrill Lynch's relationship with Enron Corp. (the "Company" or "Enron") has developed significantly over the past year as Enron will generate more than $40 million in investment banking fees in 1999. The following points identify current issues related to the Company and significant recent Enron transactions in which Merrill was involved.

- Lead managed Azurix's, Enron's international water utility subsidiary, IPO ($700 million)
  - Advised on subsequent $235 million acquisition of AMX Acqua Management Inc.
  - Currently working on several buy side advisory assignments
  - Co-lead for $500-750 million high yield issuance (currently on hold)
- Co-managed a New Issue Common Equity offering for Enron Corp. ($865 million)

- Currently working with the CFO to raise a $500 million private equity fund (LJM2)
- Currently pitching to become Enron's financial advisor for private equity in its telecommunications subsidiary (Enron Communications).
- The Company is actively exploring power opportunities in continental Europe

Company Overview

Enron is a global diversified energy company. Enron is the largest buyer and seller of natural gas and electricity in the world and owns 32,000 miles of natural gas pipelines in the U.S. The Company also is one of the largest independent developers, operators and producers of electricity worldwide, with facilities in Europe, Asia, the Americas and the Pacific Rim. Once completed, the Company's long-haul fiber optic network will be the first Internet Protocol backbone in the U.S. Additionally, through its international water company, Enron owns and/or operates water systems in the U.S., Europe, Canada, Mexico and Argentina. As of June 30, 1999, Enron's total assets were $34 billion and its equity market capitalization was approximately $32 billion. For the year ended December 31, 1998, Enron generated revenue of $31.3 billion, up 52% over the year ended December 31, 1997. The Company has grown its revenue and operating profit at an annualized rate of 50% and 30% over the period from 1995 to 1998, respectively, and has been named the most innovative company in the world by Forbes for the past four years.

Enron is organized as a holding company with four energy-related operating subsidiaries (Enron North America, Enron Gas Pipelines, Enron Energy Services and Portland General) a telecommunications subsidiary (Enron Communications) and an international water company (Azurix). Enron's regulated business includes two operations - natural gas pipelines, comprised of Enron Gas Pipelines, which owns and operates all of Enron's federally regulated interstate natural gas pipelines, and Portland General (Enron recently announce the sale of Portland General which should close in the next year), an electric distribution, transmission and generation company serving the Oregon market. Wholesale energy services, comprised of Enron North America, is currently Enron's largest business as measured by operating profit, and provides commodity sales (natural gas, electricity, and other energy commodities) and services (asset management, risk management) to large industrial, commercial and utility customers in the U.S. and internationally. Enron's newest energy business is its retail energy services business, comprised of Enron Energy Services, which provides total energy outsourcing solutions to major corporations in the U.S. These solutions include infrastructure management packaged with new equipment installation and commodity purchases on behalf of the large corporate customers.

Enron's two newest businesses, Enron Communications and Azurix, are positioned to take advantage of positive business fundamentals outside of Enron's energy operations. Enron Communications is constructing an over 10,000 mile nationwide long haul fiber optic network that will offer broadband application services over an Internet Protocol network. Additionally, Enron Communications is pursuing an opportunity to create a market for the trading of bandwidth capacity on fiber systems. Azurix is an $850 million publicly traded international water company (70% controlled by Enron) which plans to take advantage of the significant opportunities that exist for private sector participation in the global water industry, including acquiring existing water and wastewater systems via privatizations, providing water and wastewater related services to municipal and industrial water markets and developing and managing water resources.