ONE HUNDRED SEVENTH CONGRESS

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June 3, 2002

Mrs. Ahuva Genack
JPMorgan Chase
One Chase Manhattan Plaza
26th Floor
New York, NY 10081

Dear Mrs. Genack:

Thank you for replying to my letter of April 12 about transactions between JPMorgan Chase and Enron involving a number of special-purpose entities (SPEs), principal among them an Enron subsidiary named Sequoia Financial Assets. Sequoia borrowed $1 billion from two SPEs named Cherokee and Enron Finance Partners (EFP), which in turn received investments from two other SPEs, Choctaw and Zephyrus, respectively.

While your letter provides helpful information, it fails to respond to several of the questions I posed and raises some new questions. In order to avoid any further confusion, I would appreciate your answering the questions below fully and directly.

1. Were the Sequoia transactions -- by which I mean the transactions described in the attached diagrams -- structured so that Enron held onto the loan "repayments" that Sequoia made to Cherokee and EFP at the end of each month?

2. If your answer to (1) above is "yes," please explain why the transactions were structured so that Enron was effectively able to avoid repaying the monthly loans.

You failed to answer these questions. Your letter discussed the 30-day reinvestment cycle associated with the notes that Sequoia issued to Cherokee and EFP. However, your letter failed to address the most striking aspect of the loans made by Cherokee and EFP to Sequoia -- namely, the fact that they allowed Enron to appear to repay its monthly obligations without any money seemingly changing hands. According to court documents filed by JPMorgan, Enron, as the servicer of the loans, was apparently allowed to hold the "repayment" overnight when the loans came due at the end of each month. The money would then be loaned back to Sequoia the next day.

3. How did the Sequoia transactions raise financing in the form of "minority interest" equity financing?

While your letter and the supporting documentation make clear that Choctaw and Zephyrus each invested $500 million of equity in Cherokee and EFP, respectively, I am unclear as to why you refer to this as "minority interest" equity financing. Your use of the phrase "minority interest" does not appear to fit the circumstances of these transactions. As you indicate, "minority interest" is an accounting term of art that refers to a specific line entry on a company's balance sheet. Since none of the information you have provided indicates that Choctaw or Zephyrus had any ownership or control of Cherokee or EFP, it does not appear that either could have had a minority interest in Cherokee or EFP. Rather, it appears that the Choctaw and Zephyrus transactions were simply a way for Enron to take loans from outside entities, including JPMorgan, and effectively convert those loans into equity.

4. Who was responsible for creating and designing the Sequoia transactions, Enron or JPMorgan?

5. What justification do you have for your statement that the Sequoia transactions involved "a well-established means used regularly by large corporations to meet their capital needs"?

6. To what extent has JPMorgan arranged transactions, or offered to arrange transactions, for other clients that are similar or identical to the Sequoia transactions?

Your letter admits that JPMorgan's structured capital group "provided the framework for minority interest equity financing" but does not specify who actually crafted the Sequoia transactions. Nor does your letter explain the extent to which such transactions are commonly used.

7. If, as you state, Enron effectively controlled Cherokee and, accordingly, consolidated Cherokee on its financial statements, why did Enron not list Cherokee as a subsidiary in its annual reports?

You state that "substantially all of the common equity in, and the voting control of, Cherokee was held indirectly by Enron." Yet Enron did not name Cherokee as a subsidiary in its 1999 or 2000 10-K annual reports. By contrast, Sequoia was named as a subsidiary in both reports, and EFP (which apparently was set up in 2000) was listed as a subsidiary in the 2000 annual report.

8. How much money did JPMorgan loan to or invest in Choctaw and Zephyrus?

9. How much money did JPMorgan receive from its loan(s) to or investment(s) in Choctaw and Zephyrus?

Your letter disclosed that JPMorgan made approximately $11.5 million "for its services in connection with the Sequoia [t]ransactions." However, you failed to disclose how much money JPMorgan made from the investments or loans it made in the course of these transactions.

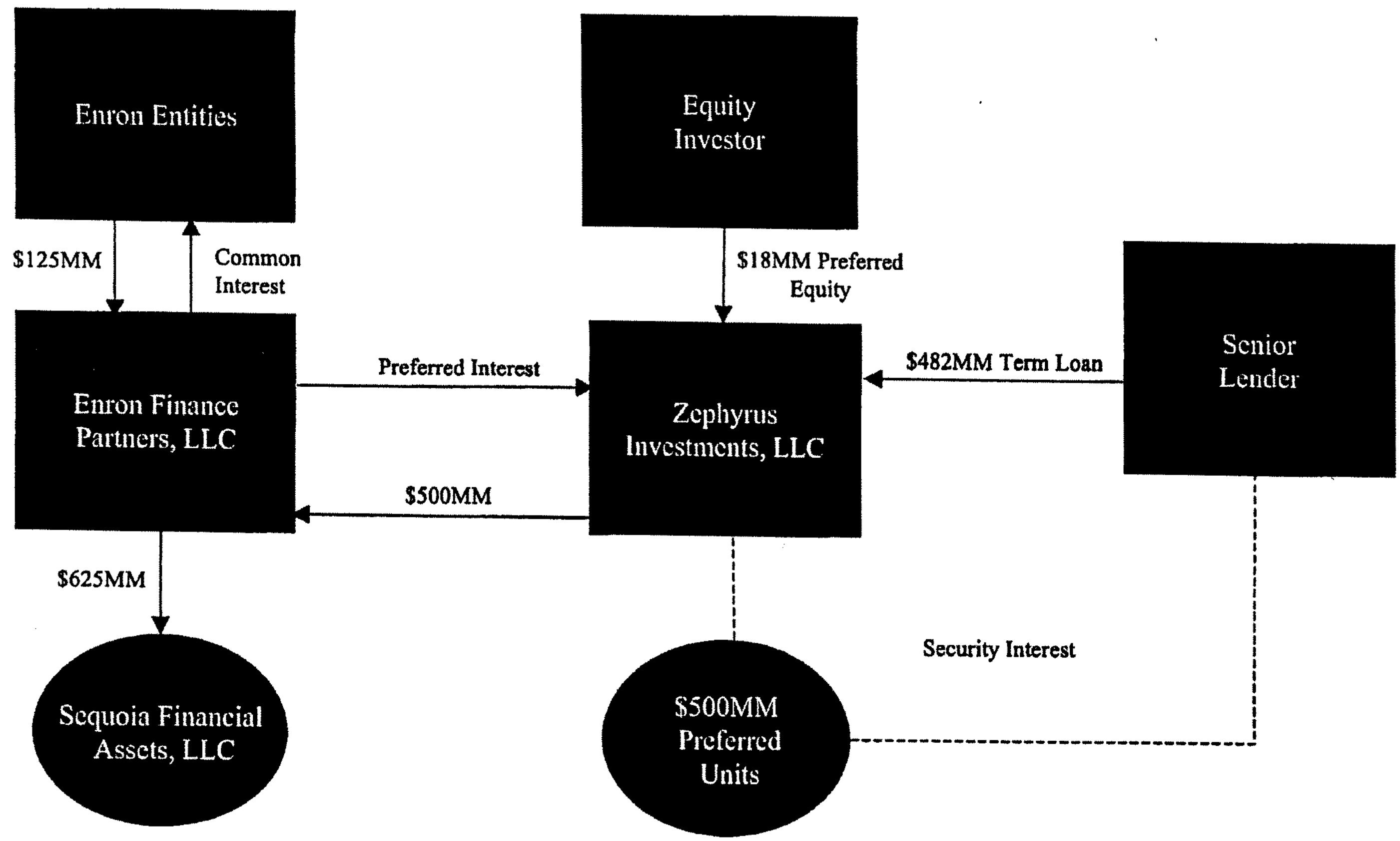
In addition, I would appreciate your providing me with all of the supporting documentation for the Sequoia transactions. Despite my previous request for "any documentation in the possession of JPMorgan Chase that explains or discusses the creation, nature, purpose, terms, or accounting of the Sequoia transactions," you only provided me with copies of the Choctaw and Zephyrus information memoranda.

I request that you respond to this letter by June 12. Thank you again for your assistance in this matter.

Sincerely,

Henry A. Waxman
Ranking Minority Member

Enclosure


Enron Entities
$125MM
Common Interest
Enron Finance Partners, LLC
$625MM
Sequoia Financial Assets, LLC
Preferred Interest
$500MM
Equity Investor
$18MM Preferred Equity
Zephyrus Investments, LLC
$500MM Preferred Units
Senior Lender
$482MM Term Loan
Security Interest

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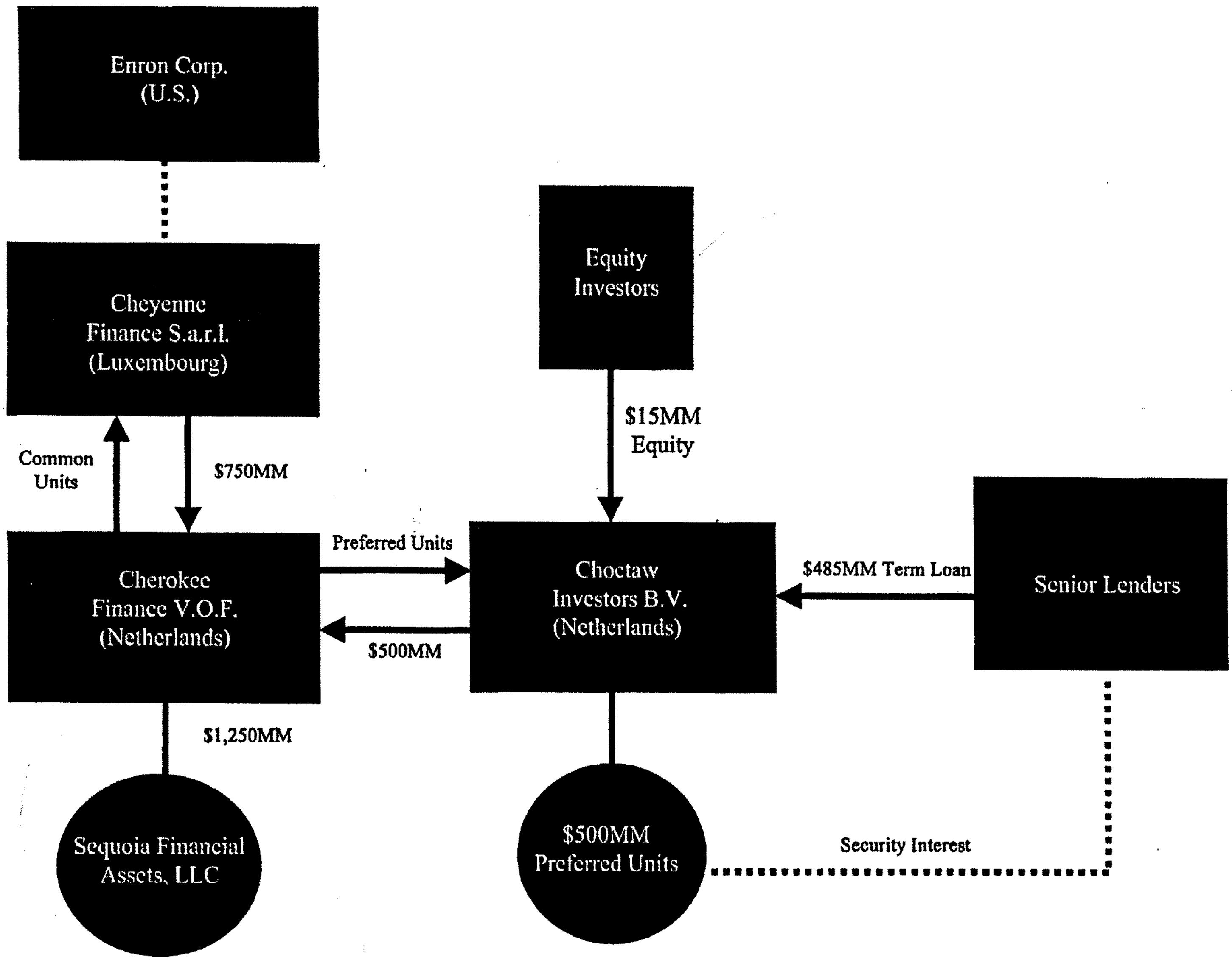
Enron Corp.
(U.S.)
Cheyenne
Finance S.a.r.l.
(Luxembourg)
Common
Units
$750MM
Equity
Investors
$15MM
Equity
Cherokee
Finance V.O.F.
(Netherlands)
Preferred Units
$500MM
Choctaw
Investors B.V.
(Netherlands)
$485MM Term Loan
Senior Lenders
$1,250MM
Sequoia Financial
Assets, LLC
$500MM
Preferred Units
Security Interest