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OVERSIGHT OF INVESTMENT BANKS' RESPONSE TO THE LESSONS OF ENRON—VOL. II

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE OF INVESTIGATIONS

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

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gg. Enron Corp. Memorandum, November 2002, re: *Project Slapshot—Quarterly Payments* 495
hh. Patton Boggs LLP correspondence, on behalf of JPMorgan Chase, to the Permanent Subcommittee on Investigations, December 2002, re: *structuring fees paid to JPMC* 497
ii. *Canadian Financing Strategy, A Presentation to Enron Corp., September 2000,* National Australia Group 498
jj. *Additional Points,* JPMorgan Chase document regarding Project Slapshot 510
kk. Daishowa Acquisition Structure Steps, Enron document regarding Project Slapshot 511

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c. *Enron Risk Assessment and Control Deal Approval Sheet,* December 2000, re: *Project Crane* 535
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e. *Project Boomerang, Transaction Overview,* prepared by JPMorgan Chase 548
f. JPMorgan Chase email, November 2000, re: *Project Boomerang (I think what we would like to try to do is define fair market value in such a way that it always turns out to be equal to the value at which the SPE purchased the business.)* 551

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c. Andersen email, November 1999, re: *Total Return Swaps* 584
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c. *Summary of Proposed Transaction Approval Process (TAP) Policy Revisions,* undated, from the "H" drive of the computer of Enron Corp. employee Rick Carson 952
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e. Enron Corp. email, December 2000, re: *New Prepay with Chase (In the prior transactions, we have received a prepayment from Mahonia on a forward delivery schedule of fixed volumes.)* 959
f. Enron Corp./JPMorgan Chase email, September 2001, re: *Rep Letter for Mahonia,* attaching draft Mahonia representation letter 960
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EXHIBITS (CONTINUED)—VOL. II

ENRON NET WORKS PARTNERS
Valuation Analysis of Contributed Assets

Chase Securities Inc.

November 20, 2000

CHASE

CONFIDENTIAL TREATMENT REQUESTED
By Dechert on behalf of its client

DP 182988

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Valuation Analysis of Garden State Paper Co.

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Valuation Analysis of Garden State Paper Co.

Overview

- Enron purchased Garden State Paper Company (GSP) from Media General on July 13, 2000 for $72 MM and closed the transaction on August 28, 2000
- Total transaction value of $75.89 MM, including $3.89 MM in fees
- GSP has annual production of 217,000 tons
- Enron, together with AGRA Simons Forest Industry Consulting, estimates operational efficiencies of approximately $14.7 MM through cost reductions, operational controls and capital expenditure improvements
- Enron values Garden State Paper Company at $75.89 MM for its contribution to the partnership

Valuation Analysis of Garden State Paper Co.

Summary Valuation

($ in millions)

Valuation Metric	GSP Statistic[1]	Metric Range Low	Metric Range High	Equity Value Low	Equity Value High
Public Comps					
-2000 EBITDA Multiple	$21.7	4.5x	5.0x	$98	$109
-2001 EBITDA Multiple	$26.2	3.5x	4.0x	$92	$104
Transaction Comps					
-Annual Production	217,000 tons	$784	$958	$170	$208
DCF				$124	$162
Chase Valuation Range				**$90**	**$110**

(1) Based on Enron's projections dated November 1, 2000.

CHASE

Valuation Analysis of Garden State Paper Co.

Publicly–Traded Comparable Companies

(Currencies in millions, except per share data)

Paper/Newsprint Companies

Company	Currency	Share Price 11/17/00	% of 52-week High	Price Per Share 2000 EPS	Price Per Share 2001 EPS	Market Value of Equity	Enterprise Value	Enterprise Value / LTM Revenue	Enterprise Value / LTM EBITDA	Enterprise Value / 2000E EBITDA	Enterprise Value / 2001E EBITDA
Bowater	USD	51.38	88.3%	16.9 x	7.6 x	2,715	4,432	2.09 x	9.2 x	6.5 x	4.5 x
Norske Skog	NOK	258.42	78.4%	8.9	5.8	13,278	44,625	1.38	7.3	6.1	5.6
Abitibi	CAD	13.95	68.6%	16.4	6.6	6,144	12,075	1.82	9.4	8.1	4.9
Stora Enso	FIM	8.99	48.1%	5.6	5.6	6,356	16,220	1.19	5.2	4.8	4.0
Holmen	SEK	244.47	74.6%	8.6	8.9	22,508	24,894	1.72	6.7	5.8	5.6
UPM	EUR	31.30	69.7%	8.2	8.4	8,257	10,511	1.18	5.5	3.7	3.5
	High			16.9 x	8.9 x			2.09 x	9.4 x	8.1 x	5.6 x
	Median			8.4	7.1			1.55	7.0	6.0	4.7
	Mean			10.4	7.1			1.56	7.2	5.8	4.7
	Low			5.6	5.6			1.18	5.2	3.7	3.5

CHASE

Valuation Analysis of Garden State Paper Co.
Comparable M&A Transactions in Newsprint

Acquiror	Target	Mills	Transaction Value	Annual Production	Transaction Value/ Annual Production
Abitibi-Consolidated	Stone Container	Snowflake, AZ	$275,000,000	287,000	$958
Donohue Industries	Champion International	Sheldon, TX Lufkin, TX	$685,000,000	874,139	$784
Durango Group	Pipsa-Mex	Pronapade, MEX Mexpape, MEX Tuxapec, MEX	$325,000,000	397,482	$818
Southeast Paper	Smurfit Newsprint	Newberg, OR	$295,000,000	361,350	$816
Papier Masson (PML)	Noranda	Quebec, ONT	$190,000,000	210,000	$905
				High	$958
				Median	$818
				Mean	$856
				Low	$784
Enron	Media General (GSP)	Garfield, NJ	$72,000,000	217,000	$332

Valuation Analysis of Garden State Paper Co.

Discounted Cash Flow Analysis

($ in millions)

	Projected FYE December 31, (1)				
	2001	2002	2003	2004	2005
Sales	$129.1	$130.9	$126.2	$128.1	$136.3
EBITDA	21.7	26.2	22.0	23.6	29.1
Less: Depreciation	(14.7)	(11.0)	(8.6)	(6.8)	(7.0)
EBITA	7.0	15.2	13.4	16.9	22.1
Less: Taxes 38.0%	0.0	0.0	(5.1)	(6.4)	(8.4)
Tax-effected EBITA	7.0	15.2	8.3	10.5	13.7
Plus: Depreciation	14.7	11.0	8.6	6.8	7.0
Plus: Deferred Taxes	0.9	4.2	3.0	1.4	1.3
Less: Capital Expenditures	(9.0)	(11.0)	(5.0)	(5.0)	(5.0)
Less: Changes in Working Capital	(1.8)	(0.7)	0.8	(0.3)	(1.2)
Free Cash Flow	$11.8	$18.8	$15.8	$13.3	$15.8

	A	+	B			=	C		
	Discounted (1) Cash Flows		PV of Terminal Value as a Multiple of 2005 EBITDA (2)				Firm Value		
Discount Rate	(2001-2005)		4.5x	5.0x	5.5x		4.5x	5.0x	5.5x
9%	$58.5		$85.0	$94.4	$103.8		$143.5	$152.9	$162.4
10%	57.0		81.2	90.2	99.2		138.2	147.2	156.2
11%	55.6		77.6	86.2	94.8		133.1	141.8	150.4
12%	54.2		74.2	82.4	90.7		128.4	136.6	144.8
13%	52.8		71.0	78.8	86.7		123.8	131.7	139.6

	D	=	E		
	Net Debt		Total Equity Value		
Discount Rate	Dec 2000		4.5x	5.0x	5.5x
9%	$0.0		$143.5	$152.9	$162.4
10%	0.0		138.2	147.2	156.2
11%	0.0		133.1	141.8	150.4
12%	0.0		128.4	136.6	144.8
13%	0.0		123.8	131.7	139.6

(1) Present values calculated as of December 31, 2000.
(2) Discounted 5 years; based on FYE December 31, 2005 EBITDA of $29.1 million.

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Valuation Analysis of ENE Pulp & Paper Business

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Valuation Analysis of ENE Pulp & Paper Business

Overview

- Enron's Pulp & Paper trading business trades the following products: Newsprint, Packaging, Printing and Writing, Pulp and Lumber
- The notional volume and value of all trades since June 1997 were approximately 19.9 MM tons and $8.3 BN, respectively, as of September 30, 2000
- Enron's Pulp & Paper Group employs 38 commercial persons
- Enron values its Pulp & Paper Business at $275 MM for its contribution to the partnership

Valuation Analysis of ENE Pulp & Paper Business

Summary Valuation

($ in millions)

Valuation Metric	ENE P&P Statistic	Metric Range Low	Metric Range High	Enterprise / Equity Value Low	Enterprise / Equity Value High
Public Comps					
-2000E EBITDA Multiple[1]	$25.0	9.0x	12.0x	$225	$300
-2001E EBITDA Multiple[1]	$25.4	8.0x	11.0x	$203	$280
Transaction Comps					
-LTM EBITDA Multiple	$14.2	10.0x	12.0x	$142	$170
-2000E EBITDA Multiple[1][2]	$25.0	10.0x	12.0x	$250	$300
DCF[1]				$140	$232
Chase Valuation Range				**$225**	**$300**

(1) Based on Enron's projections dated November 1, 2000.
(2) 2000 used as "normalized" trailing EBITDA for business for private market multiples.

CHASE

Valuation Analysis of ENE Pulp & Paper Business

Publicly–Traded Comparable Companies

(Currencies in millions, except per share data)

Paper & Pulp Companies

Company	Ticker Symbol	Share Price 11/17/00	% of 52-week High	Market Value of Equity	Enterprise Value	Price Per Share / 2000E EPS	Price Per Share / 2001E EPS	Enterprise Value / LTM Revenue	Enterprise Value / LTM EBITDA	Enterprise Value / 2000E EBITDA	Enterprise Value / 2001E EBITDA
UPM-Kymmene	UPM	E31.30	69.7%	E8,257	E10,511	8.2 x	8.4 x	1.18 x	5.5 x	3.7 x	3.5 x
Boise Cascade	BCC	$29.00	66.0%	$1,659	$3,722	8.5	5.3	0.51	5.0	4.7	3.8
Georgia-Pacific	GP	$23.56	45.4%	4,025	10,917	4.7	3.6	0.55	3.5	3.9	3.5
International Paper	IP	$33.44	55.7%	13,837	26,092	10.1	5.9	1.02	7.1	5.9	4.3
Mead	MEA	$26.94	59.7%	2,769	4,363	10.7	6.5	1.13	6.8	5.3	4.2
StoraEnso	STEAV	$11.23	59.1%	8,562	14,446	7.9	7.5	1.43	7.1	5.2	5.0
Weyerhaeuser	WY	$41.69	56.0%	9,491	13,860	9.1	6.7	0.90	5.1	5.2	4.3
Willamette	WLL	$48.00	97.5%	5,417	7,037	12.7	9.1	1.65	7.5	6.4	5.3
					High	12.7 x	9.1 x	1.65 x	7.5 x	6.4 x	5.3 x
					Median	8.8	6.6	1.08	6.2	5.2	4.2
					Mean	9.0	6.6	1.05	6.0	5.0	4.2
					Low	4.7	3.6	0.51	3.5	3.7	3.5

Trading Companies

Company	Ticker Symbol	Share Price 11/17/00	% of 52-week High	Market Value of Equity	Price Per Share / 2000E EPS	Price Per Share / 2001E EPS	Enterprise Value	Enterprise Value / LTM Revenue	Enterprise Value / LTM EBITDA	Enterprise Value / 2000E EBITDA	Enterprise Value / 2001E EBITDA
Southern Co	SO	$31.00	88.6%	$20,168.9	15.0x	14.7x	$40,341.1	3.33x	8.6x	NA	NA
Dynegy Inc	DYN	48.00	80.2%	15,480.0	35.7	28.5	20,356.8	1.00	25.1	15.6x	13.6x
Enron Corp	ENE	81.50	89.8%	65,343.5	57.4	49.2	74,071.9	1.4	35.3	24.5	22.9
					High	35.7x	28.5x	3.33x	35.3x	24.5x	22.9x
					Median	25.3x	21.6x	1.40x	25.1x	20.1x	18.3x
					Mean	25.3x	21.6x	1.91x	23.0x	20.1x	18.3x
					Low	15.0x	14.7x	1.00x	8.6x	15.6x	13.6x

CHASE

Valuation Analysis of ENE Pulp & Paper Business

M&A Transactions in Pulp & Paper Sector

(Currencies in millions, except per share data)

Date Ann.	Date Eff.	Acquiror	Target	Purchase Price	Transaction Value	Transaction Value/ LTM Sales	Transaction Value/ LTM EBITDA	Transaction Value/ 1995 EBITDA	Transaction Value/ 5 Year Av. EBITDA	Margins LTM EBITDA
07/24/00	Pending	Industrias Klabin	Igaras Papels	$398	$510	2.68x	8.1x	NA	7.3x	12.3%
07/17/00	Pending	Georgia-Pacific Group	Fort James Corp.	$7,691	$11,192	1.84	8.8	NA	NA	18.7%
06/23/00	Pending	Hicks, Muse, Tate & Furst	Johns Manville Corporation	$3,486	$4,186	1.27	7.2	NA	NA	21.9%
05/31/00	Pending	Metsa-Serla Oy	MoDo Paper AB	$2,139	$2,743	1.19	6.4	NA	NA	18.7%
05/22/00	Pending	Worms et Cie	Arjo Wiggins Appleton PLC	$1,427	$1,668	0.81	5.8	4.0	4.5	11.4%
04/25/00	Pending	International Paper	Champion International	$7,382	$9,859	1.84	9.6	5.2	9.4	19.2%
02/23/00	Pending	Smurfit-Stone	St. Laurent Paperboard	$1,015	$1,401	1.45	9.9	15.0	18.6	14.7%
02/22/00	Pending	StoraEnso	Consolidated Paper	$4,040	$4,859	2.64	13.8	10.0	12.1	19.2%
02/17/00	Pending	UPM	Champion International	$6,749	$9,056	1.72	10.1	4.8	8.7	17.0%
02/17/00	04/03/00	International Paper	Shorewood Packaging	$592	$881	1.47	8.6	15.1	13.0	17.0%
02/11/00	04/18/00	Abitibi	Donohue	C$5,790	C$7,105	2.86	11.9	NM	12.7	24.0%
06/21/99	11/01/99	Weyerhaeuser	MacMillan Bloedel	$2,431	$2,846	1.00	10.5	6.2	10.8	9.6%
01/26/99	04/12/99	Madison Dearborn	PCA (Tenneco)	$440	$2,200	1.40	6.7	4.0	6.6	20.8%
11/24/98	04/30/99	International Paper	Union Camp	$5,027	$6,755	1.48	11.6	6.0	9.8	12.7%
05/11/98	11/18/98	Jefferson Smurfit	Stone Container	$2,048	$6,642	1.35	27.7	4.2	10.4	4.9%
03/09/98	07/24/98	Bowater	Avenor	C$2,339	C$3,310	1.67	11.9	3.7	9.9	14.0%
06/16/98	07/03/98	Domtar	EB Eddy Paper	C$803	C$876	0.92	5.3	4.2	6.2	17.2%
06/02/98	12/28/98	Enso	Stora Kopparbergs	$4,904	$6,651	1.18	7.6	4.3	6.7	15.5%
09/15/97	09/15/97	Sappi	KNP Leykam Holding	$820	$1,375	1.38	14.3	4.5	NA	9.5%
02/13/97	06/02/97	Abitibi-Price	Stone Consolidated	C$2,335	C$3,281	1.56	10.5	4.7	NA	14.9%
11/08/95	03/12/96	International Paper	Federal Paper Board	$2,696	$3,601	1.91	6.5	NA	10.5	29.5%
09/11/95	05/01/96	Repola	Kymmene	$2,383	$5,290	1.09	4.7	NM	9.0	23.2%
05/09/95	03/27/96	Clayton, Dubilier	Riverwood	$1,477	$2,393	1.80	9.3	NA	11.3	19.3%

High	2.86x	27.7x	15.1x	18.6x
Median	1.47	9.3	4.7	9.9
Mean	1.58	9.9	6.4	9.9
Low	0.81	4.7	3.7	4.5

CHASE

Analysis of "Soft Assets"

Credit Enhancement Valuation Overview

- Enron used three methodologies to estimate the value of the contributed credit enhancement
  - **Letter of Credit Approach:** assumes counterparties require letters of credit equivalent to the notional volumes of all trades over the projection period priced at non-investment grade letter of credit fees and discounted at Enron's cost of capital
  - **Incremental Equity Approach:** values amount of additional equity necessary to achieve a credit rating equivalent to Enron Corp. derived by limiting debt capital to 2.5x EBITDA
  - **Theoretical Margin Approach:** calculates the expected margin call due to theoretical adverse price movements in the market and is discounted by the difference between Enron's cost of debt and a non-investment grade cost of debt
- Enron believes the Theoretical Margin Approach most closely approximates the true value of the credit support

CHASE

Analysis of "Soft Assets"
Credit Enhancement Valuation Summary

($ in millions)

Valuation Method	PaperCo [1]	Business Size [2]	Value [2]
Letter of Credit	1,895	3x's	5,685
Incremental Equity	1,395		4,184
Theoretical Margin	377		1,131

(1) Based on assumptions in Enron's PaperCo model dated August 23, 2000.
(2) Assumes additions of other businesses. Value uses PaperCo model dated August 23, 2000 as proxy, for other businesses.

CHASE

Analysis of "Soft Assets"
Other "Soft Assets"

- Risk Management
  - Enron has spent over $1 BN to develop a sophisticated risk management system, $600 MM of which has been spent since 1997
  - The partnership will build off of Enron's existing risk management system
- EnronOnline
  - EOL is the only internet-based, global transaction system which allows counterparties to view real time prices in the marketplace and transact instantly online
  - The partnership will use similar internet-based systems for the targeted industries, e.g. Clickpaper.com
- Management
  - Net Works will benefit from the strength and depth of the Enron management team, who have extensive experience in natural gas, power, weather-derivatives, broadband, pulp and paper

CHASE

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Appendix
Valuation Support Material

CHASE

Valuation Support Material

WACC Analysis – Pulp & Paper Companies

Macroeconomic Assumptions

Risk-Free Rate [1]	5.76%	Historical Average S&P500 Return [2]	13.2%
Projected Target Tax Rate [3]	35.0%	Estimated Market Equity Risk Premium [4]	8.0%

Industry Beta Analysis

Comparable Companies	Projected Levered Beta [5]	Net Debt/ Mkt. Cap.	Total Debt/ Mkt. Equity	Projected Tax Rate [3]	Unlevered Beta [6]	Cost of Levered Equity	Cost of Unlevered Equity
Boise Cascade	1.06	51.9%	120.5%	40.0%	0.62	14.2%	10.7%
Georgia-Pacific	1.08	63.1%	171.9%	40.0%	0.53	14.4%	10.0%
International Paper	1.08	40.9%	80.4%	40.0%	0.73	14.4%	11.6%
Mead	0.94	36.5%	80.4%	40.0%	0.63	13.3%	10.8%
Weyerhaeuser	0.92	31.5%	63.3%	40.0%	0.66	13.1%	11.1%
Willamette	0.88	23.0%	30.4%	40.0%	0.74	12.7%	11.7%
Average	0.99	41.2%	91.1%	40.0%	0.65	13.7%	11.0%

Target WACC Calculation

Optimal Debt/Market Capitalization	Optimal Debt/ Equity	Spread to 10-Yr Treasuries (bp)	Country Risk Premium	Pre-Tax Long Term Cost of Debt	Levered Beta Assuming Unlevered Beta of 0.65	Cost of Levered Equity	Target Nominal WACC
30.0%	42.9%	175.0	0.00%	7.5%	0.84	12.4%	10.2%
40.0%	66.7%	200.0	0.00%	7.8%	0.94	13.2%	10.0%
50.0%	100.0%	300.0	0.00%	8.8%	1.08	14.4%	10.0%
60.0%	150.0%	400.0	0.00%	9.8%	1.29	16.0%	10.2%
70.0%	233.3%	500.0	0.00%	10.8%	1.64	18.9%	10.6%

Notes:

(1) Risk-Free Rate = Ten Year Treasury Bond Rate; Source: Wall Street Journal (11/17/00).
(2) Source: SBBI 1999 Yearbook: Valuation Edition (Ibbotson Associates).
(3) Assumed to be 35 percent.
(4) Estimated Market Equity Risk Premium = Historical Spread (1926-1999) Between 20-Yr Bond & S&P500; Source: SBBI 1999 Yearbook: Valuation Edition (Ibbotson Associates).
(5) Source: Barra (5/31/00).
(6) Unlevered beta equals Levered Beta/ (1 + (Total Debt/ Market Value of Equity) * (1 - Tax Rate)). Assumes beta of debt equals zero.

CHASE

FISHTAIL LLC

BUSINESS PURPOSE

In early 2000, Enron identified the pulp and paper markets as an industry in which Enron could apply its wholesale trading model. Additionally, it was determined that to gain a position in the pulp and paper markets, Enron would need to acquire pulp and paper assets.

Therefore, in mid 2000, Enron began negotiations with several prominent third party venture capital companies aimed at forming a partnership for the purpose of expanding Enron's pulp and paper trading business through acquisitions of assets in the pulp and paper industry.

After extensive due diligence and negotiations between the potential investors and Enron, each agreed that the fair value of Enron's existing pulp and paper trading business was approximately $200 million. This amount was also validated by an analysis performed by an independent investment bank. The book value of Enron's pulp and paper trading business was approximately $85 million, which consisted primarily of existing trading contracts carried at their fair value. In December 2000, because of issues unrelated to the business valuation, Enron and the potential investors ended their negotiations regarding the partnership.

In late 2000, Enron began negotiating with other potential investors including LJM. Enron, LJM and a third party investment bank executed the transaction, as discussed in detail below, on December 22, 2000. All parties acknowledged that additional investors might be needed to replace or supplement LJM's participation in order to expand the pulp and paper business in the future.

TRANSACTION DESCRIPTION

Formation

In December 2000, Enron and Annapurna LLC (an entity created by a third party investment bank and LJM) formed Fishtail LLC (the Company) to engage in the following:

- develop efficient and price-transparent markets in the pulp and paper and lumber businesses through the establishment and operation, acting as a principal, of a real-time physical and financial trading system, together with the associated commercial activities, encompassing the execution and delivery of trading contracts related to the purchase and sale of physical pulp and paper products;
- the marketing and provision of financial risk management services or contracts (such as swap agreements and option agreements) solely relating to the price of pulp and paper and lumber.

The term of the Company was for five years at which time the Company will dissolve and liquidate in accordance with its capital accounts.

Enron contributed its existing pulp and paper business in exchange for all of the Class A and Class C membership interests. Annapurna contributed approximately $8 million and a commitment to contribute an additional $42 million in cash in exchange for all of the Class B membership interest of the Partnership. Annapurna is capitalized with $8 million in equity from LJM and a $42 million committed credit facility from a third party investment bank. The Company used the $8 million received from Annapurna to initially purchase Enron demand notes.

Governance

As the Class A member, Enron was responsible for managing the affairs of the Company. In doing so, Enron made available the necessary personnel to conduct the business of the Company, including the day-to-day trading and risk management transactions. Enron was entitled to reimbursement of its actual and allocated costs and expenses of administering the affairs of the Company.

At any time, with or without cause, Annapurna would be able to cause the management responsibilities of the Company, granted to Enron as Class A member, to be assumed by a board of directors composed of four members (the Board), of which Enron and Annapurna would each appoint two members. The agreements also stated that as long as Annapurna was controlled by LJM, Annapurna could not cause the management responsibilities with respect to the Company to be assumed by the Board unless a majority of LJM's Advisory Committee approved such action.

Upon appointment, the Board would assume all of the management powers and responsibilities with respect to the Company previously granted to the Class A member. In addition to the above rights, Annapurna was required to consent to several actions by the Company in order for them to be effective. These actions included, but were not limited to, the following:

- issuance of additional membership interests or issue debt instruments or securities;
- execution, modification, termination or the waiver of any right under any agreement or contract between the Company and Enron, or an affiliate of Enron;
- setting the Company's financial policies regarding capital structure, including the issuance or retirement of debt or membership interests.

Economics

As the Class B interest holder, Annapurna was entitled to receive a preferred return of Libor plus 7% on its $50 million investment in the Company. Enron, as the Class C interest holder would bear all of the net realized trading losses up to $200 million and was entitled to receive all earnings in excess of Annapurna's preferred return. Annapurna would bear any net realized trading losses in excess of $200 million until its capital account was extinguished.

In return for participating in the Company, Enron paid LJM a one time, upfront fee of $350,000. Neither Annapurna nor LJM had any rights to sell its interest in the Company to Enron nor did Enron guarantee LJM's investment in either Annapurna or the Company.

Other

Enron and Annapurna also entered into an administrative services agreement whereby Enron agreed to provide certain administrative services to Annapurna in exchange for receiving any cash that would otherwise be available for distribution to the members of Annapurna after payment of all fees, expenses, any principle and interest owed to a third party investment bank and the stated equity return of 15% of Annapurna's equity holders.

Enron accounted for its investment in the Company under the equity method of accounting. Enron's cost basis in its pulp and paper trading business of approximately $85 million was "carried-over" and represented its basis in the Company. Enron recognized no gain or loss on the formation of the Company.

SUBSEQUENT TRANSACTIONS

In December 2000, subsequent to the formation of the Company, Enron sold its Class C interest in the Company to Caymus Trust (Caymus), a special purpose vehicle, for $200 million. As a result of the sale, Enron recorded a gain of approximately $115 million, which equals the difference between the sale price and Enron's cost basis in the Company. Caymus is capitalized with 97% debt and 3% equity from unrelated third parties. Caymus' debt was secured by a total return swap written by Enron.

In June 2001, a third party investor and Enron formed Sundance Industrial Partners L.P. to provide capital to expand the pulp and paper business. Upon formation, the partners of Sundance contributed their pulp and paper business assets and cash, which were used to purchase Annapurna and Caymus' interest in the Company for $8.5 million and $207.3 million, respectively.

Summary

Transaction:
- LJM purchased equity in SPE that formed a partnership with Enron

Outcome:
- LJM received fees of $350,000
- LJM received return of $8MM capital plus 15% return on capital

EXECUTION COPY

AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

FISHTAIL LLC

A Delaware Limited Liability Company

LIMITED LIABILITY COMPANY AGREEMENT
OF
FISHTAIL LLC
A Delaware Limited Liability Company

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AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
FISHTAIL LLC
A Delaware Limited Liability Company

This AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF FISHTAIL LLC (this "*Agreement*"), dated as of December 19, 2000 (the "*Effective Date*"), is adopted, executed and agreed to, for good and valuable consideration, by Enron North America Corp., a Delaware corporation ("*ENA*"), and Annapurna LLC, a Delaware limited liability company ("*Annapurna*").

RECITALS

1. Fishtail LLC (the "*Company*") was formed as a Delaware limited liability company on December 18, 2000 (the "*Formation Date*"), by the filing of a Certificate of Formation (the "*Delaware Certificate*") with the Delaware Secretary of State. ENA was admitted to the Company as the initial Member, effective as of the Formation Date, pursuant to that certain Limited Liability Company Agreement of the Company, dated as of the Formation Date (the "*Original Agreement*").

2. ENA and Annapurna now desire to amend and restate the Original Agreement in its entirety and, in connection therewith, to evidence the admission of Annapurna as a Member.

3. It is the intention of the Members that the Company will conduct business as described herein from and after the Effective Date with the Members as all of the members of the Company.

NOW THEREFORE, for good and valuable consideration, ENA and Annapurna hereby amend and restate the Original Agreement as follows:

ARTICLE 1
DEFINITIONS

1.01 ***Rules of Construction.*** Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; (c) references to Exhibits are to the Exhibits attached to this Agreement, each of which is made a part hereof for all purposes; (d) all accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles in the United States, except with respect to Capital Accounts and the items used in computing the Capital Accounts and except as otherwise specified herein; (e) the words "hereof," "herein," "hereby," "hereunder" and other similar terms refer to this Agreement as a whole; (f) in the computation of periods of time, the word "from" means "from and

including" and the words "to" and "until" mean "to but excluding;" (g) a reference to a Person includes the successors and permitted assigns of such Person but such reference shall not modify the terms governing the assignment of rights and obligations hereunder; (h) the term "including" means "including, without limitation," (i) references to applicable Laws refer to such applicable Laws as they may be amended from time to time, and references to particular provisions of an applicable Law include any corresponding provisions of any succeeding applicable Law; and (j) references to money refer to legal currency of the United States of America.

1.02 ***Definitions***. As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Sections referred to below (and grammatical variations of such terms have correlative meanings):

AAA - Section 10.12.

Act - the Delaware Limited Liability Company Act, 6 Del. C. §18-101 et. seq., as amended from time to time.

Administrative Services Agreement – the Administrative Services Agreement dated of even date herewith between ENA and Annapurna.

Affiliate - with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person; ***provided that*** references to Affiliates of Enron shall refer also to (i) any Person in which Enron retains voting or management control, (ii) any Person in which Enron retains, directly or indirectly, economic exposure to or ownership of no less than 20% of the earnings of such person, and (iii) any Person formed as part of a structured financing transaction involving Enron or another Affiliate of Enron. For the purpose of this definition and Section 6.03, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or agency or otherwise.

Agreement - introductory paragraph.

Annapurna Majority - the vote or consent of members holding in the aggregate 51% or more of the membership interests in Annapurna.

Annapurna Rights - Section 6.06.

Arbitration Notice - Section 10.12.

Arbitrator - Section 10.12.

Assignee - any Person that acquires a Membership Interest or any portion thereof through a Disposition; provided, however, that, an Assignee shall have no right to be admitted to the Company as a Member except in accordance with Sections 3.03(a) and 3.03(c).

Board of Directors - Section 6.05.

Book Value - with respect to any property, such property's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Book Value of any property contributed by a Member to the Company shall be the fair market value of such property as determined by the Class A Member;

(b) The Book Values of all property shall be adjusted to equal their respective fair market values as determined in accordance with Section 6.01(c) in connection with a Mark-to-Market Event;

(c) The Book Value of any property distributed to any Member shall be the fair market value of such property as determined in accordance with Section 6.01(c); and

(d) The Book Values of all property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such property pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m) and clause (f) of the definition of Profits and Losses.

If the Book Value of property has been determined or adjusted pursuant to clauses (a), (b) or (d) hereof, such Book Value shall thereafter be adjusted by the Depreciation taken into account with respect to such property for purposes of computing Profits and Losses and other items allocated pursuant to Article 5.

Business Day - any Day other than a Saturday, a Sunday, or a holiday on which commercial banks in the State of New York or the State of Texas are closed.

Capital Account - Section 4.06.

Capital Contribution - with respect to any Member, the amount of money and the net agreed value of any assets (other than money) contributed to the Company by the Member. Any reference in this Agreement to the Capital Contribution of a Member shall include a Capital Contribution of its predecessors in interest.

Claim - any and all judgments, claims, causes of action, demands, lawsuits, suits, proceedings, Governmental investigations or audits, losses, assessments, fines, penalties, administrative orders, obligations, costs, expenses, liabilities and damages (whether actual, consequential or punitive), including interest, penalties, reasonable attorney's fees, disbursements and costs of investigations, deficiencies, levies, duties and imposts.

Class A Member - ENA and any other Person hereafter admitted to the Company as a Class A Member as provided in this Agreement, but such term does not include any Person who has ceased to be a Class A Member in the Company.

Class A Membership Interest - the Membership Interest held by a Class A Member.

Class B Member - Annapurna and any other Person or Persons hereafter admitted to the Company as a Class B Member as provided in this Agreement, but such term does not include any Person who has ceased to be a Class B Member in the Company.

Class B Membership Interest - the Membership Interest held by a Class B Member.

Class C Member - ENA and any other Person hereafter admitted to the Company as a Class C Member as provided in this Agreement, but such term does not include any Person who has ceased to be a Class C Member in the Company.

Class C Membership Interest - the Membership Interest held by a Class C Member.

Code - means the Internal Revenue Code of 1986, as amended.

Commitment - means, subject in each case to adjustments on account of Dispositions and issuances of new Membership Interests as provided in this Agreement, the amount specified for such Membership Interest as its Commitment on Exhibit A hereto.

Company - Recital 1.

Conveyance - the Conveyance and Agreement in the form attached hereto as Exhibit C hereto whereby the Permitted Assets are transferred to the Company as the Capital Contribution of the Class A Member, as amended from time to time.

Confidential Information - all information and data (whether oral, written, or electronic, and including all copies thereof) that are furnished or submitted to a Member or its Affiliates with respect to the Company and its subsidiaries. Notwithstanding the foregoing, the term "*Confidential Information*" shall not include any information that (a) is in the public domain at the time of its disclosure or thereafter, or (b) has been independently acquired or developed by a Member or its Affiliates, in each case other than as a result of a disclosure by a Person in contravention of a duty not to disclose such information.

Credit Agreement – the Credit Agreement dated as of December 19, 2000, among Annapurna, the Lenders party thereto, and The Chase Manhattan Bank, as Administrative Agent and as Collateral Agent.

Day - a calendar day; provided, however, that, if any period of Days referred to in this Agreement shall end on a Day that is not a Business Day, then the expiration of such period shall be automatically extended until the end of the first succeeding Business Day.

Delaware Certificate - Recital 1.

Delinquent Member - Section 4.04.

Depreciation - for each fiscal year, an amount equal to the depreciation, amortization or other cost recovery deduction allowable for federal income tax purposes with respect to property for such fiscal year, except that (A) with respect to any property the Book Value of which differs from its adjusted tax basis for Federal income tax purposes and which difference is being eliminated by use of the "remedial method" pursuant to Treasury Regulation Section 1.704-3(d), Depreciation for such fiscal year shall be the amount of book basis recovered for such fiscal year under the rules prescribed by Treasury Regulation Section 1.704-3(d)(2), and (B) with respect to any other property the Book Value of which differs from its adjusted tax basis at the beginning of such fiscal year, Depreciation shall be an amount which bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such fiscal year bears to such beginning adjusted tax basis; provided that if the adjusted tax basis of any property at the beginning of such fiscal year is zero, Depreciation with respect to such property shall be determined with reference to such beginning value using any reasonable method selected by the Class A Member.

Designated Business - means the use of the wholesale business model heretofore developed by the Wholesale Services Group of Enron for the creation of value by the development of efficient and price-transparent markets in the Pulp and Paper and Lumber businesses through the establishment and operation, acting as a principal, of a real-time physical and financial trading system, together with the associated commercial activities, encompassing the execution and delivery of trading contracts relating to the purchase and sale of physical products in the Pulp and Paper and Lumber businesses, and the marketing and provision of financial risk management services or contracts (such as swap agreements and option agreements) solely relating to the prices of physical products produced in the Pulp and Paper and Lumber businesses and to price differentials relating to such physical products between different delivery points, times or grades.

Dispose, Disposing or ***Disposition*** - with respect to any asset (including a Membership Interest or any portion thereof), a sale, assignment, transfer, conveyance, gift, exchange or other disposition of such asset, whether such disposition be voluntary, involuntary or by operation of applicable Law, including the following: (a) in the case of an asset owned by a natural person, a transfer of such asset upon the death of its owner, whether by will, intestate succession or otherwise; (b) in the case of an asset owned by an entity, (i) a merger or consolidation of such entity (other than where such entity is the survivor thereof), (ii) a conversion of such entity into another type of entity, or (iii) a distribution of such asset, including in connection with the dissolution, liquidation, winding-up or termination of such entity; and (c) a disposition in connection with, or in lieu of, a foreclosure of an Encumbrance; but such terms shall not include the creation of an Encumbrance.

Dispute - Section 10.12.

Disputing Member - Section 10.12.

Disqualifying Disposition - means any Disposition of any Member's Membership Interest if and to the extent that giving effect thereto would cause the Company to be a "publicly traded partnership" under the Code and applicable regulations thereunder.

Dissolution Event - Section 9.01.

Distribution Date - June 30 and December 31 of each year, commencing with June 30, 2001 and ending upon a Dissolution Event; *provided* that if any Distribution Date would otherwise fall on a Day that is not a Business Day, then the relevant Distribution Date will be the first following Day that is a Business Day unless that Day falls in the next calendar month, in which case that date will be the first preceding Day that is a Business Day.

Effective Date - introductory paragraph.

Encumber, Encumbering, or ***Encumbrance*** - the creation of a security interest, lien, pledge, mortgage or other encumbrance, whether such encumbrance be voluntary, involuntary or by operation of applicable Law.

Enron - Enron Corp., an Oregon corporation and its successors.

Excluded Activity - means any activity of any kind or character other than the Designated Business.

FAA - Section 10.12.

Fiscal Year - means the year commencing on each January 1 and ending on each December 31.

Formation Date - Recital 1.

Indemnification Agreement - means the Indemnification Agreement dated as of the Effective Date by and among Enron, The Chase Manhattan Bank and Annapurna.

Initial Capital Contribution - means the initial Capital Contribution made by a Member pursuant to Section 4.01.

Interest Certificates - Section 3.02.

Investment Company Act - The Investment Company Act of 1940, as amended.

Law - means any law, treaty, statute, rule, regulation, order, code, judgment, decree, injunction, writ, requirement or decision of or agreement with or by any government or governmental department, commission, board, court, authority or agency having jurisdiction of the matter in question.

Lenders - has the meaning assigned to it in the Credit Agreement.

LIBOR – means an interest rate that is (a) the rate per annum (rounded upward, if not an integral multiple of 1/100 of 1%, to the nearest 1/100 of 1% per annum) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two business days before the first day of the relevant Quarterly Period for a term comparable to such Quarterly Period; (b) if for any reason the rate specified in clause (a) of this definition does not so appear on Telerate Page 3750 (or any successor page), the rate per annum (rounded upward, if not an integral multiple of 1/100 of 1%, to the nearest 1/100 of 1% per annum) appearing on Reuters Screen LIBO page (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two business days before the first day of such Quarterly Period for a term comparable to such Quarterly Period; provided, however, if more than one rate is specified on Reuters Screen LIBO page (or any successor page), the applicable rate shall be the arithmetic mean of all such rates; and (c) if the rate specified in clause (a) of this definition does not so appear on Telerate Page 3750 (or any successor page) and if no rate specified in clause (b) of this definition so appears on Reuters Screen LIBO page (or any successor page), the interest rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum if such rate is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of The Chase Manhattan Bank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Quarterly Period in an amount substantially equal to the estimated amount of the Preferred Return then due and for a period equal to such Quarterly Period.

Loan Documents – has the meaning assigned to it in the Credit Agreement.

Loans – has the meaning assigned to it in the Credit Agreement.

Lumber - means the harvesting, processing, manufacture, sale and distribution of logs and raw and finished lumber and lumber products of all grades and types.

Majority - means more than 50.00%.

Majority-in-Interests – with respect to any class of Members, means Members of such class holding a Majority in Sharing Ratios held by Members of such class.

Mark-to-Market Event - any of the following: (a) the acquisition of a Membership Interest in the Company by any new or existing Member or the increase in a Member's Capital Account in exchange for more than a *de minimis* capital contribution to the Company; (b) the distribution by the Company to a Member of more than a *de minimis* amount of property as consideration for a Membership Interest in the Company or the increase in a Member's Capital Account; and (c) the liquidation of the Company within the meaning of U.S. Treasury Regulations Section 1.704-1(b)(2)(ii)(g)(1) (other than pursuant to Section 708(b)(1)(B) of the Code); *provided* that adjustments pursuant to clauses (a) and (b) above shall be made only if the Class A Member reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company.

Mediation Notice - Section 10.12.

Mediator - Section 10.12.

Member - a Class A Member, a Class B Member or a Class C Member, or any Person hereafter admitted to the Company as a member of the Company as provided in this Agreement, but such term does not include any Person who has ceased to be a member of the Company.

Membership Interest - with respect to any Member, such Member's limited liability company interest in the Company, which represents (a) that Member's status as a Member; (b) that Member's right to receive distributions from the Company; (c) all other rights, benefits and privileges enjoyed by that Member (under the Act, this Agreement, or otherwise) in its capacity as a Member, including that Member's rights to vote, consent and approve and otherwise to participate in the management of the Company; and (d) all obligations, duties and liabilities imposed on that Member (under the Act, this Agreement or otherwise) in its capacity as a Member, including any obligations to make Capital Contributions.

Original Agreement - Recital 1.

Permitted Assets - (a) the property interest conveyed pursuant to the Conveyance, which is intended to constitute an economic interest equal to 100 % of the net economic benefits or burdens of existing and future contracts executed in the Designated Business as conducted by the Wholesale Services Group of Enron for the economic benefit of the Company, but specifically excluding any economic interest in the economic benefits and burdens of any Excluded Activity; and (b) investments of Capital Contributions permitted under Section 4.03(b).

Preferred Applicable Rate – with respect to each Quarterly Period, LIBOR plus 7% per annum.

Preferred Distribution Amount - Section 5.01(d).

Preferred Return - with respect to Class B Interests for any Quarterly Period, an amount equal to (a) the Preferred Applicable Rate for such Quarterly Period multiplied by (b) a fraction, the numerator of which is the number of days in such Quarterly Period and the denominator of which is 365 multiplied by (c) the sum of (i) the Commitments attributable to such Class B Interest as of the beginning of such Quarterly Period and (ii) all unpaid Preferred Return accumulated prior to such Quarterly Period in respect of such Class B Interest.

Profits and Losses - for each fiscal year, an amount equal to the Company's taxable income or loss for such fiscal year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments (without duplication):

(a) Any income of the Company that is exempt from Federal income tax and not otherwise taken into account in computing Profits and Losses pursuant to this definition of "Profits" and "Losses" shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to U.S. Treasury Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall be subtracted from such taxable income or loss;

(c) In the event the Book Value of any asset is adjusted pursuant to a Mark-to-Market Event, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Book Value of the asset) or an item of loss (if the adjustment decreases the Book Value of the asset) from the Disposition of such asset and shall be taken into account for purposes of computing Profits or Losses;

(d) Gain or loss resulting from any Disposition of property with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the Book Value of the property Disposed of, notwithstanding that the adjusted tax basis of such property differs from its Book Value;

(e) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year, computed in accordance with the definition of Depreciation; and

(f) To the extent an adjustment to the adjusted tax basis of any asset pursuant to Code Section 734(b) is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Account balances as a result of a distribution other than in liquidation of a Member's Membership Interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or an item of loss (if the adjustment decreases such basis) from the Disposition of such asset and shall be taken into account for purposes of computing Profits or Losses.

Pulp and Paper - means the processing, manufacture, sale and distribution of wood pulp, paper and paper products of all grades and types.

Quarterly Period - each period from, and including, the last day of a calendar quarter to, but excluding, the last day of the next following calendar quarter, provided that (a) the initial Quarterly Period will commence on, and include, the Effective Date and end on March 31, 2001, and (b) the final Quarterly Period will end on, but exclude, the date of occurrence of a Dissolution Event.

Securities Act - the Securities Act of 1933, as amended.

Sharing Ratio - subject in each case to adjustments in accordance with this Agreement or in connection with Dispositions of Membership Interests, from and after the Effective Date the

percentage specified for a Member as its Sharing Ratio on Exhibit A; provided, however, that the total of all Sharing Ratios shall always equal 100%.

Subject Person - Section 3.06.

Tax Matters Partner - Section 7.01.

Term - Section 2.07.

Transaction Documents - this Agreement, the Conveyance, the Indemnification Agreement, the Limited Liability Company Agreement of Annapurna, the Administrative Services Agreement and the Loan Documents.

1.03 ***Other Definitions.*** Other terms defined in this Agreement have the meanings so given them.

ARTICLE 2
ORGANIZATION

2.01 ***Formation; Continuation; Amendment and Restatement.*** The Company was formed as a Delaware limited liability company by the filing of the Delaware Certificate, as of the Formation Date. ENA and Annapurna hereby continue the Company, pursuant to the terms and conditions of this Agreement and the Act. The Agreement amends and restates in its entirety and supersedes the Original Agreement which shall have no further force or effect.

2.02 ***Name.*** The name of the Company shall continue to be "*Fishtail LLC*" and all Company business must be conducted in that name or such other names that comply with applicable Law as the Class A Member may select; *provided* that the Class A Member may not choose to conduct business in any other name, or choose the name of any subsidiary entity owned by the Company, which includes the word "Annapurna" or any of the names of any of the members of Annapurna or lender to Annapurna or any other reference to Annapurna or any such member or lender without the consent of the Class B Member or such member or lender, as the case may be.

2.03 ***Registered Office; Registered Agent; Principal Office in the United States; Other Offices.*** The registered office of the Company required by the Act to be maintained in the State of Delaware shall be the office of the initial registered agent named in the Delaware Certificate or such other office (which need not be a place of business of the Company) as the Class A Member may designate in the manner provided by applicable Law. The registered agent of the Company in the State of Delaware shall be the initial registered agent named in the Delaware Certificate or such other Person or Persons as the Class A Member may designate in the manner provided by applicable Law. The principal office of the Company in the United States shall be at such place as the Class A Member may designate, which need not be in the State of Delaware, and the Company shall maintain records there or such other place as the Class A Member shall designate and shall keep the street

address of such principal office at the registered office of the Company in the State of Delaware. The Company may have such other offices as the Class A Member may designate.

2.04 ***Purposes***. The purposes of the Company are to engage in the following activities: (i) holding title to and beneficial ownership of the Permitted Assets, cash received in connection with the capital contributions referred to in Article 4 and investments permitted by Section 4.03(b), (ii) engaging, to the extent of ownership of the Permitted Assets, in the Designated Business, (iii) issuing the Membership Interests referred to in Article 3, (iv) collecting cash proceeds from the Permitted Assets held by the Company and making the distributions contemplated by Article 5 and paying the liabilities incurred in respect of Permitted Assets pursuant to the Conveyance and other operating expenses of the Company and (v) engaging in activities incidental to, resulting from, or otherwise necessary to facilitate, the activities referred to in the foregoing clauses (i) through (iv) and engaging in such actions as are expressly required to be taken pursuant to this Agreement. The Company shall not engage in any activity other than those activities referred to in the preceding sentence.

2.05 ***Powers***. The Company shall possess and may exercise all of the powers and privileges granted by the Act or by any other applicable Law or by this Agreement, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the permitted business purposes or activities of the Company.

2.06 ***Foreign Qualification***. Prior to the Company's conducting business in any jurisdiction other than Delaware, the Class A Member shall cause the Company to comply, to the extent procedures are available and those matters are reasonably within the control of the Class A Member, with all requirements necessary to qualify the Company as a foreign limited liability company in that jurisdiction. The Class A Member shall not conduct business in any jurisdiction wherein the conduct by the Company of business in such jurisdiction might result in subjecting any Member to any tax, penalty, liability or cost (other than any such imposed on the Company as a result of its doing business in such jurisdiction). At the request of the Class A Member, each Member shall execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue, and terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business as permitted by this Section 2.06, and shall supply copies of all such certificates and other instruments (as delivered) to each Member.

2.07 ***Term***. The term of the Company (the "*Term*") commenced on the Formation Date and shall end on December 31, 2005 or at such earlier time as the Company is dissolved in accordance with Article 9 hereof. The existence of the Company as a separate legal entity shall continue until cancellation of the certificate of formation of the Company as provided in the Act.

2.08 ***Fiscal Year***. The fiscal year of the Company for financial statement and Federal income tax purposes shall be the same and shall end on December 31 of each year, except as may be required by the Code.

2.09 ***Compensation and Expenses***. Except as otherwise expressly provided in this Agreement, including Section 6.07 hereof, no Member or Affiliate of any Member shall receive any

salary, fee, or draw for services rendered to or on behalf of the Company or otherwise in its capacity as a Member, nor shall any Member or Affiliate of any Member be reimbursed by the Company for any expenses incurred by such Member or Affiliate on behalf of the Company or otherwise in its capacity as a Member, except as otherwise contemplated by the Transaction Documents.

2.10 ***Independent Activities; Transactions with Affiliates.*** The Class A Member and any of its officers and directors shall be required to devote only such time to the affairs of the Company as the Class A Member determines in its reasonable discretion may be necessary to manage and operate the Company and to manage the Designated Business as contemplated by Section 6.01, and each such Person shall be free to serve any other Person or enterprise in any capacity that it may deem appropriate in its discretion.

ARTICLE 3
MEMBERSHIP; DISPOSITIONS OF INTERESTS

3.01 ***Initial Members.*** ENA was admitted to the Company as the initial Member, effective as of the Formation Date, pursuant to the Original Agreement.

3.02 ***Classes of Members.*** (a) Effective as of the Effective Date, there are hereby created three classes of Members in the Company, Class A Members, Class B Members and Class C Members, and each shall have the respective rights accorded it under this Agreement. ENA's Membership Interest is hereby converted into that of the initial Class A Member, and Annapurna is hereby admitted as the initial Class B Member and ENA is hereby admitted as the initial Class C Member. The names and addresses of the Members as of the date hereof are set forth on Exhibit A hereto.

(b) The Membership Interests of the Members may, at the option of the Class A Member, be evidenced by certificates ("*Interest Certificates*"). Interest Certificates shall be in the form of Exhibit B, together with any changes therein approved by the Class A Member. Interest Certificates need not be issued for all class of Membership Interests, but if any Interest Certificates have been issued, an Interest Certificate for any Member shall be issued to such Member upon request by such Member to the Class A Member. Interest Certificates need not bear a seal of the Company but shall be executed by the Class A Member (including by facsimile signature) and shall state the class of Membership Interest represented by such Interest Certificate. The Interest Certificates shall be consecutively numbered (on a class by class basis). The Class A Member shall maintain Interest Certificate books and records for the Company. The Class A Member may determine the conditions upon which a new Interest Certificate may be issued in place of an Interest Certificate that is alleged to have been lost, stolen or destroyed and may, in its discretion, require the Member holding such Interest Certificate to give such security in respect thereof as the Class A Member shall determine. Each Interest Certificate shall bear a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")

AND MAY NOT BE OFFERED OR SOLD UNLESS IT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE (AND, IN SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY SHALL HAVE BEEN DELIVERED TO THE COMPANY AND THE OTHER MEMBERS TO THE EFFECT THAT SUCH OFFER AND SALE IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT).

THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER (INCLUDING CERTAIN DISQUALIFYING DISPOSITIONS) SET FORTH IN THE AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF THE COMPANY DATED AS OF DECEMBER 19, 2000 (AS SUCH AGREEMENT MAY BE AMENDED FROM TIME TO TIME), A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES.

3.03 ***Dispositions of Membership Interests.***

(a) ***General Restriction.*** No Disqualifying Disposition of a Membership Interest (or any interest therein) shall be permitted, authorized or recognized for any purpose. Except as limited by the foregoing sentence, ENA may Dispose of all or any portion of its Class A Membership Interest or Class C Membership Interest to an Affiliate of Enron as long as the requirements of Sections 3.03(b) and (c) are satisfied and may Dispose of all or any portion of a Class C Membership Interest after the dissolution, winding up or other termination of the Affiliate of Enron beneficially owning the Class C Member Interest. Except as set forth in the immediately preceding sentence, a Class A Member or a Class C Member may not Dispose of a portion or all of its Membership Interest without the consent of the other Members. A Class B Member or a Class C Member may not dispose of a portion or all of its Membership Interest without the consent of ENA; *provided, however*, that (y) during any period the Board of Directors has been approved and is acting, approval of the Board of Directors in accordance with Section 6.05(e) shall be deemed to constitute the approval of ENA for any such transfer, and (z) consent to such Disposition will not unreasonably be withheld; ENA hereby irrevocably consents to the Disposition of the Class B Membership Interest of Annapurna (i) occurring as a Disposition for security purposes pursuant to the Loan Documents and to any Disposition after a default in the payment of obligations pursuant to the Loan Documents ("*Foreclosure*"), (ii) occurring as a Disposition pursuant to the provisions of Section 3.03(d) below of all or any part of the Class B Membership Interest of Annapurna to one or more persons who in each instance is a "qualified purchaser" within the meaning of the Investment Company Act and the rules and regulations promulgated thereunder, or (iii) to an Affiliate of Annapurna provided that such Affiliate can demonstrate to the reasonable satisfaction of the Class A Member that such Affiliate has the financial capacity to make its Capital Contributions pursuant to the requirements of this Agreement. Any Disposition effected other than in compliance with this Section 3.03(a) shall be void and the Company shall not recognize it; *provided, however*, that the transferee in any such Disposition (other than a Disposition prohibited by the first sentence of this Section 3.03(a)) shall be treated for all purposes as an Assignee of a Membership Interest without the right to become a

Member of the Company for purposes of this Agreement (except as otherwise provided pursuant to this Section 3.03).

(b) ***Admission of Assignee as a Member.*** An Assignee has the right to be admitted to the Company as a Member, with the Membership Interest (and attendant Sharing Ratio) so transferred to such Assignee, only if such Disposition is effected in strict compliance with this Section 3.03.

(c) ***Requirements Applicable to All Dispositions and Admissions.*** In addition to the requirements set forth in Sections 3.03(a) and 3.03(b), any Disposition of a Membership Interest and any admission of an Assignee as a Member (other than the Disposition from Annapurna to the lenders for security purposes) shall also be subject to the following requirements, and such Disposition (and admission, if applicable) shall not be effective unless such requirements are complied with; provided, however, that the non-disposing Members, in their sole and absolute discretion, may waive any of the following requirements:

(i) ***Disposition Documents.*** The following documents must be delivered to the non-disposing Members and must be reasonably satisfactory, in form and substance, to the Class A Member (to a Majority-in-Interest of the non-Disposing Members, if the Disposing Member is the Class A Member):

(A) ***Disposition Instrument.*** A copy of the instrument pursuant to which the Disposition is effected.

(B) ***Ratification of this Agreement.*** An instrument, executed by the Disposing Member and its Assignee, containing the following information and agreements, to the extent they are not contained in the instrument described in Section 3.03(c)(i)(A): (I) the notice address of the Assignee; (II) the Sharing Ratios after the Disposition of the Disposing Member and its Assignee (which together must total the Sharing Ratio of the Disposing Member before the Disposition); (III) the Assignee's ratification of this Agreement and agreement to be bound by it, and its confirmation that the representations and warranties in Section 3.03(c)(i)(E) are true and correct with respect to it; and (IV) representations and warranties by the Disposing Member and its Assignee that the Disposition and admission is being made in accordance with all applicable Laws.

(C) ***Securities Law Opinion.*** Unless the Membership Interest subject to the Disposition is registered under the Securities Act and any applicable state securities Law, a favorable opinion of the Company's legal counsel (who may be an employee of Enron or an Affiliate of Enron), or of other legal counsel acceptable to the non-disposing Members, to the effect that the Disposition and admission is being made pursuant to a valid exemption from registration under such Laws and in accordance with those Laws; provided, however, that this Section 3.03(c)(i)(C) shall not apply to a Disposition by any Member to one of its Affiliates.

(D) ***Investment Company Act Opinion.*** A favorable opinion of the Company's legal counsel (who may be an employee of Enron or an Affiliate of Enron), or of other legal counsel acceptable to the non-disposing Members, to the effect that the Disposition and

admission will not result in the Company being required to register as an investment company under the Investment Company Act.

(E) ***Representations and Warranties.*** Representations and warranties to the Company and each Member that the following statements are true and correct as of the date of Disposition and admission with respect to the Assignee:

(1) that Assignee is duly formed, validly existing, and in good standing under the applicable Laws of the jurisdiction of its formation; and that Assignee has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and all necessary actions by the board of directors, managers, members, trustees, beneficiaries, or other applicable Persons necessary for the due authorization, execution, delivery, and performance of this Agreement by that Assignee have been duly taken;

(2) that Assignee has duly executed and delivered this Agreement, and it constitutes the legal, valid and binding obligation of that Assignee enforceable against it in accordance with its terms (except as may be limited by the effect of any bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity, regardless of whether considered in a proceeding at law or in equity);

(3) that Assignee is acquiring its Membership Interest based upon its own investigation, and the exercise by that Assignee of its rights and the performance by such Assignee of its obligations under this Agreement will be based upon its own investigation, analysis and expertise; its acquisition of its Membership Interest (i) is being made for its own account for investment, and not with a view to the sale or distribution thereof in violation of applicable securities Laws, (ii) is being made pursuant to a valid exemption from registration under the Securities Act and any applicable state securities Laws and in accordance with those Laws, (iii) does not subject the Company to regulation under the Investment Company Act, (iv) it has obtained from the Company all such information as it has requested to evaluate its investment in the Company, and (v) it is a "qualified purchaser" within the meaning of the Investment Company Act and the rules and regulations thereunder;

(4) that Assignee is not subject to, or is exempt from, regulation as a "holding company," or a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended;

(5) the execution, delivery and performance by that Assignee of each Transaction Document to which it is a party do not contravene, or constitute a default under, any provision of Law (including, without limitation, Regulations U or X issued by the Board of Governors of the Federal Reserve System) applicable to that Assignee, or any judgment, injunction, order, decree or material agreement binding upon that

Assignee or result in the creation or imposition of any Encumbrance on any asset of that Assignee;

(6) the execution, delivery and performance by that Assignee of each Transaction Document to which it is a party do not require, in respect of that Assignee, any action by or in respect of (including any license or permit), or filing with, any governmental body, agency or official, which has not been obtained or made and which is not in full force and effect, except for actions or filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or filings pursuant to the Securities Exchange Act of 1934, in each case which are to be performed or filed at a date after the date of the relevant Transaction Document;

(7) there are no actions, suits, proceedings or known investigations pending or, to the knowledge of that Assignee, threatened against or affecting that Member or any of its properties, assets, rights or businesses, in any court or before or by any governmental department, board, agency or instrumentality, domestic or foreign, or any arbitrator; that Assignee has not received any currently effective notice of any default, permit, determination or award of any court, any governmental department, board, agency or instrumentality, domestic or foreign, or any arbitrator; and

(8) that Assignee is not an "investment company" within the meaning of the Investment Company Act.

(F) ***Ratification of Administrative Services Agreement.*** An instrument, executed by the Disposing Member and its Assignee, containing Assignee's ratification of the Administrative Services Agreement and agreement to be bound by it as the successor to the Disposing Member.

(ii) ***Payment of Expenses.*** The Disposing Member and its Assignee shall pay, or reimburse the Company for, all reasonable costs and expenses incurred by the Company in connection with the Disposition and admission, including the legal fees incurred in connection with the legal opinions referred to in Section 3.03(c)(i)(C) and (D), on or before the tenth Day after the receipt by that Person of the Company's invoice for the amount due.

(iii) ***No Release.*** No Disposition of a Membership Interest shall effect a release of the Disposing Member from any liabilities to the Company or the other Members arising from events occurring prior to the Disposition.

(d) ***Sales by the Class B Member; Right of First Offer; Drag Along Rights.*** (i) At any time after six months from the Effective Date, if Annapurna desires to make a Disposition which constitutes a sale (referred to herein as grammatically applicable as "*Sale*," "*Sell*," "*Sold*" or "*Purchase*") of all of its Class B Membership Interest (except as permitted under Section 3.03(a)(i) or 3.03(a)(iii) above), Annapurna (the "*Disposing Person*") must notify each other Member (the "*Non-Initiating Holders*") in writing (the "*Right of First Offer Notice*") of the proposed Sale. The Right of First Offer Notice shall include a description of the Class B membership Interest to be Sold

(the "*Disposition Interest*"), and state that each Non-Initiating Holder shall be given one right, for a period expiring on the close of business in Houston, Texas on the thirtieth (30th) day following the date of the Right of First Offer Notice (the "*Right of First Offer Period*"), to offer to Purchase the Disposition Interest from the Disposing Person before it may be Sold to any third party. On or before the expiration of the Right of First Offer Period, each Non-Initiating Holder receiving the Right of First Offer Notice may notify the Disposing Person that it wishes to Purchase the Disposition Interest for a consideration to be described in the notification to the Disposing Person (the "*Offer to Purchase*"). The consideration set forth in the Offer to Purchase may be cash, other property or a combination of both; *provided, however*, that any Offer to Purchase containing a non-cash component of the proposed price shall also include a cash Purchase option of equivalent value (subject to no conditions not applicable to any offer containing non-cash consideration) which may be accepted by the Disposing Person. Failure to respond within the Right of First Offer Period by any Non-Initiating Holder (the "*Non-Responding Holder*") (unless the provisions of Section 3.03(c) are applicable) shall be deemed to be notification by the Non-Responding Holder to the Disposing Person that the Non-Responding Holder does not wish to make an Offer to Purchase or to Purchase the Disposition Interest. The Disposing Person shall accept or reject each Offer to Purchase within ten (10) days after receipt thereof (the "*Acceptance Period*") for any reason the Disposing Person deems adequate in its sole discretion. If the Disposing Person accepts any Offer to Purchase, the closing of the transaction contemplated by such Offer to Purchase shall occur on a mutually acceptable date not later than the tenth (10th) day following the expiration of the Acceptance Period. If the Disposing Person rejects all Offers to Purchase (or receives no Offers to Purchase within the Right of First Offer Period), such Disposing Person may Sell the Disposition Interest (subject to the provisions of Section 3.03(c)) to any other Person for a period (the "*Selling Period*") of one hundred eighty (180) days following:

(A) the earlier of (1) the date on which the Right of First Offer Period expired, if no Offers to Purchase were received or (2) the date on which all such Offers to Purchase were rejected by the Disposing Person; or

(B) if an Offer to Purchase was accepted by the Disposing Person, the tenth (10th) day following the earlier of (1) the expiration of the Acceptance Period, if the closing did not occur during or prior to such ten (10) day period for a reason attributable to the Member making the Offer to Purchase that was accepted, or (2) the date of abandonment of such Offer to Purchase and the transaction contemplated thereby by the mutual agreement of the parties thereto;

provided, however, that in the event such Disposing Person received an Offer or Offers to Purchase all but not less than all of the Disposition Interest, no such Sale to a third person may be made unless the consideration received or receivable by the Disposing Person in respect of the Disposition Interest has a greater cash value than the cash consideration offered to the Disposing Person in the highest of the rejected Offers to Purchase. If the Disposition Interest is not Sold in compliance with the provisions of this Section 3.03(d)(i) during such one hundred eighty (180) day period, it shall again become subject to this Section 3.03(d)(i)

(ii) If no Offer to Purchase is accepted by the Disposing Person pursuant to Section 3.03(d)(i), then the Disposing Person shall have the option to require each Non-Initiating Holder to Sell all (but not less than all) of the Membership Interests owned by each such Non-

Initiating Holder to which the Disposing Person determines to sell the Disposition Interest (as set forth in Section 3.03(d)(i)), at a price based upon the same valuation of the Company as that used with respect to the Disposition Interest but equitably taking into account the differences in the rights of the different classes of Membership Interests to receive distributions hereunder (except that the price for any Membership Interest of the same class shall be the highest price paid by such purchaser to acquire any Membership Interests of such class and the price shall be at least as high as was offered in the highest Offer to Purchase for a Membership Interest of such class that was rejected, if any), and on the same terms and conditions as are offered by such purchaser. If the Disposing Person desires to exercise its election under this Section 3.03(d)(ii), it may do so by giving written notice to each Non-Initiating Holder of the exercise of such option not later than five days prior to the expiration of the Selling Period. The Disposing Person shall, if it exercises the foregoing option, conditioned upon and contemporaneously with the Sale of all of the Disposition Interest, cause the purchaser or purchasers to Purchase all of the Membership Interests owned by each Non-Initiating Holder at the price (except as aforesaid) and on the same terms and conditions as otherwise agreed with the Disposing Person.

(iii) The Class A Member agrees that it will cooperate with Annapurna in supplying such information regarding the business and affairs of the Company (subject to Section 3.06 hereof) as Annapurna reasonably deems necessary in order to exercise its rights under this Section 3.03(d) and otherwise to cooperate with Annapurna in effecting any sale permitted by this Section 3.03(d).

3.04 ***Liabilities Strictly the Company's; Liability to Third Parties.*** Except as otherwise expressly (and not by implication) 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 no Member shall be liable for the debts, obligations or liabilities of the Company solely by being a Member of the Company.

3.05 ***Access to Information.*** Each Member shall be entitled to receive any information regarding the Company required to be disclosed to it pursuant to the provisions of Section 18-305 of the Act. Such right may be exercised through any agent or employee of such Member designated in writing by it or by an independent public accountant, attorney or other consultant so designated. The Member making the request shall bear all costs and expenses incurred in any examination of the Company's affairs made on such Member's behalf. Confidential Information obtained pursuant to this Section 3.05 shall be subject to the provisions of Section 3.06.

3.06 ***Confidential Information.*** (a) The Members acknowledge that, from time to time, they may receive information from or regarding the Company, ENA, Enron or Enron's Affiliates (each a "*Subject Person*") in the nature of trade secrets or that is otherwise confidential, the release of which may be damaging to the Subject Person or to Persons with which it does business. Unless the Subject Person (the Class A Member if the Company is the Subject Person) consents otherwise, each Member shall hold in strict confidence and not use (except for matters directly involving it investment in the Company) any information it receives regarding the Subject Person and may not disclose it to any Person other than another Member except for disclosures (i) required by Applicable Law or applicable stock exchange regulations (but the Member must notify the Subject Person (the

Class A Member if the Company is the Subject Person) promptly of any request for that information, before disclosing if it is practicable), (ii) to advisers or representatives of the Member or Persons to which that Member's Membership Interest may be Disposed as permitted by this Agreement, but only if the recipients have agreed to be bound by the provisions of this Section 3.06, (iii) of information that is publicly available or that such Member also has received from a source independent of the Subject Person that the Member reasonably believes obtained that information and disclosed it to that Member without breach of any obligation of confidentiality, or (iv) of information required to be provided to the Bank and the Collateral Agent pursuant to the Loan Documents. The Members acknowledge that breach of the provisions of this Section 3.06 may cause irreparable injury to the Subject Person for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section 3.06 may be enforced by specific performance, including specifically through injunctive relief. The provisions of this Section 3.06 may be specifically enforced by any applicable Subject Person.

(b) Each Member that is subject to Section 3.06(a) shall take such precautionary measures as may be required to ensure (and such Member shall be responsible for) compliance with this Section 3.06 by any of its Affiliates, legal and financial advisors, and its and their respective directors, officers, employees and agents.

(c) A Member that is subject to Section 3.06(a) and that subsequently ceases to be a Member shall promptly destroy (and provide a certificate of destruction to the Company with respect to), or return to the Company, all Confidential Information in its possession.

(d) The provisions of this Section 3.06 shall terminate on the second anniversary of the end of the Term.

3.07 ***Partition***. To the fullest extent permitted under Applicable Law, each Member waives any and all rights that it may have to maintain an action for partition of the Company's property.

3.08 ***Covenant Not to Dissolve***. Except as otherwise permitted by the Transaction Documents, to the fullest extent permitted under Applicable Law, each Member hereby covenants and agrees not to (a) take any action to dissolve with respect to itself, (b) exercise any power under the Act to dissolve the Company or (c) petition for judicial dissolution of the Company.

3.09 ***Termination of Status as Member***. (a) A Person shall cease to be a Member only upon the first to occur of:

(i) The Disposition of all of its Membership Interest (other than imposition of any Encumbrance for the benefit of the lenders contemplated by the Transaction Documents to which consent has been granted as provided in Section 3.03(a) of this Agreement), *provided* that the transferee of such Membership Interest is admitted as a substituted Member in accordance with Section 3.03(b) of this Agreement.

(ii) The involuntary Disposition by operation of Law (other than as a result of any merger, consolidation, share exchange or conversion of a Member with or into another Person that is not prohibited by the Transaction Documents; *provided*, that, in the case of such merger, consolidation, share exchange or conversion, the conditions required for such Transfer to be a permitted Disposition hereunder shall have been satisfied) of its Membership Interest (which shall not relieve such Person (or, in the case of such merger, consolidation, share exchange or conversion, the surviving or resulting Person of such merger, consolidation, share exchange or conversion) from any liability under this Agreement, including liabilities for an unpermitted resignation).

The happening of any of the foregoing events with respect to a Member shall not, by itself, cause a dissolution of the Company except as provided in Article 9. Except to the extent specifically (and not by implication) set forth herein, upon the termination of a Person's status as a Member, such Person shall not be entitled to any distributions from the Company, including a distribution based on the fair value of such Person's Membership Interest. A Member shall not cease to be a Member solely as a result of the happening of any of the events specified in Section 18-304 of the Act.

(b) No Member may resign from the Company, except (i) with the prior written consent of the Majority-in-Interest of the Class A Members, or if a Class A Member is resigning, the Majority-in-Interest of the Class B Members and a Majority-in-Interest of the Class C Members, or if a Class C Member is resigning, the Majority-in-Interest of the Class B Members and the Majority-in-Interest of the Class A Members, (ii) upon cancellation of the certificate of formation as provided in Section 18-203 of the Act, or (iii) incident to a permitted Disposition pursuant to which the transferee is admitted as a Member.

(c) Any debts, obligation, or liabilities in damages to the Company of any Person who ceases to be a Member shall be collectible by any legal means and the Company is authorized, in addition to any other remedies at Law or in equity, to apply any amounts otherwise distributable or payable by the Company to such Person to satisfy such debts, obligations, or liabilities.

(d) Except as otherwise provided in this Agreement, in the event a Person ceases to be a Member without having Disposed of all of its Membership Interest in accordance with this Agreement (including upon removal or resignation), such Person shall be treated as an unadmitted Assignee of an interest as a result of a Disposition (other than a permitted Disposition) of a Membership Interest pursuant to Section 3.03(a).

ARTICLE 4
CAPITAL CONTRIBUTIONS

4.01 ***Initial Capital Contributions; Contributions by the Class A Member.*** ENA made a Capital Contribution to the Company of $1,000 as the initial Member, effective as of the Formation Date. On the Effective Date, the Class A Member and the initial Class B Member and Class C Member shall make its respective Initial Capital Contribution and establish its Commitment in exchange for its respective Membership Interest as set forth in Exhibit A. The Members hereby

agree that the assets contributed by the Class A Member (including Permitted Assets to be contributed in the future pursuant to Section 2.02 of the Conveyance) have the aggregate values as Capital Contributions indicated in Exhibit A.

4.02 ***Procedures for Capital Contributions.*** (a) During the Term, at any time the aggregate net realized losses of the Company equal or exceed $201,621,000, each Class B Member shall contribute to the Company a portion (equal to the proportion that such Class B Member's Sharing Ratio bears to the aggregate Sharing Ratios of all Class B Members) of the amount requested by the Class A Member, all in accordance with the provisions of this Section 4.02;

(b) To require Capital Contributions, the Class A Member must notify each Class B Member of the required Capital Contributions, which notice must state:

(i) that the aggregate net realized losses of the Company from the date hereof to the date of such notice equal or exceed $201,621,000;

(ii) the amount of the aggregate Capital Contributions requested pursuant to such notice, which shall equal the amount by which the aggregate net realized losses exceed $201,621,000 (rounded to the next highest $100,000); *provided that* such amount, when added to the aggregate Capital Contributions previously made, shall not exceed the sum of the Commitments of the Class B Member;

(iii) the amount of the Capital Contribution that the Member receiving the notice is to make, which shall be determined as set forth in Section 4.02(a) and (b)(ii);

(iv) the date on which such Capital Contribution shall be made, which shall be a Business Day no earlier than the fifth Business Day following the notice; and

(v) the bank account of the Company to which Capital Contributions are to be wired.

On or before the date specified in the notice required by this Section 4.02(b), subject to the provisions of Section 4.02(c), each such Class B Member shall make a Capital Contribution in an amount equal to its Sharing Ratio of the aggregate Capital Contributions then being required as provided in such notice. Except as set forth in Section 4.01, each such Capital Contribution shall consist of cash and shall be made by wire transfer of immediately available funds to the bank account designated by the Class A Member in such notice.

4.03 ***General Rules for Investment of Capital Contributions.***

(a) Unless otherwise agreed by a Majority-in-Interest of the Class B Members and subject to Section 6.01, all of the Capital Contributions will be used to engage in the Designated Business, to pay fees, advances and expenses of the Company, to repay indebtedness of the Company, to pay any other expenses of engaging in the Designated Business and/or for working capital for the Company, all as specified in the notice given by the Class A Member under Section 4.02(b).

(b) The Class A Member may cause the Company to invest cash temporarily in liquid investments until such time as such cash is invested or utilized; *provided*, that, such investments consist of (i) short-term obligations of, or obligations guaranteed by, the United States of America or any agency or instrumentality thereof, (ii) any repurchase agreement with respect to securities described in clause (i) which is fully secured by such securities, (iii) any money market account or other interest-bearing account with a commercial bank having a rating of at least "A" or the equivalent by Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and capital and surplus of not less than $500,000,000, (iv) short-term debt securities or promissory notes of Enron or its Affiliates so long as Enron maintains at least one outstanding issue of senior unsecured debt rated investment grade, or (v) commercial paper that is rated at least P-1 by Moody's Investors Service, Inc. or A-1 by Standard & Poor's Ratings Services.

(c) Except as provided in Sections 4.01, 4.02 and 4.03, a Member has no right or obligation to make Capital Contributions.

4.04 ***Failure to Contribute.***

(a) If a Member (the "*Delinquent Member*") does not contribute by the time required all or any portion of a Capital Contribution that Member is required to make as provided in this Agreement:

(i) the Company may take such action (including, without limitation, court proceedings) as the Class A Member may deem appropriate to obtain payment by the Delinquent Member of the portion of the Delinquent Member's Capital Contribution that is in default, together with interest on that amount at the Default Interest Rate from the Day that the Capital Contribution was due until the Day that it is made, all at the cost and expense of the Delinquent Member;

(ii) until the Capital Contribution is made, the other Members in proportion to their Sharing Ratios or in such other percentages as they may agree (the "*Lending Member*," whether one or more), may, but shall not be obligated to, advance the portion of the Delinquent Member's Capital Contribution that is in default, with the following results:

(A) the sum advanced constitutes a loan from the Lending Member to the Delinquent Member, which loan is subordinate to amounts owed from time to time under the Loan Documents, and a Capital Contribution of that sum to the Company by the Delinquent Member under the applicable provisions of this Agreement;

(B) the principal balance of the loan and all accrued unpaid interest is due and payable on the 10th day after written demand by the Lending Member to the Delinquent Member;

(C) the amount loaned bears interest at a rate per annum equal to the Default Interest Rate from the Day that the advance is made until the Day that the loan, together with all interest accrued on it, is repaid to the Lending Member;

(D) the payment of the loan and interest accrued on it is secured by a security interest in the Delinquent Member's Membership Interest, as more fully set forth in Section 4.04(b); and

(E) the Lending Member has the right, in addition to the other rights and remedies granted to it under this Agreement or at law or in equity, to take any action (including, without limitation, court proceedings) that the Lending Member may deem appropriate to obtain payment by the Delinquent Member of the loan and all accrued and unpaid interest on it, at the cost and expense of the Delinquent Member.

(b) Each Member grants to the Company, and to each Lending Member with respect to any loans made by the Lending Member to that Member as a Delinquent Member as described in Section 4.04(a)(iv), as security, equally and ratably, for the payment of all Capital Contributions that Member has agreed to make and the payment of all loans and interest accrued on them made by Lending Members to that Member as a Delinquent Member as described in Section 4.04(a)(iv), a security interest in and a general lien on its Membership Interest and the proceeds thereof, all under the Uniform Commercial Code of the State of Delaware. With respect to the Class B Interest, any security interest and lien in the Class B Interest granted pursuant to the preceding sentence shall be expressly subordinate to any security interest or lien in the Class B Interest granted by Annapurna under the Loan Documents. On any default in the payment of a Capital Contribution or in the payment of such a loan or interest accrued on it, the Company or the Lending Member, as applicable, is entitled to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Delaware with respect to the security interest granted in this Section 4.04(b). If perfection of the security interest granted by a Member pursuant to this Section 4.04(b) is not effectuated by possession of an Interest Certificate, a Delinquent Member shall execute and deliver to the Company and the other Members all financing statements and other instruments that the Class A Member or the Lending Member, as applicable, may request to effectuate and carry out the preceding provisions of this Section 4.04(b). At the option of the Class A Member or a Lending Member, this Agreement or a carbon, photographic, or other copy hereof may serve as a financing statement. For this purpose, this Agreement constitutes a security agreement. Notwithstanding anything herein to the contrary, all security interests granted pursuant to this Section 4.04 shall automatically terminate upon a Sale pursuant to or in accordance with Section 3.03(d).

4.05 ***Return of Contributions.*** Except as expressly provided herein, a Member is not entitled to the return of any part of its Capital Contributions. A Member is not entitled to be paid interest in respect of its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member. A Member is not required to contribute or to lend any cash or assets to the Company to enable the Company to return any Member's Capital Contributions.

4.06 ***Capital Accounts.*** The Company shall maintain a capital account (a "*Capital Account*") for each Member. Each Member's Capital Account shall be increased by (i) the amount of

cash contributed by that Member to the Company, (ii) the fair market value of property contributed by that Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to within the meaning of Code Section 752), and (iii) allocations to that Member of Profits (or items thereof), including income and gain exempt from tax and income and gain described in Treasury Regulation Section 1.704-1(b)(2)(iv)(g), but excluding income and gain described in Treasury Regulation Section 1.704-1(b)(4)(i), and shall be decreased by (iv) the amount of money distributed to that Member by the Company, (v) the fair market value of property distributed to that Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Code Section 752), (vi) allocations to that Member of expenditures of the Company described in Section 705(a)(2)(B) of the Code, and (vii) allocations of Loss (or items thereof), including loss and deduction described in Treasury Regulation Section 1.704-1(b)(2)(iv)(g), but excluding items described in (vi) above and loss or deduction described in Treasury Regulation Section 1.704-1(b)(4)(i) or 1.704-1(b)(4)(iii). The Members' Capital Accounts shall also be maintained and adjusted as permitted by the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(f) and as required by the other provisions of Treasury Regulation Section 1.704-1(b)(2)(iv) and 1.704-1(b)(4), including adjustments to reflect the allocations to the Members of Depreciation and gain or loss as computed for book purposes rather than the allocation of the corresponding items as computed for tax purposes, as required by Treasury Regulation Section 1.704-1(b)(2)(iv)(g). A Member who has more than one Membership Interest in the Company shall have a single Capital Account that reflects all such Membership Interests, regardless of the class of Membership Interest owned by such Member and regardless of the time or manner in which such Membership Interests were acquired. Upon the Disposition of all or part of a Membership Interest in the Company, the Capital Account of the transferor that is attributable to the Disposed Membership Interest in the Company shall carry over to the transferee Member in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(l).

ARTICLE 5
DISTRIBUTIONS; ALLOCATIONS

5.01 ***Distributions***. (a) Subject to the other provisions of this Article 5, on each Distribution Date, except as provided in clause (i) below, the Company shall distribute cash in the following order of priority:

(i) first, no less frequently than quarterly on or before the fortieth day following the end of such Quarterly Period, an amount sufficient to permit the Class B Member to pay the amount of any federal, state or local income taxes to which it becomes liable by reason of the business and operations of the Company during such quarter in respect of income other than income relating to the distributions set forth in Section 5.01(a)(ii) and (iii) below, based on the assumption that the Class B Member will be liable for taxes at the maximum marginal corporate income tax rate, or highest individual marginal tax rate, as applicable, regardless of the actual rate to which the Class B Member is subject;

(ii) second, to each Class B Member an amount equal to its pro rata portion of the Preferred Distribution Amount;

(iii) third, to each Class B Member an amount equal to the amount of cash contributed by such Class B Member in excess of its Initial Capital Contribution; and

(iv) thereafter, to the Class A Member and the Class C Member such other amounts as the Class A Member shall designate in its sole discretion.

(b) The distribution payable pursuant to Section 5.01(a)(ii) in respect of the Class B Membership Interests on any Distribution Date shall be the unpaid Preferred Return with respect to such Class B Membership Interest accumulated to such Distribution Date (any such amount, a "*Preferred Distribution Amount*"). Any payments of Preferred Distribution Amounts made in respect of the Class B Membership Interests shall first be credited against the Preferred Return accumulated with respect to the earliest Quarterly Period for which any Preferred Return has not been paid in full (and shall be applied to accumulated Preferred Returns for subsequent Quarterly Periods in chronological order).

5.02 ***Distributions on Dissolution and Winding Up.*** Subject to Section 18-804 of the Act, upon the dissolution and winding up of the Company, all available assets remaining after satisfaction of all debts and liabilities of the Company owed to creditors (whether by payment or the making of reasonable provision for payment thereof) shall be distributed to the Members as follows: first, to the Class B Member until the Class B Member has received an amount equal to the sum of any accrued and unpaid Preferred Return to the date of dissolution and the amount of any unreturned Capital Contributions made by the Class B Member, and second, to the Class A Member and Class C Member in proportion to their respective Sharing Ratios in accordance with Section 9.02.

5.03 ***Allocation of Profits.*** Profits (or items thereof) shall be allocated by the Class A Member on behalf of the Company to the Capital Accounts of the Members as follows:

(a) First, 100% to the Class B Members to reverse Losses previously allocated to the Class B Members pursuant to Section 5.04(b) pro rata in accordance with losses previously allocated to each Class B Member;

(b) Second, 100% to the Class C Member to reverse Losses previously allocated to the Class C Member pursuant to Section 5.04(a);

(c) Third, 100 % to the Class A Member to reverse Losses previously allocated to the Class A Member pursuant to Section 5.04(c);

(d) Fourth, 100% to each Class B Member up to the Preferred Distribution Amount for such Class B Member; and

(e) The balance to the Class C Member.

5.04 ***Allocation of Losses.*** Losses (or items thereof) shall be allocated by the Class A Member on behalf of the Company to the Capital Accounts of the Members as follows:

(a) First, 100% to the Class C Member to the extent of its adjusted Capital Account;

(b) Second, 100% to each Class B Member to the extent of, and in proportion to, its adjusted Capital Account;

(c) Third, 100% to the Class A Member to the extent of its adjusted Capital Account; and

(d) The balance to the Class C Member.

ARTICLE 6
MANAGEMENT

6.01 ***Management by Class A Member.*** (a) Except as provided with respect to the Board of Directors that may be appointed in accordance with the provisions of Section 6.05 and the Annapurna Rights granted pursuant to Section 6.06, the management of the Company is fully vested in the Class A Member, and except as otherwise provided in this Agreement, (i) such Class A Member shall have full power and authority to manage the business and affairs of the Company in accordance with Section 2.04, and (ii) no other Member shall have any such management power and authority.

(b) The Class A Member shall manage the business and affairs of the Company and shall operate the Designated Business in good faith and in accordance with prudent industry standards. In consideration of the reimbursement of its costs as provided in Section 6.07 hereof, ENA agrees that it or its Affiliates will make available the necessary personnel to conduct the business of the Company and the Designated Business in accordance with the standards set forth herein and to provide the services set forth herein, including the following actions:

(i) Day-to-day supervision, administrative liaison and related services, including, without limitation, legal, accounting, planning support, budgeting support, technical support, insurance administration, treasury services, tax, investment and financial services and internal audit and external audit services required in connection with the business and affairs of the Company.

(ii) The preparation for signature by an authorized officer of all documents and instruments contemplated by the power of attorney granted pursuant to this Agreement.

(iii) The maintenance of capital accounts for each Member in accordance with the terms of this Agreement.

(iv) The calculation of available cash and cash from operations of the Company and the making of all distributions of cash to the Members as directed by the Class A Member pursuant to Section 5.01 of this Agreement.

(v) Take or provide custody of funds, notes, drafts, acceptances, commercial paper and other securities belonging to the Company; maintain bank accounts in one or more banking institutions, deposit Company funds in the Company's accounts and disburse funds therefrom, in each case as necessary to satisfy the obligations of the Company in connection with the conduct of its business and affairs; and keep appropriate records in connection with all the above transactions.

In addition, subject to Section 6.03(c), the Class A Member agrees that it will continue to conduct its activities in the Designated Business including:

(x) creating, developing, operating and engaging in market making activities in the Designated Business;

(y) developing, maintaining and servicing the hardware, software, license, network infrastructure and other similar assets that are used to effect purchases and sales of marketplaces operated or to be owned and operated by ENA or its Affiliates in and through which buyers and sellers may effect transactions;

(z) effecting of transactions in, and purchases and sales of, commodities or other products in the Designated Business, including such products as are necessary to clear, settle and fulfill, or arrange settlement or fulfillment of, in accordance with the such trading policies as may be issued from time to time by ENA, and the Risk Management Policy of the Board of Directors of Enron as adopted from time to time, and taking into account applicable regulatory requirements, a purchase and sale of a particular product, including, but not limited to, collection of money; arrangement of delivery or provision of the products; receipt, delivery and maintenance of margin and collateral, if appropriate; dealing with issues relating to failures to receive or deliver payments or products; and collection and payment of transfer or similar taxes, to the extent applicable to such products.

(c) The Class A Member shall determine the fair market value of the property of the Company to be determined upon the occurrence of any Mark-to-Market Event. The Class A Member shall give prior written notice to the holders of membership interests in Annapurna of any matter set forth in Section 6.06(c) sufficient under the circumstances to permit Annapurna to exercise its Annapurna Rights with respect thereto granted pursuant to Section 6.06(c).

(d) (i) The Class A Member shall cause the Company to conduct its business and operations separate and apart from that of any Member or any Affiliates of any Member, including (A) segregating Company property and not allowing funds or other assets of the Company to be commingled with the funds or other assets of, held by, or registered in the name of, any Member or any Affiliates of any Member, (B) maintaining books and financial records of the Company separate from the books and financial records of any Member or any Affiliates of any Member, and observing

all Company procedures and formalities, including maintaining minutes or records of meetings of the Company and acting on behalf of the Company only pursuant to due authorization of the Members (including any authorization as is given in this Agreement), (C) causing the Company to pay its liabilities from assets of the Company and (D) causing the Company to conduct its dealings with third parties in its own name and as a separate and independent entity.

(ii) Failure of the Company, or any Member or director on behalf of the Company, to comply with any of the foregoing covenants in Section 6.01(d)(i) shall not affect the status of the Company as a separate legal entity or the limited liability of a Member or director.

(e) The Class A Member shall cause the Company to comply with all of the obligations of the Company set forth in this Agreement and the other Transaction Documents to which it is a party.

(f) The Class A Member shall cause the Company to comply with all Applicable Laws except for such non-compliance as is attributable solely to any action taken or omitted to be taken by the Class B Member.

6.02 ***Reliance by Third Parties.*** Persons dealing with the Company are entitled to rely conclusively upon the power and authority of the Class A Member set forth in this Agreement.

6.03 ***Disclaimer of Duties.*** (a) Except as provided in this Section 6.03, except for express contractual obligations under other provisions of this Agreement or under other existing or future agreements with the Company and except for obligations that any Person unrelated to the Company also has to the Company, neither Enron, the Class A Member, the Class C Member, nor any Class B Member nor any Affiliate of any of them shall have any obligation, fiduciary or otherwise, to the Company, including any obligation (i) to offer business opportunities to the Company other than those that are exclusively the Permitted Assets, (ii) to refrain from pursuing business opportunities that may have a competitive impact upon the Company or (iii) to refrain from taking any other action that will or may be detrimental to the Company, and neither Enron, the Class A Member, the Class C Member nor any Class B Member nor any Affiliate of any of them shall, by virtue of the relationships established pursuant to this Agreement, have any other obligation to take or refrain from taking any otner action that may impact the Company. The provisions of this Section 6.03(a) constitute an agreement to modify or eliminate fiduciary duties pursuant to the provisions of Sections 17-403(a) and 17-1101 of the Act.

(b) The Company, the Class C Member (if the Class C Member is not Enron or an Affiliate of Enron) and each Class B Member hereby renounce any interest or expectancy in any business opportunity that is not exclusively a Permitted Asset generated in the Designated Business.

(c) The Class A Member agrees that Enron shall convey from time to time the Permitted Assets representing the net economic benefit or detriment of the Designated Business and will not, directly or indirectly (other than through the Wholesale Services Group of Enron), engage in the Designated Business or create a subsidiary for the purpose of engaging in the Designated Business;

provided, that nothing in this Agreement shall require Enron or any of its Affiliates to continue to engage in the Designated Business, which Enron is free to pursue or abandon, in its sole discretion.

(d) As a result of the transactions contemplated by this Agreement, certain directors, officers or employees of Enron or its Affiliates may serve as officers, employees or Directors of the Company or as officers, directors or employees of the Class A Member (any such Person being referred to herein as a "*Designee*"). The Members recognize that any Designee could be regarded as owing duties both to the Company and to Enron or its Affiliates. The Class B Members and any Class C Member that is not Enron or an Affiliate of Enron agree and acknowledge that they expect to benefit from the transactions contemplated by this Agreement. Enron, however, is unwilling to cause the Class A Member to enter into this Agreement and to cause the Class A Member and its Affiliates to consummate the transactions contemplated hereby unless the Class B Members and any Class C Member that is not Enron or an Affiliate of Enron agree to the provisions hereof because Enron and its Affiliates engage in certain businesses that are similar to those in which the Company will engage. The Class B Members and any Class C Member that is not Enron or an Affiliate of Enron (i) acknowledge and agree that Enron and its Affiliates and Designees (A) participate and will continue to participate in transactions with businesses engaged in the Designated Business, directly and through Affiliates, (B) may have interests in, participate with, and maintain seats on the boards of directors of or serve as officers or employees of other Persons engaged in the Designated Business and (C) may develop business opportunities for Enron and its Affiliates and such other Persons. The Class B Members acknowledge and agree that (subject to Section 6.03(c)) neither Enron, the Class A Member, their respective Affiliates, Designees nor any such other Person shall be restricted or prohibited by this Agreement or the relationships created hereby, or by serving as a Director of the Company, from engaging in transactions with any Person in the Designated Business or in any Excluded Activity, regardless of whether such business activity is in direct or indirect competition with the business or activities of the Company and its Affiliate, (ii) acknowledge and agree that neither Enron, the Class A Member, their Affiliates, any Designee nor any such other Person shall have any obligation to offer the Company, any Class C Member that is not Enron or an Affiliate of Enron or any Class B Member or any of their respective Affiliates any business opportunity except to the extent set forth in Section 6.03(c), (iii) renounce any interest or expectancy in any business opportunity other than the Permitted Assets or in any Excluded Activity pursued by Enron, the Class A Member, their Affiliates, any Designee or any such other Person and (iv) waive any claim that any business opportunity or any Excluded Activity pursued by Enron, the Class A Member or their Affiliates, any Designee or any such Person constitutes a partnership or corporate opportunity of the Company, any Class B Member or any of their respective Affiliates that should have been presented to the Company, any Class C Member that is not Enron or an Affiliate of Enron or any Class B Member or any of their respective Affiliates, unless and only to the extent that such business opportunity is a Permitted Asset required to be conveyed to the Company pursuant to Section 6.03(c).

(e) Except as otherwise provided in this Agreement, the Class A Member shall conduct the affairs of the Company in accordance with the standard set forth in the first sentence of Section 6.01(b). **THE CLASS A MEMBER IS NOT LIABLE FOR ITS OWN SIMPLE, PARTIAL, OR CONCURRENT NEGLIGENCE; PROVIDED THAT THE CLASS A MEMBER SHALL BE LIABLE FOR ANY DAMAGES ARISING OUT OF ITS GROSS NEGLIGENCE,**

FRAUD, OR WILFULL MISCONDUCT. In no event shall the Class A Member be liable for any action or course of conduct approved or consented to by the Board of Directors or a Majority in Sharing Ratios of the Class B Members and the Class C Members that are not Enron or Affiliates of Enron or any action or course of conduct based on a determination by a Majority in Sharing Ratios of the Class B Members and the Class C Members that are not Enron or Affiliates of Enron, **INCLUDING SPECIFICALLY MATTERS FOR WHICH THE CLASS A MEMBER WOULD BE LIABLE IN THE ABSENCE OF THIS SECTION 6.03** absent a material misstatement or omission or fraud in obtaining the approval; provided, that, notwithstanding the existence of a material misstatement or omission, in no event shall the Class A Member be liable for any such action or course of conduct if the Class A Member, at the time of the Board of Directors or a Majority in Sharing Ratios of the Class B Members' and the Class C Members' that are not Enron or Affiliates of Enron consent, approval or determination, did not know of, and in the exercise of a standard of care not constituting gross negligence, willful misconduct or fraud could not have known of, the material misstatement or omission. The Class A Member shall devote such time and effort to the Company business and operations as is necessary to promote the interests of the Company. In no event shall the provisions of this Section 6.03(e) relieve the Class A Member from liability pursuant to the provisions of any contract or transaction that may be entered into hereafter between the Company and the Class A Member.

(f) Without limiting the generality of the foregoing, the Members acknowledge that Enron, the Class A Member and any of their respective Affiliates may invest in or engage in Excluded Activities without any obligation to the Company or any Member.

(g) The Company may transact business with any Member or Affiliate of a Member, provided, that, the terms of transactions with the Class A Member or one of its Affiliates are comparable to, or at least as favorable to the Company as, the terms of transactions at arms' length between unaffiliated parties. Any transaction between the Company and a Member or its Affiliates that has been approved by the Board of Directors or a Majority in Sharing Ratios of the Class B Members and the Class C Members that are not Enron or Affiliates of Enron after appropriate disclosure shall be deemed to have satisfied the standard set forth in the previous sentence. A Member or Affiliate that transacts business with the Company owes no duty to the Company or the other Members to exercise or to refrain from exercising in any particular manner its rights or powers as a participant in that transaction, including those arising under any contract with the Company, and (subject to the proviso in the preceding sentence) such Member or such Affiliate of a Member may realize profits from that transaction.

(h) The Class B Members and the Class C Members that are not Enron or Affiliates of Enron acknowledge that Enron and its respective Affiliates do not guarantee the performance of the Company or the Class A Member. In the absence of gross negligence, willful misconduct or fraud, neither Enron nor any of its Affiliates (other than the Class A Member) shall have any liability for the acts, omissions or courses of conduct of the Company or the Class A Member. As a result of the foregoing, Enron and its Affiliates (other than the Class A Member) shall have **NO LIABILITY FOR THE SIMPLE, PARTIAL OR CONCURRENT NEGLIGENCE OF THE CLASS A MEMBER, ENRON OR ANY OF ITS AFFILIATES** in connection with the acts, omissions or courses of conduct of the Company or the Class A Member; **PROVIDED THAT ENRON AND**

ITS AFFILIATES SHALL BE LIABLE FOR ANY DAMAGES ARISING OUT OF THEIR GROSS NEGLIGENCE, FRAUD, OR WILFULL MISCONDUCT. Nothing herein shall prohibit a Class B Member, a Class C Member that is not Enron or an Affiliate of Enron or the Company from asserting valid claims other than as provided in this Section 6.03. In no event shall the provisions of this Section 6.03(h) relieve the Class A Member, Enron or any of its Affiliates from liability pursuant to the provisions of any contract or transaction that may be entered into hereafter between the Company and Enron or any its Affiliates.

6.04 ***Indemnification***. (a) To the fullest extent permitted by law, the Company shall indemnify the Class A Member, each Designee and their respective officers, directors, employees, agents and controlling Persons, any Person who served at the request of the Class A Member as an officer, director, employee or agent of another Person and each Member and its officers, directors, employees, agents and controlling Persons (each, an "***Indemnified Person***"), on request by the Indemnified Person, and hold each of them harmless from and against all losses, costs, liabilities, damages and expenses (including, without limitation, reasonable costs of suit and attorney's fees) any of them may incur as a Member of the Company or as a controlling Person of such Member or in serving at the request of the Class A Member or the Board of Directors as an officer, director, employee or agent of another Person, in performing the obligations of the Class A Member with respect to the Company, **INCLUDING ANY MATTER ARISING OUT OF OR RESULTING FROM THE INDEMNIFIED PERSON'S OWN SIMPLE, PARTIAL, OR CONCURRENT NEGLIGENCE**, except for any such loss, cost, liability, damage or expense primarily attributable to the Indemnified Person's gross negligence, willful misconduct or fraud. In recognition of the fact that the Company will benefit from the cash contributions of the Class B Member, during any time that funds have been advanced to the Class B Member under the Loan Documents to permit the Class B Member to make additional Capital Contributions, an Indemnified Person's indemnity claims pursuant to this Section 6.04 shall be subordinate to any claims of the Lenders under the Loan Documents. If an Indemnified Person becomes involved in any action, proceeding or investigation with respect to which indemnity may be available under this Section 6.04, the Company may reimburse the Indemnified Person for its reasonable legal and other expenses (including the cost of investigation and preparation) as they are incurred, provided, that, the Indemnified Person shall promptly repay to the Company the amount of any such expense paid if it is ultimately determined that the Indemnified Person was not entitled to indemnification hereunder. Any amounts payable in respect of indemnification hereunder shall be recoverable only (i) from the assets of the Company, (ii) during the Term, from unfunded Commitments of the Members in an aggregate amount that does not exceed the aggregate unfunded Commitments of all Members, so long as such amounts became due and payable prior to the expiration of the Term.

(b) Promptly after receipt by an Indemnified Person of notice of any claim or the commencement of any action with respect to which indemnity may be available under this Section 6.04, the Indemnified Person shall, if a claim in respect thereof is to be made against the Company under this Section 6.04, notify the Company in writing of the claim or the commencement of the action; provided, that, the failure to notify the Company shall not relieve it from any liability which it may have to an Indemnified Person other than under this Section 6.04 except to the extent that the Company is prejudiced thereby. If any such claim or action shall be brought against an Indemnified Person, and it shall notify the Company thereof, the Company shall be entitled to participate therein,

and, to the extent that it wishes, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Person. After notice from the Company to the Indemnified Person of its election to assume the defense of such claim or action, the Company shall not be liable to the Indemnified Person under this Section 6.04 for any legal or other expenses subsequently incurred by the Indemnified Person in connection with the defense thereof other than reasonable costs of investigation; *provided*, that, all of the Indemnified Persons shall have the right to employ one counsel to represent them if, in the opinion of counsel to the Indemnified Persons there are available to them defenses not available to the Company and in that event the fees and expenses of such separate counsel shall be paid by the Company. In the no event shall the Company be required to indemnify an Indemnified Person with respect to amounts paid in settlement of a claim unless such claim was settled with the consent of the Company.

(c) In further consideration of the benefits received and to be received by the Company pursuant to this Agreement and the transactions contemplated hereunder, the Company acknowledges and agrees that with respect to any business opportunity presented to or identified by Enron as described in Section 6.03 (which term shall include, for purposes of this Section 6.04(c), Enron's predecessors and successors in interest, and all of Enron's and its respective predecessors and successors in interests' respective Affiliates, stockholders, directors, officers, employees, agents, attorneys, servants, invitees, contractors, licensees, legal representatives, successors, and assigns), which is pursued in accordance with the standards in Section 6.03 of this Agreement, Enron may pursue such opportunity and conduct the business related thereto without any obligation to offer it to the Company. The Company acknowledges and agrees that in such case, to the extent that a court might hold that the pursuit of such opportunity or the conduct of such activity is a breach of any standard of care, a duty of loyalty, or other duty owed to the Company (and without admitting that the pursuit of such opportunity or the conduct of such activity is such a breach of any such standard or duty), the Company hereby fully and irrevocably renounces, releases and waives, to the extent permitted by applicable law, any interest or expectancy in such opportunity or activity pursued by Enron in accordance with the standards in Section 6.03 of this Agreement and any and all Claims that the Company or any Person claiming by, through, or under the Company may have to claim that such business opportunity is a partnership or corporate opportunity of the Company or any Member or that the pursuit by Enron of any such business opportunity or the conduct of the business related thereto is a breach of any standard of care, duty of loyalty, or other duty owed to the Company (including, to the extent permitted by applicable law, any and all Claims arising either directly or derivatively, and whether brought by, through, or under the Company, or by any stockholder, creditor, subsidiary or Affiliate of the Company). Further, the Company, for itself and its successors and assigns, hereby agrees to indemnify, defend, and hold harmless, to the extent permitted by applicable law, Enron and its predecessors and successors in interest, and all of Enron's and its respective predecessors and successors in interests' respective Affiliates, stockholders, directors, officers, employees, agents, attorneys, servants, invitees, contractors, licensees, legal representatives, successors, and assigns, from any and all such Claims that may be asserted (a) by any Person whomsoever claiming by, through, or under the Company or (b) by any successors or assigns of the Company. It is the express intention of the Company that, to the extent permitted by applicable law, the indemnity to Enron herein provided covers any such Claims asserted by, through, or under the Company, notwithstanding that such Persons are not signatories to this Agreement, and whether or not the release provisions are directly enforceable against any Persons who are not signatories to this

Agreement. This indemnity applies for the benefit of Enron regardless of whether such claims are based in whole or in part upon the alleged partial or sole negligence or strict liability of Enron (or its predecessors or successors in interest, or Enron's or its respective predecessors or successors in interests' respective Affiliates, stockholders, directors, officers, employees, agents, attorneys, servants, invitees, contractors, licensees, legal representatives, successors, and assigns), but shall not apply in the case of bad faith, willful misconduct or breach of the covenants contained in Section 6.03(c) of this Agreement by Enron, any Designee or any other indemnified party. The renunciations, waivers and agreements herein apply equally to activities to be conducted in the future and activities that have been conducted in the past.

6.05 ***Board of Directors.***

(a) At any time, whether with or without cause, the Class B Member (or a Majority-in-Interest of the Class B Members, if there is at such time more than one Class B Member) may cause the management responsibilities with respect to the Company granted to the Class A Member pursuant to this Agreement to be assumed by a board of directors composed of four members (the "*Board of Directors*"); provided that in the event that Annapurna is controlled by LJM2 Co-Investment, L.P. (through its ownership of LJM2 Ampato LLC or its Affiliates), Annapurna shall not cause the management responsibilities with respect to the Company to be assumed by a Board of Directors unless the Advisory Committee of LJM2 Co-Investment, L.P. approves such action. The assumption of management responsibility by the Board of Directors shall be effective ten Business Days following the receipt by the Class A Member and the Class C Member of written notice signed by the Class B Member(s) naming two persons to act as directors and as representatives of the Class B Member on the Board of Directors. Within the ten Business Day period following the receipt by the Class A Member and the Class C Member of the notice described above, the Class A Member shall notify the Class B Member in writing of the identity of the two persons selected by the Class A Member to act as directors and as representatives of the Class A Member on the Board of Directors.

(b) Upon appointment, the Board of Directors shall have all of the management powers and responsibilities with respect to the Company granted to the Class A Member pursuant to this Agreement and shall automatically and with no further action being required by any Member have the same obligations as those imposed upon the Class A Member by this Agreement, and from and after the appointment of the Board of Directors, this Agreement shall be so construed and interpreted.

(c) The Board of Directors initially shall be four in number, and thereafter shall be composed of such even number of persons as shall be determined from time to time by action of the Board of Directors; *provided, however*, that at all times the Board of Directors (and any committees thereof) shall be composed of equal numbers of representatives of the Class A Member and the Class B Member. A Majority-in-Interest of the Class A Members shall have the exclusive right from time to time to select, appoint and remove (with or without cause) the directors acting as its representatives on the Board of Directors. A Majority-in-Interest of the Class B Members shall have the exclusive right from time to time to select, appoint and remove (with or without cause) the directors acting as its representatives on the Board of Directors. Any vacancy occurring on the Board of Directors due to the death, disability, removal or resignation of a director shall be filled by the

Member who appointed the director and as whose representative the deceased, disabled, removed or departing director served. In the event a Member fails or refuses to appoint representatives to the Board of Directors for any reason (and has actual notice of the death, resignation or other refusal to serve of any person previously acting as a member of the Board of Directors and representing such Member), so that for a period of thirty Days or more there is no representative of such Member acting as a member of the Board of Directors, then such Member shall be deemed to have consented to any actions taken by the Board of Directors after the expiration of such thirty Day period and prior to the appointment by such Member of a director or directors to act as the representative of such Member on the Board of Directors as provided herein and the quorum and voting requirements in Section 6.05(d) below shall be modified accordingly. The Board of Directors shall have the power to establish its own procedures for meeting and voting and to appoint one or more committees, in each case subject to the requirements of this Section 6.05.

(d) A quorum for the conduct of business by the Board of Directors on behalf of the Company shall be no less than a majority of the total number of directors then appointed and acting, including at least one director representing the Class A Member and one director representing the Class B Member. For quorum purposes, a director may be present in person, or by conference telephone, teleconference or any other means wherein each director can hear each other director. No action may be conducted at a meeting unless prior written or telephonic notice has been given to each director (in the case of telephonic notice, personally) at least 48 hours prior to the time fixed for such meeting, unless such notice has been waived in writing by each director who did not receive notice as required hereby.

(e) The Board of Directors may take action only by the vote of a Majority of the entire number of directors then appointed and acting at a meeting at which a quorum is present, which Majority vote includes the vote of at least one representative of the Class A Member and one representative of the Class B Member. As provided in Section 18-404(d) of the Act, action may be taken without notice and a meeting if a consent in writing setting forth the action so taken is executed by at least such number of directors as would be sufficient to approve the action at a meeting, provided, that the executing directors include at least one representative of the Class A Member and one representative of the Class B Member as contemplated by this Agreement.

(f) From and after their appointment and prior to their death, resignation or removal, the members of the Board of Directors shall be deemed to be managers of the Company for all purposes of the Act.

6.06 ***Annapurna Rights.*** (a) The Class A Member and the Class C Member acknowledge and agree that the Company expects to obtain financing from Annapurna through Annapurna' purchase of a Membership Interest in the Company that will benefit the business of the Company and each of the Members. The Class A Member and the Class C Member further agree, as an inducement to Annapurna to acquire a Membership Interest in the Company, that during any period that the Loan Documents are in effect any of the actions set forth in Section 6.06(c) may not be taken, nor shall any consent to, or authorization of any such act be effective, unless such action also has been assented or consented to by Annapurna, in its capacity as Class B Member for so long as it is the Class B Member and otherwise in its own capacity; *provided, however*, that during any period

the Board of Directors has been approved and is acting, approval of the Board of Directors in accordance with Section 6.05(e) shall be deemed to constitute the approval of Annapurna for any of the actions set forth in Sections 6.06(c). Each Member hereby agrees that Annapurna (to the extent it is no longer the Class B Member) is intended to be an express third party beneficiary of this Agreement to the extent necessary to permit Annapurna to exercise the rights granted hereunder and described in this Section 6.06, all of which rights shall be deemed to have been granted pursuant to this Section 6.06 (the "*Annapurna Rights*").

(b) Any Annapurna Right may be exercised by Annapurna only upon the vote or written consent of a Annapurna Majority, and any action in respect of an Annapurna Right will not be effective for any purpose unless the Class A Member (or the Board of Directors if one has been appointed and is acting pursuant to Section 6.05) has received written confirmation of the action taken containing a certification that the action has been approved as required pursuant to this Section 6.06(b). The Members further agree that the Annapurna Rights granted to Annapurna hereunder may be transferred by Annapurna upon a Foreclosure, to the purchaser in such Foreclosure.

(c) None of the actions set forth in this Section 6.06(c) may be taken, nor shall any consent to, or authorization of any such act (whether on behalf of the Company by the Class A Member or the Board of Directors) be effective, unless such action also has been assented or consented to by Annapurna:

(i) issue additional Membership Interests or issue debt instruments or securities;

(ii) execute, modify, terminate or waive any right under any agreement or transaction between the Company and Enron or an Affiliate of Enron;

(iii) set the Company's financial policies regarding capital structure, including the issuance or retirement of debt or Membership Interests;

(iv) appoint any independent accountant or firm of independent accountants other than Arthur Andersen LLP to serve as the independent auditors to the Company; or

(v) commence with respect to the Company a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other voluntary case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company to the entry of a decree or order for relief against the Company in an involuntary case or proceeding under any applicable federal, state or foreign bankruptcy or insolvency case or proceeding against the Company, or file with respect to the Company a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or consent to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of any substantial part of the Company's property, or make of an assignment of Company assets for the benefit of creditors, or admit on behalf of the Company in writing its inability to pay its debts generally as they become due, or take action in furtherance of any such action.

6.07 ***Reimbursement of ENA Costs.*** The Class A Member shall be entitled to receive reasonable compensation for the services rendered by it or on its behalf by its Affiliates in administering the business of the Company and rendering the services described in Section 6.01. Commencing January 1, 2001 (and continuing until the amount of the Class A Member's compensation is changed by mutual agreement of the Members as described in the following sentence), the Class A Member shall be entitled to reimbursement of its actual and allocated costs and expenses of administering the affairs of the Company and managing and operating the Designated Business with respect to services to be rendered during such calendar quarter to the extent not taken into account in determining Gains and Losses (as defined in the Conveyance) pursuant to the Conveyance. The Members shall consult with each other at least once each year with a view to determining whether the amount that constitutes reasonable compensation to be paid to the Class A Member pursuant to this Section 6.07 shall be increased, decreased or shall stay the same, and any amount mutually agreed by the Members to constitute such reasonable compensation, and the manner and time of payment thereof, if other than that set forth in this Section 6.07, shall be set forth in a written instrument executed by all of the Members. When any such written instrument regarding compensation has been executed and delivered by all of the Members, it shall constitute an amendment to this Section 6.07 in compliance with Section 10.06 of this Agreement for all purposes. Claims by the Class A Member for reimbursement of expenses pursuant to this Section 6.07 shall be subordinate to any claims of the Lenders under the Loan Documents.

ARTICLE 7
TAXES

7.01 ***Tax Matters.***

(a) ***Partnership Reporting.*** All returns filed by the Company in respect of federal, state and local income taxes shall be filed on the basis that the Company is a partnership for federal, state and local income tax purposes unless otherwise (x) required by Law, or (y) unanimously agreed by all Members. The Members shall take all steps pursuant to applicable regulations and applicable state or local Law in order to achieve partnership classification for the Company for Federal, state and local income tax purposes and, in this connection, each Member will join in the making of any election requested in good faith by the Class A Member in furtherance of this objective.

(b) ***Tax Matters Partner.*** The Class A Member is authorized, in the case of material elections with the consent of the Class B Member and the Class C Member, not to be unreasonably withheld, to make any and all elections for Federal, state, and local tax purposes. If the Class B Member or the Class C Member fails to respond within a reasonable period of time, under the circumstances, to a written request by the Class A Member for consent to an election sought to be made for the Company, the Class A Member may treat such failure to respond as consent to such request. The Class A Member is authorized, to the extent provided in Code Sections 6221 through 6231, to represent the Company and the Members before taxing authorities or courts of competent jurisdiction in tax matters affecting the Company or the Members in their capacities as Members, and to file any tax returns and execute any agreements or other documents relating to or affecting such

tax matters, including agreements or other documents that bind the Members with respect to such tax matters or otherwise affect the rights of the Company and the Members. The Class A Member is specifically authorized to act as the "*Tax Matters Partner*" under the Code and in any similar capacity under state or local Applicable Law. Notwithstanding the generality of the foregoing, the Tax Matters Partner shall make regular and current reports to the Class B Member on the status of all representations of the Company and the Members before taxing authorities and courts of competent jurisdiction. Furthermore, without the prior written consent of the Class B Member and the Class C Member (which consent shall not be unreasonably withheld), the Tax Matters Partner may not enter into any agreements or documents that would affect the amount, timing or character of any items of income, gain, loss, deduction or credit allocated to or otherwise realized by, the Class B Member or the Class C Member.

(c) ***Tax Information.*** Necessary tax information shall be delivered to each Member as soon as practicable after the end of each Fiscal Year of the Company but not later than 90 days after the end of each such Fiscal Year. The Class A Member shall file tax returns for the Company prepared in accordance with the Code and the Regulations.

ARTICLE 8
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

8.01 ***Maintenance of Books.*** The Class A Member shall keep or cause to be kept at the principal office of the Company or, upon notice to the Members, at such other location the Class A Member deems appropriate complete and accurate books and records of the Company, supporting documentation of the transactions with respect to the conduct of the Company's business and minutes of the proceedings of its Members, and any other books and records that are required to be maintained by Law.

8.02 ***Bank Accounts.*** Funds of the Company shall be deposited in such banks or other depositories as shall be designated from time to time by the Class A Member. All withdrawals from any such depository shall be made only as authorized by the Class A Member and shall be made only by check, wire transfer, debit memorandum or other written instruction.

ARTICLE 9
DISSOLUTION, WINDING-UP AND TERMINATION

9.01 ***Dissolution.*** The Company shall dissolve and its affairs shall be wound up on the first to occur of the following events (each a "*Dissolution Event*"):

(a) the written consent of all Members; or

(b) the expiration of the Term; or

(c) entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act; or

(d) the termination of the legal existence of the last remaining Member of the Company unless the business of the Company is continued without dissolution in a manner permitted by this Agreement or the Act; or

(e) the Company is consolidated for financial reporting purposes with Enron or ENA; or

(f) Enron and its Affiliates cease to engage in the Designated Business.

9.02 ***Winding-Up and Termination.*** On the occurrence of a Dissolution Event, the Class A Member shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of winding up shall be borne as a Company expense. Until final distribution, the Class A Member shall continue to operate the Company's assets with the same power and authority it had prior to the dissolution. The steps to be accomplished by the Class A Member are as follows in the following order of priority:

(i) as promptly as possible after dissolution and again after final winding up, the Class A Member shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities, and operations through the last calendar Day of the month in which the dissolution occurs or the final winding up is completed, as applicable;

(ii) the Class A Member shall discharge from the Company's funds all of the debts, liabilities and obligations of the Company owed to creditors (including all expenses incurred in winding up) or otherwise make reasonable provision for payment and discharge thereof (including the establishment of a cash escrow fund for contingent, conditional or unmatured liabilities in such amount and for such term as the Class A Member may reasonably determine); and

(iii) all remaining assets of the Company (including cash) shall be distributed among the Members in accordance with Section 5.02.

9.03 ***Certificate of Cancellation.*** On completion of the distribution of Company assets as provided herein, the Members (or such other Person or Persons as the Act may require or permit) shall file a certificate of cancellation of the Delaware Certificate with the Secretary of State of Delaware, cancel any other filings made pursuant to Section 2.05, and take such other actions as may be necessary to terminate the existence of the Company. Upon the filing of such certificate of cancellation, the existence of the Company shall terminate (and the Term shall end), except as may be otherwise provided by the Act or other applicable Law.

ARTICLE 10
GENERAL PROVISIONS

10.01 ***Consequential Damages.*** **TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANY OTHER PARTY, IRRESPECTIVE OF WHETHER ALLEGED TO BE BY WAY OF INDEMNITY OR AS A RESULT OF BREACH OF CONTRACT, BREACH OF WARRANTY, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, OR ANY OTHER LEGAL THEORY, AND WHENEVER ARISING, EXCEPT TO THE EXTENT SPECIFICALLY AND NOT BY IMPLICATION SET FORTH IN SECTION 2.9 OF THE INDEMNIFICATION AGREEMENT.**

10.02 ***Offset.*** Whenever the Company is to pay any sum to any Member, any Capital Contributions that Member owes the Company may be deducted from that sum before payment.

10.03 ***Notices.*** Except as expressly set forth to the contrary in this Agreement, all notices, payments, demands, communications, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be delivered to the recipient in person, by courier or mail or by facsimile or other electronic transmission. A notice, payment, demand, communication, request or consent given under this Agreement is effective on receipt by the Person to receive it (a) if delivered, personally to the Person or to an Affiliate of the Person to whom the same is directed, or (b) when the same is actually received (if a Business Day or, if not, the next succeeding Business Day), if sent either by courier or delivery service or certified mail, postage and charges prepaid, or if by facsimile, if such facsimile is followed by a hard copy of the facsimile communication sent by certified mail, postage and charges prepaid. All notices, requests and consents to be sent to a Member must be sent to or made at the addresses given for that Member on Exhibit A or such other address as that Member may specify by notice to the other Members. Any notice, request or consent to the Company must be given to all of the Members. All notices, requests and consents to be sent to an holder of membership interests in Annapurna must be sent to or made at the addresses given for such Person in the Annapurna limited liability company agreement or such other address as such Person may specify by notice to the Company and each Member. Whenever any notice is required to be given by Law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

10.04 ***Entire Agreement; Superseding Effect.*** This Agreement, the Conveyance and the other Transaction Documents constitute the entire agreement of the Members relating to the Company and the transactions contemplated hereby and supersede all provisions and concepts contained in all prior contracts or agreements between the Members with respect to the Company and the transactions contemplated hereby, whether oral or written.

10.05 ***Effect of Waiver or Consent.*** Except as otherwise provided in this Agreement, a waiver or consent, express or implied, to or of any breach or default by any Member in the performance by that Member of its obligations with respect to the Company is not a consent or waiver to or of any other breach or default in the performance by that Member of the same or any

other obligations of that Member with respect to the Company. Except as otherwise provided in this Agreement, failure on the part of a Member to complain of any act of any Member or to declare any Member in default with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by that Member of its rights with respect to that default until the applicable statute-of-limitations period has run.

10.06 ***Amendment or Restatement.*** This Agreement or the Delaware Certificate may be amended or restated only by a written instrument executed (or, in the case of the Delaware Certificate, approved) by all of the Members.

10.07 ***Binding Effect.*** Subject to the restrictions on Dispositions set forth in this Agreement, this Agreement is binding on and shall inure to the benefit of the Members and their respective successors and permitted assigns.

10.08 ***Governing Law; Severability.*** **THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION.** In the event of a direct conflict between the provisions of this Agreement and any mandatory, non-waivable provision of the Act, such provision of the Act shall control. If any provision of the Act provides that it may be varied or superseded in a limited liability company agreement (or otherwise by agreement of the members or managers of a limited liability company), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter. If any provision of this Agreement or the application thereof to any Member or circumstance is held invalid or unenforceable to any extent, (a) the remainder of this Agreement and the application of that provision to other Members or circumstances is not affected thereby, and (b) the Members shall negotiate in good faith to replace that provision with a new provision that is valid and enforceable and that puts the Members in substantially the same economic, business and legal position as they would have been in if the original provision had been valid and enforceable.

10.09 ***Further Assurances.*** In connection with this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement, the other Transaction Documents and those transactions.

10.10 ***Counterparts.*** 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.

10.11 ***Characterization of Membership Interest.*** Membership Interests in the Company are "securities" governed by Article 8 of the Uniform Commercial Code in effect from time to time in all jurisdictions where such Article 8 or an equivalent provision is adopted.

10.12 ***Dispute Resolution***. This Section 10.12 shall apply to any dispute arising under or related to this Agreement (whether arising in contract, tort or otherwise, and whether arising at law or in equity), including (a) any dispute regarding the construction, interpretation, performance, validity or enforceability of any provision of this Agreement or whether any Person is in compliance with, or breach of, any provisions of this Agreement, and (b) the applicability of this Section 10.12 to a particular dispute. Any dispute to which this Section 10.12 applies is referred to herein as a "*Dispute*." With respect to a particular Dispute, each Member that is a party to such Dispute is referred to herein as a "*Disputing Member*." The provisions of this Section 10.12 shall be the exclusive method of resolving Disputes (other than through negotiation by the Disputing Members); and each Member hereby waives any right it may have to resolve Disputes through any other method, including litigation. Notwithstanding the foregoing, this Section 10.12 shall not apply to (i) any action by any Member to obtain injunctive or other relief pursuant to Section 7.01 hereof, or (ii) any matters that, pursuant to the provisions of this Agreement, are to be resolved by a vote, approval or consent of the Members; provided, however, that if a vote, approval or consent must, under the terms of this Agreement, be made (or withheld) in accordance with a standard other than sole discretion (such as a reasonableness standard), then the issue of whether such standard has been satisfied may be a dispute to which this Section 10.12 applies.

(a) *Mediation*. If a Dispute arises, any Disputing Member may submit such Dispute to non-binding mediation under this Section 10.12(a) by notifying the other Disputing Members (a "*Mediation Notice*").

(i) Any mediation conducted under this Section 10.12(a) shall be conducted by a sole mediator (the "*Mediator*") selected in accordance with this Section 10.12. The Disputing Member that submits a Dispute to mediation shall designate a proposed Mediator in its Mediation Notice. If any other Disputing Member objects to such proposed Mediator, it may, on or before the tenth Business Day following delivery of the Mediation Notice, notify all of the other Disputing Members of such objection. All of the Disputing Members shall attempt to agree upon a mutually acceptable Mediator. If they are unable to do so within fifteen Business Days following delivery of the notice described in the second preceding sentence, any Disputing Member may request the American Arbitration Association (or, if such Association has ceased to exist, the principal successor thereto) (the "*AAA*") to designate the Mediator. If the Mediator so chosen shall die, resign or otherwise fail or becomes unable to serve as Mediator, a replacement Mediator shall be chosen in accordance with this Section 10.12.

(ii) The Mediator shall expeditiously (and, if possible, within twenty Business Days after the Mediator's selection) commence the mediation, which shall be held in Houston, Texas. The mediation shall be conducted in accordance with the then current Commercial Mediation Rules of the AAA (excluding rules governing the payment of mediation, administrative or other fees or expenses to the Mediator or the AAA), to the extent that such Rules do not conflict with the terms of this Agreement. The responsibility for paying the costs and expenses of the mediation, including compensation to the Mediator, shall be borne equally by the Disputing Members.

(b) *Arbitration*. If the Dispute is still unresolved after ten Business Days following the commencement of the mediation described in Section 10.12(a), then any Disputing Party may submit such Dispute to binding arbitration under this Section 10.12(b) by notifying the other Disputing Members (an "*Arbitration Notice*").

(i) Any arbitration conducted under this Section 10.12(b) shall be heard by a panel of three arbitrators (each an "*Arbitrator*") selected in accordance with this Section 10.12(b). The Disputing Member that submits a Dispute to arbitration shall designate its Arbitrator in its Arbitration Notice. The other Disputing Member shall designate its Arbitrator, by notice to the other Disputing Member, on or before the tenth Business Day following delivery of the Arbitration Notice. (If either Disputing Member fails to so designate its Arbitrator, the other Disputing Member may request the AAA to designate an Arbitrator for such Disputing Member.) The Arbitrator designated by each Disputing Member may be interested or have business relations with the Disputing Member who selected such Arbitrator. The two Arbitrators so designated shall attempt to agree upon a mutually acceptable third Arbitrator, who shall be independent of, and have no substantial business relations with, either of the Disputing Members. If they are unable to do so within fifteen Business Days following delivery of the notice described in the second preceding sentence, any Disputing Member may request the AAA to designate the third Arbitrator. If any Arbitrator so chosen shall die, resign or otherwise fail or becomes unable to serve as Arbitrator, a replacement Arbitrator shall be chosen in the same manner such original Arbitrator was chosen pursuant to this Section 12.0(b).

(ii) The Arbitrators shall expeditiously (and, if possible, within 90 days after the selection of the third Arbitrator) hear and decide all matters concerning the Dispute. Any arbitration hearing shall be held in Houston, Texas. The arbitration shall be conducted in accordance with the Federal Arbitration Act (the "*FAA*") and the then current Commercial Arbitration Rules of the AAA (excluding rules governing the payment of arbitration, administrative or other fees or expenses to the Arbitrators or the AAA), to the extent that such Rules do not conflict with the FAA and the terms of this Agreement. Except as expressly provided to the contrary in this Agreement, the Arbitrators shall have the power (A) to gather such materials, information, testimony and evidence as they deem relevant to the dispute before them (and each Member will provide such materials, information, testimony and evidence requested by the Arbitrators, except to the extent any information so requested is proprietary, subject to a third party confidentiality restriction or to an attorney client or other privilege) and (B) to grant injunctive relief and enforce specific performance. If they deem necessary, the Arbitrators may propose to the Disputing Members that one or more other experts be retained to assist the Arbitrators in resolving the Dispute. The retention of such other experts shall require the unanimous consent of the Disputing Members, which shall not be unreasonably withheld.

(iii) The decision of the Arbitrators (A) shall be by majority vote of the Arbitrators, (B) shall be rendered in writing, (C) shall be final, nonappealable and binding upon the Disputing Members, and (D) may be enforced in any court of competent jurisdiction; *provided, however*, that the Members agree that the Arbitrators and any court

enforcing the award of the Arbitrators shall not have the right or authority to award consequential damages or punitive or exemplary damages (however characterized and whether or not such damages might otherwise be available under applicable state or federal law) to any Disputing Member. The responsibility for paying the costs and expenses of the arbitration, including compensation to the Arbitrators and any experts retained by the Arbitrators, shall be allocated among the Disputing Members in a manner determined by the Arbitrators to be fair and reasonable under the circumstances.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first set forth above.

CLASS A MEMBER: ENRON NORTH AMERICA CORP.

By: _____
Name: _____
Title: Raymond M. Bowen, Jr.
Managing Director

CLASS B MEMBER: ANNAPURNA LLC

By: LJM2 AMPATO, LLC,
its Managing Member

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: _____

CLASS C MEMBER: ENRON NORTH AMERICA CORP.

By: _____
Name: _____
Title: Raymond M. Bowen, Jr.
Managing Director

EXHIBIT A
MEMBERS

Name and Address	Initial Sharing Ratio	Initial Capital Contribution	Commitment
CLASS A MEMBER:	0.01%	$1,000	$1,000
Enron North America Corp. c/o Enron Corp. 1400 Smith Street Houston, Texas 77002 Attn: Ben Glisan Fax: (713) 646-4990 with a copy to General Counsel -Global Finance, at the same address			
CLASS B MEMBER:	20%	$1,621,000	$50,000,000
Annapurna LLC c/o LJM2 Co-Investment, L.P. 333 Clay Street, Suite 1203 Houston ,Texas 77002 Attn: Andrew S. Fastow Fax: (713) 646-8656 Phone: (713) 345-5867			
CLASS C MEMBER:	79.99%	$200,000,000	$200,000,000
Enron North America Corp. c/o Enron Corp. 1400 Smith Street Houston, Texas 77002 Attn: Ben Glisan Fax: (713) 646-4990 with a copy to General Counsel -Global Finance, at the same address			

EXHIBIT B
FORM OF INTEREST CERTIFICATE

Certificate Evidencing Membership Interest
in a Limited Liability Company

Number
[ ]

FISHTAIL LLC

A LIMITED LIABILITY COMPANY UNDER THE LAWS OF THE STATE OF DELAWARE

Fishtail LLC, a Delaware limited liability company (the "*Company*"), hereby certifies that [ ] is the registered owner of a [Class A] [Class B] [Class C] Membership Interest in the Company. The designations, preferences and relative participating, optional or other special rights, powers and duties of the Membership Interest are set forth in, and this Certificate, and the Membership Interest represented hereby, is issued and shall in all respects be subject to all of the provisions of, the Amended and Restated Limited Liability Company Agreement of the Company, as amended, supplemented or restated from time to time (the "*Company Agreement*"). Copies of the Company Agreement are on file at, and will be furnished without charge on delivery of written request to the Company at, the principal executive office of the Company located at 1400 Smith Street, Houston, Texas 77002-7361. Capitalized terms used but not defined herein shall have the meaning given them in the Company Agreement. This Certificate and the Membership Interest evidenced hereby are not negotiable or transferable except as provided in the Company Agreement.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD, UNLESS IT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE (AND, IN SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY SHALL HAVE BEEN DELIVERED TO THE COMPANY AND THE OTHER MEMBERS TO THE EFFECT THAT SUCH OFFER OR SALE IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT).

THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER (INCLUDING CERTAIN DISQUALIFYING DISPOSITIONS) SET FORTH IN THE AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF

THE COMPANY DATED AS OF DECEMBER 19, 2000 (AS SUCH AGREEMENT MAY BE AMENDED FROM TIME TO TIME), A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES.

Witness the signature of the duly authorized representative of the Company.

FISHTAIL LLC

By: Enron North America Corp., its Class A Member

By:
Name:
Title:

Dated: _____, _____

FOR VALUE RECEIVED, _____, [Class A][Class B] [Class C] Member of Fishtail LLC, hereby sells, assigns, and transfers unto _____ the [Class A][Class B] [Class C] Member Interest in Fishtail LLC represented by the attached Certificate, and does hereby irrevocable constitute and appoint _____ attorney to transfer the said Member Interest on the books of Fishtail LLC with full power and substitution in the premises.

Dated: _____

[SIGNATURE BLOCK]

Deal Name:	**Fishtail**
Date:	**December 19, 2000**
Related Party:	**Fishtail LLC** **Annapurna LLC** LJM2 Ampato LLC, managing member of Annapurna LLC LJM2 Co-Investment, L.P., managing member of LJM2 Ampato LLC LJM2 Capital Management, L.P., manager of LJM2 Co-investment, L.P. LJM2 Capital Management, LLC, general partner of LJM2 Capital Management, L.P.
Enron Entities Involved:	Enron North America Caymus Trust
Primary Signatures:	Raymond Bowen on behalf of ENA; Barry Schnapper on behalf of Enron Corp.; Kathy Lynn as Authorized Person for Annapurna
Authoritative Literature:	EITF 88-16, EITF 90-13, EITF 90-15, EITF 96-16, EITF 96-21, EITF 98-3, EITF 98-6, EITF Topic D-14, SAB Topic 5E, APB Opinion 16, Rule 11-01 of Regulation S-X , FAS 125

Open Documents:

- *Caymus LLC documents (membership agreement, anything else)*
- *Note from ENA to Caymus*
- *Total return swap on debt between ENA & Caymus*
- *Any legal opinions regarding Caymus and/or Sundance*

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I. Enron Financial Statement Disclosures

December 31, 2000 Form 10-K

From Note 3 PRICE RISK MANAGEMENT ACTIVITIES AND FINANCIAL INSTRUMENTS [information in **bold** added by Deloitte & Touche for informational purposes only]:

> Securitizations. From time to time, Enron sells interests in certain of its financial assets. Some of these sales are completed in securitizations, in which Enron concurrently enters into swaps associated with the underlying assets which limits the risks assumed by the purchaser. Such swaps are adjusted to fair value using quoted market prices, if available, or estimated fair value based on management's best estimate of the present value of future cash flow. These swaps are included in Price Risk Management activities above as equity investments. During 2000, gains from sales representing securitizations were $381 million **[Fishtail $115 million]** and proceeds were $2,379 million **[Fishtail $200 million]** ($545 million of the proceeds related to sales to Whitewing Associates, L.P. (Whitewing)). See Notes 4 and 9. Purchases of securitized merchant financial assets totaled $1,184 million during 2000. Amounts primarily related to equity interests.

From Note 16 RELATED PARTY TRANSACTIONS [information in **bold** added by Deloitte & Touche for informational purposes only]:

> In 2000 and 1999, Enron entered into transactions with limited partnerships (the Related Party) whose general partner's managing member is a senior officer of Enron. The limited partners of the Related Party are unrelated to Enron. Management believes that the terms of the transactions with the Related Party were reasonable compared to those which could have been negotiated with unrelated third parties.

In 2000, the Related Party acquired, through securitizations, approximately $35 million of merchant investments from Enron. In addition, Enron and the Related Party formed partnerships in which Enron contributed cash and assets and the Related Party contributed $17.5 million **[Fishtail $8.0 million]** in cash. Subsequently, Enron sold a portion of its interests in the partnerships through securitizations. See Note 3.

September 30, 2001 Form 10-Q

From Note 4 RELATED PARTY TRANSACTIONS [information in **bold** added by Deloitte & Touche for informational purposes only]:

General Summary of LJM Transactions. From June 1999 through September 2001, Enron and Enron-related entities entered into 24 business relationships in which LJM1 or LJM2 participated. These relationships were of several general types, including: (1) sales of assets by Enron to LJM2 and by LJM2 to Enron; (2) purchases of debt or equity interests by LJM1 or LJM2 in Enron-sponsored SPEs; (3) purchases of debt or equity interests by LJM1 or LJM2 in Enron affiliates or other entities in which Enron was an investor; (4) purchases of equity investments by LJM1 or LJM2 in SPEs designed to mitigate market risk in Enron's investments; (5) the sale of a call option and a put option by LJM2 on physical assets; and (6) a subordinated loan to LJM2 from an Enron affiliate. The financial results of these transactions are summarized below.

(In Millions)	LJM Investment	Cash and Other Value Received by LJM	LJM Net Cash Flow	Impact of LJM Transactions on Enron's Restated Pre-Tax Earnings
Nine Months Ended September 30, 2001				
Sale of Assets	$ --	$ --	$ --	$ 0.7
Purchases of Equity/Debt in Enron-Sponsored Special Purpose Entities	--	52.5	52.5	--
Investments in Enron Affiliates	3.4	17.8	14.4	--
Portfolio Special Purpose Entities	--	75.5	75.5	(a) (166.2)
Call Option	--	--	--	--
Transactions with LJM and Other Entities	--	--	--	--
Transaction with LJM and Whitewing	--	--	--	--
Total	$ 3.4	$ 145.8	$ 142.4	$ (165.5)

(a) Enron's pre-tax earnings impact of transactions with LJM2 through the Raptor SPEs was approximately $545 million and $49 million for the nine months ended September 30, 2001 and 2000, respectively, excluding the pre-tax charge described below. During the nine months ended September 30, 2001 and 2000, the Raptor SPEs hedged losses related to Enron investments of $453 million and $35 million, respectively. The 2001 pre-tax earnings amount includes a $710 million pre-tax charge in the quarter ended September 30, 2001 related to the termination of the Raptor SPEs.

(In Millions)	LJM Investment	Cash and Other Value Received by LJM	LJM Net Cash Flow	Impact of LJM Transactions on Enron's Restated Pre-Tax Earnings
2000				
Sale of Assets	$ (b) 30.0	$ 32.4	$ 2.4	$ 86.6
Purchases of Equity/Debt in Enron-Sponsored Special Purpose Entities	100.7	64.4	(36.3)	--
Investments in Enron Affiliates	66.5	51.2	(15.3)	--
Portfolio Special Purpose Entities	127.1	148.5	21.4	(a) 532.0
Call Option	11.3	12.5	1.2	--
Transactions with LJM and Other Entities	7.5	11.7	4.2	--
Transaction with LJM and Whitewing	40.3	--	(40.3)	--
Total	$ 383.4	$ 320.7	$ (62.7)	$ 618.6

(a) Enron's pre-tax earnings impact of transactions with LJM2 through the Raptor SPEs was approximately $532 million in 2000. During 2000, the Raptor SPEs hedged losses related to Enron investments of $501 million.
(b) This amount excludes a seller financed note from Enron to LJM of approximately $70 million.

Purchases of Equity/Debt in Enron-Sponsored SPEs. Between September 1999 and December 2000, LJM1 or LJM2 purchased equity or debt interests in nine Enron-sponsored SPEs. LJM1 and LJM2 invested $175 million **[Fishtail $8.0 million]** in the nine SPEs. These transactions enabled Enron to monetize assets and generated pre-tax earnings to Enron of $2 million in 1999.

Enron believes that LJM received cash of $15 million, $64 million **[Fishtail $8.5 million]** and $53 million in 1999, 2000 and 2001, respectively, relating to its investments in these entities. In three instances, third-party financial institutions also invested in the entities. LJM invested on the same terms as the third-party investors. In one of these nine transactions, Enron entered into a marketing agreement with LJM2 that provided Enron with the right to market the underlying equity. This arrangement gave Enron profit potential in proceeds received after LJM2 achieved a specified return level. In six of these nine transactions, Enron repurchased all or a portion of the equity and debt initially purchased by LJM.

The SPEs owned, directly or indirectly, a variety of operating and financial assets. For example, Yosemite Securities Trust was a finance entity which facilitated Enron's ability to raise funds in the capital markets through the use of credit-linked notes, a standard financing arrangement offered by investment banks. Osprey Trust is beneficially-owned by a number of financial institutions and is a limited partner in Whitewing Associates, L.P., an Enron unconsolidated affiliate (Whitewing) (see Note 8). Enron is the other partner. Whitewing purchased certain Enron investments for future sale.

In addition, as a result of these transactions, Enron was able to monetize equity interests with investment banks. These monetizations resulted in Enron's recognizing $146 million | **Fishtail $115 million** | and $5 million in pre-tax earnings in 2000 and the nine months ended 2001, respectively, and $252 million | **Fishtail $200 million** | in cash inflows, all in 2000.

II. Timeline of Fishtail Transaction

Date	Event
December 19, 2000	Fishtail formed by ENA and Annapurna/LJM2 • ENA contributes pulp and paper trading "business" valued at $200 million • Annapurna contributes $1.6 million cash and $48.4 million commitment
December 22, 2000	Annapurna contributes an additional $6.4 million cash to Fishtail Annapurna reduces its commitment to $42 million
December __, 2000	ENA sold Class C interest in Fishtail to Caymus Trust for $200 million • Enron records a gain of $115 million ENA enters into total return swap with Caymus Trust
June 2001	ENA and Salomon Brothers form Sundance Sundance purchases the interests in Fishtail from Annapurna and Caymus Trust

III. Background and Formation

General/Business Purpose

According to a Transaction Support Memorandum dated October 1, 2000, Enron had been operating a pulp and paper business since 1997. Pulp and paper trades with a notional volume and value of 19.9 million tons and $8.3 billion, respectively, had been executed through this business. The business, run by Jeff McMahon, President and Chief Executive Officer, and Raymond Bowen, Chief Operating Officer, employed 38 traders/originators and 20 commercial support employees. As of September 30, 2000, the trading book had a mark-to-market value of approximately $80 million.

Per Mike Patrick, Enron was looking to form a joint venture with an equity partner in order to expand its pulp and paper business model, including purchasing additional plants and making capital improvements. Discussions were held with possible investors, including Blackstone Group. In November 2000, a valuation analysis was prepared by Chase Securities Inc., which analyzed the values of Garden State Paper Company (purchased by Enron in July 2000), the pulp and paper trading business, and "soft assets" to be contributed to or utilized by the proposed joint venture.

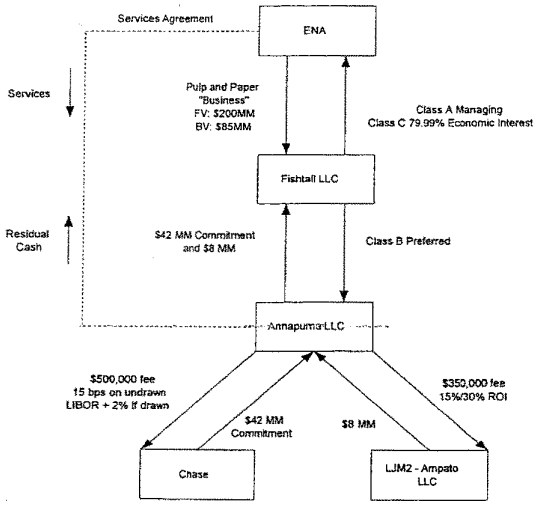
In December 2000, the possible joint venture partner indicated that it was no longer interested in participating. The issues involved in this decision were primarily associated

with desired compensation of management and the employees of the joint venture – the third party required that compensation be dependent only upon the results of the pulp and paper business, rather than Enron's results of operations or appreciation of Enron stock.

The Fishtail transaction was developed and executed in December 2000 as a means to extract a recognized value from the pulp and paper trading business in Enron's financial results for the fourth quarter of 2000. By converting its pulp and paper business into an equity investment in Fishtail, Enron could then monetize its interest and recognize the gain resulting from the difference between the fair value and the book value of the business.

Initial Transaction Diagram

Below is a diagram of the initial Fishtail deal structure:



Formation of Annapurna

Annapurna LLC ("Annapurna") was a special purpose entity formed on December 19, 2000 to consummate the transactions contemplated by the Fishtail LLC Agreement and the other transaction documents to which it was a party. LJM2 Ampato LLC was the sole and managing member of Annapurna.

Annapurna was initially capitalized with approximately $1.5 million equity from LJM2 and a $48.4 million credit agreement (the "Annapurna Credit Agreement") from The Chase Manhattan Bank ("Chase").

The term of Annapurna was to continue for two years after December 19, 2000, unless dissolved and terminated earlier pursuant to the Annapurna LLC Agreement. (*from CD-rom electronic files* INT13 00001)

Annapurna Credit Agreement

The Annapurna Credit Agreement, dated as of December 19, 2000 (INT5 01833), provided up to an aggregate amount of approximately $48.4 million to Annapurna through June 29, 2001. The proceeds from the Annapurna Credit Agreement could only be used for required capital contributions to Fishtail LLC ("Fishtail"). Annapurna designated Enron North America Corp. ("ENA") as its non-exclusive agent to give requests for borrowings to Chase, and agreed that the proceeds could be paid directly to Fishtail.

The Annapurna Credit Agreement prohibited Annapurna from certain actions until the commitments expired or terminated. Annapurna was not permitted to:

- Incur additional indebtedness,
- Sell or transfer its Class B interest in Fishtail,
- Agree to amend or terminate the Fishtail LLC Agreement,
- Have any employees,
- Make capital expenditures,
- Consent to the dissolution of Fishtail, or
- Consent to allow Fishtail to (i) issue additional interests, (ii) modify any right under any agreement between Fishtail and Enron or an affiliate of Enron, (iii) set financial policies regarding capital structure, (iv) appoint any independent auditor other than Arthur Andersen, or (v) commence voluntary bankruptcy or similar proceedings.

In addition, Annapurna was required to do the following under the terms of the Annapurna Credit Agreement:

- Own at all times the Class B interest in Fishtail,
- At all time be the sole Class B member of Fishtail, and
- Promptly after June 29, 2001, exercise its right to require that Fishtail be sold (see "- Right of First Offer; Drag Along Rights" below).

The Annapurna Credit Agreement was collateralized by Annapurna's interest in Fishtail.

Formation of Fishtail

Fishtail was formed by ENA and Annapurna on December 18, 2000 to engage in the use of the wholesale business model for the creation of value by the development of efficient and price-transparent markets in the pulp, paper, and lumber businesses. These markets were to be developed through the establishment and operation of a real-time physical and financial trading system, together with the associated commercial activities.

Fishtail had a term of five years from December 18, 2000 to December 31, 2005, unless dissolved earlier in accordance with the Fishtail LLC Agreement (INT5 01973).

Pursuant to a Conveyance and Agreement dated as of December 19, 2000 (INT5 02023), ENA assigned to Fishtail an economic interest equal to 100% of the net economic benefits or burdens of existing and future contracts executed in the pulp, paper and lumber trading business (referred to herein as the "contributed business"). The term of the conveyance was from December 19, 2000 until termination of Fishtail pursuant to the Fishtail LLC Agreement. The Conveyance and Agreement provided for payments as follows:

- ENA was required to pay in cash to Fishtail on a quarterly basis beginning March 31, 2001, any gain in respect of the contributed business realized by ENA for the period.
- When losses in respect of the contributed business existed, ENA was required to invoice Fishtail for the amount of the losses, not to exceed $50 million.
- Upon Fishtail's receipt of cash capital contributions from Annapurna, Fishtail was required to make payment to ENA, which would be applied to amounts owed by Fishtail to ENA.

The parties agreed that the valuation analysis dated November 20, 2000 prepared by Chase Securities Inc. (*no Bates ID*) would be used for the contributed business. ENA represented that no material changes had occurred in the contributed business since the date of valuation. A value of $200 million was assigned to the contributed business.

In exchange for its conveyance, ENA received a Class A and Class C interest in Fishtail. The Class A interest was the managing member interest, and the Class C interest represented 79.99% of the economics.

Annapurna contributed approximately $1.6 million cash and a $48.4 million commitment. In exchange, Annapurna received a Class B interest in Fishtail. The Class B interest was entitled to:

- A preferred return equal to Libor + 7% on its entire commitment ($50 million),
- 20% ownership of Fishtail, and
- The ability to cause the management responsibility of Fishtail granted to the Class A member to be assumed by a Board of Directors with four members, two of which would be appointed by the Class B member.

Capital Commitments

ENA, as managing member, could request additional capital contributions for the amount by which Fishtail's aggregate net realized losses exceeded approximately $201.6 million. Annapurna, as Class B member, was required to contribute 20% of such additional capital.

Distributions

Except as provided in 1) below, on June 30 and December 31 of each year, commencing June 30, 2001, Fishtail was required to make distributions in the following order of priority:

1) First, no less frequently than quarterly, an amount sufficient to permit Annapurna to pay federal, state or local income taxes associated with the business and operations of Fishtail,

2) Second, the preferred return to Annapurna,

3) Third, the amounts of cash contributed by Annapurna in excess of its initial capital contribution of $1.6 million, and

4) Thereafter, to ENA.

Profit and Loss Allocation

Profits were required to be allocated among ENA and Annapurna as follows:

- 100% to Annapurna to reverse losses previously allocated,
- 100% to ENA to reverse losses previously allocated,
- 100% to Annapurna up to the preferred return amount, and
- The balance to ENA.

Losses were required to be allocated among ENA and Annapurna as follows:

- 100% to ENA to the extent of its adjusted capital account for its Class C interest,
- 100% to Annapurna to the extent of its adjusted capital account,
- 100% to ENA to the extent of its adjusted capital account for its Class A interest, and
- The balance to ENA.

Management

Management of Fishtail was vested in ENA, as Class A member. ENA agreed to continue activities in the contributed business, including creating, developing and operating market making activities; developing and maintaining hardware, software and technology infrastructures; and effecting transactions in commodities or other products in the contributed business in accordance with ENA's trading policies and Enron's Risk Management Policy. ENA was entitled to reimbursement of its actual and allocated costs and expenses.

ENA was required to cause Fishtail to conduct its business separate from any member, including segregating property, funds and accounts; maintaining books and records; and causing Fishtail to conduct its dealings with third parties in its own name as a separate and independent entity.

As mentioned above, the holder of the Class B interest could cause the management of Fishtail to be assumed by a Board of Directors. If Annapurna was controlled by LJM2, the Advisory Committee of LJM2 was required to approve the change to a Board of Directors. The Board of Directors would consist of four members, two appointed by each of the Class A member and the Class B member. The Board could take action only by the vote of a majority of the entire number of directors, which majority vote was required to include at least one representative of the Class A member and one representative of the Class B member.

Right of First Offer; Drag Along Rights

At any time after six months from December 19, 2000, if Annapurna wanted to sell all of its Class B interest, Annapurna was required to give right of first offer notice to ENA. ENA had the right, expiring 30 days following notice, to offer to purchase the Class B interest before it could be sold to a third party. Annapurna was required to then accept or reject any such offers from ENA within ten days.

Under the drag along rights, if Annapurna wanted to sell its interest, Annapurna could force ENA to sell its interest as well. If no offer to purchase was received from ENA, Annapurna had the option to require ENA to sell all of ENA's interest to the purchaser at the price and on the same terms and conditions as otherwise agreed with Annapurna

Conflict of Interest

ENA agreed that Enron would not, directly or indirectly (other than through the Wholesale Services Group of Enron), engage in the contributed business or create a subsidiary to do so. However, nothing in the Fishtail LLC Agreement required Enron to continue to engage in the contributed business. Enron was free to pursue or abandon the contributed business in its sole discretion.

Consent Rights

As an inducement for Annapurna to acquire the Class B interest in Fishtail, it was agreed that the following actions would not be taken without Annapurna's consent (or approval of the Board of Directors of Fishtail if one had been appointed) during the time with the Annapurna Credit Agreement was in effect:

1) Issue additional membership interests,
2) Modify rights under any agreement between Fishtail and Enron or an affiliate of Enron,
3) Set financial policies for Fishtail regarding capital structure,
4) Appoint independent auditors other than Arthur Andersen, or
5) Commence voluntary bankruptcy or similar proceedings.

Services Agreement

Annapurna entered into a services agreement with ENA that effectively swept the excess of cash in Annapurna over the amount necessary to satisfy Annapurna's expenses, including principal and interest payments on debt and fees and charges of lenders, and a 15% return (30% after June 30, 2001) to LJM2 as stipulated in the agreement. (INT5 02080)

Under the agreement, ENA agreed to provide services to Annapurna, including:

- Accounting, planning, treasury, tax, and technical support,
- Cash management, making cash distributions,
- Managing the registration and transfer of interests, and
- Preparing and filing government and regulatory reports.

ENA was required to appoint an appropriate number of employees dedicated to providing these services to Annapurna.

Dissolution

Fishtail was required to be dissolved upon the occurrence of the following:

- Consent of all members,
- Expiration of the term of Fishtail,
- Judicial dissolution,
- Termination of legal existence of the last remaining member,
- Fishtail being consolidated with Enron or ENA, or
- Enron ceasing to engage in the contributed business.

Upon dissolution, ENA, as Class A member, was required to first discharge from Fishtail's funds all of the debts, liabilities and obligations owed to creditors. Then all remaining assets of Fishtail were to be distributed among the members as follows:

1) First, to Annapurna until its received an amount equal to the sum of (i) any accrued and unpaid preferred return to the date of dissolution and (ii) the amount of any unreturned capital contributions made by Annapurna, and

2) Second, to ENA.

Amendments and Additional Capital

Shortly after formation of Fishtail, it was determined that an additional equity contribution was required to further support off-balance sheet treatement. The parties agreed to the following changes to the transction documents on December 22, 2000 (*from CD-rom electronic files* INT13 00001):

1) LJM2 would purchase an additional voting member interest in Annapurna for approximately $6.4 million. Such additional capital was deemed to have been contributed concurrently with LJM2's original contribution to Annapurna on December 19, 2000.
2) The $6.4 million additional capital was to be funded by Annapurna to Fishtail in connection with Annapurna's purchase of its Class B interest in Fishtail.
3) Annapurna, as Class B member of Fishtail, was required to make capital contributions at any time that the aggregate net realized losses of Fishtail were approximately $208.0 million or more.
4) Chase's initial commitment under the Annapurna Credit Agreement was reduced to approximately $42 million.

As amended, the capital contributions to Fishtail were comprised of:

Member	Class	Type	Contribution
ENA	A	Equity	$ 1,000
Annapurna	B	Equity (1)	1,621,000
Annapurna	B	Equity (2)	6,403,061
Annapurna	B	Debt (1)	48,379,000
Annapurna	B	Debt (2)	(6,403,061)
ENA	C	Equity	200,000,000
Total			$250,001,000

(16.8% Debt, 83.2% Equity, 3.86% Annapurna Equity)

IV. Enron Indemnification

Enron indemnified Chase and Annapurna against claims resulting from:

- Ownership, possession or delivery by Enron, an affiliate of Enron, or Fishtail of physical products in the pulp, paper and lumber trading business,
- Violations of law by Enron,
- Breach of covenant or agreement by Enron or an affiliate of Enron under the transaction documents,
- Falsity of representations or warranties of Enron or an affiliate of Enron in the transaction documents, and
- Hazardous materials or environmental damage arising from the pulp, paper and lumber trading business.

The indemnification did not cover Fishtail's obligation to make payments to ENA in respect of losses under the Conveyance and Agreement described above. (INT5 01896)

V. Transaction Fees

As consideration for their roles in structuring the financing for Annapurna, Enron agreed to pay to Chase Securities Inc. and LJM2 an advisory fee of $500,000 and $100,000, respectively (*from CD-rom electronic files* INT13 00001).

Enron also agreed to pay or reimburse LJM2 for all reasonable out-of-pocket costs and expenses incurred by LJM2 in connection with the preparation, negotiation, execution and delivery of the definitive documents for the financing of Annapurna and the formation of Fishtail, including the reasonable fees and expenses of one legal counsel.

Pursuant to a supplemental letter agreement dated December 22, 2000, Enron agreed to pay to LJM2 an additional advisory fee of $250,000 (*from CD-rom electronic files* INT13

00001). Per Mike Patrick, the additional fee was associated with the additional equity capital contribution required of LJM2 described above.

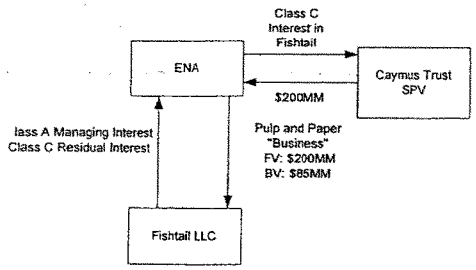
In the event that, on July 1, 2001, Annapurna owned the Class B interest in Fishtail and LJM2 (or an affiliate) owned the membership interests in Annapurna, Annapurna was required to make a capital contribution of $400,000 to Fishtail and Enron was required to pay LJM2 an additional advisory fee of $400,000.

VI. Economics

As the Class B interest holder, Annapurna was entitled to receive a preferred return of LIBOR plus 7% on its $50 million investment in Fishtail. ENA, as the Class C interest holder, would bear all of the net realized trading losses up to $200 million and was entitled to receive all earnings in excess of Annapurna's preferred return. Annapurna would bear any net realized trading losses in excess of $200 million until its capital account was extinguished.

VII. Monetization

In December 2000, subsequent to the formation of Fishtail, ENA sold its Class C interest in Fishtail to Caymus Trust ("Caymus"), a special purpose entity, for $200 million. Caymus was capitalized with 97% debt from Citibank and 3% equity from Fleet, both unrelated third parties. Caymus's debt was secured by a total return swap written by ENA.



[Open for further details – Need Caymus documents]

VIII. Subsequent Transaction

In June 2001, Salomon Brothers Holding Company ("Salomon") and ENA formed Sundance Industrial Partners LP ("Sundance") to provide capital and to expand the pulp and paper business. Upon formation, ENA and Salomon contributed their pulp and paper assets and cash, which were used to purchase Annapurna and Caymus' interest in Fishtail for $8.5 million and $207 million, respectively. Neither Fishtail nor Annapurna made any distributions of capital or earnings to any of their members prior to Sundance's purchase of Annapurna's interest in Fishtail.

[Open for confirmation and further details – Need Sundance documents]

IX. Enron Accounting Treatment

ENA accounted for its investment in Fishtail under the equity method of accounting. ENA's cost basis in its pulp and paper trading business of approximately $85 million was "carried-over" and represented its basis in Fishtail. ENA recognized no gain or loss on the formation of Fishtail.

As a result of the sale of its Class C interest in Fishtail to Caymus, ENA recorded a gain of approximately $115 million, which represented the difference between the sale price and ENA's $85 million cost basis in Fishtail.

[Open for explanation of gain recorded in Sundance transaction – Need Sundance documents]

X. Accounting Issues and Related Guidance

Did Fishtail meet the requirements for nonconsolidation as either a special purpose entity or a joint venture?

a. *Is Fishtail a special purpose entity or a joint venture?*

Although there is no definition of an SPE in the authoritative accounting literature, it is typically an entity created for one purpose, with little or no other activity, and is designed to benefit a single company. SPE's do not meet the definition of a "business" for accounting purposes. Thus, if Fishtail is considered to be a "business", it could be viewed as a joint venture, rather than an SPE.

EITF No. 98-3, *Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business*, sets forth criteria for determining what constitutes a "business."

> A business is a **self-sustaining integrated set of activities and assets** conducted and managed for the purpose of providing a return to investors

[emphasis added]. A business consists of (a) inputs, (b) processes applied to those inputs, and (c) resulting outputs that are used to generate revenues. For a transferred set of activities and assets to be a business, it **must contain all of the inputs and processes necessary for it to continue to conduct normal operations after the transferred set is separated from the transferor**, which includes the ability to sustain a revenue stream by providing its outputs to customers [emphasis added]. The elements necessary for a transferred set to continue to conduct normal operations will vary by industry and by the operating strategies of the transferred set. An evaluation of the necessary elements should consider:

Inputs

a. Long-lived assets, including intangible assets, or rights to the use of long-lived assets.
b. Intellectual property.
c. The ability to obtain access to necessary materials or rights.
d. Employees.

Processes

e. The existence of systems, standards, protocols, conventions, and rules that act to define the processes necessary for normal, self-sustaining operations, such as (i) strategic management processes, (ii) operational processes, and (iii) resource management processes.

Outputs

f. The ability to obtain access to the customers that purchase the outputs of the transferred set.

A transferred set of activities and assets fails the definition of a business if it excludes one or more of the above items such that it is not possible for the set to continue normal operations and sustain a revenue stream by providing its products and/or services to customers [emphasis added]. However, if the excluded item or items are only minor (based on the degree of difficulty and the level of investment necessary to obtain access to or to acquire the missing item(s)), then the transferred set is capable of continuing normal operations and is a business. The assessment of whether excluded items are only minor should be made without regard to the attributes of the transferee and should consider such factors as the uniqueness or scarcity of the missing element, the time frame, the level of effort, and the cost required to obtain the missing element....

The determination of whether a transferred set of assets and activities is or is not a business is a three-step process. First, one must identify the elements included in the transferred set. Second, one must compare the

> identified elements in the transferred set to the complete set of elements necessary for the transferred set to conduct normal operations in order to identify any missing elements. Third, if there are missing elements, one must make an assessment as to whether the missing elements cause one to conclude that the transferred set is not a business. That assessment is based on the degree of difficulty or the level of investment (relative to the fair value of the transferred set) necessary to obtain access to or to acquire the missing elements. If the degree of difficulty and level of investment necessary to obtain access to or to acquire the missing elements are not significant, then the missing elements are considered minor and their absence would not cause one to conclude that the transferred set is not a business. The determination of the degree of difficulty or level of investment necessary to obtain access to or to acquire the missing elements requires significant judgment and is dependent on the particular facts and circumstances.

From ENA's contribution, Fishtail held the net economic benefits or burdens of existing and future contracts executed in the pulp, paper and lumber trading business. The term of the conveyance was for a five-year period. ENA agreed to continue activities in the contributed business, including creating, developing and operating market making activities; developing and maintaining hardware, software and technology infrastructures; and effecting transactions in commodities or other products in the contributed business in accordance with ENA's trading policies and Enron's Risk Management Policy. ENA was required to cause Fishtail to conduct its business separately, including segregating property, funds and accounts; maintaining books and records; and causing Fishtail to conduct its dealings with third parties in its own name as a separate and independent entity.

Enron viewed Fishtail as a business based on the fact that it held all of the benefits and burdens of the trading contracts. Because ENA agreed to continue activities and develop and maintain the necessary systems, Fishtail had the necessary inputs, processes and outputs to be considered a business.

However, it could be argued that, because Fishtail (i) only had the economic interest in the contracts, (ii) had no employees of its own, and (iii) had no systems or infrastructure of its own to conduct trading activities, it could not exist without ENA. In such case, Fishtail would not meet the definition of a "business" and could not be considered a joint venture.

In addition, because Fishtail was required to be dissolved upon ENA ceasing to engage in the contributed business, ENA could be viewed as having a significant control right. Such a control right could indicate that Fishtail does not qualify as a "business". See c. below for discussion of this right in relation to nonconsolidation of joint ventures.

b. *If Fishtail is considered an SPE, does it meet the requirements for nonconsolidation?*

The current guidance regarding accounting for SPE structures is primarily directed toward lease transactions. However, Question 2 to EITF 90-15, Impact of Nonsubstantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions, states that its conditions, which focus on the risks and rewards and substantive nature of the SPE, may be useful in evaluating nonleasing transactions involving SPEs.

EITF Topic D-14, Transactions involving Special-Purpose Entities, states:

> Generally, the SEC staff believes that for nonconsolidation and sales recognition by the sponsor or transferor to be appropriate, the majority owner (or owners) of the SPE must be an **independent** third party who has made a **substantive** capital investment in the SPE, has **control** of the SPE, and has **substantive risks and rewards of ownership** of the assets of the SPE (including residuals) [emphasis added]. Conversely, the SEC staff believes that nonconsolidation and sales recognition are not appropriate by the sponsor or transferor when the majority owner of the SPE makes only a nominal capital investment, the activities of the SPE are virtually all on the sponsor's or transferor's behalf, and the substantive risks and rewards of the assets or the debt of the SPE rest directly or indirectly with the sponsor or transferor.

The issue in EITF 98-6, Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Approval or Veto Rights, was what rights held by limited partners preclude consolidation in circumstances in which the sole general partner would consolidate the limited partnership in accordance with generally accepted accounting principles absent the existence of the rights held by the limited partners. A working group was established but no consensus was reached. **However, the Task Force did not object to the general concepts proposed by the working group, including the notion that a partnership agreement that provides for the removal of the general partner by a reasonable vote of the limited partners, without cause, and without the limited partners or partnership incurring a significant penalty, indicates that the sole general partner does not control the limited partnership** [emphasis added].

Management of Fishtail was vested in ENA, as Class A member. However, Annapurna could cause the management of Fishtail to be assumed by a Board of Directors. If Annapurna was controlled by LJM2, the Advisory Committee of LJM2 was required to approve the change to a Board of Directors. The Board of Directors would consist of four members, two appointed by each of the Class A member and the Class B member. The Board could take action only by the vote of a majority of the entire number of directors, which majority vote was required to include at least one representative of the Class A member and one representative of the Class B member. Because Andrew Fastow, Enron's Chief Financial Officer, was the general partner of LJM2 at the time, an

evaluation must be made as to whether Annapurna/LJM2 was an independent third party and whether Annapurna/LJM2 or Enron had control of Fishtail.

See separate LJM Governance memorandum addressing issues related to Enron's Chief Financial Officer's control of LJM2.

See discussion below regarding Annapurna's risks and reward of ownership.

Under EITF 90-15, consolidation of an SPE is not required when the owner(s) of record of the SPE has made an initial **substantive** residual equity capital investment that is **at risk** during the entire term [emphasis added]. This requires that the investment be

> ...comparable to that expected for a substantive business involved in similar [leasing] transactions with similar risks and rewards. The SEC staff understands from discussions with Working Group members that those members believe that 3 percent is the minimum acceptable investment. The SEC staff believes a greater investment may be necessary depending on the facts and circumstances...

EITF 96-21, Implementation Issues in Accounting for Leasing Transactions involving Special-Purpose Entities, states that, to satisfy the at-risk requirement, an initial substantive residual equity capital investment must represent an **equity interest in legal form**, must be **subordinate to all debt interests**, and must represent the residual equity interest **during the entire term** [emphasis added].

The view that Fishtail met the equity at risk requirements for nonconsolidation would be based on the following assertions:

- Annapurna's cash equity contribution was substantive because it met the 3% minimum investment criteria.
- Annapurna received a "membership interest" in Fishtail in return for its cash contribution, thus it was equity in legal form.
- Annapurna's interest was subordinate to debt interests because the Fishtail LLC Agreement required that debts, liabilities and obligations of Fishtail be paid before distributions to Annapurna and ENA.

However, because ENA, as the Class C interest holder, would bear all of the losses up to $200 million and Annapurna would only bear losses in excess of $200 million until its capital account was extinguished, it could be argued that Annapurna's equity was not substantively at risk. In such case, Annapurna would not be considered to have substantive risks and rewards of ownership of Fishtail.

c. *If Fishtail is considered a joint venture, does it meet the requirements for nonconsolidation?*

EITF 96-16, Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights, speaks to this issue.

> The Task Force agreed that the assessment of whether the rights of a minority shareholder should overcome the presumption of consolidation by the investor with a majority voting interest in its investee is a matter of judgment that depends on facts and circumstances. The Task Force further agreed that the framework in which such facts and circumstances are judged should be based on **whether the minority rights, individually or in the aggregate, provide for the minority shareholder to effectively participate in significant decisions that would be expected to be made in the "ordinary course of business"** [emphasis added]. Effective participation means the ability to block significant decisions proposed by the investor who has a majority voting interest. That is, control does not rest with the majority owner because the investor with the majority voting interest cannot cause the investee to take an action that is significant in the ordinary course of business if it has been vetoed by the minority shareholder. This assessment of minority rights should be made at the time a majority voting interest is obtained and should be reassessed if there is a significant change to the terms or in the exercisability of the rights of the minority shareholder.
>
> The Task Force observed that all minority rights could be described as "protective" of the minority shareholder's investment in the investee but that some minority rights also allow the minority shareholder to participate in determining certain financial and operating decisions of the investee that are made in the ordinary course of business (subsequently referred to as "participating rights"). The Task Force agreed that minority rights that are only protective in nature (subsequently referred to as "protective rights") would not overcome the presumption in Statement 94 that the owner of a majority voting interest should consolidate its investee. The Task Force agreed that substantive minority rights that provide the minority shareholder with the right to effectively participate in significant decisions that would be expected to be related to the investee's ordinary course of business, although also protective of the minority shareholder's investment, should overcome the presumption in Statement 94 that the investor with a majority voting interest should consolidate its investee.
>
> For purposes of this consensus, decisions made in the ordinary course of business are defined as **decisions about matters of a type consistent with those normally expected to be addressed in directing and carrying out the entity's current business activities**, regardless of whether the events or transactions that would necessitate such decisions are expected to occur in the near term [emphasis added]. However, it must

be at least reasonably possible that those events or transactions that would necessitate such decisions will occur. The ordinary course of business definition would not include self-dealing transactions with controlling shareholders.

EITF 96-16 also states that the following rights of a minority shareholder should be considered substantive participating rights and would preclude consolidation by the majority shareholder:

- Selecting, terminating and setting the compensation of management responsible for implementing the investee's policies and procedures, or
- Establishing operating and capital decisions of the investee, including budgets, in the ordinary course of business.

The above rights may be modified to reflect the underlying business activities contemplated by the entity.

Factors supporting an assertion that Fishtail, as a joint venture, meets the requirements for nonconsolidation, include the following:

- Annapurna has the ability, with or without cause, to require the management responsibilities of Fishtail to be removed from ENA and assumed by a Board of Directors, on which Annapurna would have 50% representation. By doing so, it can be argued that Annapurna could fully participate in all operating and capital decisions that could occur during the ordinary course of Fishtail's business.

- Including its $42 million commitment, Annapurna has a significant economic interest in Fishtail. Its commitment and $8 million contribution together constitute approximately 20% of the total capitalization of Fishtail.

- Where the profit/loss sharing arrangement allocates first losses to Enron, it is Enron's policy that the third party investor should contribute at least 10% of the fair value of the entity in order to validate that its participating rights are substantive. In any event, Enron's policy is that the first loss provision cannot be greater than 80% of the fair value of the assets at inception and should be reduced accordingly by capital contributions below 20%. Enron bases this assessment on the fair value of the items contributed and considers all items of value regardless of form (i.e. guarantees, commitments, letters of credit, derivatives).

  In this case, ENA is allocated the first $200 million of losses from Fishtail. Annapurna contributed $50 million ($8 million cash and $42 million commitment) of Fishtail's $250 million capitalization, or 20%. Thus, based on Enron's policy, ENA can be allocated losses up to 80% of the fair value of Fishtail's assets, or $200 million, and still maintain substantive participating rights.

- ENA does not have an option to buy Annapurna's interest in Fishtail. If Annapurna desires to sell its Class B interest, ENA does have "right of first offer" whereby ENA can offer to buy the interest before it may be sold to any third party. However, since Annapurna is not obligated to accept ENA's offer and this right is only triggered if Annapurna desires to sell its interest, this right does not negate Annapurna's participating rights in Fishtail.

Challenges to this assertion include the following:

- Annapurna's participating rights, if any, are diminished by the fact that Fishtail is dependent on the activities of ENA for its operations. Although Annapurna can cause the management of Fishtail to be transferred from ENA to a Board of Directors, nothing in the Fishtail LLC Agreement required Enron to continue to engage in the contributed business. Enron was free to pursue or abandon the contributed business in its sole discretion. If Enron ceased to engage in the contributed business, the terms of the Fishtail LLC Agreement required that Fishtail be dissolved.

- Annapurna's commitment should not be considered in evaluating its economic interest in Fishtail because it may not be required to invest this amount. Annapurna's cash contribution of $8 million only represents approximately 3% of the total capitalization of Fishtail. Because of the large disparity between this amount and the ownership interest of ENA, the rights of Annapurna are more likely to be protective, rather than participating, rights.

- ENA's allocation of the first $200 million of losses of Fishtail combined with the fact that Annapurna only made an $8 million firm commitment indicates that it has minimal risk. Thus, it is less likely that Annapurna will participate in Fishtail's operations.

- Because Annapurna is controlled by LJM2, the related party nature between Annapurna and ENA indicate that Annapurna's participating rights in Fishtail are not substantive.

Did ENA substantively divest the contributed business to Fishtail?

SEC Staff Accounting Bulletin No. 40, Topic 5E, Accounting for Divestiture of a Subsidiary or Other Business Operation (SAB Topic 5E) addresses this issue in the following:

> Facts:
> Company X transferred certain operations (including several subsidiaries) to a group of former employees who had been responsible for managing those operations. Assets and liabilities with a net book value of approximately $8 million were transferred to a newly formed entity — Company Y — wholly owned by the former employees. The consideration

received consisted of $1,000 in cash and interest bearing promissory notes for $10 million, payable in equal annual installments of $1 million each, plus interest, beginning two years from the date of the transaction. The former employees possessed insufficient assets to pay the notes and Company X expected the funds for payments to come exclusively from future operations of the transferred business.

Company X remained contingently liable for performance on existing contracts transferred and agreed to guarantee, at its discretion, performance on future contracts entered into by the newly formed entity. Company X also acted as guarantor under a line of credit established by Company Y.

The nature of Company Y's business was such that Company X's guarantees were considered a necessary predicate to obtaining future contracts until such time as Company Y achieved profitable operations and substantial financial independence from Company X.

Question 1:
Company X proposes to account for the transaction as a divestiture, but to defer recognition of gain until the owners of Company Y begin making payments on the promissory notes. Does this proposed accounting treatment reflect the economic substance of the transaction?

Interpretive Response:
No. The circumstances are such that the risks of the business have not, in substance, been transferred to Company Y or its owners.

In assessing whether the legal transfer of ownership of one or more business operations has resulted in a divestiture for accounting purposes, the principal consideration must be an assessment of whether the risks and other incidents of ownership have been transferred to the buyer with sufficient certainty.

When the facts and circumstances are such that there is a continuing involvement by the seller in the business, recognition of the transaction as a divestiture for accounting purposes is questionable. Such continuing involvement may take the form of effective veto power over major contracts or customers, significant voting power on the board of directors, or other involvement in the continuing operations of the business entailing risks or managerial authority similar to that of ownership.

Other circumstances may also raise questions concerning whether the incidents of ownership have, in substance, been transferred to the buyer. These include:

- Absence of significant financial investment in the business by the buyer, as evidenced, for instance, by a token down payment;
- Repayment of debt which constitutes the principal consideration in the transaction is dependent on future successful operations of the business; or
- The continued necessity for debt or contract performance guarantees on behalf of the business by the seller.

In the above transaction, the seller's continuing involvement in the business and the presence of certain of the other factors cited evidence the fact that the seller has not been divorced from the risks of ownership. Accounting for this proposed transaction as a divestiture — even with deferral of the "gain" — does not reflect its economic substance and therefore is not appropriate.

Question 2:
If the transaction is not to be treated as a divestiture for accounting purposes, what is the proper accounting treatment?

Interpretive Response:
If, in the circumstances surrounding a particular transaction, a determination is made that a legal transfer of business ownership should not be recognized as a divestiture for accounting purposes, an accounting treatment consistent with that determination is required. In this instance, the assets and liabilities of the business which were the subject of the transaction should be segregated in the balance sheet of the selling entity under captions such as: "Assets of business transferred under contractual arrangements (notes receivable)," and "Liabilities of business transferred" or similar captions which appropriately convey the distinction between the legal form of the transaction and its accounting treatment.

A note to the financial statements should describe the nature of the legal arrangements, relevant financing and other details and the accounting treatment.

Where, as in this instance, realization of the sale price is wholly or principally dependent on the operating results of the business operations which were the subject of the transaction, the uncertainty associated with such realization should be reflected in the financial statements of the seller. Thus, absent a deterioration in the business, any operating losses of the divested business should be considered the best evidence of a change in valuation of the business in a manner somewhat analogous to equity accounting for an investment in common stock. If the business suffered a loss during its initial period of operations after the transaction, that loss should be reflected in the financial statements of the seller by recording a valuation allowance and a corresponding charge to income. The amount of

> the valuation allowance (absent unusual circumstances) would be at least the amount of the loss attributable to the business, unless such loss has been previously provided for in accordance with Accounting Principles Board Opinion No. 30. Other evidence, however (such as a question as to the ability of the business to continue as a going concern), might require that a higher valuation allowance be established.
>
> ...In the case where the business reports net income, such net income should not be recorded by the former owner, because the rewards of ownership (but not the risks) have been passed to Company Y. Any payments received on obligations of the buyer arising out of the transaction should be treated as a reduction of the carrying value of the segregated assets of the business.

See the above discussions regarding Annapurna's risks and rewards of ownership of Fishtail.

Factors that indicate that ENA has continuing involvement in the business include the dependence on Fishtail of ENA's activities and its management of Fishtail. In addition, if Annapurna's commitment is not included, it could be argued that there is not a significant financial investment in the business by Annapurna. If it is determined that ENA has not substantively divested the business to Fishtail, the assets and liabilities of the business should be segregated in the balance sheet of Enron under captions such as: "Assets of business transferred under contractual arrangements (notes receivable)," and "Liabilities of business transferred" or similar captions, with income and loss accounted for as described above. Consequently, ENA would not have an equity interest to monetize in the transaction with Caymus and the gain recognition on the sale was inappropriate.

What value (i.e. ENA's historical cost basis or fair value) should Fishtail use to record the contributed business?

At the 1991 AICPA Annual Conference on Current SEC Developments, the SEC staff announced their views on the accounting for contributed assets. They stated that, in order to determine the appropriate basis for assets contributed to a new or existing entity, it is first necessary to determine whether the contributed assets constitute a business. The definition of "business" in Rule 11-01 of Regulation S-X should be referred to in making this determination. If contributed assets constitute a business, the following general rules apply (based on APB Opinion 16 and EITF Issues 88-16 and 90-13):

1. A new basis of accounting is appropriate when a change in control over the contributed business has occurred.
2. If the contributor retains a direct or indirect ownership interest in the contributed business, the contributor's basis will generally carry over to the extent of their ownership interest in the new entity.

3. If an acquirer (as defined in Paragraph 70 of APB Opinion 16 and SAB 24 (Topic 2.A)) cannot be determined, the contributor's basis should be carried over.

If the contributed assets do not constitute a business, the SEC staff will permit a 100% step-up in basis only when all of the following conditions are met :

1. The assets are contributed to a new entity.
2. The fair value of the assets is objectively determinable by the contribution of monetary assets by the other investor.
3. The monetary assets stay in the new entity.
4. There is an equal allocation of equity and profits/losses among the investors.

Rule 11-01 of Regulation S-X defines a business as follows:

(d) For purposes of this rule, the term business should be evaluated in light of the facts and circumstances involved and whether there is sufficient continuity of the acquired entity's operations prior to and after the transactions so that disclosure of prior financial information is material to an understanding of future operations. A presumption exists that a separate entity, a subsidiary, or a division is a business. However, a lesser component of an entity may also constitute a business. Among the facts and circumstances which should be considered in evaluating whether an acquisition of a lesser component of an entity constitutes a business are the following:

1. Whether the nature of the revenue-producing activity of the component will remain generally the same as before the transaction; or

2. Whether any of the following attributes remain with the component after the transaction:
   (i) Physical facilities,
   (ii) Employee base,
   (iii) Market distribution system,
   (iv) Sales force,
   (v) Customer base,
   (vi) Operating rights,
   (vii) Production techniques, or
   (viii) Trade names.

See the above analysis regarding whether ENA's contribution should be considered a "business".

If ENA's contribution is considered a business, the above rules could indicate that Fishtail should have recorded the assets at ENA's carry-over basis of $85 million or at least to the extent of ENA's 80% ownership in Fishtail. It could be argued that there was a change in control over the contributed business based on Annapurna's rights to transfer

management to a Board of Directors with 50% representation. In such case, a step-up to fair value of $200 million would be appropriate. However, because ENA retained an interest in the business through its 80% ownership of Fishtail, ENA's basis of $85 million would need to be carried over to the extent of its ownership interest.

Note: This should not effect the accounting impact of the transaction on Enron's books because ENA did not recognize a gain on the transfer of the contributed business to Fishtail and recorded its investment at its basis of $85 million.

Should ENA have recognized a gain when selling its equity interest in Fishtail to Caymus?

Because Caymus is also a special purpose entity, the first issue in this question is whether or not Caymus should have been consolidated with ENA. This must be evaluated under the same criteria as Fishtail.

If Caymus is not consolidated, then an evaluation of the sale under FAS 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, must take place to determine whether or not the gain should be recognized. FAS 125 was in effect at the time of the transfer. For transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001, FAS 140 was in effect.

Under FAS 125, a financial asset is "cash, evidence of an ownership interest in an entity, or a contract that conveys to a second entity a contractual right (a) to receive cash or another financial instrument from a first entity or (b) to exchange other financial instruments on potentially favorable terms with the first entity." Thus, ENA's Class C Interest in Fishtail transferred to Caymus would be considered a financial asset.

FAS 125 states, in part:

> A transfer of financial assets (or all or a portion of a financial asset) in which the transferor surrenders control over those financial assets shall be accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. **The transferor has surrendered control over transferred assets if and only if all of the following conditions are met:**
>
> a. The transferred assets have been isolated from the transferor—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership

An evaluation of whether or not Caymus is bankruptcy-remote should have been made.

[Open for legal opinion]

b. Either (1) each transferee obtains the right-free of conditions that constrain it from taking advantage of that right-to pledge or exchange the transferred assets or (2) the transferee is a qualifying special-purpose entity and the holders of beneficial interests in that entity have the right-free of conditions that constrain them from taking advantage of that right-to pledge or exchange those interests.

The term of Fishtail, as set in section 2.07 of the Fishtail amended and Restated LLC Agreement, was limited to 5 years, and per section 5.01 of the Conveyance Agreement, the pulp and paper assets were transferred to Fishtail for the same term. Furthermore, the Conveyance Agreement forbade any assignments. The ability to pledge the Fishtail securities may be inhibited.

c. The transferor does not maintain effective control over the transferred assets through (1) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (2) an agreement that entitles the transferor to repurchase or redeem transferred assets that are not readily obtainable.

An evaluation as to whether the transfer was "true sale" should have been made.

[Open for legal opinion]

Data Sheet Report February 22, 2002

Caymus Trust (c/o Wilmington Trust) as of February 22, 2002

Status: Active
Managed By: Enron

Entity Type: Corporation

Employees: No

Comment:

Annual Meeting:

Primary Address

Rodney Square North
1100 N. Market St.
Wilmington, DE 19890

Registered Address

None given

DIRECT SUBSIDIARIES

	%Ownership	Shares
Sonoma I, L.L.C.	99.99%	

Permanent Subcommittee on Investigations
EXHIBIT #375

AMENDED AND RESTATED

LIMITED PARTNERSHIP AGREEMENT

OF

SUNDANCE INDUSTRIAL PARTNERS, L.P.

A Delaware Limited Partnership

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
SUNDANCE INDUSTRIAL PARTNERS, L.P.
A Delaware Limited Partnership

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AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
SUNDANCE INDUSTRIAL PARTNERS, L.P.
A Delaware Limited Partnership

This AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF SUNDANCE INDUSTRIAL PARTNERS, L.P. (this "*Agreement*"), dated as of June 1, 2001 (the "*Effective Date*"), is adopted, executed and agreed to, for good and valuable consideration, by Enron Industrial Markets GP Corp., a Delaware corporation ("*EIM*"), Enron Corp., an Oregon corporation ("*Enron*"), Enron North America Corp., a Delaware corporation ("*ENA*"), and Salomon Brothers Holding Company Inc, a Delaware corporation ("*SBHC*").

RECITALS

WHEREAS, Sundance Industrial Partners, L.P. (the "*Partnership* ") was formed as a Delaware Limited Partnership on May 7, 2001 (the "*Formation Date*"), by the filing of a Certificate of Limited Partnership (the "*Delaware Certificate*") with the Delaware Secretary of State. EIM was admitted to the Partnership as the General Partner, and ENA was admitted to the Partnership as the initial Limited Partner, in each case effective as of the Formation Date, pursuant to that certain Limited Partnership Agreement of the Partnership, dated as of the Formation Date (the "*Original Agreement*").

WHEREAS, EIM, ENA, Enron and SBHC now desire to amend and restate the Original Agreement in its entirety and, in connection therewith, to evidence the admission of Enron and SBHC as Limited Partners.

WHEREAS, it is the intention of the Partners that the Partnership will conduct business as described herein from and after the Effective Date with the Partners as all of the Partners of the Partnership.

NOW THEREFORE, for good and valuable consideration, EIM, ENA, Enron and SBHC hereby amend and restate the Original Agreement as follows:

ARTICLE I
DEFINITIONS

1.01 ***Rules of Construction.***

Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; (c) references to Exhibits are to the Exhibits attached to this Agreement, each of which is made a part hereof for all purposes; (d) all accounting terms not specifically defined herein shall be construed in accordance with GAAP, except with respect to Capital Accounts and the items used in computing the Capital Accounts

and except as otherwise specified herein; (e) the words "hereof," "herein," "hereby," "hereunder" and other similar terms refer to this Agreement as a whole; (f) in the computation of periods of time, the word "from" means "from and including" and the words "to" and "until" mean "to but excluding;" (g) a reference to a Person includes the successors and permitted assigns of such Person but such reference shall not modify the terms governing the assignment of rights and obligations hereunder; (h) the term "including" means "including, without limitation," (i) references to applicable Laws refer to such applicable Laws as they may be amended from time to time, and references to particular provisions of an applicable Law include any corresponding provisions of any succeeding applicable Law; and (j) references to money refer to legal currency of the United States of America.

1.02 ***Definitions.***

As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Sections referred to below (and grammatical variations of such terms have correlative meanings):

"Act" the Delaware Revised Uniform Limited Partnership Act and any successor statute, as amended from time to time.

"1935 Act" has the meaning given such term in Section 3.03(a)(x).

"Adjusted Capital Account" means the Capital Account maintained for each Partner, (a) increased by any amounts that such Partner is obligated to restore or is treated as obligated to restore under Treasury Regulation Sections 1.704-1(b)(2)(ii)(c), 1.704-2(g)(1) and 1.704-2(i)(5), and (b) decreased by any amounts described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6) with respect to such Partner. This definition shall be interpreted consistently with Treasury Regulation Section 1.704-1(b) (2)(ii)(d).

"Administrative Services Agreement" means the Administrative Services Agreement dated of even date herewith between ENA and SBHC, as amended, restated or modified from time to time in accordance with the terms thereof.

"Affiliate" with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person; *provided that* references to Affiliates of Enron shall refer also to (i) any Person in which Enron retains voting or management control, (ii) any Person in which Enron retains, directly or indirectly, economic exposure to or ownership of no less than 20% of the earnings of such person, and (iii) any Person formed as part of a structured financing transaction involving Enron or another Affiliate of Enron. For the purpose of this definition and Section 6.03, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or agency or otherwise. Notwithstanding the foregoing, (a) the Limited Partners (other than the Class A Limited Partner which is, other than by virtue of the relationships created by this Agreement, an Affiliate of Enron as defined in this paragraph) and

SBHC (by virtue of the relationship created by the Administrative Services Agreement) shall not be considered to be Affiliates of Enron, of other Affiliates of Enron, of the General Partner or of the Partnership, and (b) the Partnership shall not be considered an Affiliate of Enron.

"***Aggregate Net Losses***" means, as of the end of any Quarterly Period, the amount that is the sum (if, but only if, such sum is a negative number) of (i) the aggregate value of the Contributed Assets set forth in Section 4.01(b), (ii) the Commitment of the Class C Limited Partner, (iii) the Initial Capital Contribution of the Class B Limited Partner, (iv) the highest outstanding value at any time of Stadacona debt supported by Enron (which in any event will be not less than $360 million) and (v) the aggregate net earnings or losses, determined in accordance with GAAP, incurred by the Partnership from the Effective Date to such date.

"Agreement" has the meaning given such term in the introductory paragraph of this Agreement.

"Asset Acquisition Agreements" means the contracts and agreements whereby the Physical Assets (or any related rights or assets and Persons held by the Persons constituting the Physical Assets) were acquired by Enron or such Affiliates, as described in Schedule II hereto.

"Assignee" any Person that acquires a Partnership Interest or any portion thereof through a Disposition; provided, however, that, an Assignee shall have no right to be admitted to the Partnership as a Limited Partner except in accordance with Sections 3.04(a) and 3.04(c).

"Board of Directors" has the meaning given such term in Section 6.05(a).

"Book Value" with respect to any property, such property's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Book Value of any property contributed by a Partner to the Partnership shall be the agreed value of such property as determined by the Partners;

(b) The Book Values of all property shall be adjusted to equal its fair market value as determined in accordance with Section 6.01(c) in connection with a Mark-to-Market Event;

(c) The Book Value of any property distributed to a Partner shall be the fair market value of such property as determined in accordance with Section 6.01(c); and

(d) The Book Values of all property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such property pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m) and clause (f) of the definition of Profits and Losses.

If the Book Value of property has been determined or adjusted pursuant to clauses (a), (b) or (d) hereof, such Book Value shall thereafter be adjusted by the Depreciation taken into account with

respect to such property for purposes of computing Profits and Losses and other items allocated pursuant to Article V.

"Business Day" any Day other than a Saturday, a Sunday, or a holiday on which commercial banks in the State of New York or the State of Texas are closed.

"Capital Account" has the meaning given such term in Section 4.06.

"Capital Contribution" with respect to any Limited Partner, the amount of money and the Book Value of any assets (other than money) contributed to the Partnership by the Limited Partner. Any reference in this Agreement to the Capital Contribution of a Limited Partner shall include a Capital Contribution of its predecessors in interest.

"Claim" any and all judgments, claims, causes of action, demands, lawsuits, suits, proceedings, Governmental investigations or audits, losses, assessments, fines, penalties, administrative orders, obligations, costs, expenses, liabilities and damages (whether actual, consequential or punitive), including interest, penalties, reasonable attorney's fees, disbursements and costs of investigations, deficiencies, levies, duties and imposts.

"Class A Limited Partner" ENA and any other Person hereafter admitted to the Partnership as a Class A Limited Partner as provided in this Agreement, but such term does not include any Person who has ceased to be a Class A Limited Partner in the Partnership in accordance with the terms of this Agreement.

"Class A Limited Partnership Interest" the Partnership Interest held by a Class A Limited Partner.

"Class B Limited Partner" SBHC and any other Person or Persons hereafter admitted to the Partnership as a Class B Limited Partner as provided in this Agreement, but such term does not include any Person who has ceased to be a Class B Limited Partner in the Partnership in accordance with the terms of this Agreement.

"Class B Limited Partnership Interest" the Partnership Interest held by a Class B Limited Partner.

"Class C Limited Partner" Enron and any other Person hereafter admitted to the Partnership as a Class C Limited Partner as provided in this Agreement, but such term does not include any Person who has ceased to be a Class C Limited Partner in the Partnership in accordance with the terms of this Agreement.

"Class C Limited Partnership Interest" the Partnership Interest held by a Class C Limited Partner.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" means for each Partnership Interest, subject in each case to adjustments on account of Dispositions and issuances of new Partnership Interests as provided in this

Agreement, the amount specified for such Partnership Interest as its Commitment in Section 4.01(c).

"Competitor of Enron" any Person who conducts any significant operations in (or that has any Subsidiary or Affiliate that is a "significant subsidiary" within the meaning of Rule 1-02(w) of Regulation S-K promulgated by the Securities and Exchange Commission conducting operations in) energy and energy or commodity related businesses, including, without limitation, exploration, production and transportation of natural gas, crude oil and other hydrocarbons worldwide, the generation, transmission and distribution of electricity, the marketing of natural gas, electricity and other energy and energy intensive commodities, including production and marketing of pulp and paper, lumber and steel, and related risk management and finance services worldwide, the development, construction and operation of power plants, pipelines and other energy and commodity related assets worldwide, the retail and wholesale energy services business and businesses relating to the provision of communications, telecommunications, fiber optics, internet and commodities trading and intermediation products and services, except in each case for Persons whose primary business is banking, insurance, investment banking, investment management or other investing and financial services.

"Confidential Information" all information and data (whether oral, written, or electronic, and including all copies thereof) that are furnished or submitted to a Limited Partner or its Affiliates (other than Enron and its Affiliates) with respect to the Partnership and its Subsidiaries, EIM, Enron or Enron's Affiliates. Notwithstanding the foregoing, the term "*Confidential Information*" shall not include information or data (a) that is or may become generally available to the public, (b) that is known to the receiving party at the time of disclosure or is thereafter acquired at any time from a source other than the Partnership, Enron or an Enron Affiliate that was not known to the receiving party to be prohibited from making disclosure or (c) that the receiving party can reasonably demonstrate is hereafter independently developed by the receiving party.

"Consolidated" refers to the consolidation of the accounts of the Partnership and its Subsidiaries in accordance with GAAP.

"Contributed Assets" has the meaning set forth in Section 4.01(b).

"Credit Event" means any of the following:

(a) Enron shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Enron seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), shall remain

undismissed or unstayed for a period of 60 days; or Enron shall take any corporate action to authorize any of the actions set forth above in this subsection (a);

(b) Enron fails to perform, after notice from the General Partner or the Board of Directors (as the case may be) or from the Class B Limited Partner, any of its obligations under Section 2.01 of the Enron Agreement; or

(c) Enron fails to perform after applicable notice and opportunities to cure any of its material obligations under credit support agreements relating to indebtedness incurred in respect of Stadacona (including any total return swaps executed by Enron for the benefit of the lenders with respect to such indebtedness).

"Day" a calendar day; provided, however, that, if any period of Days referred to in this Agreement shall end on a Day that is not a Business Day, then the expiration of such period shall be automatically extended until the end of the first succeeding Business Day.

"Deadlock" means the failure, continued for a period of fifteen days (or, in the case of matters presented to the Board of Directors on or before December 4, 2001, one day) after presentment to the Board of Directors for approval, of the Board of Directors acting in good faith to achieve a Majority in respect of any decision requiring the approval of a Majority of the Board of Directors pursuant to this Agreement.

"Debt" of any Person means, at any date, (determined without duplication), (a) all indebtedness of such Person for borrowed money; (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of such Person's business, but only if and for so long as the same remain payable on customary trade terms); (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments; (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or the lender under such agreement in the event of default are limited to repossession or sale of such property); (e) all capitalized lease obligations of such Person; (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit; (g) all obligations of such Person to redeem, retire, defease or otherwise make any payment in respect of shares of capital stock of such Person (except to the extent payable in additional capital stock of such person); (h) all net payment obligations of such Person in respect of hedging agreements not entered into in the ordinary course of the Designated Business; (i) all indebtedness of other Persons referred to in clauses (a) through (h) above or clause (j) below guaranteed by such Person; and (j) all indebtedness referred to in clause (a) through (i) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien on property or revenues of such Person even though such Person has not assumed or become liable for the payment of such indebtedness. ***"Default Interest Rate"*** means a rate per annum equal to the lesser of (a) 2% plus a varying rate per annum that is equal to the interest rate publicly quoted by Citibank, N.A. from time to time as its prime commercial or similar reference interest rate, with adjustments in that varying rate to be made on the same date as any change in that rate, and (b) the maximum rate permitted by applicable Law.

"*Delaware Certificate*" has the meaning given such term in the Recitals.

"*Delinquent Partner*" has the meaning given such term in Section 4.04(a).

"*Depreciation*" means for each Fiscal Year, an amount equal to the depreciation, amortization or other cost recovery deduction allowable for federal income tax purposes with respect to property for such Fiscal Year, except that (a) with respect to any property the Book Value of which differs from its adjusted tax basis for Federal income tax purposes and which difference is being eliminated by use of the "remedial method" pursuant to Treasury Regulation Section 1.704-3(d), Depreciation for such Fiscal Year shall be the amount of book basis recovered for such Fiscal Year under the rules prescribed by Treasury Regulation Section 1.704-3(d)(2), and (b) with respect to any other property the Book Value of which differs from its adjusted tax basis at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided that if the adjusted tax basis of any property at the beginning of such Fiscal Year is zero, Depreciation with respect to such property shall be determined with reference to such beginning value using any reasonable method selected by the General Partner.

"Designated Business" means the Designated Trading Business, the ownership of the Physical Assets and the operations conducted thereby and any additional investments or activities approved as Designated Business pursuant to Section 6.01(g).

"Designated Trading Business" means the use of the wholesale business trading model heretofore developed by the wholesale services group of Enron for the creation of value by the development of efficient and price-transparent markets in the Forest Products business through the establishment and operation, acting as a principal, of a real-time physical and financial trading system encompassing the execution and delivery of trading contracts relating to the purchase and sale of physical products in the Forest Products business, and the marketing and provision of financial risk management services or contracts (such as swap agreements and option agreements) solely relating to the prices of physical products produced in the Forest Products business and to price differentials relating to such physical products between different delivery points, times or grades, as conducted for the benefit of Fishtail prior to the Effective Date and, through Fishtail, for the benefit of the Partnership after the Effective Date.

"Designee" has the meaning given such term in Section 6.03(d).

"Dispose", ***"Disposing"*** or ***"Disposition"*** with respect to any asset (including a Partnership Interest or any portion thereof), a sale, assignment, transfer, conveyance, gift, exchange or other disposition of such asset, whether such disposition be voluntary, involuntary or by operation of applicable Law, including the following: (a) in the case of an asset owned by a natural person, a transfer of such asset upon the death of its owner, whether by will, intestate succession or otherwise; (b) in the case of an asset owned by an entity, (i) a merger or consolidation of such entity (other than where such entity is the survivor thereof), (ii) a conversion of such entity into another type of entity, (iii) transfer of a Majority of the voting or economic interest in such entity, or (iv) a distribution of such asset, including in connection with

the dissolution, liquidation, winding-up or termination of such entity; and (c) a disposition in connection with, or in lieu of, a foreclosure of an Encumbrance; but such terms shall not include the creation of an Encumbrance.

"Disqualifying Disposition" means any Disposition of any Partner's Partnership Interest if and to the extent that giving effect thereto would result in the Partnership being owned by more than 50 PTP Relevant Persons.

"Dissolution Event" has the meaning given such term in Section 9.01.

"Distribution Date" March 31, June 30, September 30 and December 31 of each year, commencing with June 30, 2001 and ending upon a Dissolution Event; *provided* that if any Distribution Date would otherwise fall on a Day that is not a Business Day, then the relevant Distribution Date will be the first following Day that is a Business Day unless that Day falls in the next calendar month, in which case that date will be the first preceding Day that is a Business Day.

"Economic Risk of Loss" has the meaning given such term in Treasury Regulation Section 1.752-2(a).

"Effective Date" has the meaning given such term in the introductory paragraph of this Agreement.

"EIM" has the meaning given such term in the introductory paragraph of this Agreement.

"EIM Holdings I" means EIM Holdings I (Netherlands) BV, a Dutch company and the holder of all of the outstanding equity interests in EIM Holdings II.

"EIM Holdings II" means EIM Holdings II (Netherlands) BV, a Dutch company and the holder of all of the outstanding equity interests in EIM Holdings Canada.

"EIM Holdings Canada" means EIM Holdings (Canada) Co, a Nova Scotia unlimited company and the holder of all of the outstanding equity interests in Compagnie de Papier Stadacona Ltee.

"EIM Holdings Inc." means EIM Holdings (US) Inc, a Delaware corporation and the holder of all of the equity interests in SATCO.

"EIPLP" means Enron Industrial Partners, LP, a Delaware limited partnership and the owner of all of the outstanding capital stock of EIM Holdings I and EIM Holdings Inc., which is to be dissolved after the equity interests of EIPLP are contributed to the Partnership.

"ENA" has the meaning given such term in the introductory paragraph of this Agreement.

"Encumber", ***"Encumbering"***, or ***"Encumbrance"*** the creation of a security interest, lien, pledge, mortgage or other encumbrance, whether such encumbrance be voluntary, involuntary or by operation of applicable Law.

"Enron" has the meaning given such term in the introductory paragraph of this Agreement.

"Enron Agreement" the Enron Agreement in the form attached hereto as Exhibit B whereby Enron agrees to cause (a) the General Partner to perform its obligations hereunder, (b) ENA to make the loans contemplated by the Liquidity Facility as and to the extent contemplated thereby and (c) ENA to perform its obligations under the Administrative Services Agreement.

"Environmental Laws" means all Laws relating to the protection of human health or the environment, including: (i) all requirements pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of Hazardous Material, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Material, whether solid, liquid or gaseous in nature; and (ii) all requirements pertaining to the protection of the health and safety of employees or the public.

"ERISA" has the meaning given such term in Section 3.03(a)(xii).

"Excluded Activity" means:

(a) Subject to Section 6.01(g), any investment or other business or commercial activity of any kind or character in any industry or line of business or commerce, domestic or international, other than the Designated Business;

(b) any investment or activity if, after giving effect thereto and as a result thereof, the Partnership, the General Partner, Enron or any of its Affiliates would be deemed to be (i) a public utility holding company subject to registration under the Public Utility Holding Company Act of 1935 or would be subject to regulation as a utility under the laws of any jurisdiction to which any of them are not subject on the Effective Date, or (ii) an investment company required to register as such under the Investment Company Act;

(c) any investment or activity that is determined to be an Excluded Activity as provided in Section 6.01(g);

(d) any investment or business activity of any kind or character (other than any Designated Business contributed to the Partnership) conducted by Enron or any Affiliate of Enron on the date hereof, including (i) exploration, production and transportation of natural gas, crude oil and other hydrocarbons worldwide; (ii) the generation, transmission and distribution of electricity; (iii) the marketing of natural gas, electricity and other energy and energy intensive commodities; (iv) execution and delivery of trading contracts relating to the purchase and sale of debt and equity securities, physical products, including steel, metals and minerals, agricultural products,

soft commodities, and advertising or contracts allocating defined risks, including emissions credits and weather; (v) risk management and finance services worldwide; (vi) the development, construction and operation of power plants, pipelines and other energy and commodity related assets worldwide; (vii) the retail and wholesale energy services business; and (viii) businesses relating to the provision of communications, telecommunications, fiber optics, internet and broadband trading and intermediation products and services.

"FAA" has the meaning given such term in Section 11.12.

"Facility" means any combination of structures, groups of structures or other constructions, or any assets, real or personal, tangible or intangible, together with any related land or space, machinery, fixtures, equipment, and necessary or ancillary devices and things constructed, fabricated, designed or otherwise collectively designated or set aside to operate as an ongoing business.

"Fiscal Year" means the year commencing on each January 1 and ending on each December 31.

"Fishtail" means Fishtail LLC, a Delaware limited liability company.

"Foreclosure" has the meaning given such term in Section 3.04(a).

"Forest Products" means the purchase and sale of logs, wood pulp, raw and finished lumber, paper and related products.

"Formation Date" has the meaning given such term in the Recitals.

"GAAP" means United States generally accepted accounting principles and policies consistent with those applied in the audited financial statements referred to in Section 8.01(b).

"Garden State" means Garden State Paper Company, LLC, a Delaware limited liability company.

"General Partner" EIM and any other Person hereafter admitted to the Partnership as a General Partner as provided in this Agreement, but such term does not include any Person who has ceased to be a General Partner in the Partnership in accordance with the terms of this Agreement.

"General Partner Indemnified Person" has the meaning given such term in Section 6.04(a).

"General Partnership Interest" the Partnership Interest held by a General Partner.

"Hazardous Material" means any substance: (i) the presence of which could result in liability or in an investigation or remediation under any Environmental Law; (ii) which is or becomes defined as a "hazardous waste" or "hazardous substance" under any Environmental

Law; (iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and is or becomes regulated by any governmental or regulatory authority; (iv) the presence of which causes or threatens to cause a nuisance or poses or threatens to pose a hazard to property or to the health or safety of Persons; (v) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (vi) which contains polychlorinated byphenols or asbestos.

"Indemnifying Partner" has the meaning given such term in Section 6.04(b).

"Initial Capital Contribution" means the initial Capital Contribution made by a Limited Partner pursuant to Section 4.01.

"Interest Certificates" has the meaning given such term in Section 3.02.

"Investment Company Act" the Investment Company Act of 1940, as amended.

"Law" means any law, treaty, statute, rule, regulation, order, code, judgment, decree, injunction, writ, requirement or decision of or agreement with or by any government or governmental department, commission, board, court, authority or agency having jurisdiction of the matter in question.

"Lending Partner" has the meaning given such term in Section 4.04(a)(iv).

"LIBOR" means an interest rate that is (a) the rate per annum (rounded upward, if not an integral multiple of 1/100 of 1%, to the nearest 1/100 of 1% per annum) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two business days before the first day of the relevant Quarterly Period for a term comparable to such Quarterly Period; (b) if for any reason the rate specified in clause (a) of this definition does not so appear on Telerate Page 3750 (or any successor page), the rate per annum (rounded upward, if not an integral multiple of 1/100 of 1%, to the nearest 1/100 of 1% per annum) appearing on Reuters Screen LIBO page (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two business days before the first day of such Quarterly Period for a term comparable to such Quarterly Period; provided, however, if more than one rate is specified on Reuters Screen LIBO page (or any successor page), the applicable rate shall be the arithmetic mean of all such rates; and (c) if the rate specified in clause (a) of this definition does not so appear on Telerate Page 3750 (or any successor page) and if no rate specified in clause (b) of this definition so appears on Reuters Screen LIBO page (or any successor page), the interest rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum if such rate is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of Citibank, N.A., in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Quarterly Period.

"Limited Partner" a Class A Limited Partner, a Class B Limited Partner or a Class C Limited Partner, or any Person hereafter admitted to the Partnership as a limited partner of the

Partnership as provided in this Agreement, but such term does not include any Person who has ceased to be a limited partner of the Partnership in accordance with the terms of this Agreement.

"Liquidity Facility" means, subject to Section 4.01 of the Enron Agreement, a commitment from Enron or an Affiliate thereof to arrange or to make loans under a liquidity loan facility for the businesses owned by the Partnership in the initial amount of $25 Million, to be evidenced by a revolving promissory note in the form attached hereto as Exhibit C and to be used, if needed, to provide liquidity for operating requirements.

"Losses" has the meaning given such term in Section 6.04(a).

"Majority" means more than 50.00%.

"Majority Interest" with respect to any class of Partners, means Partners of such class holding a Majority in Sharing Ratios held by Partners of such class.

"Mark-to-Market Event" any of the following: (a) the acquisition of a Partnership Interest by any new or existing Partner in exchange for more than a *de minimis* Capital Contribution to the Partnership; (b) the distribution by the Partnership to a Partner of more than a *de minimis* amount of property as consideration for a Partnership Interest; and (c) the liquidation of the Partnership within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g)(1) (other than pursuant to Code Section 708(b)(1)(B)); *provided* that adjustments pursuant to clauses (a) and (b) above shall be made only if the General Partner reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership.

"Material Adverse Effect" has the meaning given such term in Section3.03(b)(ii).

"Maturity/Gap Risk Limit Violations" a violation of the limits on risks related to non-parallel changes of forward prices or interest rates established for the Designated Business from time to time pursuant to the Risk Management Policy.

"Minimum Gain" has the meaning given such term in Treasury Regulation Section 1.704-2(d).

"Net Contributed Capital" with respect to any Partner as of any date of determination, means the aggregate amount of Capital Contributions theretofore made by such Partner to the Partnership minus the amount of distributions theretofore received by such Partner as a return of capital from the Partnership.

"Nonrecourse Deductions" has the meaning given such term in Treasury Regulation Section 1.704-2(b).

"Nonrecourse Liability" has the meaning given such term in Treasury Regulation Section 1.752-1(a)(2).

"Notice" has the meaning given such term in Section 6.02(a).

"Original Agreement" has the meaning given such term in the Recitals.

"Partner" means any of the General Partner and the Limited Partners.

"Partner Indemnified Person" has the meaning given such term in Section 6.04(b).

"Partner Nonrecourse Debt" has the meaning given such term in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning given such term in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" has the meaning given such term in Treasury Regulation Section 1.704-2(i)(l).

"Partnership" has the meaning given such term in the Recitals.

"Partnership Interest" with respect to any Partner, such Partner's Partnership interest in the Partnership, which represents (a) that Partner's status as a Partner; (b) that Partner's right to receive distributions and allocations from the Partnership; (c) all other rights, benefits and privileges enjoyed by that Partner (under the Act, this Agreement, or otherwise) in its capacity as a Partner, including that Partner's rights to vote, consent and approve and otherwise to participate in the management of the Partnership; and (d) all obligations, duties and liabilities imposed on that Partner (under the Act, this Agreement or otherwise) in its capacity as a Partner, including any obligations to make Capital Contributions.

"Permitted Assets" (a) the Contributed Assets (including any Class B Interests in Sonoma, or the equity interests in any Person holding the Class B interest in Sonoma purchased with the cash described in Section 4.01(b) hereof), (b) any assets acquired by the Partnership in accordance with Section 6.01(g) hereof; (c) property or cash contributed as Capital Contributions pursuant to Section 4.02 hereof or as otherwise approved by the Partners, and (d) cash or property received by the Partnership in respect of the assets described in (a) through (c) of this paragraph and investments and proceeds of investment in respect thereof as permitted under Section 4.03(b).

"Person" has the meaning given that term in Section 17-101(13) of the Act.

"Physical Assets" means all of the outstanding capital stock, partnership interests, limited liability company interests or other equity ownership interests in (a) EIPLP, and, through EIPLP, EIM Holdings I, EIM Holdings II, EIM Holdings Canada and Compagnie de Papier Stadacona Ltee (collectively, "*Stadacona*"), EIM Holdings Inc., and through EIM Holdings Inc., SATCO and (b) Garden State.

"Preferred Applicable Distribution Rate" means a variable per annum preferred equity dividend or distribution rate equal to LIBOR plus 6.7%.

"Preferred Dividend Distribution Amount" has the meaning given such term in Section 5.01(d).

"Preferred Return" with respect to Class B Limited Partnership Interests for any Quarterly Period, an amount equal to (a) the Preferred Applicable Distribution Rate divided by (b) four, multiplied by (c) the sum of (i) the weighted average amount of Net Contributed Capital in respect of such Class B Limited Partnership Interest outstanding during such Quarterly Period and (ii) all unpaid Preferred Return accumulated prior to such Quarterly Period in respect of such Class B Limited Partnership Interest.

"Profits" and "Losses" for federal income tax purposes and for each Fiscal Year, an amount equal to the Partnership's taxable income or loss for such Fiscal Year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments (without duplication):

(a) Any income of the Partnership that is exempt from Federal income tax and not otherwise taken into account in computing Profits and Losses pursuant to this definition of "Profits" and "Losses" shall be added to such taxable income or loss;

(b) Any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall be subtracted from such taxable income or loss;

(c) In the event the Book Value of any asset is adjusted pursuant to a Mark-to-Market Event, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Book Value of the asset) or an item of loss (if the adjustment decreases the Book Value of the asset) from the Disposition of such asset and shall be taken into account for purposes of computing Profits or Losses;

(d) Gain or loss resulting from any Disposition of property with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the Book Value of the property Disposed of, notwithstanding that the adjusted tax basis of such property differs from its Book Value;

(e) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year, computed in accordance with the definition of Depreciation;

(f) To the extent an adjustment to the adjusted tax basis of any asset pursuant to Code Section 734(b) is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Account balances as a result of a distribution other than in liquidation of a Partner's Partnership Interest, the amount of such adjustment shall be treated as an item of gain (if the

adjustment increases the basis of the asset) or an item of loss (if the adjustment decreases such basis) from the Disposition of such asset and shall be taken into account for purposes of computing Profits or Losses; and

(g) Any items that are allocated pursuant to the Regulatory Allocations shall not be taken into account in computing Profits and Losses.

"PTP Relevant Person" means each Tax Matters Representing Purchaser and each Indirect Tax Matters Representing Purchaser that, in each case, is able to make the representations described in clauses (B)(1) or (B)(2) of the definition of Tax Matters Representing Purchaser.

"Quarterly Period" each period from, and including, one Distribution Date to, but excluding, the next following Distribution Date, *provided* that (a) the initial Quarterly Period will commence on, and include, the Effective Date and end on the first Distribution Date, and (b) the final Quarterly Period will end on, but exclude, the date of occurrence of a Dissolution Event.

"Regulatory Allocations" means the allocations pursuant to Section 5.06 of this Agreement.

"Risk Management Policy" means the Enron Corp. Risk Management Policy as in effect from time to time and adopted by the Board of Directors of Enron.

"SATCO" means Ste Aurelie Timberlands Co., Ltd.

"SBHC" has the meaning given in the introductory paragraph of this Agreement.

"SBHC Rights" has the meaning given such term in Section 6.06.

"Securities Act" the Securities Act of 1933, as amended.

"Sharing Ratio" subject in each case to adjustments in accordance with this Agreement or in connection with Dispositions of Partnership Interests, from and after the Effective Date, for each Partner, the proportion (expressed as a percentage) that the balance in such Partner's Capital Account bears to the aggregate balance of Capital Accounts of all Partners; provided, however, that the total of all Sharing Ratios shall always equal 100%.

"Sonoma" means Sonoma I, LLC, a Delaware limited liability company and the owner of all of the Class C membership interests in Fishtail.

"Subject Person" has the meaning given such term in Section 3.07(a).

"Subsidiary" of any Person means any corporation, partnership, joint venture, or other entity of which more than 50% of the outstanding capital stock or other equity interests having ordinary voting power (irrespective of whether or not at the time capital stock or other equity interest of any other class or classes of such corporation, partnership, joint venture, or other entity shall or might have voting power upon the occurrence of any contingency) is at the time

owned directly or indirectly by such Person; *provided, however*, that no such corporation, partnership, joint venture or other entity shall (a) constitute a Subsidiary of the Partnership, unless such entity is a Consolidated Subsidiary of the Partnership, or (b) constitute a Subsidiary of any other Person, unless such entity would appear as a consolidated subsidiary of such Person on a consolidated balance sheet of such Person prepared in accordance with GAAP. Unless otherwise provided or the context otherwise requires, the term "*Subsidiary*" when used herein shall refer to a Subsidiary of the Partnership.

"Tax Matters Partner" has the meaning given such term in Section 7.01.

"Tax Matters Representing Purchaser" means a Person that is able to represent that (A) it is acting for its own account and not as the nominee or agent of any other Person, (B) either (1) it is not a partnership, grantor trust, or S corporation for United States Federal income tax purposes (a "*Flowthrough Entity*"), (2) it is a Flowthrough Entity, but less than 50% of the assets of the Flowthrough Entity will be represented, directly or indirectly, by Partnership Interests or (3) it is a Flowthrough Entity (x) whose nominal owners are able to make the representations in (A) and either (B)(1) or (B)(2) or, (y) to the extent that any of its direct or indirect nominal owners cannot make the representations in (B)(1) or (B)(2) and is itself a Flowthrough Entity (an "*Upper Tier Flowthrough Entity*"), the nominal owners of any such Upper Tier Flowthrough Entity are able to make the representations in (A) and either (B)(1) or (B)(2) (each such nominal owner described in clause 3 that makes the representations in either (B)(1) or (B)(2), an "*Indirect Tax Matters Representing Purchaser*"), (C) it is a United States person within the meaning of Section 7701(a)(30) of the Code, and (D) it has not acquired, and will not transfer any Partnership Interests (or any derivative interest therein) on or through an established securities market within the meaning of Section 7704(b)(1) of the Code (and Treasury regulations thereunder).

"Term" has the meaning given such term in Section 2.07.

"Treasury Regulation" means a Treasury Regulation promulgated under the Code.

"Value-at-Risk Limit Violation" shall mean a violation of the limits on potential exposure related to the Designated Business or a position therein (including any discretionary authority with regard thereto) as established from time to time pursuant to the Risk Management Policy.

1.03 ***Other Definitions.***

Other terms defined in this Agreement have the meanings so given them.

ARTICLE II
ORGANIZATION

2.01 ***Formation; Continuation; Amendment and Restatement.***

The Partnership was formed as a Delaware Limited Partnership by the filing of the Delaware Certificate as of the Formation Date. EIM, ENA, Enron and SBHC hereby continue the Partnership, pursuant to the terms and conditions of this Agreement and the Act. The Agreement amends and restates in its entirety and supersedes the Original Agreement which shall have no further force or effect. The General Partner, for itself and as agent for the Limited Partners, shall accomplish all filing, recording, publishing and other acts necessary or appropriate for compliance with all the requirements for the formation and operation of the Partnership as a limited partnership under this Agreement and the laws of the State of Delaware and such other jurisdictions in which the General Partner determines that such qualification is required.

2.02 ***Name.***

The name of the Partnership shall continue to be "*Sundance Industrial Partners, L.P.*" and all Partnership business must be conducted in that name or such other names that comply with applicable Law as the General Partner may select; *provided* that the General Partner may not choose to conduct business in any other name, or choose the name of any subsidiary entity owned by the Partnership, which includes any of the names of any of the direct or indirect beneficial owners of SBHC or any lender to SBHC or any other reference to any such Limited Partner or lender without the consent of such partner or lender, as the case may be.

2.03 ***Registered Office; Registered Agent; Principal Office in the United States; Other Offices.***

The registered office of the Partnership required by the Act to be maintained in the State of Delaware shall be the office of the initial registered agent named in the Delaware Certificate or such other office (which need not be a place of business of the Partnership) as the General Partner may designate in the manner provided by applicable Law. The registered agent of the Partnership in the State of Delaware shall be the initial registered agent named in the Delaware Certificate or such other Person or Persons as the General Partner may designate in the manner provided by applicable Law. The principal office of the Partnership in the United States shall be at such place as the General Partner may designate, which need not be in the State of Delaware, and the Partnership shall maintain records there or such other place as the General Partner shall designate and shall keep the street address of such principal office at the registered office of the Partnership in the State of Delaware. The Partnership may have such other offices as the General Partner may designate.

2.04 ***Purposes.***

The purposes of the Partnership are to engage in the following activities: (a) to acquire, hold, own, manage, preserve, protect, conserve and dispose of the Permitted Assets, and to form, capitalize, make investments in, own, and manage Persons formed to hold Permitted Assets or to engage in the Designated Business, (b) engaging, to the extent of ownership (including managing and exercising voting and other rights of ownership of Persons engaged in the Designated Business) of the Permitted Assets, in the Designated Business, (c) issuing the Partnership Interests referred to in Article III, (d) collecting cash proceeds and distributions of other property

from or in respect of the Permitted Assets held by the Partnership and making the distributions contemplated by Article V and paying the liabilities incurred in respect of Permitted Assets pursuant to the Conveyance or as otherwise permitted in this Agreement and other operating expenses of the Partnership, (e) engaging in such other activities as may be agreed by the General Partner and a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partners and the Class C Limited Partner, in each case, voting as a separate class, and (f) engaging in activities incidental to, resulting from, or otherwise necessary or appropriate to facilitate, the activities referred to in the foregoing clauses (a) through (e) and engaging in such actions as are required or permitted to be taken pursuant to this Agreement.

2.05 ***Powers.***

The Partnership shall possess and may exercise all of the powers and privileges granted by the Act or by any other applicable Law or by this Agreement, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the permitted business purposes or activities of the Partnership.

2.06 ***Foreign Qualification.***

Prior to the Partnership's conducting business in any jurisdiction other than Delaware, the General Partner shall cause the Partnership to comply, to the extent procedures are available and those matters are reasonably within the control of the General Partner, with all requirements necessary to qualify the Partnership as a foreign Limited Partnership in that jurisdiction. The General Partner shall not conduct business in any jurisdiction wherein the conduct by the Partnership of business in such jurisdiction might result in subjecting any Limited Partner to any tax, penalty, liability or cost (other than any such that does not have a Material Adverse Effect imposed on the Partnership as a result of its doing business in such jurisdiction). At the request of the General Partner and subject to the preceding sentence, each Limited Partner shall execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue, and terminate the Partnership as a foreign Limited Partnership in all such jurisdictions in which the Partnership may conduct business as permitted by this Section 2.06, and shall supply copies of all such certificates and other instruments (as delivered) to each Partner.

2.07 ***Term.***

The term of the Partnership (the "*Term*") commenced on the Formation Date and shall end on (a) June 1, 2021 or (b) at such earlier time as the dissolution of the Partnership is completed in accordance with Article IX hereof. The existence of the Partnership as a separate legal entity shall continue until cancellation of the certificate of formation of the Partnership as provided in the Act.

2.08 ***Fiscal Year.***

The fiscal year of the Partnership for financial statement and Federal income tax purposes shall be the same and shall be the Fiscal Year, except as may be required by the Code.

2.09 ***Compensation and Expenses.***

Except as otherwise expressly provided in this Agreement, including Section 6.07 hereof, no Partner or Affiliate of any Partner shall receive any salary, fee, or draw for services rendered to or on behalf of the Partnership or otherwise in its capacity as a Partner, nor shall any Partner or Affiliate of any Partner be reimbursed by the Partnership for any expenses incurred by such Partner or Affiliate on behalf of the Partnership or otherwise in its capacity as a Partner, except as contemplated by the Administrative Services Agreement.

2.10 ***Independent Activities.***

The General Partner and any of its officers and directors shall be required to devote only such time to the affairs of the Partnership as the General Partner determines in its reasonable discretion may be necessary to manage and operate the Partnership and to manage the Designated Business as contemplated by Section 6.01 (*provided*, that for as long as EIM is the sole General Partner of the Partnership and prior to the appointment of the Board of Directors as provided in Section 6.05 hereof, the business of EIM shall be limited to the management of the business of the Partnership), and each such Person shall be free to serve any other Person or enterprise in any capacity that it may deem appropriate in its discretion.

ARTICLE III
PARTNERSHIP; DISPOSITIONS OF INTERESTS

3.01 ***Initial Partners.***

EIM and ENA were admitted to the Partnership as the initial General Partner and Limited Partners, respectively, effective as of the Formation Date, pursuant to the Original Agreement.

3.02 ***Classes of Partners.***

(a) Effective as of the Effective Date, there are hereby created four classes of Partners in the Partnership, Class A Limited Partners, Class B Limited Partners, Class C Limited Partners and the General Partner, and each shall have the respective rights accorded it under this Agreement. EIM retains its Partnership Interest as the General Partner of the Partnership. ENA's initial Partnership Interest as a Limited Partner is hereby converted into that of the initial Class A Limited Partner, SBHC is hereby admitted as the initial Class B Limited Partner, and Enron is hereby admitted as the initial Class C Limited Partner. The names and addresses of the Partners as of the date hereof are set forth on Exhibit A hereto.

(b) The Partnership Interests of the Partners may, at the option of the General Partner, be evidenced by certificates ("*Interest Certificates*"). Interest Certificates shall be in the form of Exhibit D, together with any changes therein approved by the General Partner. Interest Certificates need not be issued for all classes of Partnership Interests of the Limited Partners, but if any Interest Certificates have been issued, an Interest Certificate for any Partner shall be issued to such Partner upon request by such Partner to the General Partner. Interest Certificates need

not bear a seal of the Partnership but shall be executed by the General Partner (including by facsimile signature) and shall state the class of Partnership Interest represented by such Interest Certificate. The Interest Certificates shall be consecutively numbered (on a class by class basis). The General Partner shall maintain Interest Certificate books and records for the Partnership. The General Partner may determine the conditions upon which a new Interest Certificate may be issued in place of an Interest Certificate that is alleged to have been lost, stolen or destroyed and may, in its discretion, require the Partner holding such Interest Certificate to give such security in respect thereof as the General Partner shall determine. Each Interest Certificate in respect of the Partnership Interest of a Limited Partner shall bear a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED OR SOLD UNLESS IT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE (AND, IN SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE GENERAL PARTNER SHALL HAVE BEEN DELIVERED TO THE PARTNERSHIP AND THE OTHER LIMITED PARTNERS TO THE EFFECT THAT SUCH OFFER AND SALE IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT).

THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER (INCLUDING CERTAIN DISQUALIFYING DISPOSITIONS) SET FORTH IN THE AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF THE PARTNERSHIP DATED AS OF JUNE 1, 2001 (AS SUCH AGREEMENT MAY BE AMENDED FROM TIME TO TIME), A COPY OF WHICH MAY BE OBTAINED FROM THE PARTNERSHIP AT ITS PRINCIPAL EXECUTIVE OFFICES.

(c) No additional classes of Partnership Interests shall be created unless authorized by the Partners as provided in Section 6.01(g) hereof or by the Board of Directors. No additional Partners shall be admitted to the Partnership, except as provided in Section 3.04 hereof, unless authorized by the Partners as provided in Section 6.01(g) hereof or by the Board of Directors.

3.03 ***Representations and Warranties.***

(a) Each Partner (other than, with respect to Section 3.03(a)(x) , the General Partner or Enron or any Affiliate of Enron) represents and warrants to the Partnership and each other Partner that:

(i) it is a corporation, limited partnership, limited liability company or other entity duly incorporated or formed, validly existing, and (if applicable) in good standing under the law of the jurisdiction of its formation, with all requisite power to enter into and to perform its obligations under this Agreement, and is duly qualified or registered and in good standing in each other jurisdiction in which the character of the business conducted by it or

permitted to be conducted by it requires such qualification or registration, except where the failure to be so qualified would not have a material adverse effect on the business operations or financial condition of the Partnership or on the Partner's ability to perform its obligations to the Partnership hereunder;

(ii) its execution, delivery, and performance of this Agreement have been duly authorized by all appropriate action by it and (if required) its stockholders, partners, members or other owners, and this Agreement has been duly executed and delivered by it;

(iii) its execution, delivery and performance of this Agreement do not (A) violate its organizational, charter or other constituent documents, (B) conflict with, result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any other material ("material" for purposes of this representation meaning creating a liability of $100 million or more) agreement or arrangement to which it is a party or by which it is bound or with any law, regulation, judgment or decree to which it is subject or with any permit or license which it has been granted, or (C) require the filing or registration with, or the approval, authorization or consent of any governmental agency or tribunal other than filings under the Act and state qualification or similar laws contemplated by Section 2.05 and filings which may be required or permitted under applicable securities laws;

(iv) this Agreement, when executed and delivered in accordance with this Agreement will be its legal, valid and binding obligations enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or in law);

(v) there is no action, suit or proceeding pending, or to its knowledge threatened, against it, seeking any injunction, award or other relief that (A) would impair its ability to perform its obligations under this Agreement, (B) questions or challenges the validity or purpose of the Partnership, or (C) could materially and adversely affect the Partnership's operations, properties or business;

(vi) it is acquiring its Partnership Interest for its own account and not with a view to or in connection with the resale or distribution of all or any part thereof in violation of applicable securities laws; it understands that the Partnership Interest being acquired by it has not been registered under the Securities Act or applicable state securities laws and, therefor, it will be necessary for it to continue to bear the economic risk of the investment therein unless and until the offering and sale of such Partnership Interest by it are registered under the Securities Act and applicable state securities laws or an exemption from registration is available; it understands that it may not sell or transfer its Partnership Interest, except in accordance with the provisions of this Agreement;

(vii) it is a "qualified purchaser" as such term is defined in Section 2(a)(51) of the Investment Company Act and the rules and regulations adopted

thereunder, and it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Partnership;

(viii) it has carefully reviewed this Agreement and any other relevant information furnished to it in writing by the General Partner and its Affiliates, and it understands the risks of, and other considerations relating to, an investment in the Partnership; and it has been furnished all relevant materials, if any, that it requested relating to the Partnership and the purchase of Partnership Interests and has been afforded the opportunity to obtain any additional information and to ask and have answered all questions it deemed necessary regarding its investment in the Partnership and has been given such answers as it deems sufficient to make an informed investment decision;

(ix) it understands that any information furnished to it concerning the federal income tax consequences arising from an investment in the Partnership is necessarily general in nature, and the specific tax consequences to it of an investment in the Partnership will depend on its individual circumstances, and it affirms that it has been advised to seek appropriate legal counsel with respect to such tax consequences;

(x) at the time of its investment in the Partnership and at all times during the existence of the Partnership it (A) does not and will not own or operate any facility used for the generation, transmission or distribution for sale of electric energy or any facility used for the retail distribution of natural or manufactured gas, each within the meaning of the 1935 Act, (B) is not and will not be an "electric utility company" or a "gas utility company" within the meaning of the 1935 Act, (C) is not and will not be (1) a "holding company," (2) a "subsidiary company," an "affiliate" or "associate company" of a "holding company" or (3) an "affiliate" of a "subsidiary company" of a "holding company," each within the meaning of the 1935 Act, and (D) is not and will not be subject to regulation as a public utility, public utility holding company (except to the extent certain acquisitions may be subject to the regulatory approval of the Securities and Exchange Commission pursuant to Section 9(a)(2) of the 1935 Act) or public service company (or similar designation) by any state in the United States, by the United States, by any foreign country or by any agency or instrumentality of any of the foregoing;

(xi) no existing contract, agreement or relationship of such Partner or its Affiliates with any third party is effective that would require the Partnership to offer to any such third party any opportunity to make an investment in the Designated Business;

(xii) that it is not required to register as an "investment company" under the Investment Company Act;

(xiii) that it is a Tax Matters Representing Purchaser; and

(xiv) at the time of its investment in the Partnership and at all times while it is a Partner, such Partner does not and will not constitute an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*")), or a plan (as defined in Section 4975(e) of the Code), or a trustee of any such plan.

acting on behalf of such plan, or an entity whose underlying assets include plan assets by reason of a plan's investment in the entity other than a governmental plan (as defined in Section 3(32) of ERISA or Section 414(d) of the Code); and if it constitutes a governmental plan, such Partner does not treat itself as subject to the Department of Labor Regulations § 2510.3-101 or interpret applicable state law as incorporating similar rules.

(b) The General Partner hereby:

(i) (A) makes each of the representations and warranties to the Partnership that were made to Enron and its Affiliates in the Asset Acquisition Agreements, as of the dates such representations and warranties were made, to the extent that the benefit of such representations and warranties and of any related indemnities are not assignable pursuant to the Asset Acquisition Agreements; and (B) assigns to the Partnership, as part of its Initial Capital Contribution, the benefit of such representations and warranties and any related covenants and indemnities that were made to Enron and its Affiliates in the Asset Acquisition Agreements, to the extent that the benefit of such representations and warranties and of any related covenants and indemnities are assignable pursuant to the Asset Acquisition Agreements;

(ii) represents and warrants to the Partnership that: (A) from the date of acquisition of the assets by Enron and its affiliates pursuant to the Asset Acquisition Agreements, neither Enron nor its Affiliates have taken any action or knowingly abstained from taking any action that has caused any of the representations and warranties made to Enron and its Affiliates in the Asset Acquisition Agreements to be untrue as of the date hereof; and (B) no facts or circumstances have arisen from the date of such acquisition that would cause such representations and warranties to be untrue as of the date hereof, in each case except for any changes arising in the ordinary course of business and any failures to be true that could not reasonably be expected to have a material adverse effect on the financial conditions or results of operations of the Partnership or any of its Subsidiaries, taken as a whole (a "Material Adverse Effect").

(iii) represents and warrants to the Partnership as to Fishtail, Sonoma and each Person that is an entity included within the Physical Assets as follows:

(A) Each of Fishtail, Sonoma or such Person is duly formed, validly existing and in good standing under the laws of the state of its jurisdiction of organization or incorporation. Each of Fishtail, Sonoma or such Person has all power and authority and all governmental licenses, authorizations, consents and approvals required in each case to carry on its business, except to the extent that the failure to have such power, authority, licenses, authorizations, consents and approvals could not reasonably be expected to have a Material Adverse Effect.

(B) The contribution of interests in Fishtail or such Person or the transfer of interests in Sonoma, in each case to the Partnership by the Class A Limited Partner does not (1) violate any applicable Laws to which such Person is a party or to which it is subject; or (2) conflict with, or result in a breach or violation of the terms of any material agreement, contract, indenture or other instrument to which such Person is a party or to which

any of their respective properties is subject created while such Person has been owned by Enron or its Affiliates, except in the case of clause (1) or (2) as could not reasonably be expected to have a Material Adverse Effect.

(C) The contribution of interests in Fishtail or such Person or the transfer of interests in Sonoma, in each case to the Partnership by the Class A Limited Partner does not require the consent, approval, order or authorization of any governmental authority or, any other Person under any permit, license, agreement, indenture or other instrument to which Fishtail, Sonoma or such Person, as the case may be, or any of its respective Subsidiaries is a party or to which any of its respective properties are subject created while Fishtail, Sonoma or such Person has been owned by Enron or its Affiliates, and no declaration, filing or registration with any governmental authority is required by Fishtail, Sonoma or such Person in connection with the execution, delivery and performance of this Agreement, except in each case as has been obtained or made or as could not reasonably be expected to have a Material Adverse Effect.

(D) The operation of Fishtail, Sonoma or such Person, as the case may be, since Fishtail, Sonoma or such Person, as applicable, was acquired by Enron or its Affiliates have been conducted in compliance with, and in a manner that could not reasonably be expected to result in liabilities that have not been discharged or reserved for on a reasonably current basis under, all applicable Environmental Laws, except to the extent the failure to comply with, or the incurrence of liabilities under, such applicable Environmental Laws could not reasonably be expected to have a Material Adverse Effect. Since its acquisition by Enron or an Affiliate except as set forth on Schedule 3.03(b)(iii)(D) hereto, each of Fishtail, Sonoma or such Person has not received any notice, notification, demand, citation, summons or order, and no complaint has been filed, and no penalty has been assessed by any governmental authority with respect to matters arising out of or relating to any applicable Environmental Laws, including without limitation any notice, notification, demand, citation, summons, order or complaint that was outstanding before the date of acquisition by Enron or an Affiliate. The General Partner has provided to the Class B Limited Partner copies of all environmental assessments and reports in the possession of Enron and its Affiliates with respect to each of Fishtail, Sonoma and such Person.

(E) Since its acquisition by Enron or its Affiliates, each of Fishtail, Sonoma or such Person has not violated, and to the knowledge of Enron, is not under investigation with respect to or has been threatened to be charged with or given notice of any material violation of, any applicable Laws, except as could not reasonably be expected to have a Material Adverse Effect.

(F) The contribution of interests in Fishtail and such Person and the transfer of interests in Sonoma, in each case to the Partnership, will transfer good and valid title to the Partnership of all of the equity interests in Sonoma not owned by the Class B Limited Partner or any of its Affiliates and all of the equity interests in Fishtail not owned by Sonoma and such Person, respectively, free and clear of all Encumbrances.

(G) Each of Fishtail, Sonoma and such Person is in possession of and has good title to, or has valid leasehold interests in or valid rights under contract to use, all material assets that are necessary to conduct its business as it is currently conducted and the amount set forth in Section 4.01(a) represents the collective value of Fishtail, the equity interests in Sonoma transferred to the Partnership, such Persons, and the other Contributed Assets that would be attributed thereto in an arm's length sale transaction between an informed and willing seller and an informed and willing purchaser, each unrelated to the other and under no compulsion to effectuate the transaction.

(H) Each of EIPLP, EIM Holdings I, EIM Holdings Canada and Garden State and their wholly owned Subsidiaries have the title to the properties indirectly conveyed by the conveyance of the Physical Assets pursuant to the Asset Acquisition Agreements to the extent of the representations with respect to title set forth therein, except in so far as disposed of or Encumbered in the ordinary course of business.

(I) None of Fishtail, Sonoma or any such Person has any outstanding Debt, except for indebtedness (1) of Caymus Trust, the legal owner of the Class A interest in Sonoma, to be repaid in connection with the transactions contemplated by the formation of the Partnership, (2) to Enron and its Affiliates in respect of Stadacona expected to be refinanced following the Effective Date, or (3) trade Debt incurred in the ordinary course of business on customary trade terms, or (4) other Debt of Subsidiaries not exceeding $10 Million in the aggregate.

(iv) represents and warrants to the Partnership that the insurance policies currently in place in respect of the Partnership and its Subsidiaries (a) are for reasonable amounts and with financially sound and reputable insurance companies and (b) provide coverage against such catastrophic and environmental risks and are subject to such retention, deductibles or other terms as policies that would customarily be maintained, in accordance with good business practice, by companies engaged in similar businesses.

3.04 ***Dispositions of Limited Partnership Interests.***

(a) ***General Restriction.*** No Disqualifying Disposition of a Limited Partnership Interest (or any interest therein) shall be permitted, authorized or recognized for any purpose. Except as limited by the foregoing sentence, EIM may Dispose of all or any portion of its General Partnership Interest, ENA may Dispose of all or any portion of its Class A Limited Partnership Interest, and Enron may dispose of all or any portion of its Class C Limited Partnership Interest, to an Affiliate of Enron as long as the requirements of Sections 3.04(b) and (c) are satisfied, and ENA or Enron may Dispose of all or any portion of a Class A Limited Partnership Interest or a Class C Limited Partnership Interest, respectively, upon the merger, consolidation, share exchange, conversion, dissolution, winding up or other termination of the Affiliate of Enron beneficially owning the Class A Limited Partnership Interest or the Class C Limited Partnership Interest. Except as set forth in the immediately preceding sentence, EIM may not Dispose of all or a portion of its General Partnership Interest, ENA may not Dispose of its Class A Limited Partnership Interest and Enron may not Dispose of its Class C

Limited Partnership Interest without the consent of the Class B Limited Partner. A Class B Limited Partner, a Class A Limited Partner or a Class C Limited Partner may not dispose of a portion or all of its Limited Partnership Interest without the consent of the General Partner; *provided, however*, that during any period the Board of Directors has been approved and is acting, approval of the Board of Directors in accordance with Section 6.05(e) shall be deemed to constitute the approval of the General Partner for any such transfer; the General Partner hereby irrevocably consents to the Disposition of the Class B Limited Partnership Interest of SBHC to an Affiliate of SBHC provided that such Affiliate can demonstrate to the reasonable satisfaction of the General Partner that such Affiliate has the financial capacity to make its Capital Contributions pursuant to the requirements of this Agreement *and further provided however,* that no Disposition of a Class B Limited Partnership Interest to a Competitor of Enron shall be recognized for any purpose hereunder (except that during the continuance of a Credit Event, a Class B Limited Partnership Interest may be Disposed to any Person, including to a Competitor of Enron, without the consent of the General Partner hereunder) . Any Disposition effected other than in compliance with this Section 3.04(a) shall be void and the Partnership shall not recognize it; *provided, however*, that the transferee in any such Disposition (other than a Disposition prohibited by the first sentence of this Section 3.04(a)) shall be treated for all purposes as an Assignee of a Limited Partnership Interest without the right to become a Limited Partner of the Partnership for purposes of this Agreement (except as otherwise provided pursuant to this Section 3.04).

(b) ***Admission of Assignee as a Limited Partner.*** An Assignee has the right to be admitted to the Partnership as a Limited Partner, with the Limited Partnership Interest (and attendant Sharing Ratio) so transferred to such Assignee, only if such Disposition is effected in strict compliance with this Section 3.04.

(c) ***Requirements Applicable to All Dispositions and Admissions.*** In addition to the requirements set forth in Sections 3.04(a) and 3.04(b), any Disposition of a Limited Partnership Interest and any admission of an Assignee as a Limited Partner (other than the Disposition from SBHC to its lenders for security purposes) shall also be subject to the following requirements, and such Disposition (and admission, if applicable) shall not be effective unless such requirements are complied with; *provided, however*, that the General Partner, in its sole and absolute discretion, may waive any of the following requirements (except that the General Partner shall not waive the provisions of 3.04(c)(i)(B) and 3.04(c)(i)(E)):

(i) ***Disposition Documents.*** The following documents must be delivered to the General Partner and must be reasonably satisfactory, in form and substance, to the General Partner (or to a Majority Interest of the Class B Limited Partners, if the Disposing Partner is the General Partner):

(A) ***Disposition Instrument.*** A copy of the instrument pursuant to which the Disposition is effected.

(B) ***Ratification of this Agreement.*** An instrument, executed by the Disposing Partner and its Assignee, containing the following information and agreements, to the extent they are not contained in the instrument described in Section 3.04(c)(i)(A): (1) the notice address of the Assignee; (2) the Sharing Ratios after the Disposition of the Disposing Partner and its Assignee (which together must total the Sharing Ratio of the Disposing Partner before the Disposition); (3) the Assignee's ratification of this Agreement and agreement to be bound by it, and its confirmation that the representations and warranties in Section 3.04(c)(i)(E) are true and correct with respect to it; (4) representations and warranties by the Disposing Partner and its Assignee that the Disposition and admission is being made in accordance with all applicable Laws; and (5) the Commitments after the Disposition of the Disposing Partner and the Assignee.

(C) ***Securities Law Opinion.*** Unless the Partnership Interest subject to the Disposition is registered under the Securities Act and any applicable state securities Law, a favorable opinion of the Partnership's legal counsel or of other legal counsel acceptable to the General Partner (who may be an employee of Enron or an Affiliate of Enron), to the effect that the Disposition and admission is being made pursuant to a valid exemption from registration under such Laws and in accordance with those Laws; ***provided, however***, that this Section 3.04(c)(i)(C) shall not apply to a Disposition by the General Partner or any Limited Partner to one of its Affiliates.

(D) ***Investment Company Act Opinion.*** A favorable opinion of the Partnership's legal counsel or of other legal counsel acceptable to the General Partner (who may be an employee of Enron or an Affiliate of Enron), to the effect that the Disposition and admission will not result in the Partnership being required to register as an investment company under the Investment Company Act.

(E) ***Representations and Warranties.*** Representations and warranties to the Partnership and each Partner that the representations and warranties set forth in Section 3.03 are true and correct as of the date of Disposition and admission with respect to the Assignee.

(ii) ***Payment of Expenses.*** The Disposing Partner and its Assignee shall pay, or reimburse the Partnership for, all reasonable costs and expenses incurred by the Partnership in connection with the Disposition and admission, including the legal fees incurred in connection with the legal opinions referred to in Section 3.04(c)(i)(C) and (D), on or before the tenth Day after the receipt by that Person of the Partnership's invoice for the amount due.

(iii) *No Release.* No Disposition of a Partnership Interest shall effect a release of the Disposing Partner from any liabilities to the Partnership or the other Partners arising from events occurring prior to the Disposition.

3.05 ***Liabilities Strictly the Partnership's; Liability to Third Parties.***

Except as otherwise expressly (and not by implication) provided by the Act, the debts, obligations and liabilities of the Partnership, whether arising in contract, tort, or otherwise, shall be solely the debts, obligations and liabilities of the Partnership; and no Partner shall be liable for the debts, obligations or liabilities of the Partnership solely by being a Limited Partner of the Partnership.

3.06 ***Access to Information.***

Each Limited Partner shall be entitled to receive any information regarding the Partnership required to be disclosed to it pursuant to the provisions of Section 17-305 of the Act, Notices required pursuant to Section 6.02 and the information specified in Section 8.01. Such right may be exercised through any agent or employee of such Limited Partner designated in writing by it or by an independent public accountant, attorney or other consultant so designated. The Limited Partner making the request shall bear all costs and expenses incurred in any examination of the Partnership's affairs made on such Limited Partner's behalf. Confidential Information obtained pursuant to this Section 3.06 shall be subject to the provisions of Section 3.07.

3.07 ***Confidential Information.***

(a) Each Class B Limited Partner, each Class A Limited Partner and each Class C Limited Partner from time to time that is not Enron or an Affiliate of Enron acknowledge that, from time to time, they may receive Confidential Information, the release of which may be damaging to the Partnership or its Subsidiaries, EIM, Enron or Enron's Affiliates (each a "*Subject Person*") or to Persons with which a Subject Person does business. Unless the Subject Person (the General Partner if the Partnership is the Subject Person) consents otherwise, each Class B Limited Partner and Class A Limited Partner from time to time that is not Enron or an Affiliate of Enron shall hold in strict confidence and not disclose or otherwise use (except for matters directly involving its investment in the Partnership) any Confidential Information it receives and may not disclose it to any Person other than another Partner except for disclosures (i) in order to comply with any applicable law, order, regulation or ruling or request of any banking or securities regulatory authority (but the Partner must notify, to the extent it is legally permitted to do so, the Subject Person (the General Partner if the Partnership is the Subject Person) promptly of any request for disclosure of Confidential Information, before disclosing if it is practicable), or (ii) as to Confidential Information regarding the Partnership or its Subsidiaries or the Designated Business, to partners, members or other equity owners, or advisers or representatives of such Partner or Persons to which that Partner's Partnership Interest may be Disposed as permitted by this Agreement or to SBHC, and its lenders (and their advisers and representatives), but only if the recipients have agreed to be bound by the provisions of this Section 3.07. The Partners acknowledge that breach of the provisions of this Section 3.07 may

cause irreparable injury to the Subject Person for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Partners agree that the provisions of this Section 3.07 may be enforced by specific performance, including specifically through injunctive relief. The provisions of this Section 3.07 may be specifically enforced by any applicable Subject Person.

(b) Each Partner that is subject to Section 3.07(a) shall take such precautionary measures as may be reasonably required to ensure (and such Partner shall be responsible for) compliance with this Section 3.07 by any of its Affiliates, legal and financial advisors, and its and their respective directors, officers, employees and agents.

(c) A Partner that is subject to Section 3.07(a) and that subsequently ceases to be a Partner shall promptly return or destroy the Confidential Information that is written, except for that portion that may be found in analyses, compilations, studies or other documents prepared by or for a Partner, to the disclosing Subject Person and no copies shall be retained by a receiving former Partner or its representatives. That portion of the Confidential Information that is found in analyses, compilations, studies or other documents prepared by or for a receiving Partner, the Confidential Information that is oral and the Confidential Information that is not so returned will be held by the receiving Partner or former Partner and kept subject to the terms of this Agreement or will be destroyed by the receiving Partner or former Partner (with a certificate of destruction provided to the Partnership with respect thereto).

(d) The provisions of this Section 3.07 shall survive the termination of the Partnership.

3.08 ***Partition.***

To the fullest extent permitted under applicable Law, each Partner waives any and all rights that it may have to maintain an action for partition of the Partnership's property.

3.09 ***Covenant Not to Dissolve.***

Except as set forth in Article IX or as otherwise expressly provided in this Agreement, to the fullest extent permitted under applicable Law, each Partner hereby covenants and agrees not to take any action that would result in or is intended to result in a dissolution of the Partnership.

3.10 ***Termination of Status as Partner.***

(a) A Person shall cease to be a Partner only upon the first to occur of:

(i) The Disposition of all of its Partnership Interest, *provided* that the transferee of such Partnership Interest is admitted as a substituted Limited Partner in accordance with Section 3.04(b) of this Agreement.

(ii) The involuntary Disposition by operation of Law (other than as a result of any merger, consolidation, share exchange or conversion of a Partner with or into another Person; *provided*, that, in the case of such merger,

consolidation, share exchange or conversion, the conditions required for such Disposition to be a permitted Disposition hereunder shall have been satisfied) of its Partnership Interest (which shall not relieve such Person (or, in the case of such merger, consolidation, share exchange or conversion, the surviving or resulting Person of such merger, consolidation, share exchange or conversion) from any liability under this Agreement, including liabilities for an unpermitted withdrawal).

The happening of any of the foregoing events with respect to a Partner shall not, by itself, cause a dissolution of the Partnership except as provided in Article IX. Except to the extent specifically (and not by implication) set forth herein, upon the termination of a Person's status as a Partner, such Person shall not be entitled to any distributions from the Partnership, including a distribution based on the fair value of such Person's Partnership Interest. A Partner shall not cease to be a Partner solely as a result of the happening of any of the events specified in Section 17-402(a)(4) of the Act.

(b) No Partner may resign from the Partnership, except (i) with the prior written consent of the General Partner, or if the General Partner, the Class A Limited Partner (who is then an Affiliate of Enron) or the Class C Limited Partner (who is then an Affiliate of Enron) is resigning, a Majority Interest of the Class B Limited Partners, (ii) upon cancellation of the certificate of limited partnership as provided in Section 17-203 of the Act, or (iii) incident to a permitted Disposition pursuant to which the transferee is admitted as a Partner.

(c) Any debts, obligation, or liabilities in damages to the Partnership of any Person who ceases to be a Partner shall be collectible by any legal means and the Partnership is authorized, in addition to any other remedies at Law or in equity, to apply any amounts otherwise distributable or payable by the Partnership to such Person to satisfy such debts, obligations, or liabilities.

(d) Except as otherwise provided in this Agreement, in the event a Person ceases to be a Partner without having Disposed of all of its Partnership Interest in accordance with this Agreement (including upon removal or resignation), such Person shall be treated as an unadmitted Assignee of an interest as a result of a Disposition (other than a permitted Disposition) of a Partnership Interest pursuant to Section 3.04(a).

(e) Subject to the provisions of this Section 3.10 and Article IX, no Partner shall at any time retire or withdraw from the Partnership. Any Partner retiring or withdrawing in contravention of this Section 3.10 shall indemnify, defend and hold harmless the Partnership and all other Partners from and against any losses, expenses, judgments, fines, settlements or damages suffered or incurred by the Partnership or any other Partner arising out of or resulting from such retirement or withdrawal, except to the extent recovery of any portion of such damages is limited by the provisions of Section 11.01 hereof.

ARTICLE IV
CAPITAL CONTRIBUTIONS

Initial Capital Contributions; Contributions by the General Partner.

(a) EIM made a Capital Contribution to the Partnership of $1,000 as the General Partner, effective as of the Formation Date. On the Effective Date, each of the Partners shall make, in the order determined by the General Partner (but on, and effective on, the Effective Date), its respective Initial Capital Contribution and establish its aggregate Commitment (including its Initial Capital Contribution) in exchange for its respective Limited Partnership Interest as set forth in Section 4.01(b). The Limited Partners hereby agree that the portion of the Contributed Assets contributed by the General Partner as its Initial Capital Contribution has an aggregate value as Capital Contributions of $28,400, the portion of the Contributed Assets contributed by the Class A Limited Partner as its Initial Capital Contribution has an aggregate value as Capital Contributions of $283,971,600 and the Initial Capital Contribution of the Class B Limited Partner has an aggregate value as Capital Contributions of $28,500,000.

(b) The following are the Initial Capital Contributions of the Partners:

(i) The General Partner shall contribute all of the general partnership interest of EIPLP.

(ii) The Class A Limited Partner shall contribute (A) all of the limited partnership interest in EIPLP, (B) all of the membership interests in Garden State, (C) $208,500,000 in cash to be used by the Partnership to acquire beneficial ownership of the Class B Interests in Sonoma from Caymus Trust and, in connection therewith, retire indebtedness issued by Caymus Trust (such acquisition and retirement to be treated, for income and franchise tax purposes, as the repayment of the Class A Limited Partner's indebtedness by the Class A Limited Partner and a contribution by the Class A Limited Partner of an unencumbered interest in the Class C membership interest in Fishtail to the Partnership, (D) all of the Class A membership interests in Fishtail, (E) the Liquidity Facility, and (F) the benefit of all of the rights and indemnities granted to Enron and its Affiliates pursuant to the Asset Acquisition Agreements, to the extent the benefits of such rights and indemnities are assignable, as assigned pursuant to Section 3.03(b)(i) (the Initial Capital Contributions described in Section 4.01(b)(i) and this Section 4.01(b)(ii) are collectively referred to herein as the "*Contributed Assets*").

(iii) The Class B Limited Partner shall contribute cash or, with the consent of the General Partner, other assets (or any combination thereof) having a value of $28,500,000.

(iv) The Class C Limited Partner shall only have the obligation to make Capital Contributions to the Partnership as set forth in Section 4.01(c)(i).

(c) Set forth below are the amounts each Limited Partner is obligated to contribute, subject to Section 4.02, to the capital of the Partnership in addition to its respective Initial Capital Contributions (the General Partner and the Class A Limited Partner having no further Commitment), the sum of such amounts and the amounts set forth below as to each such Limited Partner constituting its Commitment:

(i) The Class C Limited Partner shall be obligated to contribute, as and to the extent required pursuant to Section 4.02 hereof, an aggregate of (A) $65,000,000, plus (B) the amount by which the principal amount of the Debt of Stadacona referred to in the proviso to Section 6.06(c)(iii) is reduced during the Term; and

(ii) The Class B Limited Partner shall be obligated to contribute, as and to the extent required pursuant to Section 4.02 hereof, an aggregate of $160,000,000.

Procedures for Capital Contributions.

(a) During the Term, at any time the General Partner determines that anticipated cash on hand at the next Distribution Date will be inadequate to (i) distribute to the Class B Limited Partners the Preferred Dividend Distribution Amount, (ii) pay expenses of the Partnership as they become due, or expenses, working capital requirements or debt service requirements of the Subsidiaries, or (iii) after making provision for (i) and (ii), maintain the working capital reserve required by the proviso to Section 4.03(a), the Class C Limited Partner, on or before the date specified in the notice from the General Partner required pursuant to Section 4.02(c), shall contribute to the Partnership a portion of its Commitment in the amount requested by the General Partner to permit the Partnership to make such payments or maintain such reserves; *provided, however*, that the Class C Limited Partner shall not be required to make Capital Contributions in excess of its aggregate Commitment; *provided further, however*, that from and after the occurrence of a Dissolution Event (as defined in Section 9.01 hereof) and prior to the end of the Term, a Partner shall not be required to make any Capital Contributions to the extent, but only to the extent, that the General Partner reasonably determines that the amount to be so contributed would be available for distribution to such Partner (in accordance with Sections 5.02 and 9.02 hereof) at the conclusion of the Term. If, *however*, the General Partner subsequently determines that such Capital Contributions would not be available for distribution to such Partner, then such Partner shall make the Capital Contributions in accordance with this Section 4.02.

(b) During the Term, if, at the end of any Quarterly Period Aggregate Net Losses of the Partnership exist, the Class B Limited Partner, on or before the date specified in the notice from the General Partner required pursuant to Section 4.02(c), shall (subject to the second proviso to Section 4.02(a)) contribute to the Partnership a portion of its Commitment in an amount equal to the remainder resulting from subtracting from such Aggregate Net Losses the amount of all prior Capital Contributions by the Class B Limited Partner pursuant to this 4.02(b) (without double counting of any amount included in the definition of the term Aggregate Net Losses); *provided, however*,

that the Class B Limited Partner shall not be required to make Capital Contributions in excess of its aggregate Commitment.

(c) To require Capital Contributions, the General Partner must notify each Class C Limited Partner or Class B Limited Partner, as the case may be, of the required Capital Contributions, which notice must state:

(i) (A) if pursuant to Section4.02(a), that the General Partner has determined that available cash will be insufficient to meet the requirements of Section 4.02(a)(i)-(iii), or (B) if pursuant to Section 4.02(b)(b) that Aggregate Net Losses of the Partnership exist as of the end of the most recent Quarterly Period;

(ii) the amount of the aggregate Capital Contributions requested pursuant to such notice, which shall equal the amount set forth in Section 4.02(a)or (b), as the case may be (rounded to the next highest $100,000);

(iii) the amount of the Capital Contribution that the Class C Limited Partner or Class B Limited Partner, as the case may be, is to make, which shall be determined as set forth in Section 4.02(a), (b) and (c)(ii);

(iv) the date on which such Capital Contribution shall be made, which shall be a Business Day no earlier than the fifth Business Day following the notice; and

(v) the bank account of the Partnership to which Capital Contributions are to be wired.

4.03 General Rules for Investment of Capital Contributions.

(a) Unless otherwise agreed by a Majority Interest of the Class B Limited Partners and subject to Section 6.01 and the second proviso to Section 4.02(a), all of the Capital Contributions will be used (i) to engage in the Designated Business (including making capital expenditures in respect thereof), (ii) to pay Preferred Dividend Distribution Amounts, fees, advances and expenses of the Partnership, (iii) to repay indebtedness of the Partnership and its Subsidiaries, (iv) to pay any other expenses of engaging in the Designated Business and/or for working capital for the Partnership and its Subsidiaries or, (v) subject to Section 6.01(b), to pay fees and expenses of Subsidiaries of the Partnership, advances made by the Partnership to its Subsidiaries or capital expenditure requirements of the Subsidiaries, all as specified in the notice given by the General Partner under Section 4.02(c); *provided however*, that the Partners agree that the General Partner shall at all times maintain a working capital reserve (including earnings on and proceeds of investment) of cash and investments permitted under Section 4.03(b) aggregating at least $28.5 million.

(b) The General Partner may cause the Partnership to invest cash temporarily in liquid investments until such time as such cash is invested or utilized in the Designated Business; *provided*, that, such investments consist of (i) short-term obligations of, or obligations guaranteed by, the United States of America or any agency or instrumentality

thereof, (ii) any repurchase agreement with respect to securities described in clause (i) which is fully secured by such securities, (iii) any money market account or other interest-bearing account with a commercial bank having a short term rating of at least "A1/P1" or the equivalent by Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and capital and surplus of not less than $500,000,000, (iv) short-term debt securities or promissory notes of Enron or its Affiliates so long as Enron maintains at least one outstanding issue of senior unsecured debt rated investment grade, or (v) commercial paper that is rated at least P-1 by Moody's Investors Service, Inc. or A-1 by Standard & Poor's Ratings Services.

(c) Except as provided in Sections 4.01, 4.02 and 4.03 or as agreed by the Partners pursuant to Section 6.01(g), a Partner has no right or obligation to make Capital Contributions.

Failure to Contribute.

(a) If a Partner (the "*Delinquent Partner*") does not contribute by the time required all or any portion of a Capital Contribution that the Partner is required to make as provided in this Agreement:

(i) the Partnership may take such action (including, without limitation, court proceedings) as the General Partner may deem appropriate to obtain payment by the Delinquent Partner of the portion of the Delinquent Partner's Capital Contribution that is in default, together with interest on that amount at the Default Interest Rate from the Day that the Capital Contribution was due until the Day that it is made, all at the cost and expense of the Delinquent Partner;

(ii) the Delinquent Partner will not be entitled, during any period in which such Partner is a Delinquent Partner, to participate in any vote, consent or decision to be made by the Limited Partners;

(iii) the General Partner may elect to cause one or more of the following to occur in respect of a Delinquent Partner: (a) forfeiture of any distributions that such Delinquent Partner otherwise would have received pursuant to Section 5.01 or Section 5.01hereof, (b) reduction of the amount of such Delinquent Partner's capital invested (for purposes of calculating any Preferred Return) and the related Capital Account by 25%; or (c) the forced Disposition of all of such Delinquent Partner's interest in the Partnership (including any Partnership Interest) to the other Partners or to a third party at its cost or another price determined to be appropriate in the General Partner's discretion under the circumstances; and

(iv) until the Capital Contribution is made, the other Partners in proportion to their Sharing Ratios or in such other percentages as they may agree (the "*Lending Partner*," whether one or more), may, but shall not be obligated to,

advance the portion of the Delinquent Partner's Capital Contribution that is in default, with the following results:

(A) the sum advanced constitutes a loan from the Lending Partner to the Delinquent Partner, and a Capital Contribution of that sum to the Partnership by the Delinquent Partner under the applicable provisions of this Agreement;

(B) the principal balance of the loan and all accrued unpaid interest is due and payable on the 10th Day after written demand by the Lending Partner to the Delinquent Partner;

(C) the amount loaned bears interest at a rate per annum equal to the Default Interest Rate from the Day that the advance is made until the Day that the loan, together with all interest accrued on it, is repaid to the Lending Partner;

(D) the payment of the loan and interest accrued on it is secured by a security interest in the Delinquent Partner's Partnership Interest, as more fully set forth in Section 4.04(b); and

(E) the Lending Partner has the right, in addition to the other rights and remedies granted to it under this Agreement or at law or in equity, to take any action (including, without limitation, court proceedings) that the Lending Partner may deem appropriate to obtain payment by the Delinquent Partner of the loan and all accrued and unpaid interest on it, at the cost and expense of the Delinquent Partner.

(b) Each Partner grants to the Partnership, and to each Lending Partner with respect to any loans made by the Lending Partner to that Partner as a Delinquent Partner as described in Section 4.04(a)(iv), as security, equally and ratably, for the payment of all Capital Contributions that Partner has agreed to make and the payment of all loans and interest accrued on them made by each Lending Partner to that Partner as a Delinquent Partner as described in Section 4.04(a)(iv), a security interest in and a general lien on its Partnership Interest and the proceeds thereof, all under the Uniform Commercial Code of the State of Delaware. On any default in the payment of a Capital Contribution or in the payment of such a loan or interest accrued on it, the Partnership or the Lending Partner, as applicable, is entitled to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Delaware with respect to the security interest granted in this Section 4.04(b). If perfection of the security interest granted by a Partner pursuant to this Section 4.04(b) is not effectuated by possession of an Interest Certificate, a Delinquent Partner shall execute and deliver to the Partnership and the other Partners all financing statements and other instruments that the General Partner or the Lending Partner, as applicable, may request to effectuate and carry out the preceding provisions of this Section 4.04(b). For this purpose, this Agreement constitutes a security agreement.

Return of Contributions.

Except as expressly provided herein, a Partner is not entitled to the return of any part of its Capital Contributions. A Partner is not entitled to be paid interest in respect of its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Partnership or of any Partner. A Partner is not required to contribute or to lend any cash or assets to the Partnership to enable the Partnership to return any Partner's Capital Contributions.

Capital Accounts.

The Partnership shall maintain a capital account (a "*Capital Account*") for each Partner in compliance with Treasury Regulation Section 1.704-1(b)(2)(iv) and Section 1.704-2, as amended. Each Partner's Capital Account (a) shall be increased by (i) the amount of money contributed by that Partner to the Partnership, (ii) Book Value of property contributed by that Partner to the Partnership (net of liabilities secured by such contributed property that the Partnership is considered to assume or take subject to within the meaning of Code Section 752), and (iii) allocations to that Partner of Profits and any items of income or gain allocated to such Partner pursuant to the Regulatory Allocations, and (b) shall be decreased by (i) the amount of money distributed to that Partner by the Partnership, (ii) the Book Value of property distributed to that Partner by the Partnership (net of liabilities secured by such distributed property that such Partner is considered to assume or take subject to under Code Section 752), and (iii) allocations to that Partner of Losses and any items of loss or deduction allocated to such Partner pursuant to the Regulatory Allocations. A Partner that has more than one Partnership Interest shall have a single Capital Account that reflects all such Partnership Interests, regardless of the class of Partnership Interest owned by such Partner and regardless of the time or manner in which such Partnership Interests were acquired. Upon the Disposition of all or part of a Partnership Interest, the Capital Account of the transferor that is attributable to the Disposed Partnership Interest shall carry over to the transferee Partner in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(l).

ARTICLE V
DISTRIBUTIONS; ALLOCATIONS

Distributions.

(a) Subject to the other provisions of this Article V, at the times indicated below, the Partnership shall distribute to the Partners from cash in excess of the amount necessary to enable the Partnership to pay its obligations as they become due and a cash reserve for contingencies (in each case including anticipated operating expenses, including management fees and expenses payable pursuant to Section 6.07 hereof, in current and future periods), all as calculated or determined by the General Partner in its reasonable judgment in the following order of priority:

(i) First, on each Distribution Date to each Class B Limited Partner an amount equal to its pro rata portion of the Preferred Dividend Distribution Amount; *provided, that* to the extent not so made, the Preferred Return shall continue to cumulate as provided in Section 5.01(d);

(ii) Second, on the first Distribution Date at which Partnership funds are available therefor, pro rata to each Class B Limited Partner, an amount equal to the amount of Capital Contributions contributed by such Class B Limited Partner to the Partnership in excess of its Initial Capital Contribution, to the extent not theretofore returned;

(iii) Third, from time to time as determined by the General Partner, pro rata to each Class C Limited Partner an amount equal to the amount of Capital Contributions contributed by such Class C Limited Partner pursuant to Section 4.02(a) of this Agreement, to the extent not theretofore returned (and, upon such payment the Commitment of the Class C Limited Partner shall be restored by an amount equal to the amount distributed pursuant to this paragraph, but not to an amount in excess of the Class C Limited Partner's Commitment); and

(iv) Thereafter, from time to time as determined by the General Partner, the balance of cash available for distribution, if any, to the Class B Limited Partners, pro rata, the Class C Limited Partners, pro rata, the Class A Limited Partners, pro rata, and the General Partner, in such shares as will result in each Partner collectively receiving in the aggregate pursuant to Section 5.01(a)(i) and this Section 5.01(a)(iv) its respective Sharing Ratio of the total amount distributed pursuant to Section 5.01(a)(i) and this Section 5.01(a)(iv).

(b) From time to time the General Partner also may cause property of the Partnership other than cash to be distributed to the Partners; in the order of priority set forth in Section 5.01 or Section 5.02, *provided* (i) that any property distributed shall be freely transferable and not in violation of any law or regulation, (ii) that the General Partner shall have the option to sell such property and distribute the proceeds to the Partners, and (iii) that no property (other than cash) shall be distributed to any Class B Limited Partner without the prior written consent of such Class B Limited Partner. Immediately prior to such a distribution; the capital accounts of the Partners shall be adjusted as provided in Treas. Reg. § 1.704-1(b)(2)(iv)(f).

(c) Neither the General Partner nor any Limited Partner is personally liable for the payment of any distributions due to a Partner, and other than as provided in Section 4.02 no Partner may be required to make Capital Contributions or an advance to enable the Partnership to make distributions.

(d) The amount payable pursuant to Section 5.01(a)(i) in respect of the Class B Limited Partnership Interests on any Distribution Date shall be the unpaid Preferred Return with respect to such Class B Limited Partnership Interest accumulated to such Distribution Date (any such amount, a "*Preferred Dividend Distribution Amount*"). Any payments of Preferred Dividend Distribution Amounts made in respect of the Class B Limited Partnership Interests shall first be credited against the Preferred Return accumulated with respect to the earliest Quarterly Period for which any Preferred Return has not been paid in full (and shall be applied to accumulated Preferred Returns for subsequent Quarterly Periods in chronological order).

Distributions on Dissolution and Winding Up.

Subject to Section 17-804 of the Act, as promptly as practicable upon the dissolution and winding up of the Partnership, all available assets remaining after satisfaction of all debts and liabilities of the Partnership owed to creditors (whether by payment or the making of reasonable provision for payment thereof) shall be distributed to the Partners as follows: first, to the Class B Limited Partners until each Class B Limited Partner has received an amount equal to the sum of any accrued and unpaid Preferred Dividend Distribution Amount to the date of dissolution and the amount of any unreturned Capital Contributions made by such Class B Limited Partner, and second, to the Class A Limited Partners and General Partner in proportion to their respective Sharing Ratios in accordance with Section 9.02.

Allocation of Profits.

Profits shall be allocated by the General Partner on behalf of the Partnership to the Capital Accounts of the Partners as follows:

(a) First, 100% to the Class B Limited Partners to reverse Losses previously allocated to the Class B Limited Partners pursuant to Section 5.04(b), pro rata in accordance with the Losses previously allocated to each Class B Limited Partner;

(b) Second, 100% to each Class B Limited Partner until the cumulative amount of Profits allocated to each Class B Limited Partner pursuant to this Section 5.03 equals the cumulative amount of the Preferred Dividend Distribution Amount distributed to such Class B Limited Partner pursuant to Section 5.01(a)(i) and Section 5.02;

(c) Third, 100 % to the Class A Limited Partner, the Class C Limited Partner and the General Partner to reverse Losses previously allocated to the Class A Limited Partner, the Class C Limited Partner and the General Partner pursuant to Section 5.04(a), pro rata in accordance with the Losses previously allocated to the Class A Limited Partner, the Class C Limited Partner and the General Partner;

(d) Fourth, to the Class B Limited Partners, the Class A Limited Partner, the Class C Limited Partner and the General Partner in such shares as will cause (as rapidly as possible) (i) the cumulative amount of Profits allocated to the Class B Limited Partners pursuant to this Section 5.03(d) to equal the cumulative amounts distributed to the Class B Limited Partners pursuant to Section 5.01(a)(iv) and (ii) the cumulative amount of Profits allocated to the Class A Limited Partner, the Class C Limited Partner and the General Partner pursuant to this Section 5.03(d) (together with the cumulative amount of Profits theretofore allocated to the Class A Limited Partner, the Class C Limited Partner and the General Partner pursuant to Section 5.03(e)) to be not less than the cumulative amounts distributed to the Class A Limited Partner, the Class C Limited Partner and the General Partner pursuant to Section 5.01(a)(iv); and

(e) The balance to the Class A Limited Partner, the Class C Limited Partner and the General Partner in proportion to their respective Sharing Ratios.

Allocation of Losses.

Losses shall be allocated by the General Partner on behalf of the Partnership to the Capital Accounts of the Partners as follows:

(a) First, 100% to the General Partner the Class A Limited Partner and the Class C Limited Partner to the extent of, and in proportion to, the positive balances in their respective Adjusted Capital Accounts;

(b) Second, 100% to the Class B Limited Partner to the extent of, and in proportion to, the positive balances in their respective Adjusted Capital Accounts; and

(c) The balance, if any, to the Class A Limited Partner, the Class C Limited Partner and the General Partner in proportion to their respective Sharing Ratios.

Final Year Allocations.

Notwithstanding Sections 5.03 and 5.04, Profits and Losses realized by the Partnership during the Partnership's final Fiscal Year shall be allocated among the Partners so as to cause, to the extent possible, the Capital Account of each Partner to equal the amount distributable to such Partner pursuant to Section 5.02.

Regulatory Allocations.

The following allocations shall be made in the following order:

(a) Nonrecourse Deductions shall be allocated to the Partners in accordance with their Sharing Ratios.

(b) Partner Nonrecourse Deductions attributable to Partner Nonrecourse Debt shall be allocated to the Partners bearing the Economic Risk of Loss for such Partner Nonrecourse Debt as determined under Treasury Regulation Section 1.704-2(b)(4). If more than one Partner bears the economic Risk of Loss for such Partner Nonrecourse Debt, the Partner Nonrecourse Deductions attributable to such Partner Nonrecourse Debt shall be allocated among the Partners according to the ratio in which they bear the Economic Risk of Loss. This Section 5.06(b) is intended to comply with the provisions of Treasury Regulation Section 1.704-2(i) and shall be interpreted consistently therewith.

(c) Notwithstanding any other provision hereof to the contrary, if there is a net decrease in Minimum Gain for a taxable year (or if there was a net decrease in Minimum Gain for a prior taxable year and the Partnership did not have sufficient amounts of income and gain during prior years to allocate among the Partners under this Section 5.06(c)), items of income and gain shall be allocated to each Partner in an amount equal to such Partner's share of the net decrease in such Minimum Gain (as determined pursuant to Treasury Regulation Section 1.704-2(g)(2)). This Section 5.06(c) is intended to constitute a minimum gain chargeback under Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(d) Notwithstanding any provision hereof to the contrary except Section 5.06(c) (dealing with Minimum Gain), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain for a taxable year (or if there was a net decrease in Partner Nonrecourse Debt Minimum Gain for a prior taxable year and the Partnership did not have sufficient amounts of income and gain during prior years to allocate among the Partners under this Section 5.06(d)), items of income and gain shall be allocated to each Partner in an amount equal to such Partner's share of the net decrease in Partner Nonrecourse Debt Minimum Gain (as determined pursuant to Treasury Regulation Section 1.704-2(i)(4). This Section 5.06(d) is intended to constitute a partner nonrecourse debt minimum gain chargeback under Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(e) Notwithstanding any provision hereof to the contrary except Sections 5.06(c) and (d) (dealing with Minimum Gain and Partner Nonrecourse Debt Minimum Gain), a Partner who unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) shall be allocated items of income and gain (consisting of a pro rata portion of each item of income, including gross income, and gain for the taxable year) in an amount and manner sufficient to eliminate any deficit balance in such Partner's Adjusted Capital Account as quickly as possible. This Section 5.06(e) is intended to constitute a qualified income offset under Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(f) In the event that any Partner has a negative Adjusted Capital Account at the end of any taxable year, such Partner shall be allocated items of Partnership income and gain in the amount of such deficit as quickly as possible; *provided* that an allocation pursuant to this Section 5.06(f) shall be made only if and to the extent that such partner would have a negative Adjusted Capital Account after all other allocations provided for in this Article V have been tentatively made as if Section 5.06(e) and this Section 5.06(f) were not in this Agreement.

(g) To the extent an adjustment to the adjusted tax basis of any Partnership property pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as the result of a distribution to any Partner in complete liquidation of such Partner's Partnership Interest, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be allocated to the Partners in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(m)(2) if such Section applies, or to the Partner to whom such distribution was made if Treasury Regulation Section 1.704-1(b)(2)(iv)(m)(4) applies.

Income Tax Allocations.

(a) All items of income, gain, loss and deduction for Federal income tax purposes shall be allocated in the same manner as the corresponding item of Profits and Losses is allocated, except as otherwise provided in this Section 5.07.

(b) In accordance with Code Section 704(c) and the applicable Treasury Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its initial Book Value. In the event the Book Value of any property is adjusted pursuant to clause (b) or (d) of the definition of Book Value, subsequent allocations of income, gain, loss, and deduction with respect to such property shall take account of any variation between the adjusted basis of such property for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c) and the applicable Regulations thereunder. For purposes of such allocations, the Partnership shall elect whatever methods provided by Treasury Regulation Section 1.704-3 the General Partner may determine.

(c) Any (i) recapture of depreciation or any other item of deduction shall be allocated, in accordance with Treasury Regulation Section 1.1245-1(e), to the Partners who received the benefit of such deductions, and (ii) recapture of credits shall be allocated to the Partners in accordance with applicable law.

(d) Allocations pursuant to this Section 5.07 are solely for purposes of Federal, state, local and foreign taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

Other Allocation Rules.

(a) All items of income, gain, loss, deduction and credit allocable to an interest in the Partnership that may have been transferred shall be allocated between the transferor and the transferee based on the portion of the calendar year during which each was recognized as the owner of such interest, without regard to the results of Partnership operations during any particular portion of that calendar year and without regard to whether cash distributions were made to the transferor or the transferee during that calendar year, except that capital items shall be allocated using the interim closing of the books method; provided, however, that this allocation must be made in accordance with a method permissible under Code Section 706 and the regulations thereunder.

(b) The Partners' proportionate shares of the "excess nonrecourse liabilities" of the Partnership, within the meaning of Treasury Regulation Section 1.752-3(a)(3), shall be determined in accordance with their Sharing Ratios.

ARTICLE VI
MANAGEMENT

Management by General Partner.

(a) Except as provided with respect to the Board of Directors that may be appointed in accordance with the provisions of Section 6.05 and the SBHC Rights granted pursuant to Section 6.06, the management of the Partnership is fully vested in the General Partner, and except as otherwise provided in this Agreement, (i) such General Partner shall have full power and authority to manage the business and affairs of the Partnership in accordance with Section 2.04, and (ii) no other Partner shall have any such management power and authority.

(b) The General Partner shall manage the business and affairs of the Partnership and shall operate the Designated Business in good faith, in accordance with the practices of Enron's wholesale services group and with the same degree of diligence and care with which such wholesale services group manages its own business and affairs. In addition, subject to Section 6.03(c), the General Partner agrees that it will continue to conduct its activities in the Designated Business in accordance with the Risk Management Policy, taking into account applicable regulatory requirements. In making its decisions with regard to the funding and other financial requirements of Subsidiaries, the General Partner will endeavor, to the extent reasonably practicable, to seek to preserve the creditors' and other rights of the Partnership as compared to other funding sources available to the Subsidiaries.

(c) The General Partner shall determine the fair market value of the property of the Partnership to be determined upon the occurrence of any Mark-to-Market Event. The General Partner shall give prior written notice to the Class B Limited Partner of any matter set forth in Section 6.06(c) sufficient under the circumstances to permit the Class B Limited Partner to exercise its SBHC Rights with respect thereto.

(d) (i) The General Partner shall cause the Partnership to conduct its business and operations separate and apart from that of any Partner, any Affiliates of any Partner or any other Person, including (A) segregating Partnership property and not allowing funds or other assets of the Partnership to be commingled with the funds or other assets of, held by, or registered in the name of, any Partner, any Affiliates of any Partner or any other Person, (B) maintaining books and financial records of the Partnership separate from the books and financial records of any Partner or any Affiliates of any Partner, and observing all Partnership procedures and formalities, including maintaining minutes or records of meetings of the Partnership and acting on behalf of the Partnership only pursuant to due authorization of the Partners (including any authorization as is given in this Agreement), (C) causing the Partnership to pay its liabilities from assets of the Partnership and (D) causing the Partnership to conduct its dealings with third parties in its own name and as a separate and independent entity.

(ii) Failure of the Partnership, or any Partner or director on behalf of the Partnership, to comply with any of the foregoing covenants in Section

6.01(d)(i) shall not affect the status of the Partnership as a separate legal entity or the limited liability of a Limited Partner.

(e) The General Partner shall cause (i) the Partnership to comply in all material respects with all of the obligations of the Partnership set forth in this Agreement, and (ii) the Partnership and the Subsidiaries to maintain, or cause to be maintained, insurance policies, on terms, in amounts and with insurers as described in Section 3.03(b)(iv), in effect during the Term of the Partnership.

(f) The General Partner shall cause the Partnership and each of its Subsidiaries to comply in all material respects with applicable Laws except for such non-compliance as is attributable solely to any action taken or omitted to be taken by the Class B Limited Partner.

(g) The matters set forth in this Section 6.01(g) involve either (as to the matters set forth in paragraphs (i) through (iii)) actions that the Partnership may not take without the approval of the Class B Limited Partner or (as to the matters set forth in paragraphs (iv) through (vi)) matters within the General Partner's discretion as to which it may seek assent from the Class B Limited Partners. The purpose of this Section 6.01(g) is to provide a framework through which the General Partner may seek such consent and the Class B Limited Partners may determine whether or not such consent will be granted. The General Partner shall have the right to request that the Limited Partners grant any consent or approval or make any designation regarding the matters referred to in this Section 6.01(g), and any Limited Partner may, but shall have no obligation to, grant its consent, approval or designation. The requisite vote for any consent or approval requested pursuant to this Section 6.01(g) or Section 8.03 shall be a Majority Interest of each of the Class A Limited Partners and the Class B Limited Partners. The procedure for such consent and approval is set forth in Section 8.03 hereof. In the event a Majority Interest of each of the Class A Limited Partners and the Class B Limited Partners grant a consent or approval or make a designation pursuant to this Section 6.01(g), the General Partner shall take action in a manner consistent with, and refrain from taking action pursuant to this Agreement in a manner inconsistent with such consent, approval or designation.

(i) The General Partner shall have the right to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partner (A) concur with the General Partner's determination that the Partnership or any of its Subsidiaries should acquire additional assets in the Designated Business, (B) establish the amounts and timing of any additional Capital Contributions to be required in respect thereof, (C) determine whether additional Partners shall be admitted in respect thereof and whether any additional classes of partnership Interests shall be created, and (D) determine any effect such acquisition has on the Sharing Ratios of the Partners.

(ii) The General Partner shall have the right to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and

the Class C Limited Partner designate additional industries or businesses to constitute part of the Designated Business.

(iii) The General Partner shall have the right to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partner designate as an Excluded Activity an investment that would otherwise be part of the Designated Business.

(iv) The General Partner shall have the right (but not the obligation) to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partners approve any transaction or proposed transaction between the Partnership and the General Partner or any of its Affiliates, or in which transaction the General Partner or any of its Affiliates has any interest (financial or otherwise) other than through the General Partner's interest as a Partner in the Partnership.

(v) The General Partner shall have the right (but not the obligation) to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partner concur in any determination of amounts payable to the General Partner under Section 6.07 or the method for calculating those amounts.

(vi) The General Partner shall have the right (but not the obligation) to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partner determine whether or not any act, omission, or course of conduct by the General Partner or the Partnership (other than in connection with the making of a particular Investment) complies with Section 6.03.

Notice by the General Partner of Certain Events.

(a) (1) Within two Business Days after the occurrence of any of the events set forth in Section 6.02(b)(i), (ii), (iv), (viii), (x), (xi), (xiii), (xiv), (xvi) and (xvii) (2) as promptly as practicable following the earlier of (A) the receipt by the General Partner of notice of the occurrence of, and (B) the General Partner obtaining knowledge of, any of the events set forth in Section 6.02(b)(iii), (v), (vi), (ix), (xii) or (xv), and (3) at least two Business Days prior to incurrence in respect of the event set forth in Section 6.02(b)(vii) below, the General Partner shall give written notice (or oral notice setting forth the required information to be followed by written notice) (the "*Notice*") to the Class B Limited Partner (or, if there is more than one Class B Limited Partner, to each Class B Limited Partner) of the occurrence thereof at the address set forth on Exhibit A hereto or, if different, the then current address supplied to the Partnership by such Class B Limited Partner. The Notice shall describe the event and contain detail that is reasonable under the circumstances to permit the Class B Limited Partner to evaluate the event.

(b) A Notice shall be given with respect to the occurrence of each of the following events or conditions:

(i) a Value-at-Risk Limit Violation;

(ii) a Maturity Gap Risk Limit Violation;

(iii) the imposition of a material Encumbrance on any of the Permitted Assets or otherwise on any assets or properties constituting the Designated Business;

(iv) amendment by the Board of Directors of Enron of the Risk Management Policy;

(v) if at the end of any Quarterly Period the Designated Trading Business is operating at a net loss for the period commencing on the Effective Date and ending at the end of such Quarterly Period;

(vi) if at the end of any Quarterly Period after a Notice has been given pursuant to Section 6.02(b)(v) the Designated Trading Business is operating at a net gain for the period commencing on the Effective Date and ending at the end of such Quarterly Period;

(vii) the intention of the Partnership or any Subsidiary of the Partnership to incur Debt;

(viii) the acquisition by the Partnership or any Subsidiary of any Facility (or a Majority interest therein) in the Forest Products business;

(ix) the occurrence of a Dissolution Event;

(x) the occurrence during any period from (A) the Business Day immediately following the last Business Day of the period covered by the last monthly report delivered by the General Partner pursuant to Section 8.01(b)(iv) to (B) the Business Day on which the Partners receive the next monthly report delivered pursuant to Section 8.01(b)(iv) of net losses in the Designated Trading Business aggregating $10 Million or more, based upon close-of-day valuations;

(xi) if the full amount of the Liquidity Facility has been drawn;

(xii) the commencement of any litigation that would be required to be disclosed by the Partnership in filings with the Securities and Exchange Commission if the Partnership had a class of equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934;

(xiii) any Capital Contributions by a Partner of the Partnership;

(xiv) violation of any SBHC Rights;

(xv) the receipt by the Partnership of any notice from a governmental authority or the commencement of litigation by any other Person regarding a violation of, or with respect to a material liability arising under, any Environmental Law by any Person against, or with respect to the activities of, the Partnership or any of its Subsidiaries and any real property related to their respective businesses, which claim alleges liability for the payment of money in excess of $250,000 or other liabilities that could reasonably be expected to result in costs, losses, fines, penalties or other conditions or circumstances that could reasonably be expected to exceed $250,000 in terms of total cost to the Partnership or any of its Subsidiaries;

(xvi) any material breach by the General Partner, the Class A Limited Partner or the Class C Limited Partner of the terms of this Agreement; and

(xvii) any decision by Enron or any of its Affiliates to abandon all or any material part of the Designated Business.

Disclaimer of Duties.

(a) Except (i) as provided in Section 6.01(b) and Section 6.03(c), (ii) express contractual obligations under other provisions of this Agreement or under other existing or future agreements with the Partnership and (iii) obligations that any Person unrelated to the Partnership also has to the Partnership, neither Enron, the General Partner, any Class A Limited Partner, any Class C Limited Partner nor any Class B Limited Partner, nor any Affiliate of any of them, shall have any obligation, fiduciary or otherwise, to the Partnership, including any obligation (x) to offer business opportunities to the Partnership other than those that are exclusively the Designated Business, (y) to refrain from pursuing business opportunities that may have a competitive impact upon the Partnership or (z) to refrain from taking any other action that will or may be detrimental to the Partnership, and neither Enron, the Class A Limited Partner, the Class C Limited Partner the General Partner nor any Class B Limited Partner, nor any Affiliate of any of them, shall, by virtue of the relationships established pursuant to this Agreement, have any other obligation to take or refrain from taking any other action that may impact the Partnership. The provisions of this Section 6.03(a) constitute an agreement to modify or eliminate fiduciary duties pursuant to the provisions of Sections 17-403(a) and 17-1101 of the Act.

(b) The Partnership, the Class A Limited Partner (if the Class A Limited Partner is not Enron or an Affiliate of Enron), the Class C Limited Partner (if the Class C Limited Partner is not Enron or an Affiliate of Enron) and each Class B Limited Partner hereby renounce any interest or expectancy in any business opportunity that is not exclusively a Permitted Asset generated in the Designated Business.

(c) The General Partner agrees that (i) Enron will not, directly or indirectly, engage in the Designated Business or create a subsidiary for the purpose of engaging in the Designated Business except through or for the benefit of the Partnership, and (ii) no Enron Affiliate will, directly or indirectly, engage in the Designated Trading Business or create a subsidiary for the purpose of engaging in the Designated Trading Business

except through or for the benefit of the Partnership; *provided*, that nothing in this Agreement shall require Enron or any of its Affiliates to continue to engage in the Designated Business, which (subject to the provisions of Section 9.01(h) of this Agreement) Enron is free to pursue or abandon, in its sole discretion.

(d) As a result of the transactions contemplated by this Agreement, certain directors, officers or employees of Enron or its Affiliates may serve as officers, employees or directors of the Partnership or as officers, directors or employees of the General Partner (any such Person being referred to herein as a "*Designee*"). The Partners recognize that any Designee could be regarded as owing duties both to the Partnership and to Enron or its Affiliates. Each Class B Limited Partner, each Class A Limited Partner and each Class C Limited Partner that is not Enron or an Affiliate of Enron agree and acknowledge that they expect to benefit from the transactions contemplated by this Agreement. Enron, however, is unwilling to cause the General Partner, the Class C Limited Partner and the initial Class A Limited Partner to enter into this Agreement and to cause the General Partner and its Affiliates to consummate the transactions contemplated hereby unless each Class B Limited Partner and each Class A Limited Partner and Class C Limited Partner that is not Enron or an Affiliate of Enron agree to the provisions hereof because Enron and its Affiliates engage in certain businesses that are similar to those in which the Partnership will engage. Each Class B Limited Partner, each Class C Limited Partner and each Class A Limited Partner that is not Enron or an Affiliate of Enron (i) acknowledge and agree that Enron and its Affiliates and Designees (A) participate and will continue to participate in transactions with businesses engaged in the Designated Business (other than Designated Trading Business), directly and through Affiliates, (B) may have interests in, participate with, and maintain seats on the boards of directors of or serve as officers or employees of other Persons engaged in the Designated Business and (C) may develop business opportunities for Enron and its Affiliates and such other Persons. Each Class B Limited Partner acknowledges and agrees that (subject to Section 6.03(c)) neither Enron, the General Partner, their respective Affiliates, Designees nor any such other Person shall be restricted or prohibited by this Agreement or the relationships created hereby, or by serving as a director of the Partnership, from engaging in transactions (other than Designated Trading Business) with any Person in the Designated Business, or in any Excluded Activity, regardless of whether such business activity is in direct or indirect competition with the business or activities of the Partnership and its Affiliates, (ii) acknowledge and agree that neither Enron, the General Partner, their Affiliates, any Designee nor any such other Person shall have any obligation to offer the Partnership, any Class A Limited Partner that is not Enron or an Affiliate of Enron, any Class C Limited Partner that is not Enron or an Affiliate of Enron or any Class B Limited Partner or any of their respective Affiliates any business opportunity except to the extent set forth in Section 6.03(c), (iii) renounce any interest or expectancy in (A) any business opportunity other than the Permitted Assets and (B) any Excluded Activity pursued by Enron, the General Partner, their Affiliates, any Designee or any such other Person and (iv) waive any claim that any business opportunity or any Excluded Activity pursued by Enron, the General Partner or their Affiliates, any Designee or any such Person constitutes a partnership or corporate opportunity of the Partnership, any Class B Limited Partner or any of their respective Affiliates that should

have been presented to the Partnership, any Class A Limited Partner that is not Enron or an Affiliate of Enron, any Class C Limited Partner that is not Enron or an Affiliate of Enron or any Class B Limited Partner or any of their respective Affiliates, unless and only to the extent that such business opportunity is a Permitted Asset required to be conveyed to the Partnership pursuant to Section 6.03(c).

(e) Except as otherwise provided in this Agreement, the General Partner shall conduct the affairs of the Partnership in accordance with the standard set forth in the first sentence of Section 6.01(b). **THE GENERAL PARTNER IS NOT LIABLE FOR ITS OWN SIMPLE, PARTIAL, OR CONCURRENT NEGLIGENCE; PROVIDED THAT THE GENERAL PARTNER SHALL BE LIABLE FOR ANY DAMAGES TO THE PARTNERSHIP (AND WHICH RESULT IN DAMAGES REALIZED BY ANY PARTNER) RESULTING FROM (i) DEFAULT BY THE GENERAL PARTNER IN THE PERFORMANCE OF THE COVENANT REGARDING MAINTENANCE OF INSURANCE CONTAINED IN THE LAST CLAUSE OF SECTION 6.01(b) OR ANY OTHER COVENANT CONTAINED IN THIS AGREEMENT THAT RESULTS IN A MATERIAL ADVERSE EFFECT, (ii) A BREACH OF THE RISK MANAGEMENT POLICY, (iii) A VALUE AT RISK LIMIT VIOLATION, (iv) A MATURITY/GAP RISK LIMIT VIOLATION OR (v) ARISING OUT OF ITS GROSS NEGLIGENCE, FRAUD, OR WILFULL MISCONDUCT.** In no event shall the General Partner be liable for any action or course of conduct approved or consented to in writing by the Board of Directors or the Class B Limited Partner, any Class C Limited Partner that is not Enron or an Affiliate of Enron and any Class A Limited Partner that is not Enron or an Affiliate of Enron or any action or course of conduct based on a determination by the Class B Limited Partner, any Class C Limited Partner that is not Enron or an Affiliate of Enron and the Class A Limited Partner that is not Enron or an Affiliate of Enron, **INCLUDING SPECIFICALLY MATTERS FOR WHICH THE GENERAL PARTNER WOULD BE LIABLE IN THE ABSENCE OF THIS SECTION 6.03** absent a material misstatement or omission or fraud in obtaining the approval; provided, that, notwithstanding the existence of a material misstatement or omission, in no event shall the General Partner be liable for any such action or course of conduct if the General Partner, at the time of the Board of Directors or the Class B Limited Partner's, the Class C Limited Partner's that is not Enron or an Affiliate of Enron and the Class A Limited Partner's that is not Enron or an Affiliate of Enron consent, approval or determination, did not know of, and in the exercise of a standard of care not constituting gross negligence, willful misconduct or fraud could not have known of, the material misstatement or omission. The General Partner shall devote the time and effort to the Partnership business and operations required by Section 2.10 hereof.

(f) Without limiting the generality of the foregoing (but subject to Section 6.03(c) and Section 9.01(i)), the Partners acknowledge that Enron, the General Partner and any of their respective Affiliates may invest in or engage in Excluded Activities without any obligation to the Partnership or any Partner.

(g) The Partnership may transact business with any Partner or Affiliate of a Partner, provided, that, the terms of transactions with the General Partner or one of its Affiliates are comparable to, or at least as favorable to the Partnership as, the terms of transactions at arms' length between unaffiliated parties. Any transaction between the Partnership and a Partner or its Affiliates that has been approved by the Board of Directors or a Majority Interest of the Class B Limited Partners with appropriate disclosure shall be deemed to have satisfied the standard set forth in the previous sentence. A Partner or Affiliate that transacts business with the Partnership owes no duty to the Partnership or the other Partners to exercise or to refrain from exercising in any particular manner its rights or powers as a participant in that transaction, including those arising under any contract with the Partnership, and such Partner or such Affiliate of a Partner may realize profits from that transaction.

(h) The Class B Limited Partner, the Class C Limited Partner that is not Enron or an Affiliate of Enron and the Class A Limited Partner that is not Enron or an Affiliate of Enron acknowledge that, except to the extent expressly set forth in the Enron Agreement, Enron and its respective Affiliates do not guarantee the performance of the Partnership or the General Partner. Except to the extent expressly set forth in the Enron Agreement, in the absence of gross negligence, willful misconduct or fraud, neither Enron nor any of its Affiliates (other than the General Partner) shall have any liability for the acts, omissions or courses of conduct of the Partnership or the General Partner. As a result of the foregoing, except to the extent expressly set forth in the Enron Agreement, Enron and its Affiliates (other than the General Partner) shall have **NO LIABILITY FOR THE SIMPLE, PARTIAL OR CONCURRENT NEGLIGENCE OF THE GENERAL PARTNER, ENRON OR ANY OF ITS AFFILIATES** in connection with the acts, omissions or courses of conduct of the Partnership or the General Partner; **PROVIDED THAT ENRON AND ITS AFFILIATES SHALL BE LIABLE FOR ANY DAMAGES ARISING OUT OF THEIR OWN GROSS NEGLIGENCE, FRAUD, OR WILFULL MISCONDUCT.**

Indemnification.

(a) (i) To the fullest extent permitted by law, the Partnership shall indemnify the General Partner, each Designee and their respective officers, directors, employees, agents and controlling Persons, any Person who served at the request of the General Partner as an officer, director, employee or agent of another Person and each Partner and its officers, directors, employees, agents and controlling Persons (each, an "*General Partner Indemnified Person*"), on request by the General Partner Indemnified Person, and hold each of them harmless from and against all losses, costs, liabilities, damages and expenses (including, without limitation, reasonable costs of suit and attorney's fees) (collectively, "*Losses*") any of them may incur as a Partner of the Partnership or as a controlling Person of such Partner or in serving at the request of the General Partner or the Board of Directors as an officer, director, employee or agent of another Person, in performing the obligations of the General Partner with respect to the Partnership, **INCLUDING ANY MATTER ARISING OUT OF OR RESULTING FROM THE INDEMNIFIED PERSON'S OWN SIMPLE, PARTIAL, OR CONCURRENT**

NEGLIGENCE, except for any such loss, cost, liability, damage or expense primarily attributable to the General Partner Indemnified Person's gross negligence, willful misconduct or fraud; *provided, however*, that no Limited Partner shall be required to make any additional Capital Contributions expressly to fund any indemnity obligation hereunder. If a General Partner Indemnified Person becomes involved in any action, proceeding or investigation with respect to which indemnity may be available under this Section 6.04, the Partnership may reimburse the General Partner Indemnified Person for its reasonable legal and other expenses (including the cost of investigation and preparation) as they are incurred, provided, that, the General Partner Indemnified Person shall promptly repay to the Partnership the amount of any such expense paid if it is ultimately determined that the General Partner Indemnified Person was not entitled to indemnification hereunder. Any amounts payable in respect of indemnification hereunder shall be recoverable only from the assets of the Partnership.

(ii) Promptly after receipt by a General Partner Indemnified Person of notice of any claim or the commencement of any action with respect to which indemnity may be available under this Section 6.04, the General Partner Indemnified Person shall, if a claim in respect thereof is to be made against the Partnership under this Section 6.04, notify the Partnership in writing of the claim or the commencement of the action; provided, that, the failure to notify the Partnership shall not relieve it from any liability which it may have to an Indemnified Person except to the extent that the Partnership is prejudiced thereby. If any such claim or action shall be brought against a General Partner Indemnified Person, and it shall notify the Partnership thereof, the Partnership shall be entitled to participate therein, and, to the extent that it wishes, to assume the defense thereof with counsel reasonably satisfactory to the General Partner Indemnified Person. After notice from the Partnership to the General Partner Indemnified Person of its election to assume the defense of such claim or action, the Partnership shall not be liable to the General Partner Indemnified Person under this Section 6.04 for any legal or other expenses subsequently incurred by the General Partner Indemnified Person in connection with the defense thereof other than reasonable costs of investigation; *provided*, that, all of the General Partner Indemnified Persons shall have the right to employ one counsel to represent them if, in the opinion of counsel to the General Partner Indemnified Persons there are available to them defenses not available to the Partnership and in that event the fees and expenses of such separate counsel shall be paid by the General Partner Indemnified Person. In no event shall the Partnership be required to indemnify an General Partner Indemnified Person with respect to amounts paid in settlement of a claim unless such claim was settled with the consent of the Partnership.

(iii) In further consideration of the benefits received and to be received by the Partnership pursuant to this Agreement and the transactions contemplated hereunder, the Partnership acknowledges and agrees that with respect to any business opportunity presented to or identified by Enron as described in Section 6.03 (which term shall include, for purposes of this Section 6.04(a)(iii), Enron's predecessors and successors in interest, and all of Enron's and its respective

predecessors and successors in interests' respective Affiliates, stockholders, directors, officers, employees, agents, attorneys, servants, invitees, contractors, licensees, legal representatives, successors, and assigns), which is pursued in accordance with the standards in Section 6.03 of this Agreement, Enron may pursue such opportunity and conduct the business related thereto without any obligation to offer it to the Partnership. The Partnership acknowledges and agrees that in such case, to the extent that a court might hold that the pursuit of such opportunity or the conduct of such activity is a breach of any standard of care, a duty of loyalty, or other duty owed to the Partnership (and without admitting that the pursuit of such opportunity or the conduct of such activity is such a breach of any such standard or duty), the Partnership hereby fully and irrevocably renounces, releases and waives, to the extent permitted by applicable law, any interest or expectancy in such opportunity or activity pursued by Enron in accordance with the standards in Section 6.03 of this Agreement and any and all Claims that the Partnership or any Person claiming by, through, or under the Partnership may have to claim that such business opportunity is a partnership or corporate opportunity of the Partnership or any Partner or that the pursuit by Enron of any such business opportunity or the conduct of the business related thereto is a breach of any standard of care, duty of loyalty, or other duty owed to the Partnership (including, to the extent permitted by applicable law, any and all Claims arising either directly or derivatively, and whether brought by, through, or under the Partnership, or by any stockholder, creditor, subsidiary or Affiliate of the Partnership).

(b) (i) To the fullest extent permitted by law, each Partner (the "*Indemnifying Partner*") shall indemnify each other Partner and their respective officers, directors, employees, agents and controlling Persons, (each, an "*Partner Indemnified Person*"), on request by the Partner Indemnified Person, and hold each of them harmless from and against all Losses any Partner Indemnified Person actually incurs arising directly from a breach by the Indemnifying Partner of any of its representations, warranties or covenants contained herein; *provided, however*, that the General Partner (or Enron pursuant to the Enron Agreement) shall not be liable under this Section 6.04(b) for the amount of any Losses for which the General Partner or Enron, as the case may be, has already made payment to the Partnership or a Partner Indemnified Person pursuant to Section 6.03(e). If a Partner Indemnified Person becomes involved in any action, proceeding or investigation with respect to which indemnity may be available under this Section 6.04, the Indemnifying Partner may reimburse the Partner Indemnified Person for its reasonable legal and other expenses (including the cost of investigation and preparation) as they are incurred, provided, that, the Partner Indemnified Person shall promptly repay to the Indemnifying Partner the amount of any such expense paid if it is ultimately determined that the Partner Indemnified Person was not entitled to indemnification hereunder.

(ii) Promptly after receipt by a Partner Indemnified Person of notice of any claim or the commencement of any action with respect to which indemnity may be available under this Section 6.04(b), the Partner Indemnified Person shall,

if a claim in respect thereof is to be made against the Partnership under this Section 6.04(b), notify the Partnership in writing of the claim or the commencement of the action; provided, that, the failure to notify the Partnership shall not relieve it from any liability which it may have to an Indemnified Person except to the extent that the Indemnifying Partner is prejudiced thereby. If any such claim or action shall be brought against a Partner Indemnified Person, and it shall notify the Indemnifying Partner thereof, the Indemnifying Partner shall be entitled to participate therein, and, to the extent that it wishes, to assume the defense thereof with counsel reasonably satisfactory to the Partner Indemnified Person. After notice from the Indemnifying Partner to the Partner Indemnified Person of its election to assume the defense of such claim or action, the Indemnifying Partner shall not be liable to the Partner Indemnified Person under this Section 6.04 for any legal or other expenses subsequently incurred by the Partner Indemnified Person in connection with the defense thereof other than reasonable costs of investigation; *provided*, that, all of the Partner Indemnified Persons shall have the right to employ one counsel to represent them if, in the opinion of counsel to the Partner Indemnified Persons, there are available to them defenses not available to the Indemnifying Partner and in that event the fees and expenses of such separate counsel shall be paid by the Partner Indemnified Person. In no event shall the Indemnifying Partner be required to indemnify an Partner Indemnified Person with respect to amounts paid in settlement of a claim unless such claim was settled with the consent of the Indemnifying Partner.

Board of Directors.

(a) At any time, whether with or without cause, the Class B Limited Partner (or a Majority Interest of the Class B Limited Partners, if there is at such time more than one Class B Limited Partner) may cause the management responsibilities with respect to the Partnership granted to the General Partner pursuant to this Agreement to be assumed by a board of directors composed of four members (the "*Board of Directors*"). Neither service on the Board of Directors by any individual nor action by the Board of Directors shall constitute such individual or the Board of Directors as a General Partner of the Partnership, it being the express intention of each of the Partners that the creation of the Board of Directors, services by any individual thereon and any decision made thereby shall be for all purposes a delegation by the General Partner of its powers and responsibilities as contemplated by Section 17-403(c) of the Act and the exercise by the Limited Partners of rights contemplated by Section 17-303 of the Act. In addition, each individual serving on the Board of Directors, in acting as a director, shall have the obligation to consider only the interests of the Partner(s) who appointed him or her and shall have no obligation to consider or protect the interests of any other Partner, it being the express intention of the Partners that the Board of Directors and the individuals serving thereon shall be subject only to the duties and responsibilities imposed by this Agreement and not any duties imposed on boards of directors by the Delaware General Corporation Law or other laws and decisions applicable to corporate boards of directors. The Partners acknowledge and agree that the standard of duty imposed upon the Board of Directors pursuant to the previous sentence of this Section 6.05, to the extent it involves a delegation by the General Partner of its powers and responsibilities as contemplated by Section 17-403(c) of the Act, also involves a waiver of

fiduciary duties as permitted by Section 17-403(a) of the Act. The assumption of management responsibility by the Board of Directors shall be effective ten Business Days (or, for the period commencing on the Effective Date and ending on December 4, 2001 one Business Day) following the receipt by the General Partner, the Class A Limited Partner and the Class C Limited Partner of written notice signed by the Class B Limited Partner(s) naming two persons to act as directors and as representatives of the Class B Limited Partner on the Board of Directors. Promptly (or in the period commencing on the Effective Date and ending on December 4, 2001, within one Business Day) following the receipt by the General Partner and the Class A Limited Partner of the notice described above, the General Partner shall notify the Class B Limited Partner in writing of the identity of the two persons selected by the General Partner to act as directors and as representatives of the General Partner on the Board of Directors.

(b) Upon appointment, the Board of Directors shall have all of the management powers and responsibilities with respect to the Partnership granted to the General Partner pursuant to this Agreement and shall automatically and with no further action being required by any Partner have the same obligations as those imposed upon the General Partner by this Agreement and the General Partner shall no longer have such obligations and shall not be entitled to exercise or perform any such powers or responsibilities without the consent of the Board of Directors, and from and after the appointment of the Board of Directors, this Agreement shall be so construed and interpreted.

(c) The Board of Directors initially shall be four in number (unless the General Partner fails to appoint its representatives, in which case the Board shall be two in number until and unless the General Partner appoints its representatives to act on the Board of Directors), and thereafter shall be composed of such even number of persons as shall be determined from time to time by action of the Board of Directors; *provided, however*, that at all times the Board of Directors (and any committees thereof) shall be composed of equal numbers of representatives of the General Partner and the Class B Limited Partner. The General Partner shall have the exclusive right from time to time to select, appoint and remove (with or without cause) the directors acting as the representatives of the General Partner on the Board of Directors. The Class B Limited Partner (or a Majority Interest of the Class B Limited Partners, if there is at such time more than one Class B Limited Partner) shall have the exclusive right from time to time to select, appoint and remove (with or without cause) the directors acting as its representatives on the Board of Directors. Any vacancy occurring on the Board of Directors due to the death, disability, removal or resignation of a director shall be filled by the Partner who appointed the director and as whose representative the deceased, disabled, removed or departing director served. In the event a Partner fails or refuses to appoint representatives to the Board of Directors for any reason (and has actual notice of the death, resignation or other refusal to serve of any person previously acting as a member of the Board of Directors and representing such Partner), so that for a period of ten Days or more there is no representative of such member acting as a member of the Board of Directors, then such Partner shall be deemed to have consented to any actions taken by the Board of Directors after the expiration of such ten Day period (or one day if

any part of such ten Day period would otherwise occur prior to December 4, 2001) and prior to the appointment by such Partner of a director or directors to act as the representative of such Partner on the Board of Directors as provided herein and the quorum and voting requirements in Section 6.05(d) below shall be modified accordingly. The Board of Directors shall have the power to establish its own procedures for meeting and voting and to appoint one or more committees, in each case subject to the requirements of this Section 6.05. Any member of the Board of Directors shall have the right to present an issue to the Board of Directors for its consideration by mailing notice and a description thereof to each member of the Board of Directors under reasonable notice and other procedures established by the Board of Directors from time to time.

(d) A quorum for the conduct of business by the Board of Directors on behalf of the Partnership shall be no less than a majority of the total number of directors then appointed and acting, including at least one director representing the General Partner and one director representing the Class B Limited Partner. For quorum purposes, a director may be present in person, or by conference telephone, teleconference or any other means wherein each director can hear each other director. No action may be conducted at a meeting unless prior written or telephonic notice has been given to each director (in the case of telephonic notice, personally) at least 48 hours prior to the time fixed for such meeting, unless such notice has been waived in writing by each director who did not receive notice as required hereby.

(e) The Board of Directors may take action only by the vote of a Majority of the entire number of directors then appointed and acting at a meeting at which a quorum is present, which Majority vote includes the vote of at least one representative of the General Partner and one representative of the Class B Limited Partner. As provided in Section 17-302(c) of the Act, action may be taken without notice and a meeting if a consent in writing setting forth the action so taken is executed by at least such number of directors as would be sufficient to approve the action at a meeting, provided, that the executing directors include at least one representative of the General Partner and one representative of the Class B Limited Partner as contemplated by this Agreement.

SBHC Rights.

(a) The General Partner, the Class A Limited Partner and the Class C Limited Partner further agree that any of the actions set forth in Section 6.06(c) (the "*SBHC Rights*") may not be taken, nor shall any consent to, or authorization of any such act be effective, unless such action also has been assented or consented to by a Majority Interest of the Class B Limited Partners; *provided, however*, that during any period the Board of Directors has been approved and is acting, approval of the Board of Directors in accordance with Section 6.05(e) shall be deemed to constitute the approval of a Majority Interest of the Class B Limited Partners for any of the actions set forth in Sections 6.06(c).

(b) Any SBHC Right may be exercised by the Class B Limited Partners only upon the vote or written consent of a Majority Interest, and any action in respect of a SBHC Right will not be effective for any purpose unless the General Partner (or the

Board of Directors if one has been appointed and is acting pursuant to Section 6.05) has received written confirmation of the action taken containing a certification that the action has been approved as required pursuant to this Section 6.06(b).

(c) None of the actions set forth in this Section 6.06(c) may be taken, nor shall any consent to, or authorization of any such act (whether on behalf of the Partnership by the General Partner or the Board of Directors) be effective, unless such action also has been assented or consented to by a Majority Interest of the Class B Limited Partners:

(i) issue additional Partnership Interests or admit additional Partners (except in connection with a Disposition permitted under the second sentence of Section 3.04(a) or approved by the Board of Directors);

(ii) execute, modify, terminate or waive any right under any agreement or transaction between the Partnership and Enron or an Affiliate of Enron;

(iii) (A) alter the Partnership's financial policies regarding the issuance or retirement of debt, (B) cause the Partnership or any of its Subsidiaries to incur Debt in excess of 50% of total capitalization of the Partnership and its Subsidiaries, taken as a whole (C) impose any Encumbrance on the assets of the. Partnership (*provided* that imposition of an Encumbrance on assets of the Subsidiaries of the Partnership shall not be deemed to be an imposition of an Encumbrance on the assets of the Partnership) or (D) refinance existing Debt incurred in connection with the acquisition of Stadacona as contemplated after the Effective Date;

(iv) acquisition by the Partnership of assets other than the Permitted Assets *provided* that acquisition of assets by the Subsidiaries of the Partnership shall not be deemed to be an acquisition of assets by the Partnership;

(v) dispose of assets of the Partnership other than temporary investments made pursuant to Section 4.03(b) of this Agreement and *provided* that disposition of assets by the Subsidiaries of the Partnership shall not be deemed to be an acquisition of assets by the Partnership;

(vi) appoint any independent accountant or firm of independent accountants other than Arthur Andersen LLP to serve as the independent auditors to the Partnership;

(vii) dissolve or terminate the Partnership except as provided herein; or

(viii) commence with respect to the Partnership or any of its Subsidiaries a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other voluntary case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Partnership to the entry of a decree or order for relief against the Partnership or any of its Subsidiaries in an involuntary case or proceeding under

any applicable federal, state or foreign bankruptcy or insolvency case or proceeding against the Partnership or any of its Subsidiaries, or file with respect to the Partnership or any of its Subsidiaries a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or consent to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of any substantial part of the Partnership's or any of its Subsidiaries' property, or make of an assignment of Partnership assets for the benefit of creditors, or admit on behalf of the Partnership or any of its Subsidiaries in writing its inability to pay its debts generally as they become due, or take action in furtherance of any such action.

Fees; Reimbursement of Partners' Costs.

(a) The General Partner shall be entitled to receive reimbursement for the actual out-of-pocket costs and expenses of administering the affairs of the Partnership and managing and operating the Designated Business upon presentation of invoices relating to such expenses.

(b) In addition, the Partnership will reimburse (i) the General Partner for its actual and reasonable out-of-pocket expenses incurred in connection with the negotiation and preparation of this Agreement, and (ii) the initial Class B Limited Partner for its actual and reasonable out-of-pocket expenses incurred in connection with the negotiation and preparation of this Agreement and its evaluation whether to become a Class B Limited Partner of the Partnership, in each case, on delivery to the Partnership of a reasonably detailed accounting of those out-of-pocket expenses.

Persons dealing with the Partnership are entitled to rely conclusively upon the power and authority of the General Partner or the Board of Directors, as applicable, set forth in this Agreement.

ARTICLE VII
TAXES

7.01 ***Tax Matters.***

(a) ***Partnership Reporting.*** All returns filed by the Partnership in respect of federal, state and local income taxes shall be filed on the basis that the Partnership is a partnership for federal, state and local income tax purposes unless otherwise (x) required by Law, or (y) unanimously agreed by all Partners. The Partners shall take all steps pursuant to applicable regulations and applicable state or local Law in order to achieve partnership classification for the Partnership for Federal, state and local income tax purposes and, in this connection, each Partner will join in the making of any election requested in good faith by the General Partner in furtherance of this objective.

(b) ***Tax Elections.*** The Partnership shall make the following elections on the appropriate tax returns:

(i) to adopt the calendar year as the Partnership's fiscal year;

(ii) to adopt the accrual method of accounting and to keep the Partnership's books and records on the accrual method;

(iii) if a distribution of Partnership property as described in Code Section 734 occurs or if a transfer of a Partnership Interest as described in Code Section 743 occurs, on request by notice from any Partner, to elect, pursuant to Code Section 754, to adjust the basis of Partnership properties;

(iv) to elect to amortize the organizational expenses of the Partnership ratably over a period of 60 months as permitted by Code Section 709(b); and

(v) any other election that the General Partner may deem appropriate and in the best interests of the Partners and to which the Class B Limited Partner consents.

Neither the Partnership nor any Partner may make an election for the Partnership to be (i) excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, or (ii) treated as an association taxable as a corporation.

(c) ***Tax Matters Partner.*** The General Partner shall be the "tax matters partner" of the Partnership pursuant to Code Section 6231(a)(7). The General Partner shall take such action as may be necessary to cause each other Partner to become a "notice partner" within the meaning of Code Section 6231(a)(8). The General Partner shall inform each other Partner of all significant matters that may come to its attention in its capacity as tax matters partner by giving notice on or before the fifth Business Day after becoming aware of the matter and, within that time, shall forward to each other Partner copies of all significant written communications it may receive in that capacity.

(d) ***Tax Information.*** Necessary tax information shall be delivered to each Partner as soon as practicable after the end of each Fiscal Year of the Partnership. The General Partner shall file tax returns for the Partnership prepared in accordance with the Code and the Regulations.

ARTICLE VIII
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS; MEETINGS

Maintenance of Books; Reports.

(a) The General Partner shall keep or cause to be kept at the principal office of the Partnership or, upon notice to the Partners, at such other location the General Partner deems

appropriate complete and accurate books and records of the Partnership, supporting documentation of the transactions with respect to the conduct of the Partnership's business and minutes of the proceedings of its Partners, and any other books and records that are required to be maintained by Law.

(b) Each Partner will receive (i) within 120 days following the close of the Partnership's fiscal year, audited annual financial reports of the Partnership and its Subsidiaries on a consolidated basis, (ii) within 45 days following the close of each fiscal quarter (other than the final fiscal quarter of any year) quarterly unaudited financial reports of the Partnership and its Subsidiaries on a consolidated basis prepared in accordance with GAAP and certified by the chief accounting officer of Enron Industrial Markets; (iii) quarterly reports regarding Stadacona and Garden State, (iv) monthly unaudited reports regarding gains and losses experienced by the Designated Trading Business of the Partnership (together with a running total of aggregate gains or losses experienced by the Partnership), (v) biweekly unaudited reports regarding gains and losses experienced by the Designated Trading Business of the Partnership (together with a running total of aggregate gains or losses experienced by the Partnership) at any time after the delivery of a Notice pursuant to Section 6.02(b)(v) hereof and until the delivery of a subsequent Notice pursuant to Section 6.02(b)(vi) hereof; and (vi) a monthly report of any trades made by the Partnership involving cross commodity swaps or other similar cross commodity transactions wherein the Partnership is contractually obligated with respect to one of the commodities involved and Enron or an Affiliate of Enron is contractually obligated with respect to another commodity.

(c) Each Partner shall have reasonable right of (i) access to information regarding the Partnership's tax returns and distributions and visitation rights to permit each Partner to inspect such information, (ii) participation in discussions with officers of the General Partner for purposes of clarifying information received pursuant to (i) and (iii) such other information as reasonably requested by such Partner.

6.02 ***Bank Accounts.***

Funds of the Partnership shall be deposited in such banks or other depositories as shall be designated from time to time by the General Partner. All withdrawals from any such depository shall be made only as authorized by the General Partner and shall be made only by check, wire transfer, debit memorandum or other written instruction.

6.03 ***Consents, Approvals and Other Matters.***

(a) In any request to another Partner for its consent, approval or determination, other than requests by the General Partner that a Majority Interest of each of the Class A Limited Partner, the Class C Limited Partner and the Class B Limited Partner (A) concur with the General Partner's determination that the Partnership should acquire additional assets in the Designated Business, (B) establish the amounts and timing of any additional Capital Contributions to be required in respect thereof, (C) determine whether additional Partners shall be admitted and whether additional classes of Partnership Interests shall be created in respect

thereof, and (D) determine any effect such acquisition has on the Sharing Ratios of the Partners, which shall be made in accordance with the procedures and time limitations in paragraph (b) of this Section 8.03, the General Partner may specify a response period that is reasonable under the circumstances and that ends no earlier than the 5th Business Day following the date on which the Partner whose consent, approval or determination is sought receives the request as described in Section 6.01(g). Each Limited Partner agrees that in the event the General Partner requests its consent, approval or determination regarding a matter, such Limited Partner will respond within the response period specified in the notice. In the event the General Partner follows such procedures and a Limited Partner fails to respond within the response period specified in the notice given in accordance with this Section 8.03(a), the request of the General Partner will be deemed to have been denied by such Limited Partner.

(b) In the event the General Partner desires to request that any Limited Partner consent to an action or concur with the General Partner's determination that the Partnership should acquire additional assets in the Designated Business, require additional Capital Contributions in respect thereof, admit additional Partners or create additional classes of Partnership Interests in respect thereof, or change the Sharing Ratios of the Partners as a result thereof, such request must be made in accordance with the following procedures:

(i) The request notice furnished by the General Partner to any Limited Partner shall contain all information that, in the judgment of the General Partner, is material to a decision by such Limited Partner whether to grant such consent or to concur with such determination and shall include a time for an initial response by such Limited Partner, which shall be reasonable under the circumstances but shall be no less than ten Business Days after receipt of such notice;

(ii) Within the response period specified in the notice, such Limited Partner shall inform the General Partner in writing (unless written notice is waived by the General Partner) whether or not it is interested in granting such consent or in concurring with such determination; if a negative response or no response has been received by the General Partner upon the expiration of such period from Limited Partners holding in the aggregate at least a Majority Interest of either of the Class A Limited Partner (if, but only if, at the time a Majority Interest of the Class A Limited Partner is composed of Persons who are not Enron or an Affiliate of Enron), the Class C Limited Partner (if, but only if, at the time a Majority Interest of the Class C Limited Partner is composed of Persons who are not Enron or an Affiliate of Enron) or the Class B Limited Partner, the request of the General Partner will be deemed to have been denied by a Majority Interest of each of the Class A Limited Partners, the Class C Limited Partners and the Class B Limited Partners. Thereafter, the General Partner or any of its Affiliates may take action as if the Limited Partners had made a determination contrary to that requested by the General Partner, such investment and any business activity related thereto shall be deemed, from and after the close of business in Houston, Texas on the date such period expires, an Excluded Activity and the Partnership

shall have no interest of any kind or character therein or in any business opportunity related thereto.

(c) Whenever any provision of this Agreement requires the consent, approval, or agreement of a Partner, unless otherwise specifically provided, that consent, approval, or agreement shall be in that Partner's sole discretion.

Partners Meetings.

(a) The General Partner shall hold meetings of Partners no less than once annually. At the Annual Meeting of Partners, the Partners shall consider such matters as may be set forth in the notice of annual meeting required pursuant to Section 8.04(b).

(b) The General Partner may call a meeting of the Partnership by giving at least 21 days notice of the time and place of such meeting to each Class A Limited Partner, the Class C Limited Partner and Class B Limited Partner, which notice shall set out the agenda for such meeting.

(c) Any action required to be, or which may be, taken at any meeting by the Partners called pursuant to Section 9.04(b) may be taken in writing without a meeting if consents thereto are given by the General Partner and a Majority Interest of the Class B Limited Partners (if entitled to a vote thereon or consent with respect thereto).

(d) A Class B Limited Partner may vote at any meeting either in person or by a proxy which such Class B Limited Partner has duly executed in writing. The General Partner may permit Persons other than Partners to participate in a meeting; provided, that no such Person shall be entitled to vote other than by proxy as provided above.

(e) The chairman of any meeting shall be a Person affiliated with and designated by the General Partner. A Person designated by the General Partner shall keep written minutes of all of the proceedings and votes of any such meeting.

(f) The General Partner may set in advance a record date for determining the Class A Limited Partner and Class B Limited Partners entitled to notice of and to vote at any meeting or entitled to express consent to any action in writing without a meeting. No record date shall be less than ten nor more than sixty days prior to the date of any meeting to which such record date relates nor more than ten days after the date on which the General Partner sets the record date for any action by written consent.

ARTICLE IX
DISSOLUTION, WINDING-UP AND TERMINATION

Dissolution.

The Partnership shall dissolve and its affairs shall be wound up on the first to occur of the following events (each a "*Dissolution Event*"):

(a) the written consent of all Partners; or

(b) the expiration of the Term set forth in Section 2.07(a); or

(c) entry of a decree of judicial dissolution of the Partnership under Section 18-802 of the Act; or

(d) the termination of the legal existence of the last remaining Partner of the Partnership unless the business of the Partnership is continued without dissolution in a manner permitted by this Agreement or the Act; or

(e) upon the election of the General Partner, if the Partnership is consolidated for financial reporting purposes with Enron or ENA; or

(f) upon the occurrence of Deadlock; or

(g) upon the third anniversary of the Closing Date, upon the written request of the Class A Limited Partner or the Class B Limited Partner; or

(h) upon the election of the Class B Limited Partner, if Enron and its Affiliates cease to engage in the Designated Trading Business; or

(i) upon the election of the Class B Limited Partner if it reasonably determines that any Facility in the Forest Products Business acquired by the Enron or the wholesale services business unit of Enron competes with the business of the Partnership to the material detriment of the Partnership; or

(j) if, after payment of its obligations then due, the Partnership is unable to maintain the working capital reserve in the amount required by the proviso to Section 4.03(a); or

(k) at the election of the Class B Limited Partner, upon the occurrence of a Credit Event; or

(l) upon the bankruptcy or insolvency of the Partnership or any of its Subsidiaries.

9.02 ***Winding-Up and Termination.***

On the occurrence of a Dissolution Event, the General Partner shall proceed diligently to wind up the affairs of the Partnership (subject to the option granted in Section 9.03 hereof) and make final distributions as provided herein and in the Act. The costs of winding up shall be borne as a Partnership expense, and the General Partner shall, to the extent practicable, seek to minimize all costs and expenses incurred in winding up. Until final distribution, the General Partner (subject to Section 6.05) shall continue to operate the Partnership's assets with the same power and authority it had prior to the dissolution. The steps to be accomplished by the General Partner are as follows in the following order of priority:

(a) as promptly as possible after dissolution and again after final winding up, the General Partner shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Partnership's assets, liabilities, and operations through the last calendar Day of the month in which the dissolution occurs or the final winding up is completed, as applicable;

(b) the General Partner shall discharge from the Partnership's funds all of the debts, liabilities and obligations of the Partnership (including all expenses incurred in winding up but excluding (i) liabilities and obligations of its Subsidiaries and (ii) indemnity claims of General Partner Indemnified Persons which indemnity claims are hereby expressly subordinated to the payment to the Class B Limited Partner of the distributions contemplated to be made to the Class B Limited Partner by Section 5.02 hereof) or otherwise make reasonable provision for payment and discharge thereof in accordance with applicable law (including the establishment of a cash escrow fund for contingent, conditional or unmatured liabilities of the Partnership but not of its Subsidiaries in such amount and for such term as the General Partner may reasonably determine) in accordance with applicable law; and

(c) all remaining assets of the Partnership shall be distributed to the Partners as follows:

(i) the liquidator may sell any or all Partnership property, including to Partners, and any resulting gain or loss from each sale shall be computed and allocated to the Capital Accounts of the Partners;

(ii) with respect to all Partnership property that has not been sold, the fair market value of that property shall be determined and the capital accounts of the Partners shall be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the capital accounts previously would be allocated among the Partners if there were a taxable disposition of that property for the fair market value of that property on the date of distribution; and

(iii) Partnership property shall be distributed to the Partners in the order provided in Section 5.02; *provided* that after payment in full to the Class B Limited Partner of the amounts contemplated by Section 5.02, all unsatisfied indemnity claims of General Partner Indemnified Persons shall be paid (or set aside for payment) before any amounts are distributed to the Class A Limited Partner, the Class C Limited Partner and the General Partner.

All such distributions shall be made as promptly as practicable from available cash or other property by the end of the taxable year of the Partnership during which the liquidation of the Partnership is completed (or, if later, 90 days after the date of the liquidation). All distributions in kind to the Partners shall be made subject to the liability of each distributee for its allocable share of costs, expenses, and liabilities theretofore incurred or for which the Partnership has committed prior to the date of such distribution

and those costs, expenses, and liabilities shall be allocated to the distributee pursuant to this Section 9.02. The distribution of cash and/or property to a Partner in accordance with the provisions of this Section 9.02 constitutes a complete return to the Partner of its Capital Contributions and a complete distribution to the Partner of its Partnership Interest and all the Partnership's property and constitutes a compromise to which all Partners have consented within the meaning of Section 17-502(b) of the Act. To the extent that a Partner returns funds to the Partnership, it has no claim against any other Partner for those funds.

Right to Purchase.

(a) Following a Dissolution Event, the General Partner (including any Person that was General Partner immediately before the Dissolution Event) shall have the option (subject to Section 9.03(b) below), exercisable by notice to the Limited Partners on or before the 20th day following the Dissolution Event, to purchase (or to cause one of its Affiliates to purchase) all assets of the Partnership at a price determined in accordance with Exhibit E hereto. On the 10th Business Day following the determination of the aggregate price for the assets to be purchased in accordance with Exhibit E, the General Partner shall pay in cash to the Partnership the aggregate price for the assets as so determined, and the Partnership shall convey such assets to the General Partner (or its designated Affiliate).

(b) If a Dissolution Event occurs before November 19, 2001, the General Partner, in lieu of exercising the option set forth in Section 9.03(a), shall purchase all of the assets then held by the Partnership constituting (i) assets described in clause (a) and (b) and (ii) cash and tangible property described in clauses (c) and (d), in each case of the definition of the term Permitted Assets at a price determined in accordance with Exhibit E hereto. On the 10th Business Day following the determination of the aggregate price for the assets to be purchased in accordance with Exhibit E, the General Partner shall pay in cash to the Partnership the aggregate price for the assets as so determined, and the Partnership shall convey such assets to the General Partner (or its designated Affiliate).

9.04 ***Certificate of Cancellation.***

On completion of the distribution of Partnership assets as provided herein, the General Partner (or such other Person or Persons as the Act may require or permit) shall file a certificate of cancellation of the Delaware Certificate with the Secretary of State of Delaware, cancel any other filings made pursuant to Section 2.05, and take such other actions as may be necessary to terminate the existence of the Partnership. Upon the filing of such certificate of cancellation, the existence of the Partnership shall terminate (and the Term shall end), except as may be otherwise provided by the Act or other applicable Law.

ARTICLE X
WITHDRAWAL

Withdrawal.

The General Partner agrees that it will not withdraw from the Partnership as a general partner within the meaning of Section 17-602 of the Act. A Limited Partner does not have the right or power to withdraw from the Partnership as a limited partner, except as otherwise provided in this Agreement.

ARTICLE XI
GENERAL PROVISIONS

Consequential Damages.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANY OTHER PARTY, IRRESPECTIVE OF WHETHER ALLEGED TO BE BY WAY OF INDEMNITY OR AS A RESULT OF BREACH OF CONTRACT, BREACH OF WARRANTY, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, OR ANY OTHER LEGAL THEORY, AND WHENEVER ARISING, FOR DAMAGES THAT CONSTITUTE PUNITIVE, EXEMPLARY, INCIDENTAL, SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGES OF ANY NATURE WHATSOEVER.

Offset.

Whenever the Partnership is to pay any sum to any Partner, any Capital Contributions that Partner owes the Partnership may be deducted from that sum before payment.

Notices.

Except as expressly set forth to the contrary in this Agreement, all notices, payments, demands, communications, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be delivered to the recipient in person, by courier or mail or by facsimile or other electronic transmission. A notice, payment, demand, communication, request or consent given under this Agreement is effective on receipt by the Person to receive it (a) if delivered, personally to the Person or to an Affiliate of the Person to whom the same is directed, or (b) when the same is actually received (if a Business Day or, if not, the next succeeding Business Day), if sent either by courier or delivery service or certified mail, postage and charges prepaid, or if by facsimile, if such facsimile is followed by a hard copy of the facsimile communication sent by certified mail, postage and charges prepaid. All notices, requests and consents to be sent to a Partner must be sent to or made at the addresses given for that Partner on Exhibit A or such other address as that Partner may specify by notice to the other Partners. Any notice, request or consent to the Partnership must be given to all of the Partners. Whenever any notice is required to be given by Law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Entire Agreement; Superseding Effect.

This Agreement, the Administrative Services Agreement and the Enron Agreement constitute the entire agreement of the Partners relating to the Partnership and the transactions contemplated hereby and supersede all provisions and concepts contained in all prior contracts or agreements between the Partners with respect to the Partnership and the transactions contemplated hereby, whether oral or written.

Effect of Waiver or Consent.

Except as otherwise provided in this Agreement, a waiver or consent, express or implied, to or of any breach or default by any Partner in the performance by that Partner of its obligations with respect to the Partnership is not a consent or waiver to or of any other breach or default in the performance by that Partner of the same or any other obligations of that Partner with respect to the Partnership. Except as otherwise provided in this Agreement, failure on the part of a Partner to complain of any act of any Partner or to declare any Partner in default with respect to the Partnership, irrespective of how long that failure continues, does not constitute a waiver by that Partner of its rights with respect to that default until the applicable statute-of-limitations period has run.

Amendment or Restatement.

This Agreement or the Delaware Certificate may be amended or restated only by a written instrument executed (or, in the case of the Delaware Certificate, approved) by all of the Partners.

Binding Effect.

Subject to the restrictions on Dispositions set forth in this Agreement, this Agreement is binding on and shall inure to the benefit of the Partners and their respective successors and permitted assigns.

Governing Law; Severability.

THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of this Agreement and any mandatory, non-waivable provision of the Act, such provision of the Act shall control. If any provision of the Act provides that it may be varied or superseded in a limited partnership agreement (or otherwise by agreement of the partners or managers of a limited partnership), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter. If any provision of this Agreement or the application thereof to any Partner or circumstance is held invalid or unenforceable to any extent, (a) the remainder of this Agreement and the application of that provision to other Partners or circumstances is not affected thereby, and (b) the Partners shall negotiate in good faith to replace that provision with a new provision that is valid and enforceable and that puts the

Partners in substantially the same economic, business and legal position as they would have been in if the original provision had been valid and enforceable.

Further Assurances.

In connection with this Agreement and the transactions contemplated hereby and thereby, each Partner shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

Counterparts.

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.

Characterization of Limited Partnership Interest.

Limited Partnership Interests in the Partnership are "securities" governed by Article VIII of the Uniform Commercial Code in effect from time to time in all jurisdictions where such Article VIII or an equivalent provision is adopted.

Nonexclusive Jurisdiction.

ANY PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN IN THE COMMERCIAL DIVISION OF THE SUPREME COURT, CIVIL BRANCH OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND . IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Partners have executed this Agreement as of the date first set forth above.

GENERAL PARTNER: ENRON INDUSTRIAL MARKETS GP CORP.

By: _____
William W. Brown
Name: Vice President & Chief
Title: Financial Officer

CLASS B LIMITED PARTNER: SALOMON BROTHERS HOLDING COMPANY INC

By: _____

Name: _____
Title: _____

CLASS A LIMITED PARTNER: ENRON NORTH AMERICA CORP.

By: _____
Name: William W. Brown
Title: Vice President

CLASS C LIMITED PARTNER: ENRON CORP.

By: _____
Name: Timothy A. DeSpain
Title: Deputy Treasurer

Signature Page—Sundance Industrial Partners, L.P.

IN WITNESS WHEREOF, the Partners have executed this Agreement as of the date first set forth above.

GENERAL PARTNER: ENRON INDUSTRIAL MARKETS GP CORP.

By: _____
Name: _____
Title: _____

CLASS B LIMITED PARTNER: SALOMON BROTHERS HOLDING COMPANY INC

By: _____
Name: Scott L. Flood
Title: Managing Director

CLASS A LIMITED PARTNER: ENRON NORTH AMERICA CORP.

By: _____
Name: _____
Title: _____

CLASS C LIMITED PARTNER: ENRON CORP.

By: _____
Name: _____
Title: _____

Unknown

From: Fox, William
Sent: Monday, June 04, 2001 7:16 PM
To: Macdonald, Alan S. CCI.
Subject: FW: Apache Opportunity

More input; also some feedback from product people is that SSB now is responsible for Structured products and that compensation now includes revenue from Structured Products. Not sure if this is paranoia on part of Citi or different message being sent to SSB bankers and the product people. Point worth clarifying with Morse. Are other industries experience same issues.

Any feedback from Carpenter on Sundance; apparently the deal closed.

-----Original Message-----
From: Junek, Lydia
Sent: Monday, June 04, 2001 4:06 PM
To: Fox, Willian
Subject: Apache Opportunity

Apache held its annual bank meeting on Thursday/Friday 5/24-25. Operating management gave a business update and the CFO gave a financing update. From the finanancing presentation it was clear that the company's effective tax rate had increased. In fact Roger Plank said that they have an 861 interest allocation problem.

I was out on vaction last week. I called Bob Reina and Brian Lee to set up a tax brainstorming session. I was informed that Jim Reilly has scheduled it for June 13th at 8:30 a.m.

I would like to inform Jim that I will attend the meeting instead. If there is a capital structuring deal there and there is a capital market funding, then I will bring him in. Is the institution on board with this?

Where do we stand on the e-mail I sent you before going on vacation?

Senior Bank Contacts

Bank	Primary Account Officer	Phone
ABN	Cheryl Lipshutz	713
B of A	Lee McKinstrey	713
Barclays	Rich Williams	212
Chase	Rick Walker	713-
Citi	Jim Reilly	713-
Credit Lyonnais	Darrell Stanley	713-
Nations	Jo Tamalis	713-
NatWest	Kevin Howard	713-
West LB	Rich Newman	212-

Redacted by Permanent Subcommittee on Investigations

Senior Contact for Andy	Phone
Peter Casey, Sr. Executive VP	011
Tim Bottoms, Group Executive VP	415-
Bob Mabon, Managing Director	011
Jimmie Lee, Vice Chairman	212-
Bill Fox, Head of Energy Industry Group	212-
Jerome Halbout, SVP Multinational Groups	011
Edward Brown, President Corporate Bank	704-
Giles Darby, Managing Director	011
Dirk Koerner, Managing Director, Joint Chief Exec. of North America	212-

Redacted by Permanent Subcommittee on Investigations

Permanent Subcommittee on Investigations
EXHIBIT #378

ECu000072058

Enron Corp. (f/k/a Enron Oregon Corp.)

Print Date 11/26/2001

Status:	Active
Internal No:	011 - ERE
Formation:	Oregon
Group:	ECORP
Power Designation:	NONE
Last Update:	11/20/2001
Bank Res. Effective:	7/1/97
Project:	
Legal Asst.:	N/A
Attorney:	JArmogida
Entity Type:	Corporation Employees: Yes
Federal ID #:	47-0255140
Tax Classification:	
SIC:	
Articles (F)-latest:	7/17/34,7/19/96;R-10/07/96,M-7/01/97,12/29/94;A-9/24/99,7/28/99,8/10/01,8/23/01
Memo (F)-latest:	
Bylaws (D)-latest:	O-12/13/88; R-06/24/97; A-05/04/98
Managed By:	Enron
Comment:	

Annual Meeting:

Primary Address:

1400 Smith Street
Houston, TX 77002

Registered Address:
National Registered Agents, Inc.
9 East Loockerman Street
Dover DE 19901
USA

Purpose of Business: Parent company.

Former Name(s)	From Date	Through Date
New Falcon Corp.	Jul 19, 1996	Aug 07, 1996
Enron Oregon Corp.	Aug 7, 1996	Jul 01, 1997

EC 000185931

Permanent Subcommittee on Investigations
EXHIBIT #379

11/27/2001

DIRECTORS:	Title:
Robert A. Belfer	Director
Norman P. Blake, Jr.	Director
Ronnie C. Chan	Director
John H. Duncan	Director
Paulo V. Ferraz Pereira	Director
Wendy L. Gramm, Ph.D.	Director
Robert K. Jaedicke, Ph.D.	Director
Kenneth L. Lay	Director
Charles A. LeMaistre, M.D.	Director
John Mendelsohn, M.D.	Director
William C. Powers, Jr.	Director
Frank Savage	Director
John Wakeham	Director
Herbert S. Winokur, Jr. Ph.D.	Director

OFFICERS:	Title:
Kenneth L. Lay	Chairman and Chief Executive Officer
Mark A. Frevert	Vice Chairman
Lawrence G. Whalley	President and Chief Operating Officer
Raymond M. Bowen, Jr.	Executive Vice President, Finance and Treasurer
Richard B. Buy	Executive Vice President and Chief Risk Officer
Richard A. Causey	Executive Vice President and Chief Accounting Officer
James V. Derrick, Jr.	Executive Vice President and General Counsel
Andrew S. Fastow (on leave of absence)	Executive Vice President
Steven J. Kean	Executive Vice President and Chief of Staff
Mark E. Koenig	Executive Vice President, Investor Relations
Jeffrey McMahon	Executive Vice President and Chief Financial Officer
J. Mark Metts	Executive Vice President, Corporate Development
Cindy K. Olson	Executive Vice President, Human Resources and Community Relations
Robert H. Butts	Managing Director, Controller
Timothy J. Detmering	Managing Director, Corporate Development
Jeffrey M. Donahue, Jr.	Managing Director, Corporate Development
Robert J. Hermann	Managing Director and General Tax Counsel
Tod A. Lindholm	Managing Director, Assurance Service and IT Compliance
Paula H. Rieker	Managing Director, Board Communications and Secretary
Richard S. Shapiro	Managing Director, Government Affairs
Frank Stabler	Managing Director, Asset Monetization
Mitchell S. Taylor	Managing Director, Corporate Development
Robert H. Walls, Jr.	Managing Director and Deputy General Counsel
Rebecca C. Carter	Senior Vice President
Melissa A. Becker*	Vice President, Intellectual Capital
Edward R. Coats	Vice President, Tax, Audits
Angus H. Davis*	Vice President and Deputy Corporate Secretary
Karen L. Denne	Vice President, Communications

William R. Donovan	Vice President, Corporate Administrative Services
Robert D. Eickenroht	Vice President and Assistant General Counsel
Rodney L. Faldyn	Vice President, Transaction Support
Mary K. Joyce	Vice President, Human Resources
William R. Lemmons, Jr.	Vice President, Corporate Analyst Program
R. Davis Maxey	Vice President, Tax, Planning
Peggy B. Menchaca	Vice President and Assistant Secretary
David Oxley	Vice President, Human Resources
Mark A. Palmer	Vice President, Communications
Christie A. Patrick	Vice President, Public Affairs
Beth S. Perlman	Vice President, Technology
Mark R. Pickering	Vice President, Technology
Greek L. Rice*	Vice President, Tax, GPG
Linda L. Robertson	Vice President, Federal Government Affairs
Rex R. Rogers	Vice President, Associate General Counsel and Assistant Secretary
Jeanette M. Rub	Vice President, Global Technology Infrastructure
Allan Sommer	Vice President, Strategic Initiatives
James D. Steffes	Vice President, Public Affairs
Michael F. Terraso*	Vice President, Environmental, Health & Safety, and Chief Environmental Officer
Dennis D. Vegas	Vice President, Brand Management & Strategic Marketing
Ricky L. Waddell	Vice President, Corporate Development
Amit Walia	Vice President, Corporate Development
Jay Webb	Vice President, E-Commerce Technology
William W. Brown	Deputy Treasurer
Timothy A. DeSpain	Deputy Treasurer
Anne Edgley	Deputy Treasurer
Elaine V. Overturf	Deputy Corporate Secretary
Barry J. Schnapper	Deputy Treasurer
Teresa A. Callahan	Assistant Secretary
Kate B. Cole	Assistant Secretary
Denise A. Ernest	Assistant Secretary
William L. Pardue	Assistant Secretary
Lori Pinder-Metz*	Assistant Secretary
Mary A. Perkins	Assistant Treasurer

ATTORNEYS:	Title:
William W. Brown	Attorney-in-Fact
Ranabir Dutt	Attorney-in-Fact
Anne Edgley	Attorney-in-Fact
Treasa Kirby	Attorney-in-Fact
Richard Lewis	Attorney-in-Fact
Douglas L. McDowell	Attorney-in-Fact
Keith Miller	Attorney-in-Fact

COMMITTEE MEMBERS: **Title:**

EC 000185933

OTHER:	Title:
Yael Albukrek	Special Appointment(s) - See Narrative
Bekir Hilmi Aroma	Special Appointment(s) - See Narrative
Jose M. Bestard	Special Appointment(s) - See Narrative
Riccardo Bortolotti	Special Appointment(s) - See Narrative
Nural Bozkir	Special Appointment(s) - See Narrative
M. Fadlullah Cerrahoglu	Special Appointment(s) - See Narrative
Rumo de Schutter	Special Appointment(s) - See Narrative
Bahar Selma Demirel	Special Appointment(s) - See Narrative
Onur Gulsaran	Special Appointment(s) - See Narrative
Joseph P. Hirl	Special Appointment(s) - See Narrative
Ralph N. Hodge	Special Appointment(s) - See Narrative
Adrian Francisco Javier Hope	Special Appointment(s) - See Narrative
Selale Kartal	Special Appointment(s) - See Narrative
Nicolas F. Madero	Special Appointment(s) - See Narrative
Trushar S. Patel	Special Appointment(s) - See Narrative
A. Laine Powell	Special Appointment(s) - See Narrative
Timothy S. Proffitt	Special Appointment(s) - See Narrative
W.P. Ruoff	Special Appointment(s) - See Narrative
Barry J. Schnapper	Special Appointment(s) - See Narrative
Martina Taquini	Special Appointment(s) - See Narrative
Mitchell S. Taylor	Special Appointment(s) - See Narrative
Sezin Turan	Special Appointment(s) - See Narrative
Floris van der Rhee	Special Appointment(s) - See Narrative
Trenite Van Doorne	Special Appointment(s) - See Narrative
Aysegul Yalcinmani	Special Appointment(s) - See Narrative
Gulperi Yoruker	Special Appointment(s) - See Narrative
Sibel Yurttutan	Special Appointment(s) - See Narrative
Javier Zapiola	Special Appointment(s) - See Narrative
Robert A. Belfer	Insider-Director
Norman P. Blake, Jr.	Insider-Director
Ronnie C. Chan	Insider-Director
John H. Duncan	Insider-Director
Paulo V. Ferraz Pereira	Insider-Director
Wendy L. Gramm, Ph.D.	Insider-Director
Robert K. Jaedicke, Ph.D.	Insider-Director
Charles A. LeMaistre, M.D.	Insider-Director
John Mendelsohn, M.D.	Insider-Director
Frank Savage	Insider-Director
John Wakeham	Insider-Director
Herbert S. Winokur, Jr. Ph.D.	Insider-Director
Stanley C. Horton*	Insider-Chairman and Chief Executive Officer, Enron Gas Pipeline Group
Kenneth L. Lay	Insider-Chairman and Chief Executive Officer, Enron Corp.
Lou L. Pai	Insider-Enron Policy Committee Member -

	Chairman, President & Chief Executive Officer, Enron Xcelerator Services, Inc.
David W. Delainey	Insider-Chairman, President and Chief Executive Officer, Enron Energy Services, Inc.
Mark A. Frevert	Insider-President and Chief Executive Officer, Enron Europe, Ltd.
Richard B. Buy	Insider-Executive Vice President and Chief Risk Officer, Enron Corp.
Richard A. Causey	Insider-Executive Vice President and Chief Accounting Officer, Enron Corp.
James V. Derrick, Jr.	Insider-Executive Vice President and General Counsel, Enron Corp.
Andrew S. Fastow (on leave of absence)	Insider-Executive Vice President and Chief Financial Officer, Enron Corp.
Steven J. Kean	Insider-Executive Vice President and Chief of Staff, Enron Corp.
Mark E. Koenig	Insider-Executive Vice President, Investor Relations, Enron Corp.
J. Mark Metts	Insider-Executive Vice President, Corporate Development, Enron Corp.

MANAGERS: **Title:**

STOCKS

Common

Price/Par Value:	No par value	Date Authorized:	Jul 19, 1996
CUSIP:	293561106	Authorized:	1,200,000,000
SYMBOL:	ENE	Outstanding:	751,628,046
		Issued:	752,205,112
		# in Treasury:	577,066

Comment: Authorized common stock increased from 1,000 to 600 million effective 10/8/96. (Stock issued and outstanding effective 9/7/99). 7/28/99 - auth. common stock increased to 1,200 million. Stock split 2 for 1 effective 8/13/99.

Current Owner(s)	Certificate No.	% Ownership	No. of Shares	Date Issued or Transferred
Publicly held	003	100.00	751,628,046	Dec 31, 2000

Value of Consideration:

Consideration:

Comment: Dummy Cert. to represent shares held by public; includes 7/1/97 issuance of 50,510,308 shares in exchange for 51,409,983 shares of PGC Common Stock.

Preferred

Price/Par Value:	No par value	Date Authorized:	Oct 8, 1996
		Authorized:	16,500,000

EC 000185935

Preferred stock authorized in Restated Articles effective 10/8/96.
12/31/2000 - Actual unrounded numbers of stock issued and outstanding = 1,778,769

Current Owner(s)	Certificate No.	% Ownership	No. of Shares	Date Issued or Transferred
Value of Consideration:				
Consideration:				
Comment:				

9.142% Perpetual Second Preferred

Price/Par Value:	No par value	Date Authorized:	Jun 19, 1997
CUSIP:		Authorized:	36
SYMBOL:		Outstanding:	36
		Issued:	36
		# in Treasury:	
Comment:	Correct, unrounded authorized stock = 35.568509. Liquidation Preference $1,000,000 per share.		

Current Owner(s)	Certificate No.	% Ownership	No. of Shares	Date Issued or Transferred
Enron Equity Corp.	001	98.80	36	Dec 30, 1994
Value of Consideration:				
Consideration:				
Comment:	The original stock cert.No. 001 issued by Enron Corp., Delaware, on 12/30/94, transferred through merger to Enron Corp; an Oregon corp. Actual number of shares = 35.568509.			

Cumulative Second Preferred Convertible

Price/Par Value:	No par value	Date Authorized:	Jun 19, 1997
CUSIP:		Authorized:	1,370,000
SYMBOL:		Outstanding:	1,240,933
		Issued:	1,240,933
		# in Treasury:	
Comment:	Liquidation Preference $100 per share. Outstanding effective 12/31/99 per EVO.		

Current Owner(s)	Certificate No.	% Ownership	No. of Shares	Date Issued or Transferred
Publicly held	01	100.00	1,240,933	Dec 31, 2000
Value of Consideration:				
Consideration:				
Comment:	Dummy cert. to represent shares held by public.			

Mandatorily Conv. Junior Preferred, Series B

EC 000185936

Price/Par Value:	No par value	Date Authorized:	Sep 24, 1999
CUSIP:		Authorized:	Unlimited
SYMBOL:		Outstanding:	250,000
		Issued:	250,000
		# in Treasury:	

Comment: Number of shares that constitute such series shall be an indefinite number of shares determined by the Share Settlement Agreement (see Amended Articles effective 9/24/99 for further explanation)

Current Owner(s)	Certificate No.	% Ownership	No. of Shares	Date Issued or Transferred
Condor Share Trust	002	100.00	250,000	Sep 24, 1999

Value of Consideration:
Consideration:
Comment:

Mandat. Convert. Single Reset Preferred Series C

Price/Par Value:	No par value	Date Authorized:	Aug 9, 2001
CUSIP:		Authorized:	182,908
SYMBOL:		Outstanding:	182,908
		Issued:	182,908
		# in Treasury:	

Comment: Redemption price or liquidation preference price of $5,000 per share.

Current Owner(s)	Certificate No.	% Ownership	No. of Shares	Date Issued or Transferred
Preferred Voting Trust	001	100.00	182,908	Aug 14, 2001

Value of Consideration:
Consideration:
Comment:

Cumulative Junior Preferred, Series A

Price/Par Value:	No par value	Date Authorized:	Aug 23, 2001
CUSIP:		Authorized:	20
SYMBOL:		Outstanding:	
		Issued:	
		# in Treasury:	

Comment: Liquidation Preference of $50,000,000 per share. See p.6 Articles of Amendment effective 8/23/2001 for restricted voting rights.

Current Owner(s)	Certificate No.	% Ownership	No. of Shares	Date Issued or Transferred

Value of Consideration:

EC 000185937

Consideration:
Comment:

DIRECT SUBSIDIARIES	% Ownership	Shares
Atlantic Commercial Finance, Inc.	100.00%	5,557.00
Atlantic Water Trust	50.00%	
Azurix Corp.		100.00
BAM Lease Company	100.00%	1,000.00
Citrus Corp.	50.00%	500.00
Clinton Energy Management Services, Inc.	100.00%	100.00
East Java Funding Corp. B.V.	100.00%	4,000.00
EGP Fuels Company	100.00%	1,000.00
Egret I LLC	100.00%	
ENA CLO I Holding Company GP L.L.C.	100.00%	
ENA CLO I Holding Company II L.P.	50.00%	
ENA CLO I Trust	100.00%	1,000.00
EnerTek Partners, L.P.	16.50%	
Enron America del Sur S.A.	99.00%	11,999.00
Enron BW Holdings Ltd.	100.00%	1,000.00
Enron Canada Corp.	100.00%	1,039,504,347.47
Enron Capital Investments Corp.		1,000.00
Enron Capital Investments Corp.		70.24
Enron Capital LLC	0.00%	4,997.00
Enron Capital Resources, L.P.	21.00%	
Enron Capital Trust I	0.00%	0.00
Enron Capital Trust II	0.00%	0.00
Enron Cayman Leasing Ltd.	100.00%	1,000.00
Enron Ceska Republika B.V.	100.00%	4,000.00
Enron Coal Company	100.00%	1,000.00
Enron Coal Pipeline Company	100.00%	1,000.00
Enron Communications Group, Inc.	100.00%	1.00
Enron CPO Finance I, Inc.	100.00%	1,000.00
Enron CPO Finance II, Inc.	100.00%	1,000.00
Enron CPO Holdings, Inc.	100.00%	1,000.00
Enron CPO Management Holdings I, Inc.	100.00%	1,000.00
Enron CPO Management Holdings II, Inc.	100.00%	1,000.00
Enron CPO Partners II, Inc.	100.00%	1,000.00
Enron CTS International, Inc.	100.00%	1,000.00
Enron Development Piti Holdings Corp.	25.00%	250.00
Enron Development Turkey Ltd.	100.00%	1,000.00
Enron Development Vietnam L.L.C.	99.00%	0.00
Enron Energy Services International Co.	100.00%	1,000.00
Enron Energy Services, LLC	98.16%	201,049.00
Enron Engineering & Construction Company	100.00%	1,000.00
Enron Equipment Company	100.00%	1,000.00
Enron Equity Corp.	73.03%	1,490,000.00
Enron Europe L.L.C.	100.00%	1.00

Enron European Power Investor LLC	100.00%	
Enron Expat Services Inc.	100.00%	1,000.00
Enron Finance Management, LLC	100.00%	
Enron Finance Partners, LLC	0.28%	
Enron Foundation	100.00%	0.00
Enron Funding Corp.	100.00%	1,000.00
Enron Global Exploration & Production Inc.	100.00%	1,000.00
Enron Global Finance, a division of Enron Corp.	0.00%	
Enron Global Markets LLC	100.00%	
Enron Global Power & Pipelines L.L.C.	36.00%	14,394.00
Enron Hrvatska Development B.V.	100.00%	4,000.00
Enron Hungary Power Station Development Kft.	51.00%	1,530,000.00
Enron Industrial Markets LLC	100.00%	
Enron International Asset Management Corp.	100.00%	1,000.00
Enron International Guatemala Ltd.	100.00%	1,000.00
Enron International Holdings Corp.	30.00%	4,500.00
Enron International Holdings Ltd.	100.00%	1,000.00
Enron International Inc. (new)	100.00%	1,000.00
Enron Investment Partners Co.	100.00%	1,000.00
Enron Japan Funding Corp.	100.00%	1.00
Enron Latvia Holdings	100.00%	1,000.00
Enron Lawhill Capital Corp.	100.00%	1,000.00
Enron Licensing Corp.	100.00%	
Enron Liquid Fuels, Inc.	100.00%	1,000.00
Enron Louisiana Transportation Company	100.00%	
Enron Management, Inc.	100.00%	1,000.00
Enron Management, Inc.	100.00%	20.00
Enron Minerals Company	100.00%	1,000.00
Enron Miskolc Power Development Kft.	86.36%	6,330,000.00
Enron Net Works LLC	100.00%	
Enron Netherlands Holding B.V.	100.00%	40.00
Enron North America Corp.	100.00%	1,000.00
Enron Northwest Finance, LLC	93.89%	
Enron Olympus Holdings, Inc.	100.00%	
Enron Operating Services Corp. (ENA)	100.00%	1,000.00
Enron Pipeline Construction Services Company	100.00%	1,000.00
Enron Pipeline Holding Company	80.00%	184.66
Enron Ponderosa Management Holdings, Inc.	100.00%	
Enron Power Corp.	100.00%	1,000.00
Enron Preferred Funding II, L.P.	3.00%	0.00
Enron Preferred Funding, L.P.	3.00%	0.00
Enron Products Pipeline, Inc.	100.00%	
Enron Property & Services Corp.	98.03%	1,000.00
Enron Realty Advisors, Inc.	100.00%	1,000.00
Enron Resources Holding Corp.	100.00%	1,000.00
Enron Russia Development, Inc.	100.00%	1,000.00

Enron Servicios de Energia, S.A.	100.00%	48.00
Enron Sports Corp.	100.00%	1,000.00
Enron Supply Corp.	100.00%	1,000.00
Enron Trailblazer Pipeline Company	100.00%	1.00
Enron Valkyrie, LLC	95.00%	
Enron Ventures Corp.	100.00%	1,000.00
Enron WarpSpeed Services, Inc.	100.00%	10,000.00
Enron Washington, Inc.	100.00%	1,000.00
Enron West Africa Power Ltd.	100.00%	1,000.00
Enron Xcelerator Services, Inc.	100.00%	
EOC Preferred, L.L.C.	100.00%	
EOTT Energy Corp.	100.00%	
ES Power 1 LLC	100.00%	
ES Power 2 LLC	100.00%	
ES Power 3 LLC	100.00%	
Grampian LLC	100.00%	
Grand Slam Parking, Inc.	100.00%	1,000.00
Gulf Company Ltd.	100.00%	120,000.00
Half Dome LLC	0.01%	
Herzeleide, LLC	100.00%	
Houston Economic Opportunity Fund, L.P.	99.00%	
LOA, Inc.	100.00%	1,000.00
Nahanni Investors L.L.C.		
Nikita, L.L.C.	50.00%	
Northern Plains Natural Gas Company	100.00%	400.00
Nowa Sarzyna Holding B.V.	100.00%	40.00
Organizational Partner, Inc.	100.00%	1,000.00
Peregrine I LLC	100.00%	
Ponderosa Assets, L.P.		
Portland General Electric Company	100.00%	42,758,877.00
Portland General Holdings, Inc.	100.00%	6,740.00
Portland Transition Company, Inc.	100.00%	1.00
Prairie Hawk, Inc.	100.00%	1,000.00
Preferred Voting Trust	100.00%	
RMS Management, LLC	100.00%	
San Juan Gas Company, Inc.	100.00%	100.00
Seminole Capital LLC	99.80%	
Sentinel Dome LLC	0.01%	
Sequoia Financial Assets, LLC	96.00%	
Shelby Ltd.	100.00%	1,000.00
Smith Street Land Company	100.00%	2,992.00
Sports Financing Corp.	12.50%	125.00
Sundance Industrial Partners, L.P.		
TerraCo, LLC	100.00%	
Yellowknife Investors, Inc.	100.00%	1,000.00
Zond Maine Development Corporation	100.00%	1,000.00

INCORPORATION/QUALIFICATIONS

Jurisdiction	Inc/Qual	Charter No.	Date	Agent
Oregon	Incorporation	527549-84	Jul 19, 1996	National Registered Agents, Inc. - OR
California	Qualification	2054526	Aug 29, 1997	National Registered Agents, Inc.
District of Columbia	Qualification	N/A	Jul 25, 1997	National Registered Agents, Inc. - DC
Iowa	Qualification	208213	Jul 21, 1997	National Registered Agents, Inc. - IA
Minnesota	Qualification	86288	Jul 22, 1997	National Registered Agents, Inc. - MN
Nebraska	Qualification	73685	Jul 10, 1997	National Registered Agents, Inc. - NE
Oklahoma	Qualification	N/A	Jul 30, 1997	National Registered Agents, Inc. - OK
Texas	Qualification	111289-06	Aug 19, 1996	National Registered Agents, Inc. - TX

NARRATIVES

Effective 7/1/97:
Step 1: Enron Corp. (inc. Delaware) merged with and into Enron Oregon Corp .(inc. Oregon), the surviving corporation, which immediately changed its name to Enron Corp.
Step 2: Enron Corp. (inc. Oregon) merged with Portland General Corporation. Enron Corp. (inc. Oregon) is the surviving corporation.

7/1/97 - NOTE: FEIN of Delaware Enron Corp. will be used (47-0255140) in place of existing Oregon Enron Corp. FEIN (76-0511381) and new Enron Corp. will assume Company No. 011 in place of Company No. 908.

09/23/97 Powers of Attorney granted to A.F.J. Hope, N.F. Madero, M. Taquini, M.O. Manterola and J. Zapiola re Enron International Argentina S.A.

09/23/1997 - POA is granted to Trenite Van Doorne re transfer of 4,000 shares in the capital of

Enron Epicycle Five B.V. to P.T. East Java Power Corp.

5/16/97 - Representative Office opened in Beijing (copy of license is filed in 48th floor vault).

08/12/98 - POA granted to Floris van der Rhee to execute Articles of Association of Enron Miskolic Kft.

08/12/98 - POA granted to Floris van der Rhee to execute Articles of Association of Enron Hungary Kft.

08/12/98 - POA granted to Trenite Van Doorne re transfer of 4,000 shares of Enron Magyar Development B.V. to Enron Capital & Trade Resources-Europe B.V.

08/26/98 - POA granted to Ralph Hodge and Rodney L. Gray re modifications to instrument of appointment re water and sewage licenses re Wessex Water PLC.

11/6/98 - POA granted to Rumo de Schutter to execute document amending Articles of Association of Enron Miskolc Power Station Development Kft.

11/6/98 - POA granted to Riccardo Bortolotti to execute document on behalf of Company amending Articles of Association of Enron Miskolc Power Station Development Kft.

11/6/98 - POAs granted to Pim Ruoff and Rumo de Schutter to execute document on behalf of Company amending Articles of Association of Enron Miskolc Power Station Development Kft.

9/16/98 - POAs granted to Pim Ruoff and Floris van der Rhee to represent Company re signing Art. of Assoc. of Enron Miskolc Kft.

12/11/1998 - POA granted to Trenite Van Doorne re transfer of 4,000 shares in Enron Dutch Holdings B.V. to ES Power 3 L.L.C.

03/22/99 - Company appoints Mitchell S. Taylor and Joseph L. Hirl to execute documents for EI in conjunction with Australia and New Zealand Banking Group Limited re bid for Ecogen Energy in Australian state of Victoria.
12/8/98: POA to Barry J. Schnapper to execute documents re: consummation of the Marlin Transactions.

10/28/1999 Memo from James V. Derrick, Jr.: All POAs to be executed on behalf of Enron Corp must be initialed by the preparing attorney and submitted to [JVD] for approval/signature or, in [his] absence, Rob Walls, Sr VP& Deputy Gen Counsel, or Rick Causey, Exec VP & Chief Accounting Officer, and by Rebecca Carter, Hardie Davis, or an Asst Secretary.

7/18/2000- Ben F. Glisan is appointed POA for purpose of signing a Confirmation of Swap Transaction.

08/15/2000-Power of Attorney for Stuart Schardin and/or Anne Edgley to execute Beneficial Owner Declaration with Banque Generale du Luxembourg.

8/3/2000 Power of Attorney granted to Banco Citibank S.A., as the "Brazilian Collateral Agent", to represent the Grantor in or out of court re: security documents related to the Sept. 30, 1999, transaction by and among EPE - Empresa Produtora de Energia Ltda., Gasocidente do Mato Grosso Ltda., EPE Holdings Ltd., EPE Investments Ltd., GasMat Holdings Ltd., GasMat Investments Ltd., Transborder Gas Services Ltd., Enron South America LLC, and Shell Cuiaba Holdings Limited.

06/26/200- POA for Trushar S. Patel until 7/31/2000 to execute Guaranty in favor of Timberwolf I LLC, Security Agreement among Timberwolf I LLC, the Company, Grizzly I LLC and Wilmington Trust. and Guaranty in favor of LJM2-Timberwolf, LLC and such other Transaction Documents (Raptor II transaction)

08/31/2000- POA granted to Anne Edgley and Maroun Abboudy
09/11/2000: Appointment of Trushar S. Patel as Attorney-in-Fact until 10/15/2000 in connection with the execution, delivery and performance of Agreement between Company, LJM2-Porcupine, LLC and Enron Energy Services regarding establishment of program Raptor III.

6/8/2000 - POA granted to the following members of Instanbul Bar Assn related to the completion of the acquisition of sole control of MG plc before the Turkish Competition Authority and Competition Board: Dr. M. Fadlullah Cerrahoglu, Gulperi Yoruker, Yael Albukrek, Selale Kartal, Nural Bozkir, Aysegul Yalcinmani and Onur Gulsaran. Same authority granted to following individuals: Sibel Yurttutan, Bekir Hilmi Aroma, Sezin Turan and Bahar Selma Demirel. No expiration noted.

06/15/2000 - POA granted to Richard Causey to attend meeting of Enron Hungary Power Station Development Kft. on 06/15/2000 on behalf of Company.

10/31/2000 - POA to Anne Edgley and Stuart Schardin to execute Term Facility Agreement and related documents, guaranties, all dated 11/01/2000. Expires 11/30/2000.

01/21/2000 - POA to Trenite Van Doorne, lawyers in Rotterdam, The Netherlands to represent Company and to execute on behalf of Company in connection with assignment of 4,000 shares in Enron Communications Netherlands 2 B.V. nka Enron Broadband Communications Netherlands 2 B.V.

01/09/2001: Power of Attorney granted to Peter N. Anderson to execute any and all confidentiality agreements in connection with the Company's participation in transaction involving non-recourse project financing for the RioGen Merchant Plant-Elektrobolt. POA expires 05/01/2001.

12/19/2000: Appointment of Timothy S. Proffitt, as agent and attorney-in-fact of the Company to authorize, approve, and execute agreements, instruments and documents in connection with the Credit Agreement and Pledge Agreement and other Loan documents relating to pledge of membership interests in Garden State Paper Company, LLC.

03/28/2001: Power of Attorney granted to Dan O. Boyle as Attorney-in-Fact in connection with the Company's execution, delivery and performance of Master Lease Financing Agreement and related documents dated 03/28/2001 between General Electric Capital Corp, for Itself and as Agent for Certain Participants. POA expires 05/31/2001.

5/29/2001- AIF given to Ranabir Dutt by Company to sign the Overseas Private Investment Corporation (OPIC) Commitment Letter in conjunction with OPIC's commitment to provide an approximately $190,000,000 credit facility to SFE-Sociedade Fluminese de Energia Ltda. Expires 6/30/2001.

6/18/2001- AIF granted to Douglas L. McDowell and William W. Brown by Company to perform each and every act and thing and to execute any and all documents in connection with the Company's participation in the Credit Agreement among Hansen Investments Co., as Borrower, Flagstaff Capital Corporation, as Lender and The Chase Manhattan Bank, as Administrative Agent and any other contract, agreement, certificate or other document or instrument pertaining to the transactions contemplated thereby. Expires 7/18/2001.
6/29/2000 - Power of Attorney granted to Cheryl I. Lipshutz for the Company and in its capacity as sole member of Peregrine I LLC to execute any and all documents and instruments in connection with the execution, delivery and performance of Amendment No. 1 to the Participation Agreement, Whitewing LP Member Agreement, Side Letter with Peregrine and other parties and such other agreements to effect the closing of Transaction Documents to amend certain transactions and documents contemplated by the Participation Agreement dated 9/16/1999 between Enron corp., Osprey Trust, Egret I LLC, Whitewing Management LLC, Peregrine I LLC, , Whitewing Associates L.P., Condor Share Trust and United States Trust Company of New York.
6/29/00 - Power of Attorney granted to Anne Edgley and Maroun Abboudy for the Company and in its capacity as sole member of Enron European Power Investor LLC to execute any and all documents and instruments in connection with the executioin, delivery and performance of Certificate Purchase Agreement with European Power Limited Company ("EPLC") and other parties, Note Purchase Agreement with EPLC and other parties, ISDA Master Agreement with Pelican Bidder LLC, Schedule to ISDA Master Areement with Pelican Bidder LC, Confirmation with Pelican Bidder LLC, Swap Assignment Agreement with Pelican Bidder LLC and EPLC, Independent Engineer's Agreement with Pelican Bidder LLC and Mott MacDonald Limited ("MM"), Independent Engineer's Assignment Agreement with Pelican bidder LLC, MM and EPLC, Calculation Agency Agreement with Pelican BidderLLC, Enron Power Operations LImted ("EPOL"), Calculation Agency Assignment Agreement with Pelican Bidder LLC, EPOL and EPLC, Amended and Restated Trust Agreement with Wilmington Trust Copany and Enron Power Investor LLC, and such other agreements, certificates or other insturments as said Attorney in Fact deems necessary to effect the closing of transactions contemplated by Transaction Documents. Expires 8/31/2000

08/08/2000: POA to Dan O. Boyle, as Attorney-in-Fact for the Company, and as sole member of Peregrine I LLC and Egret I LLC to execute documents in connection with Osprey II transaction. POA expires 11/30/2000.

05/19/2000 - POA granted to M. R. Brown and P. Styles to represent Company as atorneys-in-fact in acquisition of MG plc., and to sign notification with European Commission in connection with same.

05/19/2000 - POA granted to Linklaters & Alliance to represent Company in notification procedure for acquisition of MG plc., before European Commision.

05/15/2001 - POA appointing Dan Boyle as AIF for Company to sign any and all documents in connection with the Company's participation in the issuance of Enron Linked Obligations by Enron Credit Linked Notes Trust II, Enron Euro Credit Linked Notes Trust II and Enron Sterling Credit

Interoffice
Memorandum

DRAFT

To: The Files

From: Transaction Support

Department: Enron Net Works Accounting

Subject: Accounting Enron's Investment in Fishtail LLC

Date: October 1, 2000

BACKGROUND

Enron Corp. (Enron) and Annapurna LLC (an entity created by Chase Capital Partners (Chase) and LJM) are forming Fishtail LLC (Fishtail) to engage in the following:

- develop efficient and price-transparent markets in the Pulp and Paper and Lumber businesses through the establishment and operation, acting as a principal, of a real-time physical and financial trading system, together with the associated commercial activities, encompassing the execution and delivery of trading contracts related to the purchase and sale of physical pulp and paper products.

- the marketing and provision of financial risk management services or contracts (such as swap agreements and option agreements) solely relating to the price of pulp and paper and lumber;

Reference is made to attached diagram of the Fishtail corporate structure.

Enron will contribute its existing pulp and paper business in exchange for 100% of the Class A and Class C membership interests. Enron's pulp and paper business is currently valued at approximately $200 million. Annapurna will contribute approximately $8.0 million and a committment to contribute and additional $42.0 million in cash in exchange for a 100% of the Class B membership interest of the Partnership. Annapurna is capitalized with $8 million in of equity and a $42 million credit facility.

Enron's existing pulp and paper business has been operating since 1997. Since that time the business has executed pulp and paper trades with a notional volume and value of 19.9 million tons and $8.3 billion, respectively. The group's trading book had a mark-to-market value of approximately $80 million as of September 30, 2000. The business currently employees 38 traders/originators and 20 commercial support employees, i.e., accounting, tax, legal, logistics, settlements, etc... The group is currently led by Jeff McMahon, President and CEO and Ray Bowen, COO. The group's business plan calls for the total number of traders/originators to grow from 38 to 95, with most of the growth to occur in 2001. Their focus will be primarily on the North American market with smaller numbers of employees focusing on other regions of the world with the intent of building a global business over the next few years. The group's income is expected to grow from $25 million in 2000 to $300 million by 2005.

As the Class A member, Enron will be responsible for managing the affairs of Fishtail. In doing so, Enron will make available the necessary personnel to conduct the business of Fishtail, including the day-to-day trading and management transactions. Enron shall be entitled to reimbursement of its actual and allocated costs and penses of administering the affairs of Fishtail.

At any time, whether with or without cause, Annapurna may cause the management responsibilities of Fishtail, ated to Enron as Class A member, to be assumed by a board of directors composed of four members (the oard). In the event Annapurna is controlled by LJM, Annapurna shall not cause the management responsibilities with respect to Fishtail to be assumed by the Board unless LJM's Advisory Committee (consisting of non-Enron investors) approves such action.

In the event Annapurna exercise its right to form the Board, the Board will consist of four directors appointed by Enron and two directors appoints by Annapurna. Upon appointment, the Board shall have all of the management powers and responsibilities with respect to Fishtail previously granted to the Class A member.

ISSUE

Is Enron required to consolidate the Fishtail?

AUTHORATIVE LITERATURE

EITF 96-16, "Investor's Accounting for an Investee when the Investor has a Majority of the Voting Interests but the Minority Shareholder or Shareholders have Certain Approval of Veto Rights"

SOP 78-9, "Accounting for Investments in Real Estate Ventures"

EITF 98-6, "Investors Accounting for an Investment in a Limited Partnership when the Investor is the Sole general partner and the Limited Partners have Certain Approval Rights"

SCUSSION

Prior to the consensus in Issue No. 96-16, many practitioners applied the guidance contained in SOP 78-9 to consolidation questions involving investments in both incorporated entities and unincorporated entities, whether or not the partnership was engaged in real estate activities. Issue 96-16 embraces a concept of participating rights that some would argue is different from the concept of important rights as contemplated by SOP 78-9. Thus, non-real estate limited partnership situations could result in different conclusions as to consolidation depending on whether SOP 78-9 or Issue 96-16, by analogy, is applied.

In EITF No. 98-6, the Task Force addressed the feasibility of integrating the important limited partner rights described in SOP 78-9 and the substantive participating rights described in Issue 96-16 to determine what rights held by the limited partner(s) preclude consolidation in circumstances in which the sole general partner would consolidate the limited partnership in accordance with generally accepted accounting principles absent the existence of the rights held by the limited partner(s).

In EITF No. 98-6, The Task Force agreed that a partnership agreement that provides for the removal of the general partner by a reasonable vote of the limited partners, without cause, and without the limited partners or partnership incurring a significant penalty, indicated that the sole general partner does not control the limited partnership. However, the Task Force also concluded that the working group's recommendation of a framework that would be used to assess whether the rights of limited partners should overcome a presumption of consolidation by the investor who is the sole general partner in a limited partnership was an improvement to r rent practice. Therefore, in the event that the partnership agreement does not provide for the removal of the

general partner without cause, we believe that EITF 96-16 provides the best guidance in determining whether a general partner in a limited partnership should consolidate the partnership.

The remaining discussion of this memo will focus on the guidance in EITF 96-16 and its description of minority shareholder rights. For the purposes of this analysis we have substituted "majority shareholder" for general partner and "minority shareholder" for limited partners.

In EITF 96-16, the Task Force agreed that the assessment of whether the rights of a limited partner should overcome the presumption of consolidation by the general partner should be based on whether the limited partner rights, individually or in the aggregate, provide for the limited partner to effectively participate in significant decisions that would be expected to be made in the "ordinary course of business."

Effective participation means the ability to block significant decisions proposed by the investor who has a majority voting interest. That is, control does not rest with the general partner because the general partner cannot cause the partnership to take an action that is significant in the ordinary course of business if it has been vetoed by the limited partner. This assessment of limited partner rights should be made at the time a general partner interest is obtained and should be reassessed if there is a significant change to the terms or in the exercisability of the rights of limited partners.

The Task Force observed that all limited partner rights could be described as "protective" of the limited partner's investment in the partnership but that some limited partner rights also allow the limited partner to participate in determining certain financial and operating decisions of the partnership that are made in the ordinary course of business (subsequently referred to as "participating rights"). The Task Force agreed that limited partner rights that are only protective in nature (subsequently referred to as "protective rights") would not overcome the presumption in Statement 94 that the general partner should consolidate its partnership. The Task Force agreed that substantive limited partner rights that provide the limited partner with the right to effectively participate in significant decisions that would be expected to be related to the partnership's ordinary course of business, although also protective of the limited partner's investment, should overcome the presumption in Statement 94 that the investor with a majority voting interest should consolidate its partnership.

CONCLUSIONS

The following table compares the guidance in EITF 96-16 to this transaction.

Based on this analysis we believe that the outside investors have substantive participating rights such that Enron does not control Fishtail. Therefore we believe that Enron should not consolidate Fishtail and that Enron's investment in Fishtail should be accounted for on the equity method of accounting.

We discussed this issue with Arthur Andersen and they concurred with our conclusions.

SUBSTANTIVE LIMITED PARTNER PARTICIPATING RIGHTS THAT WOULD PRECLUDE CONSOLIDATION BY THE GENERAL PARTNER	Fishtail
• Selecting, terminating, and setting the compensation of management responsible for implementing the partnership's policies and procedures. • Establishing operating and capital decisions of the partnerships, including budgets, in the ordinary course of business.	As discussed above, Annapurna has the ability, with or without cause, to require the management responsibilities of Fishtail to be removed from Enron and assumed by the Board of which Annapurna comprises 50%. By doing so, Annapurna can fully participate in all operating and capital decisions that occur during the ordinary course of business.

OTHER FACTORS TO CONSIDER	Fishtail
Consideration should be given to situations in which a general partner owns such a significant portion of the partnership that the limited partner has a small economic interest. As the disparity between ownership interest increases, the limited partner rights are presumptively more likely to be protective rights.	Annapurna has a significant economic interest in Fishtail. As discussed above, the investors have contributed $8.0 and have committed to contribute an additional $42 million, which together constitutes 20% of the total capitalization of Fishtail.
The governance arrangements need to be considered to determine at what level decisions are made--at the shareholder level or at the board level--and the rights at each level also should be considered.	As discussed above, Annapurna has the ability to require that all decisions will be made at the Board level where they have 50% of the Board.
Relationships between the general and limited partners that are of a related-party nature in determining if the participating rights of the limited partner are substantive.	The equity investor of Annapurna is LJM, a private investment company that managed by a senior officer of Enron. This impact of this relationship with respect to consolidation of Annapurna is mitigated by the governing documents of LJM. These documents allow the non-Enron investors in LJM to remove the senior officer as manager without cause and participate directly in the operations of any LJM investment.
Certain limited partner rights may deal with operating or capital decisions that are not significant to the ordinary course of business of the investee. The Task Force concluded that limited partner rights related to items that are not considered significant for directing and carrying out the activities of the partnership's business are not substantive participating rights and would not overcome the presumption of consolidation by the general partner. Examples of such limited	See discussion above.

partner rights relate to decisions about location of general partner headquarters, name of investee general partner, selection of auditors, and selection of accounting principles for purposes of separate reporting of general partner operations.	
Certain limited partner rights may provide for the limited partner to participate in significant decisions that would be expected to be made in certain business activities in the "ordinary course of business"; however, the Task Force concluded that the existence of such limited partner rights should not overcome the presumption that the general partner should consolidate, if it is remote that the event or transaction that requires limited partner approval will occur.	The decisions the Annapurna has a right to participate in will definitely occur as they represent decisions made in the ordinary course of business.

The general partner has a contractual right to buy out the interest of the limited partner in the investee for fair value or less should consider the feasibility of exercising that contractual right when determining if the participating rights of the minority shareholder are substantive should be considered.	Enron does not have an option to buy Annapurna's interest in Fishtail. If Annapurna desires to sell its Class B interest, Enron does have a "right of first offer" whereby Enron can offer to buy the Class B interest before it may be sold to any third party. However, since Annapurna is not obligated to accept Enron's offer and this right is only triggered if Annapurna wishes to sell its Class B interest, then this right does not negate Annapurna's participating rights in Fishtail.

CONFIDENTIAL COMMUNICATIONS
ATTORNEY/CLIENT PRIVILEGE

To: FILE

From: Rhett Jackson

Date: December 31, 2000

Subject: **Project Bacchus Transaction Memorandum**

This memorandum summarizes the organization structure through which Enron North America Corp., a Delaware corporation ("ENA") and a wholly owned subsidiary of Enron Corp., an Oregon corporation ("Enron"), borrowed $200,000,000 secured by its interest in Fishtail, LLC, a Delaware limited liability company ("Fishtail"), and briefly discusses the U.S. federal income tax consequences associated with such borrowing under the Internal Revenue Code of 1986, as amended (the "Code", also referred to by "Section"). In summary, the California Entities (as defined below) are disregarded entities as separate from ENA, the transfer of the Sonoma Interest (as defined below) is a pledge, rather than a disposition, the Trust is a security device securing the repayment of funds borrowed by ENA, and the Notes and Certificates constitute debt of ENA for federal income tax purposes.

TRANSACTION DESCRIPTION[1]

The California Entities

ENA invested in a series of limited liability companies (the "California Entities") to facilitate a secured borrowing. *See* **Schedule I.** Specifically, ENA formed Sonoma LLC, a first tier Delaware limited liability company of ENA ("Sonoma"), whose other member is Napa I, LLC, also a first tier Delaware limited liability company of ENA ("Napa"). Napa's sole member is ENA and was organized to hold a member interest in Sonoma and to facilitate the financing of the Fishtail Interest[2]. Sonoma issued two types of member interests, a Class A member interest representing a .01 percent ownership interest and 100 percent voting control and a Class B member interest representing a 99.99 percent ownership interest. The Class A member interest in each of Sonoma and Napa is held by ENA. The Class A member interest in Sonoma was acquired in exchange for ENA's capital contribution of the Fishtail Interest; the Class A member interest in Napa was acquired in exchange for ENA's initial cash capital contribution. The Class B member interest in Sonoma was initially held by Napa which, in turn, transferred such Class B

[1] Capitalized terms not otherwise defined shall have the meanings ascribed to such terms in the particular document with which such terms are associated.
[2] ENA owns a .01% Class A membership interest and a 79.99% Class C membership interest in Fishtail; Annapurna, LLC, a Delaware limited liability company, owns a 20% Class B membership.

interest to Caymus Trust, a Delaware statutory business trust (the "Trust"), in exchange for proceeds of the subsequent financing. Consequently, the Class B member interest held by the Trust derivatively represents a 99.99 percent economic interest in the assets of Sonoma, a $200MM note with an 8.36% coupon, and secures the repayment of the funds borrowed with respect to such Class B member interest.

The Trust purchased the Sonoma Class B member interest with the proceeds from the issuance of certain Notes and Certificates. The Trust obtained the proceeds by issuing Notes in the principal amount of $193,979,000 and Certificates having an aggregate base amount of $6,021,000. The repayment of the Notes and Certificates are secured by the Class B member interest in Sonoma and a total return swap (the "Swap") written to the Trust by Enron pursuant to which the Trust is required to pay to Enron certain funds on deposit in the Collection Account (less the amount required to satisfy the Certificate Base Amount and the accrued but unpaid Certificate Yield). Enron, in turn, will pay an amount to the Trust equal to that owing with respect to the Notes. The following sets forth the mechanics by which the Owner Trustee shall distribute funds on deposit in the Collection Account:

1) First, to the Agent, the sum of (i) accrued, unpaid Note interest, (ii) under expenses under the Facility Agreement, and (iii) on the Final Distribution Date, outstanding Note principal;
2) Second, the amount payable to Enron pursuant to the Swap;
   (i) Fixed Amount to Enron: Prior to Final Distribution Date, the Interim Notional Amount or Monies Received. On Final Distribution Date, Monies Received less Certificate Investment, Monies Received, or the Notional Amount.
   (ii) Floating Amount to Trust: Prior to Final Distribution Date, Interest Payable and other costs pursuant to the Facility Agreement. On the Final Distribution Date, Interest Payable, other costs pursuant to the Facility Agreement, and the Notional Amount.
3) Third, on or after the Final Distribution Date, accrued, unpaid Certificate Yield and Certificate Base Amount; and
4) Fourth, any excess to Napa.

Prior to the maturity date of the Notes and Certificates, and pursuant to the Section 3.03(b) of the Sonoma Agreement, an Independent Auctioneer will commence an Auction pursuant to which any Persons (including Enron and its affiliates) are to bid for the Sonoma Class B member interest. The Independent Auctioneer will declare a Winning Bidder only if at least two offers from persons other than Enron or its affiliates are received. In the event that Enron or an affiliate is declared the Winning Bidder, the Independent Auctioneer must obtain an opinion from an Independent Appraiser prior to closing that the consideration offered by the Winning Bidder is fair (from a financial perspective) for such Class B member interest. At the closing of the sale of the Class B member interest, the Winning Bidder shall deliver the purchase price to the Trust in immediately-available funds and the Trustee, in turn, shall distribute all of the sale proceeds in accordance with the terms of the Swap, with the Lenders and Certificate Holders receiving up to that amount necessary to satisfy such obligations and the remainder (if any) paid to Enron.

Pursuant to Section 2 of the Put Option Agreement, Sonoma or its assignee (the Trust) has the right (the "Put Option") to require ENA to repurchase undivided interests in the Sonoma Class B interest ("Put Interests") on any Payment Date; provided, the aggregate purchase price

may not exceed that amount necessary to satisfy the Lender obligations on such Payment Date. The Put Option is exercisable on any Payment Date with respect to which a Put Notice has been delivered to ENA. Upon exercise of the Put Option, ENA shall purchase the specified Percentage Interest pursuant to the Put Option Assignment and shall pay to Sonoma the applicable Purchase Price. Sonoma then distributes the proceeds 99.99% to the Class B member in accordance with Section 5.02 of the Sonoma Agreement. Notwithstanding, the aggregate amount of the distributions to the Class B member shall not exceed the Cut-off Amount, that amount necessary to pay (i) all principal and interest on the Notes, and (ii) all Certificate Base Amount and Certificate Yield. Distributions in excess of the Cut-off Amount shall accrue to the Sonoma Class A member. Finally, in the event that the Put Option has not been exercised and there is not a Winning Bidder, the Trust shall assign the Sonoma Class B member interest to Enron in return for the satisfaction of its obligations under the Total Return Swap.

TAX CHARACTERIZATION

Classification of the California Entities

Treasury Regulation § 301.7701-3(b) provides that a domestic partnership or limited liability company that has a single owner will be disregarded as an entity separate from its owner unless it elects to be classified as an association. Sonoma was organized to hold the Fishtail Class C Interest for the purpose of securing the repayment of amounts owing to the holders of the Trust Notes and Certificates and accordingly, Article 7.02 of the Sonoma Agreement provides that Sonoma will be disregarded as an entity separate from ENA as long as the membership interests of Sonoma are owned by ENA or a combination of ENA and another entity owned by ENA, and which entity itself is also disregarded as separate from ENA. For the reasons more fully described below, all of the ownership interests in Sonoma will be deemed owned by ENA and accordingly, Sonoma will be disregarded as an entity separate from ENA.[3]

Napa was organized for the purpose of acquiring the Class B member interest in Sonoma and selling such member interest to the Trust. All of the ownership interests in Napa are held by ENA, and Napa will not elect to be classified as an association. Accordingly, Napa will be disregarded as an entity separate from ENA.

Section 1.61-13(b) of the Regulations provides that if a corporation, for the sole purpose of securing the payment on its indebtedness, places property in trust under the control of a trustee authorized to invest and reinvest such sums, the property thus set aside by the corporation and held by the trustee is an asset of the corporation, and any gain arising therefrom is income of the corporation and shall be included as such in its gross income. The Trust was organized for the purpose of issuing the Trust Notes and Certificates and to hold the Sonoma Class B member interest. The Lenders and the Certificate Holders agreed to treat the Trust Notes and Certificates as debt for tax purposes. Accordingly, the Trust is properly viewed as a security device, rather than a trust. As such, the Trust is not required to file a tax return (other than with regard to state tax matters) under § 6012(a)(4) of the Code and should not need to obtain a taxpayer identification number under Code § 6109(a)(1).

Classification of the Notes and Certificates

[3] *See also* PLR 199911033 (The Service held that a two-member LLC owned by Parent and Trust, itself owned 100% by Parent, was disregarded as separate from Parent. The purpose of the ownership structure was to prevent the trustee from placing the LLC into bankruptcy upon its own volition.)

The Notes and Certificates should be treated as debt for tax purposes. In making the determination between debt and equity, the courts have generally analyzed whether a particular instrument is indebtedness by considering different criteria or factors indicative of debt or equity[4]. Similarly, in Notice 94-47 the Service issued guidelines setting forth relevant factors for distinguishing between debt and equity, warning that it will scrutinize instruments designed to be treated as debt for income tax purposes, but as equity for regulatory, rating agency, or financial accounting purposes.[5] In the instant case, both the Notes and Certificates possess characteristics consistent with a debt characterization. For example, the instruments have a stated face amount, pay periodic interest to the holders and afford rights consistent with that of a debt instrument. Further, the economic incidents of ownership of the Fishtail Class C Interest remains with ENA and merely secures the repayment of the amounts owing on the Notes and Certificates. The Notes and Certificates are secured by the Sonoma Class B member interest which, in turn, is supported by the Fishtail Interest – the value of which is at least $225,000,000 (and at most $300,000,000), or approximately 12.5 percent greater than that necessary to service the debt. Thus, ENA bears the burden of repayment of the Sonoma Class B member interest through the overcollateralization of the Fishtail Interest. Likewise, ENA maintains control of the Fishtail Interest through its ownership of the Sonoma Class A member interest and retains any financial upside in the event of an Auction of the Class B member interest.

Accordingly, in accordance with *Town & Country Food Co. v. Commissioner*, 51 T.C. 1049 (1969), acq., 1969-2 C.B. xxv; *United Surgical Steel Co. v. Commissioner*, 54 T.C. 1215 (1970), acq., 1971-2 C.B. 3; and G.C.M. 39584 (December 3, 1986), ENA should be viewed as the owner of the Fishtail Class C Interest and the Sonoma Class B member interest should be viewed as an interest in Fishtail securing the repayment of ENA's obligation to the Lenders and Certificate Holders. Finally, because all of the parties have agreed to treat the Trust Notes and Certificates in a consistent manner as debt of ENA, the *Commissioner v. Danielson*, 378 F.2d 771 (3rd Cir.) *cert. denied*, 389 U.S. 858 (1967), line of cases should be inapplicable and the form of the transaction should be respected.

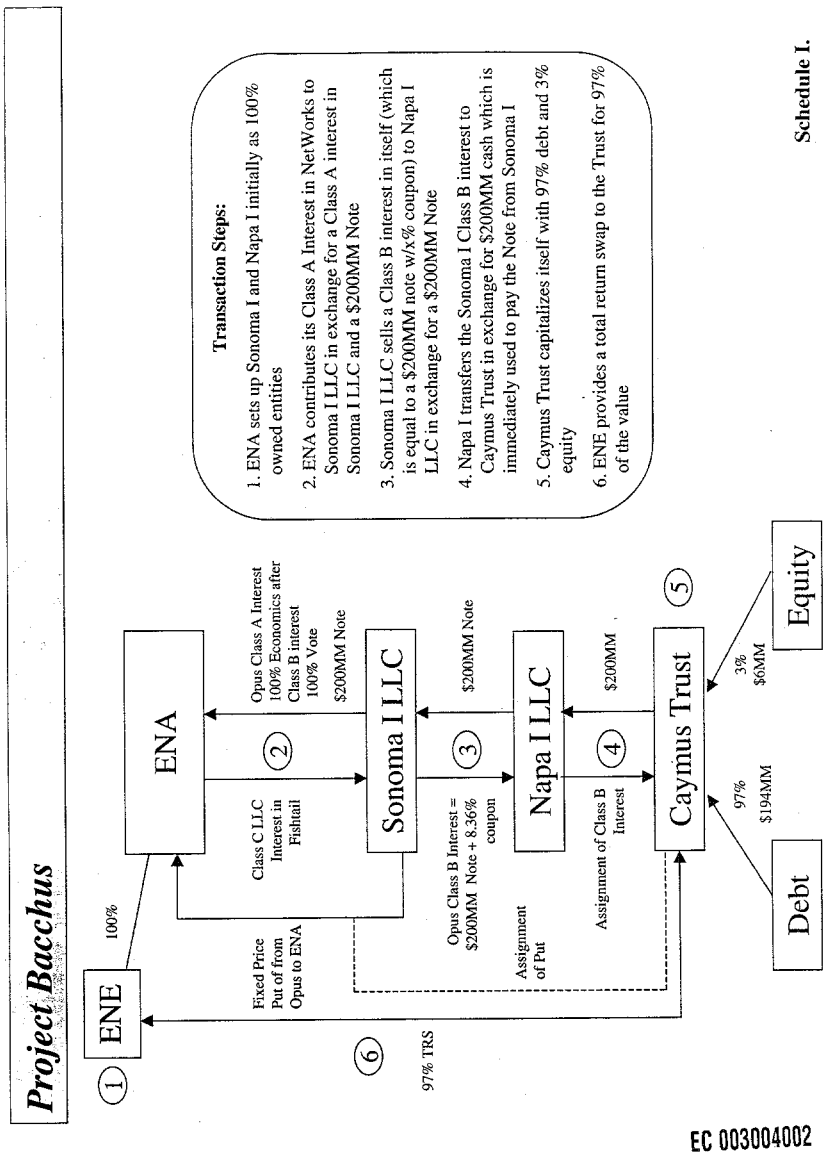
---

[4] *See Tyler v. Tomlinson*, 414 F.2d 844, 848 (5th Cir 1969) (A court must "evaluate each of the factors…and then somehow weigh them in arriving at a decision); *John Kelly Co. v. Commissioner*, 326 U.S. 521, 530 (1946) ("There is no one characteristic…which can be said to be decisive in the determination of whether the obligations are risk investments in the corporation or debts.").

[5] While neither the Code nor the Regulations specifically define the characteristics that an instrument must possess to be classified as either debt or equity, Notice 94-47, 1994-1 C.B. 357, provides the following factors to consider: (1) whether there is an unconditional promise on the part of the issuer to pay a sum certain on demand or at a fixed maturity date that is in the reasonably foreseeable future; (2) whether the holders possess the right to enforce the payment of principal and interest; (3) whether the rights of the holders are subordinate to the rights of the general creditors; (4) whether the instruments give the holders the right to participate in the management of the issuer; (5) whether the issuer is thinly capitalized; (6) whether there is identity between the holders of the instruments and the stockholders of the issuer; (7) the label placed upon the instruments by the parties; and (8) whether the instruments are intended to be treated as debt or equity for non-tax purposes.

OTHER INFORMATION

Transaction Leader:	Barry Schnapper, Global Finance
Accounting Contact:	Mike Patrick/Ryan Siruek, ENE Transaction Support
Legal Contact:	Gareth Bahlman, Enron Global Finance - Legal



Schedule I.

EC 003004002

Fishtail Total Costs

Fishtail 125	**Debt**	**Equity**
Outstanding Balance	194,000,000	6,000,000
Interest/Yield	7.05%	15%
Yearly Cost	13,682,820	900,000
Fishtail Partnership		
Outstanding Balance	42,000,000	8,000,000
Interest/Yield	0.15%	15%
Yearly Cost	63,000	1,200,000
Total Yearly Cost	**15,845,820**	

Assuming 12/31 3-Mo. LIBOR of 6.4%
(3/15/01 3-Mo. LIBOR = 4.94%)

Unknown

From: Fox, William
Sent: Wednesday, October 25, 2000 5:56 PM
To: 'james.reilly.jr'; 'steven.becton'; 'dean.keller'; 'amanda.angelini'; 'rick.caplan'; 'steve.baillie'
Cc: 'william.fox'
Subject: RE: Enron/Project Bacchus

We have not made provision for this deal to be funded in the bank so let's make certain we remain confident of the capital markets funding at the price indicated - libo+80. Do not want client problem at the 99th hour.

-----Original Message-----
From: james.reilly.jr [SMTP:james.reilly.jr@ssmb.com]
Sent: Tuesday, October 24, 2000 3:48 PM
To: steven.becton; dean.keller; amanda.angelini; rick.caplan; steve.baillie
Cc: james.reilly.jr; william.fox
Subject: Enron/Project Bacchus

Call from Dan Boyle: Conversations with us were put on hold last week while Enron works out unspecified internal issues. Dan sees NO chance that this deal will not go ahead - the only possible change highlighted was a different asset mix (Wind will be there in all cases); no further explanation given. Expects that everything will be worked out tomorrow or next - at that time they will call. I am travelling from midday tomorrow thru the end of the week (I will be in NY on Thurs/Fri) - be on the lookout for his call..

From: Angelini, Amanda [FI]
Sent: Friday, December 08, 2000 12:39 PM
To: Angelini, Amanda [FI]; Hughes, Timothy [FI]; Gee, Steven [FI]
Cc: Incontro, Steve [FI]; Caplan, Rick [FI]
Subject: RE: Bacchus Equity

size 6M

-----Original Message-----
From: Angelini, Amanda [FI]
Sent: Friday, December 08, 2000 12:30 PM
To: Hughes, Timothy [FI]; Gee, Steven [FI]
Cc: Incontro, Steve [FI]; Caplan, Rick [FI]
Subject: Bacchus Equity

As you know we are looking for a balance sheet provider for the new Enron trade. Citibank will take the risk on the equity via a TRS with the balance sheet provider. Terms are as follows:

Tenor - 3 by 3 mnth rolling - final maturity of 9mths
Premium - preferably pay the premium at the earlier of termination on a 3mth roll date or maturity
Instrument - balance sheet provider will purchase a certificate in a Delaware business trust
Certificates are not rated and not registered under the securities act
Balance Sheet Provider will have to sign an Investor Letter
Must be a US Person, Accredited Investor and not a Benefit Plan Investor

We have the trust agreement which sets all these things out fully.

Capitalization of the Trust
97% debt - loan facility by Citibank
3% equity - balance sheet provider

Therefore if they own 100% of the equity they wil consolidate the trust.

Timing - we want to do this before Xmas if possible but definitely before yearend.

Please provide feedback asap. Names, pricing etc - I can get on the phone with them to run through any questions.

Let me know if you want me to swing by and go over this.

Amanda Angelini
Salomon Smith Barney
Credit Derivatives
Tel: 212 [Redacted by Permanent Subcommittee on Investigations]
Fax: 212
amanda.angelini@ssmb.com

Permanent Subcommittee on Investigations
EXHIBIT #381d

Francois, Tom [CRRM]
From: Angelini, Amanda [FI]
Sent: Monday, December 11, 2000 1:12 PM
To: Warren, Doug [FI]
Cc: Francois, Tom [CRRM]; Bendernagel, Donald [GCO]; Caplan, Rick [FI]; Becton, Steven [FI]
Subject: Enron Bacchus

Doug

We are involved in another Enron trade which ultimately requires $194 million of debt and $6 million of equity to fund a special purpose Delaware business trust. Citibank GRB have agreed to provide a 9month facility for the 194 M and also to take the credit risk on the equity portion. The debt is backed by a TRS between Enron North America and the Trust. We are going to find a balance sheet provider and enter into a TRS with them - similar to the Yosemite and ECLN trades.

Terms
1. 9 months - preferably with 2 x 90 day mutual puts in case Enron calls the structure or there is a capital markets take out.
2. Size - 6 M
3. Return - NO return (principal or yield) until maturity or early termination. If the assets of the vehicle (ultimately Enron's pulp and paper trading business) are not sufficient to repay debt and equity then return could be zero.
4. Yield - 15% - CDO retains difference between yield and cost of balance sheet provider.

Risk - GRB is taking the principal risk and cost of the balance sheet risk on the equity. We need to document this between the desk and the GRB.

I will follow up with a termsheet for the TRS.

Attached is a copy of a diagram of the underlying structure.


NetWorksCmDiagram.ppt

Amanda Angelini
Salomon Smith Barney
Credit Derivatives
Tel: 212 [redacted]
Fax: 212
amanda.angelini@ssmb.com

Redacted by Permanent Subcommittee on Investigations

CITI-SPSI 0118485

Permanent Subcommittee on Investigations
EXHIBIT #381e

DEC. 12. 2000 10:43AM CITICORP SECURITIES NO. 5416 P. 1/6

Nigel Brown
F Platt

CITICORP NORTH AMERICA GLOBAL ENERGY & MINING

FAX

Date: December 12, 2000

Number of pages including cover sheet: 6

Designated as outside Counsel
By Enron Enron Pays Bill

To:
Amanda Angellini

Fax Phone: 212/723-8610

From:
Marybeth for Chris Lyons
Citicorp North America
Houston, TX 77002
Phone: 713/654-2877
Fax Phone: 713/654-2349

REMARKS: ☐URGENT ☐ For your review ☐ Reply ASAP ☐Please Comment

Rich - here is approval memo
I left Chris Lyons a Vmail
with comments.

The pages comprising this facsimile transmission contain CONFIDENTIAL INFORMATION from Citicorp. This information is intended solely for use by the individual or entity named as the recipient hereof. If you are not the intended recipient, be aware that any disclosure, copying, distribution or use of the contents of this transmission is prohibited. If you have received this transmission in error, please notify us by telephone immediately, so we may arrange to retrieve this transmission at no cost to you.

1000 Assets Cash + 200
800 Liabs
200 Equity Eq 200
Cash ↓ 200
Debt ↓ 200

CITI-SPSI 0118543

Permanent Subcommittee on Investigations
EXHIBIT #381f

DEC. 12. 2000 10:43AM CITICORP SECURITIES NO. [illegible] P. [illegible]

CITIBANK | SALOMON SMITH BARNEY
Members of citigroup

GLOBAL LOANS APPROVAL MEMORANDUM

MEMO DATE: DECEMBER 6, 2000 **APPROVAL DUE DATE: DECEMBER 11, 2000**

[X] Bookrunner [ ] Agent-only [ ] Co-Agent [ ] Lender

A. KEY STATISTICS

Borrower:	SPV with Enron Net Works LLC as Sponsor ("Caymus Trust")	**Citibank Commitment ($MM):**	Debt: $242.5MM, Equity: $7.5MM
		***Citibank Hold ($MM):**	Debt: $242.5MM, Equity: $7.5MM
Deal Size ($MM):	$250MM	***U/W Amount ($MM):**	N/A
Facilities(MM)/ Type/ Tenor:	$242.5MM/ term loan/ 1 year (97% of facility) $7.5MM/ equity interest/ 1 year (3% of facility)	***B/E Amount ($MM):**	N/A
Legal Vehicle:	Citibank, N.A.		
Origination Unit:	GEM – Houston	**Expected Launch Date:**	December 13, 2000
Control Unit:	GEM – Houston	**Expected Closing date:**	December 20, 2000
Bookrunner(s) / Amount:	Salomon Smith Barney	**Sell Down date:**	N/A
Administrative Agent / Amt:	Citibank, N.A.		
Syndication Agent / Amt:	N/A		
Documentation Agent / Amt:	N/A		

PRICING (BPS) Facilities	Pricing Grid Y/N	Undrawn CF	Undrawn FF	LIBOR Spread	Drawn	Utilization Fee	Fully Drawn	Upfront Fee (Range)
Term loan	N	-	-	LIBOR + 65bps	65bps	-	65bps	$500,000
Equity	N	-	-	-	15%	-	15%	

Deal Leader: Chris Lyons	Tel: 713-654-2862	Back-up Contact: Lydia Junek	Tel: 713-654-3447

LT UNSECURED RATINGS: BBB+/Baa1

RR for Facility (DRS): 4+

Adverse Classification (IA,II, or III): N/A

APPROVALS:

Approval Level Required: Level 1/CPC/SM

L:\GPNA\Syndicate\Enron\Caymus\Caymus LSM 12_6_00.doc 1

CONFIDENTIAL CITI-SPSI 0118544

DEC. 12. 2000 10:43AM CITICORP SECURITIES NO. 8416 P. 3/5

Brad Richter

Exact Name of Co.

PURPOSE:

This memorandum seeks approval for a $250MM facility ("the facility") to Caymus Trust ("the Trust") with Enron Net Works LLC ("Net Works") as the sponsor. The main purpose of the transaction is to allow Enron Corp. to bring its debt levels down over year-end through the monetization of its pulp and paper trading business. The facility will have 2 components – a debt piece of 97% or $242.5MM and an equity piece of 3% or $7.5MM. The debt portion, which we will book and hold, will be secured by way of a total return swap with Enron N.A., which is ultimately covered by a guaranty from Enron Corp. The equity portion will sit on the books of a separate balance sheet provider who will receive compensation for assuming what will essentially be Citibank risk. CBC has indicated receptiveness to being the Balance Sheet provider as they are already familiar with this type of transaction. From our perspective, the equity portion of the facility will be at risk and there is consequently a large element of trust and relationship rationale involved, however this equity risk is largely mitigated by verbal support received from Enron Corp. as per its CFO, Andrew S. Fastow.

The facility will be set up with a 1 year tenor, however we expect it to be taken out with the proceeds of asset sales which should be completed by the end of 1Q2001. Enron anticipates these proceeds to amount to roughly $6 billion. One of the disposition transactions, for example, involves the purchase of Portland General Electric of Oregon, a unit of Enron Corp., by Nevada-based Sierra Pacific Resources for $2.1 billion. If the proceeds from asset disposition are not received as expected by March 31, 2001, we will syndicate the facility.

TRANSACTION SUMMARY (REFER TO ATTACHED SCHEMATIC FOR PROJECT BACCHUS):

PROGRAM SPONSOR – ENRON NET WORKS LLC

Enron Net Works will be set up initially as a wholly owned subsidiary of Enron Corp. with a view to bringing in third party investors in short order. The investors will contribute cash equity of approx. $500MM and Enron will invest a like amount split between cash and assets, with Enron's pulp and paper business representing the bulk of assets contributed.

PULP/PAPER ASSETS

Enron values its pulp and paper business at $275MM. The only other valuation for the pulp and paper assets available thus far is one done by Chase, which acted as an advisor on raising equity for Net Works from third party investors. Chase's valuation range is $225MM-$300MM and their valuation presentation is attached.

GUARANTOR – ENRON CORP.

Enron Corp. has agreed to guarantee the obligations of Enron N.A. in this transaction, as well as to provide verbal support for the equity component.

Enron is one of the largest integrated natural gas and electricity companies in the world, with a market capitalization of more than $60 billion, assets of more than $50 billion and annual revenues of more than $40 billion. Enron's pipeline/electric utility businesses are "hard assets" and provide a stable earnings base. The wholesale energy segment builds upon these "hard assets", as well as assets owned directly in the segment, by adding commercial supply and product expertise. This integrated strategy has made Enron the leading wholesale power and gas marketer in the U.S. Near term growth will come from merchant activities, electricity sales, telecommunications, and retail. Enron is rated BBB+/Baa1 by S&P and Moody's.

TRANSACTION SEQUENCE

(possibly a preferred share)

1. On Day 1, Net Works will be set up as a 100% owned entity of Enron Corporation at the outset. Opus 1 LLC ("Opus") and Napa 1 LLC "(Napa") will also initially be established as wholly owned entities of Enron Corp.
2. Opus will give Net Works a Class A interest (.01% Economics, 99.99% Vote) in Opus 1 LLC and a $250MM Note in exchange for a limited partnership ("LP") interest in Net Works supported by the paper business or an LP interest in a partnership containing those paper assets.
3. Opus will then sell a Class B interest in itself to Napa in exchange for a $250MM note.
4. Napa transfers the Opus Class B interest to Caymus Trust in exchange for $250MM cash, which is then used to immediately repay the Opus note.
5. Caymus Trust assumes $250MM in capital, composed of 97% debt ($242.5MM) and 3% equity ($7.5MM)
6. The debt component is protected by a total return swap ("TRS") with Enron N.A. (a wholly owned subsidiary of Enron Corp), which is ultimately guaranteed by Enron Corp.

Further, a put will be established between Opus and Net Works for the principal amount of the debt plus the interest expense over the life of the deal. The put serves to provide solvency for Opus and it can also be exercised if Enron N.A. does not fulfill its obligations under the total return swap. The rights for the put will be assigned down to the Trust and run back to the underlying

LP interest and not just the Opus Class B interest. The equity component we provide will be based on verbal support as committed by Andrew S. Fastow, Enron Corp.'s CFO, to Bill Fox, GEM Industry Head.

DEAL TEAM:

Global Loans:	Origination:	Research:	Risk Manager:	Loan Investor Services:	Credit Admin:
Chris Lyons 713-654-2862	Lydia Junek 713-654-3447 Steve Baillie 713-654-2887	Nisha Mohammed 713-654-2885	Tom Stott 212-559-6987	Karen Riley 302-894-6084	Carol Rooney 713-654-3590

B. SUMMARY

EXPOSURE SUMMARY
(in $ millions)

Facility Description	Current	Proposed	Change
$242.5MM 1-year term loan	0	242.5	242.5
$7.5MM equity in "Caymus Trust"	0	7.5	7.5
TOTAL	0	250.0	250

Financial Covenants (List): TBD
Law Firm: TBD

CPC Documentation Exceptions:

C. SYNDICATION STRATEGY
N/A

D. RISKS AND MITIGANTS

Valuation Risk
One risk is that the actual value of Enron's pulp and paper business turns out to be worth less than $250MM.

Mitigant
The primary mitigant is that the debt component (97% of the deal size) is protected by a total return swap, which is further supported by an Enron Corp. guaranty. Hence, the credit risk in the transaction consists of unsecured Enron Corp. risk rather than looking to the assets.

Equity Risk
The 3% equity component is at risk as it is "last dollar" and this investment will only be recovered after the debt is paid out. If the total return swap is used, Enron will become the sole lender and rank ahead of the equity holders.

Mitigant
Enron's CFO, Andrew S. Fastow, has given his verbal commitment to Bill Fox, GEM Industry Head, that Enron Corp. will support the 3% equity piece of this transaction.

Enron Corporate Credit Risk
Enron Corp. will essentially support the entire facility, whether through a guaranty or verbal support.

Mitigants:
Enron is an investment grade company with a BBB+/Baa1rating. Enron has a proven historic ability to sell assets and issue equity to improve its capital structure when necessary. Enron is also a very liquid company, with cash and cash equivalents of $897 MM at September 30, 2000 and contractual backstop facilities of nearly $3 billion.

E. RETURNS TO CITICORP

Return on Entire Enron Relationship:

During 1999, Citibank had revenues totaling $32.5 million and a RCRAP of 6.04; Citigroup had total revenues of $44.7 million and a RCRAP of 7.63. Year to date revenues for GEM from Enron through September 30, 2000 total $36.5 MM and we expect revenues to exceed $50MM by year-end.

Return on Transaction:

Upfront fees on the total commitment will be $500,000. The $242.5MM debt component will be priced at LIBOR + 65bps and the $7.5MM equity certificates will earn a return of 15% per annum.

F. MANAGEMENT AND RELATIONSHIP BACKGROUND

Management is considered to be among the best in the Energy industry. They are consistently cited for their innovative strategies and have helped the company expand and become a frontrunner in telecommunications and trading, among other things. We maintain regular contact at all levels of management, including CEO, COO, CFO, and SVP Finance. As a part of Citi's broader relationship with Enron, we have been asked to support this transaction. Given the importance of this relationship to GEM, it is difficult if not impossible to deny this request.

G. APPROVAL PROFILE

An Annual Review was completed in June 2000 and is attached as an Exhibit. Also attached is a Credit Update, current through September 30, 2000.

H. SUMMARY OF PROJECTIONS

N/A

I. SECURITY/COLLATERAL

The debt portion (97% or $242.5MM) will be protected by a total return swap to the Trust and Enron will provide a performance guaranty. A put will also be put in place between Opus and Net Works, serving the purpose of providing solvency for Opus and it can also be exercised if Enron does not make good on the total return swap. The remaining 3% equity or $7.5MM will be at risk, but is mitigated by the verbal support of Enron Corp., as provided by CFO Andrew S. Fastow.

J. RAAC COMPLIANCE/KEY COVENANTS

TBD

K. WAYS OUT

The main way out is a take out by Enron using a portion of expected proceeds from asset sales of approximately $6 billion. These asset sales should be completed by the end of 1Q2001. If these proceeds are not received as expected by March 31, 2001 we will syndicate the facility.

L. EXHIBITS

1. DIAGRAM OF PROJECT BACCHUS SCHEMATIC
2. ENRON NETWORKS VALUATION ANALYSIS AS DONE BY CHASE SECURITIES
3. CA
4. ENRON ANNUAL REVIEW DATED 6/30/2000
5. ENRON CREDIT UPDATE AS OF SEPTEMBER 30, 2000

Unknown

From: Baillie, Steve
Sent: Wednesday, December 13, 2000 6:43 PM
To: Fox, William; Junek, Lydia
Cc: Baillie, Steve
Subject: Enron follow-up

Bill/Lydia -

1. The Enron Credit Conference is Feb 5/6. Tom Stott will be attending. Lydia - I calculate you will be on maternity leave. Bill - do you want to attend?

2. I spoke to Tim Proffitt, who is running the Garden State deal for Enron, and he subsequently left me a voicemail that Ben was going to give you a call on Garden State. You can still need to talk to Andy afterwards if you need to, but Ben thought he may expedite things by calling you first. Please let me know your reaction after you talk to him - I have a meeting with the company tomorrow at noon, and they will ask me where this stands.

3. On the question on the "put" used in the Bacchus structure (bottom of page 2 of the memo), I called Anne Yaeger (Enron) and she told me what she knew. The put is not in the schematic, but runs from Opus to Net Works. The put gives Opus the ability to put 97% of its class B interest in Napa LLC to Net Works in return for a payment of $242.5MM of principle + interest. If Enron did not perform under the total return swap, Opus could "put" the class B interest and receive payment from Net Works. In theory this provides a second way out for the 97% which is relying on the total return swap, but if Enron is not performing under the TRS, the financial condition of Net Works may be affected as well. The reason the put needs to be there was less clear to Anne, although it is a theoretical "technical" issue. She said that in the formation of the structure, there is a theoretical period of time (nanosecond?) during which Opus has no liquidity because the layers below it have yet to be formed, and that this put gives Opus liquidity during this nanosecond. Having this source of liquidity during this nanosecond is important in providing certain legal opinions, but she could not explain it more than that. We can talk to the lawyers and get a more complete explanation of the technical details if we need to.

Regards.

From: Caplan, Rick [FI]
Sent: Tuesday, December 19, 2000 4:47 PM
To: Angelini, Amanda [FI]
Subject: FW: Enron/ Bacchus

-----Original Message-----
From: Angelini, Amanda [FI]
Sent: Friday, December 15, 2000 1:05 PM
To: Baillie, Steve [CITI]; Junek, Lydia [CITI]; Fox, William [CITI]; Lyons, Chris [CITI]; Reilly, James F [IBD]; Keller, Dean [IBD]; Warren, Doug [FI]; Francois, Tom [CRRM]; Bendernagel, Donald [GCO]; Bernstein, Saul [CITI]; Lee, Andrew P [FIN]; Holmes, Suzanne [CITI]
Cc: Caplan, Rick [FI]
Subject: Re: Enron/ Bacchus

This email is to confirm the RAP treatment and booking procedures for the $194 million debt portion (the "Loan") and approximately $6 million equity portion (the "Certificates") of the Enron/Bacchus transaction.

Citibank, N.A.-(Global Energy and Mining) will incur an increase of approximately $200 million to RAP assets upon closing of this trade (which is expected to be the week of December 18, 2000 but definitely prior to year end). Funding for the Certificates will be provided by a third party balance sheet provider. The risk associated with the Certificates has been approved through the standard GRB loan approval process. Derivatives has not been asked to opine on the risk associated with the Certificates. To address certain structural components of the transaction, the form of the instrument required for Citibank, N.A. to assume the economic risk on the Certificates will be a total return swap and not a debt obligation (e.g., loan agreement). To facilitate the booking of this transaction, Credit Derivatives has been asked to face the third party balance sheet provider. Thus, Credit Derivatives should be viewed as simply a booking entity. The risk on the equity will remain with the bank book.

After discussing with Accounting Policy, the RAP treatment should be that the Banking Book will view the Certificates as if it made a loan in the face amount of the Certificates. Credit Derivatives will not hold a RAP asset and will not mark to market the TRS for RAP purposes.

Amanda Angelini
Salomon Smith Barney
Credit Derivatives
Tel: 212
Fax: 212
amanda.angelini@ssmb.com

Redacted by Permanent Subcommittee on Investigations

CITI-SPSI 0119027

Permanent Subcommittee on Investigations
EXHIBIT #381h

Michael K Patrick
01/11/2001 04:40 PM

To: Kent Castleman/NA/Enron@Enron
cc: Bill W Brown/HOU/ECT@ECT, Jodi Coulter/HOU/ECT@ECT, Catherine Pernot/NA/Enron@ENRON
Subject: Re: Fishtail in EIM Partners

1. the 125 structure is only good for 9 mo's do we need to extend?

2. enron has retained an A share is Fishtail that was not sold in the 125 deal. I would think that would also be contributed to EIM partners.

3. why would changing the TRS in the 125 deal lead to the EIM partners consolidating the Citi debt?
Kent Castleman 01/11/2001 02:58 PM

Kent Castleman 01/11/2001 02:58 PM

To: Michael K Patrick/NA/Enron@Enron
cc: Bill W Brown/HOU/ECT@ECT, Jodi Coulter/HOU/ECT@ECT, Catherine Pernot/NA/Enron@ENRON
Subject: Fishtail in EIM Partners

Sorry the earlier email got sent by mistake before I finished it.

In talking to Jeff, he does not like the way I was proposing that Fishtail went into EIM Ptrs (specifically the manner in which Enron would recognize P&P margins through equity earnings instead of trading margins). Therefore after talking to Bill, can you look into the following as the way Fishtail is placed in EIM Ptrs:

- amend the TRS as necessary to get the desired accounting presentation of P&P margins
- keep the Citibank 125 structure in place
- have EIM Partners purchase the LJM interest in Fishtail (and terminate the Chase unfunded capital loan)

Therefore at the end, Fishtail is owned by EIM Ptrs (for interest currently held by LJM) and Citibank (as a result of the 125 transaction).

I think that this may be all that is necessary but I'm not sure what interest EIM/ENE retained in Fishtail. If there is some retained interest (other than the TRS) could/should this also be contributed?

I think that this might work but am concerned that after this restucturing, the 125 leg of the structure would look like a financing and therefore EIM Ptrs would have to consolidate the Citi debt of $250 MM (may be no big deal since EIM Partners is deconsolidated from Enron and as long as ENE/EIM can keep the TRS in place and reflect earnings as we would like).

Thanks
Kent

Unknown

From: Todd J. Mogil
Sent: Wednesday, February 21, 2001 7:52 PM
To: 'Amanda Angelini SSB.'
Subject: RE:

I had an Enron question regarding the Enron gty provided for Baccus(sp?). Was there anything unusual in the gty as far as a grace period goes?

Thanks.

-----Original Message-----
From: Amanda Angelini SSB. [SMTP:amanda.angelini@ssmb.com]
Sent: Wednesday, February 21, 2001 1:48 PM
To: todd.j.mogil
Cc: Amanda Angelini SSB.
Subject:

do I need to call you back - have been on the phone for 2 days
Amanda Angelini
Salomon Smith Barney
Credit Derivatives Structuring
Tel: 212 7 Redacted by Permanent Subcommittee on Investigations
Fax: 212 :
amanda.angelini@ssmb.com

CITI-SPSI 011907

Permanent Subcommittee on Investigations
EXHIBIT #381j

From: Feintech, Lynn [FI]
Sent: Friday, May 04, 2001 1:02 PM
To: Angelini, Amanda [FI]; Caplan, Rick [FI]; Leroux, Timothy [FI]; Warren, Doug [FI]; Keller, Dean [IBD]; Chrysikopoulos, John S [IBD]
Subject: RE: phone call with bill brown.

I don't know.

-----Original Message-----
From: Angelini, Amanda [FI]
Sent: Friday, May 04, 2001 12:44 PM
To: Feintech, Lynn [FI]; Caplan, Rick [FI]; Leroux, Timothy [FI]; Warren, Doug [FI]; Keller, Dean [IBD]; Chrysikopoulos, John S [IBD]
Subject: RE: phone call with bill brown.

On point 2 - is that 200M in addition to paying down Bacchus or the same amount? My recollection from yesterday was that the 200M was coming in somehow to be applied to repay us under Bacchus and the liquidity facility was approximitely $25 m.

3 sounds fine.

-----Original Message-----
From: Feintech, Lynn [FI]
Sent: 04 May 2001 17:31
To: Angelini, Amanda [FI]; Caplan, Rick [FI]; Leroux, Timothy [FI]; Warren, Doug [FI]; Keller, Dean [IBD]; Chrysikopoulos, John S [IBD]
Subject: phone call with bill brown.

Bill just called. I have some updated info:

1. re the valuation of the trading business: the only way it could decline from $200MM is from actual losses. He will work with the accountants to insure we are not exposed to an "impairment" type of writedown..
2. The $200MM capital contribution will not come in upfront. It is enough to cover the debt service of Daishawa in a worst case scenario. Therefore it wouldn't be available to cover increased cap ex. John, can you confirm that $200MM really is a conservative number to cover D's debt service needs? He said if additional cap ex was required for garden state and neither party would put in the money, then that would be a liquidity event..
3. There is no stop loss for the trading business. I said then we needed something which said if there were losses in excess of the VAR limits for X number of times, then enron would need to either indemnify us or contribute capital. He thought that was reasonable and is working with the accountants.

That's it for now.

Unknown

From: Fox III, William T
Sent: Wednesday, November 28, 2001 3:40 PM
To: Mattessich, Ornella M
Subject: FW: ENRON EXPOSURE 112701 v1.xls

For Bushnell

-----Original Message-----
From: Pincu, Amy K
Sent: Tuesday, November 27, 2001 1:58 PM
To: Fox III, William T; Stott, Thomas D [CRRM]
Cc: Junek, Lydia G
Subject: ENRON EXPOSURE 112701 v1.xls

Latest ENE exposure (including requested changes).

ENRON EXPOSURE
112701 v1.xls (...

Name	Risk	Citibank Commit	Outstanding Exposure	Risk Rating	Maturity Date
Unsecured Enron Risk					
Commodity Derivatives line	PSR Exposure	$150.500	$50.000 (1)	6	
Cash Collateral DRV line	Cash Collateral	(50.000)	(50.000)		
Multi Purpose Derivatives Line	Enron Credit Limited	0.000	1.100	6	03/31/06
TurboPark A Notes	Enron Corp (Structured Deal)	68.813	2.990	6	03/31/06
TurboPark B Notes	Enron Corp (Structured Deal)	6.188	0.270	6-	05/15/05
364-day Revolver	Enron Corp	65.930	65.930	6	05/14/03
5-year Revolver	Enron Corp	33.333	33.333	6	11/16/04
Syndicated LC Facility	Enron Corp	18.837	18.837	6	01/01/07
Yosemite 1	Enron Corp (Structured Deal)	37.500	37.500	6	12/28/01
Yosemite 2	Enron Corp (Structured Deal)	18.137	18.137	6	12/21/01
JT Holdings A Notes	Methanol Plant & Enron Corp	20.182	20.182	6	
Coal Monetization	Enron Corp (Structured Deal)	6.159	6.159	6	
World Link Line PSR	Enron Corp	0.000	0.341 (2)	6	
Letter of Credit Facility	Enron Corp	0.200	0.181	6	
Guarantee	Enron Europe Limited (London)	0.142	0.142	6	
Guarantee	Enron America via Seoul	0.141	0.141	6	
FX PSR	Enron Metals London	0.000	0.061 (2)	6	
FX PSR	Enron Corp	7.496	2.300 (3)	6	
	Total Unsecured Enron Risk	$371.658	$205.804		
Total Advised Cash Lines & Other	Overdraft - Enron Corp	$0.000	$0.005	6	NA
Structured Corporate Risk-Secured					
Nahanni	Treasuries	$24.250	$0.000	2	12/17/04
Enron Funding (Winterthur)	Winterthur Surety	42.000	0.000	2-	03/27/02
Northern Natural Pipeline	Interstate Pipeline	330.000	330.000	4-	11/13/02
Transwestern Pipeline	Interstate Pipeline	270.000	270.000	4-	11/13/02
Rawhide	Various Assets	50.000	50.000	6	03/29/02
	Total Structured Secured	$716.250	$650.000		
Non Recourse					
Industrial Gases (100% owned)	Non-Recourse	$0.096	$0.096	6+	
Vengas SA (100% owned)	Non-Recourse	1.000	0.011	5-	
Dabhol (65% owned)	Non-Recourse	7.143	7.143	9	03/31/06
Dabhol (65% owned)	Non-Recourse	47.974	47.974	9	03/31/09
Empresa de Generac (51% owned)	Non-Recourse	6.750	6.750	5+	09/15/07
	Total Non-Recourse Deals	$62.963	$61.974		
Less: Credit Derivatives					
AIG	Credit Derivatives	(15.000)	(15.000)	NA	12/30/01
Westpac	Credit Derivatives	(50.000)	(50.000)	NA	12/29/01
	Total Credit Derivatives	($65.000)	($65.000)		
TOTAL CITIBANK EXPOSURE		$1,085.871	$852.783		
Phibro Exposure					
Phibro line	Enron Corp	$71.000	$71.000	NA	
Less: Margin		($59.000)	($59.000)	NA	
TOTAL PHIBRO EXPOSURE		$12.000	$12.000		
Travelers Exposure					
Surety Guarantees	Enron Corp	$300.000	$300.000	NA	
Reinsurance	Enron Corp	(90.000)	(90.000)	NA	
Enron Bond Portfolio	Structured	113.100	113.100 (5)	NA	
TOTAL TRAVELERS EXPOSURE		$323.100	$323.100		
Equity Investments					
Sundance (4)		28.000	28.000	NA	up to 4 years
LJM		15.000	15.000	NA	
TOTAL EQUITY INVESTMENTS		$43.000	$43.000		
TOTAL CITIGROUP EXPOSURE		$1,445.971	$1,230.883		

(1) Use Mark-to-Market for outstandings and PSE for exposure; Note: $150.5MM PSE; $50MM Mark-to-Market; $80MM Cash Collateral;$100.5
(2) PSE; Mark-to-Market not available
(3) Use Mark-to Market for outstandings and PSE for exposure; Note: $7.496MM PSE; $2.3MM Mark-to Market; $5.196MM MLIV
(4) Up to $160MM Unfunded Contingent Obligations
(5) Current market value: Osprey $97.4MM; Marlin $15.7MM.

Sundance Earnings
(Still Under Negotiation)

- Upfront Structuring Fee of $10mm
- Yearly Management Fee of 2% of total contributed and committed capital (approx. $3.5mm) with PV(10%,5yrs) = $13.5mm
- Quarterly Administrative Agent Fee from Langtry, dependent on earnings from assets (minimum of approx. $13mm per year if no additional amounts funded) with PV(10%,5yrs) = $53.6mm

Administrative Agent Fee Calculation

Preferred Distribution:	
15% x $25mm equity	$3.75mm
10% x $145mm debt	$14.5mm
Less Actual Debt & Equity from Langtry:	
15% x $25mm equity	$3.75mm
1% x $145mm debt	$1.45mm
Admin Agent Fee to Enron	**$13.05mm**

Amended and Restated Sundance Limited Partnership Agreement

June 1, 2001 (Sundance)

CITI-SPSI 0016044

AMENDED AND RESTATED

LIMITED PARTNERSHIP AGREEMENT

OF

SUNDANCE INDUSTRIAL PARTNERS, L.P.

A Delaware Limited Partnership

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
SUNDANCE INDUSTRIAL PARTNERS, L.P.
A Delaware Limited Partnership

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AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
SUNDANCE INDUSTRIAL PARTNERS, L.P.
A Delaware Limited Partnership

This AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF SUNDANCE INDUSTRIAL PARTNERS, L.P. (this "*Agreement*"), dated as of June 1, 2001 (the "*Effective Date*"), is adopted, executed and agreed to, for good and valuable consideration, by Enron Industrial Markets GP Corp., a Delaware corporation ("*EIM*"), Enron Corp., an Oregon corporation ("*Enron*"), Enron North America Corp., a Delaware corporation ("*ENA*"), and Salomon Brothers Holding Company Inc, a Delaware corporation ("*SBHC*").

RECITALS

WHEREAS, Sundance Industrial Partners, L.P. (the "*Partnership* ") was formed as a Delaware Limited Partnership on May 7, 2001 (the "*Formation Date*"), by the filing of a Certificate of Limited Partnership (the "*Delaware Certificate*") with the Delaware Secretary of State. EIM was admitted to the Partnership as the General Partner, and ENA was admitted to the Partnership as the initial Limited Partner, in each case effective as of the Formation Date, pursuant to that certain Limited Partnership Agreement of the Partnership, dated as of the Formation Date (the "*Original Agreement*").

WHEREAS, EIM, ENA, Enron and SBHC now desire to amend and restate the Original Agreement in its entirety and, in connection therewith, to evidence the admission of Enron and SBHC as Limited Partners.

WHEREAS, it is the intention of the Partners that the Partnership will conduct business as described herein from and after the Effective Date with the Partners as all of the Partners of the Partnership.

NOW THEREFORE, for good and valuable consideration, EIM, ENA, Enron and SBHC hereby amend and restate the Original Agreement as follows:

ARTICLE I
DEFINITIONS

1.01 ***Rules of Construction.***

Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; (c) references to Exhibits are to the Exhibits attached to this Agreement, each of which is made a part hereof for all purposes; (d) all accounting terms not specifically defined herein shall be construed in accordance with GAAP, except with respect to Capital Accounts and the items used in computing the Capital Accounts

and except as otherwise specified herein: (e) the words "hereof," "herein," "hereby," "hereunder" and other similar terms refer to this Agreement as a whole; (f) in the computation of periods of time, the word "from" means "from and including" and the words "to" and "until" mean "to but excluding;" (g) a reference to a Person includes the successors and permitted assigns of such Person but such reference shall not modify the terms governing the assignment of rights and obligations hereunder; (h) the term "including" means "including, without limitation." (i) references to applicable Laws refer to such applicable Laws as they may be amended from time to time, and references to particular provisions of an applicable Law include any corresponding provisions of any succeeding applicable Law; and (j) references to money refer to legal currency of the United States of America.

1.02 ***Definitions.***

As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Sections referred to below (and grammatical variations of such terms have correlative meanings):

"Act" the Delaware Revised Uniform Limited Partnership Act and any successor statute, as amended from time to time.

"1935 Act" has the meaning given such term in Section 3.03(a)(x).

"Adjusted Capital Account" means the Capital Account maintained for each Partner, (a) increased by any amounts that such Partner is obligated to restore or is treated as obligated to restore under Treasury Regulation Sections 1.704-1(b)(2)(ii)(c), 1.704-2(g)(1) and 1.704-2(i)(5), and (b) decreased by any amounts described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6) with respect to such Partner. This definition shall be interpreted consistently with Treasury Regulation Section 1.704-1(b) (2)(ii)(d).

"Administrative Services Agreement" means the Administrative Services Agreement dated of even date herewith between ENA and SBHC, as amended, restated or modified from time to time in accordance with the terms thereof.

"Affiliate" with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person; *provided that* references to Affiliates of Enron shall refer also to (i) any Person in which Enron retains voting or management control, (ii) any Person in which Enron retains, directly or indirectly, economic exposure to or ownership of no less than 20% of the earnings of such person, and (iii) any Person formed as part of a structured financing transaction involving Enron or another Affiliate of Enron. For the purpose of this definition and Section 6.03, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or agency or otherwise. Notwithstanding the foregoing, (a) the Limited Partners (other than the Class A Limited Partner which is, other than by virtue of the relationships created by this Agreement, an Affiliate of Enron as defined in this paragraph) and

SBHC (by virtue of the relationship created by the Administrative Services Agreement) shall not be considered to be Affiliates of Enron, of other Affiliates of Enron, of the General Partner or of the Partnership, and (b) the Partnership shall not be considered an Affiliate of Enron.

"*Aggregate Net Losses*" means, as of the end of any Quarterly Period, the amount that is the sum (if, but only if, such sum is a negative number) of (i) the aggregate value of the Contributed Assets set forth in Section 4.01(b), (ii) the Commitment of the Class C Limited Partner, (iii) the Initial Capital Contribution of the Class B Limited Partner, (iv) the highest outstanding value at any time of Stadacona debt supported by Enron (which in any event will be not less than $360 million) and (v) the aggregate net earnings or losses, determined in accordance with GAAP, incurred by the Partnership from the Effective Date to such date.

"*Agreement*" has the meaning given such term in the introductory paragraph of this Agreement.

"*Asset Acquisition Agreements*" means the contracts and agreements whereby the Physical Assets (or any related rights or assets and Persons held by the Persons constituting the Physical Assets) were acquired by Enron or such Affiliates, as described in Schedule II hereto.

"*Assignee*" any Person that acquires a Partnership Interest or any portion thereof through a Disposition; provided, however, that, an Assignee shall have no right to be admitted to the Partnership as a Limited Partner except in accordance with Sections 3.04(a) and 3.04(c).

"*Board of Directors*" has the meaning given such term in Section 6.05(a).

"*Book Value*" with respect to any property, such property's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Book Value of any property contributed by a Partner to the Partnership shall be the agreed value of such property as determined by the Partners;

(b) The Book Values of all property shall be adjusted to equal its fair market value as determined in accordance with Section 6.01(c) in connection with a Mark-to-Market Event;

(c) The Book Value of any property distributed to a Partner shall be the fair market value of such property as determined in accordance with Section 6.01(c); and

(d) The Book Values of all property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such property pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m) and clause (f) of the definition of Profits and Losses.

If the Book Value of property has been determined or adjusted pursuant to clauses (a), (b) or (d) hereof, such Book Value shall thereafter be adjusted by the Depreciation taken into account with

respect to such property for purposes of computing Profits and Losses and other items allocated pursuant to Article V.

"***Business Day***" any Day other than a Saturday, a Sunday, or a holiday on which commercial banks in the State of New York or the State of Texas are closed.

"***Capital Account***" has the meaning given such term in Section 4.06.

"***Capital Contribution***" with respect to any Limited Partner, the amount of money and the Book Value of any assets (other than money) contributed to the Partnership by the Limited Partner. Any reference in this Agreement to the Capital Contribution of a Limited Partner shall include a Capital Contribution of its predecessors in interest.

"***Claim***" any and all judgments, claims, causes of action, demands, lawsuits, suits, proceedings, Governmental investigations or audits, losses, assessments, fines, penalties, administrative orders, obligations, costs, expenses, liabilities and damages (whether actual, consequential or punitive), including interest, penalties, reasonable attorney's fees, disbursements and costs of investigations, deficiencies, levies, duties and imposts.

"***Class A Limited Partner***" ENA and any other Person hereafter admitted to the Partnership as a Class A Limited Partner as provided in this Agreement, but such term does not include any Person who has ceased to be a Class A Limited Partner in the Partnership in accordance with the terms of this Agreement.

"***Class A Limited Partnership Interest***" the Partnership Interest held by a Class A Limited Partner.

"***Class B Limited Partner***" SBHC and any other Person or Persons hereafter admitted to the Partnership as a Class B Limited Partner as provided in this Agreement, but such term does not include any Person who has ceased to be a Class B Limited Partner in the Partnership in accordance with the terms of this Agreement.

"***Class B Limited Partnership Interest***" the Partnership Interest held by a Class B Limited Partner.

"***Class C Limited Partner***" Enron and any other Person hereafter admitted to the Partnership as a Class C Limited Partner as provided in this Agreement, but such term does not include any Person who has ceased to be a Class C Limited Partner in the Partnership in accordance with the terms of this Agreement.

"***Class C Limited Partnership Interest***" the Partnership Interest held by a Class C Limited Partner.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Commitment***" means for each Partnership Interest, subject in each case to adjustments on account of Dispositions and issuances of new Partnership Interests as provided in this

Agreement, the amount specified for such Partnership Interest as its Commitment in Section 4.01(c).

"Competitor of Enron" any Person who conducts any significant operations in (or that has any Subsidiary or Affiliate that is a "significant subsidiary" within the meaning of Rule 1-02(w) of Regulation S-K promulgated by the Securities and Exchange Commission conducting operations in) energy and energy or commodity related businesses, including, without limitation, exploration, production and transportation of natural gas, crude oil and other hydrocarbons worldwide, the generation, transmission and distribution of electricity, the marketing of natural gas, electricity and other energy and energy intensive commodities, including production and marketing of pulp and paper, lumber and steel, and related risk management and finance services worldwide, the development, construction and operation of power plants, pipelines and other energy and commodity related assets worldwide, the retail and wholesale energy services business and businesses relating to the provision of communications, telecommunications, fiber optics, internet and commodities trading and intermediation products and services, except in each case for Persons whose primary business is banking, insurance, investment banking, investment management or other investing and financial services.

"Confidential Information" all information and data (whether oral, written, or electronic, and including all copies thereof) that are furnished or submitted to a Limited Partner or its Affiliates (other than Enron and its Affiliates) with respect to the Partnership and its Subsidiaries, EIM, Enron or Enron's Affiliates. Notwithstanding the foregoing, the term "*Confidential Information*" shall not include information or data (a) that is or may become generally available to the public, (b) that is known to the receiving party at the time of disclosure or is thereafter acquired at any time from a source other than the Partnership, Enron or an Enron Affiliate that was not known to the receiving party to be prohibited from making disclosure or (c) that the receiving party can reasonably demonstrate is hereafter independently developed by the receiving party.

"Consolidated" refers to the consolidation of the accounts of the Partnership and its Subsidiaries in accordance with GAAP.

"Contributed Assets" has the meaning set forth in Section 4.01(b).

"Credit Event" means any of the following:

(a) Enron shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Enron seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), shall remain

undismissed or unstayed for a period of 60 days; or Enron shall take any corporate action to authorize any of the actions set forth above in this subsection (a);

(b) Enron fails to perform, after notice from the General Partner or the Board of Directors (as the case may be) or from the Class B Limited Partner, any of its obligations under Section 2.01 of the Enron Agreement; or

(c) Enron fails to perform after applicable notice and opportunities to cure any of its material obligations under credit support agreements relating to indebtedness incurred in respect of Stadacona (including any total return swaps executed by Enron for the benefit of the lenders with respect to such indebtedness).

"Day" a calendar day; provided, however, that, if any period of Days referred to in this Agreement shall end on a Day that is not a Business Day, then the expiration of such period shall be automatically extended until the end of the first succeeding Business Day.

"Deadlock" means the failure, continued for a period of fifteen days (or, in the case of matters presented to the Board of Directors on or before December 4, 2001, one day) after presentment to the Board of Directors for approval, of the Board of Directors acting in good faith to achieve a Majority in respect of any decision requiring the approval of a Majority of the Board of Directors pursuant to this Agreement.

"Debt" of any Person means, at any date, (determined without duplication), (a) all indebtedness of such Person for borrowed money; (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of such Person's business, but only if and for so long as the same remain payable on customary trade terms); (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments; (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or the lender under such agreement in the event of default are limited to repossession or sale of such property); (e) all capitalized lease obligations of such Person; (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit; (g) all obligations of such Person to redeem, retire, defease or otherwise make any payment in respect of shares of capital stock of such Person (except to the extent payable in additional capital stock of such person); (h) all net payment obligations of such Person in respect of hedging agreements not entered into in the ordinary course of the Designated Business; (i) all indebtedness of other Persons referred to in clauses (a) through (h) above or clause (j) below guaranteed by such Person; and (j) all indebtedness referred to in clause (a) through (i) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien on property or revenues of such Person even though such Person has not assumed or become liable for the payment of such indebtedness. ***"Default Interest Rate"*** means a rate per annum equal to the lesser of (a) 2% plus a varying rate per annum that is equal to the interest rate publicly quoted by Citibank, N.A. from time to time as its prime commercial or similar reference interest rate, with adjustments in that varying rate to be made on the same date as any change in that rate, and (b) the maximum rate permitted by applicable Law.

"*Delaware Certificate*" has the meaning given such term in the Recitals.

"*Delinquent Partner*" has the meaning given such term in Section 4.04(a).

"***Depreciation***" means for each Fiscal Year, an amount equal to the depreciation, amortization or other cost recovery deduction allowable for federal income tax purposes with respect to property for such Fiscal Year, except that (a) with respect to any property the Book Value of which differs from its adjusted tax basis for Federal income tax purposes and which difference is being eliminated by use of the "remedial method" pursuant to Treasury Regulation Section 1.704-3(d), Depreciation for such Fiscal Year shall be the amount of book basis recovered for such Fiscal Year under the rules prescribed by Treasury Regulation Section 1.704-3(d)(2), and (b) with respect to any other property the Book Value of which differs from its adjusted tax basis at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided that if the adjusted tax basis of any property at the beginning of such Fiscal Year is zero, Depreciation with respect to such property shall be determined with reference to such beginning value using any reasonable method selected by the General Partner.

"Designated Business" means the Designated Trading Business, the ownership of the Physical Assets and the operations conducted thereby and any additional investments or activities approved as Designated Business pursuant to Section 6.01(g).

"Designated Trading Business" means the use of the wholesale business trading model heretofore developed by the wholesale services group of Enron for the creation of value by the development of efficient and price-transparent markets in the Forest Products business through the establishment and operation, acting as a principal, of a real-time physical and financial trading system encompassing the execution and delivery of trading contracts relating to the purchase and sale of physical products in the Forest Products business, and the marketing and provision of financial risk management services or contracts (such as swap agreements and option agreements) solely relating to the prices of physical products produced in the Forest Products business and to price differentials relating to such physical products between different delivery points, times or grades, as conducted for the benefit of Fishtail prior to the Effective Date and, through Fishtail, for the benefit of the Partnership after the Effective Date.

"Designee" has the meaning given such term in Section 6.03(d).

"Dispose", ***"Disposing"*** or ***"Disposition"*** with respect to any asset (including a Partnership Interest or any portion thereof), a sale, assignment, transfer, conveyance, gift, exchange or other disposition of such asset, whether such disposition be voluntary, involuntary or by operation of applicable Law, including the following: (a) in the case of an asset owned by a natural person, a transfer of such asset upon the death of its owner, whether by will, intestate succession or otherwise; (b) in the case of an asset owned by an entity, (i) a merger or consolidation of such entity (other than where such entity is the survivor thereof), (ii) a conversion of such entity into another type of entity, (iii) transfer of a Majority of the voting or economic interest in such entity, or (iv) a distribution of such asset, including in connection with

the dissolution, liquidation, winding-up or termination of such entity; and (c) a disposition in connection with, or in lieu of, a foreclosure of an Encumbrance; but such terms shall not include the creation of an Encumbrance.

"Disqualifying Disposition" means any Disposition of any Partner's Partnership Interest if and to the extent that giving effect thereto would result in the Partnership being owned by more than 50 PTP Relevant Persons.

"Dissolution Event" has the meaning given such term in Section 9.01.

"Distribution Date" March 31, June 30, September 30 and December 31 of each year, commencing with June 30, 2001 and ending upon a Dissolution Event; *provided* that if any Distribution Date would otherwise fall on a Day that is not a Business Day, then the relevant Distribution Date will be the first following Day that is a Business Day unless that Day falls in the next calendar month, in which case that date will be the first preceding Day that is a Business Day.

"Economic Risk of Loss" has the meaning given such term in Treasury Regulation Section 1.752-2(a).

"Effective Date" has the meaning given such term in the introductory paragraph of this Agreement.

"EIM" has the meaning given such term in the introductory paragraph of this Agreement.

"EIM Holdings I" means EIM Holdings I (Netherlands) BV, a Dutch company and the holder of all of the outstanding equity interests in EIM Holdings II.

"EIM Holdings II" means EIM Holdings II (Netherlands) BV, a Dutch company and the holder of all of the outstanding equity interests in EIM Holdings Canada.

"EIM Holdings Canada" means EIM Holdings (Canada) Co, a Nova Scotia unlimited company and the holder of all of the outstanding equity interests in Compagnie de Papier Stadacona Ltee.

"EIM Holdings Inc." means EIM Holdings (US) Inc, a Delaware corporation and the holder of all of the equity interests in SATCO.

"EIPLP" means Enron Industrial Partners, LP, a Delaware limited partnership and the owner of all of the outstanding capital stock of EIM Holdings I and EIM Holdings Inc., which is to be dissolved after the equity interests of EIPLP are contributed to the Partnership.

"ENA" has the meaning given such term in the introductory paragraph of this Agreement.

"Encumber", ***"Encumbering"***, or ***"Encumbrance"*** the creation of a security interest, lien, pledge, mortgage or other encumbrance, whether such encumbrance be voluntary, involuntary or by operation of applicable Law.

"Enron" has the meaning given such term in the introductory paragraph of this Agreement.

"Enron Agreement" the Enron Agreement in the form attached hereto as Exhibit B whereby Enron agrees to cause (a) the General Partner to perform its obligations hereunder, (b) ENA to make the loans contemplated by the Liquidity Facility as and to the extent contemplated thereby and (c) ENA to perform its obligations under the Administrative Services Agreement.

"Environmental Laws" means all Laws relating to the protection of human health or the environment, including: (i) all requirements pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of Hazardous Material, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Material, whether solid, liquid or gaseous in nature; and (ii) all requirements pertaining to the protection of the health and safety of employees or the public.

"ERISA" has the meaning given such term in Section 3.03(a)(xii).

"Excluded Activity" means:

(a) Subject to Section 6.01(g), any investment or other business or commercial activity of any kind or character in any industry or line of business or commerce, domestic or international, other than the Designated Business;

(b) any investment or activity if, after giving effect thereto and as a result thereof, the Partnership, the General Partner, Enron or any of its Affiliates would be deemed to be (i) a public utility holding company subject to registration under the Public Utility Holding Company Act of 1935 or would be subject to regulation as a utility under the laws of any jurisdiction to which any of them are not subject on the Effective Date, or (ii) an investment company required to register as such under the Investment Company Act;

(c) any investment or activity that is determined to be an Excluded Activity as provided in Section 6.01(g);

(d) any investment or business activity of any kind or character (other than any Designated Business contributed to the Partnership) conducted by Enron or any Affiliate of Enron on the date hereof, including (i) exploration, production and transportation of natural gas, crude oil and other hydrocarbons worldwide; (ii) the generation, transmission and distribution of electricity; (iii) the marketing of natural gas, electricity and other energy and energy intensive commodities; (iv) execution and delivery of trading contracts relating to the purchase and sale of debt and equity securities, physical products, including steel, metals and minerals, agricultural products,

soft commodities, and advertising or contracts allocating defined risks, including emissions credits and weather; (v) risk management and finance services worldwide; (vi) the development, construction and operation of power plants, pipelines and other energy and commodity related assets worldwide; (vii) the retail and wholesale energy services business; and (viii) businesses relating to the provision of communications, telecommunications, fiber optics, internet and broadband trading and intermediation products and services.

"FAA" has the meaning given such term in Section 11.12.

"Facility" means any combination of structures, groups of structures or other constructions, or any assets, real or personal, tangible or intangible, together with any related land or space, machinery, fixtures, equipment, and necessary or ancillary devices and things constructed, fabricated, designed or otherwise collectively designated or set aside to operate as an ongoing business.

"Fiscal Year" means the year commencing on each January 1 and ending on each December 31.

"Fishtail" means Fishtail LLC, a Delaware limited liability company.

"Foreclosure" has the meaning given such term in Section 3.04(a).

"Forest Products" means the purchase and sale of logs, wood pulp, raw and finished lumber, paper and related products.

"Formation Date" has the meaning given such term in the Recitals.

"GAAP" means United States generally accepted accounting principles and policies consistent with those applied in the audited financial statements referred to in Section 8.01(b).

"Garden State" means Garden State Paper Company, LLC, a Delaware limited liability company.

"General Partner" EIM and any other Person hereafter admitted to the Partnership as a General Partner as provided in this Agreement, but such term does not include any Person who has ceased to be a General Partner in the Partnership in accordance with the terms of this Agreement.

"General Partner Indemnified Person" has the meaning given such term in Section 6.04(a).

"General Partnership Interest" the Partnership Interest held by a General Partner.

"Hazardous Material" means any substance: (i) the presence of which could result in liability or in an investigation or remediation under any Environmental Law; (ii) which is or becomes defined as a "hazardous waste" or "hazardous substance" under any Environmental

Law; (iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and is or becomes regulated by any governmental or regulatory authority; (iv) the presence of which causes or threatens to cause a nuisance or poses or threatens to pose a hazard to property or to the health or safety of Persons; (v) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (vi) which contains polychlorinated byphenols or asbestos.

"Indemnifying Partner" has the meaning given such term in Section 6.04(b).

"Initial Capital Contribution" means the initial Capital Contribution made by a Limited Partner pursuant to Section 4.01.

"Interest Certificates" has the meaning given such term in Section 3.02.

"Investment Company Act" the Investment Company Act of 1940, as amended.

"Law" means any law, treaty, statute, rule, regulation, order, code, judgment, decree, injunction, writ, requirement or decision of or agreement with or by any government or governmental department, commission, board, court, authority or agency having jurisdiction of the matter in question.

"Lending Partner" has the meaning given such term in Section 4.04(a)(iv).

"LIBOR" means an interest rate that is (a) the rate per annum (rounded upward, if not an integral multiple of 1/100 of 1%, to the nearest 1/100 of 1% per annum) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two business days before the first day of the relevant Quarterly Period for a term comparable to such Quarterly Period; (b) if for any reason the rate specified in clause (a) of this definition does not so appear on Telerate Page 3750 (or any successor page), the rate per annum (rounded upward, if not an integral multiple of 1/100 of 1%, to the nearest 1/100 of 1% per annum) appearing on Reuters Screen LIBO page (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two business days before the first day of such Quarterly Period for a term comparable to such Quarterly Period; provided, however, if more than one rate is specified on Reuters Screen LIBO page (or any successor page), the applicable rate shall be the arithmetic mean of all such rates; and (c) if the rate specified in clause (a) of this definition does not so appear on Telerate Page 3750 (or any successor page) and if no rate specified in clause (b) of this definition so appears on Reuters Screen LIBO page (or any successor page), the interest rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum if such rate is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of Citibank, N.A., in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Quarterly Period.

"Limited Partner" a Class A Limited Partner, a Class B Limited Partner or a Class C Limited Partner, or any Person hereafter admitted to the Partnership as a limited partner of the

Partnership as provided in this Agreement, but such term does not include any Person who has ceased to be a limited partner of the Partnership in accordance with the terms of this Agreement.

"Liquidity Facility" means, subject to Section 4.01 of the Enron Agreement, a commitment from Enron or an Affiliate thereof to arrange or to make loans under a liquidity loan facility for the businesses owned by the Partnership in the initial amount of $25 Million, to be evidenced by a revolving promissory note in the form attached hereto as Exhibit C and to be used, if needed, to provide liquidity for operating requirements.

"Losses" has the meaning given such term in Section 6.04(a).

"Majority" means more than 50.00%.

"Majority Interest" with respect to any class of Partners, means Partners of such class holding a Majority in Sharing Ratios held by Partners of such class.

"Mark-to-Market Event" any of the following: (a) the acquisition of a Partnership Interest by any new or existing Partner in exchange for more than a *de minimis* Capital Contribution to the Partnership; (b) the distribution by the Partnership to a Partner of more than a *de minimis* amount of property as consideration for a Partnership Interest; and (c) the liquidation of the Partnership within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g)(1) (other than pursuant to Code Section 708(b)(1)(B)); *provided* that adjustments pursuant to clauses (a) and (b) above shall be made only if the General Partner reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership.

"Material Adverse Effect" has the meaning given such term in Section3.03(b)(ii).

"Maturity/Gap Risk Limit Violations" a violation of the limits on risks related to non-parallel changes of forward prices or interest rates established for the Designated Business from time to time pursuant to the Risk Management Policy.

"Minimum Gain" has the meaning given such term in Treasury Regulation Section 1.704-2(d).

"Net Contributed Capital" with respect to any Partner as of any date of determination, means the aggregate amount of Capital Contributions theretofore made by such Partner to the Partnership minus the amount of distributions theretofore received by such Partner as a return of capital from the Partnership.

"Nonrecourse Deductions" has the meaning given such term in Treasury Regulation Section 1.704-2(b).

"Nonrecourse Liability" has the meaning given such term in Treasury Regulation Section 1.752-1(a)(2).

"Notice" has the meaning given such term in Section 6.02(a).

"Original Agreement" has the meaning given such term in the Recitals.

"Partner" means any of the General Partner and the Limited Partners.

"Partner Indemnified Person" has the meaning given such term in Section 6.04(b).

"Partner Nonrecourse Debt" has the meaning given such term in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning given such term in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" has the meaning given such term in Treasury Regulation Section 1.704-2(i)(1).

"Partnership" has the meaning given such term in the Recitals.

"Partnership Interest" with respect to any Partner, such Partner's Partnership interest in the Partnership, which represents (a) that Partner's status as a Partner; (b) that Partner's right to receive distributions and allocations from the Partnership; (c) all other rights, benefits and privileges enjoyed by that Partner (under the Act, this Agreement, or otherwise) in its capacity as a Partner, including that Partner's rights to vote, consent and approve and otherwise to participate in the management of the Partnership; and (d) all obligations, duties and liabilities imposed on that Partner (under the Act, this Agreement or otherwise) in its capacity as a Partner, including any obligations to make Capital Contributions.

"Permitted Assets" (a) the Contributed Assets (including any Class B Interests in Sonoma, or the equity interests in any Person holding the Class B interest in Sonoma purchased with the cash described in Section 4.01(b) hereof), (b) any assets acquired by the Partnership in accordance with Section 6.01(g) hereof; (c) property or cash contributed as Capital Contributions pursuant to Section 4.02 hereof or as otherwise approved by the Partners, and (d) cash or property received by the Partnership in respect of the assets described in (a) through (c) of this paragraph and investments and proceeds of investment in respect thereof as permitted under Section 4.03(b).

"Person" has the meaning given that term in Section 17-101(13) of the Act.

"Physical Assets" means all of the outstanding capital stock, partnership interests, limited liability company interests or other equity ownership interests in (a) EIPLP, and, through EIPLP, EIM Holdings I, EIM Holdings II, EIM Holdings Canada and Compagnie de Papier Stadacona Ltee (collectively, "*Stadacona*"), EIM Holdings Inc., and through EIM Holdings Inc., SATCO and (b) Garden State.

"Preferred Applicable Distribution Rate" means a variable per annum preferred equity dividend or distribution rate equal to LIBOR plus 6.7%.

"Preferred Dividend Distribution Amount" has the meaning given such term in Section 5.01(d).

"Preferred Return" with respect to Class B Limited Partnership Interests for any Quarterly Period, an amount equal to (a) the Preferred Applicable Distribution Rate divided by (b) four, multiplied by (c) the sum of (i) the weighted average amount of Net Contributed Capital in respect of such Class B Limited Partnership Interest outstanding during such Quarterly Period and (ii) all unpaid Preferred Return accumulated prior to such Quarterly Period in respect of such Class B Limited Partnership Interest.

"Profits" and "Losses" for federal income tax purposes and for each Fiscal Year, an amount equal to the Partnership's taxable income or loss for such Fiscal Year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments (without duplication):

(a) Any income of the Partnership that is exempt from Federal income tax and not otherwise taken into account in computing Profits and Losses pursuant to this definition of "Profits" and "Losses" shall be added to such taxable income or loss;

(b) Any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall be subtracted from such taxable income or loss;

(c) In the event the Book Value of any asset is adjusted pursuant to a Mark-to-Market Event, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Book Value of the asset) or an item of loss (if the adjustment decreases the Book Value of the asset) from the Disposition of such asset and shall be taken into account for purposes of computing Profits or Losses;

(d) Gain or loss resulting from any Disposition of property with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the Book Value of the property Disposed of, notwithstanding that the adjusted tax basis of such property differs from its Book Value;

(e) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year, computed in accordance with the definition of Depreciation;

(f) To the extent an adjustment to the adjusted tax basis of any asset pursuant to Code Section 734(b) is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Account balances as a result of a distribution other than in liquidation of a Partner's Partnership Interest, the amount of such adjustment shall be treated as an item of gain (if the

adjustment increases the basis of the asset) or an item of loss (if the adjustment decreases such basis) from the Disposition of such asset and shall be taken into account for purposes of computing Profits or Losses; and

(g) Any items that are allocated pursuant to the Regulatory Allocations shall not be taken into account in computing Profits and Losses.

"PTP Relevant Person" means each Tax Matters Representing Purchaser and each Indirect Tax Matters Representing Purchaser that, in each case, is able to make the representations described in clauses (B)(1) or (B)(2) of the definition of Tax Matters Representing Purchaser.

"Quarterly Period" each period from, and including, one Distribution Date to, but excluding, the next following Distribution Date, *provided* that (a) the initial Quarterly Period will commence on, and include, the Effective Date and end on the first Distribution Date, and (b) the final Quarterly Period will end on, but exclude, the date of occurrence of a Dissolution Event.

"Regulatory Allocations" means the allocations pursuant to Section 5.06 of this Agreement.

"Risk Management Policy" means the Enron Corp. Risk Management Policy as in effect from time to time and adopted by the Board of Directors of Enron.

"SATCO" means Ste Aurelie Timberlands Co., Ltd.

"SBHC" has the meaning given in the introductory paragraph of this Agreement.

"SBHC Rights" has the meaning given such term in Section 6.06.

"Securities Act" the Securities Act of 1933, as amended.

"Sharing Ratio" subject in each case to adjustments in accordance with this Agreement or in connection with Dispositions of Partnership Interests, from and after the Effective Date, for each Partner, the proportion (expressed as a percentage) that the balance in such Partner's Capital Account bears to the aggregate balance of Capital Accounts of all Partners; provided, however, that the total of all Sharing Ratios shall always equal 100%.

"Sonoma" means Sonoma I, LLC, a Delaware limited liability company and the owner of all of the Class C membership interests in Fishtail.

"Subject Person" has the meaning given such term in Section 3.07(a).

"Subsidiary" of any Person means any corporation, partnership, joint venture, or other entity of which more than 50% of the outstanding capital stock or other equity interests having ordinary voting power (irrespective of whether or not at the time capital stock or other equity interest of any other class or classes of such corporation, partnership, joint venture, or other entity shall or might have voting power upon the occurrence of any contingency) is at the time

owned directly or indirectly by such Person; *provided, however*, that no such corporation, partnership, joint venture or other entity shall (a) constitute a Subsidiary of the Partnership, unless such entity is a Consolidated Subsidiary of the Partnership, or (b) constitute a Subsidiary of any other Person, unless such entity would appear as a consolidated subsidiary of such Person on a consolidated balance sheet of such Person prepared in accordance with GAAP. Unless otherwise provided or the context otherwise requires, the term "*Subsidiary*" when used herein shall refer to a Subsidiary of the Partnership.

"Tax Matters Partner" has the meaning given such term in Section 7.01.

"Tax Matters Representing Purchaser" means a Person that is able to represent that (A) it is acting for its own account and not as the nominee or agent of any other Person, (B) either (1) it is not a partnership, grantor trust, or S corporation for United States Federal income tax purposes (a "*Flowthrough Entity*"), (2) it is a Flowthrough Entity, but less than 50% of the assets of the Flowthrough Entity will be represented, directly or indirectly, by Partnership Interests or (3) it is a Flowthrough Entity (x) whose nominal owners are able to make the representations in (A) and either (B)(1) or (B)(2) or, (y) to the extent that any of its direct or indirect nominal owners cannot make the representations in (B)(1) or (B)(2) and is itself a Flowthrough Entity (an "*Upper Tier Flowthrough Entity*"), the nominal owners of any such Upper Tier Flowthrough Entity are able to make the representations in (A) and either (B)(1) or (B)(2) (each such nominal owner described in clause 3 that makes the representations in either (B)(1) or (B)(2), an "*Indirect Tax Matters Representing Purchaser*"), (C) it is a United States person within the meaning of Section 7701(a)(30) of the Code, and (D) it has not acquired, and will not transfer any Partnership Interests (or any derivative interest therein) on or through an established securities market within the meaning of Section 7704(b)(1) of the Code (and Treasury regulations thereunder).

"Term" has the meaning given such term in Section 2.07.

"Treasury Regulation" means a Treasury Regulation promulgated under the Code.

"Value-at-Risk Limit Violation" shall mean a violation of the limits on potential exposure related to the Designated Business or a position therein (including any discretionary authority with regard thereto) as established from time to time pursuant to the Risk Management Policy.

1.03 ***Other Definitions.***

Other terms defined in this Agreement have the meanings so given them.

ARTICLE II
ORGANIZATION

2.01 ***Formation; Continuation; Amendment and Restatement.***

The Partnership was formed as a Delaware Limited Partnership by the filing of the Delaware Certificate as of the Formation Date. EIM, ENA, Enron and SBHC hereby continue the Partnership, pursuant to the terms and conditions of this Agreement and the Act. The Agreement amends and restates in its entirety and supersedes the Original Agreement which shall have no further force or effect. The General Partner, for itself and as agent for the Limited Partners, shall accomplish all filing, recording, publishing and other acts necessary or appropriate for compliance with all the requirements for the formation and operation of the Partnership as a limited partnership under this Agreement and the laws of the State of Delaware and such other jurisdictions in which the General Partner determines that such qualification is required.

2.02 ***Name.***

The name of the Partnership shall continue to be "*Sundance Industrial Partners, L.P.*" and all Partnership business must be conducted in that name or such other names that comply with applicable Law as the General Partner may select; *provided* that the General Partner may not choose to conduct business in any other name, or choose the name of any subsidiary entity owned by the Partnership, which includes any of the names of any of the direct or indirect beneficial owners of SBHC or any lender to SBHC or any other reference to any such Limited Partner or lender without the consent of such partner or lender, as the case may be.

2.03 ***Registered Office; Registered Agent; Principal Office in the United States; Other Offices.***

The registered office of the Partnership required by the Act to be maintained in the State of Delaware shall be the office of the initial registered agent named in the Delaware Certificate or such other office (which need not be a place of business of the Partnership) as the General Partner may designate in the manner provided by applicable Law. The registered agent of the Partnership in the State of Delaware shall be the initial registered agent named in the Delaware Certificate or such other Person or Persons as the General Partner may designate in the manner provided by applicable Law. The principal office of the Partnership in the United States shall be at such place as the General Partner may designate, which need not be in the State of Delaware, and the Partnership shall maintain records there or such other place as the General Partner shall designate and shall keep the street address of such principal office at the registered office of the Partnership in the State of Delaware. The Partnership may have such other offices as the General Partner may designate.

2.04 ***Purposes.***

The purposes of the Partnership are to engage in the following activities: (a) to acquire, hold, own, manage, preserve, protect, conserve and dispose of the Permitted Assets, and to form, capitalize, make investments in, own, and manage Persons formed to hold Permitted Assets or to engage in the Designated Business, (b) engaging, to the extent of ownership (including managing and exercising voting and other rights of ownership of Persons engaged in the Designated Business) of the Permitted Assets, in the Designated Business, (c) issuing the Partnership Interests referred to in Article III, (d) collecting cash proceeds and distributions of other property

from or in respect of the Permitted Assets held by the Partnership and making the distributions contemplated by Article V and paying the liabilities incurred in respect of Permitted Assets pursuant to the Conveyance or as otherwise permitted in this Agreement and other operating expenses of the Partnership, (e) engaging in such other activities as may be agreed by the General Partner and a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partners and the Class C Limited Partner, in each case, voting as a separate class, and (f) engaging in activities incidental to, resulting from, or otherwise necessary or appropriate to facilitate, the activities referred to in the foregoing clauses (a) through (e) and engaging in such actions as are required or permitted to be taken pursuant to this Agreement.

2.05 ***Powers.***

The Partnership shall possess and may exercise all of the powers and privileges granted by the Act or by any other applicable Law or by this Agreement, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the permitted business purposes or activities of the Partnership.

2.06 ***Foreign Qualification.***

Prior to the Partnership's conducting business in any jurisdiction other than Delaware, the General Partner shall cause the Partnership to comply, to the extent procedures are available and those matters are reasonably within the control of the General Partner, with all requirements necessary to qualify the Partnership as a foreign Limited Partnership in that jurisdiction. The General Partner shall not conduct business in any jurisdiction wherein the conduct by the Partnership of business in such jurisdiction might result in subjecting any Limited Partner to any tax, penalty, liability or cost (other than any such that does not have a Material Adverse Effect imposed on the Partnership as a result of its doing business in such jurisdiction). At the request of the General Partner and subject to the preceding sentence, each Limited Partner shall execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue, and terminate the Partnership as a foreign Limited Partnership in all such jurisdictions in which the Partnership may conduct business as permitted by this Section 2.06, and shall supply copies of all such certificates and other instruments (as delivered) to each Partner.

2.07 ***Term.***

The term of the Partnership (the "*Term*") commenced on the Formation Date and shall end on (a) June 1, 2021 or (b) at such earlier time as the dissolution of the Partnership is completed in accordance with Article IX hereof. The existence of the Partnership as a separate legal entity shall continue until cancellation of the certificate of formation of the Partnership as provided in the Act.

2.08 ***Fiscal Year.***

The fiscal year of the Partnership for financial statement and Federal income tax purposes shall be the same and shall be the Fiscal Year, except as may be required by the Code.

2.09 Compensation and Expenses.

Except as otherwise expressly provided in this Agreement, including Section 6.07 hereof, no Partner or Affiliate of any Partner shall receive any salary, fee, or draw for services rendered to or on behalf of the Partnership or otherwise in its capacity as a Partner, nor shall any Partner or Affiliate of any Partner be reimbursed by the Partnership for any expenses incurred by such Partner or Affiliate on behalf of the Partnership or otherwise in its capacity as a Partner, except as contemplated by the Administrative Services Agreement.

2.10 Independent Activities.

The General Partner and any of its officers and directors shall be required to devote only such time to the affairs of the Partnership as the General Partner determines in its reasonable discretion may be necessary to manage and operate the Partnership and to manage the Designated Business as contemplated by Section 6.01 (*provided*, that for as long as EIM is the sole General Partner of the Partnership and prior to the appointment of the Board of Directors as provided in Section 6.05 hereof, the business of EIM shall be limited to the management of the business of the Partnership), and each such Person shall be free to serve any other Person or enterprise in any capacity that it may deem appropriate in its discretion.

ARTICLE III
PARTNERSHIP; DISPOSITIONS OF INTERESTS

3.01 Initial Partners.

EIM and ENA were admitted to the Partnership as the initial General Partner and Limited Partners, respectively, effective as of the Formation Date, pursuant to the Original Agreement.

3.02 Classes of Partners.

(a) Effective as of the Effective Date, there are hereby created four classes of Partners in the Partnership, Class A Limited Partners, Class B Limited Partners, Class C Limited Partners and the General Partner, and each shall have the respective rights accorded it under this Agreement. EIM retains its Partnership Interest as the General Partner of the Partnership. ENA's initial Partnership Interest as a Limited Partner is hereby converted into that of the initial Class A Limited Partner, SBHC is hereby admitted as the initial Class B Limited Partner, and Enron is hereby admitted as the initial Class C Limited Partner. The names and addresses of the Partners as of the date hereof are set forth on Exhibit A hereto.

(b) The Partnership Interests of the Partners may, at the option of the General Partner, be evidenced by certificates ("*Interest Certificates*"). Interest Certificates shall be in the form of Exhibit D, together with any changes therein approved by the General Partner. Interest Certificates need not be issued for all classes of Partnership Interests of the Limited Partners, but if any Interest Certificates have been issued, an Interest Certificate for any Partner shall be issued to such Partner upon request by such Partner to the General Partner. Interest Certificates need

not bear a seal of the Partnership but shall be executed by the General Partner (including by facsimile signature) and shall state the class of Partnership Interest represented by such Interest Certificate. The Interest Certificates shall be consecutively numbered (on a class by class basis). The General Partner shall maintain Interest Certificate books and records for the Partnership. The General Partner may determine the conditions upon which a new Interest Certificate may be issued in place of an Interest Certificate that is alleged to have been lost, stolen or destroyed and may, in its discretion, require the Partner holding such Interest Certificate to give such security in respect thereof as the General Partner shall determine. Each Interest Certificate in respect of the Partnership Interest of a Limited Partner shall bear a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED OR SOLD UNLESS IT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE (AND, IN SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE GENERAL PARTNER SHALL HAVE BEEN DELIVERED TO THE PARTNERSHIP AND THE OTHER LIMITED PARTNERS TO THE EFFECT THAT SUCH OFFER AND SALE IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT).

THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER (INCLUDING CERTAIN DISQUALIFYING DISPOSITIONS) SET FORTH IN THE AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF THE PARTNERSHIP DATED AS OF JUNE 1, 2001 (AS SUCH AGREEMENT MAY BE AMENDED FROM TIME TO TIME), A COPY OF WHICH MAY BE OBTAINED FROM THE PARTNERSHIP AT ITS PRINCIPAL EXECUTIVE OFFICES.

(c) No additional classes of Partnership Interests shall be created unless authorized by the Partners as provided in Section 6.01(g) hereof or by the Board of Directors. No additional Partners shall be admitted to the Partnership, except as provided in Section 3.04 hereof, unless authorized by the Partners as provided in Section 6.01(g) hereof or by the Board of Directors.

3.03 ***Representations and Warranties.***

(a) Each Partner (other than, with respect to Section 3.03(a)(x) , the General Partner or Enron or any Affiliate of Enron) represents and warrants to the Partnership and each other Partner that:

(i) it is a corporation, limited partnership, limited liability company or other entity duly incorporated or formed, validly existing, and (if applicable) in good standing under the law of the jurisdiction of its formation, with all requisite power to enter into and to perform its obligations under this Agreement, and is duly qualified or registered and in good standing in each other jurisdiction in which the character of the business conducted by it or

permitted to be conducted by it requires such qualification or registration, except where the failure to be so qualified would not have a material adverse effect on the business operations or financial condition of the Partnership or on the Partner's ability to perform its obligations to the Partnership hereunder;

(ii) its execution, delivery, and performance of this Agreement have been duly authorized by all appropriate action by it and (if required) its stockholders, partners, members or other owners, and this Agreement has been duly executed and delivered by it;

(iii) its execution, delivery and performance of this Agreement do not (A) violate its organizational, charter or other constituent documents, (B) conflict with, result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any other material ("material" for purposes of this representation meaning creating a liability of $100 million or more) agreement or arrangement to which it is a party or by which it is bound or with any law, regulation, judgment or decree to which it is subject or with any permit or license which it has been granted, or (C) require the filing or registration with, or the approval, authorization or consent of any governmental agency or tribunal other than filings under the Act and state qualification or similar laws contemplated by Section 2.05 and filings which may be required or permitted under applicable securities laws;

(iv) this Agreement, when executed and delivered in accordance with this Agreement will be its legal, valid and binding obligations enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or in law);

(v) there is no action, suit or proceeding pending, or to its knowledge threatened, against it, seeking any injunction, award or other relief that (A) would impair its ability to perform its obligations under this Agreement, (B) questions or challenges the validity or purpose of the Partnership, or (C) could materially and adversely affect the Partnership's operations, properties or business;

(vi) it is acquiring its Partnership Interest for its own account and not with a view to or in connection with the resale or distribution of all or any part thereof in violation of applicable securities laws; it understands that the Partnership Interest being acquired by it has not been registered under the Securities Act or applicable state securities laws and, therefor, it will be necessary for it to continue to bear the economic risk of the investment therein unless and until the offering and sale of such Partnership Interest by it are registered under the Securities Act and applicable state securities laws or an exemption from registration is available; it understands that it may not sell or transfer its Partnership Interest, except in accordance with the provisions of this Agreement;

(vii) it is a "qualified purchaser" as such term is defined in Section 2(a)(51) of the Investment Company Act and the rules and regulations adopted

thereunder, and it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Partnership;

(viii) it has carefully reviewed this Agreement and any other relevant information furnished to it in writing by the General Partner and its Affiliates, and it understands the risks of, and other considerations relating to, an investment in the Partnership; and it has been furnished all relevant materials, if any, that it requested relating to the Partnership and the purchase of Partnership Interests and has been afforded the opportunity to obtain any additional information and to ask and have answered all questions it deemed necessary regarding its investment in the Partnership and has been given such answers as it deems sufficient to make an informed investment decision;

(ix) it understands that any information furnished to it concerning the federal income tax consequences arising from an investment in the Partnership is necessarily general in nature, and the specific tax consequences to it of an investment in the Partnership will depend on its individual circumstances, and it affirms that it has been advised to seek appropriate legal counsel with respect to such tax consequences;

(x) at the time of its investment in the Partnership and at all times during the existence of the Partnership it (A) does not and will not own or operate any facility used for the generation, transmission or distribution for sale of electric energy or any facility used for the retail distribution of natural or manufactured gas, each within the meaning of the 1935 Act, (B) is not and will not be an "electric utility company" or a "gas utility company" within the meaning of the 1935 Act, (C) is not and will not be (1) a "holding company," (2) a "subsidiary company," an "affiliate" or "associate company" of a "holding company" or (3) an "affiliate" of a "subsidiary company" of a "holding company," each within the meaning of the 1935 Act, and (D) is not and will not be subject to regulation as a public utility, public utility holding company (except to the extent certain acquisitions may be subject to the regulatory approval of the Securities and Exchange Commission pursuant to Section 9(a)(2) of the 1935 Act) or public service company (or similar designation) by any state in the United States, by the United States, by any foreign country or by any agency or instrumentality of any of the foregoing;

(xi) no existing contract, agreement or relationship of such Partner or its Affiliates with any third party is effective that would require the Partnership to offer to any such third party any opportunity to make an investment in the Designated Business;

(xii) that it is not required to register as an "investment company" under the Investment Company Act;

(xiii) that it is a Tax Matters Representing Purchaser; and

(xiv) at the time of its investment in the Partnership and at all times while it is a Partner, such Partner does not and will not constitute an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*")), or a plan (as defined in Section 4975(e) of the Code), or a trustee of any such plan.

acting on behalf of such plan, or an entity whose underlying assets include plan assets by reason of a plan's investment in the entity other than a governmental plan (as defined in Section 3(32) of ERISA or Section 414(d) of the Code); and if it constitutes a governmental plan, such Partner does not treat itself as subject to the Department of Labor Regulations § 2510.3-101 or interpret applicable state law as incorporating similar rules.

(b) The General Partner hereby:

(i) (A) makes each of the representations and warranties to the Partnership that were made to Enron and its Affiliates in the Asset Acquisition Agreements, as of the dates such representations and warranties were made, to the extent that the benefit of such representations and warranties and of any related indemnities are not assignable pursuant to the Asset Acquisition Agreements; and (B) assigns to the Partnership, as part of its Initial Capital Contribution, the benefit of such representations and warranties and any related covenants and indemnities that were made to Enron and its Affiliates in the Asset Acquisition Agreements, to the extent that the benefit of such representations and warranties and of any related covenants and indemnities are assignable pursuant to the Asset Acquisition Agreements;

(ii) represents and warrants to the Partnership that: (A) from the date of acquisition of the assets by Enron and its affiliates pursuant to the Asset Acquisition Agreements, neither Enron nor its Affiliates have taken any action or knowingly abstained from taking any action that has caused any of the representations and warranties made to Enron and its Affiliates in the Asset Acquisition Agreements to be untrue as of the date hereof; and (B) no facts or circumstances have arisen from the date of such acquisition that would cause such representations and warranties to be untrue as of the date hereof, in each case except for any changes arising in the ordinary course of business and any failures to be true that could not reasonably be expected to have a material adverse effect on the financial conditions or results of operations of the Partnership or any of its Subsidiaries, taken as a whole (a "Material Adverse Effect").

(iii) represents and warrants to the Partnership as to Fishtail, Sonoma and each Person that is an entity included within the Physical Assets as follows:

(A) Each of Fishtail, Sonoma or such Person is duly formed, validly existing and in good standing under the laws of the state of its jurisdiction of organization or incorporation. Each of Fishtail, Sonoma or such Person has all power and authority and all governmental licenses, authorizations, consents and approvals required in each case to carry on its business, except to the extent that the failure to have such power, authority, licenses, authorizations, consents and approvals could not reasonably be expected to have a Material Adverse Effect.

(B) The contribution of interests in Fishtail or such Person or the transfer of interests in Sonoma, in each case to the Partnership by the Class A Limited Partner does not (1) violate any applicable Laws to which such Person is a party or to which it is subject; or (2) conflict with, or result in a breach or violation of the terms of any material agreement, contract, indenture or other instrument to which such Person is a party or to which

any of their respective properties is subject created while such Person has been owned by Enron or its Affiliates, except in the case of clause (1) or (2) as could not reasonably be expected to have a Material Adverse Effect.

(C) The contribution of interests in Fishtail or such Person or the transfer of interests in Sonoma, in each case to the Partnership by the Class A Limited Partner does not require the consent, approval, order or authorization of any governmental authority or, any other Person under any permit, license, agreement, indenture or other instrument to which Fishtail, Sonoma or such Person, as the case may be, or any of its respective Subsidiaries is a party or to which any of its respective properties are subject created while Fishtail, Sonoma or such Person has been owned by Enron or its Affiliates, and no declaration, filing or registration with any governmental authority is required by Fishtail, Sonoma or such Person in connection with the execution, delivery and performance of this Agreement, except in each case as has been obtained or made or as could not reasonably be expected to have a Material Adverse Effect.

(D) The operation of Fishtail, Sonoma or such Person, as the case may be, since Fishtail, Sonoma or such Person, as applicable, was acquired by Enron or its Affiliates have been conducted in compliance with, and in a manner that could not reasonably be expected to result in liabilities that have not been discharged or reserved for on a reasonably current basis under, all applicable Environmental Laws, except to the extent the failure to comply with, or the incurrence of liabilities under, such applicable Environmental Laws could not reasonably be expected to have a Material Adverse Effect. Since its acquisition by Enron or an Affiliate except as set forth on Schedule 3.03(b)(iii)(D) hereto, each of Fishtail, Sonoma or such Person has not received any notice, notification, demand, citation, summons or order, and no complaint has been filed, and no penalty has been assessed by any governmental authority with respect to matters arising out of or relating to any applicable Environmental Laws, including without limitation any notice, notification, demand, citation, summons, order or complaint that was outstanding before the date of acquisition by Enron or an Affiliate. The General Partner has provided to the Class B Limited Partner copies of all environmental assessments and reports in the possession of Enron and its Affiliates with respect to each of Fishtail, Sonoma and such Person.

(E) Since its acquisition by Enron or its Affiliates, each of Fishtail, Sonoma or such Person has not violated, and to the knowledge of Enron, is not under investigation with respect to or has been threatened to be charged with or given notice of any material violation of, any applicable Laws, except as could not reasonably be expected to have a Material Adverse Effect.

(F) The contribution of interests in Fishtail and such Person and the transfer of interests in Sonoma, in each case to the Partnership, will transfer good and valid title to the Partnership of all of the equity interests in Sonoma not owned by the Class B Limited Partner or any of its Affiliates and all of the equity interests in Fishtail not owned by Sonoma and such Person, respectively, free and clear of all Encumbrances.

(G) Each of Fishtail, Sonoma and such Person is in possession of and has good title to, or has valid leasehold interests in or valid rights under contract to use, all material assets that are necessary to conduct its business as it is currently conducted and the amount set forth in Section 4.01(a) represents the collective value of Fishtail, the equity interests in Sonoma transferred to the Partnership, such Persons, and the other Contributed Assets that would be attributed thereto in an arm's length sale transaction between an informed and willing seller and an informed and willing purchaser, each unrelated to the other and under no compulsion to effectuate the transaction.

(H) Each of EIPLP, EIM Holdings I, EIM Holdings Canada and Garden State and their wholly owned Subsidiaries have the title to the properties indirectly conveyed by the conveyance of the Physical Assets pursuant to the Asset Acquisition Agreements to the extent of the representations with respect to title set forth therein, except in so far as disposed of or Encumbered in the ordinary course of business.

(I) None of Fishtail, Sonoma or any such Person has any outstanding Debt, except for indebtedness (1) of Caymus Trust, the legal owner of the Class A interest in Sonoma, to be repaid in connection with the transactions contemplated by the formation of the Partnership, (2) to Enron and its Affiliates in respect of Stadacona expected to be refinanced following the Effective Date, or (3) trade Debt incurred in the ordinary course of business on customary trade terms, or (4) other Debt of Subsidiaries not exceeding $10 Million in the aggregate.

(iv) represents and warrants to the Partnership that the insurance policies currently in place in respect of the Partnership and its Subsidiaries (a) are for reasonable amounts and with financially sound and reputable insurance companies and (b) provide coverage against such catastrophic and environmental risks and are subject to such retention, deductibles or other terms as policies that would customarily be maintained, in accordance with good business practice, by companies engaged in similar businesses.

3.04 ***Dispositions of Limited Partnership Interests.***

(a) ***General Restriction.*** No Disqualifying Disposition of a Limited Partnership Interest (or any interest therein) shall be permitted, authorized or recognized for any purpose. Except as limited by the foregoing sentence, EIM may Dispose of all or any portion of its General Partnership Interest, ENA may Dispose of all or any portion of its Class A Limited Partnership Interest, and Enron may dispose of all or any portion of its Class C Limited Partnership Interest, to an Affiliate of Enron as long as the requirements of Sections 3.04(b) and (c) are satisfied, and ENA or Enron may Dispose of all or any portion of a Class A Limited Partnership Interest or a Class C Limited Partnership Interest, respectively, upon the merger, consolidation, share exchange, conversion, dissolution, winding up or other termination of the Affiliate of Enron beneficially owning the Class A Limited Partnership Interest or the Class C Limited Partnership Interest. Except as set forth in the immediately preceding sentence, EIM may not Dispose of all or a portion of its General Partnership Interest, ENA may not Dispose of its Class A Limited Partnership Interest and Enron may not Dispose of its Class C

Limited Partnership Interest without the consent of the Class B Limited Partner. A Class B Limited Partner, a Class A Limited Partner or a Class C Limited Partner may not dispose of a portion or all of its Limited Partnership Interest without the consent of the General Partner; *provided, however*, that during any period the Board of Directors has been approved and is acting, approval of the Board of Directors in accordance with Section 6.05(e) shall be deemed to constitute the approval of the General Partner for any such transfer; the General Partner hereby irrevocably consents to the Disposition of the Class B Limited Partnership Interest of SBHC to an Affiliate of SBHC provided that such Affiliate can demonstrate to the reasonable satisfaction of the General Partner that such Affiliate has the financial capacity to make its Capital Contributions pursuant to the requirements of this Agreement *and further provided however*, that no Disposition of a Class B Limited Partnership Interest to a Competitor of Enron shall be recognized for any purpose hereunder (except that during the continuance of a Credit Event, a Class B Limited Partnership Interest may be Disposed to any Person, including to a Competitor of Enron, without the consent of the General Partner hereunder) . Any Disposition effected other than in compliance with this Section 3.04(a) shall be void and the Partnership shall not recognize it; *provided, however*, that the transferee in any such Disposition (other than a Disposition prohibited by the first sentence of this Section 3.04(a)) shall be treated for all purposes as an Assignee of a Limited Partnership Interest without the right to become a Limited Partner of the Partnership for purposes of this Agreement (except as otherwise provided pursuant to this Section 3.04).

(b) ***Admission of Assignee as a Limited Partner.*** An Assignee has the right to be admitted to the Partnership as a Limited Partner, with the Limited Partnership Interest (and attendant Sharing Ratio) so transferred to such Assignee, only if such Disposition is effected in strict compliance with this Section 3.04.

(c) ***Requirements Applicable to All Dispositions and Admissions.*** In addition to the requirements set forth in Sections 3.04(a) and 3.04(b), any Disposition of a Limited Partnership Interest and any admission of an Assignee as a Limited Partner (other than the Disposition from SBHC to its lenders for security purposes) shall also be subject to the following requirements, and such Disposition (and admission, if applicable) shall not be effective unless such requirements are complied with; *provided, however*, that the General Partner, in its sole and absolute discretion, may waive any of the following requirements (except that the General Partner shall not waive the provisions of 3.04(c)(i)(B) and 3.04(c)(i)(E)):

(i) ***Disposition Documents.*** The following documents must be delivered to the General Partner and must be reasonably satisfactory, in form and substance, to the General Partner (or to a Majority Interest of the Class B Limited Partners, if the Disposing Partner is the General Partner):

(A) ***Disposition Instrument.*** A copy of the instrument pursuant to which the Disposition is effected.

(B) ***Ratification of this Agreement.*** An instrument, executed by the Disposing Partner and its Assignee, containing the following information and agreements, to the extent they are not contained in the instrument described in Section 3.04(c)(i)(A): (1) the notice address of the Assignee; (2) the Sharing Ratios after the Disposition of the Disposing Partner and its Assignee (which together must total the Sharing Ratio of the Disposing Partner before the Disposition); (3) the Assignee's ratification of this Agreement and agreement to be bound by it, and its confirmation that the representations and warranties in Section 3.04(c)(i)(E) are true and correct with respect to it; (4) representations and warranties by the Disposing Partner and its Assignee that the Disposition and admission is being made in accordance with all applicable Laws; and (5) the Commitments after the Disposition of the Disposing Partner and the Assignee.

(C) ***Securities Law Opinion.*** Unless the Partnership Interest subject to the Disposition is registered under the Securities Act and any applicable state securities Law, a favorable opinion of the Partnership's legal counsel or of other legal counsel acceptable to the General Partner (who may be an employee of Enron or an Affiliate of Enron), to the effect that the Disposition and admission is being made pursuant to a valid exemption from registration under such Laws and in accordance with those Laws; *provided, however*, that this Section 3.04(c)(i)(C) shall not apply to a Disposition by the General Partner or any Limited Partner to one of its Affiliates.

(D) ***Investment Company Act Opinion.*** A favorable opinion of the Partnership's legal counsel or of other legal counsel acceptable to the General Partner (who may be an employee of Enron or an Affiliate of Enron), to the effect that the Disposition and admission will not result in the Partnership being required to register as an investment company under the Investment Company Act.

(E) ***Representations and Warranties.*** Representations and warranties to the Partnership and each Partner that the representations and warranties set forth in Section 3.03 are true and correct as of the date of Disposition and admission with respect to the Assignee.

(ii) ***Payment of Expenses.*** The Disposing Partner and its Assignee shall pay, or reimburse the Partnership for, all reasonable costs and expenses incurred by the Partnership in connection with the Disposition and admission, including the legal fees incurred in connection with the legal opinions referred to in Section 3.04(c)(i)(C) and (D), on or before the tenth Day after the receipt by that Person of the Partnership's invoice for the amount due.

(iii) ***No Release.*** No Disposition of a Partnership Interest shall effect a release of the Disposing Partner from any liabilities to the Partnership or the other Partners arising from events occurring prior to the Disposition.

3.05 ***Liabilities Strictly the Partnership's; Liability to Third Parties.***

Except as otherwise expressly (and not by implication) provided by the Act, the debts, obligations and liabilities of the Partnership, whether arising in contract, tort, or otherwise, shall be solely the debts, obligations and liabilities of the Partnership; and no Partner shall be liable for the debts, obligations or liabilities of the Partnership solely by being a Limited Partner of the Partnership.

3.06 ***Access to Information.***

Each Limited Partner shall be entitled to receive any information regarding the Partnership required to be disclosed to it pursuant to the provisions of Section 17-305 of the Act, Notices required pursuant to Section 6.02 and the information specified in Section 8.01. Such right may be exercised through any agent or employee of such Limited Partner designated in writing by it or by an independent public accountant, attorney or other consultant so designated. The Limited Partner making the request shall bear all costs and expenses incurred in any examination of the Partnership's affairs made on such Limited Partner's behalf. Confidential Information obtained pursuant to this Section 3.06 shall be subject to the provisions of Section 3.07.

3.07 ***Confidential Information.***

(a) Each Class B Limited Partner, each Class A Limited Partner and each Class C Limited Partner from time to time that is not Enron or an Affiliate of Enron acknowledge that, from time to time, they may receive Confidential Information, the release of which may be damaging to the Partnership or its Subsidiaries, EIM, Enron or Enron's Affiliates (each a "*Subject Person*") or to Persons with which a Subject Person does business. Unless the Subject Person (the General Partner if the Partnership is the Subject Person) consents otherwise, each Class B Limited Partner and Class A Limited Partner from time to time that is not Enron or an Affiliate of Enron shall hold in strict confidence and not disclose or otherwise use (except for matters directly involving its investment in the Partnership) any Confidential Information it receives and may not disclose it to any Person other than another Partner except for disclosures (i) in order to comply with any applicable law, order, regulation or ruling or request of any banking or securities regulatory authority (but the Partner must notify, to the extent it is legally permitted to do so, the Subject Person (the General Partner if the Partnership is the Subject Person) promptly of any request for disclosure of Confidential Information, before disclosing if it is practicable), or (ii) as to Confidential Information regarding the Partnership or its Subsidiaries or the Designated Business, to partners, members or other equity owners, or advisers or representatives of such Partner or Persons to which that Partner's Partnership Interest may be Disposed as permitted by this Agreement or to SBHC, and its lenders (and their advisers and representatives), but only if the recipients have agreed to be bound by the provisions of this Section 3.07. The Partners acknowledge that breach of the provisions of this Section 3.07 may

cause irreparable injury to the Subject Person for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Partners agree that the provisions of this Section 3.07 may be enforced by specific performance, including specifically through injunctive relief. The provisions of this Section 3.07 may be specifically enforced by any applicable Subject Person.

(b) Each Partner that is subject to Section 3.07(a) shall take such precautionary measures as may be reasonably required to ensure (and such Partner shall be responsible for) compliance with this Section 3.07 by any of its Affiliates, legal and financial advisors, and its and their respective directors, officers, employees and agents.

(c) A Partner that is subject to Section 3.07(a) and that subsequently ceases to be a Partner shall promptly return or destroy the Confidential Information that is written, except for that portion that may be found in analyses, compilations, studies or other documents prepared by or for a Partner, to the disclosing Subject Person and no copies shall be retained by a receiving former Partner or its representatives. That portion of the Confidential Information that is found in analyses, compilations, studies or other documents prepared by or for a receiving Partner, the Confidential Information that is oral and the Confidential Information that is not so returned will be held by the receiving Partner or former Partner and kept subject to the terms of this Agreement or will be destroyed by the receiving Partner or former Partner (with a certificate of destruction provided to the Partnership with respect thereto).

(d) The provisions of this Section 3.07 shall survive the termination of the Partnership.

3.08 ***Partition.***

To the fullest extent permitted under applicable Law, each Partner waives any and all rights that it may have to maintain an action for partition of the Partnership's property.

3.09 ***Covenant Not to Dissolve.***

Except as set forth in Article IX or as otherwise expressly provided in this Agreement, to the fullest extent permitted under applicable Law, each Partner hereby covenants and agrees not to take any action that would result in or is intended to result in a dissolution of the Partnership.

3.10 ***Termination of Status as Partner.***

(a) A Person shall cease to be a Partner only upon the first to occur of:

(i) The Disposition of all of its Partnership Interest, *provided* that the transferee of such Partnership Interest is admitted as a substituted Limited Partner in accordance with Section 3.04(b) of this Agreement.

(ii) The involuntary Disposition by operation of Law (other than as a result of any merger, consolidation, share exchange or conversion of a Partner with or into another Person; *provided*, that, in the case of such merger,

consolidation, share exchange or conversion, the conditions required for such Disposition to be a permitted Disposition hereunder shall have been satisfied) of its Partnership Interest (which shall not relieve such Person (or, in the case of such merger, consolidation, share exchange or conversion, the surviving or resulting Person of such merger, consolidation, share exchange or conversion) from any liability under this Agreement, including liabilities for an unpermitted withdrawal).

The happening of any of the foregoing events with respect to a Partner shall not, by itself, cause a dissolution of the Partnership except as provided in Article IX. Except to the extent specifically (and not by implication) set forth herein, upon the termination of a Person's status as a Partner, such Person shall not be entitled to any distributions from the Partnership, including a distribution based on the fair value of such Person's Partnership Interest. A Partner shall not cease to be a Partner solely as a result of the happening of any of the events specified in Section 17-402(a)(4) of the Act.

(b) No Partner may resign from the Partnership, except (i) with the prior written consent of the General Partner, or if the General Partner, the Class A Limited Partner (who is then an Affiliate of Enron) or the Class C Limited Partner (who is then an Affiliate of Enron) is resigning, a Majority Interest of the Class B Limited Partners, (ii) upon cancellation of the certificate of limited partnership as provided in Section 17-203 of the Act, or (iii) incident to a permitted Disposition pursuant to which the transferee is admitted as a Partner.

(c) Any debts, obligation, or liabilities in damages to the Partnership of any Person who ceases to be a Partner shall be collectible by any legal means and the Partnership is authorized, in addition to any other remedies at Law or in equity, to apply any amounts otherwise distributable or payable by the Partnership to such Person to satisfy such debts, obligations, or liabilities.

(d) Except as otherwise provided in this Agreement, in the event a Person ceases to be a Partner without having Disposed of all of its Partnership Interest in accordance with this Agreement (including upon removal or resignation), such Person shall be treated as an unadmitted Assignee of an interest as a result of a Disposition (other than a permitted Disposition) of a Partnership Interest pursuant to Section 3.04(a).

(e) Subject to the provisions of this Section 3.10 and Article IX, no Partner shall at any time retire or withdraw from the Partnership. Any Partner retiring or withdrawing in contravention of this Section 3.10 shall indemnify, defend and hold harmless the Partnership and all other Partners from and against any losses, expenses, judgments, fines, settlements or damages suffered or incurred by the Partnership or any other Partner arising out of or resulting from such retirement or withdrawal, except to the extent recovery of any portion of such damages is limited by the provisions of Section 11.01 hereof.

ARTICLE IV
CAPITAL CONTRIBUTIONS

Initial Capital Contributions; Contributions by the General Partner.

(a) EIM made a Capital Contribution to the Partnership of $1,000 as the General Partner, effective as of the Formation Date. On the Effective Date, each of the Partners shall make, in the order determined by the General Partner (but on, and effective on, the Effective Date), its respective Initial Capital Contribution and establish its aggregate Commitment (including its Initial Capital Contribution) in exchange for its respective Limited Partnership Interest as set forth in Section 4.01(b). The Limited Partners hereby agree that the portion of the Contributed Assets contributed by the General Partner as its Initial Capital Contribution has an aggregate value as Capital Contributions of $28,400, the portion of the Contributed Assets contributed by the Class A Limited Partner as its Initial Capital Contribution has an aggregate value as Capital Contributions of $283,971,600 and the Initial Capital Contribution of the Class B Limited Partner has an aggregate value as Capital Contributions of $28,500,000.

(b) The following are the Initial Capital Contributions of the Partners:

(i) The General Partner shall contribute all of the general partnership interest of EIPLP.

(ii) The Class A Limited Partner shall contribute (A) all of the limited partnership interest in EIPLP, (B) all of the membership interests in Garden State, (C) $208,500,000 in cash to be used by the Partnership to acquire beneficial ownership of the Class B Interests in Sonoma from Caymus Trust and, in connection therewith, retire indebtedness issued by Caymus Trust (such acquisition and retirement to be treated, for income and franchise tax purposes, as the repayment of the Class A Limited Partner's indebtedness by the Class A Limited Partner and a contribution by the Class A Limited Partner of an unencumbered interest in the Class C membership interest in Fishtail to the Partnership, (D) all of the Class A membership interests in Fishtail, (E) the Liquidity Facility, and (F) the benefit of all of the rights and indemnities granted to Enron and its Affiliates pursuant to the Asset Acquisition Agreements, to the extent the benefits of such rights and indemnities are assignable, as assigned pursuant to Section 3.03(b)(i) (the Initial Capital Contributions described in Section 4.01(b)(i) and this Section 4.01(b)(ii) are collectively referred to herein as the "*Contributed Assets*").

(iii) The Class B Limited Partner shall contribute cash or, with the consent of the General Partner, other assets (or any combination thereof) having a value of $28,500,000.

(iv) The Class C Limited Partner shall only have the obligation to make Capital Contributions to the Partnership as set forth in Section 4.01(c)(i).

(c) Set forth below are the amounts each Limited Partner is obligated to contribute, subject to Section 4.02, to the capital of the Partnership in addition to its respective Initial Capital Contributions (the General Partner and the Class A Limited Partner having no further Commitment), the sum of such amounts and the amounts set forth below as to each such Limited Partner constituting its Commitment:

(i) The Class C Limited Partner shall be obligated to contribute, as and to the extent required pursuant to Section 4.02 hereof, an aggregate of (A) $65,000,000, plus (B) the amount by which the principal amount of the Debt of Stadacona referred to in the proviso to Section 6.06(c)(iii) is reduced during the Term; and

(ii) The Class B Limited Partner shall be obligated to contribute, as and to the extent required pursuant to Section 4.02 hereof, an aggregate of $160,000,000.

Procedures for Capital Contributions.

(a) During the Term, at any time the General Partner determines that anticipated cash on hand at the next Distribution Date will be inadequate to (i) distribute to the Class B Limited Partners the Preferred Dividend Distribution Amount, (ii) pay expenses of the Partnership as they become due, or expenses, working capital requirements or debt service requirements of the Subsidiaries, or (iii) after making provision for (i) and (ii), maintain the working capital reserve required by the proviso to Section 4.03(a), the Class C Limited Partner, on or before the date specified in the notice from the General Partner required pursuant to Section 4.02(c), shall contribute to the Partnership a portion of its Commitment in the amount requested by the General Partner to permit the Partnership to make such payments or maintain such reserves; *provided, however*, that the Class C Limited Partner shall not be required to make Capital Contributions in excess of its aggregate Commitment; *provided further, however*, that from and after the occurrence of a Dissolution Event (as defined in Section 9.01 hereof) and prior to the end of the Term, a Partner shall not be required to make any Capital Contributions to the extent, but only to the extent, that the General Partner reasonably determines that the amount to be so contributed would be available for distribution to such Partner (in accordance with Sections 5.02 and 9.02 hereof) at the conclusion of the Term. If, *however*, the General Partner subsequently determines that such Capital Contributions would not be available for distribution to such Partner, then such Partner shall make the Capital Contributions in accordance with this Section 4.02.

(b) During the Term, if, at the end of any Quarterly Period Aggregate Net Losses of the Partnership exist, the Class B Limited Partner, on or before the date specified in the notice from the General Partner required pursuant to Section 4.02(c), shall (subject to the second proviso to Section 4.02(a)) contribute to the Partnership a portion of its Commitment in an amount equal to the remainder resulting from subtracting from such Aggregate Net Losses the amount of all prior Capital Contributions by the Class B Limited Partner pursuant to this 4.02(b) (without double counting of any amount included in the definition of the term Aggregate Net Losses); *provided, however*,

that the Class B Limited Partner shall not be required to make Capital Contributions in excess of its aggregate Commitment.

(c) To require Capital Contributions, the General Partner must notify each Class C Limited Partner or Class B Limited Partner, as the case may be, of the required Capital Contributions, which notice must state:

(i) (A) if pursuant to Section4.02(a), that the General Partner has determined that available cash will be insufficient to meet the requirements of Section 4.02(a)(i)-(iii), or (B) if pursuant to Section 4.02(b)(b) that Aggregate Net Losses of the Partnership exist as of the end of the most recent Quarterly Period;

(ii) the amount of the aggregate Capital Contributions requested pursuant to such notice, which shall equal the amount set forth in Section 4.02(a)or (b), as the case may be (rounded to the next highest $100,000);

(iii) the amount of the Capital Contribution that the Class C Limited Partner or Class B Limited Partner, as the case may be, is to make, which shall be determined as set forth in Section 4.02(a), (b) and (c)(ii);

(iv) the date on which such Capital Contribution shall be made, which shall be a Business Day no earlier than the fifth Business Day following the notice; and

(v) the bank account of the Partnership to which Capital Contributions are to be wired.

4.03 ***General Rules for Investment of Capital Contributions.***

(a) Unless otherwise agreed by a Majority Interest of the Class B Limited Partners and subject to Section 6.01 and the second proviso to Section 4.02(a), all of the Capital Contributions will be used (i) to engage in the Designated Business (including making capital expenditures in respect thereof), (ii) to pay Preferred Dividend Distribution Amounts, fees, advances and expenses of the Partnership, (iii) to repay indebtedness of the Partnership and its Subsidiaries, (iv) to pay any other expenses of engaging in the Designated Business and/or for working capital for the Partnership and its Subsidiaries or, (v) subject to Section 6.01(b), to pay fees and expenses of Subsidiaries of the Partnership, advances made by the Partnership to its Subsidiaries or capital expenditure requirements of the Subsidiaries, all as specified in the notice given by the General Partner under Section 4.02(c); *provided however*, that the Partners agree that the General Partner shall at all times maintain a working capital reserve (including earnings on and proceeds of investment) of cash and investments permitted under Section 4.03(b) aggregating at least $28.5 million.

(b) The General Partner may cause the Partnership to invest cash temporarily in liquid investments until such time as such cash is invested or utilized in the Designated Business; *provided*, that, such investments consist of (i) short-term obligations of, or obligations guaranteed by, the United States of America or any agency or instrumentality

thereof, (ii) any repurchase agreement with respect to securities described in clause (i) which is fully secured by such securities, (iii) any money market account or other interest-bearing account with a commercial bank having a short term rating of at least "A1/P1" or the equivalent by Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and capital and surplus of not less than $500,000,000, (iv) short-term debt securities or promissory notes of Enron or its Affiliates so long as Enron maintains at least one outstanding issue of senior unsecured debt rated investment grade, or (v) commercial paper that is rated at least P-1 by Moody's Investors Service, Inc. or A-1 by Standard & Poor's Ratings Services.

(c) Except as provided in Sections 4.01, 4.02 and 4.03 or as agreed by the Partners pursuant to Section 6.01(g), a Partner has no right or obligation to make Capital Contributions.

Failure to Contribute.

(a) If a Partner (the "*Delinquent Partner*") does not contribute by the time required all or any portion of a Capital Contribution that the Partner is required to make as provided in this Agreement:

(i) the Partnership may take such action (including, without limitation, court proceedings) as the General Partner may deem appropriate to obtain payment by the Delinquent Partner of the portion of the Delinquent Partner's Capital Contribution that is in default, together with interest on that amount at the Default Interest Rate from the Day that the Capital Contribution was due until the Day that it is made, all at the cost and expense of the Delinquent Partner;

(ii) the Delinquent Partner will not be entitled, during any period in which such Partner is a Delinquent Partner, to participate in any vote, consent or decision to be made by the Limited Partners;

(iii) the General Partner may elect to cause one or more of the following to occur in respect of a Delinquent Partner: (a) forfeiture of any distributions that such Delinquent Partner otherwise would have received pursuant to Section 5.01 or Section 5.01hereof, (b) reduction of the amount of such Delinquent Partner's capital invested (for purposes of calculating any Preferred Return) and the related Capital Account by 25%; or (c) the forced Disposition of all of such Delinquent Partner's interest in the Partnership (including any Partnership Interest) to the other Partners or to a third party at its cost or another price determined to be appropriate in the General Partner's discretion under the circumstances; and

(iv) until the Capital Contribution is made, the other Partners in proportion to their Sharing Ratios or in such other percentages as they may agree (the "*Lending Partner*," whether one or more), may, but shall not be obligated to,

advance the portion of the Delinquent Partner's Capital Contribution that is in default, with the following results:

(A) the sum advanced constitutes a loan from the Lending Partner to the Delinquent Partner, and a Capital Contribution of that sum to the Partnership by the Delinquent Partner under the applicable provisions of this Agreement;

(B) the principal balance of the loan and all accrued unpaid interest is due and payable on the 10th Day after written demand by the Lending Partner to the Delinquent Partner;

(C) the amount loaned bears interest at a rate per annum equal to the Default Interest Rate from the Day that the advance is made until the Day that the loan, together with all interest accrued on it, is repaid to the Lending Partner;

(D) the payment of the loan and interest accrued on it is secured by a security interest in the Delinquent Partner's Partnership Interest, as more fully set forth in Section 4.04(b); and

(E) the Lending Partner has the right, in addition to the other rights and remedies granted to it under this Agreement or at law or in equity, to take any action (including, without limitation, court proceedings) that the Lending Partner may deem appropriate to obtain payment by the Delinquent Partner of the loan and all accrued and unpaid interest on it, at the cost and expense of the Delinquent Partner.

(b) Each Partner grants to the Partnership, and to each Lending Partner with respect to any loans made by the Lending Partner to that Partner as a Delinquent Partner as described in Section 4.04(a)(iv), as security, equally and ratably, for the payment of all Capital Contributions that Partner has agreed to make and the payment of all loans and interest accrued on them made by each Lending Partner to that Partner as a Delinquent Partner as described in Section 4.04(a)(iv), a security interest in and a general lien on its Partnership Interest and the proceeds thereof, all under the Uniform Commercial Code of the State of Delaware. On any default in the payment of a Capital Contribution or in the payment of such a loan or interest accrued on it, the Partnership or the Lending Partner, as applicable, is entitled to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Delaware with respect to the security interest granted in this Section 4.04(b). If perfection of the security interest granted by a Partner pursuant to this Section 4.04(b) is not effectuated by possession of an Interest Certificate, a Delinquent Partner shall execute and deliver to the Partnership and the other Partners all financing statements and other instruments that the General Partner or the Lending Partner, as applicable, may request to effectuate and carry out the preceding provisions of this Section 4.04(b). For this purpose, this Agreement constitutes a security agreement.

Return of Contributions.

Except as expressly provided herein, a Partner is not entitled to the return of any part of its Capital Contributions. A Partner is not entitled to be paid interest in respect of its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Partnership or of any Partner. A Partner is not required to contribute or to lend any cash or assets to the Partnership to enable the Partnership to return any Partner's Capital Contributions.

Capital Accounts.

The Partnership shall maintain a capital account (a "*Capital Account*") for each Partner in compliance with Treasury Regulation Section 1.704-1(b)(2)(iv) and Section 1.704-2, as amended. Each Partner's Capital Account (a) shall be increased by (i) the amount of money contributed by that Partner to the Partnership, (ii) Book Value of property contributed by that Partner to the Partnership (net of liabilities secured by such contributed property that the Partnership is considered to assume or take subject to within the meaning of Code Section 752), and (iii) allocations to that Partner of Profits and any items of income or gain allocated to such Partner pursuant to the Regulatory Allocations, and (b) shall be decreased by (i) the amount of money distributed to that Partner by the Partnership, (ii) the Book Value of property distributed to that Partner by the Partnership (net of liabilities secured by such distributed property that such Partner is considered to assume or take subject to under Code Section 752), and (iii) allocations to that Partner of Losses and any items of loss or deduction allocated to such Partner pursuant to the Regulatory Allocations. A Partner that has more than one Partnership Interest shall have a single Capital Account that reflects all such Partnership Interests, regardless of the class of Partnership Interest owned by such Partner and regardless of the time or manner in which such Partnership Interests were acquired. Upon the Disposition of all or part of a Partnership Interest, the Capital Account of the transferor that is attributable to the Disposed Partnership Interest shall carry over to the transferee Partner in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(l).

ARTICLE V
DISTRIBUTIONS; ALLOCATIONS

Distributions.

(a) Subject to the other provisions of this Article V, at the times indicated below, the Partnership shall distribute to the Partners from cash in excess of the amount necessary to enable the Partnership to pay its obligations as they become due and a cash reserve for contingencies (in each case including anticipated operating expenses, including management fees and expenses payable pursuant to Section 6.07 hereof, in current and future periods), all as calculated or determined by the General Partner in its reasonable judgment in the following order of priority:

(i) First, on each Distribution Date to each Class B Limited Partner an amount equal to its pro rata portion of the Preferred Dividend Distribution Amount; *provided, that* to the extent not so made, the Preferred Return shall continue to cumulate as provided in Section 5.01(d);

(ii) Second, on the first Distribution Date at which Partnership funds are available therefor, pro rata to each Class B Limited Partner, an amount equal to the amount of Capital Contributions contributed by such Class B Limited Partner to the Partnership in excess of its Initial Capital Contribution, to the extent not theretofore returned;

(iii) Third, from time to time as determined by the General Partner, pro rata to each Class C Limited Partner an amount equal to the amount of Capital Contributions contributed by such Class C Limited Partner pursuant to Section 4.02(a) of this Agreement, to the extent not theretofore returned (and, upon such payment the Commitment of the Class C Limited Partner shall be restored by an amount equal to the amount distributed pursuant to this paragraph, but not to an amount in excess of the Class C Limited Partner's Commitment); and

(iv) Thereafter, from time to time as determined by the General Partner, the balance of cash available for distribution, if any, to the Class B Limited Partners, pro rata, the Class C Limited Partners, pro rata, the Class A Limited Partners, pro rata, and the General Partner, in such shares as will result in each Partner collectively receiving in the aggregate pursuant to Section 5.01(a)(i) and this Section 5.01(a)(iv) its respective Sharing Ratio of the total amount distributed pursuant to Section 5.01(a)(i) and this Section 5.01(a)(iv).

(b) From time to time the General Partner also may cause property of the Partnership other than cash to be distributed to the Partners; in the order of priority set forth in Section 5.01 or Section 5.02, *provided* (i) that any property distributed shall be freely transferable and not in violation of any law or regulation, (ii) that the General Partner shall have the option to sell such property and distribute the proceeds to the Partners, and (iii) that no property (other than cash) shall be distributed to any Class B Limited Partner without the prior written consent of such Class B Limited Partner. Immediately prior to such a distribution; the capital accounts of the Partners shall be adjusted as provided in Treas. Reg. § 1.704-1(b)(2)(iv)(f).

(c) Neither the General Partner nor any Limited Partner is personally liable for the payment of any distributions due to a Partner, and other than as provided in Section 4.02 no Partner may be required to make Capital Contributions or an advance to enable the Partnership to make distributions.

(d) The amount payable pursuant to Section 5.01(a)(i) in respect of the Class B Limited Partnership Interests on any Distribution Date shall be the unpaid Preferred Return with respect to such Class B Limited Partnership Interest accumulated to such Distribution Date (any such amount, a "*Preferred Dividend Distribution Amount*"). Any payments of Preferred Dividend Distribution Amounts made in respect of the Class B Limited Partnership Interests shall first be credited against the Preferred Return accumulated with respect to the earliest Quarterly Period for which any Preferred Return has not been paid in full (and shall be applied to accumulated Preferred Returns for subsequent Quarterly Periods in chronological order).

Distributions on Dissolution and Winding Up.

Subject to Section 17-804 of the Act, as promptly as practicable upon the dissolution and winding up of the Partnership, all available assets remaining after satisfaction of all debts and liabilities of the Partnership owed to creditors (whether by payment or the making of reasonable provision for payment thereof) shall be distributed to the Partners as follows: first, to the Class B Limited Partners until each Class B Limited Partner has received an amount equal to the sum of any accrued and unpaid Preferred Dividend Distribution Amount to the date of dissolution and the amount of any unreturned Capital Contributions made by such Class B Limited Partner, and second, to the Class A Limited Partners and General Partner in proportion to their respective Sharing Ratios in accordance with Section 9.02.

Allocation of Profits.

Profits shall be allocated by the General Partner on behalf of the Partnership to the Capital Accounts of the Partners as follows:

(a) First, 100% to the Class B Limited Partners to reverse Losses previously allocated to the Class B Limited Partners pursuant to Section 5.04(b), pro rata in accordance with the Losses previously allocated to each Class B Limited Partner;

(b) Second, 100% to each Class B Limited Partner until the cumulative amount of Profits allocated to each Class B Limited Partner pursuant to this Section 5.03 equals the cumulative amount of the Preferred Dividend Distribution Amount distributed to such Class B Limited Partner pursuant to Section 5.01(a)(i) and Section 5.02;

(c) Third, 100 % to the Class A Limited Partner, the Class C Limited Partner and the General Partner to reverse Losses previously allocated to the Class A Limited Partner, the Class C Limited Partner and the General Partner pursuant to Section 5.04(a), pro rata in accordance with the Losses previously allocated to the Class A Limited Partner, the Class C Limited Partner and the General Partner;

(d) Fourth, to the Class B Limited Partners, the Class A Limited Partner, the Class C Limited Partner and the General Partner in such shares as will cause (as rapidly as possible) (i) the cumulative amount of Profits allocated to the Class B Limited Partners pursuant to this Section 5.03(d) to equal the cumulative amounts distributed to the Class B Limited Partners pursuant to Section 5.01(a)(iv) and (ii) the cumulative amount of Profits allocated to the Class A Limited Partner, the Class C Limited Partner and the General Partner pursuant to this Section 5.03(d) (together with the cumulative amount of Profits theretofore allocated to the Class A Limited Partner, the Class C Limited Partner and the General Partner pursuant to Section 5.03(e)) to be not less than the cumulative amounts distributed to the Class A Limited Partner, the Class C Limited Partner and the General Partner pursuant to Section 5.01(a)(iv); and

(e) The balance to the Class A Limited Partner, the Class C Limited Partner and the General Partner in proportion to their respective Sharing Ratios.

Allocation of Losses.

Losses shall be allocated by the General Partner on behalf of the Partnership to the Capital Accounts of the Partners as follows:

(a) First, 100% to the General Partner the Class A Limited Partner and the Class C Limited Partner to the extent of, and in proportion to, the positive balances in their respective Adjusted Capital Accounts;

(b) Second, 100% to the Class B Limited Partner to the extent of, and in proportion to, the positive balances in their respective Adjusted Capital Accounts; and

(c) The balance, if any, to the Class A Limited Partner, the Class C Limited Partner and the General Partner in proportion to their respective Sharing Ratios.

Final Year Allocations.

Notwithstanding Sections 5.03 and 5.04, Profits and Losses realized by the Partnership during the Partnership's final Fiscal Year shall be allocated among the Partners so as to cause, to the extent possible, the Capital Account of each Partner to equal the amount distributable to such Partner pursuant to Section 5.02.

Regulatory Allocations.

The following allocations shall be made in the following order:

(a) Nonrecourse Deductions shall be allocated to the Partners in accordance with their Sharing Ratios.

(b) Partner Nonrecourse Deductions attributable to Partner Nonrecourse Debt shall be allocated to the Partners bearing the Economic Risk of Loss for such Partner Nonrecourse Debt as determined under Treasury Regulation Section 1.704-2(b)(4). If more than one Partner bears the economic Risk of Loss for such Partner Nonrecourse Debt, the Partner Nonrecourse Deductions attributable to such Partner Nonrecourse Debt shall be allocated among the Partners according to the ratio in which they bear the Economic Risk of Loss. This Section 5.06(b) is intended to comply with the provisions of Treasury Regulation Section 1.704-2(i) and shall be interpreted consistently therewith.

(c) Notwithstanding any other provision hereof to the contrary, if there is a net decrease in Minimum Gain for a taxable year (or if there was a net decrease in Minimum Gain for a prior taxable year and the Partnership did not have sufficient amounts of income and gain during prior years to allocate among the Partners under this Section 5.06(c)), items of income and gain shall be allocated to each Partner in an amount equal to such Partner's share of the net decrease in such Minimum Gain (as determined pursuant to Treasury Regulation Section 1.704-2(g)(2)). This Section 5.06(c) is intended to constitute a minimum gain chargeback under Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(d) Notwithstanding any provision hereof to the contrary except Section 5.06(c) (dealing with Minimum Gain), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain for a taxable year (or if there was a net decrease in Partner Nonrecourse Debt Minimum Gain for a prior taxable year and the Partnership did not have sufficient amounts of income and gain during prior years to allocate among the Partners under this Section 5.06(d)), items of income and gain shall be allocated to each Partner in an amount equal to such Partner's share of the net decrease in Partner Nonrecourse Debt Minimum Gain (as determined pursuant to Treasury Regulation Section 1.704-2(i)(4). This Section 5.06(d) is intended to constitute a partner nonrecourse debt minimum gain chargeback under Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(e) Notwithstanding any provision hereof to the contrary except Sections 5.06(c) and (d) (dealing with Minimum Gain and Partner Nonrecourse Debt Minimum Gain), a Partner who unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) shall be allocated items of income and gain (consisting of a pro rata portion of each item of income, including gross income, and gain for the taxable year) in an amount and manner sufficient to eliminate any deficit balance in such Partner's Adjusted Capital Account as quickly as possible. This Section 5.06(e) is intended to constitute a qualified income offset under Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(f) In the event that any Partner has a negative Adjusted Capital Account at the end of any taxable year, such Partner shall be allocated items of Partnership income and gain in the amount of such deficit as quickly as possible; *provided* that an allocation pursuant to this Section 5.06(f) shall be made only if and to the extent that such partner would have a negative Adjusted Capital Account after all other allocations provided for in this Article V have been tentatively made as if Section 5.06(e) and this Section 5.06(f) were not in this Agreement.

(g) To the extent an adjustment to the adjusted tax basis of any Partnership property pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as the result of a distribution to any Partner in complete liquidation of such Partner's Partnership Interest, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be allocated to the Partners in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(m)(2) if such Section applies, or to the Partner to whom such distribution was made if Treasury Regulation Section 1.704-1(b)(2)(iv)(m)(4) applies.

Income Tax Allocations.

(a) All items of income, gain, loss and deduction for Federal income tax purposes shall be allocated in the same manner as the corresponding item of Profits and Losses is allocated, except as otherwise provided in this Section 5.07.

(b) In accordance with Code Section 704(c) and the applicable Treasury Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its initial Book Value. In the event the Book Value of any property is adjusted pursuant to clause (b) or (d) of the definition of Book Value, subsequent allocations of income, gain, loss, and deduction with respect to such property shall take account of any variation between the adjusted basis of such property for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c) and the applicable Regulations thereunder. For purposes of such allocations, the Partnership shall elect whatever methods provided by Treasury Regulation Section 1.704-3 the General Partner may determine.

(c) Any (i) recapture of depreciation or any other item of deduction shall be allocated, in accordance with Treasury Regulation Section 1.1245-1(e), to the Partners who received the benefit of such deductions, and (ii) recapture of credits shall be allocated to the Partners in accordance with applicable law.

(d) Allocations pursuant to this Section 5.07 are solely for purposes of Federal, state, local and foreign taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

5.08 ***Other Allocation Rules.***

(a) All items of income, gain, loss, deduction and credit allocable to an interest in the Partnership that may have been transferred shall be allocated between the transferor and the transferee based on the portion of the calendar year during which each was recognized as the owner of such interest, without regard to the results of Partnership operations during any particular portion of that calendar year and without regard to whether cash distributions were made to the transferor or the transferee during that calendar year, except that capital items shall be allocated using the interim closing of the books method; provided, however, that this allocation must be made in accordance with a method permissible under Code Section 706 and the regulations thereunder.

(b) The Partners' proportionate shares of the "excess nonrecourse liabilities" of the Partnership, within the meaning of Treasury Regulation Section 1.752-3(a)(3), shall be determined in accordance with their Sharing Ratios.

ARTICLE VI
MANAGEMENT

Management by General Partner.

(a) Except as provided with respect to the Board of Directors that may be appointed in accordance with the provisions of Section 6.05 and the SBHC Rights granted pursuant to Section 6.06, the management of the Partnership is fully vested in the General Partner, and except as otherwise provided in this Agreement, (i) such General Partner shall have full power and authority to manage the business and affairs of the Partnership in accordance with Section 2.04, and (ii) no other Partner shall have any such management power and authority.

(b) The General Partner shall manage the business and affairs of the Partnership and shall operate the Designated Business in good faith, in accordance with the practices of Enron's wholesale services group and with the same degree of diligence and care with which such wholesale services group manages its own business and affairs. In addition, subject to Section 6.03(c), the General Partner agrees that it will continue to conduct its activities in the Designated Business in accordance with the Risk Management Policy, taking into account applicable regulatory requirements. In making its decisions with regard to the funding and other financial requirements of Subsidiaries, the General Partner will endeavor, to the extent reasonably practicable, to seek to preserve the creditors' and other rights of the Partnership as compared to other funding sources available to the Subsidiaries.

(c) The General Partner shall determine the fair market value of the property of the Partnership to be determined upon the occurrence of any Mark-to-Market Event. The General Partner shall give prior written notice to the Class B Limited Partner of any matter set forth in Section 6.06(c) sufficient under the circumstances to permit the Class B Limited Partner to exercise its SBHC Rights with respect thereto.

(d) (i) The General Partner shall cause the Partnership to conduct its business and operations separate and apart from that of any Partner, any Affiliates of any Partner or any other Person, including (A) segregating Partnership property and not allowing funds or other assets of the Partnership to be commingled with the funds or other assets of, held by, or registered in the name of, any Partner, any Affiliates of any Partner or any other Person, (B) maintaining books and financial records of the Partnership separate from the books and financial records of any Partner or any Affiliates of any Partner, and observing all Partnership procedures and formalities, including maintaining minutes or records of meetings of the Partnership and acting on behalf of the Partnership only pursuant to due authorization of the Partners (including any authorization as is given in this Agreement), (C) causing the Partnership to pay its liabilities from assets of the Partnership and (D) causing the Partnership to conduct its dealings with third parties in its own name and as a separate and independent entity.

(ii) Failure of the Partnership, or any Partner or director on behalf of the Partnership, to comply with any of the foregoing covenants in Section

6.01(d)(i) shall not affect the status of the Partnership as a separate legal entity or the limited liability of a Limited Partner.

(e) The General Partner shall cause (i) the Partnership to comply in all material respects with all of the obligations of the Partnership set forth in this Agreement, and (ii) the Partnership and the Subsidiaries to maintain, or cause to be maintained, insurance policies, on terms, in amounts and with insurers as described in Section 3.03(b)(iv), in effect during the Term of the Partnership.

(f) The General Partner shall cause the Partnership and each of its Subsidiaries to comply in all material respects with applicable Laws except for such non-compliance as is attributable solely to any action taken or omitted to be taken by the Class B Limited Partner.

(g) The matters set forth in this Section 6.01(g) involve either (as to the matters set forth in paragraphs (i) through (iii)) actions that the Partnership may not take without the approval of the Class B Limited Partner or (as to the matters set forth in paragraphs (iv) through (vi)) matters within the General Partner's discretion as to which it may seek assent from the Class B Limited Partners. The purpose of this Section 6.01(g) is to provide a framework through which the General Partner may seek such consent and the Class B Limited Partners may determine whether or not such consent will be granted. The General Partner shall have the right to request that the Limited Partners grant any consent or approval or make any designation regarding the matters referred to in this Section 6.01(g), and any Limited Partner may, but shall have no obligation to, grant its consent, approval or designation. The requisite vote for any consent or approval requested pursuant to this Section 6.01(g) or Section 8.03 shall be a Majority Interest of each of the Class A Limited Partners and the Class B Limited Partners. The procedure for such consent and approval is set forth in Section 8.03 hereof. In the event a Majority Interest of each of the Class A Limited Partners and the Class B Limited Partners grant a consent or approval or make a designation pursuant to this Section 6.01(g), the General Partner shall take action in a manner consistent with, and refrain from taking action pursuant to this Agreement in a manner inconsistent with such consent, approval or designation.

(i) The General Partner shall have the right to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partner (A) concur with the General Partner's determination that the Partnership or any of its Subsidiaries should acquire additional assets in the Designated Business, (B) establish the amounts and timing of any additional Capital Contributions to be required in respect thereof, (C) determine whether additional Partners shall be admitted in respect thereof and whether any additional classes of partnership Interests shall be created, and (D) determine any effect such acquisition has on the Sharing Ratios of the Partners.

(ii) The General Partner shall have the right to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and

the Class C Limited Partner designate additional industries or businesses to constitute part of the Designated Business.

(iii) The General Partner shall have the right to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partner designate as an Excluded Activity an investment that would otherwise be part of the Designated Business.

(iv) The General Partner shall have the right (but not the obligation) to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partners approve any transaction or proposed transaction between the Partnership and the General Partner or any of its Affiliates, or in which transaction the General Partner or any of its Affiliates has any interest (financial or otherwise) other than through the General Partner's interest as a Partner in the Partnership.

(v) The General Partner shall have the right (but not the obligation) to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partner concur in any determination of amounts payable to the General Partner under Section 6.07 or the method for calculating those amounts.

(vi) The General Partner shall have the right (but not the obligation) to request that a Majority Interest of each of the Class A Limited Partners, the Class B Limited Partner and the Class C Limited Partner determine whether or not any act, omission, or course of conduct by the General Partner or the Partnership (other than in connection with the making of a particular Investment) complies with Section 6.03.

Notice by the General Partner of Certain Events.

(a) (1) Within two Business Days after the occurrence of any of the events set forth in Section 6.02(b)(i), (ii), (iv), (viii), (x), (xi), (xiii), (xiv), (xvi) and (xvii) (2) as promptly as practicable following the earlier of (A) the receipt by the General Partner of notice of the occurrence of, and (B) the General Partner obtaining knowledge of, any of the events set forth in Section 6.02(b)(iii), (v), (vi), (ix), (xii) or (xv), and (3) at least two Business Days prior to incurrence in respect of the event set forth in Section 6.02(b)(vii) below, the General Partner shall give written notice (or oral notice setting forth the required information to be followed by written notice) (the "*Notice*") to the Class B Limited Partner (or, if there is more than one Class B Limited Partner, to each Class B Limited Partner) of the occurrence thereof at the address set forth on Exhibit A hereto or, if different, the then current address supplied to the Partnership by such Class B Limited Partner. The Notice shall describe the event and contain detail that is reasonable under the circumstances to permit the Class B Limited Partner to evaluate the event.

(b) A Notice shall be given with respect to the occurrence of each of the following events or conditions:

(i) a Value-at-Risk Limit Violation;

(ii) a Maturity Gap Risk Limit Violation;

(iii) the imposition of a material Encumbrance on any of the Permitted Assets or otherwise on any assets or properties constituting the Designated Business;

(iv) amendment by the Board of Directors of Enron of the Risk Management Policy;

(v) if at the end of any Quarterly Period the Designated Trading Business is operating at a net loss for the period commencing on the Effective Date and ending at the end of such Quarterly Period;

(vi) if at the end of any Quarterly Period after a Notice has been given pursuant to Section 6.02(b)(v) the Designated Trading Business is operating at a net gain for the period commencing on the Effective Date and ending at the end of such Quarterly Period;

(vii) the intention of the Partnership or any Subsidiary of the Partnership to incur Debt;

(viii) the acquisition by the Partnership or any Subsidiary of any Facility (or a Majority interest therein) in the Forest Products business;

(ix) the occurrence of a Dissolution Event;

(x) the occurrence during any period from (A) the Business Day immediately following the last Business Day of the period covered by the last monthly report delivered by the General Partner pursuant to Section 8.01(b)(iv) to (B) the Business Day on which the Partners receive the next monthly report delivered pursuant to Section 8.01(b)(iv) of net losses in the Designated Trading Business aggregating $10 Million or more, based upon close-of-day valuations;

(xi) if the full amount of the Liquidity Facility has been drawn;

(xii) the commencement of any litigation that would be required to be disclosed by the Partnership in filings with the Securities and Exchange Commission if the Partnership had a class of equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934;

(xiii) any Capital Contributions by a Partner of the Partnership;

(xiv) violation of any SBHC Rights;

(xv) the receipt by the Partnership of any notice from a governmental authority or the commencement of litigation by any other Person regarding a violation of, or with respect to a material liability arising under, any Environmental Law by any Person against, or with respect to the activities of, the Partnership or any of its Subsidiaries and any real property related to their respective businesses, which claim alleges liability for the payment of money in excess of $250,000 or other liabilities that could reasonably be expected to result in costs, losses, fines, penalties or other conditions or circumstances that could reasonably be expected to exceed $250,000 in terms of total cost to the Partnership or any of its Subsidiaries;

(xvi) any material breach by the General Partner, the Class A Limited Partner or the Class C Limited Partner of the terms of this Agreement; and

(xvii) any decision by Enron or any of its Affiliates to abandon all or any material part of the Designated Business.

Disclaimer of Duties.

(a) Except (i) as provided in Section 6.01(b) and Section 6.03(c), (ii) express contractual obligations under other provisions of this Agreement or under other existing or future agreements with the Partnership and (iii) obligations that any Person unrelated to the Partnership also has to the Partnership, neither Enron, the General Partner, any Class A Limited Partner, any Class C Limited Partner nor any Class B Limited Partner, nor any Affiliate of any of them, shall have any obligation, fiduciary or otherwise, to the Partnership, including any obligation (x) to offer business opportunities to the Partnership other than those that are exclusively the Designated Business, (y) to refrain from pursuing business opportunities that may have a competitive impact upon the Partnership or (z) to refrain from taking any other action that will or may be detrimental to the Partnership, and neither Enron, the Class A Limited Partner, the Class C Limited Partner the General Partner nor any Class B Limited Partner, nor any Affiliate of any of them, shall, by virtue of the relationships established pursuant to this Agreement, have any other obligation to take or refrain from taking any other action that may impact the Partnership. The provisions of this Section 6.03(a) constitute an agreement to modify or eliminate fiduciary duties pursuant to the provisions of Sections 17-403(a) and 17-1101 of the Act.

(b) The Partnership, the Class A Limited Partner (if the Class A Limited Partner is not Enron or an Affiliate of Enron), the Class C Limited Partner (if the Class C Limited Partner is not Enron or an Affiliate of Enron) and each Class B Limited Partner hereby renounce any interest or expectancy in any business opportunity that is not exclusively a Permitted Asset generated in the Designated Business.

(c) The General Partner agrees that (i) Enron will not, directly or indirectly, engage in the Designated Business or create a subsidiary for the purpose of engaging in the Designated Business except through or for the benefit of the Partnership, and (ii) no Enron Affiliate will, directly or indirectly, engage in the Designated Trading Business or create a subsidiary for the purpose of engaging in the Designated Trading Business

except through or for the benefit of the Partnership; *provided*, that nothing in this Agreement shall require Enron or any of its Affiliates to continue to engage in the Designated Business, which (subject to the provisions of Section 9.01(h) of this Agreement) Enron is free to pursue or abandon, in its sole discretion.

(d) As a result of the transactions contemplated by this Agreement, certain directors, officers or employees of Enron or its Affiliates may serve as officers, employees or directors of the Partnership or as officers, directors or employees of the General Partner (any such Person being referred to herein as a "*Designee*"). The Partners recognize that any Designee could be regarded as owing duties both to the Partnership and to Enron or its Affiliates. Each Class B Limited Partner, each Class A Limited Partner and each Class C Limited Partner that is not Enron or an Affiliate of Enron agree and acknowledge that they expect to benefit from the transactions contemplated by this Agreement. Enron, however, is unwilling to cause the General Partner, the Class C Limited Partner and the initial Class A Limited Partner to enter into this Agreement and to cause the General Partner and its Affiliates to consummate the transactions contemplated hereby unless each Class B Limited Partner and each Class A Limited Partner and Class C Limited Partner that is not Enron or an Affiliate of Enron agree to the provisions hereof because Enron and its Affiliates engage in certain businesses that are similar to those in which the Partnership will engage. Each Class B Limited Partner, each Class C Limited Partner and each Class A Limited Partner that is not Enron or an Affiliate of Enron (i) acknowledge and agree that Enron and its Affiliates and Designees (A) participate and will continue to participate in transactions with businesses engaged in the Designated Business (other than Designated Trading Business), directly and through Affiliates, (B) may have interests in, participate with, and maintain seats on the boards of directors of or serve as officers or employees of other Persons engaged in the Designated Business and (C) may develop business opportunities for Enron and its Affiliates and such other Persons. Each Class B Limited Partner acknowledges and agrees that (subject to Section 6.03(c)) neither Enron, the General Partner, their respective Affiliates, Designees nor any such other Person shall be restricted or prohibited by this Agreement or the relationships created hereby, or by serving as a director of the Partnership, from engaging in transactions (other than Designated Trading Business) with any Person in the Designated Business, or in any Excluded Activity, regardless of whether such business activity is in direct or indirect competition with the business or activities of the Partnership and its Affiliates, (ii) acknowledge and agree that neither Enron, the General Partner, their Affiliates, any Designee nor any such other Person shall have any obligation to offer the Partnership, any Class A Limited Partner that is not Enron or an Affiliate of Enron, any Class C Limited Partner that is not Enron or an Affiliate of Enron or any Class B Limited Partner or any of their respective Affiliates any business opportunity except to the extent set forth in Section 6.03(c), (iii) renounce any interest or expectancy in (A) any business opportunity other than the Permitted Assets and (B) any Excluded Activity pursued by Enron, the General Partner, their Affiliates, any Designee or any such other Person and (iv) waive any claim that any business opportunity or any Excluded Activity pursued by Enron, the General Partner or their Affiliates, any Designee or any such Person constitutes a partnership or corporate opportunity of the Partnership, any Class B Limited Partner or any of their respective Affiliates that should

have been presented to the Partnership, any Class A Limited Partner that is not Enron or an Affiliate of Enron, any Class C Limited Partner that is not Enron or an Affiliate of Enron or any Class B Limited Partner or any of their respective Affiliates, unless and only to the extent that such business opportunity is a Permitted Asset required to be conveyed to the Partnership pursuant to Section 6.03(e).

(e) Except as otherwise provided in this Agreement, the General Partner shall conduct the affairs of the Partnership in accordance with the standard set forth in the first sentence of Section 6.01(b). **THE GENERAL PARTNER IS NOT LIABLE FOR ITS OWN SIMPLE, PARTIAL, OR CONCURRENT NEGLIGENCE; PROVIDED THAT THE GENERAL PARTNER SHALL BE LIABLE FOR ANY DAMAGES TO THE PARTNERSHIP (AND WHICH RESULT IN DAMAGES REALIZED BY ANY PARTNER) RESULTING FROM (i) DEFAULT BY THE GENERAL PARTNER IN THE PERFORMANCE OF THE COVENANT REGARDING MAINTENANCE OF INSURANCE CONTAINED IN THE LAST CLAUSE OF SECTION 6.01(b) OR ANY OTHER COVENANT CONTAINED IN THIS AGREEMENT THAT RESULTS IN A MATERIAL ADVERSE EFFECT, (ii) A BREACH OF THE RISK MANAGEMENT POLICY, (iii) A VALUE AT RISK LIMIT VIOLATION, (iv) A MATURITY/GAP RISK LIMIT VIOLATION OR (v) ARISING OUT OF ITS GROSS NEGLIGENCE, FRAUD, OR WILFULL MISCONDUCT.** In no event shall the General Partner be liable for any action or course of conduct approved or consented to in writing by the Board of Directors or the Class B Limited Partner, any Class C Limited Partner that is not Enron or an Affiliate of Enron and any Class A Limited Partner that is not Enron or an Affiliate of Enron or any action or course of conduct based on a determination by the Class B Limited Partner, any Class C Limited Partner that is not Enron or an Affiliate of Enron and the Class A Limited Partner that is not Enron or an Affiliate of Enron, **INCLUDING SPECIFICALLY MATTERS FOR WHICH THE GENERAL PARTNER WOULD BE LIABLE IN THE ABSENCE OF THIS SECTION 6.03** absent a material misstatement or omission or fraud in obtaining the approval; provided, that, notwithstanding the existence of a material misstatement or omission, in no event shall the General Partner be liable for any such action or course of conduct if the General Partner, at the time of the Board of Directors or the Class B Limited Partner's, the Class C Limited Partner's that is not Enron or an Affiliate of Enron and the Class A Limited Partner's that is not Enron or an Affiliate of Enron consent, approval or determination, did not know of, and in the exercise of a standard of care not constituting gross negligence, willful misconduct or fraud could not have known of, the material misstatement or omission. The General Partner shall devote the time and effort to the Partnership business and operations required by Section 2.10 hereof.

(f) Without limiting the generality of the foregoing (but subject to Section 6.03(c) and Section 9.01(i)), the Partners acknowledge that Enron, the General Partner and any of their respective Affiliates may invest in or engage in Excluded Activities without any obligation to the Partnership or any Partner.

(g) The Partnership may transact business with any Partner or Affiliate of a Partner, provided, that, the terms of transactions with the General Partner or one of its Affiliates are comparable to, or at least as favorable to the Partnership as, the terms of transactions at arms' length between unaffiliated parties. Any transaction between the Partnership and a Partner or its Affiliates that has been approved by the Board of Directors or a Majority Interest of the Class B Limited Partners with appropriate disclosure shall be deemed to have satisfied the standard set forth in the previous sentence. A Partner or Affiliate that transacts business with the Partnership owes no duty to the Partnership or the other Partners to exercise or to refrain from exercising in any particular manner its rights or powers as a participant in that transaction, including those arising under any contract with the Partnership, and such Partner or such Affiliate of a Partner may realize profits from that transaction.

(h) The Class B Limited Partner, the Class C Limited Partner that is not Enron or an Affiliate of Enron and the Class A Limited Partner that is not Enron or an Affiliate of Enron acknowledge that, except to the extent expressly set forth in the Enron Agreement, Enron and its respective Affiliates do not guarantee the performance of the Partnership or the General Partner. Except to the extent expressly set forth in the Enron Agreement, in the absence of gross negligence, willful misconduct or fraud, neither Enron nor any of its Affiliates (other than the General Partner) shall have any liability for the acts, omissions or courses of conduct of the Partnership or the General Partner. As a result of the foregoing, except to the extent expressly set forth in the Enron Agreement, Enron and its Affiliates (other than the General Partner) shall have **NO LIABILITY FOR THE SIMPLE, PARTIAL OR CONCURRENT NEGLIGENCE OF THE GENERAL PARTNER, ENRON OR ANY OF ITS AFFILIATES** in connection with the acts, omissions or courses of conduct of the Partnership or the General Partner; **PROVIDED THAT ENRON AND ITS AFFILIATES SHALL BE LIABLE FOR ANY DAMAGES ARISING OUT OF THEIR OWN GROSS NEGLIGENCE, FRAUD, OR WILFULL MISCONDUCT.**

Indemnification.

(a) (i) To the fullest extent permitted by law, the Partnership shall indemnify the General Partner, each Designee and their respective officers, directors, employees, agents and controlling Persons, any Person who served at the request of the General Partner as an officer, director, employee or agent of another Person and each Partner and its officers, directors, employees, agents and controlling Persons (each, an "*General Partner Indemnified Person*"), on request by the General Partner Indemnified Person, and hold each of them harmless from and against all losses, costs, liabilities, damages and expenses (including, without limitation, reasonable costs of suit and attorney's fees) (collectively, "*Losses*") any of them may incur as a Partner of the Partnership or as a controlling Person of such Partner or in serving at the request of the General Partner or the Board of Directors as an officer, director, employee or agent of another Person, in performing the obligations of the General Partner with respect to the Partnership, **INCLUDING ANY MATTER ARISING OUT OF OR RESULTING FROM THE INDEMNIFIED PERSON'S OWN SIMPLE, PARTIAL, OR CONCURRENT**

NEGLIGENCE, except for any such loss, cost, liability, damage or expense primarily attributable to the General Partner Indemnified Person's gross negligence, willful misconduct or fraud; *provided, however*, that no Limited Partner shall be required to make any additional Capital Contributions expressly to fund any indemnity obligation hereunder. If a General Partner Indemnified Person becomes involved in any action, proceeding or investigation with respect to which indemnity may be available under this Section 6.04, the Partnership may reimburse the General Partner Indemnified Person for its reasonable legal and other expenses (including the cost of investigation and preparation) as they are incurred, provided, that, the General Partner Indemnified Person shall promptly repay to the Partnership the amount of any such expense paid if it is ultimately determined that the General Partner Indemnified Person was not entitled to indemnification hereunder. Any amounts payable in respect of indemnification hereunder shall be recoverable only from the assets of the Partnership.

(ii) Promptly after receipt by a General Partner Indemnified Person of notice of any claim or the commencement of any action with respect to which indemnity may be available under this Section 6.04, the General Partner Indemnified Person shall, if a claim in respect thereof is to be made against the Partnership under this Section 6.04, notify the Partnership in writing of the claim or the commencement of the action; provided, that, the failure to notify the Partnership shall not relieve it from any liability which it may have to an Indemnified Person except to the extent that the Partnership is prejudiced thereby. If any such claim or action shall be brought against a General Partner Indemnified Person, and it shall notify the Partnership thereof, the Partnership shall be entitled to participate therein, and, to the extent that it wishes, to assume the defense thereof with counsel reasonably satisfactory to the General Partner Indemnified Person. After notice from the Partnership to the General Partner Indemnified Person of its election to assume the defense of such claim or action, the Partnership shall not be liable to the General Partner Indemnified Person under this Section 6.04 for any legal or other expenses subsequently incurred by the General Partner Indemnified Person in connection with the defense thereof other than reasonable costs of investigation; *provided*, that, all of the General Partner Indemnified Persons shall have the right to employ one counsel to represent them if, in the opinion of counsel to the General Partner Indemnified Persons there are available to them defenses not available to the Partnership and in that event the fees and expenses of such separate counsel shall be paid by the General Partner Indemnified Person. In no event shall the Partnership be required to indemnify an General Partner Indemnified Person with respect to amounts paid in settlement of a claim unless such claim was settled with the consent of the Partnership.

(iii) In further consideration of the benefits received and to be received by the Partnership pursuant to this Agreement and the transactions contemplated hereunder, the Partnership acknowledges and agrees that with respect to any business opportunity presented to or identified by Enron as described in Section 6.03 (which term shall include, for purposes of this Section 6.04(a)(iii), Enron's predecessors and successors in interest, and all of Enron's and its respective

predecessors and successors in interests' respective Affiliates, stockholders, directors, officers, employees, agents, attorneys, servants, invitees, contractors, licensees, legal representatives, successors, and assigns), which is pursued in accordance with the standards in Section 6.03 of this Agreement, Enron may pursue such opportunity and conduct the business related thereto without any obligation to offer it to the Partnership. The Partnership acknowledges and agrees that in such case, to the extent that a court might hold that the pursuit of such opportunity or the conduct of such activity is a breach of any standard of care, a duty of loyalty, or other duty owed to the Partnership (and without admitting that the pursuit of such opportunity or the conduct of such activity is such a breach of any such standard or duty), the Partnership hereby fully and irrevocably renounces, releases and waives, to the extent permitted by applicable law, any interest or expectancy in such opportunity or activity pursued by Enron in accordance with the standards in Section 6.03 of this Agreement and any and all Claims that the Partnership or any Person claiming by, through, or under the Partnership may have to claim that such business opportunity is a partnership or corporate opportunity of the Partnership or any Partner or that the pursuit by Enron of any such business opportunity or the conduct of the business related thereto is a breach of any standard of care, duty of loyalty, or other duty owed to the Partnership (including, to the extent permitted by applicable law, any and all Claims arising either directly or derivatively, and whether brought by, through, or under the Partnership, or by any stockholder, creditor, subsidiary or Affiliate of the Partnership).

(b) (i) To the fullest extent permitted by law, each Partner (the "*Indemnifying Partner*") shall indemnify each other Partner and their respective officers, directors, employees, agents and controlling Persons, (each, an "*Partner Indemnified Person*"), on request by the Partner Indemnified Person, and hold each of them harmless from and against all Losses any Partner Indemnified Person actually incurs arising directly from a breach by the Indemnifying Partner of any of its representations, warranties or covenants contained herein; *provided, however,* that the General Partner (or Enron pursuant to the Enron Agreement) shall not be liable under this Section 6.04(b) for the amount of any Losses for which the General Partner or Enron, as the case may be, has already made payment to the Partnership or a Partner Indemnified Person pursuant to Section 6.03(e). If a Partner Indemnified Person becomes involved in any action, proceeding or investigation with respect to which indemnity may be available under this Section 6.04, the Indemnifying Partner may reimburse the Partner Indemnified Person for its reasonable legal and other expenses (including the cost of investigation and preparation) as they are incurred, provided, that, the Partner Indemnified Person shall promptly repay to the Indemnifying Partner the amount of any such expense paid if it is ultimately determined that the Partner Indemnified Person was not entitled to indemnification hereunder.

(ii) Promptly after receipt by a Partner Indemnified Person of notice of any claim or the commencement of any action with respect to which indemnity may be available under this Section 6.04(b), the Partner Indemnified Person shall,

if a claim in respect thereof is to be made against the Partnership under this Section 6.04(b), notify the Partnership in writing of the claim or the commencement of the action; provided, that, the failure to notify the Partnership shall not relieve it from any liability which it may have to an Indemnified Person except to the extent that the Indemnifying Partner is prejudiced thereby. If any such claim or action shall be brought against a Partner Indemnified Person, and it shall notify the Indemnifying Partner thereof, the Indemnifying Partner shall be entitled to participate therein, and, to the extent that it wishes, to assume the defense thereof with counsel reasonably satisfactory to the Partner Indemnified Person. After notice from the Indemnifying Partner to the Partner Indemnified Person of its election to assume the defense of such claim or action, the Indemnifying Partner shall not be liable to the Partner Indemnified Person under this Section 6.04 for any legal or other expenses subsequently incurred by the Partner Indemnified Person in connection with the defense thereof other than reasonable costs of investigation; *provided*, that, all of the Partner Indemnified Persons shall have the right to employ one counsel to represent them if, in the opinion of counsel to the Partner Indemnified Persons, there are available to them defenses not available to the Indemnifying Partner and in that event the fees and expenses of such separate counsel shall be paid by the Partner Indemnified Person. In no event shall the Indemnifying Partner be required to indemnify an Partner Indemnified Person with respect to amounts paid in settlement of a claim unless such claim was settled with the consent of the Indemnifying Partner.

Board of Directors.

(a) At any time, whether with or without cause, the Class B Limited Partner (or a Majority Interest of the Class B Limited Partners, if there is at such time more than one Class B Limited Partner) may cause the management responsibilities with respect to the Partnership granted to the General Partner pursuant to this Agreement to be assumed by a board of directors composed of four members (the "*Board of Directors*"). Neither service on the Board of Directors by any individual nor action by the Board of Directors shall constitute such individual or the Board of Directors as a General Partner of the Partnership, it being the express intention of each of the Partners that the creation of the Board of Directors, services by any individual thereon and any decision made thereby shall be for all purposes a delegation by the General Partner of its powers and responsibilities as contemplated by Section 17-403(c) of the Act and the exercise by the Limited Partners of rights contemplated by Section 17-303 of the Act. In addition, each individual serving on the Board of Directors, in acting as a director, shall have the obligation to consider only the interests of the Partner(s) who appointed him or her and shall have no obligation to consider or protect the interests of any other Partner, it being the express intention of the Partners that the Board of Directors and the individuals serving thereon shall be subject only to the duties and responsibilities imposed by this Agreement and not any duties imposed on boards of directors by the Delaware General Corporation Law or other laws and decisions applicable to corporate boards of directors. The Partners acknowledge and agree that the standard of duty imposed upon the Board of Directors pursuant to the previous sentence of this Section 6.05, to the extent it involves a delegation by the General Partner of its powers and responsibilities as contemplated by Section 17-403(c) of the Act, also involves a waiver of

fiduciary duties as permitted by Section 17-403(a) of the Act. The assumption of management responsibility by the Board of Directors shall be effective ten Business Days (or, for the period commencing on the Effective Date and ending on December 4, 2001 one Business Day) following the receipt by the General Partner, the Class A Limited Partner and the Class C Limited Partner of written notice signed by the Class B Limited Partner(s) naming two persons to act as directors and as representatives of the Class B Limited Partner on the Board of Directors. Promptly (or in the period commencing on the Effective Date and ending on December 4, 2001, within one Business Day) following the receipt by the General Partner and the Class A Limited Partner of the notice described above, the General Partner shall notify the Class B Limited Partner in writing of the identity of the two persons selected by the General Partner to act as directors and as representatives of the General Partner on the Board of Directors.

(b) Upon appointment, the Board of Directors shall have all of the management powers and responsibilities with respect to the Partnership granted to the General Partner pursuant to this Agreement and shall automatically and with no further action being required by any Partner have the same obligations as those imposed upon the General Partner by this Agreement and the General Partner shall no longer have such obligations and shall not be entitled to exercise or perform any such powers or responsibilities without the consent of the Board of Directors, and from and after the appointment of the Board of Directors, this Agreement shall be so construed and interpreted.

(c) The Board of Directors initially shall be four in number (unless the General Partner fails to appoint its representatives, in which case the Board shall be two in number until and unless the General Partner appoints its representatives to act on the Board of Directors), and thereafter shall be composed of such even number of persons as shall be determined from time to time by action of the Board of Directors; *provided, however*, that at all times the Board of Directors (and any committees thereof) shall be composed of equal numbers of representatives of the General Partner and the Class B Limited Partner. The General Partner shall have the exclusive right from time to time to select, appoint and remove (with or without cause) the directors acting as the representatives of the General Partner on the Board of Directors. The Class B Limited Partner (or a Majority Interest of the Class B Limited Partners, if there is at such time more than one Class B Limited Partner) shall have the exclusive right from time to time to select, appoint and remove (with or without cause) the directors acting as its representatives on the Board of Directors. Any vacancy occurring on the Board of Directors due to the death, disability, removal or resignation of a director shall be filled by the Partner who appointed the director and as whose representative the deceased, disabled, removed or departing director served. In the event a Partner fails or refuses to appoint representatives to the Board of Directors for any reason (and has actual notice of the death, resignation or other refusal to serve of any person previously acting as a member of the Board of Directors and representing such Partner), so that for a period of ten Days or more there is no representative of such member acting as a member of the Board of Directors, then such Partner shall be deemed to have consented to any actions taken by the Board of Directors after the expiration of such ten Day period (or one day if

any part of such ten Day period would otherwise occur prior to December 4, 2001) and prior to the appointment by such Partner of a director or directors to act as the representative of such Partner on the Board of Directors as provided herein and the quorum and voting requirements in Section 6.05(d) below shall be modified accordingly. The Board of Directors shall have the power to establish its own procedures for meeting and voting and to appoint one or more committees, in each case subject to the requirements of this Section 6.05. Any member of the Board of Directors shall have the right to present an issue to the Board of Directors for its consideration by mailing notice and a description thereof to each member of the Board of Directors under reasonable notice and other procedures established by the Board of Directors from time to time.

(d) A quorum for the conduct of business by the Board of Directors on behalf of the Partnership shall be no less than a majority of the total number of directors then appointed and acting, including at least one director representing the General Partner and one director representing the Class B Limited Partner. For quorum purposes, a director may be present in person, or by conference telephone, teleconference or any other means wherein each director can hear each other director. No action may be conducted at a meeting unless prior written or telephonic notice has been given to each director (in the case of telephonic notice, personally) at least 48 hours prior to the time fixed for such meeting, unless such notice has been waived in writing by each director who did not receive notice as required hereby.

(e) The Board of Directors may take action only by the vote of a Majority of the entire number of directors then appointed and acting at a meeting at which a quorum is present, which Majority vote includes the vote of at least one representative of the General Partner and one representative of the Class B Limited Partner. As provided in Section 17-302(c) of the Act, action may be taken without notice and a meeting if a consent in writing setting forth the action so taken is executed by at least such number of directors as would be sufficient to approve the action at a meeting, provided, that the executing directors include at least one representative of the General Partner and one representative of the Class B Limited Partner as contemplated by this Agreement.

SBHC Rights.

(a) The General Partner, the Class A Limited Partner and the Class C Limited Partner further agree that any of the actions set forth in Section 6.06(c) (the "*SBHC Rights*") may not be taken, nor shall any consent to, or authorization of any such act be effective, unless such action also has been assented or consented to by a Majority Interest of the Class B Limited Partners; *provided, however*, that during any period the Board of Directors has been approved and is acting, approval of the Board of Directors in accordance with Section 6.05(e) shall be deemed to constitute the approval of a Majority Interest of the Class B Limited Partners for any of the actions set forth in Sections 6.06(c).

(b) Any SBHC Right may be exercised by the Class B Limited Partners only upon the vote or written consent of a Majority Interest, and any action in respect of a SBHC Right will not be effective for any purpose unless the General Partner (or the

Board of Directors if one has been appointed and is acting pursuant to Section 6.05) has received written confirmation of the action taken containing a certification that the action has been approved as required pursuant to this Section 6.06(b).

(c) None of the actions set forth in this Section 6.06(c) may be taken, nor shall any consent to, or authorization of any such act (whether on behalf of the Partnership by the General Partner or the Board of Directors) be effective, unless such action also has been assented or consented to by a Majority Interest of the Class B Limited Partners:

(i) issue additional Partnership Interests or admit additional Partners (except in connection with a Disposition permitted under the second sentence of Section 3.04(a) or approved by the Board of Directors);

(ii) execute, modify, terminate or waive any right under any agreement or transaction between the Partnership and Enron or an Affiliate of Enron;

(iii) (A) alter the Partnership's financial policies regarding the issuance or retirement of debt, (B) cause the Partnership or any of its Subsidiaries to incur Debt in excess of 50% of total capitalization of the Partnership and its Subsidiaries, taken as a whole (C) impose any Encumbrance on the assets of the Partnership (*provided* that imposition of an Encumbrance on assets of the Subsidiaries of the Partnership shall not be deemed to be an imposition of an Encumbrance on the assets of the Partnership) or (D) refinance existing Debt incurred in connection with the acquisition of Stadacona as contemplated after the Effective Date;

(iv) acquisition by the Partnership of assets other than the Permitted Assets *provided* that acquisition of assets by the Subsidiaries of the Partnership shall not be deemed to be an acquisition of assets by the Partnership;

(v) dispose of assets of the Partnership other than temporary investments made pursuant to Section 4.03(b) of this Agreement and *provided* that disposition of assets by the Subsidiaries of the Partnership shall not be deemed to be an acquisition of assets by the Partnership;

(vi) appoint any independent accountant or firm of independent accountants other than Arthur Andersen LLP to serve as the independent auditors to the Partnership;

(vii) dissolve or terminate the Partnership except as provided herein; or

(viii) commence with respect to the Partnership or any of its Subsidiaries a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other voluntary case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Partnership to the entry of a decree or order for relief against the Partnership or any of its Subsidiaries in an involuntary case or proceeding under

any applicable federal, state or foreign bankruptcy or insolvency case or proceeding against the Partnership or any of its Subsidiaries, or file with respect to the Partnership or any of its Subsidiaries a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or consent to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of any substantial part of the Partnership's or any of its Subsidiaries' property, or make of an assignment of Partnership assets for the benefit of creditors, or admit on behalf of the Partnership or any of its Subsidiaries in writing its inability to pay its debts generally as they become due, or take action in furtherance of any such action.

Fees; Reimbursement of Partners' Costs.

(a) The General Partner shall be entitled to receive reimbursement for the actual out-of-pocket costs and expenses of administering the affairs of the Partnership and managing and operating the Designated Business upon presentation of invoices relating to such expenses.

(b) In addition, the Partnership will reimburse (i) the General Partner for its actual and reasonable out-of-pocket expenses incurred in connection with the negotiation and preparation of this Agreement, and (ii) the initial Class B Limited Partner for its actual and reasonable out-of-pocket expenses incurred in connection with the negotiation and preparation of this Agreement and its evaluation whether to become a Class B Limited Partner of the Partnership, in each case, on delivery to the Partnership of a reasonably detailed accounting of those out-of-pocket expenses.

Persons dealing with the Partnership are entitled to rely conclusively upon the power and authority of the General Partner or the Board of Directors, as applicable, set forth in this Agreement.

ARTICLE VII
TAXES

7.01 ***Tax Matters.***

(a) ***Partnership Reporting.*** All returns filed by the Partnership in respect of federal, state and local income taxes shall be filed on the basis that the Partnership is a partnership for federal, state and local income tax purposes unless otherwise (x) required by Law, or (y) unanimously agreed by all Partners. The Partners shall take all steps pursuant to applicable regulations and applicable state or local Law in order to achieve partnership classification for the Partnership for Federal, state and local income tax purposes and, in this connection, each Partner will join in the making of any election requested in good faith by the General Partner in furtherance of this objective.

(b) ***Tax Elections.*** The Partnership shall make the following elections on the appropriate tax returns:

(i) to adopt the calendar year as the Partnership's fiscal year;

(ii) to adopt the accrual method of accounting and to keep the Partnership's books and records on the accrual method;

(iii) if a distribution of Partnership property as described in Code Section 734 occurs or if a transfer of a Partnership Interest as described in Code Section 743 occurs, on request by notice from any Partner, to elect, pursuant to Code Section 754, to adjust the basis of Partnership properties;

(iv) to elect to amortize the organizational expenses of the Partnership ratably over a period of 60 months as permitted by Code Section 709(b); and

(v) any other election that the General Partner may deem appropriate and in the best interests of the Partners and to which the Class B Limited Partner consents.

Neither the Partnership nor any Partner may make an election for the Partnership to be (i) excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, or (ii) treated as an association taxable as a corporation.

(c) ***Tax Matters Partner.*** The General Partner shall be the "tax matters partner" of the Partnership pursuant to Code Section 6231(a)(7). The General Partner shall take such action as may be necessary to cause each other Partner to become a "notice partner" within the meaning of Code Section 6231(a)(8). The General Partner shall inform each other Partner of all significant matters that may come to its attention in its capacity as tax matters partner by giving notice on or before the fifth Business Day after becoming aware of the matter and, within that time, shall forward to each other Partner copies of all significant written communications it may receive in that capacity.

(d) ***Tax Information.*** Necessary tax information shall be delivered to each Partner as soon as practicable after the end of each Fiscal Year of the Partnership. The General Partner shall file tax returns for the Partnership prepared in accordance with the Code and the Regulations.

ARTICLE VIII
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS; MEETINGS

Maintenance of Books; Reports.

(a) The General Partner shall keep or cause to be kept at the principal office of the Partnership or, upon notice to the Partners, at such other location the General Partner deems

appropriate complete and accurate books and records of the Partnership, supporting documentation of the transactions with respect to the conduct of the Partnership's business and minutes of the proceedings of its Partners, and any other books and records that are required to be maintained by Law.

(b) Each Partner will receive (i) within 120 days following the close of the Partnership's fiscal year, audited annual financial reports of the Partnership and its Subsidiaries on a consolidated basis, (ii) within 45 days following the close of each fiscal quarter (other than the final fiscal quarter of any year) quarterly unaudited financial reports of the Partnership and its Subsidiaries on a consolidated basis prepared in accordance with GAAP and certified by the chief accounting officer of Enron Industrial Markets; (iii) quarterly reports regarding Stadacona and Garden State, (iv) monthly unaudited reports regarding gains and losses experienced by the Designated Trading Business of the Partnership (together with a running total of aggregate gains or losses experienced by the Partnership), (v) biweekly unaudited reports regarding gains and losses experienced by the Designated Trading Business of the Partnership (together with a running total of aggregate gains or losses experienced by the Partnership) at any time after the delivery of a Notice pursuant to Section 6.02(b)(v) hereof and until the delivery of a subsequent Notice pursuant to Section 6.02(b)(vi) hereof; and (vi) a monthly report of any trades made by the Partnership involving cross commodity swaps or other similar cross commodity transactions wherein the Partnership is contractually obligated with respect to one of the commodities involved and Enron or an Affiliate of Enron is contractually obligated with respect to another commodity.

(c) Each Partner shall have reasonable right of (i) access to information regarding the Partnership's tax returns and distributions and visitation rights to permit each Partner to inspect such information, (ii) participation in discussions with officers of the General Partner for purposes of clarifying information received pursuant to (i) and (iii) such other information as reasonably requested by such Partner.

6.02 ***Bank Accounts.***

Funds of the Partnership shall be deposited in such banks or other depositories as shall be designated from time to time by the General Partner. All withdrawals from any such depository shall be made only as authorized by the General Partner and shall be made only by check, wire transfer, debit memorandum or other written instruction.

6.03 ***Consents, Approvals and Other Matters.***

(a) In any request to another Partner for its consent, approval or determination, other than requests by the General Partner that a Majority Interest of each of the Class A Limited Partner, the Class C Limited Partner and the Class B Limited Partner (A) concur with the General Partner's determination that the Partnership should acquire additional assets in the Designated Business, (B) establish the amounts and timing of any additional Capital Contributions to be required in respect thereof, (C) determine whether additional Partners shall be admitted and whether additional classes of Partnership Interests shall be created in respect

thereof, and (D) determine any effect such acquisition has on the Sharing Ratios of the Partners, which shall be made in accordance with the procedures and time limitations in paragraph (b) of this Section 8.03, the General Partner may specify a response period that is reasonable under the circumstances and that ends no earlier than the 5th Business Day following the date on which the Partner whose consent, approval or determination is sought receives the request as described in Section 6.01(g). Each Limited Partner agrees that in the event the General Partner requests its consent, approval or determination regarding a matter, such Limited Partner will respond within the response period specified in the notice. In the event the General Partner follows such procedures and a Limited Partner fails to respond within the response period specified in the notice given in accordance with this Section 8.03(a), the request of the General Partner will be deemed to have been denied by such Limited Partner.

(b) In the event the General Partner desires to request that any Limited Partner consent to an action or concur with the General Partner's determination that the Partnership should acquire additional assets in the Designated Business, require additional Capital Contributions in respect thereof, admit additional Partners or create additional classes of Partnership Interests in respect thereof, or change the Sharing Ratios of the Partners as a result thereof, such request must be made in accordance with the following procedures:

(i) The request notice furnished by the General Partner to any Limited Partner shall contain all information that, in the judgment of the General Partner, is material to a decision by such Limited Partner whether to grant such consent or to concur with such determination and shall include a time for an initial response by such Limited Partner, which shall be reasonable under the circumstances but shall be no less than ten Business Days after receipt of such notice;

(ii) Within the response period specified in the notice, such Limited Partner shall inform the General Partner in writing (unless written notice is waived by the General Partner) whether or not it is interested in granting such consent or in concurring with such determination; if a negative response or no response has been received by the General Partner upon the expiration of such period from Limited Partners holding in the aggregate at least a Majority Interest of either of the Class A Limited Partner (if, but only if, at the time a Majority Interest of the Class A Limited Partner is composed of Persons who are not Enron or an Affiliate of Enron), the Class C Limited Partner (if, but only if, at the time a Majority Interest of the Class C Limited Partner is composed of Persons who are not Enron or an Affiliate of Enron) or the Class B Limited Partner, the request of the General Partner will be deemed to have been denied by a Majority Interest of each of the Class A Limited Partners, the Class C Limited Partners and the Class B Limited Partners. Thereafter, the General Partner or any of its Affiliates may take action as if the Limited Partners had made a determination contrary to that requested by the General Partner, such investment and any business activity related thereto shall be deemed, from and after the close of business in Houston, Texas on the date such period expires, an Excluded Activity and the Partnership

shall have no interest of any kind or character therein or in any business opportunity related thereto.

(c) Whenever any provision of this Agreement requires the consent, approval, or agreement of a Partner, unless otherwise specifically provided, that consent, approval, or agreement shall be in that Partner's sole discretion.

Partners Meetings.

(a) The General Partner shall hold meetings of Partners no less than once annually. At the Annual Meeting of Partners, the Partners shall consider such matters as may be set forth in the notice of annual meeting required pursuant to Section 8.04(b).

(b) The General Partner may call a meeting of the Partnership by giving at least 21 days notice of the time and place of such meeting to each Class A Limited Partner, the Class C Limited Partner and Class B Limited Partner, which notice shall set out the agenda for such meeting.

(c) Any action required to be, or which may be, taken at any meeting by the Partners called pursuant to Section 9.04(b) may be taken in writing without a meeting if consents thereto are given by the General Partner and a Majority Interest of the Class B Limited Partners (if entitled to a vote thereon or consent with respect thereto).

(d) A Class B Limited Partner may vote at any meeting either in person or by a proxy which such Class B Limited Partner has duly executed in writing. The General Partner may permit Persons other than Partners to participate in a meeting; provided, that no such Person shall be entitled to vote other than by proxy as provided above.

(e) The chairman of any meeting shall be a Person affiliated with and designated by the General Partner. A Person designated by the General Partner shall keep written minutes of all of the proceedings and votes of any such meeting.

(f) The General Partner may set in advance a record date for determining the Class A Limited Partner and Class B Limited Partners entitled to notice of and to vote at any meeting or entitled to express consent to any action in writing without a meeting. No record date shall be less than ten nor more than sixty days prior to the date of any meeting to which such record date relates nor more than ten days after the date on which the General Partner sets the record date for any action by written consent.

ARTICLE IX
DISSOLUTION, WINDING-UP AND TERMINATION

Dissolution.

The Partnership shall dissolve and its affairs shall be wound up on the first to occur of the following events (each a "*Dissolution Event*"):

(a) the written consent of all Partners; or

(b) the expiration of the Term set forth in Section 2.07(a); or

(c) entry of a decree of judicial dissolution of the Partnership under Section 18-802 of the Act; or

(d) the termination of the legal existence of the last remaining Partner of the Partnership unless the business of the Partnership is continued without dissolution in a manner permitted by this Agreement or the Act; or

(e) upon the election of the General Partner, if the Partnership is consolidated for financial reporting purposes with Enron or ENA; or

(f) upon the occurrence of Deadlock; or

(g) upon the third anniversary of the Closing Date, upon the written request of the Class A Limited Partner or the Class B Limited Partner; or

(h) upon the election of the Class B Limited Partner, if Enron and its Affiliates cease to engage in the Designated Trading Business; or

(i) upon the election of the Class B Limited Partner if it reasonably determines that any Facility in the Forest Products Business acquired by the Enron or the wholesale services business unit of Enron competes with the business of the Partnership to the material detriment of the Partnership; or

(j) if, after payment of its obligations then due, the Partnership is unable to maintain the working capital reserve in the amount required by the proviso to Section 4.03(a); or

(k) at the election of the Class B Limited Partner, upon the occurrence of a Credit Event; or

(l) upon the bankruptcy or insolvency of the Partnership or any of its Subsidiaries.

9.02 ***Winding-Up and Termination.***

On the occurrence of a Dissolution Event, the General Partner shall proceed diligently to wind up the affairs of the Partnership (subject to the option granted in Section 9.03 hereof) and make final distributions as provided herein and in the Act. The costs of winding up shall be borne as a Partnership expense, and the General Partner shall, to the extent practicable, seek to minimize all costs and expenses incurred in winding up. Until final distribution, the General Partner (subject to Section 6.05) shall continue to operate the Partnership's assets with the same power and authority it had prior to the dissolution. The steps to be accomplished by the General Partner are as follows in the following order of priority:

(a) as promptly as possible after dissolution and again after final winding up, the General Partner shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Partnership's assets, liabilities, and operations through the last calendar Day of the month in which the dissolution occurs or the final winding up is completed, as applicable;

(b) the General Partner shall discharge from the Partnership's funds all of the debts, liabilities and obligations of the Partnership (including all expenses incurred in winding up but excluding (i) liabilities and obligations of its Subsidiaries and (ii) indemnity claims of General Partner Indemnified Persons which indemnity claims are hereby expressly subordinated to the payment to the Class B Limited Partner of the distributions contemplated to be made to the Class B Limited Partner by Section 5.02 hereof) or otherwise make reasonable provision for payment and discharge thereof in accordance with applicable law (including the establishment of a cash escrow fund for contingent, conditional or unmatured liabilities of the Partnership but not of its Subsidiaries in such amount and for such term as the General Partner may reasonably determine) in accordance with applicable law; and

(c) all remaining assets of the Partnership shall be distributed to the Partners as follows:

(i) the liquidator may sell any or all Partnership property, including to Partners, and any resulting gain or loss from each sale shall be computed and allocated to the Capital Accounts of the Partners;

(ii) with respect to all Partnership property that has not been sold, the fair market value of that property shall be determined and the capital accounts of the Partners shall be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the capital accounts previously would be allocated among the Partners if there were a taxable disposition of that property for the fair market value of that property on the date of distribution; and

(iii) Partnership property shall be distributed to the Partners in the order provided in Section 5.02; *provided* that after payment in full to the Class B Limited Partner of the amounts contemplated by Section 5.02, all unsatisfied indemnity claims of General Partner Indemnified Persons shall be paid (or set aside for payment) before any amounts are distributed to the Class A Limited Partner, the Class C Limited Partner and the General Partner.

All such distributions shall be made as promptly as practicable from available cash or other property by the end of the taxable year of the Partnership during which the liquidation of the Partnership is completed (or, if later, 90 days after the date of the liquidation). All distributions in kind to the Partners shall be made subject to the liability of each distributee for its allocable share of costs, expenses, and liabilities theretofore incurred or for which the Partnership has committed prior to the date of such distribution

and those costs, expenses, and liabilities shall be allocated to the distributee pursuant to this Section 9.02. The distribution of cash and/or property to a Partner in accordance with the provisions of this Section 9.02 constitutes a complete return to the Partner of its Capital Contributions and a complete distribution to the Partner of its Partnership Interest and all the Partnership's property and constitutes a compromise to which all Partners have consented within the meaning of Section 17-502(b) of the Act. To the extent that a Partner returns funds to the Partnership, it has no claim against any other Partner for those funds.

Right to Purchase.

(a) Following a Dissolution Event, the General Partner (including any Person that was General Partner immediately before the Dissolution Event) shall have the option (subject to Section 9.03(b) below), exercisable by notice to the Limited Partners on or before the 20th day following the Dissolution Event, to purchase (or to cause one of its Affiliates to purchase) all assets of the Partnership at a price determined in accordance with Exhibit E hereto. On the 10th Business Day following the determination of the aggregate price for the assets to be purchased in accordance with Exhibit E, the General Partner shall pay in cash to the Partnership the aggregate price for the assets as so determined, and the Partnership shall convey such assets to the General Partner (or its designated Affiliate).

(b) If a Dissolution Event occurs before November 19, 2001, the General Partner, in lieu of exercising the option set forth in Section 9.03(a), shall purchase all of the assets then held by the Partnership constituting (i) assets described in clause (a) and (b) and (ii) cash and tangible property described in clauses (c) and (d), in each case of the definition of the term Permitted Assets at a price determined in accordance with Exhibit E hereto. On the 10th Business Day following the determination of the aggregate price for the assets to be purchased in accordance with Exhibit E, the General Partner shall pay in cash to the Partnership the aggregate price for the assets as so determined, and the Partnership shall convey such assets to the General Partner (or its designated Affiliate).

9.04 ***Certificate of Cancellation.***

On completion of the distribution of Partnership assets as provided herein, the General Partner (or such other Person or Persons as the Act may require or permit) shall file a certificate of cancellation of the Delaware Certificate with the Secretary of State of Delaware, cancel any other filings made pursuant to Section 2.05, and take such other actions as may be necessary to terminate the existence of the Partnership. Upon the filing of such certificate of cancellation, the existence of the Partnership shall terminate (and the Term shall end), except as may be otherwise provided by the Act or other applicable Law.

ARTICLE X
WITHDRAWAL

Withdrawal.

The General Partner agrees that it will not withdraw from the Partnership as a general partner within the meaning of Section 17-602 of the Act. A Limited Partner does not have the right or power to withdraw from the Partnership as a limited partner, except as otherwise provided in this Agreement.

ARTICLE XI
GENERAL PROVISIONS

Consequential Damages.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANY OTHER PARTY, IRRESPECTIVE OF WHETHER ALLEGED TO BE BY WAY OF INDEMNITY OR AS A RESULT OF BREACH OF CONTRACT, BREACH OF WARRANTY, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, OR ANY OTHER LEGAL THEORY, AND WHENEVER ARISING, FOR DAMAGES THAT CONSTITUTE PUNITIVE, EXEMPLARY, INCIDENTAL, SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGES OF ANY NATURE WHATSOEVER.

Offset.

Whenever the Partnership is to pay any sum to any Partner, any Capital Contributions that Partner owes the Partnership may be deducted from that sum before payment.

Notices.

Except as expressly set forth to the contrary in this Agreement, all notices, payments, demands, communications, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be delivered to the recipient in person, by courier or mail or by facsimile or other electronic transmission. A notice, payment, demand, communication, request or consent given under this Agreement is effective on receipt by the Person to receive it (a) if delivered, personally to the Person or to an Affiliate of the Person to whom the same is directed, or (b) when the same is actually received (if a Business Day or, if not, the next succeeding Business Day), if sent either by courier or delivery service or certified mail, postage and charges prepaid, or if by facsimile, if such facsimile is followed by a hard copy of the facsimile communication sent by certified mail, postage and charges prepaid. All notices, requests and consents to be sent to a Partner must be sent to or made at the addresses given for that Partner on Exhibit A or such other address as that Partner may specify by notice to the other Partners. Any notice, request or consent to the Partnership must be given to all of the Partners. Whenever any notice is required to be given by Law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Entire Agreement; Superseding Effect.

This Agreement, the Administrative Services Agreement and the Enron Agreement constitute the entire agreement of the Partners relating to the Partnership and the transactions contemplated hereby and supersede all provisions and concepts contained in all prior contracts or agreements between the Partners with respect to the Partnership and the transactions contemplated hereby, whether oral or written.

Effect of Waiver or Consent.

Except as otherwise provided in this Agreement, a waiver or consent, express or implied, to or of any breach or default by any Partner in the performance by that Partner of its obligations with respect to the Partnership is not a consent or waiver to or of any other breach or default in the performance by that Partner of the same or any other obligations of that Partner with respect to the Partnership. Except as otherwise provided in this Agreement, failure on the part of a Partner to complain of any act of any Partner or to declare any Partner in default with respect to the Partnership, irrespective of how long that failure continues, does not constitute a waiver by that Partner of its rights with respect to that default until the applicable statute-of-limitations period has run.

Amendment or Restatement.

This Agreement or the Delaware Certificate may be amended or restated only by a written instrument executed (or, in the case of the Delaware Certificate, approved) by all of the Partners.

Binding Effect.

Subject to the restrictions on Dispositions set forth in this Agreement, this Agreement is binding on and shall inure to the benefit of the Partners and their respective successors and permitted assigns.

Governing Law; Severability.

THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of this Agreement and any mandatory, non-waivable provision of the Act, such provision of the Act shall control. If any provision of the Act provides that it may be varied or superseded in a limited partnership agreement (or otherwise by agreement of the partners or managers of a limited partnership), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter. If any provision of this Agreement or the application thereof to any Partner or circumstance is held invalid or unenforceable to any extent, (a) the remainder of this Agreement and the application of that provision to other Partners or circumstances is not affected thereby, and (b) the Partners shall negotiate in good faith to replace that provision with a new provision that is valid and enforceable and that puts the

Partners in substantially the same economic, business and legal position as they would have been in if the original provision had been valid and enforceable.

Further Assurances.

In connection with this Agreement and the transactions contemplated hereby and thereby, each Partner shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

Counterparts.

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.

Characterization of Limited Partnership Interest.

Limited Partnership Interests in the Partnership are "securities" governed by Article VIII of the Uniform Commercial Code in effect from time to time in all jurisdictions where such Article VIII or an equivalent provision is adopted.

Nonexclusive Jurisdiction.

ANY PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN IN THE COMMERCIAL DIVISION OF THE SUPREME COURT, CIVIL BRANCH OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Partners have executed this Agreement as of the date first set forth above.

GENERAL PARTNER: ENRON INDUSTRIAL MARKETS GP CORP.

By: _____
Name: William W. Brown
Title: Vice President & Chief Financial Officer

CLASS B LIMITED PARTNER: SALOMON BROTHERS HOLDING COMPANY INC

By: _____
Name: _____
Title: _____

CLASS A LIMITED PARTNER: ENRON NORTH AMERICA CORP.

By: _____
Name: William W. Brown
Title: Vice President

CLASS C LIMITED PARTNER: ENRON CORP.

By: _____
Name: Timothy A. DeSpain
Title: Deputy Treasurer

Signature Page—Sundance Industrial Partners, L.P.

IN WITNESS WHEREOF, the Partners have executed this Agreement as of the date first set forth above.

GENERAL PARTNER: ENRON INDUSTRIAL MARKETS GP CORP.

By: _____
Name: _____
Title: _____

CLASS B LIMITED PARTNER: SALOMON BROTHERS HOLDING COMPANY INC

By: _____
Name: Scott L. Flood
Title: Managing Director

CLASS A LIMITED PARTNER: ENRON NORTH AMERICA CORP.

By: _____
Name: _____
Title: _____

CLASS C LIMITED PARTNER: ENRON CORP.

By: _____
Name: _____
Title: _____

Signature Page—Sundance Industrial Partners, L.P.

Final Sundance Numbers

SSMB Total	188,500,000	20.14%
ENE Total	747,400,000	79.86%
SSMB Initial Contribution ($ + Sononoma A)	28,500,000	3.05%
SSMB Commitment	160,000,000	17.10%
ENE Total Contribution (ie cushion)	747,400,000	79.86%
Garden State	60,000,000	
Stadacona	375,000,000	
SATCO	13,900,000	
Fishtail	208,500,000	
Liquidity Facility	25,000,000	
Add'l Capital Commitment	65,000,000	

SUMMARY by 6/1/2001

	Principal	193,979,000.00	
	Breakage Fees	1,473,844.00	
	Interest	5,909,570.24	
Payment from Sundance to Caymus (Who pays Citibank)			201,362,414.24
	Principal	6,021,000.00	
	Breakage Fees	700,000.00	
	Interest*		
Payment from Sundance to Caymus (Who pays Long Lane)			6,721,000.00
Total Payments from Sundance to Caymus			**208,083,414.24**
	Principal	8,024,061.00	
	Interest	514,826.56	
Total Payment from Fishtail to LJM (On behalf of Annapurna)			**8,538,887.56**

* This interest is not included in the calculations since it will not be paid at closing.

CALCULATIONS

FACILITY AGREEMENT (Caymus Debt Piece)

FROM	TO	# DAYS	PERIOD	LIBOR	MARGIN	TOTAL RATE	TOTAL ADVANCE	INTEREST EXPENSE	CUMULATIVE
12/21/2000	12/31/2000	11	360	6.078%	0.650%	6.728%	$ 193,979,000.00	$ 398,805.35	$ 398,805.35
1/1/2001	1/31/2001	31	360	6.078%	0.650%	6.728%	$ 193,979,000.00	$ 1,123,906.00	$ 1,522,711.35
2/1/2001	2/28/2001	28	360	6.078%	0.650%	6.728%	$ 193,979,000.00	$ 1,015,140.90	$ 2,537,852.25
3/1/2001	3/31/2001	31	360	6.078%	0.650%	6.728%	$ 193,979,000.00	$ 1,123,906.00	$ 3,661,758.25
4/1/2001	4/30/2001	30	360	6.078%	0.650%	6.728%	$ 193,979,000.00	$ 1,087,650.96	$ 4,749,409.21
5/1/2001	6/1/2001	32	360	6.078%	0.650%	6.728%	$ 193,979,000.00	$ 1,160,161.03	$ 5,909,570.24
				-0.6500%		**Principal**	**$ 193,979,000.00**		
						Breakage Fee	**$ 1,473,844.00**		
						Interest	**$ 5,909,570.24**		
						Total	201,362,414		

CERTIFICATE YIELD (Caymus Equity Piece)

FROM	TO	# DAYS	PERIOD	LIBOR	MARGIN	CRTFCT YIELD	TOTAL ADVANCE	INTEREST EXPENSE	CUMULATIVE
12/21/2000	12/31/2000	11	360	0.0%	0.0%	15.0%	$ 6,021,000.00	$ 27,596.25	$ 27,596.25
1/1/2001	1/31/2001	31	360	0.0%	0.0%	15.0%	$ 6,021,000.00	$ 77,771.25	$ 105,367.50
2/1/2001	2/28/2001	28	360	0.0%	0.0%	15.0%	$ 6,021,000.00	$ 70,245.00	$ 175,612.50
3/1/2001	3/31/2001	31	360	0.0%	0.0%	15.0%	$ 6,021,000.00	$ 77,771.25	$ 253,383.75
4/1/2001	4/30/2001	30	360	0.0%	0.0%	15.0%	$ 6,021,000.00	$ 75,262.50	$ 328,646.25
5/1/2001	6/1/2001	32	361	0.0%	0.0%	15.0%	$ 6,021,000.00	$ 80,057.62	$ 408,703.87
						Principal	**$ 6,021,000.00**		
						Breakage Fee	**$ 700,000.00**		
						Interest	**$ 408,703.87**		
						Total	7,129,704		

ANNAPURNA (LJM)

FROM	TO	# DAYS	PERIOD	PREF RATE	TOTAL ADVANCE	INTEREST EXPENSE	CUMULATIVE
12/20/2000	6/1/2001	164	365	15.00%	$ 1,621,000.00	$ 105,058.33	$ 105,058.33
12/22/2000	6/1/2001	162	365	15.00%	$ 6,403,061.00	$ 409,768.22	$ 514,826.56
				Principal	**$ 8,024,061.00**		
				Interest	**$ 514,826.56**		
				Total	8,538,887.56		

EC\u00007612

From: Caplan, Rick [FI]
Sent: Tuesday, May 01, 2001 9:34 PM
To: Angelini, Amanda [FI]; Caplan, Rick [FI]
Cc: Leroux, Timothy [FI]
Subject: RE: Sundance

Absolutely we go back on pricing. Remember they will have a committed amount and a funded amount. We should pay them on the funded amount, not discuss the larger amount and only worry about it if it actually happens.

-----Original Message-----
From: Angelini, Amanda [FI] <aa19374@imcnam.ssmb.com>
To: Caplan, Rick [FI] <rc52642@imcnam.ssmb.com>
CC: Leroux, Timothy [FI] <tl04849@imcnam.ssmb.com>
Sent: Tue May 01 18:44:46 2001
Subject: RE: Sundance

Re fleet: we shd approach these guys by saying we are rolling the trs they have on bacchus but also adding to it. That it, it now covers the assets of that trade and other paper businesses. It is larger but we cld do 5 year with 1 year mutual puts. We shd ush them down from the 15 they chrged on bachus as this was small deal and end of year.

Tim- we already have a trs so let's chat to tim hughes in the am. See if you can find a termsheet from bachus in the folder. Then it shd be easy.

If we need to do this we may need to go back to ene on pricing??

Amanda

From: Leroux, Timothy [FI]
Sent: Friday, May 11, 2001 6:13 PM
To: Caplan, Rick [FI]; Feintech, Lynn [FI]; Warren, Doug [FI]; Bendernagel, Donald [GCO]
Cc: Langdon (Tad) Van Norden (E-mail)

Thoughts or concerns I had as I read the revised Sundance LP Agreement:

1) Aggregate Net Losses definition looks much better but the concept of "earnings and losses" from a GAAP perspective still needs to be tightened. We need to remove the potential risk of special, one-time charges and/or large changes to business value. While this may not mean we define Losses as "Operating Income" we should potential limit the idea of GAAP losses.

2) Seems $25 million Liquidity Facility is a Contributed Asset. What does this do to 80/20 split. Its inclusion as equity is essentially beneficial to Citibank, we should keep it there. However, not clarified how this gets drawn and whether GP has discretion in drawing on this Facility - should be clarified that since its equity, GP must draw on it and must draw all of it.

3) The $[100] million Enron Committed Capital is not considered part of the Physical Assets nor part of the Contributed Assets. Likely that this was overlooked on the part of V&E since it was a relatively recent change. This should be included and should be part of the Contributed Assets. However, it may be the case that the defined "Physical Assets" envisions Daishowa valued strictly on an unlevered basis (equal $360 million), this is unclear but then begs the question of how the Committed Capital will be treated once it is drawn.

5) Deadlock and "Activation of the BoD" work together to give Citibank the power to veto any action and dissolve Sundance. This seems short of "Citibank gets tie vote." Also note, the process takes 10 day to Activate BoD and 15 day to break Deadlock.

6) Section 5.01 lays out how Citibank gets paid, the priority and the process but this Agreement seems to lack clear definition of the rate and/or the calculation amount. Cleaning up the "Preferred Dividend Distribution Amount" should be an easy mechanism to clarify this.

7) Section 4.02, as amended, seems to clarify the fact that the Citibank Capital Commitment can not be called as a liquidity facility. Still unclear whether a Dissolution Event nullifies Citibank's obligation under the Capital Commitment. Section 9.02 suggests that dissolution expenses are borne as Partnership expenses...this may suggest Citibank could be called upon for its Contingent Capital? This should be clarified with Enron but a Dissolution Event should eliminate our commitment to contribute.

8) Section 4.03 establishes the minimum cash reserve of $25 million.

9) Note Section 6.02 already requires Sundance to notify us within 2 business days of a change in VAR. We do need to add to this section that a 2 business day notification is required when there is a draw on the Enron Capital Commitment and on the Liquidty Facility (GP currently has discretion to draw without notification).

Hopefully this will clarify some issues and add some focus to your read of the Agreement. I am around this weekend and can be reached on 646-408-3189. Talk with you on Sunday.

Timmy LeRoux
Salomon Smith Barney
Global Credit Derivatives
Tel: (212) 723-6436
Fax: (212) 723-8610
email: timothy.leroux@ssmb.com

Leroux, Timothy [FI]

From: Leroux, Timothy [FI]
Sent: Thursday, May 10, 2001 12:22 PM
To: Feintech, Lynn [FI]; Warren, Doug [FI]
Cc: Caplan, Rick [FI]
Subject: Sundance Issues-Updated

Below are more questions from our conversation this morning. Please review and let me know if you have further thoughts.

Daishowa Debt Issues:
- Can the Lenders go after Sundance for more than the notional value of the Daishowa debt?
- Who is the legal obligor on the Daishowa debt?
- In the event of a Sundance bankruptcy/termination where the Daishowa assets are sold, do the Lenders stand in front of Citibank for the proceeds of the asset sale? If not, why does Citibank stand in front, that is, how does Slapshot guarantee our $25 million is senior?
- Would Daishowa get operated by Sundance throughout a Sundance bankruptcy? When do the Lenders essentially get to go after the Daishowa facility as an asset? Does Sundance end up with an Enron claim for the proceeds from sale of Daishowa that the Lenders take?
- What kind of Catastrophe Insurance does Daishowa have?

Capital Contribution Issues:
- Confirm with Rick the move from $200 million to "less than $100 million."
- Confirm with IBD that $100 million is sufficient cash to ensure Sundance won't bankrupt without an Enron bankruptcy.
- What happens if the Contingent Capital amount is insufficient to meet the cashflow requirements? Will Citibank be looked upon to make proportional contributions?

Liquidity Issues:
- What is the resolution process (short of termination) when a liquidity event occurs? Who contributes the requisite cash? What form does the incremental contribution take? Where does it stand in the waterfall?
- Confirm that Citibank's Committed Undrawn Contribution ($140 million) can not be called as a liquidity facility.

Termination Issues:
- If there is insufficient cash to cover all Losses upon a termination/liquidation, does the Citibank Committed Contribution get called upon? That is, does a termination event remove Citibank's commitment to contribute any of the $140 million?
- Confirm that the BcD can hire SSB as agent to facilitate the sale of Sundance assets upon a liquidation event.

Misc. Issues:
- Would default under the SlapShot structure trigger default under any other debt of Enron (potentially via the ISDAs)?
- Is the Put/Warrant structure under SlapShot a senior unsecured claim against Enron?
- What is the reason Enron has an issue with the $25 million minimum cash balance, acct, reg., etc.?
- How quickly can Citibank call the BoD into action (15 days vs. 30 days)?
- Does Enron indemnification for fraud extend to indemnity for submission of false P/L numbers Citibank receives regarding the Fishtail business?

Citibank Comfort Requirements for Sundance:
- Notification of all cash draws upon the Enron Contingent Capital Facility ($100 million) and prior notification for draws upon the Enron Committed Liquidity Facility ($25 million).
- Either:
  i) Daily mark to market value for Fishtail, or
  ii) Monthly mark with daily notification once the cumulative month-to-date losses exceed $[1.0] million
- Establish an INTERNAL stop loss for Fishtail (subsequent to which Citibank uses BoD to terminate deal)
- Require notification of VAR changes within 2 business days.
- External price verification process must be used for establishing an independent value of Fishtail business. If this already exists, where do the independent prices come from? How are they used to revalue the business?

I think this is the list of my notes. The only other To Do was the Lydia Junik conversation that Lynn will have later today after talking with Rick.

Unknown

From: Fox, William
Sent: Tuesday, May 15, 2001 11:07 PM
To: 'Feintech, Lynn SSB.'; Fox, William
Cc: Stott, Thomas; Junek, Lydia; 'Junek, Lydia'
Subject: RE: sundance

I will reach you tomorrow before the Cmac meeting but I do not understand why we are proposing to do this transaction. We are not making any real money and I think we are disenfranchising any future Capital Structuring opportunities with Enron by promoting this cheap alternative. What is the impact of this transaction on Bachus with respect to our outstanding loans. How is Enron funding the payoff of Bacchus. Also not clear to me how this structure achieves Enron's off balance sheet objectives. Do we have a full understanding of this aspect of the tranaction. What is tax impact on Citigroup of this deal? Who is going to monitor this deal on an ongoing basis?

---Original Message-----
From: Feintech, Lynn SSB. [mailto:lynn.feintech@ssmb.com]
Sent: Tuesday, May 15, 2001 10:38 AM
To: Fox, William
Cc: Feintech, Lynn SSB.; Stott, Thomas
Subject: sundance

Bill--further to our call last night, here's the writeup on Sundance. My schedule tonight is open, so call at any time that works for you. I will be in the San Fran office until about 2:30, if you want to try to talk before your dinner. Office is 415- Redacted - Home is 510- Redacted by Permanent Subcommittee on Investigations

Tom--Bill asked that I send it to you. It's the same draft as you saw yesterday.

Regards,

Lynn

First cut at questions re Sundance

I. Fishtail

1. Why is it in the deal if the purpose is to achieve off b/s financing? Does it have debt? It's on the balance sheet info we sent you.
2. What business is it involved with, and how does it define its activities? How long has this business been operating? Since 1998
3. Are historical and projected financials available? Historical.. I thought you had them as part of the financials. If you don't have them, pls email doug warren.
4. What are the risk management policies and RMA position? We know that their one day VAR limit is $5MM
5. What is Enron's role? What is the interaction with Garden State and Daishowa? Please see sundance structure that tim leroux sent to you.
6. What justifies the value of $200 MM? How has the value varied over time? It is a multiple of ebitda.

II. Garden State

1. What are the cash flow drivers? I don't understand this question.
2. The $100 MM Enron commitment for capex and debt service seems aimed at Daishowa. How does Garden State fund its capex if it needs to invest to be competitive and justify what Enron paid? There is cap ex both for daishowa and garden state in the financials. Garden state is in at $27MM, but they have told us it will be more.
3. What has been the recent financial performance of Garden State? Ask john chrysikopoulos.

III. SATCO. ask john. C all of these questions.

1. Justification for valuation?
2. Historical and projected financials
3. Business plan?
4. How long has Enron owned it?
5. Enron's role? Strategic justification for owning?
6. Is Daishowa a customer?

IV. Daishowa ask john c. all of these questions.

1. Business and asset description
2. Rationale for financial projections
3. Cash flow drivers
4. Valuation rationale
5. Purpose of "Slapshot Structure" to finance daishowa in a tax efficient manner.

6. How does the Enron debt guaranty function? (We have not yet read the document you sent on this, which may answer this question.) this deal is not yet finalized—however, the diagram shows you that they guaranty it thru a total return swap.

V. Sundance

1. How are partnership accounts affected if cash moves from operating assets to Sundance? Don't know—rick—pls answer.
2. What is the expected utilization of the $25 MM liquidity facility? Working capital (this is debt, not equity, from enron's point of view).
3. What can Sundance do? Can it, for example, make investments?
4. It looks as if the $100 MM Enron commitment is intended to be fully used for Daishowa. True? That amount and more will be used for all of the assets. We are now talking with enron about a commitment that starts at $65MM and builds up as they pay down the Daishowa debt.

VI. Due diligence

Please copy us on the legal, asset and environmental due diligence memos. Tim leroux—pls make sure this happens.

From: Mugno, John [CITI]
Sent: Monday, May 21, 2001 9:00 AM
To: Wagner, Eleanor [CRRM]
Subject: FW: Second Sundance question set

Do you want to be copied at this stage of the process?

John F. Mugno
Global Energy
Citibank
Tel # (212) 559-5735
Fax # (212) 832-9857

——Original Message——
From: Mugno, John
Sent: Friday, May 18, 2001 5:56 PM
To: 'Feintech, Lynn SSB.'; Jokhai, Rob; 'rick.caplan'; 'doug.warren'; 'john.s.chrysikopoulos'
Cc: Fox, William; Stott, Thomas; Junek, Lydia; Swygert, Jay; Reilly, James F. SSB.
Subject: Second Sundance question set

Lynn, here is our second set of questions. I kept this distribution mainly to the same one you sent your earlier responses. If anyone else needs to be involved, please forward.

John F. Mugno
Global Energy
Citibank
Tel # (212)
Fax # (212) Redacted by Permanent Subcommittee on Investigations

——Original

Permanent Subcommittee on Investigations
EXHIBIT #382h

Second Set of Sundance Questions

I. Documents

1. Enron Agreement—this appears to be making references to other documents since terms such as "Capital Contribution" are not defined. Are these other documents available?
2. Partnership Agreement—is this available?
3. What agreement governs which partner contributes how much and when to the partnership?
4. Are there any "support agreements" that discuss Enron's relationship with the operating companies?
5. Is there a document that governs Fishtail's relationship with the operating companies?

II. Issues

1. Are any important issues created since the partnership owns operating companies in different countries?
2. Are income taxes to be paid at each operating company?
3. What is the source of cash to repay "Bacchus"? The CMAC memo mentions that this $200 million exposure will be repaid upon the closing of this transaction.

III. Fishtail

1. We seem to have only the March 31, 2001 balance sheet, which appears to be mainly (if not entirely) a statement of Risk Management Activities. Can we confirm? Has anyone discussed with Enron how it values long-term RMA for paper and pulp?
2. From Lynn's response, I understand that Fishtail was valued as a multiple of EBITDA. Do we have historical financials? Is this a typical way to value a trading company with 2-3 years of history? I am concerned especially because of the relative illiquidity of the markets Fishtail serves.
3. What is the business interaction between Fishtail and Garden State and Daishowa? Can Fishtail activities affect results at the operating companies?
4. Is there a memo describing the "Slapshot" transaction? We have the diagram.
5. In the Sundance Model descriptions it is noted that "we are assuming there will be no profits or losses (in excess of $200 million)" at Fishtail. Please explain the basis for this assumption.

IV. Information update

Second Set of Sundance Questions

I. Documents

1. Enron Agreement—this appears to be making references to other documents since terms such as "Capital Contribution" are not defined. Are these other documents available? *The concept of capital contributions are defined in the partnership agreement.*
2. Partnership Agreement—is this available? *Attached – negotiated with the advice of outside counsel*
3. What agreement governs which partner contributes how much and when to the partnership? *Partnership agreement*
4. Are there any "support agreements" that discuss Enron's relationship with the operating companies? *None*
5. Is there a document that governs Fishtail's relationship with the operating companies? *There is no formal legal arrangement*

II. Issues

1. Are any important issues created since the partnership owns operating companies in different countries? *No issues have been identified by counsel.*
2. Are income taxes to be paid at each operating company? *Operating companies remain responsible for all ongoing expenses including taxes*
3. What is the source of cash to repay "Bacchus"? The CMAC memo mentions that this $200 million exposure will be repaid upon the closing of this transaction. *Enron contributes the cash as an initial capital contribution*

III. Fishtail

1. We seem to have only the March 31, 2001 balance sheet, which appears to be mainly (if not entirely) a statement of Risk Management Activities. Can we confirm? Has anyone discussed with Enron how it values long-term RMA for paper and pulp? *This b/s is what has been provided. They are making a rep that the business is being contributed at fair value. Enron indemnifies us for a breach of this rep.*
2. From Lynn's response, I understand that Fishtail was valued as a multiple of EBITDA. Do we have historical financials? Is this a typical way to value a trading company with 2-3 years of history? I am concerned especially because of the relative illiquidity of the markets Fishtail serves. *See rep described in #1 above.*
3. What is the business interaction between Fishtail and Garden State and Daishowa? Can Fishtail activities affect results at the operating companies? *Not to our knowledge*

Unknown

From:	Bernstein, Saul [CITI]
Sent:	Wednesday, May 30, 2001 11:07 AM
To:	Lee, Andrew P [FIN]
Cc:	Mccall-Bowen, Susan [FIN]
Subject:	RE: FW: Sundance Partnership

Andy, thanks for the heads-up. Rick called last night and this morning to discuss the change. The change would involve giving Sundance a right to "put" the Enron subsidiary back to SBHC, and also gives SBHC a right to "call" the Enron subsidiary away from Sundance. The put/call probably will disallow (having failed SFAS 140 sales criteria) SBHC from removing the Enron subsidiary investment from our balance sheet, and may require SBHC to consolidate the subsidiary since SBHC would be holding the "B" equity membership interest in the subsidiary. Rick is getting back to the client to discuss an alternative structure.

Regards, Saul

P.S. Andy, I should be getting to the Enron CLN deals within the next two days -----
Original Message-----
From: Lee, Andrew P. SSB. [SMTP:andrew.p.lee@ssmb.com]
Sent: Wednesday, May 30, 2001 10:02 AM
To: Bernstein, Saul
Cc: Lee, Andrew P. SSB.; Mccall-Bowen, Susan SSB.
Subject: FW: Sundance Partnership

Hi Saul,

I don't know if the front office has discussed this with you or not but the structure of the equity investment in Sundance
may change. Instead of a direct investment of $28.5mm cash
(originally $25mm) in the Sundance partnership, all or some of the investment may be done via a purchase of shares in an Enron subsidiary which would then be contributed to the partnership.

Would this change your analysis?

Thanks,
Andy

-----Original Message-----
From: Mccall-Bowen, Susan [FIN]
Sent: Tuesday, May 22, 2001 10:04 AM
To: Lee, Andrew P [FIN]; Mosca, Pat [FIN]
Subject: FW: Sundance Partnership

-----Original Message-----
From: Bernstein, Saul [CITI]
Sent: Monday, May 21, 2001 2:08 PM
To: Mccall-Bowen, Susan [FIN]
Cc: Caplan, Rick [FI]; Lee, Andrew [IT]
Subject: Sundance Partnership

Permanent Subcommittee on Investigations
EXHIBIT #382i

Susan, the limited partnership investment will likely be accounted for using

the one-line equity method of accounting. (Rick just forwarded the transaction documents.) This accounting method requires SBHC to report its rights to earnings and obligation for losses on an accrual basis monthly. Effectively, this means that LIBOR plus 6%, the stipulated interest rate, to extent deemed collectible, should be accrued for accounting purposes. For financial accounting purposes, the investment is NOT treated as a trading asset. Probably should be reported in Minority Interest Investments or in Other Assets. For REC purposes, since the investment will be documented as part of an overall trading strategy (Andy, please ensure the documentation is in place prior to the finalization of the reporting) of purchasing a default swap as protection against the investment, it may be treated as a trading position.

That is, the investment may be part of the VAR calculation. Since this is unusual "split" treatment of an accrual accounted balance sheet item, special care must be taken for regulatory reporting purposes.

Regards, Saul

Brandli, Christina

From: Blumenthal, Jeff
Sent: Monday, May 21, 2001 4:19 PM
To: Brandli, Christina
Subject: FW: Updated Step by Step Sundance structure Chart - 03/22/01

-----Original Message-----
From: Araoz, Jaime
Sent: Thursday, March 22, 2001 5:31 PM
To: Castleman, Kent; Bahlmann, Gareth; Lyons, Dan; Coulter, Jodi; Patrick, Michael K.; Kanellopoulos, Drew; Blumenthal, Jeff; Douglas, Stephen H.; Murray, Julia; Womack, Kim; Cockrell, Rainier S
Cc: 'RAstin@velaw.com'
Subject: Updated Step by Step Sundance structure Chart - 03/22/01

Attached the most recent version of the step by step Sundance chart.

The main changes are:

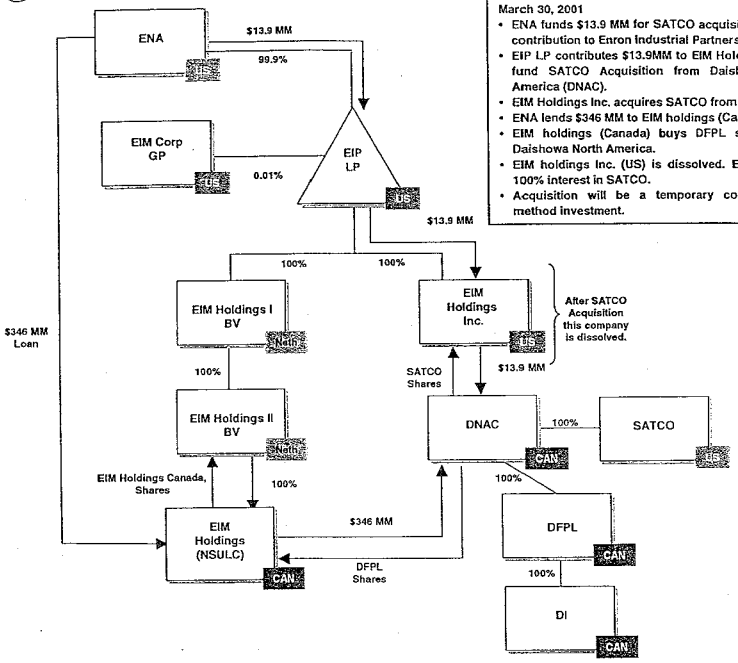
- **We included the company numbers in a box on the first page.**
- **Instead of changing EIP LP name to Sundance, ENA will contribute its EIP LP interest (Daishowa and SATCO) into Sundance LP (that will be a newly formed partnership).**
- **Langtry contribution and Sundance liquidity facility numbers have changed but please acknowledge they are still not final. We are working in sizing those.**

Kind Regards,

Jaime
x53664

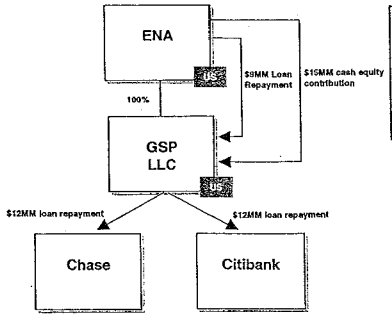
Sundance Structure Step by Ste...

1 Daishowa Canada & SATCO Acquisition



March 30, 2001
- ENA funds $13.9 MM for SATCO acquisition (capital contribution to Enron Industrial Partners LP - EIP).
- EIP LP contributes $13.9MM to EIM Holdings Inc. to fund SATCO Acquisition from Daishowa North America (DNAC).
- EIM Holdings Inc. acquires SATCO from DNAC.
- ENA lends $346 MM to EIM holdings (Canada).
- EIM holdings (Canada) buys DFPL shares from Daishowa North America.
- EIM holdings Inc. (US) is dissolved. EIP LP owns 100% interest in SATCO.
- Acquisition will be a temporary control equity method investment.

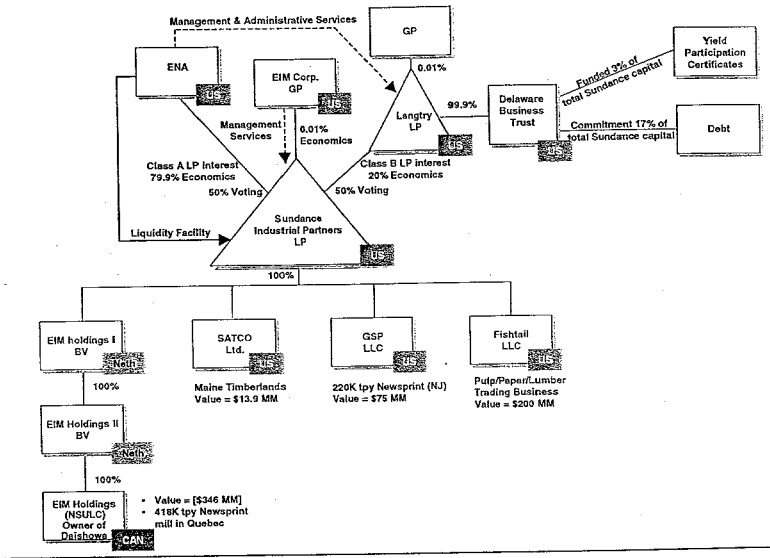
2 Garden State Paper Co. (GSP) debt payment



[April 14, 2001]
- ENA repays Garden State the $9MM loan.
- ENA contributes $15MM in cash to Garden State.
- Garden State repays the $24MM drawn 50/50 from Chase and Citibank.
- Acquisition was made as a temporary control equity method investment.

EC 003004745

(3) Sundance Structure



[April 15, 2001]

All of the following steps will happen simultaneously and are better explained on the next page.

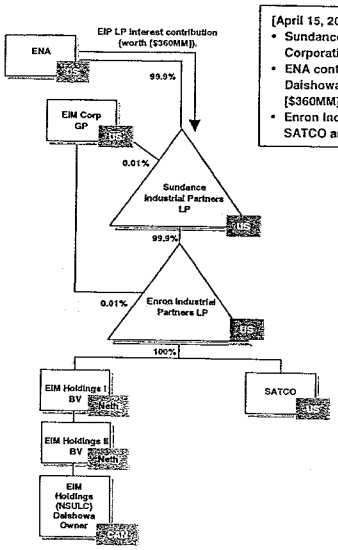
- Sundance Industrial Partners LP is created with Enron Industrial Markets Corporation GP (EIM Corp. GP) as the General Partner. EIM Corp. GP is owned by EIM LLC.
- ENA contributes its interest in Enron Industrial Partners LP worth [$360MM] to Sundance LP (Including Daishowa Mill in Canada and SATCO). Also ENA contributes its shares in Garden State Paper Co. (un-levered), Fishtail class A shares plus $200MM (that will be used to buy Fishtail class C shares from Sonoma), and the commitment to support a liquidity facility of up to [$78MM].
- Enron Industrial Partners is dissolved, therefore EIM Holdings I BV and SATCO are directly owned by Sundance.
- Langtry LP buys 20% of Sundance Industrial Partners LP for [$176MM] of which [$27MM] will be a cash contribution and [$151MM] will be a firm commitment to contribute (see term sheet). Langtry's 20% share is senior to ENA's 80% share of Sundance.
- The GP signs a Management Services agreement with Sundance. The compensation will be 2% of Langtry's total contribution in Sundance (paid quarterly in advance).
- ENA signs a Management and Administrative services agreement with Langtry based on variable compensation.
- On the closing date, Sundance will pay a one-time arrangement fee of $10MM to EIM Corp. GP.

EC 003004746

Company Numbers:

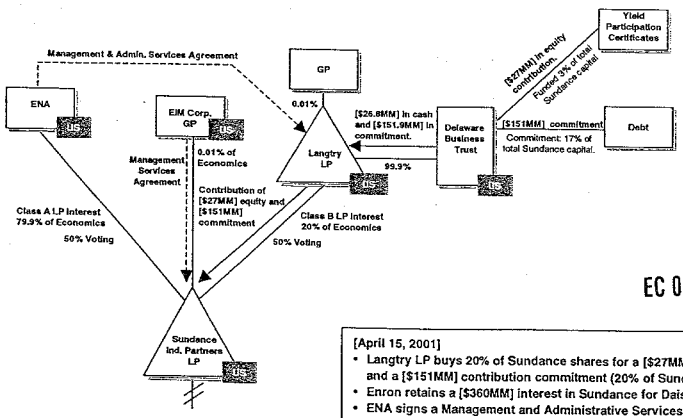
ENA	- 0364	EIM Corp GP	- 1437	EIP LP	- 1438	EIM Holdings I	- 1435
EIM Holdings II	- 1436	EIM Holdings (NSULC)	- 1469	EIM Holdings Inc	- 1427	GSP	- 1346
Fishtail	- 1362						

3a Sundance formation. ENA EIP LP interest contribution to Sundance



[April 15, 2001]
- Sundance Industrial Partners LP is created with Enron Industrial Markets Corporation GP (EIM Corp. GP) as the General Partner.
- ENA contributes its interest in Enron Industrial Partners LP (EIP LP owns Daishowa Canada Mill and SATCO) to Sundance. This contribution is wort [$360MM].
- Enron Industrial Partners is dissolved, therefore EIM Holdings I BV and SATCO are directly owned by Sundance.

3b Outside investors buy 20% of Sundance



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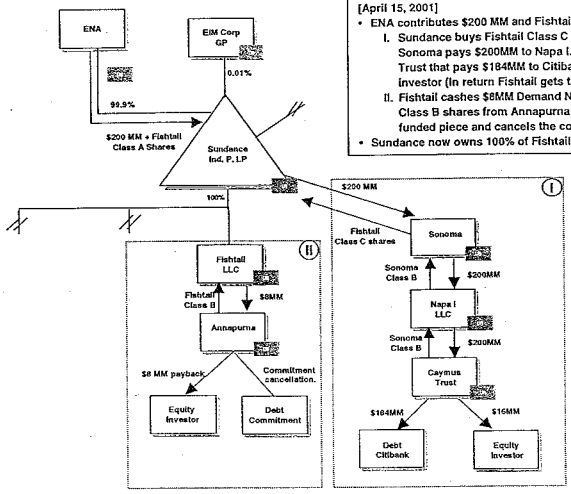
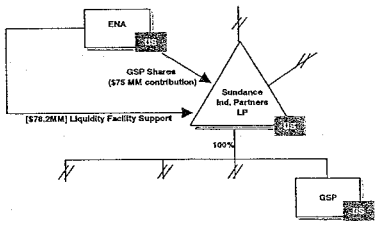
[April 15, 2001]
- Langtry LP buys 20% of Sundance shares for a [$27MM] cash contribution and a [$151MM] contribution commitment (20% of Sundance capital).
- Enron retains a [$360MM] interest in Sundance for Daishowa and SATCO.
- ENA signs a Management and Administrative Services agreement with Langtry. GP (EIM Corp.) signs a Management Services agreement with Sundance.

3c Fishtail Acquisition



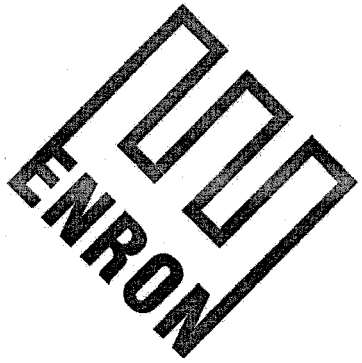
[April 15, 2001]
- ENA contributes $200 MM and Fishtail Class A shares to Sundance.
  - I. Sundance buys Fishtail Class C shares from Sonoma for $200 MM. Sonoma pays $200MM to Napa I. Napa I pays $200MM to Caymus Trust that pays $184MM to Citibank and $16MM to the outside equity investor (In return Fishtail gets the class C shares).
  - II. Fishtail cashes $8MM Demand Note with Enron Corp. Fishtail buys Class B shares from Annapurna for $8 MM. Annapurna pays back the funded piece and cancels the commitment.
- Sundance now owns 100% of Fishtail.

3d Garden State Paper Co. (GSP) and liquidity facility commitment contribution



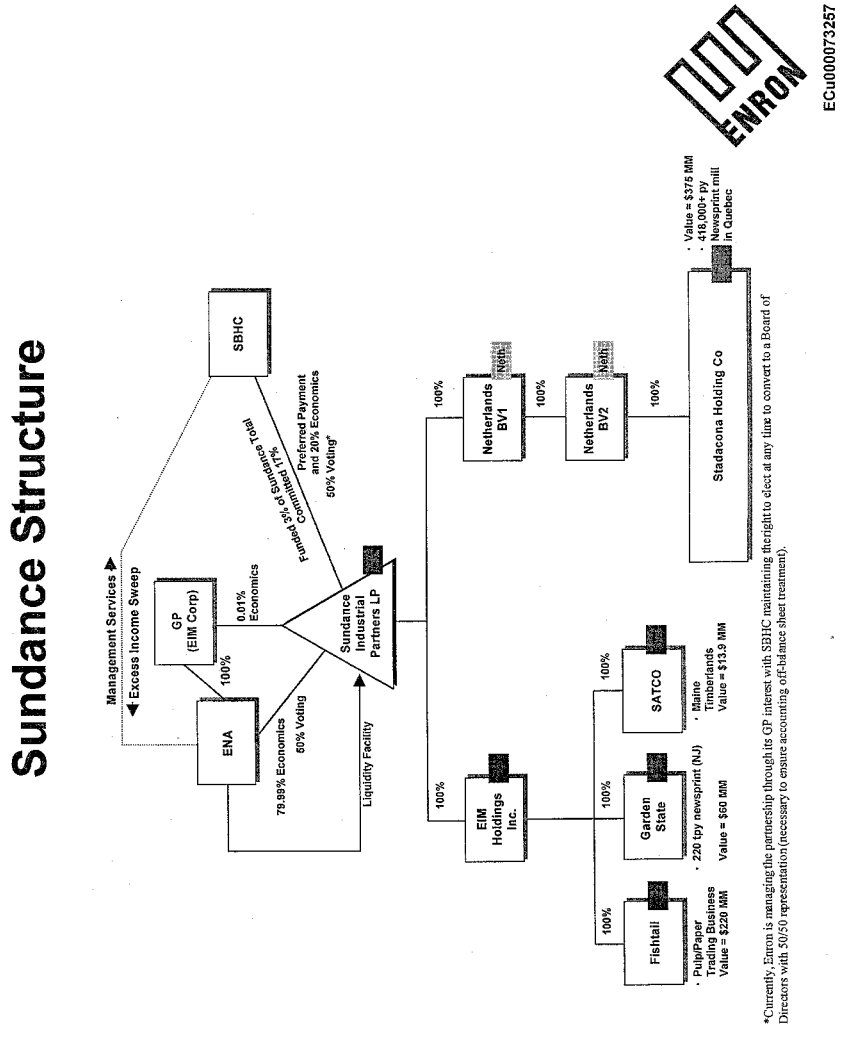
EC 003004748

[April 15, 2001]
- ENA contributes GSP shares to Sundance LP (worth $75 MM).
- ENA contributes a commitment to support a [$78MM] liquidity facility for Sundance LP. This facility will be used, if needed, for liquidity needs in the assets and to finance Sundance quarterly payments and expenses.



Enron Industrial Markets
Finance Presentation of
Sundance Industrial Partners

June 1, 2001


Sundance Structure
Management Services
Excess Income Sweep
GP (EIM Corp)
0.01% Economics
100%
ENA
79.99% Economics
80% Voting
Liquidity Facility
Sundance Industrial Partners LP
SBHC
Funded 3% of Sundance Total Capitalization
Committed Put
Preferred Payment and 20% Economics
50% Voting*
100%
EIM Holdings Inc.
100%
Netherlands BV1
Neth.
100%
Netherlands BV2
Neth.
100%
Stadacona Holding Co
• Value = $375 MM
• 440,000+ tpy Newsprint mill in Quebec
100%
Fishtail
• Pulp/Paper Trading Business
Value = $220 MM
100%
Garden State
• 220 tpy newsprint (NJ)
Value = $60 MM
100%
SATCO
• Maine Timberlands
Value = $13.9 MM
*Currently, Enron is managing the partnership through its GP interest with SBHC maintaining the right to elect at any time to convert to a Board of Directors with 50/50 representation (necessary to ensure accounting off-balance sheet treatment).
ENRON
ECu000073257

Sundance Highlights

- Resulted in off-balance sheet treatment of paper assets
- Total Cost of Capital < 2%
  - not L + 2%
- Structure flexible and expandable with SSB consent
- Enabled 100% debt financing of Stadacona

Sundance Steps

Updated June 1, 2001

All these steps should happen Friday June 1st, 2001. The order of the following CANNOT be altered. The steps highlighted in **bold** are the unwinding of Fishtail into Sundance.

1- Sundance Industrial Partners LP (Sundance) is created with Enron Industrial Markets Corporation GP (EIM GP) as the General Partner and Enron North America (ENA) as a limited partner.
2- ENA contributes its interest in Enron Industrial Partners LP (EIP) to Sundance.
3- EIM GP contributes its interest in EIP into Sundance.
4- Enron Industrial Partners is dissolved, therefore EIM I BV (Stadacona) and EIM Holdings Inc. (SATCO) are directly owned by Sundance.
5- ENA contributes its 100% Garden State Paper Co. (GSP) interest into Sundance LP.
6- ENA sells Sonoma Class A shares to Salomon Smith Barney (SSMB) for $20MM.
7- Salomon Smith Barney gets 20% of Sundance for $188,500,000 by contributing $8,500,000 in cash, the Sonoma class A shares (Worth $20MM), and a $160,000,000 unfunded capital commitment.
8- Sundance grants a Call to SSMB, and SSMB grants a Put to Sundance, on the Sonoma Class A shares for $20mm.
9- ENA contributes $208,500,000 to Sundance.
10- ENA contributes Fishtail Class A shares into Sundance.
11- Sundance Pays: **a) $201,362,414 to Caymus trust (that pays Citi),** **b) and $6,721,000 to Caymus trust (that pays Long Lane).** **Sundance then gets Sonoma Class B shares from Caymus, thus owns 100% of Sonoma that owns 100% of Fishtail Class C shares.**
12- Sundance causes Fishtail to call $8,538,887.56 Demand Note with Enron Corp. and pays Annapurna $8,538,887.56 by paying LJM on behalf of Annapurna getting Fishtail Class B shares.
13- Fishtail Conveyance Agreement is amended to reflect Net Income/Loss being conveyed.
14- ENA signs an administrative services agreement with Salomon Smith Barney.
15- ENA contributes to Sundance a $25MM liquidity facility.
16- ENA contributes a $65,000,000 unfunded capital commitment.
17- Sundance invests any significant cash remaining in its account in an Enron Corp. on demand note (Permited Investment, 4.03(b) of the Partnership agreement).

Outcome:

- ENA's aggregate contribution is $747,400,000.
  The Breakdown is: $60mm Garden State, $375mm Stadacona, $13.9mm SATCO, $208.5mm cash, $25mm liquidity Facility, $65mm Aditional Capital Commitment.
- Salomon Smith Barney's aggregate contribution is $188,500,000.
  The Breakdown is: $20mm Sonoma Class A shares, $8.5mm Cash, $160mm unfunded capital commitment.

ENRON		
Garden State	60	6.4%
Stadacona	375	40.1%
SATCO	13.9	1.5%
Cash	208.5	22.3%
Liquidity facility	25	2.7%
Unfunded Capital Commitment	65	6.9%
	747.4	**79.9%**

Salomon			
Sonoma Class A	20	2.1%	**Funded 3%**
Cash	8.5	0.9%	
Unfunded Capital Commitment	160	17.1%	
	188.5	**20.1%**	

Total Sundance	935.9

Flagstaff Capital Corporation
$375,000,000
Senior Credit Facility

CONFIDENTIAL INFORMATION MEMORANDUM

JPM-14-00234

JPMorgan

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NOTICE TO RECIPIENTS

This Confidential Information Memorandum (the "Confidential Memorandum") has been prepared solely for informational purposes from information supplied by Enron Corp. ("Enron") and others, and is being furnished by JP Morgan Securities Inc. ("JP Morgan"), as Advisor, Sole Lead Arranger and Book Manager on behalf of The Chase Manhattan Bank as Administrative Agent (the "Agent"), solely for use by prospective participants in considering a participation as syndicate lenders in the proposed financing. The Agent and JP Morgan, however, have not independently verified any of the information and data contained herein and make no representation or warranty as to the accuracy or completeness of such information. By accepting this Confidential Memorandum, each recipient agrees that the Agent, and JP Morgan shall not have any liability for any representations (express or implied) contained in, or for any omissions from, this Confidential Memorandum or any other written or oral communications transmitted to the recipient by or on behalf of the Agent, JP Morgan or Enron in the course of the recipient's evaluation of the proposed financing.

The information contained herein has been prepared to assist interested parties in making their own evaluation of Enron and does not purport to be all-inclusive or to contain all of the information that may be material to a prospective participant's decision to participate in the financing. Each recipient of the information and data contained herein should perform its own independent investigation and analysis of the transaction and the creditworthiness of Enron. The information and data contained herein are not a substitute for the recipient's independent evaluation and analysis.

This Confidential Memorandum includes certain statements, estimates and projections prepared and provided by Enron management with respect to the anticipated future performance of Enron. Such statements, estimates and projections reflect various assumptions by Enron management concerning anticipated results and have been included solely for illustrative purposes. No representations are made as to the accuracy of such statements, estimates or projections or with respect to any other materials herein and all such representations, expressed or implied, are expressly disclaimed. Actual results may vary materially from the projected results contained herein.

Statements contained in this Confidential Memorandum describing documents and agreements are provided in summary form only and such summaries are qualified in their entirety by reference to such documents and agreements.

By acceptance of the information provided herein and subsequently, prospective lenders agree to maintain the information provided in strict confidence. This Confidential Memorandum has been prepared solely for the use of prospective lenders interested in the proposed financing described herein. Distribution of this Confidential Memorandum to any person other than such prospective lenders and counsel, if any, retained to advise such lenders with respect thereto is unauthorized, and any divulgence or other use of any of its contents without the prior written consent of the company is prohibited. No person is authorized to give any information or to make any representations not contained in this Confidential Memorandum and, if given or made, such memorandum or representation must not be relied upon.

AUTHORIZATION LETTER

May 31, 2001

JP Morgan Securities, Inc.
707 Travis St, 8th Floor
Houston, TX 77002

Ladies and Gentlemen:

Enron Corp. ("Enron"), on behalf of Enron Industrial Markets ("EIM"), hereby authorizes you and your affiliates to distribute the Confidential Information Memorandum (the "Memorandum") to potential lenders in connection with the proposed $375,000,000 Senior Credit Facility (the "Facility") described in the Confidential Information Memorandum.

We have reviewed such Memorandum and its attachments and hereby confirm to you and your affiliates that, to the best of our knowledge, the information contained in the Memorandum is correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in the light of the circumstances under which such statements were made. It is understood that Enron and EIM make no representation or warranty concerning the estimates and projections contained in the Memorandum except that such estimates and projections were made in good faith by the management of Enron and EIM on the basis of assumptions believed by such management to be reasonable. However, such estimates and projections and the assumptions on which they are based may or may not prove to be correct. Statements as to the terms and conditions of the Facility and the related transaction documents are qualified in their entirety by reference to the definitive documentation, to which reference should be made for the full terms and conditions.

Very truly yours,

William W. Brown
Vice President & Regional CFO

FORM OF COMMITMENT ADVICE

[LENDER LETTERHEAD]
Form of Commitment Advice
(Telecopy to Roxanne Powell at 713-216-4583)

Month Date, Year

JP Morgan Securities Inc.
707 Travis, 8-CBBN-96
Houston, TX 77002

Ladies and Gentlemen:

We refer to the Summary of Terms and Conditions included in the Confidential Information Memorandum dated June 2001. Subject only to satisfactory documentation, we are pleased to commit $_____ to the Senior Facility. We understand that allocations will be made at the discretion of Enron and JP Morgan.

Furthermore, we represent that our commitment represents a commitment from our institution and does not in any way include a commitment or other arrangement from any other non-affiliated institution. Lastly, we acknowledge and agree that no secondary selling or offers to purchase will occur until such time as the Agent declares the preliminary syndication to be complete.

Very truly yours,

Authorized Officer:

Title:

Lender:

Telephone Number:

CONTACT LIST

Inquiries regarding the syndication should be directed to:

Enron Corp.
1400 Smith Street
Houston, TX 77002-7361
FAX: (713) 646-8028

William W. Brown	Vice President / Regional CFO	(713) 853-6398
Doug McDowell	Director	(713) 853-7710

JP Morgan Securities, Inc.
600 Travis, 20th Floor
Houston, TX 77002

Client Management Group
FAX: (713) 216-8882

Richard Walker	Managing Director	(713) 216-8850

Credit and Lending
FAX: (713) 216-8870

Robert Traband	Vice President	(713) 216-1081

JP Morgan Securities, Inc.
707 Travis, 8th Floor
Houston, TX 77002

Global Syndicated Finance
FAX: (713) 216-4583

George Serice	Vice President	(713) 216-8079
Roxanne Powell	Associate	(713) 216-3510

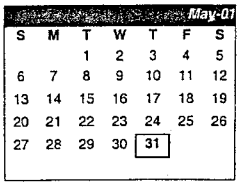
JP Morgan Securities, Inc.
270 Park Avenue, 9th Floor
New York, NY 10017

Structured Finance
FAX: (212) 834-6181

Bruce Hendrick	Vice President	(212) 834-5314
Eric N. Peiffer	Vice President	(212) 834-5155

TRANSACTION TIMETABLE

Thursday, May 31	Confidential Information Memorandum and all pertinent information available via DealBench
Monday, June 11	Final Deadline for Commitments Distribution of drafts of Transaction Documents
Monday, June 18	Final Comments on Documents Due
Thursday, June 21	Effective Closing Date



May-01

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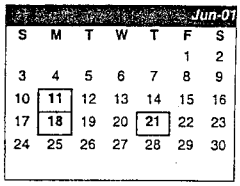
20	21	22	23	24	25	26
27	28	29	30	31		



Jun-01

S	M	T	W	T	F	S
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24	25	26	27	28	29	30

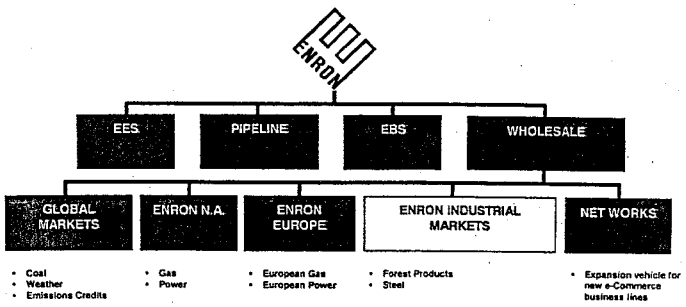
EXECUTIVE SUMMARY

Overview

Enron Corp. has engaged JP Morgan to arrange a US $ 375 MM, five year plus one day fully amortizing term loan ("Term Loan Facility") to provide the permanent financing for Enron's acquisition in March 2001 of a 515,000 tons/yr newsprint mill located in Quebec City, Canada ("Stadacona"). Enron will use the proceeds of the Term Loan Facility to refinance the inter-company bridge loan and for other general corporate purposes associated with the Stadacona acquisition. The transaction is structured to reflect Enron credit risk and not to directly expose the lenders to the operating, asset, or commodity price risk associated with Stadacona.

Enron Overview

Enron is one of the world's leading natural gas, electricity and communications companies. Enron's activities are conducted through its subsidiaries and affiliates which are principally engaged in 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; the delivery and management of energy commodities and capabilities to end use retail customers in the industrial and commercial business sectors; the development of an intelligent network platform to provide bandwidth management services and deliver high bandwidth applications; the transportation of natural gas through pipelines to markets throughout the United States; and the generation and transmission of electricity to markets in the northwestern United States. For the year ended December 31, 2000, Enron had revenues of approximately $101 billion and net income of $979 million. Enron's operations are conducted through its subsidiaries and affiliates, organized as follows:



Enron Industrial Markets Overview

Enron Industrial Markets was created to apply the Enron wholesale model in two key new markets: Forest Products and Steel. Enron believes that each of these industries has products with commodity-like characteristics and that the acquisition of Daishowa Forest Products will ensure Industrial Markets' access to physical product. This is a crucial part of Industrial Markets' strategy, and will help in transforming the way these industries currently operate. Enron transforms industries by serving as a principal market-maker transacting for its own account, increasing price transparency and using sophisticated products to provide innovative solutions for market participants, while also providing logistics and settlement services. Utilization of the model enabled Enron to become the leading marketer of North American natural gas and power. Enron formed Industrial Markets to aggressively pursue opportunities utilizing Enron's competencies and proven business model to gain leadership in these two industries where Enron's skills and talents are transferable.

In transforming industries with commodity-like products into efficient marketplaces, Enron utilizes the following formula: (1) definition of physical product standards to create base commodities, (2) creation of liquidity by serving as a market-maker, (3) utilization of its liquidity to provide the markets with innovative financial products, (4) provision of settlement activity and back-office support to facilitate an orderly exchange, and (5) development of networks for physical distribution to allow efficient and cost effective delivery of product.

Enron is able to implement the formula through (1) market-making professionals who manage risk through utilization of value-at-risk and other sophisticated portfolio management techniques, (2) a dedicated independent staff of risk control professionals, reporting to Enron's Board of Directors, (3) information technology that enables both market-making activity and risk management functions, and (4) the development and management of origination professionals who are financially skilled and capable of selling high-margin, customized contracts, many of which are long-term in nature. This business model has allowed Enron to obtain leading market share positions in several markets and enhance customer retention and profitability.

Stadacona

The transaction proceeds will refinance Enron's $375 MM inter-company bridge loan used to purchase Daishowa Forest Products, recently renamed "Stadacona", from Daishowa Inc. in March 2001. Located on the confluence of the Saint-Charles and Saint-Laurent rivers in Quebec City, Canada, the mill produces a total of 515,000 tons/yr of paper per year including newsprint paper, directory paper and paperboard. Ownership of Stadacona will reside with EIM Holdings Canada ("EIM Holdings"), a wholly-owned subsidiary of a newly formed joint venture, of which Enron owns 50%. The acquisition of Stadacona provides Enron Industrial Markets the necessary access to physical newsprint supplies in order to fully implement its wholesale business model strategy in the forest products industry. Stadacona alone is the 11th largest North American newsprint producer. With the acquisition, Enron Industrial Markets became the 7th largest North American newsprint producer when combined with Enron's Garden State Paper newsprint facilities in New Jersey.

Transaction Overview

Parties to the Transaction

The parties to the Transaction include the following:

- Enron, US parent company;
- EIM Holdings, a Canadian operating company that is owned by an Enron joint venture. Enron owns 50% of the joint venture.
- Finco ("Finco"), a newly-created Canadian special purpose subsidiary of EIM Holdings;
- Subco ("Subco"), a newly-created Canadian special purpose subsidiary of EIM Holdings;
- Flagstaff Capital Corporation ("Flagstaff"), a newly-created US special purpose vehicle owned by The Chase Manhattan Bank;
- The club bank group to act as lenders to Flagstaff at closing ("Club Lenders");
- The syndicate of banks to act as ultimate lenders to Flagstaff ("Bank Group");
- JP Morgan, as the advisor and arranger for the Transaction;

The following steps will be executed to complete the Transaction:

At Inception

1. The Bank Group provides a $375 MM five year plus one day loan to Flagstaff ("Flagstaff Loan").

2. JP Morgan provides a $[1,000] MM loan to Flagstaff ("JP Morgan Loan").

3. Flagstaff lends the proceeds of $[1,375] MM to Finco ("Finco Loan") under a loan which has a bullet maturity of five years plus one day, with interest payable quarterly. Finco will also issue to Flagstaff a Warrant on Finco's preferred shares in consideration for the Finco Loan (see Credit Support).

4. Finco on-lends the $[1,375] MM to EIM Holdings ("EIM Loan"), which EIM Holdings will use for general corporate purposes, including repayment of the inter-company bridge loan from Enron and providing capital to other Enron affiliates.

5. Finco and Subco enter into a Share Subscription Agreement by which Subco agrees to pay $[1,375] MM at maturity (five years plus one day) for Finco's preferred stock, to be delivered at maturity.

6. Flagstaff and Subco enter into a Subscription Payment Assumption Agreement under which Subco will pay $[1,000] MM to Flagstaff on day one, in exchange for Flagstaff assuming Subco's obligation to pay $[1,375] MM at maturity for Finco's preferred stock delivered to Subco pursuant to the Share Subscription Agreement.

[1] All figures are denominated in US dollars unless otherwise indicated.

Periodic Cash Flows

Quarterly cash flows will occur in the following manner (see Periodic Cash Flows schematic):

1. EIM Holdings and Finco will make interest payments under their respective loans of approximately $[90] MM per annum.
2. Flagstaff will use the interest payments received from Finco to service the Term Loan Facility.

Interest Rate Swap

In order to make the required floating-rate coupon payments to the Bank Group under the Term Loan Facility, Flagstaff will need to enter into a pay-fixed (receive floating) interest rate swap to convert a portion of the periodic payment received from Finco to a floating basis.

Optional Repayment Provision

EIM may elect to prepay the EIM Loan of approximately $[1,375] MM at any time, which would trigger a prepayment of the Finco Loan of $[1,375] MM as well as a prepayment of the Flagstaff Loan made by the Bank Group. All such loans can only be prepaid in whole, not in part. In the event of a prepayment, the payment obligation of Flagstaff under the Subscription Payment Assumption Agreement for $[1,375] MM would be accelerated.

To ensure repayment of outstanding principal and accrued interest under the Flagstaff Loan, the Finco Loan documentation will include a cash "makewhole" provision ("Makewhole") in the event of prepayment. The Makewhole is calculated as (i) accrued and unpaid interest and (ii) the present value of all Finco coupon payments otherwise remaining to maturity; this calculation will equal the outstanding principal and accrued and unpaid interest due to the Bank Group.

Enron Credit Support

As part of the Transaction, Enron will provide credit support to Flagstaff in respect of the Bank Group's loan via an arrangement consisting of a warrant, a put and a total return swap (the "Credit Support").

The Credit Support is triggered upon a Finco Event of Default and results in Enron paying to Flagstaff for the benefit of the Bank Group an amount equal to the Makewhole. The components of the Credit Support are as follows:

Warrant. Finco will issue to Flagstaff a warrant to acquire certain Finco preferred shares. The Warrant is exercisable upon an event of default under the Finco loan.

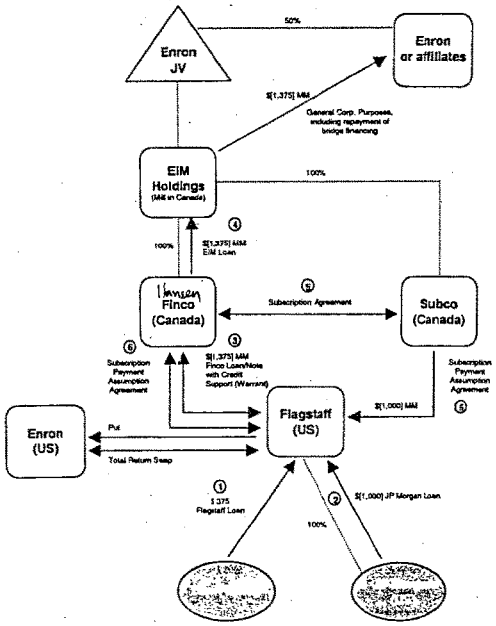
Put Option. Upon an event of default under the Finco loan, Flagstaff may elect to put to Enron (i) the Warrant ("Warrant") and (ii) Flagstaff's claim to the Makewhole payment and certain other Flagstaff rights (the "Warrant Rights"). If such put is exercised, Enron will pay Flagstaff the fair market value ("FMV") for the Warrant and Warrant Rights. Enron will determine the FMV; Flagstaff may challenge the amount of the FMV at which time Enron and Flagstaff would agree on an amount. Regardless of the amount of the FMV payment, Flagstaff will swap the payment with Enron via the Total Return Swap.

Total Return Swap. Upon receiving the FMV payment from Enron, Flagstaff will swap the FMV payment in exchange for a cash payment equal to the Makewhole. This cash payment would then be paid by Flagstaff to the Bank Group.

As shown in the Credit Support schematic, upon an event of default under the Finco loan, the Bank Group receives the outstanding principal and accrued and unpaid interest via the following steps:

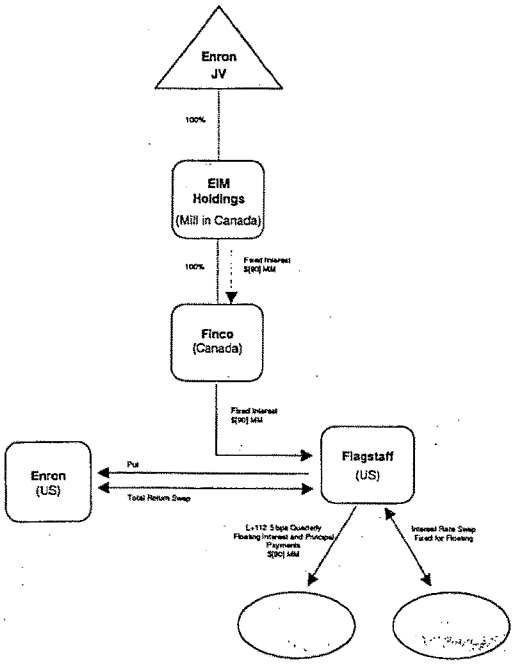
1. Under the Put Option, Flagstaff puts the Warrant and Warrant Rights to Enron.
2. Enron pays Flagstaff cash equal to the FMV.
3. Under the Total Return Swap, Flagstaff pays to Enron the FMV received under the Put Option.
4. In return, Enron pays Flagstaff the Makewhole.
5. Flagstaff uses the Makewhole to repay the Bank Group.

Transaction Diagram

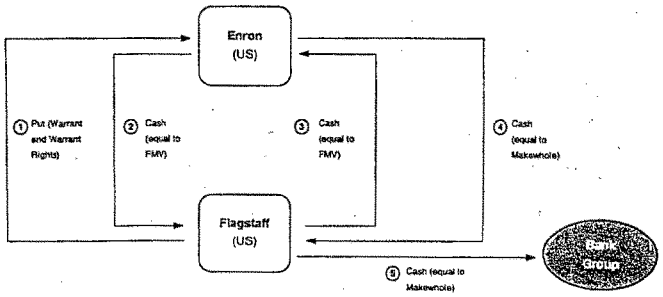


1. The Bank Group provides a $375 MM five year plus one day loan to Flagstaff ("Flagstaff Loan").
2. JP Morgan provides a $[1,000] MM loan to Flagstaff ("JP Morgan Loan").
3. Flagstaff lends the proceeds of $[1,375]MM to Finco ("Finco Loan") under a loan which has a bullet maturity of five years plus one day, with interest payable quarterly. Finco will issue to Flagstaff a Warrant on Finco's preferred shares in consideration for the Finco Loan (see Credit Support).
4. Finco on-lends the $[1,375] MM to EIM Holdings ("EIM Loan"), which EIM Holdings uses for general corporate purposes, including repayment of the inter-company bridge loan from Enron and providing capital to other Enron affiliates.
5. Finco and Subco enter into a Share Subscription Agreement by which Subco agrees to pay $[1,375] MM at maturity (five years plus one day) for Finco's preferred stock, to be delivered at maturity.
6. Flagstaff and Subco enter into a Subscription Payment Assumption Agreement under which Subco will pay $[1,000] MM to Flagstaff on day one, in exchange for Flagstaff assuming Subco's obligation to pay $[1,375] MM at maturity for FinCo's preferred stock delivered to SubCo pursuant to the Share Subscription Agreement.

Periodic Cash Flows Years 1 - 5



Credit Support Steps (Finco Default)



1. Under the Put Option, Flagstaff puts the Warrant and Warrant Rights to Enron (US).
2. Enron (US) pays Flagstaff cash equal to the FMV of the Warrant and Warrant Rights (the right to the Finco Makewhole payment).
3. Under the Total Return Swap, Flagstaff pays back to Enron (US) the cash (FMV) just received via the put.
4. In return, Enron pays Flagstaff cash equal to the Makewhole.
5. Flagstaff uses the cash to repay the amount due to the Bank Group.

Sources and Uses The sources and uses for the Transaction are set forth as follows:

Elm Holdings Sources and Uses

($MM)

Sources of Funds:		Uses of Funds:	
Loan from Finco/Flagstaff*	$[1,375]	Repay Enron inter-company bridge loan and general corporate purposes	$[1,375]
Total	$[1,375]	Total	$[1,375]

*Flagstaff's sources of funds will be the Flagstaff Loan of $375 MM and the JP Morgan Loan of $[1000] MM.

KEY INVESTMENT CONSIDERATIONS

Strong Sponsor	Enron is one of the largest integrated electricity and natural gas companies in the world. Enron is the largest wholesale marketer of natural gas and electricity in North America. Enron is rated BBB+/Baa1 by S&P and Moody's, respectively. For the year ended December 31, 2000, Enron had revenues of approximately $101 billion and net income of $979 million.
Credit Risk	The transaction is structured to provide Enron Corp. credit risk to the lenders via the credit support mechanics and to eliminate exposure for the banks with respect to the asset/operating risk associated with Stadacona.
Enron Industrial Markets	Stadacona represents the first substantial acquisition for EIM as well as the first significant financing opportunity for this segment of Enron's wholesale business.
Attractive Pricing/Terms	The term loan bears an interest rate of LIBOR plus 112.5 bps and fully amortizes with an average life of approximately 2.8 years.

SUMMARY OF TERMS AND CONDITIONS – CREDIT FACILITY

Indicative Summary of Principal Terms

Sponsor:	Enron Corp. ("Enron")
Advisor & Arranger:	JP Morgan Securities Inc.
Administrative Agent:	The Chase Manhattan Bank.
Other Agents:	TBD.
Borrower:	Flagstaff Capital Corporation ("Flagstaff"), a Delaware Corporation and wholly-owned subsidiary of JP Morgan Chase & Co.
Facility:	$375 MM reducing term loan facility.
Purpose:	The Facility will finance a portion of Flagstaff's five-year and one-day loan to Finco (the "Finco Loan").
Effective Date:	Projected to be June [21], 2001, (the "Effective Date" or "Primary Closing Date").
Tenor:	5 years and one day.
Amortization:	The Facility will amortize quarterly on a mortgage-style amortization.
Security:	The Facility will be secured by a pledge by Flagstaff of all its rights and interest in its primary asset, Finco loan.
Credit Support:	Enron Corp. will provide Credit Support for an amount equal to the outstanding principal and accrued and unpaid interest under the Term Loan Facility. In addition, Enron will enter into the Enron Agreement which will be for the benefit of Flagstaff and each indemnified party (Bank Group, Club Lenders, etc.), and shall provide standard indemnifications for this type of transaction which are summarized in the Confidential Information Memorandum.
Pricing:	LIBOR + 112.5 bps.
Club Lender Fees:	35 bps time allocated commitment on closing date.
Syndication Strategy:	Club Lenders will close and fund the Term Loan Facility on the closing date. JP Morgan will immediately commence secondary syndication. "Successful Syndication" means the Club Lenders' commitments will be reduced to no more than $60 MM each by September 30, 2001.

Exhibit A-1

TERM SHEET
for the
FLAGSTAFF CREDIT AGREEMENT

I.	**Parties**	
	Borrower:	Flagstaff Capital Corporation, a special purpose Delaware corporation (the "Borrower" or "Flagstaff") owned directly or indirectly by The Chase Manhattan Bank ("Chase").
	Advisor and Arranger:	JP Morgan Securities Inc. (in such capacity, the "Arranger").
	Administrative Agent:	Chase (in such capacity, the "Administrative Agent").
	Collateral Agent:	Chase (in such capacity, the "Collateral Agent").
	Lenders:	A syndicate of banks, financial institutions and other entities, including Chase (collectively, the "Lenders").
	Swap Counterparty:	The Borrower will enter into an interest rate swap agreement (the "Interest Rate Swap Agreement") with an acceptable counterparty to swap the interest rate on the interest rate under the Credit Facility.
II.	**Credit Facility**	
	Credit Facility:	A five-year and one-day term loan facility (the "Credit Facility") in the amount of US $[375,000,000] (the "Loans").
	Availability:	To be fully funded at closing.
	Effective Date:	The date as of which the Credit Documentation is executed and delivered by all parties thereto (the "Effective Date").
	Maturity:	Five years and one day from the Effective Date (the "Final Maturity Date").
	Purpose:	The proceeds of Loans shall be used to fund a portion of a loan by the Borrower to **[Finco]** ("Finco"), a special purpose subsidiary of EIM Holdings Canada ("EIM Holdings"), pursuant to a Credit Agreement (the "Finco Credit Agreement").
	Security:	As security for the Loan the Borrower will grant to the Collateral Agent for the benefit of the Lenders a perfected, first priority interest in all of the assets of the Borrower, including without limitation, the Borrower's rights to receive payments under (a) the Finco Credit Agreement, (b) the Enron Agreement (as defined in Exhibit A-2), (c) the Warrant Agreement (as defined in Exhibit A-2), (d) the Put Option Agreement (as defined in Exhibit A-2), (e) the Total Return Swap Agreement (as defined in Exhibit A-2), and (f) the Interest Rate Swap Agreement.

	Operating Account:	All payments to Flagstaff under the transaction documents (other than principal payments under the Finco Credit Agreement) shall be made to an Operating Account under the dominion and control of the Collateral Agent.

III. Certain Payment Provisions

Interest Rate:	As set forth on Annex I.
Amortization:	Principal and interest on the Loan shall be repaid in accordance with a mortgage-like amortization schedule to be determined prior to closing.
Optional Prepayments:	Prepayment in full is permitted; optional partial prepayments are not permitted.
Mandatory Prepayments:	Prepayment is required upon receipt by Flagstaff of any principal prepayment under the Finco Credit Agreement.

IV. Conditions

Conditions:

The availability of the Credit Facility shall be conditioned upon satisfaction of, among other things, the following conditions precedent (the date upon which all such conditions precedent shall be satisfied and the Loans are funded, the "Closing Date"):

(a) Nothing shall have occurred that has resulted in a material adverse effect.

(b) The Borrower, Enron Corp., Finco and Subco, a wholly-owned subsidiary of EIM Holdings ("Subco"), shall have delivered the following: (i) certain notices with respect to the Operating Account; (ii) financing statements; (iii) evidence of actions with respect to perfecting liens; (iv) executed and satisfactory definitive financing documentation with respect to the Credit Facility (the "Credit Documentation"), together with satisfactory definitive documentation with respect to the transactions contemplated by the Term Sheets attached as Exhibits A-2 through A-7 (the "Operative Documents") (including, without limitation, a Subscription Agreement (the "Subscription Agreement") executed by Finco and Subco in form and substance satisfactory to the Administrative Agent, with respect to the subscription by Subco for Class A Preferred Shares of Finco (the "Subscription Agreement"), and a Subscription Payment Assumption Agreement (the "Subscription Payment Assumption Agreement") with respect to the assumption by Flagstaff of the obligation of Subco to pay the subscription price for such Class A Preferred Shares of Finco); (v) appropriate certificates of existence, authority and good standing; (vi) appropriate certificates of officers; and (vii) such legal opinions as have been agreed upon.

(c) The conditions precedent to the making of the "Loan" under the Finco Credit Agreement shall be satisfied.

(d) The Lenders, the Administrative Agent and the Arranger shall have received all fees required to be paid, and all reasonable out-of-pocket expenses for which invoices have been presented, on or before the Closing Date.

(e) The Administrative Agent shall have received such other approvals, opinions or documents as the Administrative Agent or the Lenders may reasonably request.

(f) All representations and warranties in the Credit Documentation shall be true and correct in all material respects.

(g) No event has occurred and is continuing, or would result from the making of the Loan or from the application of the proceeds therefrom, that constitutes an Event of Default or Default.

(h) The Loan is being requested by the Borrower to make a loan by the Borrower to Finco pursuant to the Finco Credit Agreement.

V. **Certain Documentation Matters**

The Credit Documentation shall contain representations, warranties, covenants and events of default customary for financings of this type and other appropriate terms, including without limitation:

Representations and Warranties: Organization; powers; authorization; enforceability; approvals and consents; no conflicts; no activity; no subsidiaries; business activity; properties; litigation; compliance with laws and agreements; Investment Company Act; Public Utility Holding Company Act; taxes; no ERISA plans; no employees, disclosure; pledged collateral; and assigned agreements.

Affirmative Covenants: Reporting requirements; compliance with laws; payment of taxes; preservation of existence; inspection rights; books and records; performance of documents; maintenance of licenses and permits; search reports; right to audit; and claims for Supplemental Costs.

Negative Covenants: Limitations (appropriate for a special purpose vehicle) on: indebtedness; liens; mergers, sales of assets; distributions; amendment, of Operative Documents; investments; subsidiaries; affiliate transactions; nature of activities; no ERISA plans; no employees and negative pledges.

Events of Default: Nonpayment of principal when due; nonpayment of interest within five days of when due, nonpayment of fees or other amounts within fifteen days of when due; material inaccuracy of representations and warranties; violation of covenants (subject to a grace period to be agreed upon); bankruptcy and insolvency events; material judgments; invalidity of loan documents or security interests; dissolution; and Enron Events (as defined in the Enron Agreement) or Events of Default under the Finco Credit Agreement.

Voting: Amendments and waivers with respect to the Credit Documentation shall require the approval of Lenders holding at least 51% of the aggregate amount of the Loans; provided, that (a) the consent of each Lender directly affected thereby shall be required with respect to (i) reductions in the amount or extensions of the scheduled date of amortization or final maturity of any Loan, (ii) reductions in the rate of interest or any fee or extensions of any due date thereof and (iii) increases in the amount or extensions of the expiry date of any Lender's commitment and (b) the consent of 100% of the Lenders shall be required with respect to

	modifications to any of the voting percentages or provisions regarding the pro rata sharing of payments.
Assignments:	The Lenders shall be permitted to assign and sell participations in their Loans and commitments, subject, in the case of assignments (other than to another Lender or to an affiliate of a Lender), to the consent of the Administrative Agent , the Borrower and Enron (which consent in each case shall not be unreasonably withheld). In the case of partial assignments (other than to another Lender or to an affiliate of a Lender), the minimum assignment amount shall be $10,000,000 unless otherwise agreed by the Borrower and the Administrative Agent. Participants shall have the same benefits as the Lenders with respect to yield protection and increased cost provisions. Voting rights of participants shall be limited to those matters with respect to which the affirmative vote of the Lender from which it purchased its participation would be required as described under "Voting" above. Pledges of Loans in accordance with applicable law shall be permitted without restriction. Promissory notes shall be issued under the Credit Facility only upon request.
Yield Protection:	The Credit Documentation shall contain provisions substantially similar to those contained in Enron's revolving credit facility.
Expenses and Indemnification:	The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Administrative Agent and the Arranger associated with the syndication of the Credit Facility and the preparation, execution, delivery and administration of the Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel) and (b) all reasonable out-of-pocket expenses of the Administrative Agent and the Lenders (including the fees, disbursements and other charges of counsel) in connection with the enforcement of the Credit Documentation. Indemnification provisions substantially similar to those in Enron's revolving credit facility.
Governing Law and Forum:	State of New York.
Counsel to the Administrative Agent and the Arranger:	Vinson & Elkins L.L.P.

Annex I
to Exhibit A-1

INTEREST AND CERTAIN FEES

Interest Rate Options: The Borrower may elect that the Loans comprising each borrowing bear interest at a rate per annum equal to:

the ABR; or

the Adjusted LIBO Rate plus the Applicable Margin.

As used herein:

"ABR" means the highest of (i) the rate of interest publicly announced by Chase as its prime rate in effect at its principal office in New York City (the "Prime Rate"), (ii) the secondary market rate for three-month certificates of deposit (adjusted for statutory reserve requirements) plus 0.5% and (iii) the federal funds effective rate from time to time plus 0.5%.

"Adjusted LIBO Rate" means the LIBO Rate, as adjusted for statutory reserve requirements for eurocurrency liabilities.

"Applicable Margin" means 112.5 bps in the case of Eurodollar Loans (as defined below).

"LIBO Rate" shall have the meaning provided in the Enron Corp. revolving credit facility.

Interest Payment Dates: In the case of Loans bearing interest based upon the ABR ("ABR Loans"), quarterly in arrears.

In the case of Loans bearing interest based upon the Adjusted LIBO Rate ("Eurodollar Loans"), on the last day of each relevant interest period and, in the case of any interest period longer than three months, on each successive date three months after the first day of such interest period.

Default Rate: At any time when the Borrower is in default in the payment of any amount of principal due under the Credit Facility, such amount shall bear interest at 2% above the rate otherwise applicable thereto. Overdue interest, fees and other amounts shall bear interest at 2% above the rate applicable to ABR Loans.

Rate and Fee Basis: All per annum rates shall be calculated on the basis of a year of 360 days (or 365/366 days, in the case of ABR Loans the interest rate payable on which is then based on the Prime Rate) for actual days elapsed.

Exhibit A-2

TERM SHEET
for the
FINCO CREDIT AGREEMENT

I.	**Parties**	
	Borrower:	**[Finco]** ("Finco"), a Nova Scotia special purpose subsidiary of EIM Holdings Canada ("EIM Holdings"), a company formed under the laws of Nova Scotia.
	Administrative Agent:	The Chase Manhattan Bank (in such capacity, the "Administrative Agent").
	Lender:	Flagstaff Capital Corporation ("Flagstaff"), a special purpose Delaware corporation owned directly or indirectly by The Chase Manhattan Bank.
II.	**Credit Facility**	
	Loan Amount:	Approximately $[1,375,000,000] (the "Finco Loan").
	Currency:	US Dollars.
	Maturity Date:	Five years and one day after date of the Finco Loan.
	Use of Funds:	To make an inter-company loan to EIM Holdings (the "EIM Intercompany Loan"); proceeds thereof to be used by EIM Holdings for general corporate purposes.
III.	**Certain Payment Provisions**	
	Interest Rate:	A fixed rate of interest, to be determined on closing, based upon prevailing interest rates. Other matters relating to payment are as set forth in Annex I.
	Repayment:	Repayment of principal upon Maturity Date in cash; or may be set off against obligations owing by Lender to Finco as a result of Lender's obligation to pay the subscription price for the purchase of Class A Preferred Shares of Finco.
	Prepayment:	Prepayment permitted in whole; no partial prepayment.

IV. Conditions

Conditions:

The availability of the Finco Loan shall be conditional upon satisfaction of such conditions which are customary and appropriate, including (but not limited to) the following:

(a) Nothing shall have occurred that has resulted in a material adverse effect.

(b) Finco shall have executed and delivered definitive loan documentation, in form and substance satisfactory to Lender, with respect to the Finco Loan to be made to Finco (the "Finco Credit Documentation").

(c) Enron Corp. shall have executed and delivered (i) a Put Option Agreement (the "Put Option Agreement"), (ii) a Total Return Swap Agreement (the "Total Return Swap") and (iii) an indemnity agreement (the "Enron Agreement").

The Enron Agreement shall be for the benefit of Flagstaff and each Indemnified Person (Lenders, Agents, etc.) and shall include, without limitation, (i) appropriate indemnification provisions and (ii) substantially the same representations, warranties and covenants as in the Enron Corp. revolving credit facility and additional representations, warranties and covenants specific to this transaction including, without limitation, covenants regarding non-consolidation;

(d) Lender shall have received a warrant for the purchase of Class B Preferred Shares of Finco in an amount equal to the Make Whole Amount (described below) ("Warrant") pursuant to a Warrant Agreement (the "Warrant Agreement").

(e) Lender shall have received legal opinions, as are agreed upon and appropriate compliance certificates.

(f) The funding of the term loan made to the Lender shall have occurred (the "Flagstaff Loan"), and all conditions precedent therein shall have been met.

(g) Lender or the Administrative Agent shall have received all fees required hereunder to be paid on or before the Closing Date and all reasonable out-of-pocket expenses for which invoices have been presented, on or before the Closing Date.

(h) The Administrative Agent shall have received such other approvals or documents as the Administrative Agent or the Lender may reasonably request.

(i) All representations and warranties in the Finco Credit Documentation shall be true and correct in all material respects.

(j) No event has occurred and is continuing, or would result from the making of the Loan or from the application of the proceeds therefrom, that constituted an Event of Default or Default.

(k) The proceeds from the Loan shall be used by the Borrower to make the EIM Intercompany Loan.

	(l) The Lender and the Administrative Agent shall have received a copy of Enron Corp.'s annual report on Form 10-K and Enron Corp.'s most recent quarterly report on Form 10-Q.
Certain Documentation Matters	
Representations; Warranties; Covenants:	Representations, warranties, and covenants substantially similar to the Flagstaff Loan.
Events of Default:	Events of Default substantially similar to the Flagstaff Loan, but including, without limitation, a cross default to the EIM Intercompany Note.
Yield Protection:	Provisions substantially similar to the Flagstaff Loan.
Make Whole Amount:	In the event of any prepayment of principal of the Finco Loan other than on the Maturity Date, Finco shall pay to Lender, at the time of such payment and in addition to the principal amount of the Finco Loan being prepaid, the sum of (a) accrued but unpaid interest plus (b) an amount equal to the present value of all payments of interest thereon that would have been payable after such date if such principal had been paid on the Maturity Date, rather than on the date of prepayment (using a discount rate equal to the rate of interest under the Finco Loan). Upon any transfer of the Warrant to Enron pursuant to the Put Option Agreement, the Make Whole Amount will be assigned by the Lender to Enron.
Put Option Agreement:	Upon an Event of Default, Lender has the right to require Enron to purchase the Warrant, together with the right to receive the Make Whole Amount and any other set off rights (the "Warrant Rights"), for fair market value. In exchange for receiving the Put Option Agreement, Flagstaff waives any rights it might otherwise have had to pursue EIM Holdings for payment under the EIM Intercompany Note.
Total Return Swap:	The Lender will swap with Enron the fair market value received upon the sale or transfer of the Warrant and the Warrant Rights for a fixed payment equal to the Make Whole Amount.
Expenses and Indemnification:	The Borrower shall pay (a) all reasonable out-of pocket expenses of the Lender associated with the preparation, execution, delivery and administration of the Finco Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel) and (b) all reasonable out-of-pocket expenses of the Lender (including the fees, disbursements and other charges of counsel) in connection with the enforcement of the Finco Credit Documentation.
	Indemnification provisions substantially similar to the Flagstaff Loar
Lender's Counsel:	Vinson & Elkins L.L.P.
Governing Law:	State of New York.

Annex I
to Exhibit A-2

INTEREST AND CERTAIN FEES

Rate:	Fixed-rate to be determined based on LIBOR plus 112.5 bps. To the extent not included in the interest rate, all fees, expenses, indemnity payments and other costs of Flagstaff in connection with the Flagstaff Loan will be for the account of Finco.
Interest Payment Dates:	Quarterly in arrears.
Default Rate:	At any time when Finco is in default in the payment of any amount due under the Finco Loan, the principal amount of the Finco Loan, together with any unpaid interest, fees and other amounts, shall bear interest at 2% above the rate otherwise applicable thereto.
Rate and Fee Basis:	Unless stated otherwise, per annum rates shall be calculated on the basis of a year of 360 days, for the actual days elapsed.
Interest Act Disclosure:	The annual rates of interest and fees to which the rates of interest and fees provided for herein (and stated herein to be calculated on the basis of a 360 day year) are equivalent are the rates so determined multiplied by the actual number of days in the applicable calendar year and divided by 360.

Exhibit A-3

TERM SHEET
for the
FINCO SUBSCRIPTION AGREEMENT

Parties:	[Finco] ("Finco"), a Nova Scotia special purpose subsidiary of EIM Holdings Canada ("EIM Holdings"); and Subco ("Subco"), a Nova Scotia special purpose subsidiary of EIM Holdings.
Documentation:	Subscription Agreement.
Definitions:	Share Issuance Date: Five years and one day from the date of issue, or earlier if Finco Loan is repayable earlier in accordance with its terms. Shares: Class A non-voting redeemable retractable convertible preferred shares of Finco. Subscription Price: Approximately $[1,375,000,000].
Payment Terms:	Subco will agree to pay the Subscription Price on the Share Issuance Date. There will be no restriction on mutual set off rights. Additional set off rights will be affected by an escrow arrangement to be established prior to closing. The Subscription Price will be payable on the Share Issuance Date, at which time the Shares shall be issued. The Finco Credit Agreement and the Subscription Agreement prevents the declaration or payment of dividends or other distributions.
Equity Restrictions:	The Finco Credit Agreement and the Subscription Agreement prevents the issuance of any further equity securities of Finco, other than the Class B Preferred Shares issuable pursuant to the Warrant.
Covenants	Other Liabilities; redemption; additional securities; articles and bylaws; dividends; stated capital; fundamental changes; subsidiaries; dispositions; and sales.
Transferability:	Subco may transfer its obligation to pay for the Shares issuable on the Share Issuance Date provided that Subco continues to have the right to receive the shares issued upon payment of the Subscription Price for the Shares on such date. Certain other permitted transfers will be contemplated in the documentation.
Governing Law:	To be determined.

Exhibit A-4

TERM SHEET
for the
SUBSCRIPTION PAYMENT ASSUMPTION AGREEMENT

Parties:	(a) Flagstaff Capital Corporation, a special purpose Delaware corporation ("Flagstaff") owned directly or indirectly by The Chase Manhattan Bank; (b) [Subco] ("Subco"), a Nova Scotia special purpose subsidiary of EIM Holdings Canada ("EIM Holdings"); and (c) [Finco] ("Finco"), a Nova Scotia special purpose subsidiary of EIM Holdings.
Documentation:	Subscription Agreement made between Finco and Subco under which Subco will subscribe to purchase Class A Preferred Stock of Finco. Subscription Payment Assumption Agreement made among Subco, Flagstaff and Finco with respect to the release of Subco and assumption by Flagstaff of the obligation to pay the subscription price to be paid for the Class A Preferred Shares in the capital of Finco subscribed for by Subco. The assumption by Flagstaff of the payment obligations will be conditional upon repayment by Finco to Flagstaff of the Finco Loan. Finco will consent to the assumption and acknowledge that there has been no waiver of any right of set off, including any right of set off between Flagstaff and Finco. Upon the satisfaction of Flagstaff's payment obligation, the Class A Preferred Shares will be issued to Subco.
Shares:	Class A non-voting redeemable retractable convertible preferred shares of Finco.
Subscription Rights Purchase Date:	Closing Date.
Share Issuance Date:	Five years and one day after Closing Date or earlier if Finco Loan is repayable earlier in accordance with its term.
Agreed Price:	Approximately US$[1,000,000,000] to be paid by Subco to Flagstaff.
Undertakings by SPV:	Flagstaff agrees to assume the obligation to pay the subscription price for the Shares in exchange for a payment from Subco of the Agreed Price.
Undertakings by Subco	Subco agrees to pay the Agreed Price to Flagstaff in consideration of Flagstaff agreeing to pay the Subscription Price for the Shares. Subco retains the right to receive the shares following payment of the Subscription Price.
Undertakings by	Finco agrees that it will at all relevant times keep available sufficient authorized but unissued share capital to issue the Shares. Finco is a

Finco:	party to the agreement to consent to and to acknowledge the assumption by Flagstaff of the obligation to pay the Subscription Price for the Shares.
Limited Recourse:	After completion of the transactions contemplated under "Undertakings by Subco" and "Undertakings by Flagstaff" above, Subco's sole recourse is to look to Finco to issue the Shares. Flagstaff shall have no liability whatsoever in this regard.
Transferability:	No assignment or transfer without the prior written consent of the other parties.
Governing Law:	To be determined.

Exhibit A-5

TERM SHEET
for the
WARRANT AGREEMENT

I. Parties

Finco:	[Finco] ("Finco"), a Nova Scotia special purpose subsidiary of EIM Holdings Canada ("EIM Holdings").
Holder:	Flagstaff Capital Corporation, a special purpose Delaware corporation ("Holder" or "Flagstaff") owned directly or indirectly by The Chase Manhattan Bank ("Chase").

II. Warrant

Class B Preferred Shares:	Class B non-voting redeemable, retractable, preferred shares of Finco (the "Class B Preferred Shares").
Warrant:	A warrant ("Warrant") issued to Flagstaff for the purchase of the number of Class B Preferred Shares that have an aggregate Redemption Amount determined as follows: (a) if the Warrant is exercised prior to the occurrence on an Event of Default as defined in the Finco Credit Agreement, then the aggregate Redemption Amount shall be equal to the amount of the Make Whole Amount (as described in the Term Sheet for the Finco Credit Agreement) that would be payable by Finco pursuant to the Finco Credit Agreement as if such Make Whole Amount were due on such date, or (b) if the Warrant is exercised on the occurrence and during the continuation of an Event of Default as defined in the Finco Credit Agreement, then the aggregate Redemption Amount shall be equal to the amount of the Make Whole Amount payable by Finco pursuant to the Finco Credit Agreement as a result of such Event of Default. No partial exercise of the Warrant is permitted.
Exercise Date:	At any time.
Exercise Price:	US$1.00 per Class B Preferred Share.
Subscription Price:	Prior to an Event of Default under the Finco Credit Agreement, the Exercise Price multiplied by the number of Class B Preferred Shares acquired. Upon an Event of Default under the Finco Credit Agreement, if the Holder elects to exercise the Warrant, then the Subscription Price due to Finco may be set off against the Make Whole Amount due from Finco under the Finco Credit Agreement.
Expiry Date:	The payment in full of all obligations due under the Finco Credit Agreement.
Redemption Amount:	US$1.00 per Class B Preferred Share.

III. **Certain Documentation Matters**

The Warrant shall contain covenants customary for warrants and other appropriate terms including without limitation:

Covenants: Anti-dilution provisions; issuance of shares upon exercise of the warrant; reservation of shares; no impairment.

Governing Law: To be determined.

Exhibit A-6

TERM SHEET
for the
PUT OPTION AGREEMENT

I. Parties

Enron: Enron Corp., an Oregon corporation ("Enron").

Flagstaff: Flagstaff Capital Corporation, a special purpose Delaware corporation ("Flagstaff") owned directly or indirectly by The Chase Manhattan Bank ("Chase").

II. Put Option

Put Option: Upon an Event of Default under the Finco Credit Agreement, Flagstaff has the right to require Enron to purchase the Warrant and the Warrant Rights from Flagstaff.

Purchase Price: Enron shall purchase the Warrant and the Warrant Rights for fair market value as determined by Enron. If Flagstaff disagrees with Enron's determination of the fair market value of the Warrant and the Warrant Rights, Enron and Flagstaff shall mutually agree on the fair market value.

Warrant: Pursuant to an agreement between [Finco] ("Finco"), a Nova Scotia special purpose subsidiary of EIM Holdings Canada ("EIM Holdings"), and Flagstaff (the "Warrant"), Flagstaff will hold the right to purchase the number of Class B Preferred Shares that have an aggregate Redemption Amount equal to the Make Whole Amount (as described in the Term Sheet for the Finco Credit Agreement) that would be due as specified in the Warrant.

Class B Preferred Shares: Class B non-voting redeemable, retractable, preferred shares of Finco (the "Class B Preferred Shares")

Warrant Rights: Rights held by Flagstaff in respect of (i) the Warrant, (ii) the Setoff Rights related thereto and (iii) the right as provided in the Finco Credit Agreement to pursue Finco directly for the payment of the Make Whole Amount.

Setoff Rights: The rights held by Flagstaff pursuant to the Warrant and the Finco Credit Agreement to apply specified amounts due to Flagstaff under the terms of the Finco Credit Agreement to satisfy the payment of the Subscription Price under the Warrant for the Class B Preferred Shares.

III. Certain Documentation Matters

Governing Law: To be determined.

Waiver:	As partial consideration for Enron's issuance of the Put Option, Flagstaff shall (a) waive any right to pursue any rights against EIM Holdings either (i) in connection with the inter-company note between EIM Holdings, as borrower, and Finco, as lender, or (ii) in EIM Holdings' capacity as a shareholder of Finco and (b) agree not to assign the Note under the Finco Agreement unless the assignee agrees in writing to be bound by the waiver in the preceding clause (a).

Exhibit A-7

TERM SHEET
for the
TOTAL RETURN SWAP AGREEMENT

I. **Parties**

Enron:	Enron Corp., an Oregon corporation ("Enron").
Flagstaff:	Flagstaff Capital Corporation, a special purpose Delaware corporation ("Flagstaff") owned directly or indirectly by The Chase Manhattan Bank ("Chase").
Administrative Agent, Calculation Agent and Collateral Agent:	The Chase Manhattan Bank

II. **Swap Transaction**

Trade and Effective Date:	Closing Date of the Finco Credit Agreement.
Fixed Rate Payer:	Enron
Floating Rate Payer:	Flagstaff
Class B Preferred Shares:	Class B non-voting redeemable, retractable, preferred shares of Finco (the "Class B Preferred Shares").
Finco:	[Finco] ("Finco"), a Nova Scotia special purpose subsidiary of EIM Holdings Canada ("EIM Holdings").
Warrant:	A warrant ("Warrant") issued to Flagstaff for the purchase of the number of Class B Preferred Shares that have an aggregate Redemption Amount equal to the Make Whole Amount (as described in the Term Sheet for the Finco Credit Agreement) that would be due as described in the Warrant.
Floating Payment Date:	The earlier of (i) any Business Day on which Flagstaff transfers the Warrant as permitted in accordance with the terms thereof or (ii) any Business Day on which Flagstaff exercises its right to purchase the Class B Preferred Shares pursuant to the Warrant.
Floating Amount:	Either (i) if Flagstaff transfers the Warrant, the fair market value received by Flagstaff for the Warrant and the Warrant Rights or (ii) if Flagstaff exercises the Warrant, the sum of (a) the aggregate Subscription Price paid by Flagstaff for the Class B Preferred Shares under the Warrant plus (b) the cumulative preferred dividend then due with respect to such Class B Preferred Shares.
Fixed Payment Date:	Floating Payment Date.
Fixed Amount:	The Make Whole Amount as due on the same day as or immediately prior to the Fixed Payment Date.

III. Certain Documentation Matters

Governing Law and Forum: State of New York.

Clark, Morris

Cc: Douglas, Stephen H.; Blumenthal, Jeff; Clark, Morris
Subject: Repatriation of Cash from Enron Canada

Joe,

This note follows up on our conversations last week regarding Enron's ability to repatriate cash from Enron Canada Corp. ("Enron Canada") via repayment of the preferred shares that were issued pursuant to Project Slapshot. As you may recall, as part of the overall Project Slapshot funding, Enron Corp. made a $1.039B capital contribution to Enron Canada ("Capital Contribution") in exchange for the receipt of certain preferred shares ("Preferred Shares"). You have expressed a desire to repatriate cash from Enron Canada by redeeming a portion of the Preferred Shares before the end of the year. However, before deciding whether or not to redeem the Preferred Shares, I thought it would be helpful to provide you with a brief overview of our concerns from a tax perspective.

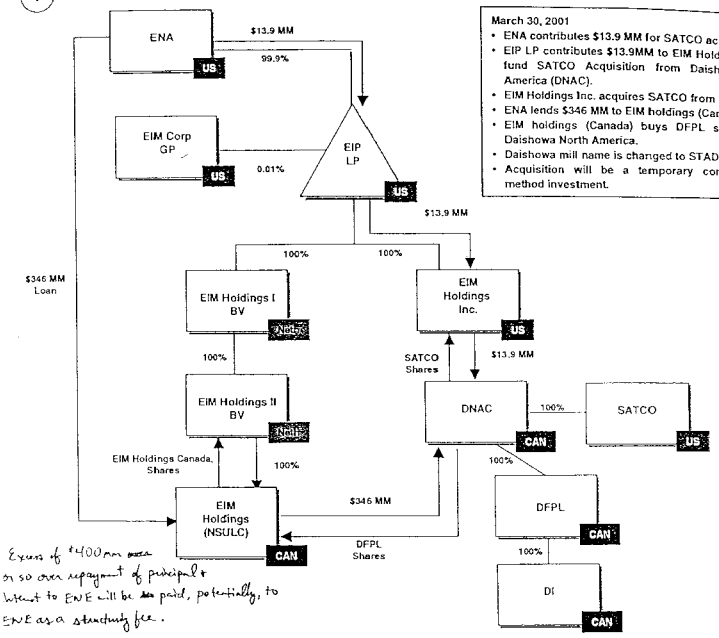
As you are aware, Project Slapshot conferred significant tax benefits to Enron in the form of an interest deduction by Enron Canada Power Corp. ("ECPC") - such interest deduction is a "permanent" tax difference at the Enron Corp. level (there is no corresponding book accounting deduction) which positively impacts Enron's earnings per share computation by approximately $120MM over the life of Project Slapshot (5 years). In addition, Project Slapshot also created a significant upfront deduction for Enron Canada through the contract termination payments that were made to Enron North America ("ENA") - however, unlike the benefit with respect to the interest deduction, the termination payment deduction is just a "timing" benefit as the deduction will reverse itself over time.

By way of background, our Canadian tax analysis with respect to these Project Slapshot benefits is predicated on two significant factors: (i) Enron Canada has a legitimate business purpose for receiving the Capital Contribution from Enron (and, similarly, ECPC has a legitimate business purpose for borrowing the $1B from Stadacona/EIM); and (ii) Enron Canada did not have a tax-avoidance motive for entering into Project Slapshot.

It should be noted that repaying the Preferred Shares within the same year as entering into Project Slapshot puts pressure on both of the above factors and, as such, puts the integrity of the transaction at risk. For instance, any business purpose that we can articulate with respect to the Capital Contribution (*ie.* ECC's capital structure needed to be revised so as to ensure the ability to obtain future capital/trading capacity on a stand alone basis) loses substance if the capital is returned within the same year that the transaction was entered into. Furthermore, our argument that Project Slapshot does not create any incremental "tax" benefit as compared to a more traditional financing becomes suspect if we are able to immediately move cash across the border on a tax-free basis (a traditional financing does not confer such a tax benefit -- which seems to highlight a potential tax motivation for entering into the financing through the more complex Project Slapshot structure). Thus, while it is uncertain whether the current repayment of the Preferred Shares will ultimately prove fatal to our tax analysis, it is certainly our position that the greater the period of time that we can interpose before repaying any of the Preferred Shares, the greater the likelihood of withstanding an attack by Revenue Canada on audit.

While we can appreciate the importance of the commercial realities of managing Enron's overall cash position, I just wanted to make sure that you understood the tax implications of repaying the Preferred Shares this year so that you can be "armed" with all of the facts when assessing Enron's needs from a cash management perspective. As is always the case, once you have had a chance to digest the tax risks outlined above, I would be happy to discuss with you in greater detail.

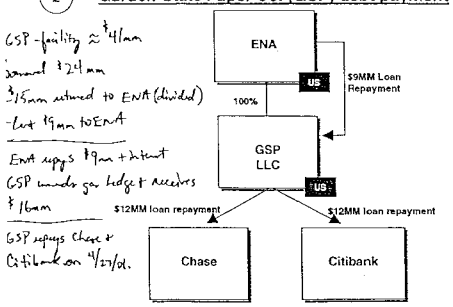
(1) Daishowa Canada (Now named Stadacona) & SATCO Acquisition



March 30, 2001
- ENA contributes $13.9 MM for SATCO acquisition.
- EIP LP contributes $13.9MM to EIM Holdings Inc. to fund SATCO Acquisition from Daishowa North America (DNAC).
- EIM Holdings Inc. acquires SATCO from DNAC.
- ENA lends $346 MM to EIM holdings (Canada).
- EIM holdings (Canada) buys DFPL shares from Daishowa North America.
- Daishowa mill name is changed to STADACONA.
- Acquisition will be a temporary control equity method investment.

Excess of $400mm over or so over repayment of principal + interest to ENE will be ~~see~~ paid, potentially, to ENE as a structuring fee.

(2) Garden State Paper Co. (GSP) debt payment



GSP - facility ≈ $41mm
drawn $24mm
$15mm returned to ENA (divided)
- Last $9mm to ENA

ENA repays $9mm + interest
GSP unwinds gas hedge + receives $16mm

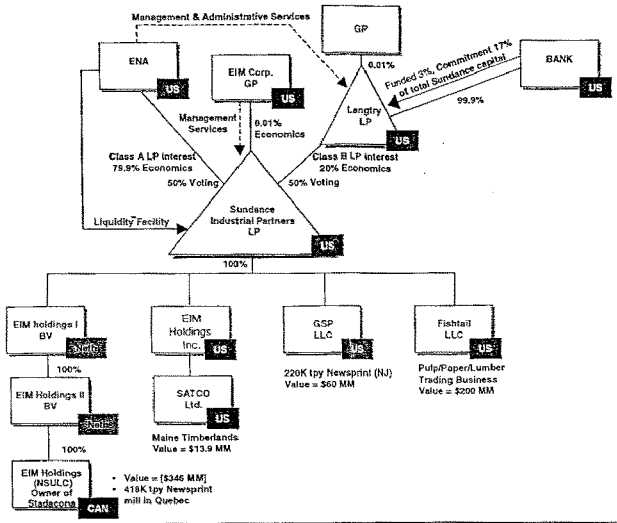
GSP repays Chase + Citibank on 4/27/01.

[April 27, 2001]
- ENA repays Garden State the $9MM loan. Garden State gets the proceeds from the Gas hedge unwind.
- Garden State repays the $24MM drawn 50/50 from Chase and Citibank.
- Acquisition was made as a temporary control equity method investment.

Permanent Subcommittee on Investigations
EXHIBIT #383c

(3) Sundance Structure

$154.8 loan — Citi receiving commitment fee of 100 basis points annually on $154mm payable quarterly - committed to fund only if aggregate net losses exceed value plus Langtry's funded contribution = to $27,32.



[May 11, 2001]

All of the following steps will happen simultaneously and are better explained on the next page.

- Sundance Industrial Partners LP is created with Enron Industrial Markets Corporation GP (EIM Corp. GP) as the General Partner. EIM Corp. GP is owned by EIM LLC.
- ENA contributes its interest in Enron Industrial Partners LP worth [$360MM] to Sundance LP (including Stadacona Mill in Canada and EIM Holdings Inc. that owns 100% of SATCO). Also ENA contributes its shares in Garden State Paper Co. [$60MM], plus $200MM (that will be used to buy Fishtail class C shares from Sonoma), and the commitment to support a liquidity facility of up to [$78MM].
- Enron Industrial Partners is dissolved, therefore EIM I BV (Stadacona) and EIM Holdings Inc. (SATCO) are directly owned by Sundance.
- Langtry buys Fishtail class A shares from ENA for $10MM (this is how Enron gets paid the one-time arrangement fee).
- Langtry LP buys 20% of Sundance Industrial Partners (EIP) LP for [$178MM] by contributing [$17MM] in cash, Fishtail class A shares (worth $10MM), and [$151MM] firm commitment to contribute (see term sheet). Langtry's 20% share is senior to ENA's 80% share of Sundance.
- The GP signs a management services agreement with Sundance. The compensation will be 2% of Langtry's total contribution in Sundance (paid quarterly in advance).
- ENA signs a management services agreement with Langtry based on variable compensation.

EC 003000658

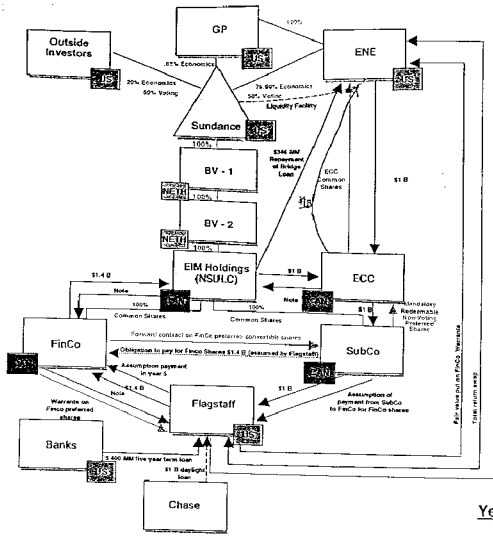
Company Numbers:

ENA	- 0364	EIM Corp GP	- 1437	EIP LP	- 1438	EIM Holdings I	- 1435
EIM Holdings II	- 1436	EIM Holdings (NSULC)	- 1459	EIM Holdings Inc	- 1427	GSP	- 1346
Fishtail	- 1362						

JUNE 11 - TARGETED CLOSING DATE

Daishowa Acquisition

Day 1 Slapshot Funding of Daishowa Quebec Mill



General

- Daishowa investment to be accounted for by equity method un unconsolidated affiliates
- EIM Holdings repays $346 MM Enron Corp bridge loan with JPM SPV proceeds
- Tax debt of $1.4 B, interest deduction on gross $1.4 B
- GAAP debt of $400 MM, interest expense on net $400 MM
- Liquidity facility initially at Enron, subsequently transferred to Canadian bank to avoid withholding tax on interest (guaranteed Enron)

Warrants

- Warrants will be given to Flagstaff at Day 1 of Slapshot, and wil be exercisable at all times. Flagstaff may either put the warrant to Enron or exercise in return for retractable, redeemable Finco preferred shares with cumulative dividends.

Put

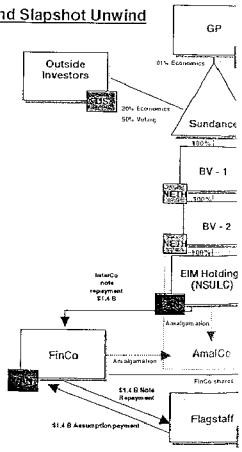
- Flagstaff can put warrants to ENE in return for Fair Market Valu an EOD

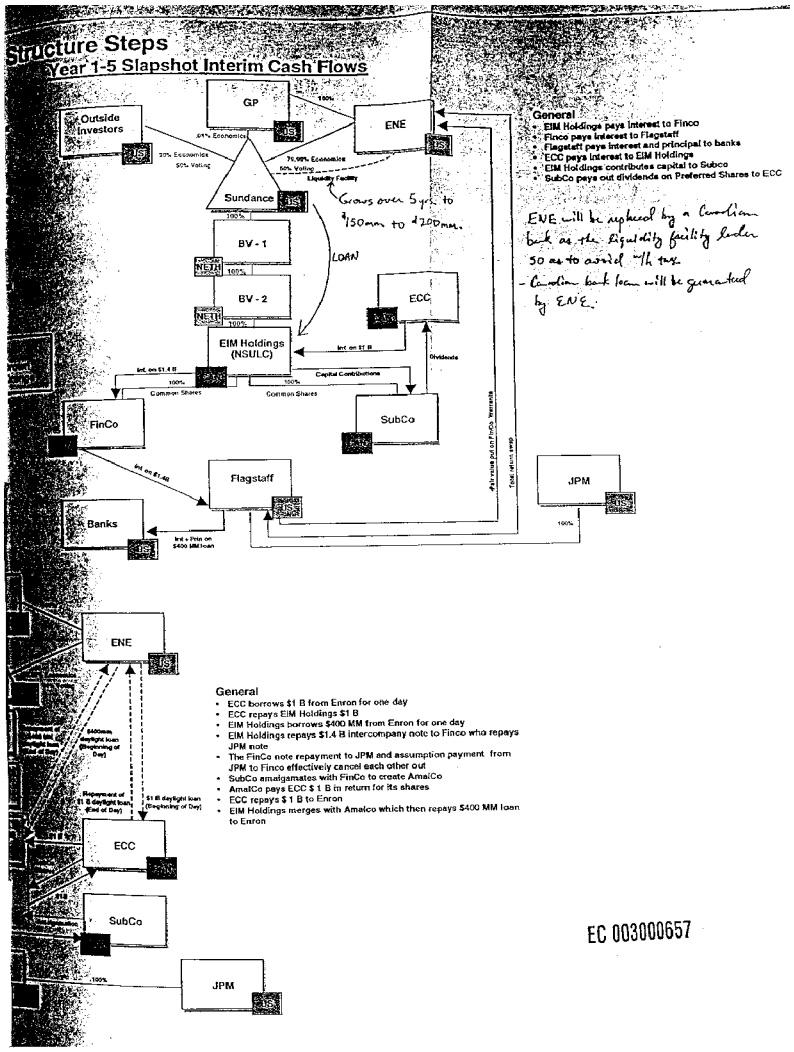
TRS

- Anytime warrants are exercised or assigned, Flagstaff may swa either stock value or FMV of warrant rights for a fixed payment

Contracts = Black
Common Ownership =
Preferred Ownership =

Year 5 End Slapshot Unwind





EC 003000657

Daishowa Acquisition

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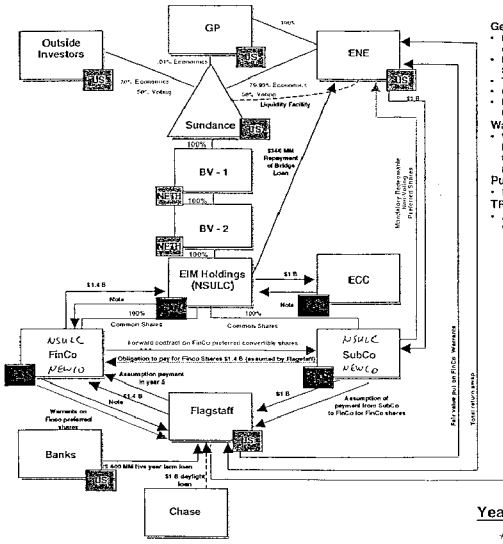

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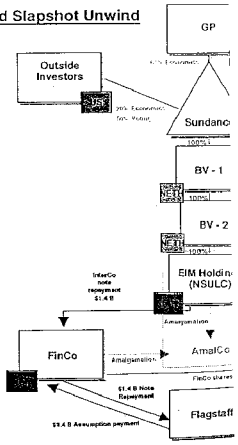
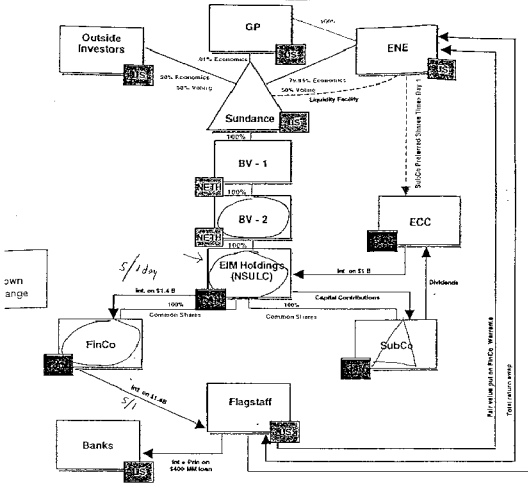
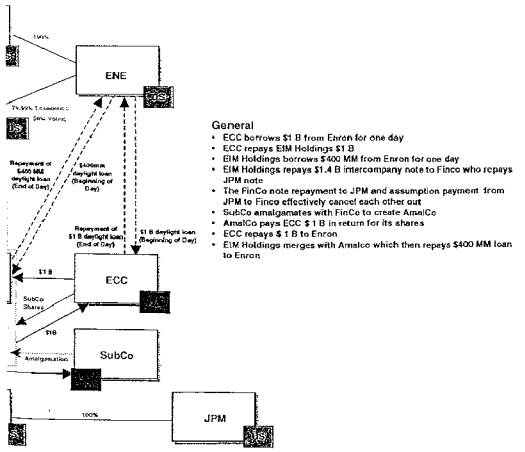


Structure Steps

Year 1-5 Slapshot Interim Cash Flows



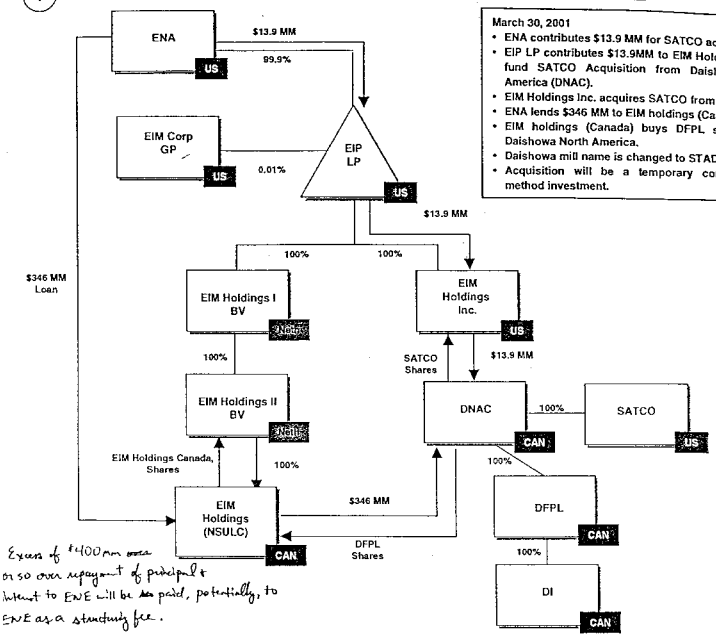
General
- ENE will contribute its Sub Co Preferred Shares to ECC at some time after closing
- SubCo will pay out dividends on Preferred Shares to ECC



General
- ECC borrows $1 B from Enron for one day
- ECC repays EIM Holdings $1 B
- EIM Holdings borrows $400 MM from Enron for one day
- EIM Holdings repays $1.4 B intercompany note to Finco who repays JPM note
- The FinCo note repayment to JPM and assumption payment from JPM to Finco effectively cancel each other out
- SubCo amalgamates with FinCo to create AmalCo
- AmalCo pays ECC $ 1 B in return for its shares
- ECC repays $ 1 B to Enron
- EIM Holdings merges with Amalco which then repays $400 MM loan to Enron

EC 003000660

(1) Daishowa Canada (Now named Stadacona) & SATCO Acquisition



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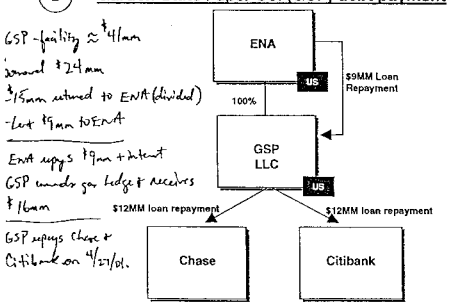

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- Left $9mm to ENA

ENA repays $9mm + interest
GSP unwinds gas hedge & receives $16mm

GSP repays Chase & Citibank on 4/27/01.

Robert Kantowitz
02/29/2000 02:11 PM

To: Richard S. Walker/CHASE@CHASE, Mona Foch/CHASE@CHASE
cc: Bruce Hendrick/CHASE@CHASE, Marc Lucier/CHASE@CHASE
Subject: Slapshot - Frazer Milner Tax Opinion

Here is the latest opinion. Though marked "draft," it is in substantially final form. As noted on page 17, the Canadian Budget came out yesterday; it is not believed to affect this transaction.

We should get this over to Trey Whitchard -- I would be happy to send it, or let me know whether you would prefer to send it after you have read it -- and we should probably also take the opportunity to speak with him to get his own counsel's initial reaction if he has one yet and move thing forward.

As for the Canadian Budget, we have heard that it does shut down the popular "Nova Scotia" double dip structure (in which a US company takes a deduction in the US for interest actually paid by the US entity plus a "free" deduction in Canada), and that there are therefore a bunch of deals that may have to be unwound. As soon as I know more about the Nova Scotia development, I will let you know. To the extent that this can be fixed in a creative way, that may present more opportunity for us. To the extent it cannot be fixed easily, there is more opportunity to show in this transaction. In either event, it would be helpful to determine which of the clients of Chase in Houston have used that structure, which, as you know, has been relatively popular and, if not widespread, at least commoditized.

---------- Forwarded by Robert Kantowitz/CHASE on 02/29/2000 01:58 PM ----------

Bruce Hendrick
02/29/2000 10:46 AM

To: Robert Kantowitz/CHASE@CHASE, Isabelle Ramsay/CHASE@CHASE, Ed Sustar/CHASE@CHASE
cc: Marc Lucier/CHASE@CHASE, Eric Peiffer/CHASE@CHASE
Subject: Slapshot - Frazer Milner Tax Opinion

Below is the revised draft opinion from Frazer Milner.

Anna Skasko <Anna.Skasko@frasermilner.com> on 02/29/2000 10:18:51 AM

Anna Skasko <Anna.Skasko@frasermilner.com> on 02/29/2000 10:18:51 AM

To: Bruce Hendrick/CHASE@CHASE
cc:
Subject: Draft Opinion

THIS MESSAGE IS INTENDED ONLY FOR THE ADDRESSEE. IT MAY CONTAIN PRIVILEGED OR CONFIDENTIAL INFORMATION. ANY UNAUTHORIZED DISCLOSURE IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS MESSAGE IN ERROR, PLEASE NOTIFY US IMMEDIATELY SO THAT WE MAY CORRECT OUR INTERNAL RECORDS. PLEASE THEN DELETE THE ORIGINAL MESSAGE. THANK YOU.

Mr. Hendrick:

Draft: February 29, 2000

Chase Securities Inc.,
Structured Finance,
270 Park Avenue,
9th Floor,
New York, New York.
10017

Attention: Mr. Bruce Hendrick

Dear Sirs:

Re: Canadian Structured Finance Proposal

You have asked us for our opinion on the material Canadian income tax considerations relating to the structured financing, as described in the attached term sheets and as set out below.

FACTS:

Implementation Steps:

1. The Canadian borrower ("Canco") sets up a subsidiary ("Financeco") in Canada.

2. Financeco borrows $100 (or whatever multiple thereof) from Chase. The loan is structured so that not more than 25% of the principal amount must be repaid within five years from the date of borrowing. (In this structure it is assumed that no principal is due until five years plus one day from the date of borrowing. This relates to the pricing of the forward contract described in 5 below).

   The interest on the Financeco loan from Chase is a very small spread below the interest rate on the loan that Financeco makes to Canco, as described in 3 below.

The terms of the loan allow Chase to convert the loan into 99.99% of the issued shares of Financeco after five years plus one day. These shares will be non-voting shares. Chase intends to exercise its conversion right irrevocably immediately after the loan is made.

As security for this loan, Financeco gives Chase a pledge of the loan Financeco makes to Canco, as described in 3 below.

3. Financeco makes a $100 loan to Canco for five years with the following significant features:

   (a) The interest rate on the loan is very slightly higher than Financeco's loan from Chase.

   (b) There is no conversion feature.

   (c) This loan contains all the usual covenants appropriate to a Canco covenant borrowing.

   The interest rate on this loan is within the normal range for a borrower of Canco's creditworthiness.

4. Canco uses $30 (or whatever is the appropriate amount) to finance its business and the balance of $70 is used to subscribe for non-voting cumulative preferred shares of a new Canadian company, Cansub. (An Alberta corporation may be preferable because of capital tax considerations – see below. If desired a Nova Scotia ULC could be used instead). The cumulative dividend on these shares will be at least equal to the interest on the Canco loan.

5. Cansub acquires from Chase, (or a party related thereto) a forward contract for 99.99% of the shares of Financeco for $70.

   Chase may or may not guarantee this forward contract if it is not a direct Chase obligation.

6. Chase will transfer its rights and obligations (all as described above) to a special purpose entity. Appropriate commercial safeguards (such as an escrow agent, etc.) will be put in place to ensure compliance.

Unwind Steps:

1. After five years, Canco will repay its $100 loan to Financeco.
2. Cansub will acquire 99.99% of the shares of Financeco under its forward contract with Chase.
3. Financeco is then amalgamated with, or wound-up into, Cansub.
4. Cansub may then use the money as it wishes, including to satisfy the accrued preferred share dividends owing to Canco and/or to redeem the preferred shares.

DISCUSSION:

We have identified the following tax issues which are discussed below:

(a) Interest deductibility

(i) General

Paragraph 20(1)(c) of the Income Tax Act (Canada) (the "Act") provides that a Canadian taxpayer may deduct a "reasonable amount" of interest on borrowed money, on a "legal obligation" to pay interest on borrowed money used for the purpose of earning income from a business or property. In the proposed structure, we have assumed that two parts of this test are generally satisfied in that the rate of interest is commercially reasonable and the debt obligations are legal obligations. The requirement to earn income from a business or property, for each of Financeco and Cansub, is described immediately below.

(ii) Financeco

Financeco will receive interest income on its loan to Cansub. Accordingly, it will get a deduction on its interest income paid to Chase. A small spread between the rates on the respective loans between Canco-Financeco and Financeco-Chase is necessary in order to

comply with some jurisprudence which supports "income" meaning net income after deductions. (See *Mark Resources*, 93 D.T.C. 1004 (T.C.C.); see also *Canwest*, 96 D.T.C. 1357 (T.C.C.)).

(iii) Canco

There is clearly no issue with respect to the funds ($30 in the above example) used directly to finance Canco's business.

The balance of the funds is invested by Canco in preferred shares of Cansub that will earn a substantial cumulative dividend in excess of the interest cost to Canco. Investing in such preferred shares is preferable to purchasing common shares because there is case law (*Ludco* 99 D.T.C. 5153 (FCA)) that has denied the interest deduction in respect of a common share investment forming part of a tax minimization strategy.

In our opinion, there is no basis to deny interest deductibility to Canco on the basis of paragraph 20(1)(c). In a recent case (*Shell Canada*, 99 D.T.C. 5669 (S.C.C.)) the Supreme Court of Canada has affirmed that, when, as here, all of the tests for deductibility pursuant to paragraph 20(1)(c) are met, that the deduction will be allowed, regardless of the "economic structure" of the transaction. This is explored more fully below under the heading "Avoidance doctrines and the general anti-avoidance rule".

(b) Withholding tax

The loan from Financeco to Chase is structured (as described in Step 2 above) to avoid Canadian non-resident withholding tax because of an exemption in subparagraph 212(1)(b)(vii) of the Act for loans where not more than 25% of the principal must be repaid within five years. (Subparagraph 212(1)(b)(vii) also contains a number of conditions relating to default which would normally not be a problem in a commercial loan.)

In order to qualify for the exemption, the borrower (Financeco) and lender (Chase) must deal at arm's length. There is case law (*Swiss Bank*, 72 D.T.C. 6470 (S.C.C.)) to the effect that where the same parties are ultimately on both sides of the transaction there is no "arm's length" relationship. In the present case, where Canco owns all of the voting shares of Financeco, and the terms of the loan are otherwise commercially reasonable, we do not see

any basis whereby the Canada Customs and Revenue Agency ("CCRA", formerly Revenue Canada) could successfully assert that there is a non-arm's length relationship.

(c) Debt forgiveness

The debt forgiveness rules in section 80 of the Act generally bring forgiven debt into income. Although Financeco never repays its loan from Chase, these rules would not apply because of the conversion feature on the loan.

(d) Forward call on Financeco shares

The Chase entity granting this forward contract must be in a country that has a tax treaty with Canada. An option is being granted on shares of a Canadian company which, for Canadian tax purposes, is treated as the equivalent of selling the underlying shares – except that, at the time the option is granted, there is no "tax basis" in the option. The tax treaty protects the resulting capital gain from Canadian tax.

(e) Capital tax

Financeco will have no capital tax (equal assets and liabilities) for both federal and provincial purposes.

Canco will increase its capital tax base (for both federal and provincial purposes) by $30; it will get an investment allowance for its investment in Cansub.

Cansub will increase its capital tax base by $70 for federal capital tax purposes (the $70 paid for a forward is not deductible for capital tax purposes). If Cansub is an Alberta corporation, there will be no provincial capital tax since Alberta does not impose one. The result is that Canco and its subsidiaries will pay federal capital tax on $100, and provincial capital tax on $30.

(f) Thin capitalization

The thin capitalization" rules in subsection 18(4) of the Act operate to deny an interest deduction (in this case potentially to Financeco) to the extent that the aggregate

amounts of a corporation's debt to certain non-residents which are also shareholders (or related to such shareholders) exceeds three times "shareholder equity". In the present case, a provision found in subsection 18(5) of the Act could result in Chase being considered a shareholder of Financeco, as a result of Chase having rights to convert the debt of Financeco into shares. In our view, the provisions of subsection 18(5) should not apply by virtue of Chase having previously sold its shareholder rights to Cansub. (There is also an exception in paragraph 18(5.1)(c) for shares given to safeguard the rights of holders of debt which could also apply.)

(g) Dividends

The dividends paid by Cansub to Canco will qualify for the intercorporate dividend deduction provided for in section 112 of the Act.

(h) Amalgamation or winding-up

The amalgamation of Cansub and Financeco, or the winding up of Financeco into Cansub will be able to done on a non-taxable basis in compliance with the requirements of section 87 or 88 of the Act.

(i) Avoidance doctrines and the general anti-avoidance rule

There have been a number of different avoidance doctrines applied by the courts to recharacterize tax structured transactions and deny the intended tax consequences. In addition, section 245 of the Act sets out a statutory general anti-avoidance rule (the "GAAR") which permits tax consequences to be redetermined in the case of certain avoidance transactions. We have considered these avoidance doctrines and the GAAR in the context of these proposed transactions. We have concluded that it is unlikely that the CCRA could successfully apply any avoidance doctrine or the GAAR to deny the expected tax consequences. Our reasons for this opinion are developed below.

(i) Sham Transactions:

Transactions may be disregarded by a court in determining the proper tax consequences if it is found that the substance of the transaction as intended by the parties is

not correctly reflected by the documentation. Sham transactions are those where the rights and obligations apparently created by the legal documentation are not those actually intended by the parties.

The Tax Court has had occasion to consider sham in the context of a recent GAAR case in *Husky Oil Ltd.*, 99 D.T.C. 308. The Tax Court confirmed (a) that transactions cannot be disregarded as a sham if the legal relationships are binding and are not a cloak to disguise different legal relationships and (b) this applies regardless of how offensive the transaction's tax result may be. This approach has been confirmed by the Supreme Court of Canada in *Shell Canada*, 99 D.T.C. 5669 at 5676.

It is our opinion that there would be no basis for a court to apply the sham doctrine to the proposed transactions to deny Canco its interest deduction.

(ii) Ineffective Transactions:

In reviewing tax motivated transactions courts have occasionally denied the desired and intended tax consequences on the basis that all of the required steps were not legally effected and completed or that they were not completed at the time they were intended to take effect. In our opinion, the proposed transactions can be completed in a legally effective manner in order to ensure that the ineffective transaction doctrine does not apply to deny Canco deduction for the interest paid by it.

(iii) Unreasonable Deductions:

Section 67 of the Act provides a general limitation that otherwise deductible expenses must be reasonable in amount. The Supreme Court of Canada in the recent *Shell Canada* case states that this section is to apply primarily to deductions claimed under those provisions of the Act that do not have their own internal limiting clauses. The Court specifically states that section 67 could not apply to the deductibility of interest under paragraph 20(1)(c) of the Act because that provision has its own internal reference to reasonableness. For this reason, there should be no concern that section 67 could apply to deny Canco its interest deduction.

Implicit in this discussion of the inapplicability of section 67 of the Act is whether the amount of interest paid by Canco will be regarded as reasonable for purposes of that requirement in paragraph 20(1)(c). Both the rate of interest to be charged by Chase to Financeco and the rate of interest to be charged by Financeco to Canco (which will exceed the rate charged by Chase to Financeco by only a very small spread) will be clearly within the range of interest rates that would be required by any arms length commercial lender to Canco based on Canco's credit worthiness supported by its covenant and any available security. This can be evidenced by the fact that the rate will be comparable to what is charged by Canco's other lenders and will also be able to be evidenced by Canco's public debt rating.

In *Shell Canada*, the Supreme Court has stated that where an interest rate is established in a market of lenders and borrowers acting at arms length from each other, it is generally a reasonable rate.

It is our opinion that Canco's deduction of interest paid by it will not be denied to any extent by either section 67 of the Act or by virtue of the application of the reasonableness requirement of paragraph 20(1)(c).

(iv) The "Object and Spirit" Test:

In 1984 the Supreme Court of Canada handed down its decision in *Stubart*, 84 D.T.C. 6305. The *Stubart* decision constituted a comprehensive review by the Court of the proper application of provisions of the Act to tax avoidance motivated transactions and provided guidelines to be applied in such circumstances.. In 1994, in *Antosko*, 94 D.T.C. 6314, the Supreme Court described *Stubart* as the "starting point" for the consideration of tax avoidance transactions. The Court referred to *Stubart* in *Shell Canada* and again in its even more recent decision of *65302 British Columbia Ltd.* The Supreme Court's *Stubart* decision predated the general anti-avoidance rule. The GAAR was added to the Act partly in response to the Supreme Court's rejection of the so called business purpose test by the Crown in *Stubart*.

In *Stubart*, the Supreme Court held that taxpayers are generally entitled to structure their affairs in a manner that reduces taxes payable. This was again recently confirmed by the Supreme Court in *Shell Canada*. In *Stubart* the Supreme Court held that in

addition to cases involving ineffective transactions or shams, an otherwise effective transaction could be denied its intended tax results if the "object and spirit" of the provision is defeated by procedures blatantly adopted to synthesize a loss, delay or other tax saving device. The so-called "object and spirit" doctrine can therefore result in intended tax consequences being negated even if a transaction appears to comply with the literal words of a statutory provision. It is our opinion that, for the reasons given by the Supreme Court and discussed below under the heading "Shell Canada" the "object and spirit" doctrine will not apply to deny Canco its interest deduction under paragraph 20(1)(c) of the Act. The Supreme Court of Canada expressly held that Shell Canada's interest deduction on its New Zealand dollar borrowing was not contrary to the object and spirit of the interest deduction permitted by paragraph 20(1)(c) and, to the contrary, the deduction by Shell Canada of its interest fulfilled the purpose of the deduction provided for in that paragraph. We are of the opinion that there is no material distinction between Shell Canada's deduction of interest on its New Zealand dollar loan and Canco's proposed deduction of interest on its borrowing from Financeco.

(v) Shell Canada:

The Supreme Court in 1999 had occasion to consider and address the proper income tax treatment of a "sophisticated corporate financing arrangement" (paragraph 1). The Court went on to describe the hedged weak currency loan transaction as a "complex financing scheme that proceeded in two stages" (paragraph 2). The Court noted that Shell was only obligated to abide by the terms of the first stage of the transaction if the second stage also closed (paragraph 6). The trial court found as a fact, and the Supreme Court noted, that Shell would not have entered into the first stage, which was the borrowing which generated the interest deduction in question, in the absence of the second stage (paragraph 7). In these respects, the *Shell Canada* transactions can be recognized as very similar in many respects to the proposed transactions. The issue before the Supreme Court was whether Shell Canada could properly deduct the interest paid by it on the amount it borrowed in the first stage of its structured finance transaction. The Court's reasons in Shell are therefore very apposite to reaching an opinion on whether Canco will be entitled to deduct the interest paid by it to Financeco in the proposed transactions.

In the so-called Kiwi loan structure in question in the *Shell Canada* decision Shell Canada in the first stage of the transactions borrowed New Zealand dollars at an interest rate in excess of what it would have paid had it borrowed U.S. dollars directly. Shell Canada then converted the New Zealand dollars in to U.S. dollars. In the second stage, Shell then hedged its New Zealand dollar obligations into U.S. dollars. One of the results of this was that, if the full amount of the interest legally payable as such by Shell on its New Zealand dollar loan was deductible under paragraph 20(1)(c) of the Act, it could be argued that part of that deduction was for an amount that could economically be regarded as a repayment of principal and not of interest notwithstanding the legal rights and obligations of the transactions entered into. Such an "economic realities" argument was advanced to the Court: see paragraphs 7 and 38 through 42 of its Reasons. In this respect the *Shell Canada* transactions may also be regarded as somewhat similar to the proposed transactions.

The Supreme Court expressly rejected the argument that the amount paid by Shell on its New Zealand dollar loan exceeded the reasonable amount that should be deductible which should have been limited to the amount that Shell Canada would have paid on a direct U.S. dollar borrowing (paragraphs 36 through 42). As mentioned above, the Court held that where an interest rate is established in a market of lenders and borrowers acting at arms length from each other it is generally reasonable (paragraph 34).

In rejecting the Crown's argument in this respect, the Supreme Court held that:

(a) economic realities cannot be used to recharacterize a taxpayers *bona fide* legal relationships and, absent a specific provision to the contrary, recharacterization is only permissible if the label attached by a taxpayer to a particular transaction does not properly reflect its actual legal affect (paragraph 39); and

(b) a court is bound to apply an unambiguous provision of the Act to a taxpayer's transaction notwithstanding the economic realities or the general object and spirit of the provision in issue (paragraph 40).

The Supreme Court went on to state that as between the borrower and the lenders, the payments were entirely interest paid in consideration for the loan and that such characterization could not be changed by anything else the borrower may have done with third parties or indeed with the borrowed funds.

Further, the Supreme Court acknowledged that Shell's overall transactions, considered together, had the effect of equalizing the interest rate on the New Zealand borrowing to the prevailing market rate for a U.S. dollar loan. However, the Court stated (at paragraphs 45 and 47) that (a) it is not the Court's role to prevent taxpayers from relying on the sophisticated structure of their transactions, arranged in such a way that the particular provisions of the Act are met; and (b), with respect to the deductibility of interest under paragraph 20(1)(c) the provision of the Act is very clear that the issue is the use to which the borrowed funds are put and it is irrelevant why the borrowing arrangement was structured the way that it was or indeed why the funds were borrowed at all.

Having found that the amount of interest deducted by Shell Canada was reasonable in the circumstances for the purposes of paragraph 20(1)(c), the Supreme Court concluded that the section 67 reasonableness requirement could not apply to limit Shell Canada's interest deduction (paragraphs 50 and 51). The Court's reasons were twofold:

(a) paragraph 20(1)(c)) has its own internal reference to reasonableness, hence section 67 should not be applicable; and

(b) it is difficult to see how a deduction that was reasonable for purposes of paragraph 20(1)(c) would not also be reasonable within the meaning of that same term in section 67.

The Supreme Court went on (in paragraphs 52 and following) to consider whether Shell Canada's interest deduction was contrary to the object and spirit of the provision. The Court wrote:

> "Allowing Shell to deduct its interest payments at the actual rate that was paid to the foreign lenders in exchange for the NZ

> $150,000,000 that was then used for the purpose of producing income is not contrary to the object and spirit of section 20(1)(c)(i). To the contrary it fulfills its purpose". (paragraph 57)

The Supreme Court in *Shell Canada* noted that in the absence of paragraph 20(1)(c), the scheme of the Act did not permit the deduction of interest in computing business income. That is, paragraph 20(1)(c) can be seen as a complete codification of the requirements for interest deductibility to be available to borrowers who satisfy the stated, clear and unambiguous requirements of that paragraph. In our opinion a similar analysis of the proposed transactions would support a similar conclusion that Canco will be entitled to deduct its interest costs. We do not believe there is any material difference that would justify a court reaching a different conclusion.

(vi) General Anti-avoidance Rule (GAAR):

Following the taxpayer's success in the Supreme Court of Canada in *Stubart*, a specific statutory general anti-avoidance rule (the "GAAR") was added as section 245 of the Act.

The GAAR provides that where a transaction is an avoidance transaction, the tax consequences to a person shall be determined as is reasonable in the circumstances in order to deny a tax benefit that would otherwise result from the transaction. An avoidance transaction for this purpose is one that results in a tax benefit unless it may reasonably be considered to have been undertaken or arranged primarily for *bona fide* purposes other than to obtain the tax benefit. The GAAR will not apply if it may reasonably be considered that the transaction does not result directly or indirectly in a misuse of the provisions of the Act or an abuse having regard to the provisions of the Act read as a whole.

There have, to date, been only about a half dozen GAAR case considered by the Tax Court. Neither the Federal Court of Appeal nor the Supreme Court of Canada has yet had occasion to consider the GAAR. Only one of the Tax Court GAAR decisions is under appeal to the Federal Court of Appeal. The transactions in question in the *Shell Canada* decision pre-dated the application of GAAR; however, as discussed in greater detail below, the Supreme Court of Canada has had occasion to consider a substantially similar case to Shell Canada in

which GAAR was a consideration and was advanced by the Crown to support its denial of an interest deduction in another Kiwi loan transaction.

A GAAR tax benefit is defined as a reduction, avoidance or deferral of tax or other amount payable under the Act. It is likely that the proposed transactions do confer a tax benefit. However, there are two key preconditions to GAAR being applicable in respect of this tax benefit:

(a) can the transactions reasonably be considered to have been undertaken or arranged primarily for bona fide purposes other than to obtain the tax benefit (subsection 245(3)); and

(b) do the proposed transactions, directly or indirectly, result in the misuse or abuse of the provisions of the Act read as a whole (subsection 245(4)).

In considering these two prerequisites to the successful application of GAAR the Tax Court has concluded that the GAAR is an "extreme sanction" and should not be used routinely against tax minimization structures: see *Jabs Construction*, 99 D.T.C. 729. Similarly, in *RMM Canadian Enterprises*, 97 D.T.C. 302, the Tax Court confirmed that the GAAR is "heavy artillery" to be aimed at otherwise successful tax avoidance schemes. The reference to the GAAR as extreme and heavy artillery confirms that the significance of the misuse or abuse limitation on its application is designed to ensure that the rule will only be applied successfully in extreme or blatant cases.

Three of the Tax Court's GAAR decisions have involved surplus stripping. In each one of these cases, GAAR was found to be applicable. See *RMM Canadian Enterprises*, 97 D.T.C. 302; *McNichol*, 97 D.T.C. 111 and *Nadeau*, 99 D.T.C. 324. In each case, the Court found that the provisions of the Act, read as a whole, contemplate distributions to shareholders being taxable income and that transactions selected to defeat this treatment resulted in an abuse. In contrast, the Supreme Court of Canada in *Shell Canada* has confirmed the fact that the deduction of the amount of interest actually paid on a legal obligation to repay borrowed money is consistent with the object and spirit of the Act and that the deduction of interest that might be economically be viewed as, in part, a repayment of principal did not unduly or artificially

reduce the borrower's income. This equally describes the interest Canco will be deducting in the proposed transactions. We do not believe that these dividend stripping GAAR cases could successfully support the application of GAAR to deny Canco its interest deduction in the proposed transactions.

The other case in which the GAAR was successfully applied by the Tax Court was *OSFC Holdings*, 999 D.T.C. 1014. The *OSFC Holdings* case is under appeal to the Federal Court of Appeal. In that case, the Tax Court found that the provisions of the Act read as whole were designed to restrict the deductibility of corporate losses following a change of control and that transactions contrary to this scheme of the Act resulted in an abuse. For the reasons set out above with respect to the dividend stripping cases, we would be surprised if the *OSFC Holdings* case could successfully support the application of GAAR to deny Canco its interest deduction in the proposed transactions. In our view, the scheme of the Act as it relates to the deductibility of interest was fully canvassed by the Supreme Court in *Shell Canada* and the proposed transactions should be found to be as consistent with that scheme of the Act as were the structured finance transactions involved in the *Shell Canada* decision.

In contrast, taxpayers were successful in defending GAAR attacks by the CCRA in *Husky Oil*, 99 D.T.C. 308 and in *Jabs Construction*, 99 D.T.C. 729. *Husky Oil* involved a partnership loss transaction. It appears that a loss on a piece of property which accrued prior to Husky Oil having any interest in the property was allocated to Husky Oil for tax purposes by virtue of the property having been rolled into a partnership of which Husky Oil was a member prior to the property being disposed of. While the Court did not provide a detailed analysis supporting its GAAR conclusion, the Court did not apply GAAR because "these were legal transactions with commercial purposes for all of the parties. They were undertaken or arranged primarily for bona fide business purposes other than to obtain the tax benefit". The Court, therefore, did not need to go on to address whether the transactions resulted in an abuse or misuse of the provisions of the Act read as a whole. The CCRA did not appeal its loss in *Husky Oil*.

The other case in which the CCRA was unsuccessful in its application of GAAR was *Jabs Construction*. *Jabs Construction* also involved a structured finance transaction,

although quite different from that in *Shell Canada* or in the proposed transactions. *Jabs Construction* involved a large charitable donation being made to a private foundation which, in turn, loaned the money back to the donor at a favourable, although reasonable, rate of interest. In *Jabs Construction* the Tax Court refused to allow GAAR to be applied to a taxpayer relying upon a specific provision of the Act that allows for the desired tax consequences. It went on to state that "Section 245 is an extreme sanction. It should not be used routinely every time the Minister gets upset just because a taxpayer structures a transaction in a tax effective way, or does not structure it in a manner that maximizes the tax." In *Jabs Construction*, both the capital gain recognition election on the transfer to the charitable foundation and the lending of money by the foundation back to the donor were done in reliance upon specific provisions of the Act. Similarly, in the proposed transactions, the deductibility of interest is provided for in a what has been described by the Supreme Court as a clear and unambiguous provision of the Act, which contains its own restrictive requirements. The CCRA has not appealed its loss in *Jabs Construction*. We believe *Jabs Construction* supports our view that the GAAR will not apply to a taxpayer relying on a specific provision of the Act which sets out the tax consequences applicable to the very circumstances contemplated by the Act.

Since the inception of GAAR, the CCRA has maintained and published a list of transactions that it has identified which it feels GAAR should be applied to. These were originally set out in the CCRA's Information Circular, IC 88-2. A Supplement has been issued to that Information Circular. The CCRA has also released a number of rulings and technical interpretations which address the possible application of the GAAR. Finally, officials from the CCRA have presented papers identifying transactions that the CCRA GAAR Committee feels could be the subject of a successful GAAR application. These do not identify transactions substantially similar to the proposed transactions as being subject to the potential application of GAAR. Declining currency or Kiwi loans have been identified in these listings however, since the Supreme Court's decisions in *Shell Canada* and as discussed further below, it appears unlikely that the CCRA will be able to successfully apply the GAAR to those transactions. Similarly, private foundation donation loan back transactions, such as the one in *Jabs Construction*, are also identified by the CCRA as abusive transactions to which it would apply GAAR. However, the CCRA did not appeal its loss in *Jabs Construction*.

(vii) Shell Canada and Canadian Pacific:

As discussed above, the *Shell Canada* decision did not involve a consideration by the Supreme Court of Canada of the possible application of the GAAR to the transactions in question. That is because those transactions were entered into prior to the coming into force of the GAAR. In somewhat of a companion case to *Shell Canada*, Canadian Pacific was also challenged by Revenue Canada in respect of a Kiwi loan transaction which, for all intents and purposes, was the same transaction as was entered into by Shell. In *Canadian Pacific*, the taxation years in question included years to which the GAAR could be applied and was therefore relied upon by the CCRA to support its disallowance of the interest deduction. *Canadian Pacific* was heard by the Tax Court after the *Shell Canada* decision in the Federal Court of Appeal and was heard by the Federal Court of Appeal prior to the Supreme Court's decision in *Shell Canada*. The possible application of GAAR was therefore not considered when *Canadian Pacific* was heard by the Tax Court which simply followed the Federal Court of Appeal in Shell by which it was bound by legal principles of *stare decisis*, nor was it considered by the Federal Court of Appeal which instead followed its own reasons in *Shell Canada*.

Canadian Pacific was an intervenor in the Shell Canada decision in the Supreme Court of Canada. That is, it participated in the Supreme Court hearing and would have made known to the Court its coincident interest to that of Shell Canada.

In addition, Canadian Pacific applied to the Supreme Court of Canada for leave of the Court to appeal its loss in the Federal Court of Appeal to the Supreme Court following the Supreme Court's decision in *Shell Canada*. The Supreme Court neither allowed nor denied Canadian Pacific's leave application. Instead, the Supreme Court of Canada exercised its remand power in Section 43 (1.1) of the Supreme Court of Canada Act and ordered that the *Canadian Pacific* decision be remanded to the Federal Court of Appeal to be dealt with by the Federal Court of Appeal in accordance with the Supreme Court of Canada's decision in *Shell Canada*.

In his highly regarded and referred to 1997 treatise on the Rules of the Supreme Court of Canada published in Carswell's *Supreme Court Practice*, the late Mr. Justice Sopinka wrote that a remand will be ordered:

> "... in cases in which a decision of this Court is determinative of the result of the case and was not applied below. If the result could be affected by another issue, then the case will not ordinarily be remanded."

In our opinion, this confirms that the Supreme Court of Canada, after considering argument, does not believe that the GAAR should be applied to deny an interest deduction to taxpayers similarly situate to Shell Canada in the years after the coming into force of the GAAR.

(viii) The February 28, 2000 Budget Proposals:

In Resolutions 28 through 30 of the Notice of Ways and Means Motion to amend the Act released as part of the February 28, 2000 Canadian Federal Budget materials, a specific anti-avoidance provision dealing with weak currency loans has been proposed. This is expressly to override the Supreme Court's decision in *Shell Canada*. It will expressly require a recharacterization of the transactions in the manner advanced by the CCRA in *Shell Canada*.

In our opinion, this proposal will have no impact upon the tax consequences of the proposed transactions. Indeed, we feel it may provide some helpful assistance. The proposal acknowledges that some tax motivated structured finance transactions are permitted and are not abusive. The proposal allows a 200 basis point enhancement of interest deductibility in a weak currency loan structure. Similarly, the rules only apply to interest on loans of greater than a specified threshold amount. Finally, we would not be surprised to see the CCRA now fold in the *Canadian Pacific* case.

(ix) Conclusion:

For the reasons set out above, and in particular relying upon the Supreme Court of Canada's recent decisions in *Shell Canada* and in *Canadian Pacific* we do not believe that either the general anti-avoidance rule set out in section 245 of the Act nor any judicial

anti-avoidance doctrine could be successfully applied by the CCRA to deny Canco a deduction for the interest paid by it in the proposed transactions.

Yours very truly,

[FRASER MILNER]

PJB:lh

(1)

TIC w/ Wally - SLAPSHOT -

Liquidation - ~~Carrette~~ Transfer taxes may be a problem
Inversion / conversion to NSULC

Biggest issue - SPV can't set-off to
- GAAR → (1) collapse transaction
(2) w/h
(3) thin cap. / guaranty

TAX RETURN WILL SHOW DEBT FOR BOOK ($400) & DEBT FOR TAX ($.28)

Likelihood of audit = >50%
Likelihood of success = not much more than > 50%.
Can give "should" opinion, though.

"Business Purpose" not as good as initially

3 CONCERNS: 1. GAAR - collapse
2. GAAR - w/h tax
3. Pending legislation on guaranty - Thin cap.

Bus. purp. is weaker than

w/h tax - "would" but not entirely comfortable - Reformation clause should be the best fix, but can be challenged by GAAR

EC 003000236

Permanent Subcommittee on Investigations
EXHIBIT #383e

(2)

Change in guaranty law - change still's possible - we'll have unwind costs -
Thin cap. - 2/3 rds won't be deductible.

A.) T.R. Swap may not constitute guaranty

B.) Put option - but have non-resident owning the shares (CanCo or FishCo) - §116 issue arises again

Opinion - "should" will get something just above 50%.
Previous transaction that Chase did (7/§116 cert.) was referred to CCRA GAAR people.

Weakest link is that 1.2BB doesn't leave our ENE group

CanCo may enter into financial tx w/ ENA
- Best to have upside + downside risk for CanCo in the financial tx. So use a collar w/ ENA.

Cash to U.S. - capitalize SubCo, which enters into Subscription Assumption Agreement

SubCo will become DFPL, + CanCo will become DI.

19¾% on UCC
Ø NOLs

3/14/01 - SLAPSHOT - SET-OFF -

Set-off of FinCo/Flagstaff arrangement (not) ~~Enron~~/ Flagstaff obligation of $1,461 million at end of yr. 5.

- Wally wants NO set-off. - No contractual right to set-off.
- What about use of escrow agreement such that amount on shares will be repaid at the end of 5 years?

To the extent possible, these two documents must not refer to one another.

→ ENE - Prime. repmt. to escrow account can't be released to Flagstaff until Flagstaff satisfies its obligations.

→ What about those providing a performance guaranty on behalf of Flagstaff?

Note paid -

JP puts $1,4 in escrow in morning - to be wired at 3pm, but only if Note is paid by FinCo.

BILL > Alberta PPA; offset to ENA? $400mm ??

✓ Doris > Call to describe use of ECC as business purpose.

Catherine > Dutch Reputation of interest on loan to FinCo ?? Call ~~Kitty~~ WALDO

Subscription Agreements

Status report - Wally said they went out today. to Gareth & Jeff → Rose Hughes

3/15/01 - SNAPSHOT UPDATE -

Green light to speak w/ Chase.
- Discussion today about Clawback
- Documentation issue.
- Discussion w/ Rob Milnthorp - ECC gets an NPV benefit of $10mm, & Starlacona gets $50mm NPV benefit. ECC's exposure is limited
  Items RE: ECC's things to address.

Intercompany allocation - EIM gets all it can utilize, & excess goes to ECC.
  True up for actual taxable income? To be determined.
  vs.
  setting the allocation based on initial model.

$88mm - already on B/S
$300mm - possibly on B/S - when was the Alberta payment supposed to be made?
$600mm -

MORRIS & WALLY → Can ECC pay ENA $x to assume those swaps?? Dividend tax problems?

DOCUMENTS -

STEVE TO REVIEW →
1. Credit Agreements - draft should be going to Chase tomorrow.
2. Subscription Agreements - Wally ~~should~~ provided yesterday.
3. Need to draft an TR Swap & put option agreements.
4. EIM - FinCo note
5. ENA - ECC - Finco items will be addressed once we determine w/certainty that it wa
6. Sundance investors want to see EIM Holdings unencumbered, & any debt will be unencumbered. Can FinCo - EIM note be non-recourse & unsecured note. (at least w/respect to the $400mm)

Sundance investors don't want to see assets leveraged. What about putting a sub. between FinCo & EIM Holdings?

Ask Wally about SubCo's ownership - ECC or CanCo?

- Jaime Aragoz
- Jodi Coulter
- Wally Slaw — 3 WEIL, GOTSHAL MEMBERS - Charles Hemold
- Sylvia Baker - WEIL, GOTSHAL
- David Barbour - A&K
- Muriel McFarland - A&K
- Dan Lyons
- Drew K.

Bank has put its right to receive the Make-Whole payment ~~from~~ from Enron.

OPEN QUESTION > Convert Hansen, Newman ~~CPS~~ to Limited Liability Companies ??
Will the 338 election allow BV-[redacted] to have a stepped-up basis such that the sale of shares would not trigger gain under FPHCI?

Pref. Shares of Hansen issued to Newman as a result of the offsetting pmts. between Hansen + Flagstaff.

→ ONLY HANSEN & NEWMAN WILL BE CONVERTED TO LIMITED LIABILITY COMPANIES, & NOT CPS - FPHCI ON THE SALE OF CPS (whether by asset sale or stock sale)? (At minimum, should convert Newman.)

Merge Hansen into CPS + then merge into ECC - utilization of ECC losses to offset gain on sale of assets.

CASH ADVANCE

WEIL
- Brian Rose
- Charles Herold

~~X — Tony Bassin in all assets sold~~

12/17/01 - SLAPSHOT - Pre-petition - EVE swept cash from CPS to E

Send Saltiel memo to Rodney Malcolm & Jodi.

$22mm payment due on Monday.

ECPC satisfies its obligation by delivering the Neuman preferred shares to CPS ??

Put Agreement - Has Flagstaff waived its right to go past Hansen?

CPS not making payment to Hansen - consequences??

Extend interest payment owed by CPS to Hansen

ECC & ECPC may be in bankruptcy by the end of the week.
ECPC doesn't have cash sufficient to pay its debt. - Constructive dividend - No dividend w/h tax paid
Personal liability??

Flagstaff exercised the put option.

Make-Whole Obligation - representative of $1/6 billion obligation that Neuman paid to Flagstaff

Right of set-off

EC 003000242

Extend CPS-Hansen note - But can Hansen modify the terms of its note w/CPS pursuant to the Flagstaff-Hansen or Hansen-CPS notes??
" ECPC - CPS note
Even if not, so what - breach the agreement

Call Reiferson TC 2:00 Houston time tomorrow

Is the make-whole payment reasonable +, thus, deductible??

→ We'll extend CPS's quarterly obligation to Hansen. What about fiduciary duties to Hansen owed by CPS?

Call Charles Herold to get copies of our response to Flagstaff.

1. ✓ Call Wally to obtain notices from Flagstaff.

2. Canela documents for Jodi -
E-mail version, if possible.

> Speak w/ Ray about payment of Wally's fees. Who, if any entity besides CPS, will pay the fees?

Can we wind-up the CPS/ECPC/Newman * obligations??

BLAKE, CASSELS & GRAYDON LLP

MEMORANDUM

SUBJECT TO SOLICITOR/CLIENT PRIVILEGE

Via E-Mail

TO: Morris Clark
Steve Douglas
(Enron North America Corp.)

FROM: Wallace Y. Shaw

DATE: January 19, 2001

C/M No.: 83829/39

RE: Prepaid Forward Structure

Further to my previous Memorandums and our subsequent telephone conversations, following is an example of a structure which would be used in the scenario where Enron Canada has nominal equity for thin capitalization purposes (i.e. equity plus retained earnings), no existing shareholder debt and only the net amount of the financing involved (i.e. the loan net of the Call payment) will be used for income producing purposes unrelated to the structure. This scenario involves the most aggressive tax planning. While the structure below complies with the technical provisions of the *Income Tax Act* (Canada) (the "Tax Act"), it does involve a more significant risk of an avoidance challenge than scenarios where Enron Canada has significant existing equity and the loan proceeds are all used for non-structure related income producing purposes in Canada.

Structure

1. A U.S. Enron entity ("Enron U.S. 1") would loan $600 to Enron Canada and would capitalize Enron Canada with $300 (in order to comply with the two to one thin capitalization provisions of the Tax Act).

2. Enron Canada would use $700 of the proceeds to subscribe for common shares in another existing Canadian affiliate which is currently carrying on business in Canada (Enron Canada 1). The investment would be for additional common shares in Enron Canada 1. The remaining $200 would be used by Enron Canada for income producing purposes in Canada.

3. A second existing Enron Canadian affiliate carrying on business in Canada ("Enron Canada 2") would enter into a subscription arrangement with a separate Enron U.S. entity ("Enron U.S. 2") pursuant to which Enron U.S. 2 agrees to purchase $700 worth of the shares (the "Shares") of Enron Canada 2 (the "Subscription"). Under the Subscription a nominal amount would be paid up front and Enron U.S. 2 would agree to pay the remaining $700 on closing of the Subscription in 5 years (since we are no longer attempting to avoid withholding tax on the interest, the 5 year time period is no longer critical).

4. Enron Canada 1 would then pay $700 to Enron U.S. 2 for the right to acquire the Shares in five years for an additional nominal payment due at that time.

Tax Issues

While there are a number of tax issues which the above structure gives rise to, the most problematic are as follows:

1. The loan from Enron U.S. to Enron Canada must have been borrowed by Enron Canada for the purpose of earning income in Canada. In this structure, Enron Canada uses $700 of the proceeds to invest in common shares of Enron Canada 1. We must be able to show that it is reasonable to expect that Enron Canada will receive dividends on those shares of Enron Canada 1 in excess of its borrowing cost. While Revenue Canada administratively permits interest acquired on funds borrowed to acquire common shares to be deductible, this is an administrative position which is not binding. We should therefore be able to show the realistic possibility of such dividends. The dividends would be a function of the existing business in Enron Canada 1 and the potential return of Enron Canada 1 on its shares of Enron Canada 2 which it acquires pursuant to the Call. It is therefore important that the terms of the Call and the terms of the shares of Enron Canada 2 be such that it is realistic to believe that the shares of Enron Canada 2 will have a value significantly in excess of the payment for the Call.

2. There is a not insignificant risk that Revenue Canada would challenge the above transactions under the general anti-avoidance rule. The structure would qualify as an avoidance transaction under the GAAR (since one of its main purposes is clearly to provide a tax benefit). The question then becomes whether the transaction results in a misuse or abuse of the provisions of the Tax Act. As previously discussed, there is little judicial guidance at the upper courts on the meaning of these provisions.

The above discussion is provided for discussion purposes. Once it becomes more clear which fact situation we are dealing with (i.e. the ultimate use of the borrowings and the equity position of Enron Canada), it will be necessary to do a more tax and risk/reward analysis.

Please give me a call to discuss when you get a chance.

WYS/bf

BLAKE, CASSELS & GRAYDON LLP

MEMORANDUM

Via E-Mail

TO:	Steve Douglas (Enron North America Corp.)	**c:**	Morris Clark
FROM:	Wallace Y. Shaw		
DATE:	January 10, 2001		
C/M No.:	83829/39		
RE:	Prepaid Forward Structure		

Thanks for your response to my Memorandum. I apologize for the confusion. My original understanding was consistent with your corrected version. However, for some reason in our recent telephone conversation I got the impression that we were dealing with Lender shares as opposed to Canco shares. In any case, following is my understanding of how the transaction would be structured and my preliminary views on related tax issues:

1. The Debt component would be structured as a 5 year balloon payment loan (for example, a $300 Million principal amount with a 5% interest rate with interest only payable until the end of 5 years, at which time the entire $300 Million is retired).

2. The Warrant would provide the Lender with the right to acquire $300 Million worth of Canco stock based upon the fair market value of the stock at the time the Warrant is exercised – i.e. in 5 years.

3. The Prepaid Forward Contract would be a separate document. Canco would pay $200 Million to Lender for the right to acquire $300 Million worth of Canco stock in 5 years for an additional payment equal to $100 Million, less the notional interest attributable to the $200 Million prepayment. For example, at the 5% rate the purchase price for the $300 Million worth of stock would be the initial $200 Million plus the payment of an additional $50 Million in year 5. The prepayment could be adjusted so the additional payment is a nominal amount.

4. It should be possible to have the Warrant exercised by deemed repayment of the Debt. I would recommend that the Forward Agreement be a separate contract from the Loan/Warrant arrangement.

5. Under this structure the issue previously discussed with respect to the deductibility of the interest on the Debt based upon the use of funds for the purpose of earning income becomes more problematic. Generally under Canadian law the prepayment of the $200 Million under the Forward Contract would not qualify as "for the purpose of earning income from a business or property". Accordingly, it will be necessary to use the full $300 Million loan proceeds for other income earning purposes. The $200 Million to be used for the Forward Contract would need to come from other sources.

6. I would recommend that the Canco stock to be used for the purposes of this transaction be a separate class of shares. Under Canadian law where a corporation repurchases its shares, it is deemed to have paid a dividend to the extent that the repurchase price exceeds the paid up capital in respect of the shares. Unless we are dealing with a separate class of shares, there is a risk that the paid up capital could be less than the $250 Million repurchase price which would give rise to a deemed dividend and resulting withholding tax.

7. A Clearance Certificate will be required from Canada Customs & Revenue Agency at the time that Canco repurchases the Canco shares from Lender (since Lender is a non-resident disposing of Canco shares which will most likely be "taxable Canadian property"). However, since Lender is disposing of the shares for less than its acquisition cost, there should be no difficulty in obtaining the certificate.

8. It will continue to be necessary for Lender and Canco to deal at arm's length to obtain the advantage of the 5 year/25% exemption from withholding on interest.

Hopefully the above accurately reflects your understanding of the proposed transactions. Please give me a call once you have had a chance to consider the above.

WYS/bf

Blumenthal, Jeff

From: "WALLY SHAW" <wally.shaw@blakes.com>@ENRON [IMCEANOTES-+22WALLY+20SHAW+22+20+3Cwally+2Eshaw+40blakes+2Ecom+3E+40ENRON@ENRON.com]
Sent: Wednesday, February 28, 2001 10:02 AM
To: Blumenthal, Jeff
Subject: Fwd: Enron

attached is a message that i initially sent to the wrong address
Date: Wed, 28 Feb 2001 10:41:21 -0500
From: "WALLY SHAW" <wally.shaw@blakes.com>
To: <jeff.bloomenthal@enron.com>
Subject: Fwd: Enron
Mime-Version: 1.0
Content-Type: multipart/mixed; boundary="=_E0BB4A0E.D8B9D944"

attached is a draft letter re: potential enron withholding tax and chase's refund thereof. the letter works as drafted. the only issue is whether we want to make chase's obligation to repay us contingent on them getting a refund from rev. can. or whether it should be an absolute obligation. pls let me know how i should respond. thanks wally
Received: from mail.blakes.ca ([10.1.100.6]) by gwia.blakenet.ca; Tue, 27 Feb 2001 16:52:15 -0500
Received: FROM fw BY mail.blakes.ca ; Tue Feb 27 16:37:52 2001 -0500
Received: by fw; id QAA07987; Tue, 27 Feb 2001 16:59:33 -0500 (EST)
Received: from nodnsquery(216.191.196.4) by fw.blakes.com via smap (V5.5) id xma007969; Tue, 27 Feb 01 16:58:38 -0500
Received: from TOR4-Message_Server by mccarthy.ca with Novell_GroupWise; Tue, 27 Feb 2001 16:48:08 -0500
Message-Id: <sa9bda48.021@mccarthy.ca>
X-Mailer: Novell GroupWise 5.5.4
Date: Tue, 27 Feb 2001 16:47:26 -0500
From: "Jerald Wortsman" <JWORTSMA@mccarthy.ca>
To: <wally.shaw@blakes.com>
Cc: <bruce.hendrick@jpmchase.com>, <eric.peiffer@jpmchase.com>, "Gordon Baird" <GBAIRD@mccarthy.ca>, "W. Iain Scott" <ISCOTT@mccarthy.ca>
Subject: Enron
Mime-Version: 1.0
Content-Type: multipart/mixed; boundary="=_663DCD88.FF9EE741"
X-Guinevere: 1.0.13 ; McCarthy Tetrault

Please find enclosed letter on Regulation 105 in regards to fees for your review and comment.

Vancouver: 604-643-7100 New York: 212-785-5410
London England: +44 (0)20 7618 2888
****

TEXT.htm

- TEXT.htm

February 23.doc

- February 23.doc

EC 003000235

Blumenthal, Jeff

From: "WALLY SHAW" <wally.shaw@blakes.com>@ENRON [IMCEANOTES-+22WALLY+20SHAW+22+20+3Cwally+2Eshaw+40blakes+2Ecom+3E+40ENRON@ENRON.com]
Sent: Tuesday, February 20, 2001 2:39 PM
To: jwortsma@mccarthy.ca
Cc: Blumenthal, Jeff
Subject: RIDER

Please see attached Rider.

RIDER-EN.DOC

- RIDER-EN.DOC

EC 003000674

RIDER

Notwithstanding any other provision of this Agreement or any agreement or arrangement related to this Agreement, the Borrower shall under no circumstances be obligated to make any payment which would result in interest payable under the **[Loan]** being ineligible for the exemption from withholding tax provided in Section 212(1)(b)(vii) of the *Income Tax Act* (Canada) (the "Act"). If the Borrower has made a payment which it was not required to make by virtue of this clause, then such payment shall be deemed not to have been a payment made in respect of the Loan and shall be deemed to be an amount advanced by the Borrower to the Lender (the "Advance"). The Advance shall bear interest at any time at a rate identical to the applicable interest rate in respect of the Loan at that time. The recourse of the Borrower in respect of the Advance shall be limited to payments owing by the Borrower to the Lender pursuant to the Loan and the Borrower shall have no recourse of any nature whatsoever against assets of the Lender other than the Loan. The Lender shall have the right to set off the Advance against amounts owing pursuant to the Loan.

- Pmts. by Borrower to Lender that don't qualify for w/h tax exception are treated as Advances by Borrower to Lender (& not as repayment on the Loan). Advance shall bear interest at a rate identical to interest on Loan.
- Borrower's recourse is limited to payments Borrower owes Lender pursuant to the Loan.
- Lender has right to set off Advance against amounts Borrower owes under the Loan.

EC 003003334.1

Project Skyshot
Tax Press-Releases

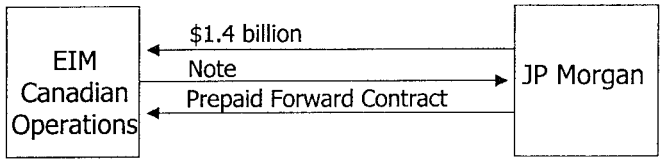
Project Slapshot

Canadian Tax Advantaged Financing Structure for Project Crane & ECC Operations

Enron Wholesale Services Tax Dept.

March 20, 2001

Original Version of Project Slapshot



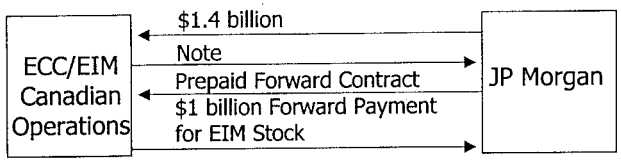
Benefits :

- Net $400 million loan made by JP Morgan to finance 100% of EIM Canadian operations.
- Viewed as $400 million loan for Canadian and US accounting purposes.
- Viewed as $1.4 billion loan for Canadian tax purposes.
  - Interest deduction on gross loan reduces Canadian tax burden from EIM Canadian operations.

Issues :

- Transaction structure business purpose for $1 billion of gross loan introduces risk of challenge by tax authorities.
- Based on acquisition model EIM Canadian operations unable to fully utilize tax deductions generated by structure.

Revised Version of Project Slapshot



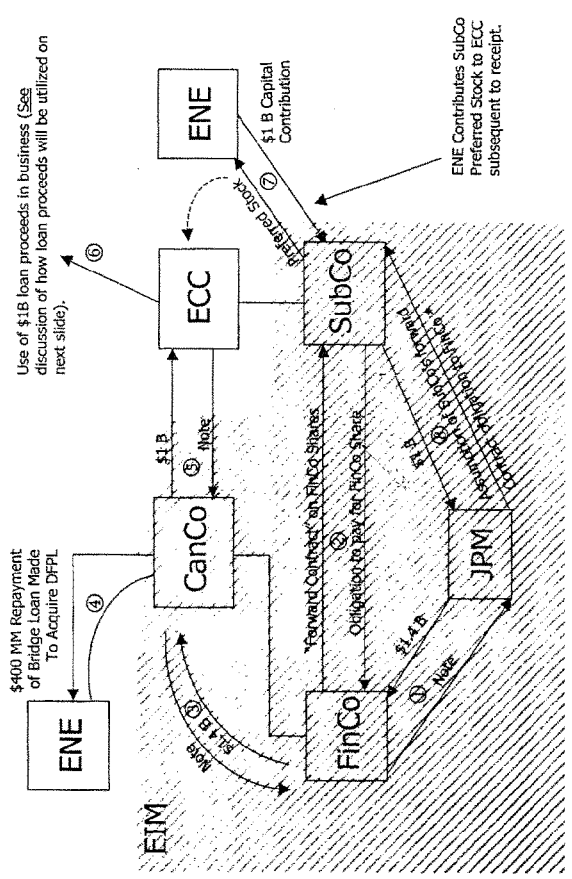
Additional Benefits :

- Interest deduction on gross loan fully utilized to reduce Canadian tax burden on Enron's overall Canadian operations (ECC & Quebec mill).
- By linking the Project Crane financing with ECC financing needs, the structure is much cleaner from a tax perspective (greater than 80% chance of success upon audit vs. 50% chance of success if implemented separately).

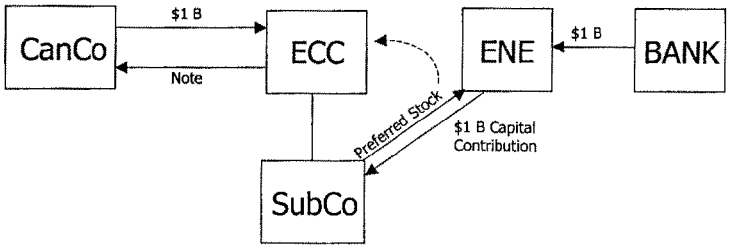
Issues :

- Accounting for transaction between EIM and ECC to ensure no incremental debt added to Enron's balance sheet.
- Sharing of tax benefits between EIM and ECC.
- Determination of ECC business use of loan from EIM Canadian operations.

Illustration of Revised Project Slapshot



ECC Potential Use of Loan Proceeds and Impact to Enron's Overall Cash Position



Step 1 •Pay off existing $85 mm revolver.

Cash Position: ENA/ENE can refinance debt in US market.

Step 2 •Pay off Alberta PPA financing (approximately $300 mm)

Cash Position: ENA/ENE was to be financing source to obtain funds.

Step 3 •Implement Project Maple leaf type transaction/Pay ENA to assume out of the money positions with financial institution counter parties

Benefit: Cash stays in Enron to enable investment in SubCo without new debt.

Earnings Impact to ECC

- ECC may be able to recognize immediate earnings of approximately $40 MM.
  - **Earnings recognized through the release of deferred tax liability in the amount of the interest deductions that will be utilized to shield taxable income. Interest deduction becomes a permanent benefit.**
- In the event that ECC is not able to recognize all earnings immediately, ECC will be able to recognize earnings ratably over 5 years.
- ECC will essentially have to re-allocate earnings of approximately $5 MM per year over the next five years to EIM as the Crane facility is able to utilize deductions.
- Net earnings benefit to ECC of approximately $10-15 MM over the next five years. EIM will recognize its earnings benefit over next five years

Description of Steps to Implement Revised Structure

Step 1: JPM lends FinCo $1.4 billion in exchange for Finco note.

Step 2: FinCo enters into forward contract to deliver $1.4 billion worth of its stock to SubCo in 5 years in exchange for $1.4 billion at such time.

Step 3: Finco lends $1.4 billion to CanCo.

Step 4: CanCo repays $400 million bridge loan from Enron Corp., the proceeds of which were used to acquire Daishowa's Quebec paper mill.

Step 5: CanCo lends remaining amount ($1 billion) to ECC.

Step 6: ECC uses the loan proceeds in its business (e.g., extinguish debt and out-of-the money financial contracts).

Step 7: Enron Corp. contributes $1 billion to SubCo in return for SubCo preferred shares (which shares are subsequently contributed to ECC before year 5). Enron Corp. acquires $1 billion to capitalize SubCo from capacity made available by ECC's use of the CanCo loan proceeds.

Step 8: SubCo pays JPM $1 billion to assume SubCo's obligation under the forward contract to pay Finco $1.4 billion in 5 years.

Steps to Unwind Revised Financing Structure

Step 1: Enron Corp. daylight loans $1 billion to ECC.

Step 2: Enron Corp. daylight loans $400 million to CanCo.

Step 3: ECC repays $1 billion loan to CanCo.

Step 4: CanCo repays $1.4 billion loan to FinCo with the ECC loan repayment proceeds and the proceeds from the Enron Corp. daylight loan.

Step 5: FinCo uses the CanCo repayment to pay $1.4 billion to JPM, which amount is paid back to FinCo under the Assumption Agreement.

Step 6: SubCo is amalgamated with FinCo to create AmalCo.

Step 7: AmalCo redeems the $1 billion worth of shares issued initially to Enron Corp. (but subsequently contributed to ECC) from ECC for $1 billion and, immediately thereafter, either distributes $400 million in liquidation to CanCo or lends such amount to CanCo.

Step 8: CanCo repays $400 million daylight loan from Enron Corp.

Step 9: ECC repays $1 billion daylight loan from Enron Corp.

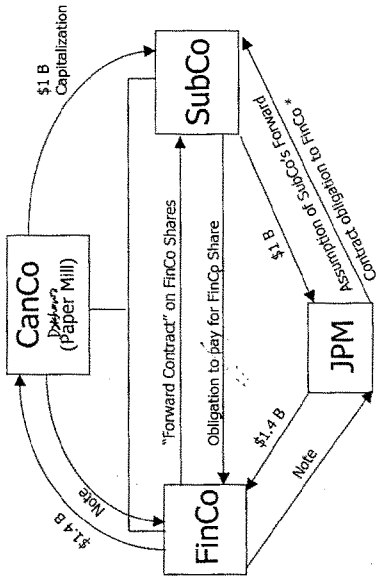
Project Slapshot

Tax Advantaged Financing Structure for Project Crane

Enron Wholesale Services Tax Dept. &
Enron Networks Finance

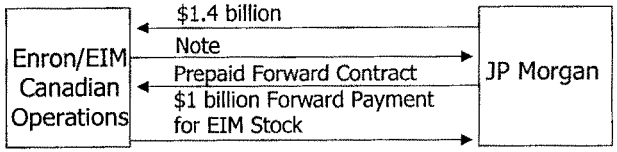
March 5, 2001

Current Financing Structure Proposed by JPM



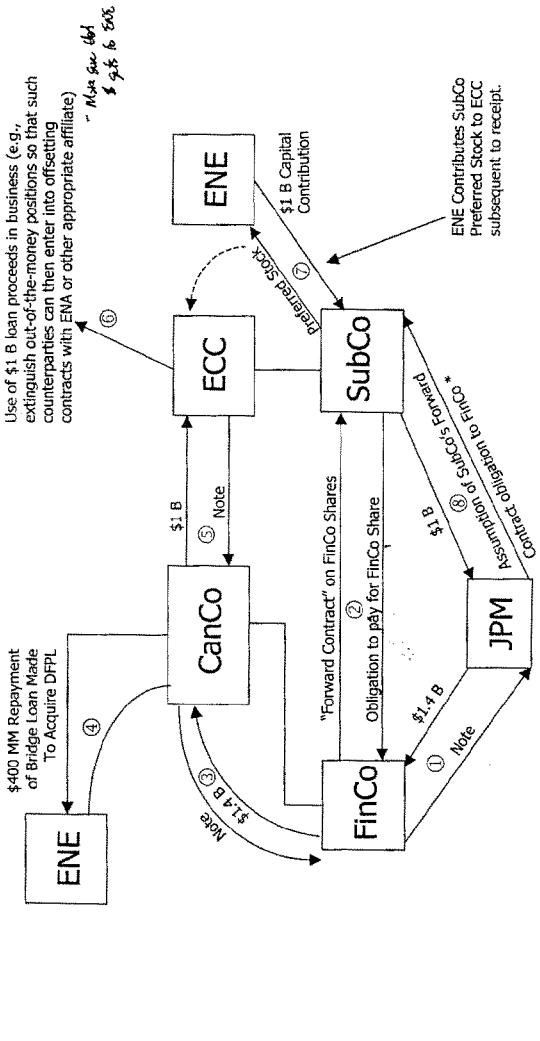
EC 003003344

Benefits of Revised Version of Project Slapshot



- Net $400 million loan made by JP Morgan.
- Viewed as $400 million loan for Canadian and U.S. accounting purposes.
- Viewed as $1.4 billion loan for Canadian tax purposes.
  - ➡ Interest deduction on gross loan dramatically reduces Canadian tax burden on Enron's Canadian operations (ECC & Quebec mill).
  - ➡ PV of Canadian tax savings equals approximately $60 million in first 5 years.

Illustration of Revised Project Slapshot



* SubCo continues to be entitled to FinCo shares in connection with forward contract.

EC 003003346

Description of Steps to Implement Revised Structure

Step 1: JPM lends FinCo $1.4 billion in exchange for Finco note.

Step 2: FinCo enters into forward contract to deliver $1.4 billion worth of its stock to SubCo in 5 years in exchange for $1.4 billion at such time.

Step 3: Finco lends $1.4 billion to CanCo.

Step 4: CanCo repays $400 million bridge loan from Enron Corp., the proceeds of which were used to acquire Daishowa's Quebec paper mill.

Step 5: CanCo lends remaining amount ($1 billion) to ECC.

Step 6: ECC uses the loan proceeds in its business (e.g., extinguish debt and out-of-the money financial contracts).

Step 7: Enron Corp. contributes $1 billion to SubCo in return for SubCo preferred shares (which shares are subsequently contributed to ECC before year 5). Enron Corp. acquires $1 billion to capitalize SubCo from capacity made available by ECC's use of the CanCo loan proceeds.

Step 8: SubCo pays JPM $1 billion to assume SubCo's obligation under the forward contract to pay Finco $1.4 billion in 5 years.

Steps to Unwind Revised Financing Structure

Step 1: Enron Corp. daylight loans $1 billion to ECC.

Step 2: Enron Corp. daylight loans $400 million to CanCo.

Step 3: ECC repays $1 billion loan to CanCo.

Step 4: CanCo repays $1.4 billion loan to FinCo with the ECC loan repayment proceeds and the proceeds from the Enron Corp. daylight loan.

Step 5: FinCo uses the CanCo repayment to pay $1.4 billion to JPM, which amount is paid back to FinCo under the Assumption Agreement.

Step 6: SubCo is amalgamated with FinCo to create AmalCo.

Step 7: AmalCo redeems the $1 billion worth of shares issued initially to Enron Corp. (but subsequently contributed to ECC) from ECC for $1 billion and, immediately thereafter, either distributes $400 million in liquidation to CanCo or lends such amount to CanCo.

Step 8: CanCo repays $400 million daylight loan from Enron Corp.

Step 9: ECC repays $1 billion daylight loan from Enron Corp.

Project Slapshot

Tax Advantaged Financing Structure for Project Crane

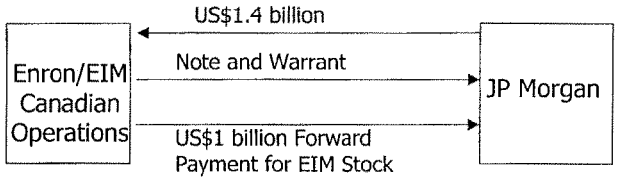
Enron Wholesale Services Tax Dept. &

Enron Net Works Finance

EC 003003349

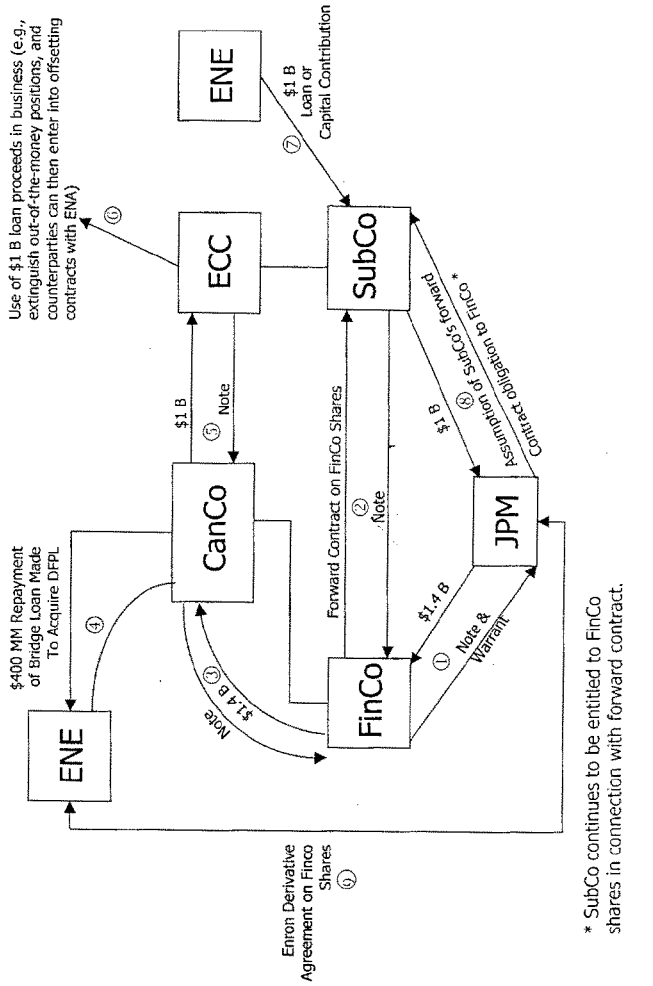
Current Financing Structure Proposed by JPM

Summary and Benefits of Revised Version of Project Slapshot



- Net $400 million loan made by JP Morgan.
- Viewed as $400 million loan for Canadian and U.S. accounting purposes.
- Viewed as $1.4 billion loan for Canadian tax purposes.
  - ➡ Interest deduction on gross loan dramatically reduces Canadian tax burden on Enron Canadian operations (ECC & Quebec mill).
  - ➡ PV of Canadian tax savings equals approximately $60 million in first 5 years.

Illustration of Revised Project Slapshot



EC 003003352

Description of Steps to Implement Revised Structure

1. JPM lends FinCo $1.4 billion in exchange for Finco note and warrant.
2. FinCo enters into forward contract to deliver its shares to SubCo in the future in exchange for $1.4 billion payment in 5 years.
3. Finco on-lends $1.4 billion to CanCo.
4. CanCo repays $400 million bridge loan from Enron Corp. that CanCo used to acquire Daishowa's Quebec paper mill.
5. CanCo lends remaining amount ($1 billion) to Enron Canada Corp.
6. Enron Canada Corp. uses the loan proceeds in its business (e.g., extinguish debt and out-of-the money financial contracts).
7. Enron Corp. contributes or loans $1 billion to SubCo.
8. SubCo pays JPM $1 billion to assume SubCo's obligation under the forward contract to pay Finco $1.4 billion in 5 years.

Description of Steps to Unwind Revised Financing Structure

Step 1: Enron Corp. daylight loans $1 billion to ECC.

Step 2: ECC repays $1 billion loan to CanCo.

Step 3: CanCo repays $1.4 billion loan to FinCo.

Step 4: FinCo pays $1.4 billion to JPM, which repays such amount to FinCo under the Assumption Agreement.

Step 5: FinCo liquidates into CanCo and distributes $1.4 billion to CanCo.

Step 6: CanCo repays $1.4 billion daylight loan from Enron Corp.

Clark, Morris Richard

Ed will send to the prof. shortly.

From: Castleman, Kent
Sent: Monday, March 5, 2001 11:33 AM
To: Douglass, Stephen; Bahlmann, Gareth; Clark, Morris Richard; Blumenthal, Jeff
Subject: Requirements for Right of Offset accounting

Following is the requirements that MUST be met to get offset accounting. One thing that I didn't ask was can an obligation of ECC be netted against and asset of Enron Corp or ENA? Also I do not believe that Subco issuing preferred stock would qualify as an amount being owed (equity is not an obligation).

Excerpt from FASB Interpretation No. 39 : Offsetting of Amounts Related to Certain Contracts

A right of setoff exists when all of the following conditions are met:

[2] For purposes of this Interpretation, cash on deposit at a financial institution is to be considered by the depositor as cash rather than as an amount owed to the depositor.

a. Each of TWO parties owes the other determinable amounts.

b. The reporting party has the right to set off the amount owed with the amount owed by the other party.

c. The reporting party intends to set off.

d. The right of setoff is enforceable at law.

A debtor having a valid right of setoff may offset the related asset and liability and report the net amount.[3]

[3] This Interpretation does not address derecognition or nonrecognition of assets and liabilities

Blumenthal, Jeff

From: "WALLY SHAW" <wally.shaw@blakes.com>@ENRON [IMCEANOTES-+22WALLY+20SHAW+22+20+3Cwally+2Eshaw+40blakes+2Ecom+3E+40ENRON@ENRON.com]
Sent: Tuesday, March 06, 2001 3:42 PM
To: Blumenthal, Jeff
Subject: Re: Canadian Guaranty Issue

my first comment would be that under the existing structure Flagstaff never owns or has a right to own or an interest in the Finco shares so i don't think the put concept will work. all flagstaff owns is the debt. if we did work out something along these lines there would be a risk that CCRA would look at it as a guarantee. however it is almost impossible to assess the risk at this time since we do not as yet have the draft legislation. my personal expectation is that if they go to the trouble of putting the legislation in place it would be broadly drafted to catch this type of arrangement.

>>> "Blumenthal, Jeff" <Jeff.Blumenthal@ENRON.com> 03/06/01 01:33PM >>>
Wally,

As you may recall, Doug McDowell is considering how Enron Corp. (a U.S. corporation) can provide what is effectively a guaranty to Flagstaff SPV with respect to the FinCo shares without actually providing a "guaranty" that would show up on Enron Corp.'s financial statements. One possibility to avoid such financial statement disclosure would be for Enron Corp. to provide Flagstaff with the right to put the FinCo shares to Enron Corp. whereby Enron Corp. would pay fair market value for such shares, and for Enron Corp. to enter into a total return swap with Flagstaff with respect to the FinCo shares whereby Enron Corp. would pay a fixed amount and Flagstaff would pay a floating amount.

I assume that the only Canadian issues of concern in this context are whether (i) the Canadian government adopts the proposed "guaranty" legislation that would require a taxpayer to apply the two-to-one thin capitalization restrictions if a guaranty is provided on its behalf and, if such legislation is adopted, (ii) whether the put and total return swap would constitute a "guaranty" subject to the proposed legislation. Can you let me know if these are our only concerns from a Canadian tax perspective? If the second concern is relevant, what is the likelihood of CCRA treating the put and total return swap as a "guaranty"??

Thanks for your help.

Jeff

Jaime, Catherine, Gareth, Jodi Cooke?

- SLAPSHOT -

3/1/00 - Meeting w/ Bill Brown, Doug McDowell, Catherine Pernot, Steve D.

Use of ECC as "business needs" enhancement.

* Prepare summary of ECC idea - powerpoint

Ask Naldo →
1.) Delaware Business Trust Issue - CIBC may invest in Sundance through this.
2) Forward entity formation e-mail from Deb Korkmas to Gareth & Catherine.
3.) Provide e-mail RE: appropriate P/S characteristics for Dutch tax purposes.

CIBC likely will be a creditor holding a debt instrument for tax purposes. Apparently it's not looking for any equity-like return.

BLAKE, CASSELS & GRAYDON LLP

MEMORANDUM

TO: File

FROM: Wallace Y. Shaw

DATE: March 16, 2001

C/M No.: 84411/16 – Enron re Rio Grande

RE: Warrant Arrangement

Following is the latest version of the Warrant Structure which has been developed to replace the Enron Guarantee:

1. Concurrently with Flagstaff making the Loan to Finco, Flagstaff would, by separate agreement, acquire the right to acquire the redeemable retractable Preferred Shares of Finco. The terms of the Warrant would provide that Flagstaff would make a nominal payment up front for the Warrant. Flagstaff would then have the right to acquire Preferred Shares worth up to $400 million at any time during the next five years. The payment for the Preferred Shares can be either by way of cash or by way of set-off against amounts the ("Default Obligations") which Finco is in default in paying under the Loan.

2. Enron North America would at the original closing enter into a Put Agreement with Flagstaff pursuant to which Flagstaff had the right to put either the Warrants or the Preferred Shares acquired pursuant to the Warrants to Enron for an amount equal to their fair market value at the time the Put is exercised. If Flagstaff is putting the Warrants, it would assign its right to the Default Obligations of Finco to Enron North America together with the Warrants and Enron would pay to Flagstaff an amount equal to the fair market value of the Warrants and the Default Obligations.

3. Enron North America would concurrently enter into a total return swap with Flagstaff pursuant to which it would be required to make a payment to Flagstaff to the extent that the amounts paid to Flagstaff under the Put are less than the amount of the Default Obligations where the Warrants were put, or the face amount of the Preferred Shares where the Preferred Shares are put.

4. The structure should give the necessary Enron backstop comfort to Chase. However significant adverse Canadian tax consequences could arise to Enron North America and

Finco if the Warrants were exercised or put to Enron North America. It would be extremely unlikely that any circumstance would arise which would result in Enron North America not ensuring that Finco has sufficient funds to pay all of its obligations under the Loan on a timely basis.

Eric Peiffer 03/12/2001 07:57

Structured Finance 834-5155 Fax Number: 834-6181

To: George Serice/CHASE@CHASE
cc: Robert Traband/CHASE@CHASE, Roxanne Powell/JPMCHASE@CHASE, Susan MacEachron/CHASE@CHASE
Subject: enron

George,

I will be discussing these with Ken today -- you're welcome to join.

In the meantime please call me when you get this so we can run through it -- several of these are relevant to syndication / documentation.

Thanks.

---------- Forwarded by Eric Peiffer/CHASE on 03/12/2001 08:56 AM ----------

Eric Peiffer 03/12/2001 08:53

Structured Finance 834-5155 Fax Number: 834-6181

To: kanderson@velaw.com
cc: obayazitoglu@velaw.com, mattcook@velaw.com, Bruce Hendrick/CHASE@CHASE
Subject: enron

Ken,

As Bruce mentioned, Enron anticipates the Daishowa issue being resolved today or tomorrow. Doug McDowell will forward his comments to us upon this resolution (today or tomorrow), and we hope to have a drafting session with Enron on Friday (with our internal meeting Thursday).

Following are issues Enron that Doug discussed with Bruce on Friday -- please call so we can discuss these.

- Collateral question: Why must Enron pledge the Canco Note as security if there is Enron credit support ("Guarantee") to Flagstaff? (i.e. can Flagstaff make the loan to Finco without the pledge of that note as collateral?)
- Enron wants allow partial prepayment. Discuss drafting and mechanics.
- Chase guarantee of Flagstaff -- a priority for Enron. Need to draft language to facilitate Chase internal approval and further discussion with Enron.
- "Guarantee" -- discuss irrevocable exercise of Flagstaff's put at inception (to direct any stock payment to Enron in return for fair value payment, which Flagstaff swaps under Total Return Swap for a payment equal to the Finco coupon.
- Drafting: Irrevocable Put and Total Return Swap combine to form the equivalent of the Enron Guarantee Agreement. Enron (Indemnity) Agreement continues to be separate.

Flagstaff Capital Corporation (Delaware)

Assets and Liabilities (US$ at closing date: 3/31/01)

GAAP Accounting (FIN 39)

Assets		
Loan to Finco	$ 1,530,000,000	Loan to Enron Corp. subsidiary
Payable to Finco (Enron sub)	1,130,000,000	For subscription agreement; accretes to $1.011 billion over 5 years
Total Assets (Net)	$ 400,000,000	Net accounting under FIN 39
Liabilities		
Loan	$ 400,000,000	Borrowing from bank syndicate
Total Liabilities	$ 400,000,000	

NOTES:
Chase will show the $1.53 billion loan to Finco and the $1.13 billion payable to Finco for regulatory purposes, but for accounting purposes will net the amounts for a net loan of $400 million (the economic loan being made by Chase, since Chase received back $1.13 billion of its $1.53 billion loan on closing date).

Chase Corporate Accounting Policies has signed off on this accounting treatment using FIN 39 guidelines.

CMB will consolidate Flagstaff Capital Corp. onto its own balance sheet, as it is 100% owned by CMB.

Amounts are approximate.

Blumenthal, Jeff

From: "WALLY SHAW" <wally.shaw@blakes.com>@ENRON [IMCEANOTES-+22WALLY+20SHAW+22+20+3Cwally+2Eshaw+40blakes+2Ecom+3E+40ENRON@ENRON.com]
Sent: Tuesday, April 17, 2001 11:38 AM
To: ricerc@bracepatt.com; Blumenthal, Jeff
Subject: Comments on drafts of April 12/01

Please see attached.

Wallace Y. Shaw
Barrister and Solicitor
Blake, Cassels & Graydon LLP
Calgary, AB T2P 4J8
Tel: 403 Redacted by Permanent Subcommittee on Investigations
Fax: 403.
E-Mail: wally.shaw@blakes.com

MemotoJe.DOC

- MemotoJe.DOC

EC 003000687

Permanent Subcommittee on Investigations
EXHIBIT #383n

BLAKE, CASSELS & GRAYDON LLP

MEMORANDUM

SUBJECT TO SOLICITOR/CLIENT PRIVILEGE

TO: Jeff Blumenthal
Richard Rice

FROM: Wallace Y. Shaw

DATE: April 17, 2001

C/M No.: 84411/16

RE: Comments on Drafts of April 12, 2001

Following are my comments on the VE drafts of 04/12/2001:

A. Enron Agreement

1. I believe Jeff Blumenthal had proposed an amendment to the tax indemnity provisions in Section 4.02 to ensure that this indemnity did not expand on the indemnities given in the other agreements. This is particularly important if it is determined that we are giving less than a full tax indemnity with respect to interest on the Finco Note.

2. Section 4.02(iii) continues to have references to the "sole opinion" of the Indemnified Person.

B. Finco/Flagstaff Credit Agreement

1. The Reformation clause previously provided should be inserted at the end of Section 2.06.

2. Section 2.07(b) seems to continue to require the Borrower to pay the increase in the amount of capital required as opposed to the costs resulting from such increase.

3. I would recommend that the description of the "taxes, levies imposed etc." remain as opposed to the new reference to "taxes imposed on its net income and franchise tax".

4. The issue remains outstanding with respect to whether we are giving full indemnity for withholding taxes if Revenue Canada challenges the deal as a

whole or if there is an early unwind of the deal as a result of the thin capitalization amendments being enacted.

5. Section 2.08(iii) continues to have the reference to "sole opinion" of Lender.

6. The new language in Section 2.09 moving a payment date to the next preceding Business Day must be subject to the overriding condition that it not apply to the final Payment Date (to ensure the Loan remains within the 5 year/25% withholding tax exemption).

7. With respect to the closing documents listed in Section 4.01, Blake Cassels is not currently intending to give an opinion with respect to set off rights under common law, since this Agreement is subject to the laws of New York.

8. Section 4.01(d) contemplates a Note Purchase Agreement between Finco and EIM. We had not previously contemplated such an Agreement.

9. Section 4.01(m) should be amended to read that "the Lender shall be satisfied that Subco is in a position to pay to the Lender the full amount owed pursuant to Section 2.1 of the Subscription Payment Assumption Agreement". It is important from a Canadian tax perspective that the cash paid under the Subscription Payment Assumption Agreement not be the same cash which is then loaned to Finco. This clause as currently drafted gives the implication that it may be the same cash.

10. Clause (h) of Article VII refers to a "Loan Document" which does not appear to be a defined term.

11. This Agreement should contain a provision permitting the right to assign the Make-Whole Payment as contemplated under the Put Agreement with respect to the Warrant.

12. The Agreement as currently drafted does not appear to make a default under the Lender/Flagstaff Note Agreement a default under this Agreement. It is important that this concept be retained.

13. This Credit Agreement does not appear to contemplate conversion of the Loan from one currency to another. However, if such a conversion is contemplated the deemed continuation provision in clause 2.09(e) of the Lender/Flagstaff Credit Agreement should be inserted.

C. Put Option Agreement

1. The definition of "Make-Whole Amount" does not include accrued interest.

2. The definition of "set off rights" contemplates specific rights of setoff which do not appear to be granted under the Finco/Flagstaff Credit Agreement.

3. Section 4 should provide that Flagstaff holds good title to the Warrant Rights, not just the Warrants, and there is no lien over the Warrant Rights.

D. Finco Inc. – Warrant Agreement

1. The reference to "convertible" in the third last line of Section 1 should be deleted. The Class B Shares are not convertible.

2. The definition of "Make-Whole Payment" does not include accrued interest.

3. Clause 3.1(c) should be modified to permit the issuance of the Preferred Shares subscribed for under the Subscription Agreement (which shares will rank in preference to the Class B Shares).

4. Clause 4.2 should read as previously drafted. It is necessary either here or in some other provision to provide that the Make-Whole Payment is satisfied as the exercise price in respect of the issuance of the Warrant Shares pursuant to the Warrant.

E. Purchase Agreement

1. It was my understanding we were not intending to have a Note Purchase Agreement of this type. Accordingly, I have not reviewed it in detail.

WYS/bf

BLAKE, CASSELS & GRAYDON LLP

DRAFT

MEMORANDUM

SUBJECT TO SOLICITOR/CLIENT PRIVILEGE

TO: File

c: Jeff Blumenthal (Enron North America Corp.)

FROM: Wallace Y. Shaw

DATE: May 9, 2001

C/M No.: 84411/16

RE: Tax Issues

Following is an update of the April 6, 2001 summary of the tax issues/points which have been discussed. This list is in addition to the tax issues which have been discussed in our draft opinion and issues relating to the wind up of DFPL and Stadacona.

1. **CANADIAN WITHHOLDING TAX ISSUES**

- Which entity is to bear the withholding tax risk should Revenue collapse the transaction and treat it as a $400 Million loan for income tax purposes? Enron's position has been that their worse case scenario (should Revenue Canada take this position) should put them in no worse position than if they had simply undertaken a $400 Million loan except for interest on late taxes and fees related to the transaction. If Revenue Canada were to collapse the transaction and successfully claim withholding tax as well, Enron would be negative $10 Million to $15 Million. Should all or a portion of this potential downside risk be borne by Chase?

- It has been proposed that a default by Flagstaff under the Flagstaff/Lenders Credit Agreement would be considered to be a default under the Flagstaff/Finco Credit Agreement. However, such a default is not a default by Finco nor does it adversely affect Finco's ability to repay. There is therefore a significant risk Revenue Canada would not recognize it as a valid event of default for the purposes of the withholding tax exemption. In such a case there is a significant risk that the withholding tax exemption would not be available (since it would effectively be within the control of the Lender ("Flagstaff") to cause a repayment of the Loan within five years).

- The "reformation clause" has been reviewed and initially approved by Chase counsel. However, it is not currently in the latest draft of the Finco/Flagstaff Credit Agreement. Chase has given indications that they may not want the clause in the Agreement.

However, it is important to Enron, particularly should we be in a position of negotiating a settlement with Revenue Canada.

2. There is a significant risk that the proposed amendments to the Canadian thin capitalization provisions will come into force during the term of the Loan. If, as anticipated, these amendments are broad enough to catch the Enron backstop arrangements, it will be necessary to unwind the Loan at the time these amendments come into effect. Consideration is being given to requiring an adjustment in the Chase fee should there be an early unwind for this reason, since that possibility was clearly on the table at the time the structure was proposed to Enron.

3. In earlier discussions, McCarthy's (Canadian counsel to Chase) suggested that the Assumption Payment be altered so that it was an escalating amount depending upon the time the Assumption Payment was made. This would in turn reduce the amount of the Make-Whole Payment required at any time. McCarthy's has not followed up on this proposal and from Enron's perspective we would prefer not to have this adjustment, since it gives the Assumption Payment more of the attributes of a debt.

4. Consideration is being given to having ENE fund Subco with non-interest bearing debt (which would be immediately contributed to ECC as a capital contribution). The use of debt as opposed to preferred shares avoids the technical requirement for a section 116 on the contribution of the instrument to ECC. ECC would convert the debt to preferred shares of Subco immediately after it had received it from ENE. **[This issue has been resolved by having ENE fund ECC directly, with ECC then acquiring the Subco Preferred Shares.]**

5. The payment of dividends on the Subco preferred shares held by ECC gives rise to potential tax under the "taxable preferred share" provisions of the *Income Tax Act* (Canada) (the "Tax Act"). To avoid tax on the dividends it is necessary that Subco and ECC be "related" for the purposes of the Tax Act. Accordingly, it is necessary that ENE be considered to control both Subco and ECC. It is clear that ENE controls ECC. However, it is less clear whether ENE controls Subco through the Sundance structure. While further research is being undertaken on this point, the initial view is that ENE will be considered to control Subco so long as Langtry does not exercise its right to move the powers of the General Partner to a Board of Directors of the Partnership with Langtry having the right to appoint two of the four directors. At the point that Langtry exercises the right to appoint 50% of the directors, it is likely that ENE will no longer be considered to control Subco and any dividends paid on the Subco preferred shares to ECC after that time will be subject to a substantive penalty tax. It will therefore be necessary to ensure that either ENE is confident that Langtry will not exercise that right or, if it does so, there is a mechanism in place to allow Sundance to be wound up (or otherwise restructured) such that ENE does control Canco and therefore Subco. **[This issue has been resolved with amendments to the Sundance Agreement which will**

ensure the Partnership is wound up and ENE acquires clear control of Subco should Langtry exercise the Board of Directors' rights.]

6. While the terms of the debt instrument between Finco and Canco have not as yet been finalized, that agreement should mirror their payment requirements of the Finco/Flagstaff Credit Agreement, including the requirements to make equivalent "Make-Whole Payments".

7. **WARRANTS**

- It has been suggested that Flagstaff will irrevocably agree to put the Warrants Rights to Enron should there be a default by Flagstaff. It would be preferable from a Canadian tax perspective not to have that irrevocable agreement in place. Such an agreement increases the risk that Flagstaff is dealing at non-arm's length with Finco, which precludes our use of the withholding tax exemption. It would be preferable that in theory Flagstaff could exercise the Warrants, although it would never do so since it would not have the right to put the shares it received on the exercise. The put would only apply to the Warrants.

- The accountants have not signed off on the Warrant structure, i.e. is the bundling of the Warrant with the Make-Whole Payment sufficient to make the assignment of that package under the Put not a guarantee?

8. Consideration is being given to the escrow arrangements which contemplate and put in place the mechanisms for the cash payment of the Assumption Payment and repayment of the Finco Loan. The concern has been expressed that that language is inconsistent with the accounting requirement that there be an intent to set off. Consideration is therefore being given to either taking out the escrow arrangements and leaving the payment mechanism silent in both documents or, alternatively, providing that "if" Finco gives notice that it intends to pay in cash then the escrow agreements would be put in place.

9. It is important that ECC use all of the funds loaned to it by Canco for legitimate income earning purposes in Canada (such as repaying existing indebtedness used for such purposes or paying "out of the money contracts"). To the extent that "out of the money contracts" are retired, ECC should not enter into similar in-the-money contracts or similar arrangements to obtain cash to repatriate the $1 Billion capital contribution made by ENE. That contribution should not be repaid by ECC, except from sources of funds which are clearly independent from the subject transactions.

10. Since the $1 billion Assumption Payment will not qualify as an investment to reduce capital, there will be an increase of the federal large corporation (capital) tax of $2.25 million per annum at the Subco level. Since Subco is incorporated in Nova Scotia, which also has a capital tax, it will be necessary for Subco to have as its only permanent

establishment an office in Alberta which does not have capital tax. Nova Scotia counsel to confirm this structure.

11. The large corporation (capital) tax implications Canco's $1 billion borrowing need to be confirmed with Canco's accountants. While the use of the borrowed funds to repay existing indebtedness should not increase capital tax, it needs to be determined whether paying out the contracts will increase capital tax.

12. To support the tax position that the transactions are not primarily being undertaken to obtain a tax benefit, we should prepare benefit analyses showing that there is no Canadian tax benefit under the proposed transactions as compared to a straight $1.5 billion loan from a bank guaranteed by Enron or a direct loan from Enron.

13. Consideration should be given to the financial statements which will be filed for Finco, Canco and Subco. To the extent possible those financial statements should be consistent with the legal and tax effect of the subject transactions and not the accounting effect. While the consolidated financials of ENE would be based on the accounting treatment of these transactions, we would recommend that to the extent possible the only financial statements that are prepared for Finco, Subco and Canco be based on legal/tax treatment of the subject transactions.

14. Consideration is being given to having ENE enter into a management/services agreement over the operations of Flagstaff. Significant care must be taken with respect to this document to ensure that it does not increase the risk of Flagstaff being considered to deal at non-arm's length with ENE (in which case the withholding tax exemption on the interest payments by Finco to Flagstaff would no longer be available).

15. Consideration has been given to having the flow of the interest payments by ECC to Canco, the Canco capital contributions to Subco and the dividend from Subco to ECC, all be satisfied by way of directions to pay and setoff as opposed to actually flowing cash around. A second alternative is to pay the amounts with an ECC Note in respect of the interest payment to Canco which then is assigned by Canco to Subco as part of the capital contribution and then reassigned by Subco to ECC in respect of the dividend. The initial view is that either of the above should work from a Canadian tax perspective.

WYS/bf

Blumenthal, Jeff

From: "WALLY SHAW" <wally.shaw@blakes.com>@ENRON [IMCEANOTES-+22WALLY+20SHAW+22+20+3Cwally+2Eshaw+40blakes+2Ecom+3E+40ENRON@ENRON.com]
Sent: Thursday, May 10, 2001 4:20 PM
To: Blumenthal, Jeff
Subject: Tax Benefit Analysis

Attached is a draft of a form of Tax Benefit Analysis which I would like to use to support our Canadian income tax position that no material tax benefit is being created under the Slapshot structure.

Could you please review the attached and comment. Once we agree on the concept I would suggest that we prepare formal tax benefit analyses (similar to those you previously prepared) for all three scenarios on Enron paper.

W
allace Y. Shaw
Barrister and Solicitor
Blake, Cassels & Graydon LLP
Calgary, AB T2P 4J8
Tel: 403. Redacted by Permanent Subcommittee on Investigations
Fax: 403.
E-Mail: wally.shaw@blakes.com

TaxBenef.DOC

- TaxBenef.DOC

Permanent Subcommittee on Investigations
EXHIBIT #383p

EC 003000666

TAX BENEFIT ANALYSIS

DRAFT

SCENARIO I

1. Enron funds $1 billion to Enron Canada and $.5 billion to EMI.

2. Assume Enron has no other equity in these companies. Therefore, for thin capitalization purposes funding is $.5 billion by equity and $1 billion by debt.

3. Interest rate is 12% (higher rate since unsecured and not guaranteed).

4. Annual interest deduction = 12% of $1 billion = $120 million

   Tax savings = $54 million

5. No additional capital tax (assuming use of funds in Enron Canada does not increase capital tax, this assumption applies to all scenarios).

6. Withholding tax on interest payments = 10% x $120 million = $12 million.

7. Aggregate Canadian tax benefit = $42 million.

8. Enron required to recognize $120 million income for U.S. tax purposes and use of $12 million tax credit is doubtful.

SCENARIO II

1. Enron Canada and EMI borrow $1.5 billion at 7% from U.S. bank under 5 yr/25% withholding tax exemption.

2. Annual interest deduction = $105 million

   Tax saving = $47.25 million.

3. No additional capital tax.

4. No withholding tax.

5. Aggregate Canadian tax benefit = $47.25 million.

6. Disadvantage:

   - Enron group has $1.5 billion increase in third party debt on balance sheet.

SCENARIO III

1. Slapshot structure with $1.5 billion loan at 7%.
2. Annual interest deduction = $105 million

   Tax Saving = $47.25 million
3. Additional capital tax arising from Assumption Payment = $2.25 million
4. Aggregate Canadian tax benefit = $45 million
5. Disadvantage:
   - potential tax risk
   - Chase fee

5/11/01 - Mtg w/ Bob Palmquist & Steve - SLAPSHOT

Credit consolidation of 3rd party out-of-the-money positions w/ the in-the-money positions held by ENA that are with the same counterparties.

Deductions - $50mm/year for ECC
$30mm/year for Stadacona

$80 x .44 = 32
x5
$160 PV'd back

3/8 - equity income pick-up for acct. purposes.

5/8 - tax rate effect for acct. purposes.

Blumenthal, Jeff

From: Castleman, Kent
Sent: Friday, May 11, 2001 10:38 AM
To: Douglas, Stephen H.; Clark, Morris; Blumenthal, Jeff
Cc: Kanellopoulos, Drew
Subject: FW: Journal Entries

here are the accounting entries for the slapshot transaction. My understanding is that AA has reviewed and has only questioned one of the entries.

Kent

-----Original Message-----
From: Kanellopoulos, Drew
Sent: Thursday, May 10, 2001 3:31 PM
To: Castleman, Kent
Subject: Journal Entries

Kent,

As you requested, attached are the Journal Entries

Drew Kanellopoulos
Sr. Director, Transaction Support
(713) Redacted by Permanent Subcommittee on Investigations

Slapshot Acct.xls

EC 003000678

Permanent Subcommittee on Investigations
EXHIBIT #383r

Slapshot--Initial Purchase

Event/Action	Flagstaff		EIM Holdings		Finco		Subco		Enron Canada		Enron Corp.	
1 Enron loans EIM Holdings $ 400 MM for purchase of stake from Calpine			Cash $400 MM Note<->Enron $400 MM								Note Rec<->EIM Ho $400 Cash	400
2 EIM Holdings purchases Calpine assets			PP&E $400 MM Cash $400 MM									
3 Flagstaff borrows $ 1.4 B from Banks	Cash $ 1.4 B Notes<->Banks $ 1.4 B Notes<->Debt $ 1.4 B											
4 Flagstaff loans $ 1.4 B to Finco	Note Rec<->Finco $ 1.4 B Cash $ 1.4 B				Cash $ 1.4 B Note<->Flagstaff $ 1.4 B							
5 Finco loans $ 1.4 B to EIM Holdings			Cash $ 1.4 B Note<->Finco $ 1.4 B		Note Rec<->EIM Ho $ 1.4 B Cash $ 1.4 B							
6 Finco Forward Contract with Subco					No Entry		No Entry					
7 EIM Holdings repays $ 400 MM loan to Enron			Note<->Enron $ 400 MM Cash $ 400 MM								Cash $ 400 MM Note Rec<->EIM Ho $ 400 MM	
8 EIM Holdings loans $ 1 B to Enron Canada			Note Rec<->ECC $ 1.0 B Cash $ 1.0 B						Cash $ 1.0 B Notes<->EIM Holding $ 1.0 B			
9 Enron purchases all $ 1.0 B pfd stock of Subco							Cash $ 1.0 B Pfd Equity--EME $ 1.0 B				Subco Pfd $ 1.0 B Cash $ 1.0 B	
10 Enron contribution of Subco pfd to ECC @ 1:1 by 1							Pfd Equity<->Enron $ 1.0 B Pfd Equity<->ECC $ 1.0 B		SubCo Pfd $ 1.0 B Enron Equity Cont. $ 1.0 B		Inv. in ECC $ 1.0 B Subco Pfd $ 1.0 B	
11 Subco pays $ 1 B to Flagstaff for assumption of hvd contract obligation	Cash $ 1 B Fwd Liab.<->Finco $ 1.0 B				Rec<->Flagstaff $ 1.0 B Payable in Stock<->SubCo $ 1.0 B		Rec Fin'Co Pfd $ 1.0 B Cash $ 1.0 B					
12 Flagstaff repays $ 1.0 B of student loans by Banks	Notes<->Debt $ 1.0 B Cash $ 1.0 B											
Net Ending Position	Note Rec<->Finco $ 1.4 B Notes<->Banks $ 400 MM Fwd Liab.<->Finco $ 1.0 B		PP&E $ 400 MM Note Rec<->ECC $ 1.0 B Note<->Enron $ 1 + 0		Rec<->Flagstaff $ 1.0 B Note Rec<->EIM Ho $ 1 + 0 Note Rec<->Flagstaff Payable Fin'Co Pfd Payable Fin'Co<->SubCo $ 1.0 B $ 1.0 B		Rec Fin'Co Pfd $ 1.0 B Pfd Equity<->ECC $ 1.0 B		Cash $ 1.0 B Subco Pfd $ 1.0 B Notes<->EIM Holding $ 1.0 B Enron Equity Cont. $ 1.0 B		Inv. in ECC $ 1.0 B Cash $ 1.0 B	
Consolidated Position	Flagstaff		EIM Holdings						Enron Canada		Enron Corp.	
	Note Rec<->EIM $ 400 MM Notes<->Banks $ 400 MM		PP&E $ 400 MM Note Pay<->Flagstaff $ 400 MM									

Slapshot--Years 1-5 Balance Sheet
(Assume annual payments)

Identification	Flagstaff		PH&E	Ebl Holdings	Finco			Subco		Ercon Canada		Ercon Corp
Net Starting Position	Note Rec'e=FinCo $ 1.0 B Note Pay=Banks $ 1.0 B Fed Cash	$ 400 MM $ 1.0 B	Note Rec'e=ECC	$ 400 MM $ 1.0 B Note Pay=FinCo $ 1.4 B	Note Rec'e=Ebl Holdings $ 1.0 B Note Pay=Flagstaff Payable FinCo pmt=>SubCo	$ 1.4 B $ 0.0	Rec FinCo Pmt	$ 1.0 B Note Pay=ECC	$ 1.0 B	$ 1.0 B Note Rec'e=Ebl Holdings $ 1.0 B Ercon Equity Cont. $ 1.0 B	Inv. in ECC $ 1.0 B Cash $ 1.0 B
1 Ebl Holdings pays interest on $1.4 B note to FinCo		Int Exp=>FinCo	$ 100 MM Cash	$ 100 MM	Cash Int Rec'e=Ebl Holdings	$ 100 MM						
2 FinCo pays interest on $1.4 B note to Flagstaff	Cash $ 100 MM Int Income=>FinCo $ 100 MM				Int Exp=>Flagstaff Cash	$ 100 MM						
3 Flagstaff pays Int + Prin on $400 MM Note to Ebl	Principal=>Banks $ 80 MM Int Expe=>Banks $ 20 MM Cash $ 100 MM											
4 Ebl Holdings makes capital contribution to SubCo (for dividend payment to ECC)		Inv. in SubCo	$ 50 MM Cash	$ 50 MM			Cash	$ 50 MM Equity =>Ebl	$ 50 MM			
5 SubCo pays Dividends to ECC							Div Expense=>ECC	$ 50 MM Cash	$ 50 MM	Cash $ 50 MM Div Income=>SubCo $ 50 MM		
6 ECC pays Interest on $1.0 note to Ebl Holdings		Cash	$ 50 MM Interest Rec'e=ECC $ 50 MM							Int Expense=>Ebl Holdings $ 50 MM Cash $ 50 MM		
7 Accrue at Flagstaff Assumption Delegation	Int Exp=>FinCo $ 80 MM Fed Liab =>FinCo $ 80 MM				Rec'e=Flagstaff $ 80 MM Int Income =>Flagstaff $ 80 MM Subsidiary Int =>SubCo $ 80 MM		Rec FinCo Pmt	$ 80 MM Income =>FinCo $ 80 MM				
Year End Net Entries	Flagstaff Principal=>Banks $ 80 MM Int Expe=>Banks $ 20 MM Int Income=>FinCo $ 20 MM Fed Liab =>FinCo $ 80 MM			Ebl Holdings $ 80 MM $ 20 MM Cash $ 100 MM	Rec'e=Flagstaff Int Expense=>Flagstaff			SubCo		Ercon Canada		Ercon Corp

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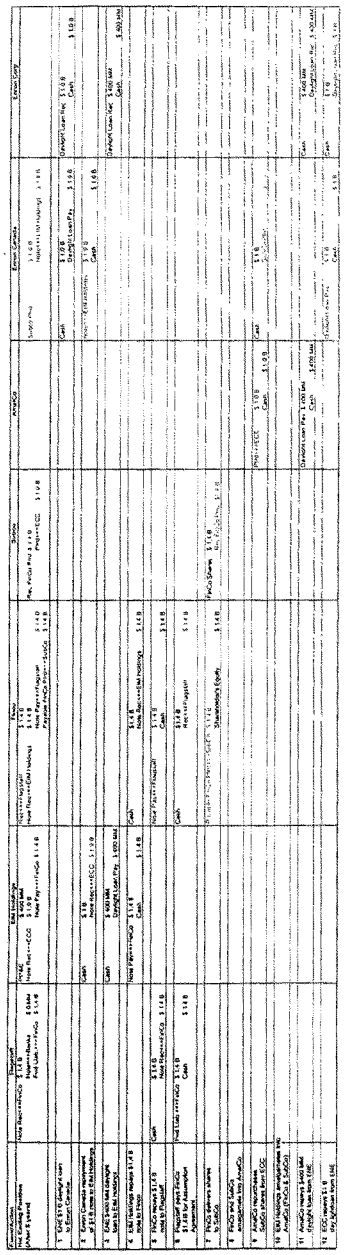
Slapshot--Year 5 End Unwind



ENRON

Interoffice Memorandum

To: Project Slapshot File

From: Jeff Blumenthal

Department: EWS Tax

Subject: Project Slapshot – Step-by-Step Description

Date: May 16, 2001

NEEDS TO BE MARKED "ATTORNEY-CLIENT PRIVILEGE"

I. PURPOSE

The purpose of this memorandum is to describe each step of Project Slapshot, an arrangement that constitutes a method of financing the acquisition by Enron Corp., an Oregon corporation ("ENE"), of a paper mill and saw mill operation located in Quebec City, Quebec, Canada. An illustration of the relevant entities and the steps comprising Project Slapshot is attached to this memorandum.

II. BRIEF OVERVIEW OF ACQUISITION OF QUEBEC PAPER MILL

A detailed description of Enron Corp.'s acquisition of the Quebec mill operations is set forth in a separate memorandum but, for purposes of understanding Project Slapshot, a brief description of such acquisition is necessary. On March 30, 2001, Enron Corp. (through an indirect, wholly-owned Nova Scotia Unlimited Liability Company (**"NSULC"**)) acquired all of the outstanding shares of Daishowa Forest Products, Ltd., a Canadian federal corporation (**"DFPL"**). DFPL's primary asset consists of all of the outstanding shares of Daishowa, Inc., a Quebec corporation that owns a paper mill and saw mill located in Quebec City, Quebec, Canada. On April ___, 20001, Daishowa, Inc. changed its name to "Compagnie de papier Stadacona, Ltee." (**"Stadacona"**).

The total purchase price paid by NSULC equaled approximately $362 million[1], all of which was lent on approximately March 28, 2001 by ENE to NSULC. As described below, NSULC will repay such amount (plus an arm's length interest amount) to ENE on or about June 11, 2001, the day on which Project Slapshot will be implemented.

III. DESCRIPTION OF ENTITIES RELEVANT TO PROJECT SLAPSHOT

ENE owns all of the outstanding stock of Enron North America Corp., a Delaware corporation (**"ENA"**), and all of the outstanding member interests in Enron Industrial Markets LLC, a Delaware limited liability company (**"EIM LLC"**). EIM LLC owns all of the outstanding stock of Enron Industrial Markets GP Corp., a Delaware corporation (**"EIM GP Corp."**) that, in turn, owns a one percent interest in the economics and voting rights of Sundance Industrial Partners, L.P., a Delaware limited partnership (**"Sundance"**). ENA owns a 79 percent interest in the economics and a 49 percent interest in voting rights of Sundance, and Solomon Smith Barney Holding Company, a corporation formed under the laws of **[Delaware??? To confirm]** owns the remaining 20 percent economics interest and 50 percent voting interest in Sundance.

Sundance owns (in relevant part) all of the outstanding shares in EIM Holdings I (Netherlands) B.V., a Dutch _____ (**"BV-1"**) that is treated as a corporation for U.S. federal tax purposes and for which an election has not been made to treat BV-1 as a disregarded entity for U.S. federal tax purposes.[2] BV-1 owns all of the outstanding shares in EIM Holdings II (Netherlands) B.V. a Dutch _____ (**"BV-2"**) that is treated as a corporation for U.S. federal

[1] All dollar amounts in this memorandum are referenced in U.S. dollars.

[2] Treas. Reg. Section 301.7701-_____.

EC 003000661

tax purposes but for which an election has made to treat BV-2 as a disregarded entity for U.S. federal tax purposes.[3] In turn, BV-2 owns all of the outstanding shares of Compagnie de papier Stadacona, Ltee., a Canadian federal corporation (**"Stadacona"**) that will ultimately be wound-up (i.e., liquidated) into a Nova Scotia unlimited liability company that will be renamed "Compagnie de papier Stadacona, Ltee."

Stadacona will form a Nova Scotia unlimited liability company (**"Finco"**) and will not make an election for Finco to be treated as a corporation for U.S. federal tax purposes. Stadacona will form another Nova Scotia unlimited liability company (**"Subco"**) and will make an election for Finco to be treated as a corporation for U.S. federal tax purposes.

Finally, ENA owns all of the outstanding shares of Enron Canada Corp., a Canadian corporation formed under the laws of the province of Alberta (**"ECC"**). An illustration of all legal entities relevant to Project Slapshot is attached to this memorandum.

IV. DESCRIPTION OF PROJECT SLAPSHOT STEPS

The steps comprising Project Slaphot are summarized below in the following three sections, each of which addresses a specific time during which the Project is in place:

A. Project Slapshot Funding of the Acquisition

B. Cash Flows During the Term of the Loan from Flagstaff

C. Unwind of Project Slapshot

Each of these three steps is described in more detail below.

A. Project Slapshot Funding of the Acquisition

As described above, ENE loaned approximately $362 million to NSULC for the purpose of NSULC utilizing such loan proceeds to acquire all of the outstanding shares of DFPL from **[Daishowa North America Corporation, a Canadian federal corporation]**. On or about June 11, 2001, NSULC will obtain an amount sufficient to repay such loan (plus interest) as part of the implementation of Project Slapshot, the initial steps of which will take place on or about June 11, 2001 and are as follows:

1. JPMorgan Chase, through its wholly-owned U.S. subsidiary (**"Flagstaff"**), will borrow $400 million from a syndicate of banks and, in combination with $1 billion that it will provide on a daylight basis, will loan $1.4 billion to Finco in exchange for a note that provides that Finco will repay all of the principal five years and one day after the loan is made. During the term of the note, Finco will only repay interest (at a rate of approximately 7 percent) on a [monthly????] basis.

2. Finco will lend the $1.4 billion that it borrowed from Flagstaff to Stadacona on terms identical to those set forth in the note that it entered into with Flagstaff, except that the interest rate charged by Finco to Stadacona will be [0.01???] percent higher than that charged by Flagstaff to Finco.

3. Stadacona will lend $1 billion of the $1.4 billion that it borrowed from Finco to ECC on terms identical to those set forth in the note that it entered into with Finco, except that the interest rate charged by Stadacona will be [0.01???] percent higher than that charged by Finco to Stadacona. ECC will utilize the $1 billion proceeds to settle certain out-of-the-money financial positions previously entered into with unrelated conterparties. After making such payments, it is anticipated that ENE will access such capacity (which will, in turn, facilitate Step 7 described below).

4. Stadacona will utilize the remaing $400 million in borrowing to repay the obligation owed by NSULC to ENE. **[Please note that a series of steps will begin to be undertaken on approximately May 20, 20001 whereby Stadacona will liquidate into NSULC and, as a result, Stadacona will ultimately repay the $400 million obligation owed by NSULC to ENE. Such liquidation will effectively occur before Project Slapshot is implemented.]**

5. Finco and Subco will enter into an agreement whereby Subco will be obligated to pay $1.4 billion in exchange for Finco's obligation to deliver $1.4 billion worth of its preferred, convertible shares. Finco and Subco will both be required to perform their obligations under the agreement five years after the contract has been entered into. This agreement is referred to herein as the **"Subscription Agreement."**

EC 003000662

[3] Treas. Reg. Section 301.7701-_____.

6. Subco assigns its obligation to pay $1.4 billion in five years under the Subscription Agreement to Flagstaff in exchange for Subco agreeing to pay $1.4 billion to Flagstaff in five years. Flagstaff immediately pays Finco $1 billion, with such amount representing the net present value of Subco's $1.4 billion obligation due in five years. This agreement is referred to herein as the **"Subscription Assumption Agreement."**

7. ENE contributes $1 billion to ECC as a capital contribution.

8. ECC contributes $1 billion to Subco as a capital contribution in exchange for mandatorily redeemable, non-voting preferred shares of Subco. **[Please note that such shares will be treated as preferred stock for Canadian tax purposes but will be treated as debt for U.S. federal tax purposes.]**

9. Subco pays Flagstaff $1 billion to extinguish its obligation to Flagstaff under the Subscription Assumption Agreement.

B. Cash Flows During the Term of the Loan from Flagstaff

1. ECC pays interest to Stadacona pursuant to the terms of the ECC-Stadacona $1 billion loan agreement described in A.3. above.

2. Stadacona pays interest to Finco pursuant to the terms of the Stadacona-Finco $1.4 billion loan agreement described in A.2. above.

3. Subco pays dividends with respect to its preferred stock owned by ECC for the purpose of funding ECC with an amount sufficient for it to pay interest to Stadacona pursuant to the ECC-Stadacona loan agreement. Stadacona periodically contributes cash to Subco as a capital contribution for the purpose of providing Subco with funds sufficient for Subco to pay dividends with respect to its preferred stock. Through a liquidity facility provided by ENE, Sundance will periodically loan money to Stadacona so that Stadacona will have sufficient cash to make capital contributions to Subco.

4. Finco pays interest to Flagstaff pursuant to the terms of the Finco-Flagstaff $1.4 billion loan agreement described in A.1. above.

C. Unwind of Project Slapshot

1. ENE loans $1 billion to ECC on a daylight basis.

2. ECC repays $1 billion to Stadacona pursuant to the terms of the ECC-Stadacona loan agreement described in A.3. above.

3. ENE loans $400 million to Stadacona on a daylight basis.

4. Stadacona repays $1.4 billion to Finco pursuant to the terms of the Stadacona-Finco loan agreement described in A.2. above.

5. Finco repays $1.4 billion to Flagstaff pursuant to the terms of the Finco-Flagstaff loan agreement described in A.1. above.

6. Flagstaff pays Finco $1.4 billion pursuant to Flagstaff's obligation under the Subscription Assumption Agreement

7. Finco and Subco amalgamate (i.e., merge) under Canadian law, thus resulting in **"Amalco."**

8. Amalco redeems its preferred stock owned by ECC (and previously issued by Subco) in exchange for $1 billion.

9. ECC repays $1 billion to ENE pursuant to the daylight loan described in C.1. above.

10. Amalco winds up (i.e., liquidates) into Stadacona.

11. Stadacona repays $400 million to ENE pursuant to the daylight loan described in C.3. above.

EC 003000663

DIAL-IN
(888) 412 7888
6196172

6/11/01

FLAGSTAFF CREDIT AGREEMENT

1. Ask Steve - 90 days after Lender notifies the Borrower - ok - they lose to the extent that they're prejudiced by ~~ex~~ our
2. Flagstaff Credit Agreement - 2.12(a)(iii) - "sole" v. "reasonable"
3. Indemnified Taxes provision - Rob McGrink's additional language.

FINCO CREDIT AGREEMENT -

2.08(a)(i) - Wally has agreed to the last provision, as has Gerald
(a)(ii) - "upon request by Borrower" - will stay in - I'll send them a request upon closing
(a)(iii) - May & Sue's comments - Bruce wants a dual LIFO approach - if they're in an excess credit position, would we even get recovery?
Financial Services Income
Bruce wants to modify 2.06(f) - but we need to wait until acc't. issue - facility if Finco will not be making pmts. b/c of 5/25 violation.
FIFO - best for us?

2.06(f)

Depending upon what whether we get the information clause, we may be able to live w/ just a "reasonableness" standard in 2.08(a)(iii). in determining the value obtained from the payment. Alternatively, use a pro-rata calculation.
on a "reasonable ~~as~~, good faith..." - Bruce will check on w/his tax department.

2.06(f) - Will stay as is.

ENRON AGREEMENT - 4.02(a)(i)(B) - no greater w/h tax on assignment. Rob McGrink's comments.
6.01(c) - remove & prohibit assignment if taxes increase b/c of assignment?

Enron Agreement -
4.02(a)(i) parallel (a, with respect to a)

↑ Goes into Flagstaff & Enron Agreements?

Make 2 changes in Flagstaff Agreement & Enron Agreement, but NOT Finco Agreement.

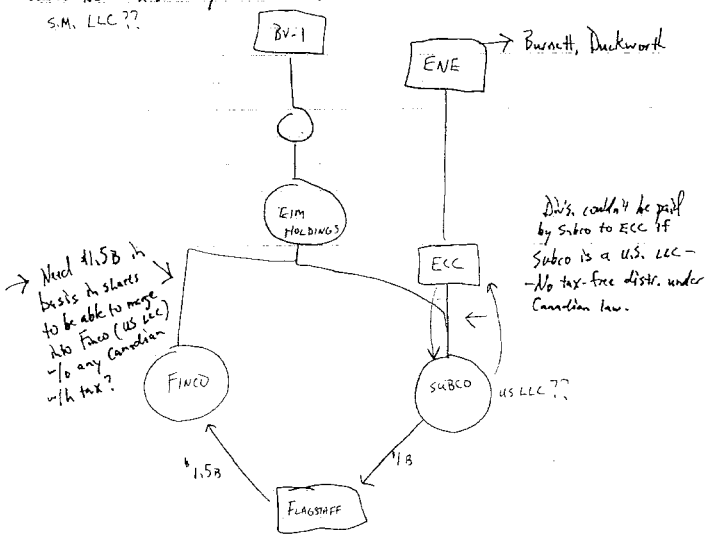
Permanent Subcommittee on Investigations
EXHIBIT #383t

EC 003000650

Palmquist
237 2711

Assumption pmt. - $1B pmt. now
- 1.5B asset received in 5 yrs. later not taxed.

Can Subco be a U.S. entity?
S.M. LLC??



- No GAAR case
- "should" in the U.S. context
- AA looking at each independent step + analyze separately
- No Can. tax on accretion from $1B to $1.5B, looked at separately, causes AA a problem
  - accretion on forward fx K (taxable at settlement)
  - Section 54 (1032 analogue)

1. Subco not be amalgamated?
2. Accretion in value to Subco - Can Subco be a non-Canadian entity?
   If U.S., then how to amalgamate Subco + Finco?

T/C w/ Palguist & his AA Toronto partner - Gordon

T/C w/ Wally, Doug & Catherine -

Warrant & Put Option - Risk for ENE & Chase from §116 filing.

Ask Steve about this → Escrow Agreement - Are we required to pay the banks for any increased interest that they'd earn if the IRS recharacterizes the transaction as predominately interest?
Doug

FAX To WALLY → Fax Chase tax characterization side letter to Wally.

Escrow Agreement will be shortened.

10:00 A.M. on Wednesday - Subscription Agreement
Assumption Agreement
§116 issues

CALL WALLY → Reformation Clause - Is it in the relevant agreements?

EP 0:
758-2192

5/15/01 ~~SLAT~~ SUNDANCE -

Fishtail & Garden State

Cash > Taxable Income -

Alloc. in acc. Tpr + losses

1. Check closed G.S. & Fishtail - No profits
2.

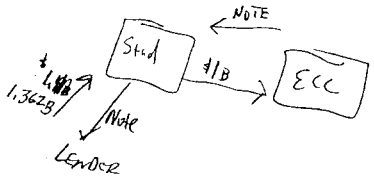
- No phantom income to Citi b/c of distributions + allocations provision.

1. phantom income to SSB?
2. Sufficient cash to pay SSB its return.

Cash Distn. provisions determine actual cash distribution.
Alloc. - follow cash distn.

§ 4.02 - liquidity commitment

"Profits" defined - "GAAP earnings"??. It's whatever GAAP says it is.
§ 5.03? Tax book capital accounts.



EC 003000653

DAN FOURNIER
~~X-6[illegible]~~
260-9636

- SLAPSHOT -

(1) Primary position that the transaction is a loan from Flagstaff to BV-1 in the amount of $400mm for U.S. tax purposes?
- Link all documents.
- Include language indicating that both JPM and ENE will treat + report the entire transaction as a $400mm loan for U.S. federal tax purposes.
- Wally wants a side agreement reflecting the net arrangement for U.S. tax purposes.

→ ~~List~~ Describe interrelatedness of:
1. EIM / ECC / SubCo
2. Finco / Flagstaff

CALL ROBERT STEPHENS

39797
~~35[illegible]~~

1. Side agreement between Flagstaff + (which E entities - ENE, EIM GP Corp., FinCo, Subco?
2. Forward reorg. chart to Drew Kanellopoulos
3. Interrelatedness ~~document~~ memo describing agreement provisions.
4. ECC / Canco / Subco set-off agreement
5. Finco / Flagstaff set-off agreement
6. Analog position - FPHCI on "interest" paid by SubCo (BV-1) to ECC - can it be offset for FPHCI purposes by interest expense ~~incurred~~ by ECC to EIM (BV-1)??
7.

(1.) S/D buys C, T, entity.
- contr. to Trust, followed by pmt. of debt
- liq. Trust + Sonam B then held by S/D

524
8671

(2.) Acq. of notes by S/D

JASON RIOS

2730a

Distributions by SubCo to ECC - not "dividends" by SubCo because no E+P.
Redemption by SubCo of preferred shares - at a premium - but
954(c)(1)(B), etc.

SubCo - Does it have a T or B?
1.367 ~~(a)(2)( )(B)(ii)~~ - T or B
(a) - 2 T(B)(ii)

Blumenthal, Jeff

From: "KEVIN FOUGERE" <kevin.fougere@blakes.com>@ENRON [IMCEANOTES-+22KEVIN+20FOUGERE+22+20+3Ckevin+2Efougere+40blakes+2Ecom+3E+40ENRON@ENRON.com]
Sent: Monday, June 18, 2001 2:16 PM
To: Bahlmann, Gareth; Blumenthal, Jeff; Clark, Morris
Cc: RON MAR; WALLY SHAW
Subject: Blakes Second Set-off Opinion re Hansen- Flagstaff

Please find attached for your review the draft set-off opinion re: the obligations of Hansen and Flagstaff together with a draft acknowledgement from Arthur Andersen.

Regards

Kevin

Kevin A. Fougere
Blake, Cassels & Graydon LLP
Suite 3500, Bankers Hall East
Calgary, AB T2P 4J8

Tel: (403) Redacted by Permanent Subcommittee on Investigations
Fax: (403)
e-mail: kevin.fougere@blakes.com

Set-OffO.DOC

- Set-OffO.DOC

Acknowle.DOC

- Acknowle.DOC

KEVIN FOUGERE.vcf

- KEVIN FOUGERE.vcf

EC 003000694

Permanent Subcommittee on Investigations
EXHIBIT #383u

BLAKE, CASSELS & GRAYDON LLP

BARRISTERS & SOLICITORS | PATENT & TRADE-MARK AGENTS

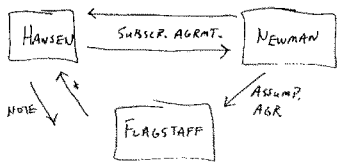
Suite 3500, East Tower, Bankers Hall
855 – 2nd Street S.W.
Calgary, Alberta, Canada
T2P 4J8

Telephone: 403.260.9600
Facsimile: 403.260.9700
www.blakes.com

June •, 2001

Enron North America Corp.
1400 Smith Street
Houston, TX
77002

(For Discussion Purposes Only)



Attention: Gareth Bahlmann

and

[Arthur Anderson LLP]

Dear Sirs:

Re: Project Slapshot

We have acted as your Canadian counsel in connection with the above referenced transaction and have been asked to provide our opinion on the right of setoff existing between Hansen Investments Co. ("Hansen") and Flagstaff Capital Corporation ("Flagstaff") based on the facts described below.

Our understanding of the facts is as follows:

1. Hansen, as borrower, and Flagstaff, as lender, are parties to a Credit Agreement dated June 22, 2001 (the "Credit Agreement").

2. As borrower under the Credit Agreement, Hansen will become indebted to Flagstaff for the payment of the principal amount due thereunder on the maturity date thereof (the "Hansen Obligation").

3. Hansen and Newman Investments Co. ("Newman") are parties to a Share Subscription Agreement dated June 22, 2001 (the "Share Subscription Agreement") pursuant to which Newman agrees, subject to certain conditions precedent (the "Conditions Precedent"), to subscribe for Class A redeemable, retractable, cumulative preferred shares (the "Preferred Shares") in the capital of Hansen at a future date as set out in the Share Subscription Agreement.

EC 003000695

4. Hansen, Newman and Flagstaff are parties to a Subscription Payment Assumption Agreement dated June 22, 2001 (the "Assumption Agreement") pursuant to which Newman pays a certain sum of money to Flagstaff in consideration for Flagstaff assuming Newman's contingent obligation to pay the subscription price for the Preferred Shares to Hansen at the time set forth in the Share Subscription Agreement and subject to the same Conditions Precedent as set out in the Share Subscription Agreement (the "Flagstaff Obligation").

5. The Assumption Agreement contains an express right of setoff whereby, once the Conditions Precedent have been satisfied, Flagstaff is entitled to setoff the Flagstaff Obligation against the Hansen Obligation. Hansen is likewise entitled to setoff the Hansen Obligation against the Flagstaff Obligation (collectively, the "Setoff Rights").

6. The Share Subscription Agreement and the Assumption Agreement are governed by the laws of the Province of Alberta and the laws of Canada applicable therein. The Credit Agreement is governed by the laws of the State of New York.

You have sought our opinion as to whether Hansen and Flagstaff can enforce against each other the Setoff Rights.

Based on the above facts, we are of the opinion that, once the Conditions Precedent have been satisfied, (i) Hansen has under the Assumption Agreement the contractual right to setoff against Flagstaff the Hansen Obligation against the Flagstaff Obligation, and that conversely, Flagstaff has under the Assumption Agreement the contractual right to setoff against Hansen the Flagstaff Obligation against the Hansen Obligation, and (ii) the Setoff Rights will not be terminated by reason, in and of itself, of the bankruptcy of Hansen, Flagstaff or Newman except to the extent so provided in the Assumption Agreement.

In providing our opinion, we have assumed that the Flagstaff Obligation and the Hansen Obligation were not created with a view to defrauding creditors of Hansen, Newman or Flagstaff or to adversely affect any such creditors' rights and remedies. We have also assumed that the Share Subscription Agreement, the Assumption Agreement and the Credit Agreement create or when executed and delivered will create, valid and enforceable obligations of the parties thereto in accordance with their respective terms and that the Credit Obligation would be enforced by an Alberta court under the laws in force in the Province of Alberta. We have no reason to believe that the above assumptions are inaccurate or false.

Our opinion is limited to the laws of the Province of Alberta and the laws of Canada applicable therein and cannot be relied upon by any other person other than the addressee above, without our prior written consent.

Yours truly,

Blake, Cassels & Graydon LLP

EC 003000696

ACKNOWLEDGMENT

TO: Blake, Cassels & Graydon LLP (**"Blakes"**)

RE: Opinion of Blakes dated June **[22]**, 2001 concerning certain setoff rights between Enron Canada Power Corp. and Compagnie Papiers Stadacona; and

Opinion of Blakes dated June **[22]**, 2001 concerning certain setoff rights between Hansen Investments Co. and Flagstaff Capital Corporation,

(collectively, the **"Blakes Opinions"**)

PREAMBLE:

1. Blakes has agreed at our request to address the Blakes Opinions to the undersigned in our capacity as auditors of Enron Corp.

2. In return for Blakes addressing the Blakes Opinion to the undersigned, the undersigned has agreed to execute and deliver to Blakes this Acknowledgment.

ACKNOWLEDGMENT:

The undersigned hereby acknowledges that notwithstanding any reliance on its part on the Blakes Opinions, it will have no recourse or seek any remedy against Blakes or any of its partners by virtue of having the Blakes Opinions addressed to the undersigned, nor will it hold Blakes or any of its partners responsible in respect of any matter or claim which may arise under, or which is in any way related or connected to, the Blakes Opinion.

DATED this _____ day of June, 2001.

ARTHUR ANDERSON LLP

Per: _____
Name:
Title:

Flagstaff Capital Corporation

Credit Agreement dated June 22, 2001

Commitment Allocations as of September 24, 2001

Bank Group	$375,000,000.00 Prior to Assignment Commitments	$45,000,000.00 Amounts Assigned	$375,000,000.00 After Assignment Commitments	New Pro-rata Share
Chase Bank - NY	**$31,250,000.00**	**($11,250,000.00)**	**$20,000,000.00**	**5.33333333%**
Morgan Guaranty Trust	$56,250,000.00	$0.00	$56,250,000.00	15.00000000%
Bank of Tokyo-Mitsubishi, Ltd.	**$87,500,000.00**	**($11,250,000.00)**	**$76,250,000.00**	**20.33333333%**
Industrial Bank of Japan, Ltd.	**$87,500,000.00**	**($11,250,000.00)**	**$76,250,000.00**	**20.33333333%**
Royal Bank of Scotland	**$87,500,000.00**	**($11,250,000.00)**	**$76,250,000.00**	**20.33333333%**
Mitsubishi Trust	$25,000,000.00	$0.00	$25,000,000.00	6.66666667%
Banca Nazionale del Lavoro	**$0.00**	**$20,000,000.00**	**$20,000,000.00**	**5.33333333%**
BBVA	**$0.00**	**$25,000,000.00**	**$25,000,000.00**	**6.66666667%**
Totals	$375,000,000.00	$0.00	$375,000,000.00	100.00000000%

Effective July 20, 2001, Chase Manhattan sold $56.25MM to Morgan Gty.

Effective August 31, 2001, all existing Lenders (with exception of JPM) sold $25MM to Mitsubishi Trust.

Effective Sept 24, 2001, all original Lenders (excluding JPM, Mitsubishi Trust) sold $11.25MM each to Banca Nazionale del Lavoro SpA and Banco Bilbao Vizcaya Argentaria.

BLAKE, CASSELS & GRAYDON LLP
BARRISTERS & SOLICITORS | PATENT & TRADE-MARK AGENTS

Suite 3500, East Tower, Bankers Hall
855 - 2nd Street S.W.
Calgary, Alberta, Canada
T2P 4J8
Telephone: 403.260.9600
Facsimile: 403.260.9700

COPY

INVOICE
Please write invoice number(s) on cheque.

June 21, 2001

Enron North America Corp.
1400 Smith Street
EB3882
Houston, TX 77251-1188
U.S.A.

Attention: Gareth Bahlmann
General Counsel

Invoice:	918638
Billing Lawyer:	Fournier, Daniel
GST No.:	R119396778
Client:	00084411
Matter:	000016

*** Please remit this page with your payment ***
*** Terms: Due and Payable Upon Receipt ***

Re: Project Slapshot

FOR PROFESSIONAL SERVICES RENDERED
during the period ended June 21, 2001, as follows:

Total Fees		$ 582,851.00
Disbursements subject to GST		
Client Meeting	$ 73.37	
Computer Research	200.45	
Courier	8.00	
Duplicating	654.50	
Facsimile	84.36	
Taxi	30.39	
Telephone	626.10	
Travel	4,511.69	
		$ 6,188.86
Goods and Services Tax		41,232.79
Total Due in Canadian Dollars		$ 630,272.65 CAD

This invoice may be paid in U.S. Currency: MSG SHD/JSB

Payment to be made by CPS

Permanent Subcommittee on Investigations
EXHIBIT #383w

EC 003000791

BLAKE, CASSELS & GRAYDON LLP
BARRISTERS & SOLICITORS | PATENT & TRADE-MARK AGENTS

Suite 3500, East Tower, Bankers Hall
855 - 2nd Street S.W.
Calgary, Alberta, Canada
T2P 4J8
Telephone: 403.260.9600
Facsimile: 403.260.9700

INVOICE
Please write invoice number(s) on cheque.

Page: 1

June 21, 2001

Enron North America Corp.
1400 Smith Street
EB3882
Houston, TX 77251-1188
U.S.A.

Attention: Gareth Bahlmann
General Counsel

Invoice:	918838
Billing Lawyer:	Fournier, Daniel
GST No.:	R119396778
Client:	00084411
Matter:	000010

Re: Project Slapshot

FOR PROFESSIONAL SERVICES RENDERED
during the period ended June 21, 2001, as follows:

Total Fees		$ 582,851.00
Disbursements subject to GST		
Client Meeting	$ 73.37	
Computer Research	200.45	
Courier	8.00	
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Facsimile	84.36	
Taxi	30.39	
Telephone	626.10	
Travel	4,511.69	
		$ 6,188.86
Goods and Services Tax		41,232.79
Total Due in Canadian Dollars		$ 630,272.65 CAD

This invoice may be paid in U.S. Currency:

EC 003000792

Interoffice Memorandum

To: Jeff Blumenthal

From: Laura Scurlock

Department: EWS - Tax Planning

Subject: Campagnie Papiers Stadacona

Date: October 30, 2001

FACTS

Compagnie Papiers Stadacona has obtained a loan on which Enron is a guarantor. The interest rate on the loan is going to increase, and Enron has agreed to pay to the lender the difference between the current interest rate and the rate after the increase. Enron would like to take a deduction for this increase as a business expense under section 162 of the Internal Revenue Code ("Code").

ISSUE

Can Enron take a deduction for the interest expenses paid on behalf of a subsidiary?

BRIEF ANSWER

Enron can deduct the interest paid by them as interest expense under section 162 of the Code if it shows that the expense was motivated by the purpose of protecting and promoting its own business.

ANALYSIS

Section 162 of the Internal Revenue Code allows a taxpayer to take as a deduction all expenses paid or incurred during the tax year that are ordinary and necessary in carrying on any trade or business. In most in stances, expenses incurred or paid for the benefit of another taxpayer are not deductible under Section 162. The expenses paid are treated as capital contributions to the entity. However, in 1967 a landmark decision in *Lohrke v. Commissioner, 48 T.C. 679 (1967),* allowed a taxpayer to deduct someone else's expenses. In this case a taxpayer owned a patent for a fiber manufacturing process and was in the trade or business of licensing it to

other companies. He also owned a substantial interest in a company that used his process to manufacture fiber. The company was in poor financial condition and when the company sent some defective fiber to a customer, the taxpayer personally paid for the loss that the customer suffered. The deduction was allowed because the court found that under the circumstances, the petitioner's payment was an ordinary and necessary expense of carrying on his licensing business. The court noted that in a number of cases, the courts have allowed deductions when the expenditures were made by a taxpayer to protect or promote his own business, even though the transaction giving rise to the expenditures originated with another person and would have been deductible by that person if he had made the payment. The court also noted that the crucial and controlling factor lies in determining whether the acts done and the expenditures made were motivated by a purpose to protect or promote the taxpayer's business or were made as an investment in a new enterprise.

Many other courts have also found where expenditures have been made to protect existing goodwill they are deductible. For example, in *C. Dorris H. Pepper, 36 T.C. 886 (1961), acq. 1962-1 C.B. 4*, the taxpayers were engaged in a partnership for a general legal practice. The taxpayers took a deduction for a payment made to the creditors who were obtained by a client through fictitious means. The court allowed the deduction and stated that the expenditures were essential to the continuance of the taxpayer's practice and for the protection of their means of livelihood. The court noted that expenditures by a taxpayer to protect an established business are fully deductible as ordinary business expenses. In addition, in *Lutz v. Commissioner, 282 F. 2d 614 (5th Cir. 1960)*, a Court of Appeals allowed an individual a deduction for the expenses of a corporation that he paid. In this case, the court allowed the deductions, saying that the payments were made to protect the existing goodwill of his individual businesses and to prevent any loss of earnings that might result from destroying such goodwill.

In order for Enron to deduct as an interest expense under section 162 of the Code, any interest paid by it on behalf of CPS, Enron must show that paying the expense was an ordinary and necessary part of its own operations. It must demonstrate that the payment was made to protect and promote Enron's own business rather than invest in a new enterprise of CPS. Enron may be able to show this by demonstrating that it was necessary for its own business for CPS to obtain the funding at a specified rate and for them to guaranty the loan. Enron may also want to demonstrate any adverse consequences, which may have resulted if CPS did not obtain the necessary funding. As long as Enron is able to demonstrate these things, it should be able to deduct the payment as an interest expense under section 162 of the Code.

Vinson&Elkins

June 29, 2001

The Chase Manhattan Bank (Texas)
600 Travis, 7th Floor
Houston, TX 77252

Client/Matter Number CHA715 58022
Invoice Number 20192731
Billing Attorney Kenneth M. Anderson

Re: Project Slapshot - Enron $400,000,000 Structured Financing

REMITTANCE COPY

Fees for services posted through June 27, 2001	$513,472.50
Disbursements and other charges posted through June 27, 2001	10,255.01
TOTAL INVOICE	$523,727.51
Less payment received	-515,000.00
TOTAL AMOUNT DUE	**$8,727.51**

✧ **Please return this page with your payment** ✧

Total amount (payable in U.S. dollars) due by August 4, 2001

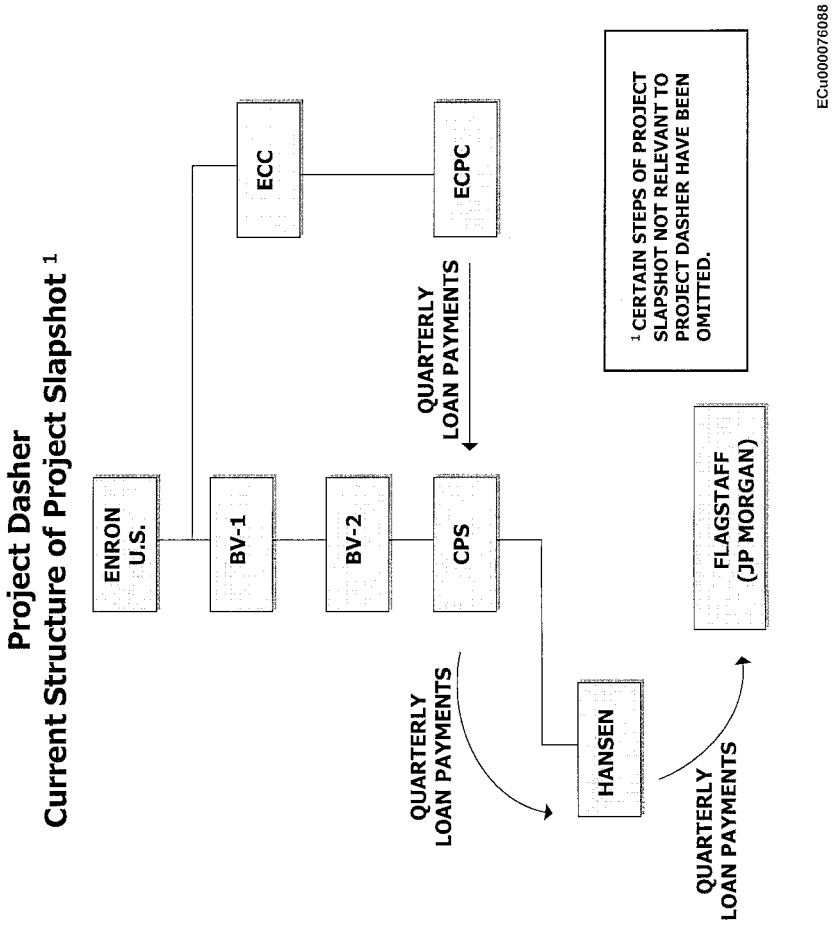
Please reference account and invoice numbers when remitting.

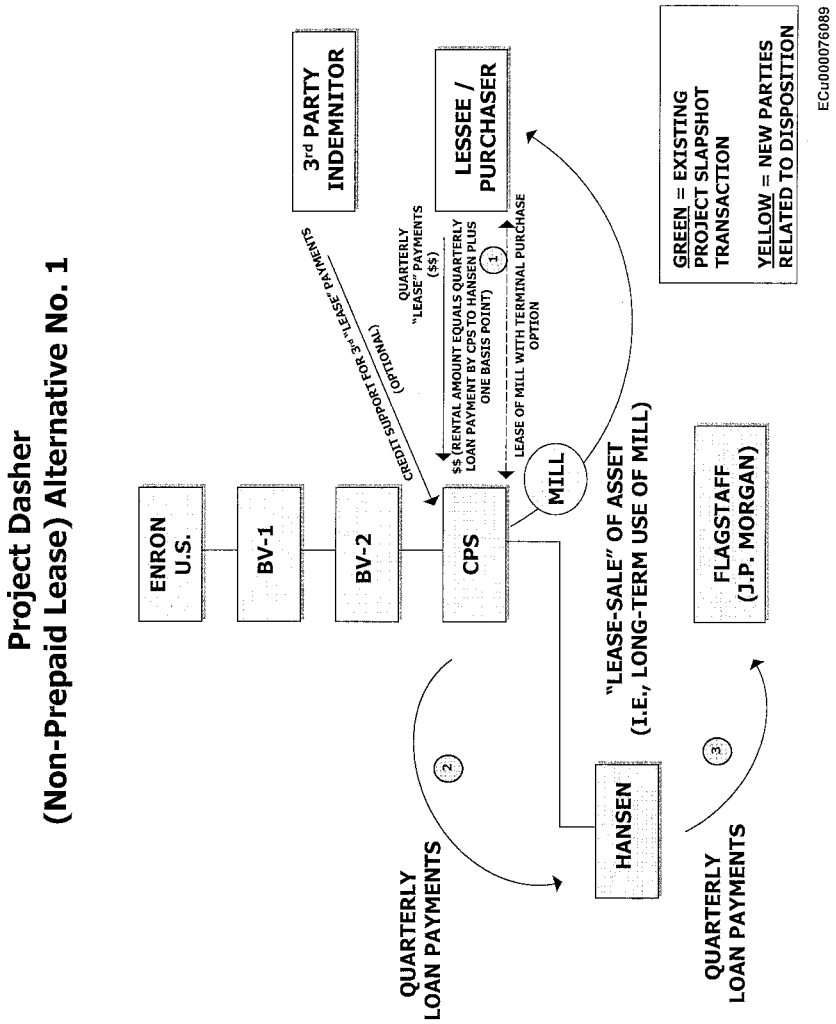
PLEASE REMIT TO: P.O. BOX 200113
HOUSTON, TEXAS 77216-0113

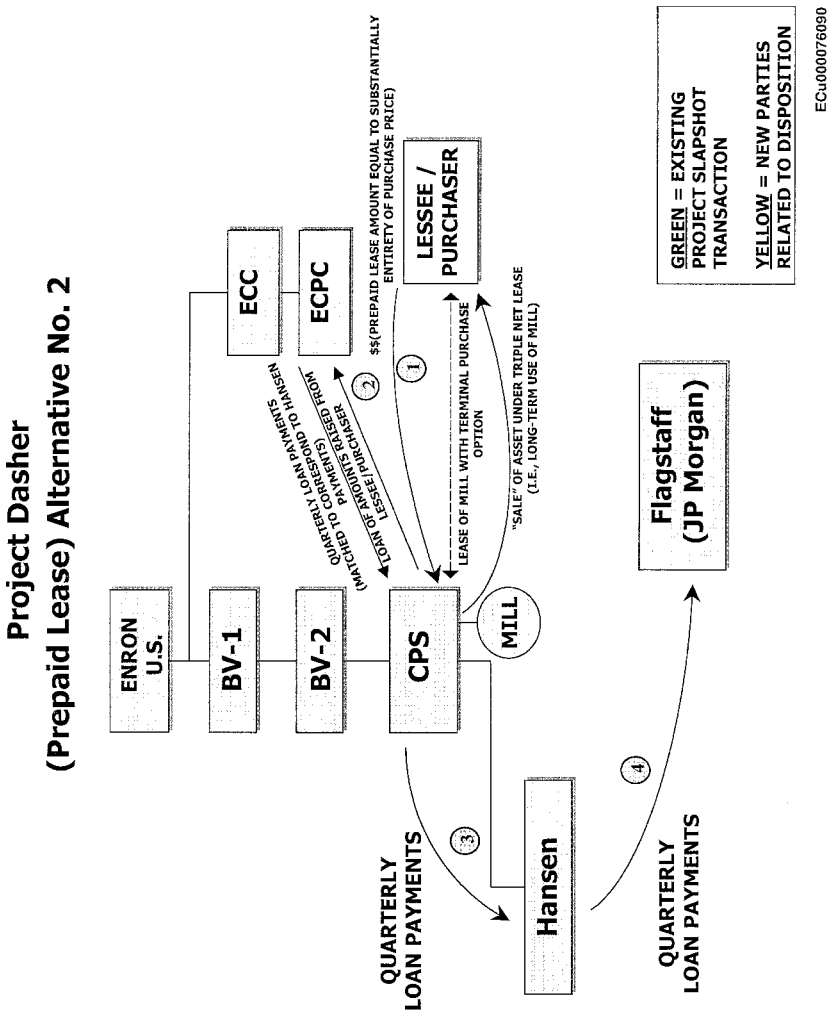
PROJECT DASHER

PRELIMINARY TAX DISPOSITION STRUCTURES TO MAINTAIN PROJECT SLAPSHOT

ENRON WHOLESALE SERVICES
TAX PLANNING
AUGUST 31, 2001


Project Dasher
Current Structure of Project Slapshot [1]
ENRON U.S.
BV-1
BV-2
CPS
ECC
ECPC
QUARTERLY LOAN PAYMENTS
QUARTERLY LOAN PAYMENTS
HANSEN
QUARTERLY LOAN PAYMENTS
FLAGSTAFF (JP MORGAN)
[1] CERTAIN STEPS OF PROJECT SLAPSHOT NOT RELEVANT TO PROJECT DASHER HAVE BEEN OMITTED.
ECu000076088


Project Dasher
(Non-Prepaid Lease) Alternative No. 1
ENRON U.S.
BV-1
BV-2
CPS
MILL
3rd PARTY INDEMNITOR
LESSEE / PURCHASER
CREDIT SUPPORT FOR 3rd "LEASE" PAYMENTS (OPTIONAL)
QUARTERLY "LEASE" PAYMENTS ($$)
$$ (RENTAL AMOUNT EQUALS QUARTERLY LOAN PAYMENT BY CPS TO HANSEN PLUS ONE BASIS POINT)
1
LEASE OF MILL WITH TERMINAL PURCHASE OPTION
"LEASE-SALE" OF ASSET (I.E., LONG-TERM USE OF MILL)
QUARTERLY LOAN PAYMENTS
2
HANSEN
3
FLAGSTAFF (J.P. MORGAN)
QUARTERLY LOAN PAYMENTS
GREEN = EXISTING PROJECT SLAPSHOT TRANSACTION
YELLOW = NEW PARTIES RELATED TO DISPOSITION
ECu0000076089


Project Dasher
(Prepaid Lease) Alternative No. 2
ENRON U.S.
BV-1
BV-2
CPS
MILL
ECC
ECPC
LESSEE / PURCHASER
Hansen
Flagstaff (JP Morgan)
$$(PREPAID LEASE AMOUNT EQUAL TO SUBSTANTIALLY ENTIRETY OF PURCHASE PRICE)
LOAN OF AMOUNTS RAISED FROM LESSEE/PURCHASER
(MATCHED TO CORRESPONDING QUARTERLY LOAN PAYMENTS)
QUARTERLY LOAN PAYMENTS PAID TO HANSEN
LEASE OF MILL WITH TERMINAL PURCHASE OPTION
"SALE" OF ASSET UNDER TRIPLE NET LEASE (I.E., LONG-TERM USE OF MILL)
QUARTERLY LOAN PAYMENTS
QUARTERLY LOAN PAYMENTS
GREEN = EXISTING PROJECT SLAPSHOT TRANSACTION
YELLOW = NEW PARTIES RELATED TO DISPOSITION
ECu0000076090

Walton, Chris

From: McDowell, Doug
Sent: Wednesday, December 05, 2001 1:43 PM
To: Coulter, Jodi
Subject: RE: Slapshot

On top of it--just called Lou and waiting for him to call me back. He continues his streak of stating the obvious. Had called Julia yesterday about Slapshot in general and had not received a call back from her as the message had apparently been forwarded to Lou.

DM

-----Original Message-----
From: Coulter, Jodi
Sent: Wednesday, December 05, 2001 1:38 PM
To: McDowell, Doug
Subject: FW: Slapshot

Just wanted you to know this was forwarded to Bill and me. You are working on this, right?

-----Original Message-----
From: Stoler, Lou
Sent: Wednesday, December 05, 2001 1:33 PM
To: Coulter, Jodi; Brown, Bill W.
Subject: FW: slapshot

fyi....are response needs to be developed based on the legal analysis of the rights and remedies....i am waiting for folks to call so we can make the decisions

Lou

-----Original Message-----
From: Stoler, Lou
Sent: Wednesday, December 05, 2001 1:31 PM
To: 'sylvia.baker@weil.com'; 'charles.harrell@weil.com'
Cc: McDowell, Doug
Subject: slapshot

we are told that the slapshot lender has called a default; julia has asked me to get involved to sort thru this from the legal side.....we need to have a meeting asap....who is reviewing the slapshot documents re rights and remedies...i have a call into Charles as well...doug, pls call me asap since you are the most knowledgeable thanks

Lou

EC 000899881

Permanent Subcommittee on Investigations
EXHIBIT #383aa

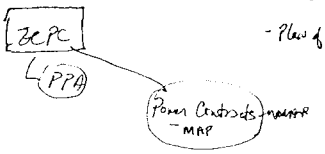
EC 003000826.1

Stapled/CBS
Restrictions

12/11 • CPS Wind down

Robert Anderson
Peter Keohane

Contingent liabilities – bringing newsprint MTM liabilities into ECC bankruptcy estate. (CCAA).
- Plan of Arrangement – (CBCA).



- Do not Amalgamate ECPC with part of restructuring.
  - Pay the Gout.
  - Crystallize the MAP payments – Can give rise to deductions
    - More termination Payments

• ECPC Steps:
- Sell PPA
- Liquidate MAP
- Pay TAX
- Redeem Shares

Interoffice Memorandum

Privileged and Confidential

To: File

From: Morris Clark/Jeff Blumenthal

Department: EWS - Tax

Subject: Proposed Sale of Stadacona Mill – Restructuring Steps

Date: December 11, 2001

The purpose of this memorandum is to provide you with a brief description of the necessary steps that should be undertaken to dispose of the Stadacona paper mill ("Mill") in a tax efficient manner. Implementation of the various steps should allow Enron to effectively save $__MM in cash taxes on the disposition of the Mill.

By way of background, Enron Industrial Markets ("EIM")[1] acquired the shares of Compagnie Papier de Stadacona ("CPS"), the owner of the Mill, on March ___, 2001 for a purchase price of $350MM. EIM financed the acquisition of the Mill with a $350MM bridge loan from Enron Corp. Subsequent to the acquisition of the Mill, Enron entered into a complex five year financing arrangement with JP Morgan/Flagstaff ("Project Slapshot") to replace the bridge financing.

Enron is considering a proposed transaction to dispose of the Mill for $300MM.[2] Since the Mill has a tax basis of $75MM[3], the proposed transaction would result in a $225MM tax gain (approximately $67MM in cash tax) to Enron. The following restructuring steps should help Enron alleviate the cash tax impact of the proposed Mill disposition.

I. Restructuring Steps

The following restructuring is intended to transfer ownership of the Mill from CPS to Enron Canada Corp. ("ECC") prior to the disposition. ECC has significant tax losses (approximately $1B) that are unlikely to be otherwise used given the current state of operations. Once the Mill is owned by ECC, the gain triggered by the disposal of the Mill can be sheltered by the significant tax losses at the ECC level.

[1] EIM effectuated the CPS acquisition through the Sundance partnership, an off-balance sheet vehicle owned by EIM and Salomon Smith Barney.

[2] Enron is unable to dispose of the CPS shares because of issues associated with the complexity of the Project Slapshot financing. More specifically, it is unlikely that Project Slapshot can be terminated and "cleaned up" in time to get the purchaser comfortable with acquiring CPS shares.

[3] Unfortunately, Canadian tax law did not provide for a "338(h)(10) type" analog -- as such, the purchase price could not be allocated to the tax basis in the Mill. Rather, Canadian tax law provided that the Mill have a carryover tax basis of $75MM.

EC 003000828

Step 1: Enron Corp. would acquire all of the CPS shares from BV1 in exchange for a Note equal to the fair market value of CPS.

Legal Documents: Share Purchase Agreement executed by CPS and Enron Corp.

Tax Analysis: Although the sale of the CPS shares should result in taxable gain of approximately $___MM, such gain should not be recognized in either the U.S., Canada or the Netherlands because of certain Treaty provisions contained in the _____ treaties. As such, Enron's acquisition of the CPS should not have any tax impact.

Step 2: CPS, ECC and Enron Canada Power Corp ("ECPC") will be amalgamated to form Amalco.

Legal Documents: Amalgamation (Merger) Agreement to be executed by CPS, ECC, and ECPC.

Tax Analysis: The Amalgamation will be done a tax-free basis for Canadian tax purposes.

Step 3: Amalco will sell the Mill to the Purchaser for $300MM.

Legal Documents: Asset Purchase Agreement to be executed by Amalco and Purchaser.

Tax Analysis: Sale of the Mill will result in $225MM tax gain; however, losses at Amalco (from ECC) will be available to offset such gain.

In addition, Purchaser is entitled to a full "step-up" basis equal to the purchase price. As such, Purchaser should be motivated to pay an increased purchase price representing the value of the increased asset basis (value of additional depreciation benefits).

Once you have had an opportunity to review this memorandum, please give either Morris (ext. 3-5846) or Jeff (ext. 3-5777) a call with any questions that you may have.

MRC

BLAKE, CASSELS & GRAYDON LLP

MEMORANDUM

SUBJECT TO SOLICITOR/CLIENT PRIVILEGE

DRAFT FOR DISCUSSION PURPOSES ONLY

TO: File

c Morris Clark (Enron North America Corp.)
Jeff Blumenthal (Enron North America Corp.)
Steve Douglas (Enron North America Corp.)
Peter Keohane (Enron Canada Corp.)
Robert Anderson (firm)
Brock Gibson (firm)
Mungo Hardwicke-Brown (firm)
Mike Knapp (firm)

FROM: Wallace Y. Shaw

DATE: December 6, 2001

C/M No.: CPS/New

RE: Slapshot Restructuring/CPS Sale

Following is a summary of potential transactions and issues arising from the unwind of the Slapshot structure and the potential disposition of the CPS Mill (all amounts in $ U.S.).

A. ASSUMPTIONS

1. Flagstaff and Hansen have set off the principal amount of the loan owing to Flagstaff against the Assumption Payment due by Flagstaff. Hansen, therefore, now owes Flagstaff approximately $.5 billion (representing the make-whole payment). However, Flagstaff has no right to go after CPS in respect of this obligation. Hansen also has a receivable from CPS for $1.5 billion plus a contingent obligation to pay a make-whole payment if that loan is repaid early (which would be approximately $.5 billion if the loan were prepaid today) and has issued $1.5 billion in preferred shares to Newman.

2. Newman owns $1.5 billion in preferred shares of Hansen and has issued preferred shares of approximately $1 billion plus a contingent make-whole payment (approximately $.3 billion if prepaid today) to ECPC.

3. CPS owes $1.5 billion to Hansen (plus contingent make-whole payment and has a receivable from ECPC of approximately $1 billion plus contingent make-whole payment. It owns the Mill worth approximately $.5 billion and the common shares of Hansen and Newman.

4. ECPC owns the power purchase contract (worth approximately $150 million) and owns approximately $800 million of preferred shares of Enron Canada together with the $1 billion plus contingent make-whole payment of preferred shares of Newman. It has also issued $1 billion of preferred shares to Enron Canada.

5. Enron Corp. has "swept" approximately $200 million from Enron Canada and ECPC. This Memorandum does not deal with this transaction.

6. Enron Canada, after liquidating its contracts (assume net value of Ø), will have $1 billion of its preferred shares held by Enron Corp. and $800 million of its preferred shares held by ECPC. It will own the common shares and $1 billion of preferred shares issued by ECPC and will have approximately $1 billion of tax losses.

B. GUIDING PRINCIPLES

1. Flagstaff has a claim against Hansen for $.5 billion. However, it cannot pursue the CPS Note held by Hansen in satisfaction of that claim. It can claim against any other assets that Hansen (or a successor of Hansen) may own. It is therefore critical that Hansen remain as a separate entity and not have any assets other than the CPS Note.

2. It is intended that the Mill held by CPS be sold. Initially it was proposed that the sale would take place by way of a sale of the shares of CPS with the gain being sheltered by Treaty protection. However, due to the significant tax issues arising as a result of the Slapshot structure, it is unlikely that CPS could be "cleaned up" enough for a purchaser to acquire the shares of CPS. Similarly, significant tax issues would arise with respect to any structure pursuant to which the Mill would be moved to a new clean sister company of CPS. Approximately **[$300]** million of income will arise on an asset sale of the Mill.

3. The $1 billion of tax losses in Enron Canada are unlikely to be used other than to shelter the sale of the Mill (it is unlikely that new business which would generate income to use the losses will be carried on through the existing Enron Canada).

4. Due to potential tax liabilities in Hansen and Newman, both companies should continue to exist as separate entities.

C. PROPOSED TRANSACTIONS

1. Hansen will waive future interest and the contingent make-whole payment under the CPS Note. It is important that this amount not be paid (since any payment would be available to Flagstaff). It is also important that this obligation be waived so that it is not on the balance sheet of CPS (or its successor) when determining its solvency and ability to repatriate funds by way of dividend or otherwise. The waiver gives rise to a number of tax issues (memo to come). However, there is a relatively strong basis which will not result in any net income or tax payable as a result of the forgiveness.

2. CPS will then waive future interest and the contingent make-whole payment under the ECPC Note. Once again, tax issues arise from the waiver, but there is a strong position that the waiver does not give rise to net income or tax payable. ECPC will not, however, waive the future dividends and contingent make-whole payment component of the Newman preferred shares. Due to the guarantee and setoff arrangements between CPS, ECPC and Newman, if there were back-to-back waivers, there is a risk Canada Customs and Revenue Agency ("CCRA") would take the position that the amounts were not waived, but were satisfied by the set off. In that case, the $.3 billion make-whole payment may be included in CPS's income without an offsetting deduction.

3. Enron Corp. would then acquire all of the common shares of CPS from its BV shareholders for a Note equal to the fair market value of CPS (which should be approximately $.5 billion). The gain on this sale should be Treaty protected and a Section 116 Certificate will be required on the acquisition.

   As an alternative to this transaction CPS, ECPC and Enron Canada could directly be amalgamated. However, on the amalgamation the BV shareholders of CPS would be required to take shares worth $.5 billion in which they would have nominal basis. To distribute the proceeds from the CPS sale an amount would need to be dividended to BV which would give rise to a 5% Canadian withholding tax. While it may be possible to allocate the paid-up capital in respect of the preferred shares held by Enron Corp. to the shares issued to the BV parents on the amalgamation (in which case the distributions would be treated as a Treaty protected capital gain as opposed to a dividend subject to 5% withholding), such an allocation is based upon an administrative position of CCRA which is in a state of flux such that it may well be challenged under GAAR. It would therefore be preferable to have Enron Corp. acquire the CPS shares from the BV shareholders. It is clear that on the amalgamation the high cost base and paid-up capital in the Enron Canada preferred shares will be merged with the value represented by the CPS shares.

   As a second alternative Enron Canada could acquire the shares of CPS in exchange for a secured Note payable to BV. Such an acquisition would give rise to an immediate 5% withholding tax obligation equal to the amount of the Note (i.e. the same withholding as would arise on the amalgamation). However, it would give BV a secured claim against Enron Canada (and ultimately Amalco) which would facilitate the repatriation of the proceeds from the sale of the Mill to the United States.

We understand that there is a 5% withholding tax on any amounts distributed by the BV shareholders to Enron Corp. However, since the CPS shares represent effectively all of the value ($.5 billion) of CPS and ECC combined, it will be necessary that the BV companies receive the $.5 billion. Any attempt to artificially diminish the value of the CPS shares and allocate that value to the ECC preferred shares on the amalgamation would be subject to numerous anti-avoidance provisions under Canadian tax law.

4. After Enron Corp. has acquired the CPS shares, CPS, ECPC and Enron Canada will be amalgamated to form Amalco. ECPC is included in the amalgamation to simplify the structure and to access the additional losses in ECPC created on the sale of the PPA. By including ECPC in the amalgamation, the inter-corporate note between CPS and ECPC disappears and the cross preferred shareholdings between Enron Canada and ECPC also disappear without adverse tax consequences. We understand it may be possible that ECPC will be taxable in its current year as a result of income earned from the PPA. It may be desirable to have a taxation year end of ECPC prior to the sale of the PPA in which the capital cost allowance claim in respect of the PPA could be used to shelter all or a portion of that income. ECPC would then be amalgamated with Enron Canada prior to the distribution of the PPA such that any gain arising on the sale of the PPA (which gain may arise as a result of the CCA claim in the previous year) could be sheltered with Enron Canada's losses.

5. A variation to the above series of transactions would see the acquisition of the CPS shares and the amalgamation of the corporations into Amalco prior to the waivers described in 1. and 2. above. By doing so the relatively small risk that the waiver of the contingent make-whole payment could give rise to income in CPS would be mitigated by the ability to use the existing losses of Enron Canada to shelter that income. However, this alternative may be restricted by the ability to conclude that Amalco will be solvent following the amalgamation if the contingent make-whole payment has not been waived.

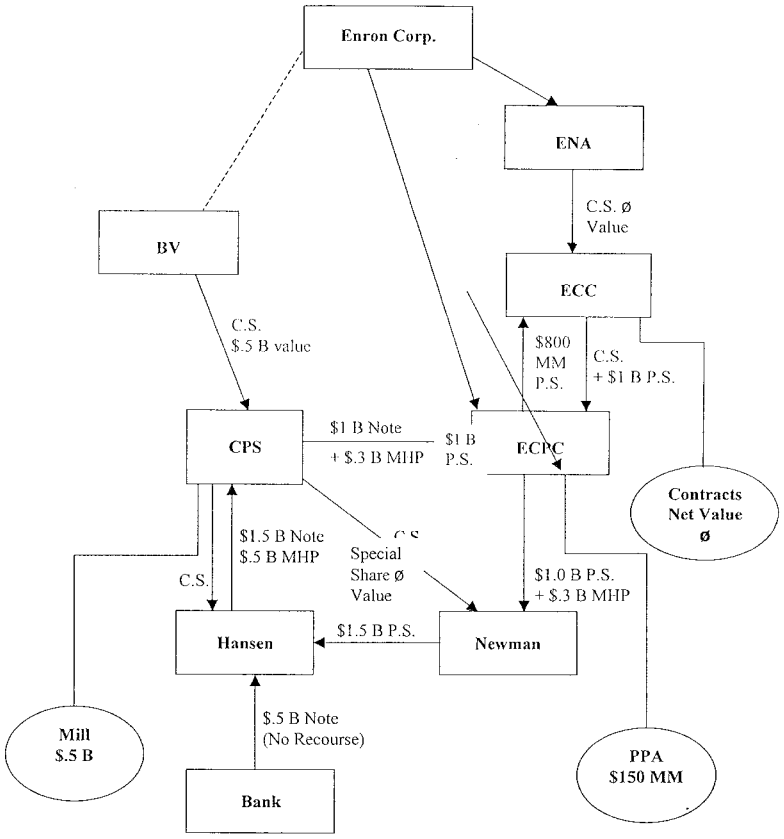
6. The Mill would then be disposed of by Amalco using the Enron Canada losses to shelter the gain. Since the purchaser of the Mill is now acquiring assets with full basis, the purchase price should go up. This also avoids the purchaser having to get comfortable with acquiring the "baggage" in CPS.

7. Following the amalgamation Amalco would own all of the shares of Hansen and Newman. The Newman preferred shares would be amended to such that they became common non-cumulative dividend preferred shares with terms similar to the Hansen preferred shares. At some future date Newman could be amalgamated into Amalco. However, we would recommend that amalgamation be delayed until at least one year after the Mill has been disposed of and the proceeds distributed. Hansen should remain separate so long as the Bank's claim is alive.

This memo is for discussion purposes only. Further detailed analysis will be required before implementation.

WYS/bf

BEFORE



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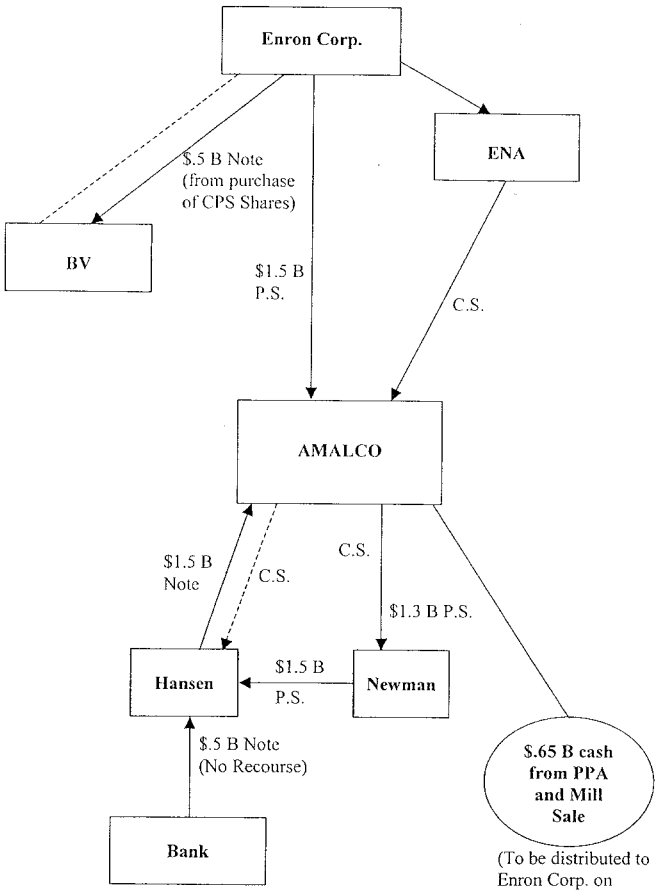


BLAKE, CASSELS & GRAYDON LLP

MEMORANDUM

SUBJECT TOSOLICITOR/CLIENT PRIVILEGE

DRAFT FOR DISCUSSION PURPOSES ONLY

TO: File

FROM: Wallace Y. Shaw

DATE: December 6, 2001

C/M No.: 83829/68

RE: Slapshot Restructuring/CPS Sale

Following is a summary of potential transactions and issues arising from the unwind of the Slapshot structure and the potential disposition of the CPS Mill (all amounts in $ U.S.).

A. ASSUMPTIONS

1. Flagstaff and Hansen have set off the principal amount of the loan owing to Flagstaff against the Assumption Payment due by Flagstaff. Hansen, therefore, now owes Flagstaff approximately $.5 billion (representing the make-whole payment). However, Flagstaff has no right to go after CPS in respect of this obligation. Hansen also has a receivable from CPS for $2 billion (including make-whole payment) and has issued $1.5 billion in preferred shares to Newman.

2. Newman owns $1.5 billion in preferred shares of Hansen and has issued preferred shares of approximately $1.3 billion (including make-whole payment) to ECPC.

3. CPS owes $2 billion to Hansen and has a receivable from ECPC of approximately $1.3 billion (including make-whole payment). It owns the Mill worth approximately $.5 billion and the common shares of Hansen and Newman.

4. ECPC owns the power purchase contract (worth approximately $150 million) and owns approximately $800 million of preferred shares of Enron Canada together with the $1.3 billion (including make-whole payment) of preferred shares of Newman. It has also issued $1 billion of preferred shares to Enron Canada.

5. Enron Canada, after liquidating its contracts (assume net value of Ø), will have $1 billion of its preferred shares held by Enron Corp. and $1 billion of its preferred shares held by ECPC. It will own the common shares and $800 million of preferred shares issued by ECPC and will have approximately $1 billion of tax losses.

B. GUIDING PRINCIPLES

1. Flagstaff has a claim against Hansen for $.5 billion. However, it cannot pursue the CPS Note held by Hansen in satisfaction of that claim. It can claim against any other assets that Hansen (or a successor of Hansen) may own. It is therefore critical that Hansen remain as a separate entity and not have any assets other than the CPS Note.

2. It is intended that the Mill held by CPS be sold. Initially it was proposed that the sale would take place by way of a sale of the shares of CPS with the gain being sheltered by Treaty protection. However, due to the significant tax issues arising as a result of the Slapshot structure, it is unlikely that CPS could be "cleaned up" enough for a purchaser to acquire the shares of CPS. Similarly, significant tax issues would arise with respect to any structure pursuant to which the Mill would be moved to a new clean sister company of CPS. Approximately **[$300]** million of income will arise on an asset sale of the Mill.

3. The $1 billion of tax losses in Enron Canada are unlikely to be used other than to shelter the sale of the Mill (it is unlikely that new business which would generate income to use the losses will be carried on through the existing Enron Canada).

   Due to potential tax liabilities in Hansen and Newman, both companies should continue to exist as separate entities.

C. PROPOSED TRANSACTIONS

1. Hansen will forgive the $.5 billion (make-whole payment) owing by CPS. It is important that this amount not be paid (since any payment would be available to Flagstaff). It is also important that this debt be forgiven so that it is not on the balance sheet of CPS (or its successor) when determining its solvency and ability to repatriate funds by way of dividend or otherwise. The forgiveness of the CPS Note gives rise to a number of tax issues (memo to come). However, there is a relatively strong basis which will not result in any net income or tax payable as a result of the forgiveness. — How so ? (memo)

2. CPS will then forgive the $.3 billion (make-whole payment) owing to it by ECPC. Once again, several tax issues arise from the forgiveness, but there is strong position that the forgiveness does not give rise to net income or tax payable. ECPC will not, however, forgive the $.3 billion (make-whole payment) component of the Newman preferred shares. Due to the guarantee and setoff arrangements between CPS, ECPC and Newman, if there were back-to-back forgivenesses, there is a significant risk Canada Customs and

Revenue Agency ("CCRA") would take the position that the amounts were not forgiven but were satisfied by the set off. In that case, the $.3 billion would likely be included in CPS's income without an offsetting deduction.

3. Enron Corp. would then acquire all of the common shares of CPS from its BV shareholders for a Note equal to the fair market value of CPS (which should be approximately $.5 billion). The gain on this sale should be Treaty protected and a Section 116 Certificate will be required on the acquisition. (As an alternative to this transaction CPS, ECPC and Enron Canada could directly be amalgamated. However, on the amalgamation the BV shareholders of CPS would be required to take shares worth $.5 billion in which they would have nominal basis. To distribute the proceeds from the CPS sale an amount would need to be dividended to BV which would give rise to a 5% Canadian withholding tax. While it may be possible to allocate the paid-up capital in respect of the preferred shares held by Enron Corp. to the shares issued to the BV parents on the amalgamation (in which case the distributions would be treated as a Treaty protected capital gain as opposed to a dividend subject to 5% withholding), such an allocation is based upon an administrative position of CCRA which is in a state of flux such that it may well be challenged under GAAR. It would therefore be preferable to have Enron Corp. acquire the CPS shares from the BV shareholders. It is clear that on the amalgamation the high cost base and paid-up capital in the Enron Canada preferred shares will be merged with the value represented by the CPS shares. We understand that there is a 5% withholding tax on any amounts distributed by the BV shareholders to Enron Corp. However, since the CPS shares represent effectively all of the value ($.5 billion) of CPS and ECC combined, it will be necessary that the BV companies receive the $.5 billion. Any attempt to artificially diminish the value of the CPS shares and allocate that value to the ECC preferred shares on the amalgamation would be subject to numerous anti-avoidance provisions under Canadian tax law.

4. After Enron Corp. has acquired the CPS shares, CPS, ECPC and Enron Canada will be amalgamated to form Amalco. ECPC is included in the amalgamation to simplify the structure and to access the additional losses in ECPC created on the sale of the PPA. By including ECPC in the amalgamation, the inter-corporate note between CPS and ECPC disappears and the cross preferred shareholdings between Enron Canada and ECPC also disappear with adverse tax consequences.

5. The Mill would then be disposed of by Amalco using the Enron Canada losses to shelter the gain. Since the purchaser of the Mill is now acquiring assets with full basis, the purchase price should go up. This also avoids the purchaser having to get comfortable with acquiring the "baggage" in CPS.

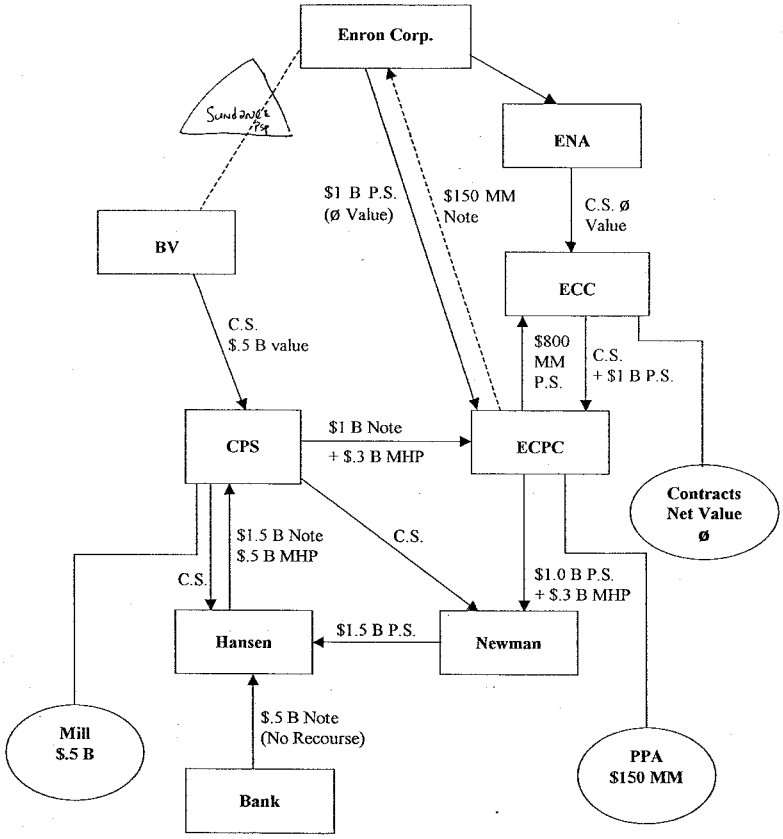
6. Following the amalgamation Amalco would own all of the shares of Hansen and Newman. The Newman preferred shares would be amended to such that they became common non-cumulative dividend preferred shares with terms similar to the Hansen

preferred shares. At some future date Newman could be amalgamated into Amalco. However, we would recommend that amalgamation be delayed until at least one year after the Mill has been disposed of and the proceeds distributed. Hansen should remain separate so long as the Bank's claim is alive.

This memo is for discussion purposes only. Further detailed analysis will be required before implementation.

WYS/bf

BEFORE



EC 003000841

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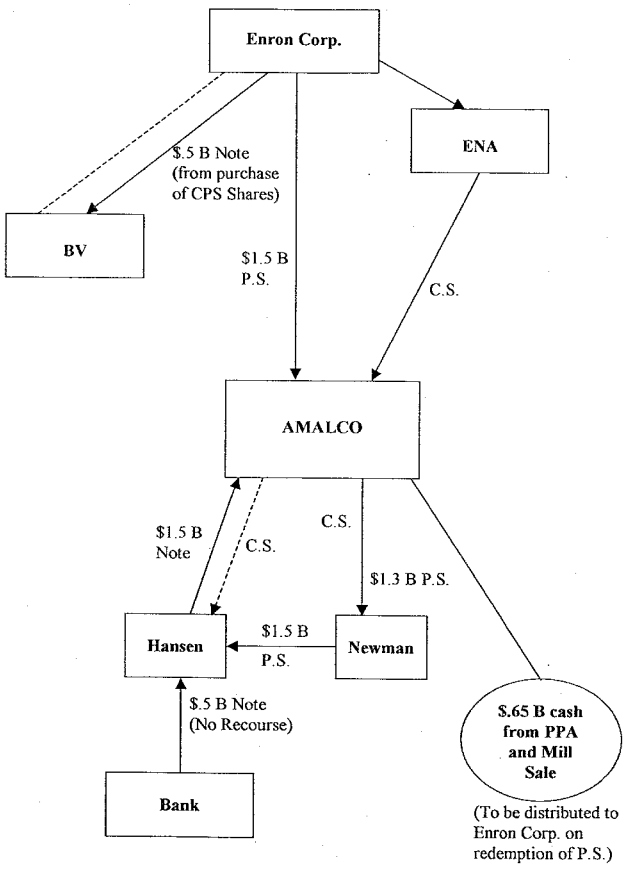


[Click here and type return address and phone and fax numbers]

Company Name Here

Fax

To:	Jeff McMahon	**From:**	Steve Douglas
Fax:	713 839 9324	**Pages:**	8 (including this Fax cover page)
Phone:		**Date:**	12/21/2001
Re:	Stadacona	**CC:**	

☐ **Urgent** ☐ **For Review** ☐ **Please Comment** ☐ **Please Reply** ☐ **Please Recycle**

• **Comments:**

Jeff,

Included in this fax are seven pages for which we need your signature. The overall purpose of the documents is to prevent JP Morgan from being able to successfully assert a claim against the Stadacona mill. If you would, please execute each signature line on behalf of:

1. Compagnie Papiers Stadacona, and
2. Newman Investments Co.

Thanks for your help. My colleague, Jeff Blumenthal or I follow up with you on Wednesday to obtain the executed versions.

Best regards,

Steve

Steve

EC 003000069

Permanent Subcommittee on Investigations
EXHIBIT #383dd

NEWMAN INVESTMENTS CO.
(the ACompany@)

SPECIAL RESOLUTION IN WRITING SIGNED BY THE SHAREHOLDERS OF THE COMPANY PURSUANT TO SECTION 92 OF THE *COMPANIES ACT* (NOVA SCOTIA)

WHEREAS it is desirable that the management of the business of the Company be vested in the shareholders, not the directors, and that certain other matters in the Articles of Association of the Company (the AArticles of Association@) be amended;

NOW THEREFORE BE IT RESOLVED THAT:

1. The Articles of Association of the Company be altered to the extent indicated in Schedule AA@ attached hereto where the words to be inserted in the Articles of Association are Adouble underlined@ and the words deleted from the Articles of Association are Astruck out@ and that after giving effect to these changes by the passing of this special resolution, the Articles of Association, as amended and restated, will be in the form of the Articles of Association annexed hereto as Schedule AB@.

2. Any Shareholder of the Company is hereby authorized to execute a certified copy of this special resolution and to cause its filing with the Registrar of Joint Stock Companies.

CERTIFICATE

I, COMPAGNIE PAPIERS STADACONA, shareholder of **NEWMAN INVESTMENTS CO.**, hereby certify that the foregoing is a true copy of a Special Resolution dated the 21st day of December, 2001 signed by the shareholders of the Company in the manner authorized by law and that such Special Resolution is now in full force and effect.

COMPAGNIE PAPIERS STADACONA

_____
Date

Per_____
Name:
Title:

NEWMAN INVESTMENTS CO.
(the ACompany@)

SPECIAL RESOLUTION IN WRITING SIGNED BY THE SHAREHOLDERS OF THE COMPANY PURSUANT TO SECTION 92 OF THE *COMPANIES ACT* (NOVA SCOTIA)

WHEREAS it is desirable that the management of the business of the Company be vested in the shareholders, not the directors, and that certain other matters in the Articles of Association of the Company (the AArticles of Association@) be amended;

NOW THEREFORE BE IT RESOLVED THAT:

1. The Articles of Association of the Company be altered to the extent indicated in Schedule AA@ attached hereto where the words to be inserted in the Articles of Association are Adouble underlined@ and the words deleted from the Articles of Association are Astruck out@ and that after giving effect to these changes by the passing of this special resolution, the Articles of Association, as amended and restated, will be in the form of the Articles of Association annexed hereto as Schedule AB@.

2. Any Shareholder of the Company is hereby authorized to execute a certified copy of this special resolution and to cause its filing with the Registrar of Joint Stock Companies.

DATED and effective as of the 21st day of December, 2001.

COMPAGNIE PAPIERS STADACONA

Per: _____
Name:
Title:

ENRON CANADA POWER CORP.

Per: _____
Name:
Title:

EXTENSION

WHEREAS Enron Canada Power Corp. is the owner of certain Class A Preferred Shares (the "Debenture Shares") of Newman Investments Co.; and

WHEREAS pursuant to the terms of the Debenture Shares a dividend (the "Dividend") is payable on the Debenture Shares on December 24, 2001; and

WHEREAS the parties have agreed that it is in their best interest to extend the payment date of the Dividend to March 24, 2002.

NOW THEREFORE IT IS HEREBY AGREED that the payment date in respect of the Dividend is extended to March 24, 2002 and that such extension does not constitute a default under the Debenture Shares.

DATED the 21st day of December, 2001.

ENRON CANADA POWER CORP.

Per: _____

Per: _____

NEWMAN INVESTMENTS CO.
BY ITS SHAREHOLDER COMPAGNIE PAPIERS STADACONA

Per: Raymond M. Brown, J. LMBJ

Per: _____ LMBJ

EC 003000072

30413418.1

EXTENSION

WHEREAS Enron Canada Power Corp. is the debtor to Compagnie Papiers Stadacona pursuant to a Note dated June 22, 2001 (the "Note"); and

WHEREAS pursuant to the Note a payment of interest is required on December 24, 2001 (the "Interest Payment"); and

WHEREAS the parties have agreed that it is in their mutual best interest that the payment date for the Interest Payment be extended to March 24, 2002.

NOW THEREFORE IT IS HEREBY AGREED that the payment date in respect of the Interest Payment is extended to March 24, 2002 and that such extension does not constitute a default under the Note.

DATED the 21st day of December, 2001.

ENRON CANADA POWER CORP.

Per: _____

Per: _____

COMPAGNIE PAPIERS STADACONA

Per: _____

Per: _____

EXTENSION

WHEREAS Compagnie Papiers Stadacona is the debtor to Hansen Investments Co. pursuant to a Note dated June 22, 2001 (the "Note"); and

WHEREAS pursuant to the Note a payment of interest is required on December 24, 2001 (the "Interest Payment"); and

WHEREAS the parties have agreed that it is in their mutual best interest that the payment date for the Interest Payment be extended to March 24, 2002.

NOW THEREFORE IT IS HEREBY AGREED that the payment date in respect of the Interest Payment is extended to March 24, 2002 and that such extension does not constitute a default under the Note.

DATED the 21st day of December, 2001.

COMPAGNIE PAPIERS STADACONA

Per: _____

Per: _____

HANSEN INVESTMENTS CO.
BY ITS SHAREHOLDER COMPAGNIE PAPIERS STADACONA

Per: _____

Per: _____

HANSEN INVESTMENTS CO.
(the ACompany@)

SPECIAL RESOLUTION IN WRITING SIGNED BY THE SOLE SHAREHOLDER OF THE COMPANY PURSUANT TO SECTION 92 OF THE *COMPANIES ACT* (NOVA SCOTIA)

WHEREAS it is desirable that the management of the business of the Company be vested in the shareholders, not the directors, and that certain other matters in the Articles of Association of the Company (the AArticles of Association@) be amended;

NOW THEREFORE BE IT RESOLVED THAT:

1. The Articles of Association of the Company be altered to the extent indicated in Schedule AA@ attached hereto where the words to be inserted in the Articles of Association are Adouble underlined@ and the words deleted from the Articles of Association are Astruck out@ and that after giving effect to these changes by the passing of this special resolution, the Articles of Association, as amended and restated, will be in the form of the Articles of Association annexed hereto as Schedule AB@.

2. Any Shareholder of the Company is hereby authorized to execute a certified copy of this special resolution and to cause its filing with the Registrar of Joint Stock Companies.

CERTIFICATE

I, **COMPAGNIE PAPIERS STADACONA**, shareholder of **HANSEN INVESTMENTS CO.**, hereby certify that the foregoing is a true copy of a Special Resolution dated the 21st day of December, 2001 signed by the sole shareholder of the Company in the manner authorized by law and that such Special Resolution is now in full force and effect.

COMPAGNIE PAPIERS STADACONA

_____
Date

Per: _____
Name:
Title:

HANSEN INVESTMENTS CO.
(the ACompany@)

SPECIAL RESOLUTION IN WRITING SIGNED BY THE SOLE SHAREHOLDER OF THE COMPANY PURSUANT TO SECTION 92 OF THE *COMPANIES ACT* (NOVA SCOTIA)

WHEREAS it is desirable that the management of the business of the Company be vested in the shareholders, not the directors, and that certain other matters in the Articles of Association of the Company (the AArticles of Association@) be amended;

NOW THEREFORE BE IT RESOLVED THAT:

1. The Articles of Association of the Company be altered to the extent indicated in Schedule AA@ attached hereto where the words to be inserted in the Articles of Association are Adouble underlined@ and the words deleted from the Articles of Association are Astruck out@ and that after giving effect to these changes by the passing of this special resolution, the Articles of Association, as amended and restated, will be in the form of the Articles of Association annexed hereto as Schedule AB@.

2. Any Shareholder of the Company is hereby authorized to execute a certified copy of this special resolution and to cause its filing with the Registrar of Joint Stock Companies.

DATED and effective as of the 21st day of December, 2001.

COMPAGNIE PAPIERS STADACONA

Per:_____
Name:
Title:
Being the sole shareholder of the Company

To the extent that **Newman Investments Co.** may be a shareholder of the Company and may be entitled to vote on the above resolution, **Newman Investments Co.** hereby assents to the above resolution:

NEWMAN INVESTMENTS CO.

Per:_____
Name:
Title:

BLAKE, CASSELS & GRAYDON LLP

MEMORANDUM

SUBJECT TO SOLICITOR/CLIENT PRIVILEGE

VIA E-MAIL

TO: File

c David Barbour (Andrews & Kurth)
Muriel McFarling (Andrews & Kurth)
Charles Harrell (Weil, Gotshal & Manges)
Dan Hurson (Weil, Gotshal & Manges)
Jeff Blumenthal (Enron Corp.)
Peter Keohane (Enron Canada Corp.)
Robert Anderson (firm)

FROM: Wallace Y. Shaw

DATE: January 16, 2002

C/M No.: 84411/16

RE: Slapshot Structure, Current Status Issues and Proposed Transactions

---

A. Original Slapshot Structure

1. Flagstaff (a U.S. subsidiary of Chase) loaned approximately $1.3 billion dollars (all amounts are in U.S. dollars) to Hansen (a Nova Scotia unlimited liability corporation which is a wholly-owned subsidiary of CPS) (the **"Hansen/Flagstaff Loan"**).

2. Hansen loaned $1.3 billion to CPS (the **"Hansen/CPS Loan"**). At the time CPS was owned by a BV parent which was in turn owned by a partnership, the majority interest of which was held by Enron Corp. As we understand it, CPS is now wholly-owned (directly or indirectly) by Enron Corp.

3. CPS used approximately $300 million of the proceeds from the Hansen/CPS Loan to repay a loan it had made to acquire its Paper Mill. CPS then loaned the remaining $1 billion to Enron Canada Power Corp. (**"ECPC"**) (the **"CPS/ECPC Loan"**). ECPC is a wholly-owned subsidiary of Enron Canada Corp. (**"Enron Canada"**), except for one nominal value Class A share which is held by Enron North America (the A share has a 50% of the outstanding votes to permit incestuous shareholdings between Enron Canada and ECPC).

4. ECPC used $200 million of the proceeds from the CPS/ECPC Loan to repay a loan it had made to acquire its power purchase contract (the **"PPA"**). It used the remaining $800 million to subscribe for preferred shares of Enron Canada. Enron Canada used the $800 million received for its preferred shares to pay off out of the money contracts it had with Enron North America. This payout gave rise to $800 million of losses to Enron Canada (the **"Enron Losses"**). $1 BILLION

5. Concurrently, Enron Corp. acquired $1 billion of preferred shares of Enron Canada which used those proceeds to acquire $1 billion of preferred shares of ECPC, which used the proceeds to acquire 1 billion preferred shares (the **"Newman Preferred Shares"**) of Newman (a Nova Scotia unlimited liability corporation, all of the common shares of which are held by CPS).

6. CPS guaranteed the payment of dividends and redemption amount of the Newman Preferred Shares and a Guarantee and Setoff Agreement was entered into pursuant to which ECPC had the right to set off redemption obligations in respect of the preferred shares against its obligations under the CPS/ECPC Loan.

7. Newman used the $1 billion in proceeds from its preferred share subscription to pay $1 billion to Fagstaff to assume its obligation to pay $1.5 billion (the **"Subscription Payment"**) to Hansen as a subscription price for preferred shares of Hansen (it was anticipated that the payment would be made in five years time and at that time the preferred shares of Hansen would be issued to Newman).

B. <u>Events on Insolvency of Enron Corp.</u>

1. The insolvency of Enron Corp. constituted an event of default under the Flagstaff/Hansen Loan. Flagstaff gave notice to Hansen that it had set off its obligation to make the Subscription Payment in satisfaction of Hansen's obligation to pay it the principal amount of the Flagstaff/Hansen Loan. After the setoff Hansen continued to owe Flagstaff approximately $500 million in the form of a Make-Whole Payment under the Flagstaff/Hansen Loan.

2. Concurrently, Flagstaff gave notice and signed a Put Agreement pursuant to which it put its right to receive the Make-Whole Payment to Enron Corp. The put arrangements were pursuant to the terms of a Put Option Agreement entered into at the time Slapshot was originally entered into. Enron Corp. is obliged to pay Flagstaff approximately $30,000 in consideration for the put of the Make-Whole Payment rights, but has not yet made that payment.

3. Interest payments were due on the Hansen/CPS Loan and the CPS/ECPC Loan on December 24, 2001. The parties all agreed to defer payment of that interest until March 24, 2002. A similar deferral was made in respect of dividend obligations on the Newman

Preferred Shares. These deferrals were implemented to avoid defaults under the relevant Loans and preferred shares.

C. **Current Issues**

1. Has Flagstaff given up all of its rights to pursue Hansen in respect of the Make-Whole Payment by virtue of the Put, notwithstanding Enron Corp. has not paid the purchase price under the Put? Should Enron Corp. now pay the purchase price and, if so, how should it do it under its bankruptcy restrictions? These issues are being considered by U.S. counsel (David Barbour and Muriel McFarling of Andrews & Kurth and Charles Harrell and Dan Hurson of Weil, Gotshal).

2. If Flagstaff continues to have a claim against Hansen, is there a risk that it can pursue that claim against CPS by virtue of the Hansen/CPS Loan, notwithstanding that it has specifically waived its rights to do so under the Put Option Agreement?

3. If Flagstaff continues to have a claim against Hansen, can it pursue that claim against Newman on the basis that Hansen is an unlimited liability corporation and Newman is a member of that corporation, notwithstanding that Hansen has not yet issued the preferred shares to which Newman is entitled by virtue of the payment of the subscription price of those preferred shares (which occurred when Flagstaff set off its obligation to make the Subscription Payment against the principal amount of the Flagstaff/Hansen Loan)?

4. If Flagstaff can pursue the Make-Whole Payment claim against Newman, can it in turn pursue that claim against CPS on the basis that Newman is also an unlimited liability corporation and CPS is a shareholder of Newman, notwithstanding that it has waived its rights to pursue CPS under the Put Option Agreement? Can Flagstaff also pursue its claim for the Make-Whole Payment to ECPC which is also a shareholder of Newman?

5. It appears that under the *Nova Scotia Companies Act* if Hansen and Newman are converted into regular companies (ie. not unlimited liability companies), their shareholders cease to be liable for their liabilities, including liabilities which were in place prior to the conversion. Consideration should be given to having Nova Scotia counsel provide a definitive opinion on this point. If such a conversion is made, is there a risk that under some equitable, insolvency or bankruptcy concept, the liability would nevertheless survive the conversion? Would the conversion raise a red flag to Flagstaff (and, if so, consideration should be given to perhaps only converting Newman and not Hansen)?

6. It would also appear that if ECPC transfers the Newman Preferred Shares to CPS as payment in full of the CPS/ECPC Loan, ECPC will cease to be a shareholder of Newman and its liability in that capacity would cease at that time. Once again, consideration

should be given to requesting an opinion from Nova Scotia counsel that ECPC would no longer be liable for liabilities which were in place prior to its ceasing to be a shareholder.

7. CPS is currently attempting to sell the Mill. On the sale of the Mill it would realize income which would result in tax payable of approximately $100 million. From a tax perspective it would be preferable to merge CPS and ECC such that the gain on the sale of the Mill can be sheltered with the Enron Losses. However, there is a reluctance to merge CPS and Enron Canada while there is a potential that Flagstaff continues to have a claim against Hansen. Flagstaff's waiver of its rights to pursue CPS may not apply to a successor corporation resulting from the merger of CPS and Enron Canada. In addition, any assets of Enron Canada may become subject to the risks of such a Flagstaff claim. We would hope to remove all assets from Enron Canada prior to such a merger to mitigate this risk. However, it is unlikely that all assets can be removed. In particular, Enron Canada may have a right to an ongoing Royalty from the disposition of its trading business.

   The ability to remove all of the assets from Enron Canada will depend on resolving all of Enron Canada's outstanding creditor claims, since the mechanism by which the funds would be removed from Enron Canada would be as a redemption of the preferred shares held by Enron Corp. The proceeds from the sale of the Mill (if it occurred through a merged entity) could also be repatriated using the basis in the preferred shares to avoid withholding tax. If CPS and ECC are not amalgamated, then the after-tax proceeds from the sale of the Mill would either be dividended to the BV shareholders (and subject to a 5% withholding tax) or could be used to make payments under the Hansen/CPS Loan and, in turn, under the Flagstaff/Hansen Loan (which would then be owned by Enron Corp.) However, that latter payment is a payment of the Make-Whole Payment which would be deemed to be interest and would be subject to 10% withholding.

D. <u>Proposed Transactions</u>

Following is a summary of the proposed transactions which would be undertaken in the perfect world from a Canadian tax perspective. They assume that a number of the issues described above are resolved satisfactorily as indicated.

1. ECPC would tender the Newman Preferred Shares to CPS as payment in full of the CPS/ECPC Loan. Concurrently, the parties would waive the right of CPS to receive the Make-Whole Payment due under that Loan.

2. Newman would be converted to a limited liability corporation (the conversion of Hansen would likely be delayed on the theory that a conversion of Hansen is more likely to come to the attention of Flagstaff and raise red flags).

3. The Hansen/CPS Note would be amended to eliminate the obligation to make the Make-Whole Payment under that Loan and to make it interest free.

Once we become comfortable that Flagstaff no longer has any rights to pursue Hansen, the following transactions would occur:

1. Enron Corp. would waive/forgive the obligation of Hansen to make the Make-Whole Payment which has been put from Flagstaff to Enron Corp.

2. CPS would tender the Newman Preferred Shares to Hansen as payment in full of the Hansen/CPS Loan.

3. The BV shareholders of CPS would sell ~~their~~ its shares of CPS to Enron Corp. The gain on this sale should be Treaty protected.

4. CPS and Enron Canada would be amalgamated and the Mill would be sold with the gain on the sale sheltered by the Enron Canada Losses.

5. On the amalgamation of CPS and Enron Canada, Enron Corp. would receive a single class of shares, the paid-up capital of which would include the $1 billion paid-up capital in the existing preferred shares of Enron Canada. The cost base in the share would include the $1 billion cost base in the preferred shares plus its cost base in the shares of CPS acquired from the BV shareholders. The proceeds from the sale of the Mill could then be repatriated to Enron Corp. as a return of capital in respect of these shares.

6. Prior to the amalgamation, to the extent possible, all assets of Enron Canada would be distributed to Enron Corp. as a partial redemption of the preferred shares of Enron Canada held by Enron Corp.

WYS/bf

George Serice
01/18/2002 09:53 AM

JP Morgan Global Syndicated Finance, George.Serice@JPMorgan.com 713-216-8079 Fax Number: 713-216-4583

To: Donna McGroarty/CHASE@CHASE
cc: Gina Hardwick/CHASE@CHASE
Subject: Re: Flagstaff Commitment and Fee Letter

Given the sensitivity to the Enron name and this transaction in particular, I would suggest writing this up as an exception.
Donna McGroarty

Donna McGroarty
01/16/2002 02:32 PM

Syndications 713-216-3617 Fax Number: 713-216-2291

To: George Serice/CHASE@CHASE
cc: Gina Hardwick/CHASE@CHASE
Subject: Re: Flagstaff Commitment and Fee Letter

George, I still need the Fee Letter the club banks signed. I have checked with Rob Traband, Bruce Hendrick, Eric Peiffer, and Ozzie at V&E. Is there anyone else I should check with? please advise, thanks, Donna

---------- Forwarded by Donna McGroarty/CHASE on 01/16/2002 02:40 PM ----------

Donna McGroarty
01/15/2002 09:14 AM

Syndications 713-216-3617 Fax Number: 713-216-2291

To: Robert Traband/CHASE@CHASE
cc: Gina Hardwick/CHASE@CHASE
Subject: Re: Flagstaff Commitment and Fee Letter

Rob, I have received the fully executed commitment letter from Eric. Do you have the fee letter? Please let me know either way so that I may close out my file. thanks, Donna

---------- Forwarded by Donna McGroarty/CHASE on 01/15/2002 09:23 AM ----------

EricPeiffer 01/08/2002 11:40 AM

Structured Finance 834-5155 Fax Number: 834-6181

To: Donna McGroarty/CHASE@CHASE, Bruce Hendrick/CHASE@CHASE
cc: Robert Traband/CHASE@CHASE
Subject: Re: Flagstaff Commitment and Fee Letter

I believe Rob has copies of both the commitment letter and fee letter as signed by the club banks. I have the commitment letter (I will fax to you) but only have the fee letter as signed by us and Flagstaff.

ENRON

Interoffice Memorandum

To: Cheryl Dawes, Robin Vearlel, Kim Chick

From: Jeff Blumenthal

Department: EWS Tax

Subject: Project Slapshot -- Quarterly Payments

Date: November 15, 2002

This memorandum describes each step that must be undertaken on a quarterly basis beginning on September 24, 2001 (and continuing for each quarter thereafter for five years) to implement certain steps comprising Project Slapshot. These steps, and the U.S. dollar amounts to be transferred pursuant to each step, are described below. Each step described below should occur in the order in which it is listed. (Please note that Hansen's payment to Flagstaff described in Step 2 below must occur **before 11:00 a.m., New York City time**, on September 24, 2001. Consequently, Steps 1 and 2, which otherwise should be Steps 6 and 7, have been changed so as to constitute Steps 1 and 2.)

A. QUARTERLY PAYMENTS TO BE MADE ON SEPTEMBER 24, 2001

1. Interest Payment by Compagnie Papiers Stadacona to Hansen Investments Co.

On September 24, 2001, Compagnie Papiers Stadacona (**"CPS"**) [1] will pay interest to Hansen Investments Co. (**"Hansen"**)[2] pursuant to a loan agreement entered into between the two parties. The relevant information regarding such payment is as follows:

Amount of payment: US$22,640,713.75
Wiring instructions: CPS interest payment to Hansen

2. Interest Payment by Hansen to Flagstaff Capital Corporation

On September 24, 2001, Hansen will pay interest to Flagstaff Capital Corporation, an entity owned by JPMorgan Chase (**"Flagstaff"**) pursuant to a loan agreement entered into between the two parties. The relevant information regarding such payment is as follows:

Amount of payment: US$22,603,779.47
Wiring instructions: Hansen interest payment to Flagstaff

3. Share Subscription by CPS of Newman Investments Co. shares

On September 24, 2001, CPS will pay Newman Investments Co. (**"Newman"**)[3] in exchange for Newman common shares. The relevant information regarding such payment is as follows:

Amount of payment: US$18,209,979.41
Wiring instructions: CPS subscription of Newman common shares

4. Dividend by Newman to Enron Canada Power Corp.

On September 24, 2001, Newman will pay Enron Canada Power Corp. (**"ECPC"**)[4] a dividend on the Debenture Shares issued by Newman to ECPC. The relevant information regarding such contribution is as follows:

---

[1] CPS's internal company number is 1469.
[2] Hansen's internal company number is 1655.
[3] Newman's internal company number is 1656.
[4] ECPC's internal company number is 1048.

Amount of dividend: US$18,209,979.41
Wiring instructions: Newman debenture share dividend to ECPC

5. Dividend by ECPC to Enron Canada Corp.

On September 24, 2001, ECPC will pay Enron Canada Corp. ("**ECC**")[5] a dividend on the Class "B" Preferred Shares issued by ECPC to ECC. The relevant information regarding such dividend is as follows:

Amount of dividend: US$18,237,122.02
Wiring instructions: ECPC preferred share dividend to ECC

6. Dividend by ECC to ECPC

On September 24, 2001, ECC will pay ECPC a dividend on the Class "A" Preferred Shares issued by ECC to ECPC. The relevant information regarding such dividend is as follows:

Amount of dividend: US$18,237,122.02
Wiring instructions: ECC preferred share dividend to ECPC

7. Interest Payment by ECPC to CPS

On September 24, 2001, ECPC will pay interest to CPS pursuant to a loan agreement entered into between the two parties. The relevant information regarding such payment is as follows:

Amount of payment: US$18,209,979.41
Wiring instructions: ECPC interest payment to CPS

B. QUARTERLY PAYMENTS TO BE MADE DURING EACH QUARTER AFTER SEPTEMBER 24, 2001

Payments similar to those described above will be made during each of the next nineteen quarters following September 24, 2001, with such payments to be made on the 24th of each applicable month (unless such day is a Saturday, Sunday or other day on which commercial banks in New York City are closed). This memorandum, modified to reflect the appropriate payment dates and payment amounts, will be circulated approximately two weeks before such payments are to be made.

cc: Laura Scott
Cathy Moehlman
Stephen H. Douglas
Morris Clark
Glenn Walloch
Troy Kosub
Gareth Bahlmann
John Swafford
Jeff Herrold
Rainier Cockrell
Catherine Pernot
Greg Whiting

[5] ECC's internal company number is 444.

PATTON BOGGS LLP
ATTORNEYS AT LAW

2550 M Street, NW
Washington, DC 20037-1350
202-457-6000

Facsimile 202-457-6315
www.pattonboggs.com

December 9, 2002

Jonathan R. Yarowsky
(202) 457-6160
jyarowsky@pattonboggs.com

Ms. Elise J. Bean
Staff Director and Chief Counsel
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
199 Russell Senate Office Building
Washington, D.C. 20510

Dear Elise:

In response to the Subcommittee's subpoena dated December 2, 2002, and in accordance with Item 2 of Schedule A to the subpoena, J.P. Morgan Chase & Co. (as defined in the subpoena, "JPMC") has entered into one (1) transaction that was based on the same concept as was applied in the Flagstaff transaction. The structuring fees paid to JPMC and allocated as such in connection with such transaction totaled $4,805,417. In addition, the other fees payable at closing to JPMC consisted of a syndication allocation of $962,083 and a payment to Chase Trustee Services of $25,000. We believe that the Subcommittee is already well aware of the identity of JPMC's counterparty (a customer of the Bank) in the other transaction that used the Flagstaff concept; interviewees over the course of the past few weeks confirmed such identity to the Subcommittee, and JPMC respectfully asks that the Subcommittee treat the identity of this counterparty confidentially as JPMC strongly protects the public release of all customer information.

Sincerely yours,

Jonathan R. Yarowsky

Jonathan R. Yarowsky

Canadian Financing Strategy

A Presentation to

Enron Corp.

September 2000

Content

I. Executive Summary

II. Transaction Description

III. Transaction Diagram

IV. Tax Treatment

V. Contact Details

Enron Corp. should obtain its own independent advice on accounting and taxation results of the proposal outlined in this summary. National Australia Bank does not warrant or guarantee the accounting or tax results of this proposal and does not hold itself out as a legal, tax or accounting advisor to Enron Corp. or any other party.

Executive Summary

The proposed structure is designed to enable Enron Corp. ("USCo") to refinance its Canadian operations in a cost efficient manner. The structure has the following characteristics:

- Tax-efficient recapitalization of USCo's Canadian subsidiary ("Canco").
- Minimization of worldwide effective tax rate reported under GAAP.
- Based on a financing of $100MM, USCo could achieve savings in excess of $10MM over a five year period when compared with an inter-company financing structure.

Executive Summary

Canadian Tax Benefits

- Full Interest deductions in Canada.
- Avoidance of the 10% withholding tax on cross-border interest payments.

U.S. Tax Benefits

- Deferral of U.S. tax on Canadian earnings.

Executive Summary

Additional Benefit

- Increased earnings per share through a reduction of USCo's worldwide effective tax rate.

Support

- The transaction is supported by strong "should" opinions by reputable U.S. and Canadian tax counsel.

Transaction Description

Year 0

- Canco sets up a new unlimited liability company ("ULC") in Canada, which is a corporation for Canadian tax purposes but a "check-the-box" entity, such that it will be treated as a division of Canco for U.S. tax purposes.

- ULC enters into a $100MM, non-amortizing term loan (the "Loan") with National Australia Bank ("NAB"). The loan will pay a fixed rate of interest (e.g. 8%) and will be structured as a 5 year bullet loan.

- The $100MM will then be on-lent by ULC to Canco in return for a note ("Note"), which has identical payment terms to the Loan.

- Simultaneous to closing, Canco will enter into a forward sale agreement with NAB, whereby NAB will purchase from Canco, common stock to be issued by Canco in five years' time, for a sum of $100 MM payable upon delivery.

Transaction Description

Year 0 (Contd.)

- Also simultaneous to closing, USCo will enter into a prepaid forward agreement with NAB, whereby NAB agrees to sell to USCo the Canco shares, that it will receive in five years' time, for the amount of $67MM payable upon closing.

Years 1 to 5

- Canco will pay interest to ULC on Note. ULC will then use the funds to pay interest to NAB under the Loan.

Transaction Description

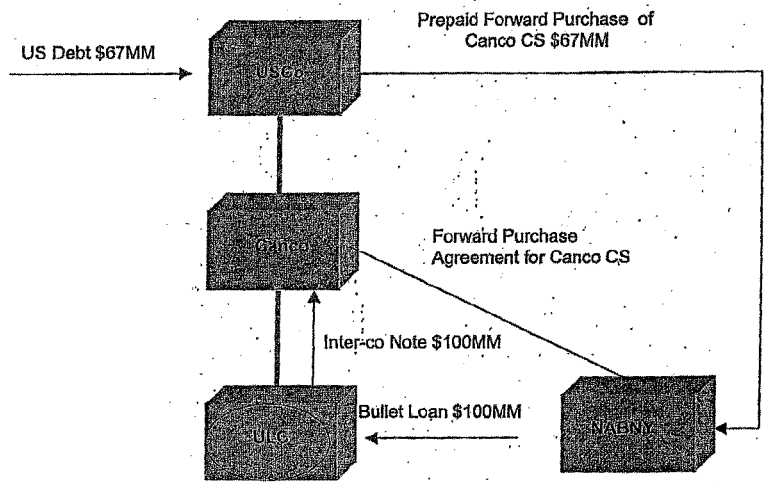
Year 6

- Canco repays the Note from ULC. ULC then repays the $100MM bullet loan from NAB.
- NAB pays the $100MM to Canco, pursuant to the forward sale agreement, in return for Canco stock.
- NAB delivers the Canco shares to USCo, pursuant to the prepaid forward agreement.

National Australia Group

ENRON

Transaction Diagram



Tax Treatment

Canadian Tax Consequences

- The interest payments on the Note and the Loan should be fully deductible by Canco and ULC respectively.
- No Canadian withholding tax on interest payments under the Loan.

U.S. Tax Consequences

- Although each payment on the Loan will be denominated as interest and is expected to be deductible for Canadian tax purposes, a portion of each payment should be considered a return of principal, for U.S. Federal Income Tax purposes and therefore should not be deductible in calculating Canco's earnings and profits.

Tax Treatment

U.S. Tax Consequences (Contd.)

- As a result of the different characterization of payments under U.S. and Canadian tax principles, the Canadian tax rate borne by Canco on its earnings (computed for U.S. tax purposes) should be lower than the generally applicable rate of corporate income tax in Canada. Assuming Canadian earnings that are deferred from U.S. tax will be considered "permanently reinvested" under APB Statement 23, the reduction in Canadian taxes will lower USCO's effective tax rate (and increase earnings per share) for financial reporting purposes.

Contact Details

National Australia Bank Limited

Project and Structured Finance Americas

John Gallagher

Director

212-916-9617

Simon Ng

Vice President

212-916-9620

Additional Points:

Why can't we use existing Chase SPVs to effect the transaction?

- The client and its counsel wish to use new SPVs which have no existing obligations and are prohibited from taking on additional obligations (in order to isolate the liabilities of the transaction at hand). The client wants to protect itself from ramifications of such existing or future liabilities.

- The SPV must be a corporation in order to obtain the desired Canadian tax treatment. Existing SPVs likely are in the form of LLCs.

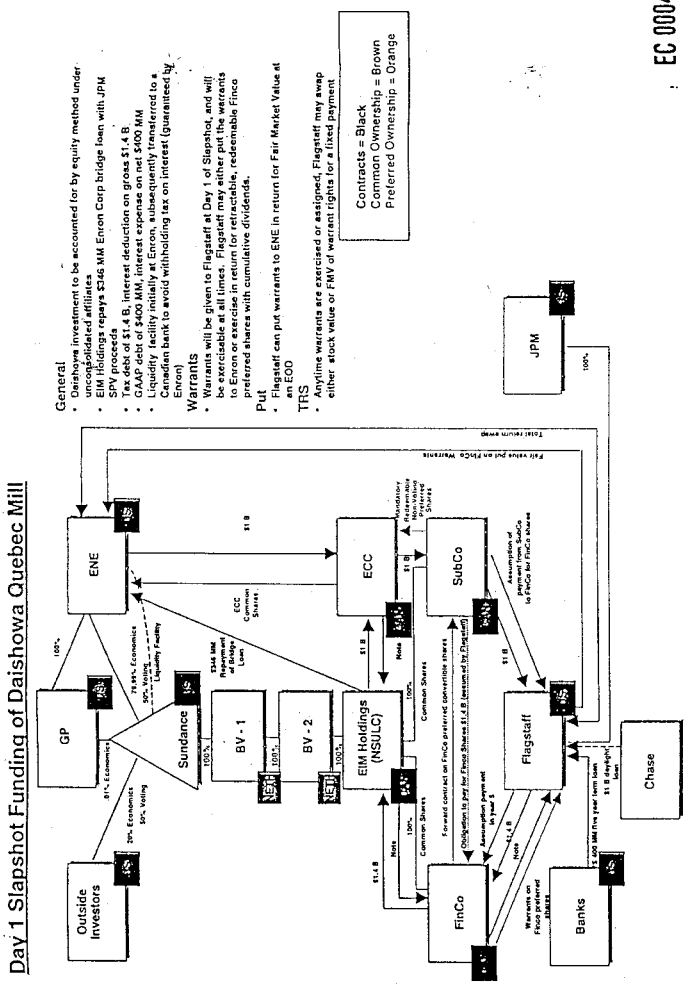
Why must the SPV be bankruptcy remote?

- In addition to other concerns, the client prefers that the SPV be bankruptcy remote to prevent limitations on performance of the SPV at maturity (unwind of the transactions), including limitations if CMB were in bankruptcy.

How will Chase account for the SPV?

- Chase Corporate Accounting Policies has determined that the SPV will be consolidated and the obligation will be netted against the receivable to show a NET loan on Chase's books, which is required for both accounting and tax purposes internally at Chase.

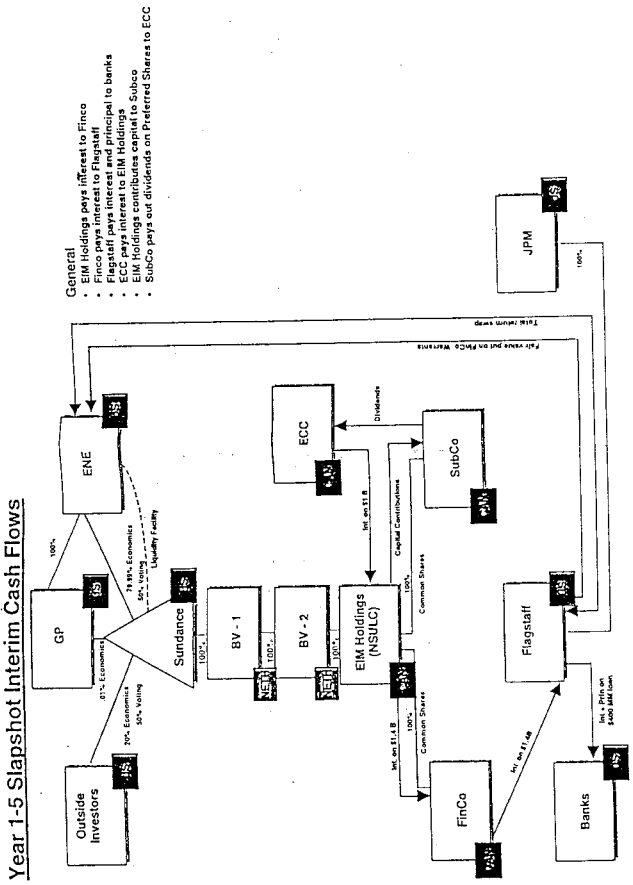
Daishowa Acquisition Structure Steps



Permanent Subcommittee on Investigations
EXHIBIT #383kk

EC 000459470

(Part 1 of 3)



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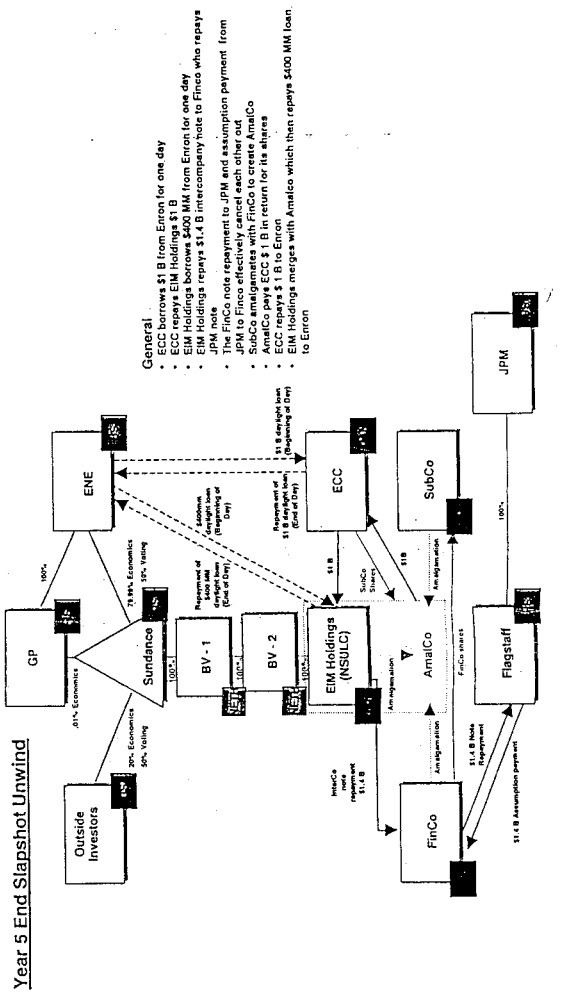
(Part 2 of 3)



EC 000459470

(Part 3 of 3)

From: Gustavo Junqueira 12/05/2000 12:27 PM

To: Gerardo Benitez/Corp/Enron@Enron, Rick Johnson/HR/Corp/Enron@ENRON, Fran L Mayes/HOU/ECT@ECT, Catherine Pernot/NA/Enron@ENRON, Doug McDowell/HOU/ECT@ECT, Bill W Brown/HOU/ECT@ECT, Michelle Cash/HOU/ECT@ECT, Mark Greenberg/NA/Enron@ENRON, Om Bhatia/NA/Enron@Enron, Roy Lipsett/HOU/ECT@ECT, Brenda F Herod/HOU/ECT@ECT, Ken Curry/HOU/ECT@ECT, Maribel Mata/Corp/Enron@Enron, Karen L Barbour/HOU/ECT@ECT, Andre Cangucu/ENRON_DEVELOPMENT@ENRON_DEVELOPMENT, Stephen H Douglas/HOU/ECT@ECT, Jeff Blumenthal/HOU/ECT@ECT, Tommy J Yanowski/HOU/ECT@ECT, Wayne Mays/PDX/ECT@ECT, Robert E Anderson/HOU/ECT@ECT, Eric Connor/NA/Enron@Enron, Stanley Farmer/Corp/Enron@ENRON, Drew Kanellopoulos/NA/Enron@Enron, Patrick Mackin/Corp/Enron@ENRON, Sarah Reyna/Corp/Enron@ENRON, Timothy J Detmering/HOU/ECT@ECT, Jeff Donahue/HOU/ECT@ECT, Dolores Lenfest/HR/Corp/Enron@ENRON, Jodi Coulter/HOU/ECT@ECT, William Stuart/HOU/ECT@ECT, Ellen Su/Corp/Enron@Enron, Gary Hickerson/HOU/ECT@ECT, Fatimata Liamidi/NA/Enron@Enron
cc: Jay Boudreaux/HOU/ECT@ECT
Subject: Project Crane - Status Updated and Next Steps

Project Crane Working Group:

I would to inform everyone that yesterday we had a meeting with Jeff Skilling to present Project Crane and get his sign off on moving forward with the transaction. He liked the deal and we got the green light to present it to the Enron Corp. Board of Directors in the next Board Meeting on December 12th. There are still several issues to be resolved with the sellers (i.e. split of Port Angeles, reps & warranties, indemnification, tax structuring, etc.) and internally (i.e. final approvals, financing, FX hedging, etc.) but Jay and I would like to thank you for all the effort and hard work dedicated to this deal so far. I hope we are successful and can work again on the integration of the company.

Thank you again,

Gustavo and Jay

Michael Simmons
12/03/2000 06:49 PM

To: Raymond Bowen/HOU/ECT@ECT
cc:
Subject: Skilling presentation w/o pictures & board slide

Skilling pres p&p strategy 12-4 no pictures.p

Board slide p&p strategy 12-3.pp

EIM Pulp and Paper Market Making Strategy

Enron Industrial Markets

December 4, 2000

Requesting Approval

EIM is seeking approval for the acquisitions of:

- Crane (Daishowa) Newsprint Mill:
  - $10 MM earnest money due December 15th
  - Bid value is $360.0 MM and total acquisition cost is $367.4 MM
  - Equity: $188.7 MM, 51% of capital structure, levered IRR = 17.3%
  - Annual production capacity by product:
    - Newsprint 387,000 MT, Directory 83,000 MT, Paperboard 45,000 MT
  - Location: Quebec City, Canada
  - Estimated closing in mid February
- Canary (Celgar) Pulp Mill:
  - Binding bids due December 15th
  - Bid range $310 MM - $334 MM
  - Total acquisition cost range $323 MM - $347 MM
  - Equity range (45% of capital) $145 MM - $156 MM
  - Levered IRR 15.0 % - 11.5 %
  - Annual production capacity of 420,000 MT's of NBSK
  - Location: Castlegar, British Columbia (Southern Interior)
  - Estimated closing in mid February

Crane: Asset Summary

Facts

- Background: The Quebec mill was built in the 1920's. All paper machines were rebuilt in the 1980's (C$155 MM) and following the 1988 acquisition by Daishowa, C$340 MM was invested to improve and upgrade the mill
- Production capacity by product:
  - Newsprint 387,000 MT
  - Directory 83,000 MT
  - Paperboard 45,000 MT
- Location: Quebec City, Canada
- Number of employees: 1,150
- Fiber supply:
  - 24% captive (timberlands and sawmill)
  - 43% open market purchase agreements
  - 33% ONP/OMG
- Geographic distribution of sales:
  - US 75.0%
  - Canada 12.5%
  - Other 12.5%
- Ownership: Daishowa Inc., from Japan
- Daishowa is merging with Nippon Paper and is selling its North American paper operations via an auction process to reduce debt level

Financials: 2001 E (US $'s)

$367.4 MM Total Acquisition Value

- Revenues $315.8 MM
- EBITDA $86.3 MM
- EBIT $48.2 MM
- 5 Yr. Avg. EBITDA/Interest 6.1 x

Capital Structure

Equity $188.7 MM, 17.3% IRR (51% of capital)

Debt $178.7 MM in '01 (49% of capital)

$ 86.8 MM in '05 (24% of capital)

Senior Debt, Tranche A
- $45.9 MM, 12.5% of capital
- 5 year straight-line amortization
- LIBOR +300 bps = 9.82%

Senior Debt, Tranche B
- $45.9 MM, 12.5% of capital
- 5 year straight-line amortization
- LIBOR+350 bps = 10.32%

Junior Debt
- $86.8 MM, 23.6% of capital
- 10 year bullet
- 11%

- 1.80 x Debt/2001 EBITDA
- Senior debt is 100% amortized in 4 years
- 50% cash sweep paid to senior debt

Canary: Asset Summary

Facts

- Background: The Celgar mill was originally built in early 1960's and underwent major construction (C$850 MM) in the early 1990's. The high construction expense overburdened the company with debt resulting in its default
- Production Capacity: 420,000 MT of NBSK per year
- Location: Castlegar, British Columbia
- Number of employees: 419
- Fiber supply:
  - 89% purchased wood chips from Canada and US
  - 11% purchased pulp logs from Canada
- Geographic Distribution of sales:
  - Asia 62%
  - US 16%
  - Europe 16%
  - Other 6%
- Ownership: Royal Bank of Canada, Natwest
- Asset sale due to bankruptcy (KPMG is the receiver)
- Currently in second round of auction bidding process
- Binding bid required by 12/15/00

Financials: 2001 E (US $'s)

$322.7 MM Total Acquisition Value

- Revenues $234.8 MM
- EBITDA $79.2 MM
- EBIT $55.3 MM
- 5 Yr. Avg. EBITDA/Interest 4.0 x

Capital Structure

Equity $145.2 MM, 15.0% IRR (45% of capital)

Debt $177.5 MM in '01 (55% of capital)

$ 88.7 MM in '05 (28% of capital)

Senior Debt, Tranche A
- $44.4 MM, 13.8% of capital
- 5 year straight-line amortization
- LIBOR +300 bps = 9.82%

Senior Debt, Tranche B
- $44.4 MM, 13.8% of capital
- 5 year straight-line amortization
- LIBOR+350 bps = 10.32%

Junior Debt
- $88.7 MM, 27.5.6% of capital
- 10 year bullet
- 11%

- 2.02 x Debt/2001 EBITDA
- Senior debt is 100% amortized in 4.5 years
- 50% cash sweep paid to senior debt

Financial Comparison

Valuation	Crane	Canary	Crane & Canary	Canary High End	Crane & Canary High End
Firm Value ($'s in MM's)	$ 367.4	$ 322.7	$ 690.1	$ 347.6	$ 715.0
Leveraged after-tax IRR	17.3%	15.0%	16.2% *	11.5%	14.5% *
RAC IRR with 25% Terminal Value Discount	12.4%	9.1%	10.9% *	5.3%	8.9% *
NPV at 17% RAC Capital Price ($'s in MM's)	$ (32.0)	$ (37.5)	$ (69.5)	$ (56.8)	$ (88.8)
Capital Structure ($'s in MM's)					
Equity	$ 188.7	$ 145.2	$ 333.9	$ 156.4	$ 345.1
Debt	$ 178.7	$ 177.5	$ 356.2	$ 191.2	$ 369.9
Debt / Capital	48.6%	55.0%	51.6%	55.0%	51.7%
2001 EBIT ($'s in MM's)	$ 48.2	$ 55.2	$ 103.4	$ 53.3	$ 101.5
Firm Value / EBITDA (Industry Comps = 3.8x)					
2001 EBITDA Multiples	4.3x	4.1x	4.2x *	4.4x	4.3x *
2001 Mill Net ($ per MT)	$ 589.7	$ 559.2			
Operating Cost ($ per MT)	$ 439.6	$ 370.5			
Firm Value ($ per MT)	$ 713.8	$ 768.4		$ 827.7	

* Weighted average of the Crane and Canary values based on firm value
Canary values are deterministic only and have not been fully reviewed by RAC

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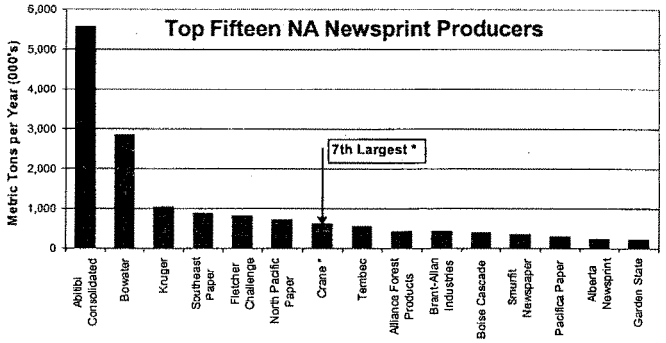
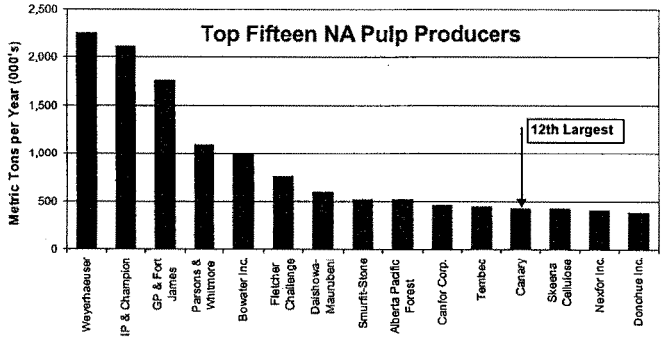
Market Position

Crane



* *Crane's position is calculated based on the combination of Enron's current position (Garden State) and Crane's tonnage*

Canary



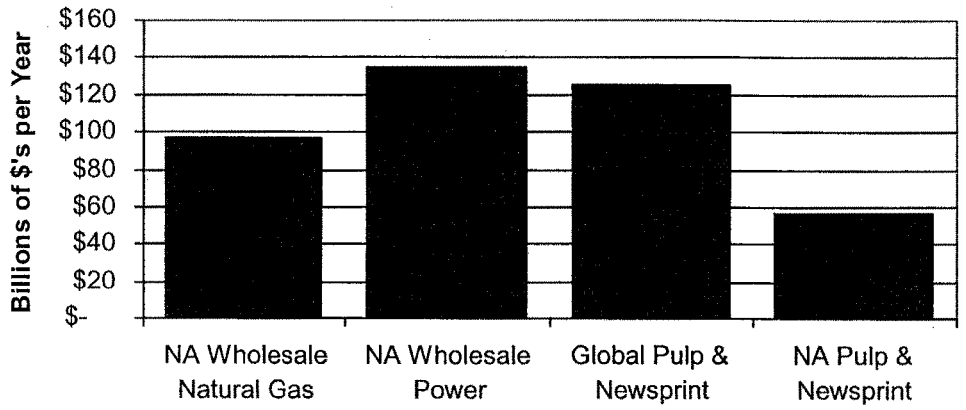
Recommendation

- Move forward with the acquisition of Crane and Canary:
  - $367.4 MM total acquisition cost for Crane
  - $323 MM up to $347 MM total acquisition for Canary with discretion to adjust purchase price delegated to Office of the Chairman
- Concurrently, move forward on closing the Fund to mitigate Enron P/E dilution effect
- If EIM doesn't make these acquisitions, EIM will lose time to market and miss the financial benefits of other potential acquisitions until the 4th quarter of 2001
- The value associated with this faster time to market recommendation is greater than the potential effect of dilution on Enron, even if the acquisitions are funded utilizing Enron's balance sheet

Appendix

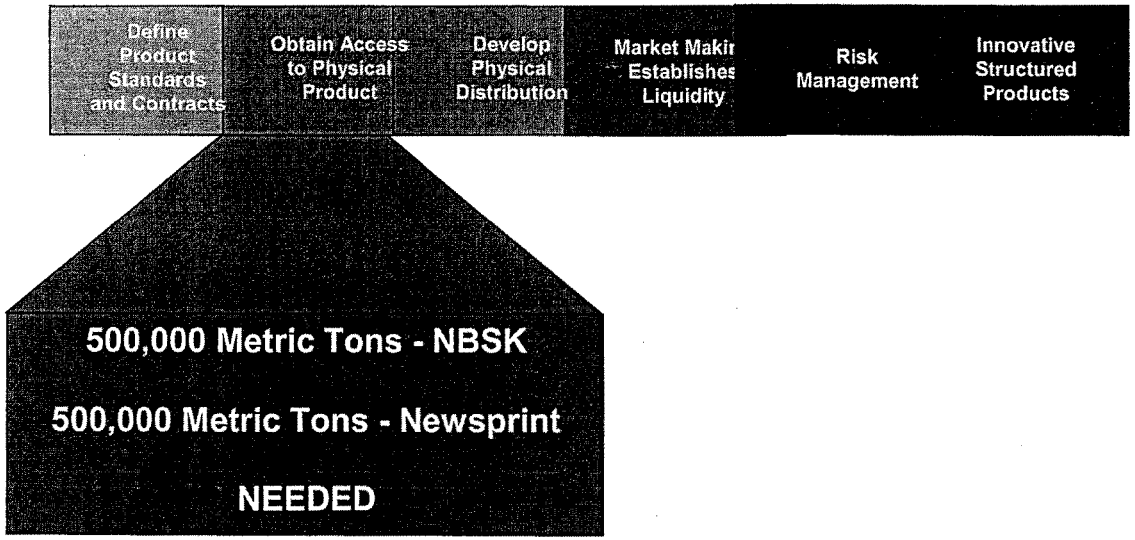
Market Size Comparison

Estimated Commodity Market Size by Revenue



Evolution of Market

Market Evolution Process



Mill Liquidity: Mills reviewed by EIM over last 18 months

Opportunity	Product	Size tons/year
Skeena	Pulp	441,000
Abitibi W. Tacoma	Newsprint	135,000
Georgia Pacific	Pulp	800,000
Smurfit Pontiac	Pulp	250,000
Smurfit Pomona	Newsprint	130,000
Papier Masson	Newsprint	200,000
Garden State	Newsprint	220,000
Crown Vantage white paper	Paper	500,000
Appleton Newton Falls coated freesheet	Paper	120,000
Crabar Deferiet coated freesheet	Paper	150,000
Abitibi Bridgewater	Newsprint	180,000
Great Northern Paper uncoated groundwood	Newsprint	290,000
Flectcher Challenge Canada Paper	Paper	600,000
Fletcher Challenge Canada Pulp	Pulp	800,000
French pulp mills	Pulp	540,000
Samoa pulp mills	Pulp	250,000
Fox River de-inked pulp	Pulp	50,000
Stora Enso pulp (Finland)	Pulp	240,000

Crane: Financial Summary (C $'s)

Project Crane
Quebec City
Summary Financial Statement by Product

(All numbers in Canadian dollars unless noted)

	Historical						Projected						
	1995	1996	1997	1998	1999	1 Half 2000	2 Half 2000	2000	2001	2002	2003	2004	2005
Consolidated Operations (C$ million)													
%													
Revenues													
Newsprint	$320.7	$312.3	$284.6	$290.1	$259.8	$133.7	$151.4	$285.2	$321.4	$314.2	$305.4	$298.1	$296.3
Directory Paper	59.0	50.4	60.6	96.0	79.5	39.7	43.6	83.3	94.8	96.2	94.2	92.5	91.9
Paperboard	30.1	33.5	33.4	38.1	30.2	19.7	20.8	40.6	43.2	43.6	44.1	44.6	44.9
Lumber	11.9	16.6	22.1	16.6	19.6	10.3	10.3	20.6	20.7	20.7	20.7	20.7	20.7
Total Revenue	**$429.8**	**$413.0**	**$460.8**	**$440.8**	**$397.1**	**$203.5**	**$226.1**	**$429.6**	**$480.0**	**$474.7**	**$464.4**	**$455.9**	**$453.8**
Costs of Goods Sold													
Variable Costs (Incl. Woodchips Interco.)	170.1	150.1	159.5	147.0	150.9	83.4	86.2	169.6	187.9	181.4	181.2	178.5	176.4
Fixed Costs	73.8	78.0	82.8	83.9	84.1	41.7	42.3	84.0	85.8	87.5	89.7	91.9	94.2
Total Costs	**$243.9**	**$228.1**	**$242.2**	**$230.9**	**$235.0**	**$125.2**	**$128.5**	**$253.6**	**$273.6**	**$269.0**	**$270.8**	**$270.4**	**$270.5**
Gross Profit	**$185.9**	**$184.9**	**$158.5**	**$209.9**	**$162.2**	**$78.3**	**$97.7**	**$176.0**	**$206.4**	**$205.8**	**$193.6**	**$185.5**	**$183.2**
Gross Margin	*43%*	*45%*	*40%*	*48%*	*41%*	*38%*	*43%*	*41%*	*43%*	*43%*	*42%*	*41%*	*40%*
Overhead	41.7	46.4	46.0	52.2	47.0	24.5	24.9	49.5	50.3	51.0	51.9	52.7	53.6
Selling, General & Administration	16.8	17.0	20.5	22.8	19.9	10.6	10.8	21.3	15.1	22.0	22.4	22.7	23.1
Other Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.9	1.0	0.9	0.9	0.9
EBITDA	$127.4	$121.4	$92.1	$134.9	$95.3	$43.2	$62.0	$105.2	$131.1	$131.7	$118.4	$109.1	$105.6
EBITDA Margin	*29.6%*	*29.4%*	*23.0%*	*30.6%*	*24.0%*	*21.2%*	*27.4%*	*24.5%*	*27.3%*	*27.7%*	*25.5%*	*23.9%*	*23.3%*
Depreciation	51.2	52.4	52.4	51.9	50.7	24.3	25.1	49.4	44.9	45.8	46.9	48.1	49.0
Amortization of Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.9	12.9	12.9	12.9	12.9
EBIT	$76.2	$69.0	$39.7	$83.0	$44.6	$18.9	$36.9	$55.8	$73.3	$73.1	$58.6	$48.2	$43.7
FX (Gains) / Losses								6.9	(1.8)	(1.2)	(0.9)	(0.8)	(1.1)
Net Interest Expense									28.6	25.1	20.4	16.3	13.1
Pre Tax Income									**$46.5**	**$49.1**	**$39.1**	**$32.7**	**$31.7**
Taxes									7.9	18.5	15.2	13.1	12.3
Net Income									**$38.7**	**$30.6**	**$23.8**	**$19.6**	**$19.4**
Net Income									**$38.7**	**$30.6**	**$23.8**	**$19.6**	**$19.4**
Depreciation									44.9	45.8	46.9	48.1	49.0
Amortization of Intangibles									12.9	12.9	12.9	12.9	12.9
Increase in Deferred Taxes									(22.7)	(12.9)	(12.1)	(12.9)	(13.1)
Change in Net Working Capital									(17.4)	0.7	0.8	0.8	0.2
Net Interest Expense									28.6	25.1	20.4	16.3	13.1
NonCash FX gain/loss									(1.8)	(1.2)	(0.9)	(0.8)	(1.1)
Capital Expenditures									(18.1)	(18.4)	(26.7)	(19.0)	(19.3)
Financing Tax Shield									(9.0)	(7.9)	(6.4)	(5.2)	(4.1)
Unlevered Free Cash Flow									**$55.58**	**$74.68**	**$58.76**	**$59.75**	**$56.87**
Net Interest Expense									(28.6)	(25.1)	(20.4)	(16.3)	(13.1)
Principal Repayments									(32.2)	(43.7)	(40.2)	(22.6)	0.0
Witholding Tax on Interest									0.0	0.0	0.0	0.0	0.0
Plus: Financing Tax Shield									9.0	7.9	6.4	5.2	4.1
Cash Available to Equity Holders									**$4.3**	**$13.8**	**$4.6**	**$26.0**	**$47.9**
Cash Distributed to Equity (Includes Cash on the balance sheet)				**Dividend payout ratio**		50%			**$2.1**	**$8.0**	**$6.3**	**$9.8**	**$9.7**
Total Purchase Price								$562.4				Plus TV 4.5	$585.4
Excess Cash on Balance Sheet								0.0					
Debt								(273.5)					
Equity Investment								**($288.9)**	**$2.1**	**$8.0**	**$6.3**	**$9.8**	**$595.1**
Equity IRR								16.9%					

Crane: Returns (C $'s)

Project Crane

US Dollar DCF

(U.S. Dollars in millions)	Purchase	Projected Fiscal Year Ending December 31, 2001	2002	2003	2004	2005
Net Income		$25.4	$20.2	$15.8	$13.1	$13.1
Depreciation		29.5	30.3	31.1	32.1	33.0
Amortization of Intangibles		8.5	8.5	8.6	8.6	8.7
Increase in Deferred Taxes		(14.9)	(8.5)	(8.8)	(8.6)	(8.8)
Change in Net Working Capital		(11.4)	0.5	0.5	0.5	0.1
Capital Expenditures		(11.9)	(12.1)	(17.7)	(12.7)	(13.0)
Non Cash Loss / (Gain) on FX Changes		(1.2)	(0.8)	(0.6)	(0.5)	(0.7)
Net Interest Expense		18.8	16.6	13.5	10.9	8.8
Marginal Tax Rate		31.6%	31.6%	31.6%	31.6%	31.6%
Financing Tax Shield		(5.9)	(5.3)	(4.3)	(3.4)	(2.8)
Minus: Canadian Dividend Withholding Tax		0.0	0.0	0.0	0.0	0.0
Unlevered Free Cash Flow		**$36.8**	**$49.4**	**$39.0**	**$39.9**	**$38.3**
Plus: Financing Tax Shield		5.9	5.3	4.3	3.4	2.8
Minus: Net Interest Expense & Refinancing Fees		(18.8)	(16.6)	(13.5)	(10.9)	(8.8)
Minus: Principal Repayments		(21.2)	(28.9)	(26.7)	(15.1)	0.0
Cash Available to Equity	**($188.7)**	**$2.8**	**$9.1**	**$3.1**	**$17.3**	**$32.3**
Cash Distributed to Equity (includes Cash on the balance sheet)	**($188.7)**	**$1.4**	**$5.3**	**$4.2**	**$6.5**	**$6.5**
2001 - 2005 Average EBITDA						**$79.2**
Terminal Adjusted Free Cash Flow (SSB Reference)						**$61.5**
Yearly Working Capital ($US)		**$43.4**	**$43.1**	**$42.8**	**$42.5**	**$42.8**

Levered DCF Valuation	Terminal Multiple Range 4.5x	5.0x	5.5x	6.0x	6.5x
	Terminal Value (EBITDA multiple x FY 2001-2005 Avg EBITDA)				
FY 2001 - 2005 Average EBITDA	79	79	79	79	79
Terminal Multiple Range	4.5x	5.0x	5.5x	6.0x	6.5x
Terminal Value	356	396	436	475	515
Tax on Unrealized Gain/Loss on Remaining Principal	(1)	(1)	(1)	(1)	(1)
Present Value of Remaining NOL	0.0	0.0	0.0	0.0	0.0
Remaining Principal	(46)	(46)	(46)	(46)	(46)
Adjusted Terminal Value to Equity	309	349	388	428	468
Capital Gains Tax Rate	0%	0%	0%	0%	0%
Capital Gains Taxes	0	0	0	0	0
Adjusted Terminal Value to Equity	309	349	388	428	468
IRR	12.4%	15.0%	17.3%	19.5%	21.6%
Implied WACC	9.6%	10.9%	12.2%	13.3%	14.3%

Crane: Returns (US $'s)

Project Crane

US Dollar DCF

(U.S. Dollars in millions)	Purchase	Projected Fiscal Year Ending December 31, 2001	2002	2003	2004	2005
Net Income		$25.4	$20.2	$15.8	$13.1	$13.1
Depreciation		29.5	30.3	31.1	32.1	33.0
Amortization of Intangibles		8.5	8.5	8.6	8.6	8.7
Increase in Deferred Taxes		(14.9)	(8.5)	(8.0)	(8.6)	(8.8)
Change in Net Working Capital		(11.4)	0.5	0.5	0.5	0.1
Capital Expenditures		(11.9)	(12.1)	(17.7)	(12.7)	(13.0)
Non Cash Loss / (Gain) on FX Changes		(1.2)	(0.8)	(0.6)	(0.5)	(0.7)
Net Interest Expense		18.8	16.6	13.5	10.9	8.8
Marginal Tax Rate		31.6%	31.6%	31.6%	31.6%	31.6%
Financing Tax Shield		(5.9)	(5.3)	(4.3)	(3.4)	(2.8)
Minus: Canadian Dividend Withholding Tax		0.0	0.0	0.0	0.0	0.0
Unlevered Free Cash Flow		**$36.8**	**$49.4**	**$39.0**	**$39.9**	**$38.3**
Plus: Financing Tax Shield		5.9	5.3	4.3	3.4	2.8
Minus: Net Interest Expense & Refinancing Fees		(18.8)	(16.6)	(13.5)	(10.9)	(8.8)
Minus: Principal Repayments		(21.2)	(28.9)	(26.7)	(15.1)	0.0
Cash Available to Equity	**($188.7)**	**$2.8**	**$9.1**	**$3.1**	**$17.3**	**$32.3**
Cash Distributed to Equity (includes Cash on the balance sheet)	**($188.7)**	**$1.4**	**$5.3**	**$4.2**	**$6.5**	**$6.5**
2001 - 2005 Average EBITDA						**$79.2**
Terminal Adjusted Free Cash Flow (SSB Reference)						**$61.5**
Yearly Working Capital ($US)		**$43.4**	**$43.1**	**$42.8**	**$42.5**	**$42.8**

Levered DCF Valuation	Terminal Multiple Range 4.5x	5.0x	5.5x	6.0x	6.5x
	Terminal Value (EBITDA multiple x FY 2001-2005 Avg EBITDA)				
FY 2001 - 2005 Average EBITDA	79	79	79	79	79
Terminal Multiple Range	4.5x	5.0x	5.5x	6.0x	6.5x
Terminal Value	356	396	436	475	515
Tax on Unrealized Gain/Loss on Remaining Principal	(1)	(1)	(1)	(1)	(1)
Present Value of Remaining NOL	0.0	0.0	0.0	0.0	0.0
Remaining Principal	(46)	(46)	(46)	(46)	(46)
Adjusted Terminal Value to Equity	309	349	388	428	468
Capital Gains Tax Rate	0%	0%	0%	0%	0%
Capital Gains Taxes	0	0	0	0	0
Adjusted Terminal Value to Equity	309	349	388	428	468
IRR	12.4%	15.0%	17.3%	19.5%	21.6%
Implied WACC	9.6%	10.9%	12.2%	13.3%	14.3%

Canary: Financial Summary, Total Cost $323 MM (US $'s)

CASH FLOW PAGE US$(000s)
ENRON INDUSTRIAL MARKETS
PROJECT CANARY

Calendar Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Beginning Nominal Capacity						420,000	420,000	420,000	420,000	420,000
Times: Capacity Creep						0.00%	0.00%	0.00%	0.00%	0.00%
New Nominal Capacity						420,000	420,000	420,000	420,000	420,000
Times: Operating Rate						100.00%	100.00%	100.00%	100.00%	100.00%
Pulp Production (MT)	351,956	361,491	295,946	396,108	400,277	420,000	420,000	420,000	420,000	420,000
REVENUES:										
Mill Net (US$/MT)						$559.15	$503.54	$484.70	$452.91	$454.02
TOTAL REVENUES				152,158	221,797	234,841	211,485	193,176	190,222	190,690
EXPENSES:										
Fixed O&M:										
Labor	23,891	23,329	19,862	24,032	23,376	23,957	24,306	24,839	25,371	25,959
Maintenance Materials	8,991	9,606	7,150	9,676	9,953	10,158	10,362	10,576	10,802	11,053
Operating Supplies & Other Expenses	4,367	6,861	960	4,186	4,667	4,763	4,858	4,959	5,065	5,182
Total Fixed O&M	37,249	39,796	28,006	37,894	37,995	38,778	39,557	40,373	41,239	42,195
Variable O&M:										
Fiber	77,066	57,086	46,477	60,519	72,815	85,053	79,017	74,945	74,032	74,661
Chemicals	20,294	18,937	13,705	17,502	17,684	18,938	19,318	19,717	20,140	20,607
Natural Gas	5,138	6,312	5,363	7,528	9,102	7,849	7,943	7,018	7,018	7,085
Total Variable O&M	102,498	82,336	65,545	85,549	99,604	111,840	106,579	101,681	101,189	102,352
Total Operation and Maintenance Expenses						150,618	146,135	142,054	142,427	144,547
SG&A	6,165	6,038	3,972	4,365	4,892	4,993	5,093	5,198	5,309	5,433
TOTAL EXPENSES	145,912	128,170	97,523	128,408	142,492	155,611	150,228	147,252	147,737	149,979
OTHER INCOME/(EXPENSE):										
TOTAL OTHER INCOME/(EXPENSES)				(254)	1,469	0	0	0	0	0
EARNINGS BEFORE DEPR, INT & TAXES (EBDIT)				23,495	80,815	79,231	61,257	47,924	42,485	40,711
Less: Book Depreciation Expense						(24,660)	(25,061)	(25,455)	(25,868)	(26,334)
Plus: FX Gains / (Losses)				(1,138)	1,510	716	800	556	531	618
EARNINGS BEFORE INT & TAXES (EBIT)				22,358	82,125	55,288	36,996	23,026	17,149	14,993
Less: Interest Expense						(19,253)	(15,526)	(12,957)	(11,199)	(10,015)
EARNINGS BEFORE TAXES (EBT)						37,034	21,470	10,070	5,952	4,978
Less: Book Provision for Income Taxes						(17,229)	(10,501)	(5,612)	(3,758)	(3,194)
PROJECT BOOK INCOME						19,805	10,969	4,457	2,193	1,784
Plus: Book Depreciation						24,660	25,061	25,455	25,868	26,334
Less: FX Gains / (Losses)						(716)	(800)	(556)	(531)	(618)
Less: Changes in Working Capital						0	3,577	2,265	770	95
Plus: Book Provision for Income Taxes						17,229	10,501	5,612	3,758	3,194
Less: Cash Taxes						(1,688)	(1,492)	(1,387)	(1,260)	(1,105)
Plus: Liquidation Proceeds						0	0	0	0	2,382
Less: Capital Expenditures						(3,292)	(3,332)	(3,337)	(3,399)	(3,548)
FCF Before Debt Payments						56,026	44,133	32,448	27,330	26,515
Less: Principal Payments						(17,751)	(34,155)	(16,274)	(15,678)	(4,896)
Change in Revolver						0	0	0	0	0
Cash Flow Before Cash Sweep						38,276	9,979	16,174	11,652	21,623
Less: Cash Sweep						(19,138)	(4,989)	(8,087)	(5,826)	0
NET A-T CASH FLOW DISTRIBUTED						19,138	4,989	8,087	5,826	21,623
Equity Injections					(145,232)	0	0	0	0	0
Plus: Terminal Value at 5.5x						0	0	0	0	210,016
Plus: Cash Distributions					0	19,138	4,989	8,087	5,826	23,623
Total Project Cash Flow					(145,232)	19,138	4,989	8,087	5,826	233,639
Running Equity IRR					#N/A	-86.80%	-73.80%	-53.62%	-42.68%	15.00%

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Canary: Returns, Total Cost $323 MM (US $'s)

RETURNS US$000s
ENRON INDUSTRIAL MARKETS
PROJECT CANARY

Calendar Year			2001	2001	2002	2003	2004	2005
Project / ENE	RETURNS	NPV @ 15.00%						
	Equity Injection	(145,232)	(145,232)	0	0	0	0	0
	Net A-T Cash Flow	40,817	0	19,138	4,989	8,087	5,826	23,623
	Less: WH Tax on Dividends	0	0	0	0	0	0	0
	Plus: Terminal Value	148,541	0	0	0	0	0	298,769
	Less: Terminal Value Liquidity Discount	0	0	0	0	0	0	0
	Less: Ending Debt	(44,126)	0	0	0	0	0	(88,753)
	Less: Capital Gains Tax	0	0	0	0	0	0	0
	Total Cash Flow	(0)	(145,232)	19,138	4,989	8,087	5,826	233,639
	20 Year Running NPV		(145,232)	(128,584)	(124,810)	(119,491)	(116,160)	(0)
	20 Year Running IRR		#N/A	-86.90%	-73.80%	-53.62%	-42.66%	15.00%

Project NPV @ 15.00%	(0)
Project IRR At 5.5x	15.00%
Discounted Payback Year	0

	Terminal Value (12/31/05)				
5 Year Average EBITDA	$54,322	$54,322	$54,322	$54,322	$54,322
Times: EBITDA Multiple	4.5	5	5.5	6	6.5
Terminal Value	$244,447	$271,608	$298,769	$325,930	$353,091
Less: Terminal Value Liquidity Discount	$0	$0	$0	$0	$0
Less: Terminal Net Debt	($88,753)	($88,753)	($88,753)	($88,753)	($88,753)
Implied Term. Eq. Value	$155,694	$182,855	$210,016	$237,177	$264,338

Sources		US$	C$	Uses	US$	C$
				Acquire Equity	309,584	476,496
Beginning Cash Balance		0	0	Financing Fees	3,550	5,464
Debt	55%	177,506	273,209	WC Infusion	8,605	13,244
Equity	45%	145,232	223,534	Legal Fees	1,000	1,539
Total	100%	322,739	496,743	Total	322,739	496,743

EBITDA Multiple	Equity Component of Firm Value as of 12/31/00				
IRR	4.5	5	5.5	6	6.5
11.5%	$134,840	$150,600	$166,361	$182,121	$197,882
14%	$122,676	$136,782	$150,889	$164,995	$179,102
15%	$118,225	$131,729	$145,232	$158,736	$172,240
16%	$113,990	$126,922	$139,854	$152,785	$165,717
18%	$106,121	$117,994	$129,866	$141,738	$153,610

EBITDA Multiple	Firm Value as of 12/31/00				
IRR	4.5	5	5.5	6	6.5
11.5%	$ 312,346	$ 328,107	$ 343,867	$ 359,628	$ 375,388
14%	$ 300,182	$ 314,289	$ 328,395	$ 342,502	$ 356,608
15%	$ 295,731	$ 309,235	$ 322,739	$ 336,242	$ 349,746
16%	$ 291,497	$ 304,428	$ 317,360	$ 330,291	$ 343,223
18%	$ 283,628	$ 295,500	$ 307,372	$ 319,244	$ 331,116

Canary: Financial Summary, Total Cost $347 MM (US $'s)

CASH FLOW PAGE US$(000s)
ENRON INDUSTRIAL MARKETS
PROJECT CANARY

Calendar Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Beginning Nominal Capacity						420,000	420,000	420,000	420,000	420,000
Times: Capacity Creep						0.00%	0.00%	0.00%	0.00%	0.00%
New Nominal Capacity						420,000	420,000	420,000	420,000	420,000
Times: Operating Rate						100.00%	100.00%	100.00%	100.00%	100.00%
Pulp Production (MT)	351,936	381,491	295,946	398,108	400,277	420,000	420,000	420,000	420,000	420,000
REVENUES:										
Mill Net (US$/MT)						$559.15	$503.54	$464.70	$452.91	$464.02
TOTAL REVENUES				152,158	221,637	324,841	211,485	195,176	190,222	190,690
EXPENSES:										
Fixed O&M:										
Labor	23,891	23,329	19,662	24,032	23,376	23,857	24,336	24,839	25,371	25,959
Maintenance Materials	8,991	9,606	7,150	9,676	9,553	10,158	10,362	10,576	10,802	11,053
Operating Supplies & Other Expenses	4,367	6,861	992	4,186	4,867	4,763	4,858	4,959	5,065	5,182
Total Fixed O&M	37,249	39,796	28,006	37,894	37,795	38,778	39,557	40,373	41,239	42,195
Variable O&M:										
Fiber	77,066	57,086	46,477	60,519	72,818	65,083	79,017	74,945	74,033	74,661
Chemicals	20,294	16,937	13,705	17,502	17,884	16,908	19,218	19,717	20,140	20,607
Natural Gas	5,138	8,312	5,353	7,528	9,102	7,849	7,243	7,018	7,018	7,082
Total Variable O&M	102,498	82,336	65,646	85,549	99,804	111,840	105,579	101,681	101,189	102,352
Total Operation and Maintenance Expenses						150,618	145,135	142,054	142,427	144,547
SG&A	6,165	6,038	3,972	4,965	4,892	4,990	5,093	5,198	5,309	5,433
TOTAL EXPENSES	145,912	128,179	97,523	128,408	142,492	155,611	150,228	147,252	147,737	149,979
OTHER INCOME/(EXPENSE):										
TOTAL OTHER INCOME/(EXPENSES)				(284)	1,469	0	0	0	0	0
EARNINGS BEFORE DEPR, INT & TAXES (EBDIT)				23,465	80,615	79,231	61,257	47,924	42,485	40,711
Less: Book Depreciation Expense						(26,744)	(27,156)	(27,560)	(27,962)	(28,462)
Plus: FX Gains / (Losses)				(1,138)	1,510	772	862	612	565	680
EARNINGS BEFORE INT & TAXES (EBIT)				22,358	82,125	53,258	34,963	20,976	15,088	12,929
Less: Interest Expense						(19,663)	(16,858)	(14,240)	(12,397)	(10,921)
EARNINGS BEFORE TAXES (EBT)						33,596	18,094	6,736	2,701	2,008
Less: Book Provision for Income Taxes						(15,899)	(9,190)	(4,306)	(2,475)	(2,026)
PROJECT BOOK INCOME						17,697	8,904	2,430	225	(18)
Plus: Book Depreciation						26,744	27,156	27,560	27,962	28,462
Less: FX Gains / (Losses)						(772)	(862)	(612)	(565)	(680)
Less: Changes in Working Capital						0	3,227	2,265	770	95
Plus: Book Provision for Income Taxes						15,899	9,190	4,306	2,475	2,026
Less: Cash Taxes						(1,802)	(1,596)	(1,480)	(1,342)	(1,183)
Plus: Liquidation Proceeds						0	0	0	0	2,392
Less: Capital Expenditures						(3,262)	(3,337)	(3,397)	(3,469)	(3,540)
FCF Before Debt Payments						54,505	42,685	31,072	26,057	27,535
Less: Principal Payments						(19,121)	(34,285)	(17,426)	(18,935)	(7,838)
Change in Revolver						0	0	0	0	0
Cash Flow Before Cash Sweep						35,384	8,400	13,646	9,122	19,697
Less: Cash Sweep						(17,692)	(4,200)	(6,823)	(4,561)	0
NET A/T CASH FLOW DISTRIBUTED						17,692	4,200	6,823	4,561	19,697
Equity Injections					(156,444)	0	0	0	0	0
Plus: Terminal Value at 5.5x						0	0	0	0	263,164
Plus: Cash Distributions					0	17,692	4,200	6,823	4,561	19,697
Total Project Cash Flow					(156,444)	17,692	4,200	6,823	4,561	282,862
Running Equity IRR					IRR/A	-88.70%	-77.07%	-57.86%	-47.56%	11.50%

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Canary: Returns, Total Cost $347 MM (US $'s)

RETURNS US$000s
ENRON INDUSTRIAL MARKETS
PROJECT CANARY

Calendar Year			2001	2001	2002	2003	2004	2005
Project / ENE	RETURNS	NPV @ 11.50%						
	Equity Injection	(156,444)	(156,444)	0	0	0	0	0
	Net A-T Cash Flow	38,555	0	17,692	4,200	6,823	4,561	19,697
	Less: WHTax on Dividends	0	0	0	0	0	0	0
	Plus: Terminal Value	173,365	0	0	0	0	0	298,769
	Less: Terminal Value Liquidity Discount	0	0	0	0	0	0	0
	Less: Ending Debt	(55,476)	0	0	0	0	0	(95,605)
	Less: Capital Gains Tax	0	0	0	0	0	0	0
	Total Cash Flow	0	(156,444)	17,692	4,200	6,823	4,561	222,862
	20 Year Running NPV		(156,444)	(140,572)	(137,193)	(132,270)	(129,319)	0
	20 Year Running IRR		#N/A	-88.76%	-77.07%	-57.86%	-47.56%	11.50%
	Project NPV @ 11.50%		**0**					
	Project IRR At 5.5x		**11.50%**					
	Discounted Payback Year		**5**		0	0	0	5

	Terminal Value (12/31/05)				
5 Year Average EBITDA	$54,322	$54,322	$54,322	$54,322	$54,322
Times: EBITDA Multiple	4.5	5	5.5	6	6.5
Terminal Value	$244,447	$271,608	$298,769	$325,930	$353,091
Less: Terminal Value Liquidity Discount	$0	$0	$0	$0	$0
Less: Terminal Net Debt	($95,605)	($95,605)	($95,605)	($95,605)	($95,605)
Implied Term. Eq. Value	$148,843	$176,003	$203,164	$230,325	$257,486

Sources		US$	C$	Uses	US$	C$
				Acquire Equity	334,225	514,422
Beginning Cash Balance		0	0	Financing Fees	3,824	5,886
Debt	55%	191,210	294,300	WC Infusion	8,605	13,244
Equity	45%	156,444	240,791	Legal Fees	1,000	1,539
Total	100%	347,654	535,091	Total	347,654	535,091

EBITDA Multiple	Equity Component of Firm Value as of 12/31/00				
IRR	4.5	5	5.5	6	6.5
11.5%	$124,923	$140,684	$156,444	$172,205	$187,965
14%	$113,599	$127,706	$141,812	$155,919	$170,025
15%	$109,457	$122,961	$136,464	$149,968	$163,472
16%	$105,516	$118,448	$131,380	$144,311	$157,243
18%	$98,195	$110,067	$121,939	$133,812	$145,684

EBITDA Multiple	Firm Value as of 12/31/00				
IRR	4.5	5	5.5	6	6.5
11.5%	$ 316,133	$ 331,893	$ 347,654	$ 363,414	$ 379,175
14%	$ 304,809	$ 318,915	$ 333,022	$ 347,128	$ 361,235
15%	$ 300,666	$ 314,170	$ 327,674	$ 341,178	$ 354,681
16%	$ 296,726	$ 309,657	$ 322,589	$ 335,521	$ 348,452
18%	$ 289,404	$ 301,277	$ 313,149	$ 325,021	$ 336,893

Financial Comparison

Valuation	Crane	Canary	Crane & Canary	Canary High End	Crane & Canary High End
Firm Value ($'s in MM's)	$ 367.4	$ 322.7	$ 690.1	$ 347.6	$ 715.0
Leveraged after-tax IRR	17.3%	15.0%	16.2% *	11.5%	14.5% *
RAC IRR with 25% Terminal Value Discount	12.4%	9.1%	10.9% *	5.3%	8.9% *
NPV at 17% RAC Capital Price ($'s in MM's)	$ (32.0)	$ (37.5)	$ (69.5)	$ (56.8)	$ (88.8)
Capital Structure ($'s in MM's)					
Equity	$ 188.7	$ 145.2	$ 333.9	$ 156.4	$ 345.1
Debt	$ 178.7	$ 177.5	$ 356.2	$ 191.2	$ 369.9
Debt / Capital	48.6%	55.0%	51.6%	55.0%	51.7%
2001 EBIT ($'s in MM's)	$ 48.2	$ 55.2	$ 103.4	$ 53.3	$ 101.5
Firm Value / EBITDA (Industry Comps = 3.8x)					
2001 EBITDA Multiples	4.3x	4.1x	4.2x *	4.4x	4.3x *

* Weighted average of the Crane and Canary values based on firm value
Canary values are deterministic only and have not been fully reviewed by RAC

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ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Project Crane	Date DASH Completed: 12/03/00
Counterparty: Daishowa North America Corp.	RAC Analyst/Underwriter: Andre Cangucu/Karen Barbour
Business Unit: Enron Industrial Markets ("EIM")	Investment Type: Equity
Business Unit Originator: Bryan Burnett	Capital Funding Source(s): Balance Sheet
☐Public ☒Private	Expected Closing Date: 02/15/01
☐Merchant ☒Strategic	Expected Funding Date: 02/15/01
☒Conforming ☐Nonconforming	Board Approval: ☒Pending ☐Received ☐Denied ☐N/A

RAC Recommendation: ☐Proceed with Transaction ☒Returns below Capital Price ☐Do not Proceed

APPROVAL REQUESTED

- To purchase 100% of all the issued and outstanding shares of Daishowa Forest Products Ltd. ("DFPL") and Daishowa Sales Limited ("DSL").

Capital Commitment*1	$ 367.4 MM
Good Faith Deposit*2	$ 10.0 MM

*1: The amount may be subject to certain customary post-closing adjustments for balance sheet fluctuations.

*2: The amount and the terms under which EIM will agree to post such deposit are still under negotiation.

EXPOSURE SUMMARY

This transaction:	$367.4 MM
Total	$367.4 MM

DEAL DESCRIPTION

- Daishowa North America Corp. is a 100% owned subsidiary of Daishowa Paper Manufacturing Co. Ltd., ("Daishowa"), a large Japanese paper company. Daishowa and Nippon Paper are in the process of being merged. Daishowa desires to sell certain of its interests in its North American pulp and paper operations in order to comply with its banks' reques: to delever its balance sheet and concentrate on the combined Japanese operation.
- DFPL directly and indirectly, owns 100% equity interest in a paper mill in Quebec City, Canada, a sawmill in LeDuc, Canada (located in close proximity to Quebec City), and timberlands in Ste. Aurelie, Maine ("SAT"). The Quebec mill was constructed in 1927 and has been modernized throughout the years to produce uncoated groundwood (newsprint) and directory paper as well as paperboard, utilizing wood chips and recycled paper. The total paper production of 515,000 tonnes per year from the mill is comprised of 387,000 tonnes of newsprint, 83,000 tonnes of directory paper and 45,000 tonnes of paperboard. The newsprint production represents about 2.2%, or the 11th largest, of North America newsprint production.
- DSL, headquartered in Toronto, Canada, currently provides marketing services to the mill in conjunction with a US directory paper mill owned by a DFPL subsidiary located in Port Angeles, Washington, which will not be part of EIM's acquisition. The current employees of DSL that support the Quebec mill operation will remain after the acquisition.
- SAT currently supplies 16% of the mill's virgin fiber needs and represents an important part of the total fiber supply.
- The acquisition of the Quebec mill provides Enron Industrial Markets the necessary access to physical newsprint supplies in order to implement its commodity trading and risk management market marking strategies for pulp & paper products. The hold period of the asset investment will depend on the market response to such strategies, but it is not planned to be longer than five years from closing.
- Neither the technical nor the environmental due diligence performed by external consultants as well as Enron Industrial Market's in-house experts revealed material concerns.

TRANSACTION SOURCES AND USES OF FUNDS (US$ MM)

	Sources		Uses
Enron Equity	$188.7	Equity Acquisition	$360.0
Acquisition Debt	$178.7	FX Hedging Unwind Cost	4.6
		Fees & Expenses	2.8
Total	$367.4	Total	$367.4

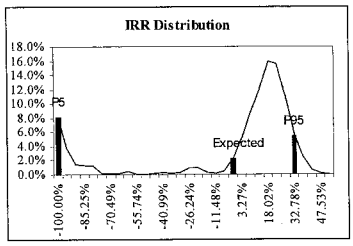
RETURN SUMMARY – including certain acquisition financing assumptions

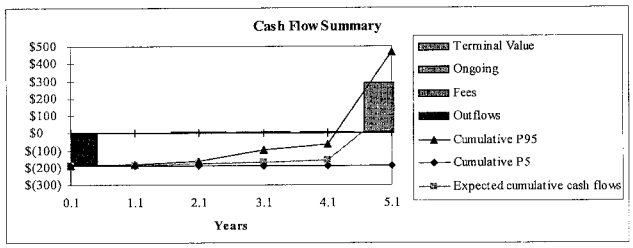
Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflows	($186)	-
Intermed. Cash Flows	$27	-38.31%
Terminal Value	$128	12.43%
Total NPV	**($32)**	**12.43%**

Capital Price Components	
Risk free rate (%):	6.10%
Equity/Credit premium (%):	2.31%
Country Premium (%):	0.00%
Transaction-Specific (%):	8.59%
RAC CAPITAL PRICE:	**17.00%**

Permanent Subcommittee on Investigations
EXHIBIT #384c

RAC Deal Approval Sheet **Deal Name: Project Crane**





TRANSACTION UPSIDES/OPTIONALITY

- This transaction will provide Enron Industrial Markets the necessary access to physical newsprint supply in order to implement its strategy in making a market in physical and financial commodity trading and risk management. The potential benefit from trading and derivative transactions have not been included in the purchase price financial analysis.

EXIT STRATEGY

- The investment's hold period will largely depend on the pace at which Enron Industrial Markets is able to implement its commodity trading and risk management strategies as described above without holding physical pulp and paper assets, but is not expected to be longer than five years from closing.

MILESTONES / CONDITIONS PRECEDENT

Events	Dates
Seller to provide satisfactory credit support for its obligation under the reps & warranties	Prior to closing
Conclusion of Share Purchase Agreement	By 12/31/2000
Investment Canada	45 days after SPA signing
Competition Act / Hart-Scott Rodino	30 days after SPA signing
Senior Management (see the Risk Matrix below)	Six months after closing
On-going monitoring of investment performance	TBD, at least monthly

RISK MATRIX

RISK	MITIGANT
Investment Valuation • The investment return is highly sensitive to newsprint price volatility. To the extent that the mill will be unable to achieve the forecasted sales price due to either general market volatility or unexpected customer reaction to the new ownership, EIM's return will be adversely impacted.	• EIM's trading desk will work closely with DSL to mitigate the price risks and customer relationship.
• The Port Angeles, Washington paper mill will be sold to another investor and is not a condition to the completion of Enron's transaction. The Quebec mill and the Port Angeles mill have been coordinating each mill's respective directory paper production to maximize the machine efficiencies and to achieve a market pricing dominance. The resolution of this production coordination with the new owner and the potential strategic direction of the Quebec mill's continuing production of directory paper may have a material impact on Enron's return on this investment.	• It is not anticipated that any modification of current practices will occur until at least 2003 as 2/3 of the current demands from directory paper from the Quebec mill are tied to customer supply contracts expiring in 2002. The remaining 1/3 of the sales are sole sourced from the Quebec mill. • To assure that no margin degradation arises due to EIM's lack of focus on directory paper, the same management and sales team will be kept in place. • EIM has arranged to meet with the potential purchaser of Port Angeles to coordinate the production and sales of directory paper from both mills.
Management Risks • The current mill management is deemed to be adequate for on-going operations. However, there may be a void in the strategic management, since EIM does not presently have personnel with executive management experience in the pulp and paper industry.	• The void in the strategic management is not deemed to warrant immediate concerns as the mill's operation management is experienced and adequate, coupled with the historically stable labor relationship and production. • As EIM continues to acquire paper & pulp assets to implement its business plans, it intends to hire senior management from the paper industry to provide the necessary strategic oversights.
Integration Risk • As paper & pulp mill operations is not core to Enron business, there exists the possibility that the integration of the mill operations as well as the corporate culture can be less effective or more costly than currently anticipated, thus reducing the benefit of the contemplated business plans.	• The mill integration will be managed by a central unit that oversaw the Garden State acquisition. • EIM plans to monitor the mill operations closely to provide an early warning of any problems.
Financing • The return analysis incorporates certain financing assumptions. No financing commitment has been obtained at this point.	• Global Finance will continue its efforts in arranging the financing arrangement as contemplated in the financial model.
Environmental Exposure • Discoveries of environmental issues subsequent to closing may create unexpected liabilities to the new owner. • Recourse to the seller will be limited to existing non-compliance matters and, matters not disclosed or identified prior to closing but discovered during the extended due diligence period post closing.	• The environmental evaluation performed by EIM's technical consultant did not indicate any material concerns. • EIM continues to negotiate with the seller to obtain market based coverage of post-closing discoveries of environmental liabilities, as well as the appropriate credit support of the seller's ability to meet such liabilities.

RAC Deal Approval Sheet **Deal Name: Project Crane**

KEY SUCCESS FACTORS

	NA	Poor				Excellent
Core Business		X				
Strategic Fit						X
Upside Potential						X
Management*note				X		
Risk Mitigation				X		

***note** The current management is deemed adequate for on-going operation. The need for the implementation of senior strategic management is currently being evaluated and will be put in place if necessary.

OTHER RAC COMMENTS:

- This acquisition is being considered for the strategic reasons of facilitating Enron Industrial Market's business plans. The acquisition multiple is within the recent market trend, though the transaction will not have the benefit of synergies commonly expected in acquisitions by or mergers with existing industry participants.
- The capital price, though higher than the historical equity return of paper & pulp industry, reflects the uncertainty of the timing and valuation of the investment upon liquidation, as well as the uncertainty regarding the expeditious execution of the planned debt financing strategy. This uncertainty may be mitigated through constant revaluation of the strategic fit of this investment within Enron Industrial Market's business plans and the subsequent corrective actions, if any, as well as the successful placement of the proposed acquisition financing, which is complicated by the unsettled nature of the high yield markets.
- RAC, recognizing this uncertainty and the potential capital at risk as the cost of implementing a strategic line of business, recommends this transaction except with respect to the direct return it provides. The indirect benefits of providing a catalyst to the pulp and paper trading and risk management business are difficult to quantify.

APPROVALS	Name	Signature	Date
Regional Management	Jeff McMahon		
Tax	Stephen Douglas		
Legal	Mark Haedicke		
RAC Management	Rick Buy/Dave Gorte		
Enron Global Finance	Andy Fastow/Ben Glisan		
ENE Management	Jeff Skilling		

RAC Deal Approval Sheet **Deal Name: Project Crane**

Global Finance Summary (addendum to DASH)

1. Transaction Summary:	Amount ($000)
Total Deal/Project Capital Commitment	$367,400
Less: Financing	-0-
Less: Syndication	-0-
Net Enron Investment	$367,400

2. Investment terms and pricing: ☒ Market o Above Market o Below Market

Describe (if necessary): See DASH

3. Financing terms and pricing: ☒ Market o Above Market o Below Market

Describe (if necessary):
Likely financing terms include:

Senior Debt[1]

- $US 45.9 million Senior Debt Tranche A at 12.5% of total Capitalization, L + 300, straight line amortization, five (5) year tenor.
- $US 45.9 million Senior Debt Tranche B at 12.5% of total Capitalization, L + 350, straight line amortization, five (5) year tenor.

Subordinated Debt[2]

- $US 86.8 million Sub–Debt at 23.6% of total Capitalization, 11%, bullet payment, 10 year tenor.[2]

Notes:
1- The two tranches of Senior Debt have a cash sweep of 50% of cash flow available after schedules debt payments
2- The sub-debt portion is contingent upon re-opening of the high-yield market. An alternative to the high-yield market would be institutional market (private placements) which would most likely increase pricing 100 to 150 basis points above the 11% with a 6 to 7 year tenor and 1% amortizing.

Likely financial covenants include:
- Dividend restriction of 50% of Net Income

4. Legal or practical liquidity restrictions: ☒ Unrestricted o Legally Restricted o Practically Restricted

Describe (if necessary):

5. Any recourse to Enron (other than investment): o Recourse ☒ No Recourse

Describe (if any):

6a. Business unit intent to syndicate: o None ☒ Partial (Equity) ☒ All (Debt)

Describe (if necessary):
Discussions with Citibank/Salomon and Chase to syndicate 100% of debt as described above. Discussions with Bain Capital and other 3rd party equity investors to syndicate 50% of equity. Enron plans on establishing a partnership that will be shared 50% by Enron and 50% by outside equity investors including Bain Capital. A structured finance alternative

would be a secondary source of funding for the 3rd party equity. Enron is contemplating closing the fund with Bain Capital and CALPERS and subsequently (after yearend) syndicating the remaining $200 million. We are confident that the deal will be on market terms as validated by the Bain Capital and CALPERS investments.

RAC Deal Approval Sheet **Deal Name: Project Crane**

6b. Intended Enron hold period:
Funding not expected until February 15. It is anticipated that 100% of debt would be syndicated prior to funding and 50% of equity dependant upon fund closing.

6c. Likely Syndication Market: o Industry/Strategic Partner ☒ Direct Private Equity

☒ Capital Markets o JEDI o JEDI 2
o Enserco

o LJM 1 or 2 o Condor o Margaux
☒ Other: Banks and Institutions for debt as described above

6d. Is this a JEDI 2 "Qualified Investment"? o Yes ☒ No

7. Business unit intent to hedge investment price risk (e.g., with Raptor)?

☒ None o Partial o All
Describe (if necessary):

Global Finance Representative: Doug Mcdowell
Signature Date

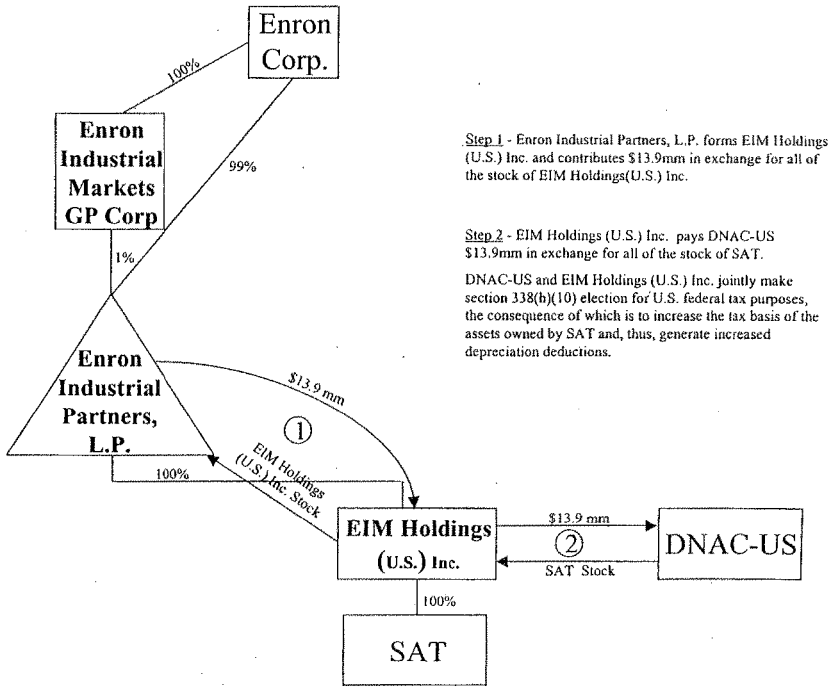
Global Finance Legal: Jordan Mintz
Signature Date

Draft - 1

Project Crane

Steps To Acquire SAT and DFPL and Post-Acquisition Undertakings

I. Acquisition of SAT



Step 1 - Enron Industrial Partners, L.P. forms EIM Holdings (U.S.) Inc. and contributes $13.9mm in exchange for all of the stock of EIM Holdings(U.S.) Inc.

Step 2 - EIM Holdings (U.S.) Inc. pays DNAC-US $13.9mm in exchange for all of the stock of SAT.

DNAC-US and EIM Holdings (U.S.) Inc. jointly make section 338(h)(10) election for U.S. federal tax purposes, the consequence of which is to increase the tax basis of the assets owned by SAT and, thus, generate increased depreciation deductions.

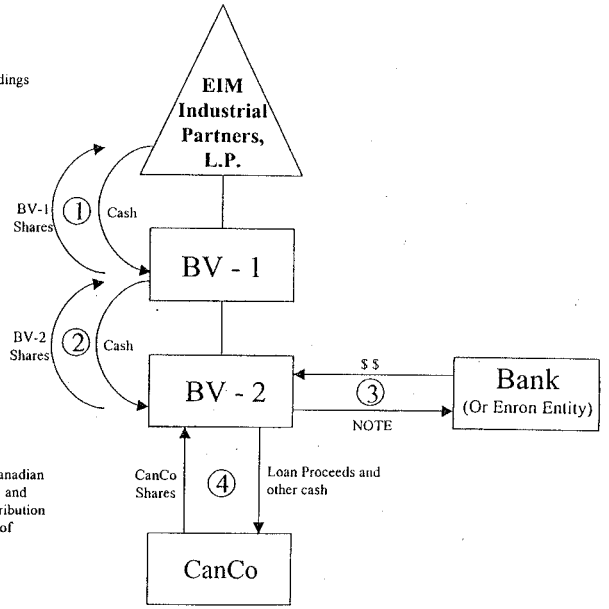
II. Acquisition of DFPL

Step 1 - EIM Industrial Partners, L.P. forms EIM Holdings I (Netherlands) BV ("BV-1") and contributes cash in exchange for all of the outstanding shares of BV-1.

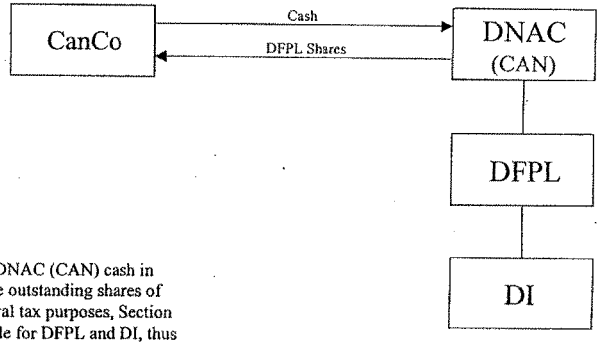
Step 2 - BV-1 forms EIM Holdings II (Netherlands) BV ("BV-2") and contributes cash in exchange for all of the outstanding shares of BV-2.

Step 3 - BV-2 borrows approximately $346 million from bank or a related Enron Entity.

Step 4 - BV- 2 forms EIM Holdings (Canada) Co., a Canadian Nova Scotia Unlimited Liability Company ("CanCo"), and contributes borrowed funds and remaining capital contribution to CanCo in exchange for all of the outstanding shares of CanCo.



II. Acquisition of DFPL - Cont'd



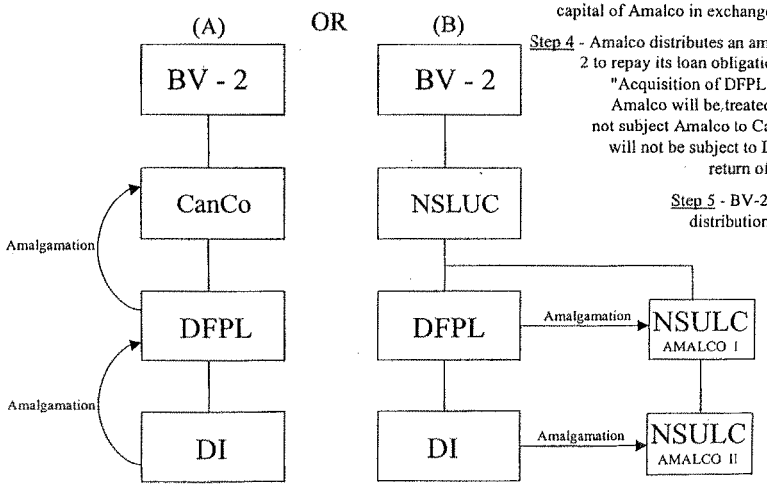
Step 5 - CanCo pays DNAC (CAN) cash in exchange for all of the outstanding shares of DFPL. For U.S. federal tax purposes, Section 338(g) election is made for DFPL and DI, thus increasing the tax basis of the assets owned by each of the two entities.

III. Post-Acquisition Undertakings for DFPL and DI

Step 1 - (A) DFPL and DI are amalgamated into CanCo, or (B) DFPL and DI amalgamate into two newly-formed Canadian Nova Scotia unlimited liability companies that are owned (directly & indirectly) by CanCo.

Step 2 - Canadian entity into which DI amalgamates ("Amalco") borrows an amount to offset (through the deduction of principal and interest payments) Amalco's taxable income during the term of the loan (i.e., 5years). This loan will equal 80% of the entire amount borrowed, and is described in more detail in _____. Enron Corp. will provide a support agreement to the lender on behalf of Amalco.

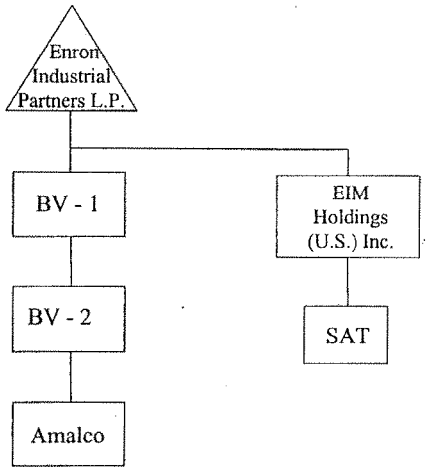
Step 3 - Enron Development Funding, a Netherlands entity, lends the remaining 20% of borrowings by Amalco to BV-1 which, in turn, contributes such amount to BV-2 as a capital contribution. BV-2 then contributes such amount to the capital of Amalco in exchange for additional Amalco shares.



Step 4 - Amalco distributes an amount to BV-2 sufficient for BV-2 to repay its loan obligation to Bank (as described on p.3- "Acquisition of DFPL ", Step 3). Such distribution by Amalco will be treated as a return of capital and, thus, not subject Amalco to Canadian tax. Furthermore, BV-2 will not be subject to Dutch tax upon the receipt of the return of capital distribution by Amalco.

Step 5 - BV-2 utilizes the amount received as a distribution from Amalco to pay off the debt incurred in Step 3 on p. 3.

IV. Method of Selling Enron Industrial Partners, L.P.'s Interest in Amalco and SAT



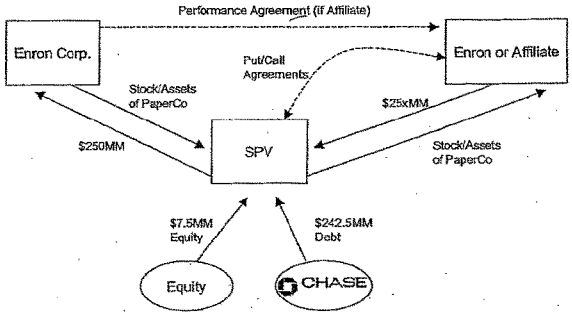
Purchaser will acquire shares of BV-2 from BV-1, and will acquire shares of SAT from EIM Holdings (U.S.) Inc. The tax consequences arising from such sales are as follows:

1. BV-1 will not be subject to any Dutch, Canadian or U.S. tax upon its sale of BV-2 shares to Purchaser.
2. EIM Holdings (U.S.) Inc. will be subject to U.S. federal & State income tax at a rate of approximately 38% upon its sale of SAT shares to Purchaser.

Project Boomerang

TRANSACTION OVERVIEW

Enron Corp. proposes to sell [the stock/assets associated with] its paper trading business ("PaperCo") to SPV, a special purpose vehicle capitalized with 97% debt / 3% equity, for $250 million on [November xx, 2000] (the "Sale Date"). SPV will enter into put and call arrangements with Enron or one of its affiliates which agreements will have exercise dates (the "Exercise Dates") two weeks after the Sale Date. The put and call arrangements will entitle SPV to put PaperCo to Enron or its affiliate and for Enron or its affiliate to call PaperCo from SPV for [$25x million]. See diagram below.



ENRON CORP.

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 transportation of natural gas through pipelines to markets throughout the United States; the generation and transmission of electricity; 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 worldwide. As of December 31, 1998, Enron employed approximately 17,800 persons.

Enron's operations are classified into the following business segments:

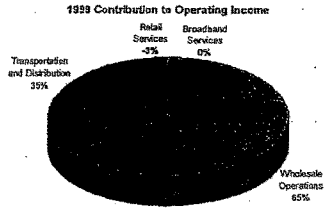
Wholesale Energy Operations and Services engages primarily in the trade and marketing of natural gas, electricity, and other energy sources and risk management products in North America and Europe, as well as energy asset investments worldwide.

Transportation and Distribution operations engage in the transmission of natural gas across the Company's nine major pipelines and the generation and distribution of electricity.

Retail Energy Services engages in the sale of natural gas and electricity directly to end-use customers, particularly in the commercial and industrial sectors, including the outsourcing of energy-related activities.

Broadband Services was recently developed to establish a communications bandwidth trading market.

During 1999, Enron generated revenues of $40 billion and income before interest and taxes (IBIT) of approximately $1.9 Billion. The following chart shows the breakdown of Enron's 1999 operating income and the contribution from each of its business segments:



PUT AND CALL AGREEMENTS

The put and call agreements between SPV and Enron will give SPV the right to "put" and Enron the right to "call" PaperCo for **[the lesser of fair market value or]** $25x million. The put/call counterparty with the SPV with be either Enron or one of its affiliate. Regardless, the credit risk will be Enron Corp. as Enron will guarantee the performance of any affiliate which is the counterparty.

INVESTOR YIELD

It is currently envisioned the investor yield will be paid upfront in the form of a net purchase/sales price for the call/put instruments. At the exercise date, SPV will receive in excess of $250 million in connection with the transfer of PaperCo to Enron. These proceeds will be used to first pay interest on the Chase debt (x% for two weeks), any Enron PaperCo Management Fee (see below) and the remainder ($250 million) will constitute a return of principal to the equity investors.

SPV

SPV will be formed as a Limited Liability Company and thus tax liabilities will flow through to the individual equity holders. All documentation associated with the transaction will be drafted by Vinson & Elkins, LLP (Enron's counsel) and reviewed by [Bracewell and Patterson, LLP], counsel to Chase and the equity participants. All legal costs will be assumed by Enron.

ENRON SUPPORT

As part of the initial sale of PaperCo to SPV, Enron will indemnify SPV for any liabilities incurred by PaperCo up to the Sale Date. Enron will enter into a [tenor] management agreement with SPV whereby Enron will manage PaperCo for a non-refundable [$xxx,xxx], payable on the Exercise Date. Pursuant to the put and call agreements, the effective date of the sale to Enron will be the Sale Date, so all income and liabilities incurred between the Sale Date and the Exercise Date will revert to Enron. This arrangement would effectively "unwind" the original sale. Enron will either be the counterparty or guarantee the performance of the Enron Affiliate counterparty under the put/call agreements.

Robert Traband 11/01/2000 07:58 AM

To: Richard S. Walker/CHASE@CHASE, George Serice/CHASE@CHASE
cc: Josh Rogers/CHASE@CHASE
Subject: Re: Project Boomerang

FYI: Gary and I will call Chris today.

---------- Forwarded by Robert Traband/CHASE on 11/01/2000 08:04 AM ----------

Gary K. Wright
10/31/2000 06:55 PM

To: Robert Traband/CHASE@CHASE
cc:
Subject: Re: Project Boomerang

This looks like a good creative solution. You have my support. Let's call Chris.
Robert Traband 10/31/2000 04:41 PM

Robert Traband 10/31/2000 04:41 PM

To: Gary K. Wright/CHASE@CHASE
cc:
Subject: Project Boomerang

Gary,

Wanted to get your thoughts on the following. I think what we would like to try to do is define fair market value in such a way that it always turns out to be equal to the value at which the SPE purchased the business. In order to do that, we would utilize the definition below. This will do two things for us: 1) EBITDA won't change because we won't cross a statement date. 2) Comparable transaction will be so narrowly defined that the only comp. will be the sale of this business to SPE. Therefore EBITDA will be the same and the multiple will be the same, making the value the same. Even if there are counter party defaults, outside events, rogue traders, etc., the value as defined in the definition of FMV won't change.

---------- Forwarded by Robert Traband/CHASE on 10/31/2000 04:40 PM ----------

Robert Traband 10/31/2000 04:34 PM

To: HAYEWJ@bracepatt.com
cc: Richard S. Walker/CHASE@CHASE, George Serice/CHASE@CHASE
Subject: Project Boomerang

Bill,

FOIA Confidential Treatment Requested by JPMC

SENATE
ANNA - 01186

Permanent Subcommittee on Investigations
EXHIBIT #384f

PSI00420406

We have agreed that the first step to completing this transaction is to find a mutually agreeable definition of Fair Market Value. The Enron accountant did not seem to have a problem with a very narrow definition of comparable transactions. If you could help us draft a legal definition of the following concept:

FMV = Trailing four quarters EBITDA x Comparable transaction multiple.

Comparable transactions defined as pulp and paper trading portfolios or books composed solely (primarily?) of financial trades, that have been sold as a going concern within the last [60 days], limited to those transactions with a value between [$100 million and $300 million.]

FASB Statement No. 125

"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"

Statement 125

- What is the purpose of Statement 125?
- What is a Financial Asset?
- Typical Structure
- What criteria must be met?
- How to achieve criteria?
- What are the results?
- Proposed Amendment of Statement 125

Statement 125
What is the Purpose?

Overall concept

- Remove financial assets from balance sheet and recognize gain and loss…
  - When control of asset(s) are surrendered
  - To the extent proceeds are not simply beneficial interests in the transferred assets received in return
- Introduces a new concept focused on control (not risks and rewards)
- Account for all other transfers as borrowings collateralized by the transferred assets (Debt)

Statement 125
What is a Financial Asset?

Financial assets include:

- Cash
- Ownership in an unconsolidated entity
  (Purchaser can only be an SPE, not a QSPE)
- A contract (for example, a loan or capital lease) that conveys contractual right to:
  - Receive cash or another financial asset
  - Exchange a financial asset on potentially favorable terms

Statement 125
What is a Financial Asset?

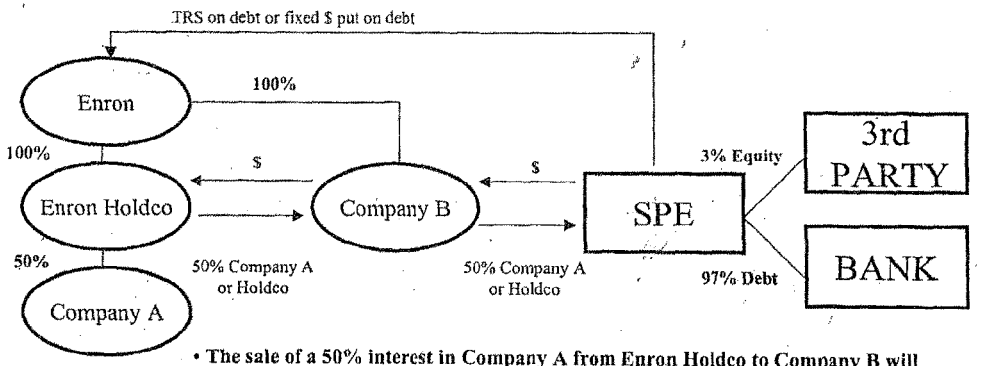
Financial assets do not include:

- Operating leases
- Unguaranteed lease residuals
- Real estate (or equity method investments that are in substance the sale of real estate)
- Stranded utility assets
- Unrecognized financial assets (i.e., emission allowances)

Statement 125
What transactions are covered?

- Sales and securitizations of financial assets
- Extinguishments of liabilities
- Related issues (securities lending transactions, servicing of financial assets, and so on)

Typical Structure



- **The sale of a 50% interest in Company A from Enron Holdco to Company B will be a sale and not an issuance and requires a true sale/deconsolidation opinion from the attorneys.**
- **The issuance of 100% of the Enron Holdco shares (which includes the ownership of Company A) to Company B will be an issuance and will require an issuance /deconsolidation opinion from the attorneys.**
- **The put can have a specified exercise date or open exercise option as long as the SPE can't exercise it in the first 6 months.**
- **The put can only be on the debt capital of the SPE to achieve nonconsolidation (see SPE presentation).**

Statement 125
What criteria must be met?

Control concept

- Legal isolation of asset from seller (bankruptcy remote)
- Freedom of buyer to pledge or sell asset
- No right and obligation of seller to repurchase

Statement 125
What criteria must be met?

Control concept, continued

- Control (and thus, derecognition) doesn't ride on risks or rewards
- If control has passed, sale accounting involves recording any new or retained rights or obligations (beneficial interests, recourse, swaps, and so on)

Statement 125
How to achieve criteria?

Pure application of rules

- Buyer must be a bankruptcy remote entity
- Obtain legal sale/issuance opinion, including deconsolidation language from outside attorneys
- Relinquish control to buyer
- If gain on transaction is contemplated, Enron hurdle is that transaction must be supported by third party cash flows or have viable economic purpose

Statement 125
What are the results?

Sale accounting results in:

- Getting transferred assets off the balance sheet
- Putting cash proceeds (an asset) on the balance sheet
- Recognizing a gain or loss on transferred interests
- Considering any recourse for future credit losses as part of determining the gain or loss on the transfer

Statement 125
What are the results?

Borrowing accounting results in:

- Keeping the transferred assets on the balance sheet
- Putting cash proceeds (an asset) on the balance sheet
- Recognizing the obligation to return proceeds (a liability) on the balance sheet
- Continuing to recognize incurred credit losses on the transferred assets

Amendment of Statement 125

Transfers of Financial Assets Exposure Draft

- Exposure draft issued 6/99
- Effective for transactions after 12/31/00
- Disclosures required for fiscal years ending after 12/15/00
- Final statement second quarter 2000

Amendment of Statement 125

- Clarifies criteria for relinquishing control. Must meet all of the following:
  a. Assets must be isolated from the transfer and its creditors
  b. If transferee is a QSPE,
     1. Equity holders of QSPE must have right to pledge or exchange those interests
     2. Transferor can't unilaterally cause the transferor to return specific assets
     3. Sale accounting is precluded if transferor can reclaim transferred assets of termination of the QSPE and if the transferor holds the beneficial interest in the transferred assets.

Amendment of Statement 125

Clarifies criteria for relinquishing control. Must meet all of the following: (cond't)

a) This will preclude sale accounting if transferor can reclaim assets thru auction if the transferor held the the residual interest in the QSPE. This effectively eliminates our "Fair Value" out.

c. If transferee is a SPE,
   1. SPE has right to pledge or exchange assets
   2. Transferor does not have the ability thru a call option to repurchase the assets

Amendment of Statement 125

- Clarifies the effect of constraints on the transferee's right to pledge or exchange transferred assets.
  a. Constraint will now preclude sale treatment only if the transferor benefits from it.
- Removes existing provision to FAS 125 that explicitly prohibits sale treatment if the transferor has a right to repurchase assets that are not readily obtainable.
  a. This does not now allow a call option, however. Intent is to not differentiate between assets that are or are not readily obtainable.

Amendment of Statement 125

- Establishes new conditions for an entity to be a QSPE.
  a. Having a standing at law depends in part on the nature of the SPE
  b. The powers of the SPE must limited to:
     1. Holding title to the transferred assets
     2. Issuing beneficial interests
     3. Collecting cash proceeds
     4. Distributing cash proceeds to equity holders
  c. Beneficial Interest Holders may have the ability to change the powers of the SPE
  d. A QSPE may hold nonfinancial assets only temporarily
  e. A QSPE may sell of distribute assets only upon certain circumstances and dates

Amendment of Statement 125
Disclosure Requirements

- Required disclosures by asset type:
  a. policies and key assumptions for initial and subsequent measurement of the fair value of retained interest (quoted market price, valuation techniques, etc.)
  b. description of forms of continuing involvement (including recourse and restriction on retained interests)
  c. cash proceeds and gain on loss on sale
  d. sensitivity analysis showing effect on fair value of retained interest of two or more unfavorable variations from the expected case

Update on FASB 140

Transfers of Financial Assets & Extinguishment of Liabilities

Alan Quaintance
July 2001

Outline

1. The Auction
2. Transfer Restrictions
3. Other Changes to Hawaii Structure
4. New Legal Opinion Requirements
5. Can We Use QSPEs?
6. Definition of Financial Asset
7. Equity Interests

572

The Auction

1. Statement 140 prohibits the Transferor from participating in the auction process if the Transferor holds the residual interest in the transferred assets.

2. Enron removed from auction process in current deals.

3. Enron can't have a unilateral right to buy asset back.
   - An auction will be held only if the Equity directs the Independent Auctioneer to do so.
   - If Enron elects not to exercise its right of first offer, then B interest is sold without any restrictions on Enron competitors.

Transfer Restrictions

1. Transfer restrictions cannot provide more than a trivial benefit to Enron.

2. In Hawaii structure, B interest is freely transferable. Only restriction is on Enron competitor. Also subject to right of first refusal.

3. Transfer restrictions on Asset in Asset LLC (If (1) auction election, (2) no exercise of right of first offer, and (3) failed auction, then B Interest holder may force Asset LLC to sell underlying asset.)

Other Changes to Hawaii Structure In Transition to 140

1. Put/ Demand Note at Asset LLC removed.

2. The residual interest in the Trust's waterfall is transferred from the Sponsor to the Equity Holder.

3. The Trust's unilateral ability to terminate the total return swap is eliminated.

Other Changes to Hawaii Structure In Transition to 140 (cont)

4. Enron as counterparty to the swap will receive payment in the event of any sale of the Class B interest or the Asset. (Not just on successful auction.)

5. ENA Certificate is required stating that total return swap can be entered into in the market.

New Legal Opinion Requirements

1. There is no longer a difference between the opinions we will get from A&K and the ones we will get from V&E. True sale opinions, not "true issuances", are required for all transfers.

2. Substantive consolidation opinion is now required at the Trust level.

3. Transferee must have at least 3% outside equity if a total return swap is involved in the transaction.

New Legal Opinion Requirements

4. The total return swap cannot run back to the Sponsor.

5. The total return swap should be with ENA because ENA is in the business of entering into derivative transactions. In some instances, ENE may enter into total return swap when ENA is the Sponsor of the transaction.

Can We Use QSPEs?

1. If a total return swap is used, then we can't get the required legal opinion if a QSPE is used. Attorneys will require at least 3% equity if Enron is wrapping "all risks" of the entity in order to give a true sale opinion.

2. If there is some risk transfer, then attorneys should be able to conclude that QSPE is ok.

3. QSPE's **cannot** purchase derivatives as the underlying financial asset in a transaction.

Can We Use QSPEs?

4. QSPE's can enter into a derivative only if the derivative is passive and pertains to the beneficial interests of the QSPE. Specifically:

   a. It must be entered into at the same time the QSPE purchases a financial asset or issues beneficial interests.

   b. The notional amount cannot exceed the amount of the beneficial interests issued by the QSPE.

   c. The derivative must have characteristics that relate to and counteract some risk associated with those beneficial interests or the related transferred assets.

Definition of Financial Asset

1. All transfers of derivatives subject to FAS 133 are accounted for under FAS 140. Both the transfer of a financial asset and the extinguishment of a liability tests must be met. (EITF 99-8)

2. Transfers of mark-to-market assets, accounted for under EITF 98-10, are not financial assets and are not accounted for under FAS 140.

Are Equity Interests Financial Assets? (Look Through Concept)

1. FIN 43 – requires a look through if the underlying assets of the entity are "in substance real estate". (Rule of Thumb is 50% or more.)

2. If the entity is not a substantive business, then a look through is applied. If there are any assets which are not financial assets, then FASB 140 is not the applicable sale standard for the transaction. (Consultation with Enron's J.V. Accounting Committee is required for any transaction.)

What is the definition of a "Business"?

A business is an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors.

1. Inputs – long lived assets, intangibles and employees
2. Processes – strategic and resource management and operational processes
3. Outputs – access to customers

(EITF 98-3 and Topic D-81)

To: Carl E. Bass@ANDERSEN WO
CC: John E. Stewart@ANDERSEN WO; Debra A. Cash@ANDERSEN WO; Patricia S. Grutzmacher@ANDERSEN WO; Clint Carlin@ANDERSEN WO; James J. Brown@ANDERSEN WO; James F. Green@ANDERSEN WO
BCC:
Date: 11/30/1999 12:11 PM
From: Michael K. Patrick
Subject: Re: Total Return Swaps
Attachments:

A couple of points:

1: What if the SPE issue 100% equity certificates that were legal equity in form and substance to two third parties. One party received 97% of the equity certificates and the other received 3% of the equity certifcates. At this point the two owners share pro-rata in the gains/losses of the SPE. The party that holds 97% of the equity certificates enters into a total return swap with Enron. The 3% party remains unhedged.

Does Enron consolidate?

2: Are we saying an SPE can never mitigate some of its risk because it indirectly protects the equity holder? No more insurance contracts, interest rate swaps, commodity price swaps, etc.. I guess these would be o.k. if you somehow structured it where the equity holder would not benefit from these hedges or the equity holder put in more than 3% to compensate for the hedges. On our prepays the SPE always hedges 97% of the price risk with a third party who then does a back-end swap with Enron.

Deb asked me to set up a time when we could talk to you and John about this issue. Let me know a time that is convenient.

To: Michael K. Patrick@ANDERSEN WO
cc: John E. Stewart@ANDERSEN WO
Date: 11/30/99 11:52 AM
From: Carl E. Bass, Houston, 237 / 2314
Subject:Re: Total Return Swaps

John checked his notes from the famous Armando speech and phone call around the time of the Sutton Bridge transaction. You are correct in that the SEC at that time accepted pro rata loss (i.e., 97% of the 3%) as opposed to first loss (i.e., the entire 3%) for a particular registrant matter that they were dealing with. Subsequently, we inquired of the SEC staff in October 1999 whether that is still their policy. They no longer like that answer. In fact, we do not know whether they like the first loss approach, but we know that they do not like the pro rata loss. In effect, under the pro rata loss the entire 3% is not at risk which would be a problem under EITF 90-15 and D-66.

Our advice is to update your client on this recent change in attitude at the SEC staff and have them structure the total return swap or debt guarantee so that the residual equity owner of the SPE has first loss.

To: John E. Stewart@ANDERSEN WO, Carl E. Bass@ANDERSEN WO
cc:
Date: 11/30/99 09:26 AM
From: Michael K. Patrick, Houston, 237 / 2303

Subject:Total Return Swaps

We wanted to confirm our thinking related to the use of total return swaps with SPE's in SFAS 125 transactions.

Facts:

Enron is selling an equity method investment, that has a FMV of $10 million.
Because a QSPE's can not hold equity method investments, Enron will transfer the investment to an SPE.
The SPE will be capitalized with $300,000 equity (3%) and $9.7 million of debt (97%).
The SPE will enter into a total return swap with Enron where, upon settlement, the SPE will pay Enron 97% of the FMV of the investment as of that date and Enron will pay SPE $9.7 million (representing 97% of the FMV of the investment on day 1)

Issue:

Is the equity holder meet the at risk requirements of EITF 90-15 and D-14 given the TRS?

Discussion:

Interpretation 26-3 of our SFAS 125 Interpretations considers a situation where an SPE swaps out 100% of its risk. In this instance the SEC Staff concluded that the SPE must be consolidated because the equity holder did not have the requisite 3% at risk. It also states, "had the total return swap resulted in the retention by the transferor of 97% of the risks and rewards, sale accounting and nonconsolidation would have been appropriate."

Based on 26-3 this structure should work because Enron retains only 97% of the risk and rewards of the investment while the equity holder has 3%, e.g., a $1 million loss in value of the investment results in ENE losing $970,000 and the equity investor losing $30,000. However, in comparing this structure to a debt guarantee structure ENE has done in the past, you get different result.

We have thrown out the term "97% total return swap", but to my knowledge we have not done one of those yet. Instead, Enron typically does a guarantee directly with the debt holder, with no benefit going to the equity holder. We were initially thinking that a 97% TRS should not provide any more protection to the equity holder as a guarantee would. But the above structure does. Unlike a guarantee, the above 97% total return swap, as the case with any risk management instrument done by the SPE, will indirectly benefit the equity holder. In a scenario where Enron did a debt guarantee in the above structure instead of a TRS, Enron would make a payment to the bank to keep them whole but the equity holder would lose its entire investment instead of only $30,000.

To summarize the effect of both structures: While the effect of the 97% TRS exposes the equity holder to its pro-rata share (3%) of the changes in the asset value and is effectively pari per su with Enron has the TRS counterparty, the gurantee structure exposes the equity holder to the risk of first loss, that is, 100% of the changes in value of the asset (its capital being a floor for losses).

I guess the fundamental question is can an SPE hedge 97% of its risk, which I

think we have answered YES to in the past, but I wanted to make sure everyone knew that a 97% TRS(as outlined above) is not equal to a guarantee of debt representing 97% of the SPE's capital.

I look forward to any comments you might have.

Walden, Clint

From: kimberly r.scardino@us andersen.com
Sent: Tuesday, September 18, 2001 10 34 AM
To: Walden, Clint
Subject: Hawaii

Background of Project Hawaii 1...

I am trying to document these series-to-series and trust-to-trust transactions Please review what I have to make sure you agree. Also, please embellish upon the steps that are taken in the series-to-series and trust-to-trust transactions. Thanks!

(See attached file: Background of Project Hawaii 125.doc)

Background of Project Hawaii 125-O

Project Hawaii 125-O involved the creation of two Delaware business trusts, Hawaii I 125-O and Hawaii II 125-O, each capitalized partially with equity from CIBC, Inc. ("CIBC") and administered by Wilmington Trust Company. Each of Hawaii I 125-O and Hawaii II 125-O then entered into a multiple advance revolving facility with a syndicate of lenders including an affiliate of CIBC (the Lenders) Hawaii I 125-O's revolving facility draw downs have a term of 18 months and Hawaii II 125-O's revolving facility draw downs have a term of 24 months. Other than the terms of the draw downs, the purpose and activities of the Hawaii I 125-O and Hawaii II 125-O (together referred to as the Trust) are identical. As draws on the revolver are made to acquire certain permitted investments, the Trust will create a separate series within the Trust (i.e., similar to a division) where the permitted investment will be domiciled. This separation will facilitate specific identification of individual permitted investments, their individual performance and the corresponding debt and equity tranches. Each series' waterfall of cash received from its permitted investment is paid first to the Lenders in satisfaction of the applicable debt tranche, second to the equity holder for its applicable return of and on its capital.

The purpose of the Trust is to provide for the securitization of financial assets, currently or prospectively owned by Enron Corp. ("Enron") or one of its subsidiaries or majority owned affiliates, that would result in a sale for financial accounting purposes under SFAS 140. Enron or one of its subsidiaries will enter into a total return swap ("TRS") with the Trust, documented under a master ISDA swap agreement. The notional amount of the swap is always equal to the amount of the debt tranche of the applicable series. Separate swap confirmations will be issued for each permitted investment.

Series-to-series transfers take place in circumstances where the asset has appreciated in value. A new series will purchase the asset from the old series at the appreciated value. The cash received by the old series will pay off its debt and equity with the remainder going to Enron through the TRS. This effectively monetizes Enron's in-the-money TRS. These transfers result in a revised tenor for the deal, a revised purchase price (i.e. revised debt and equity amounts) and a revised notional amount of the TRS.

Trust-to-trust transfers take place in circumstances where the goal is to revise only the tenor of the deal. As mentioned previously, Hawaii I 125-O series' debt have a term of 18 months and Hawaii II 125-O series' debt have a term of 24 months. These transfers result in a revised tenor for the debt, equity and TRS.

Walden, Clint

From: kimberly.r scardino@us andersen.com
Sent: Wednesday, September 19, 2001 10 02 AM
To: Walden, Clint
Cc: don holley@us.andersen com
Subject: SFAS 140 structure clarification

I am writing this down so there is no confusion about our current thoughts:

We have all agreed in the past that there are two transfers that must be considered in the structure. One is the transfer of the B-share from Asset LLC to the Trust, which has been a focus forever and is the one with which everyone feels comfortable.

The other is the transfer of the financial asset from Enron Sub to Asset LLC, which is a newer concept and is the one with which not everyone is comfortable Specifically, the concern arises when analyzing this transfer's compliance with para. 9b of SFAS 140. Subsequent to the B-share issuance, it becomes difficult to say that the financial asset can be freely pledged or exchanged by the transferee (Asset LLC) without constraints imposed by the transferor (Enron Sub).

Therefore, we do think that you need to give the B-share member in Asset LLC (the Trust) the right to pledge or exchange (they have to have the ability to do one, but do not have to have the ability to do both) the financial asset at any time, subject to consent by the A-share member (Enron Sub), which shall not be unreasonably withheld.

Subject to the partners' final conclusions, I believe we would request (1) that you represent that giving such rights to the B-share members would not present any commercial issues for the company in the deals scheduled to close imminently and (2) that these enhanced B-share rights are reflected in all future deals.

I have meetings until mid-afternoon. I will call you then or you can call Sabrina (x66235) if you would like to schedule some time to get together later.

ENRON

Interoffice Memorandum

To: The Files

From: Transaction Accounting

Department:

Subject: Hawaii Structure Summary

Date: December 11, 2001

Purpose

The purpose of this memo is to provide a summary of the deals monetized in the Hawaii structured vehicle. Please refer to the individual deal memos for specifics related to each transaction.

Background

Hawaii is a structured finance vehicle formed for the purpose of providing Enron the ability to quickly and efficiently monetize various financial assets in accordance with SFAS 125/140. Hawaii consists of two master vehicles. Hawaii I is a nine-month facility and Hawaii II is a two-year facility. Hawaii I has total capacity of approximately $171 million and Hawaii II has total capacity of approximately $399 million.

Assets are monetized in each vehicle by setting up separate series trusts. Each series trust (SPE) is independent of the other and is capitalized seperately with 97% debt and 3% equity.

SPE Criteria

Hawaii i and II are each capitalized 97/3 in separate series trusts. CIBC is the equity provider in each instance and a syndicate of banks provides the debt. As such , no related party entities are used in either of these vehicles. See individual deal memos for specific SPE criteria.

Total Return Swaps

Each separate series trust in Hawaii I and Hawaii II have total return swaps that provide an effective guarantee to the debt holders. The equity holders are not protected.

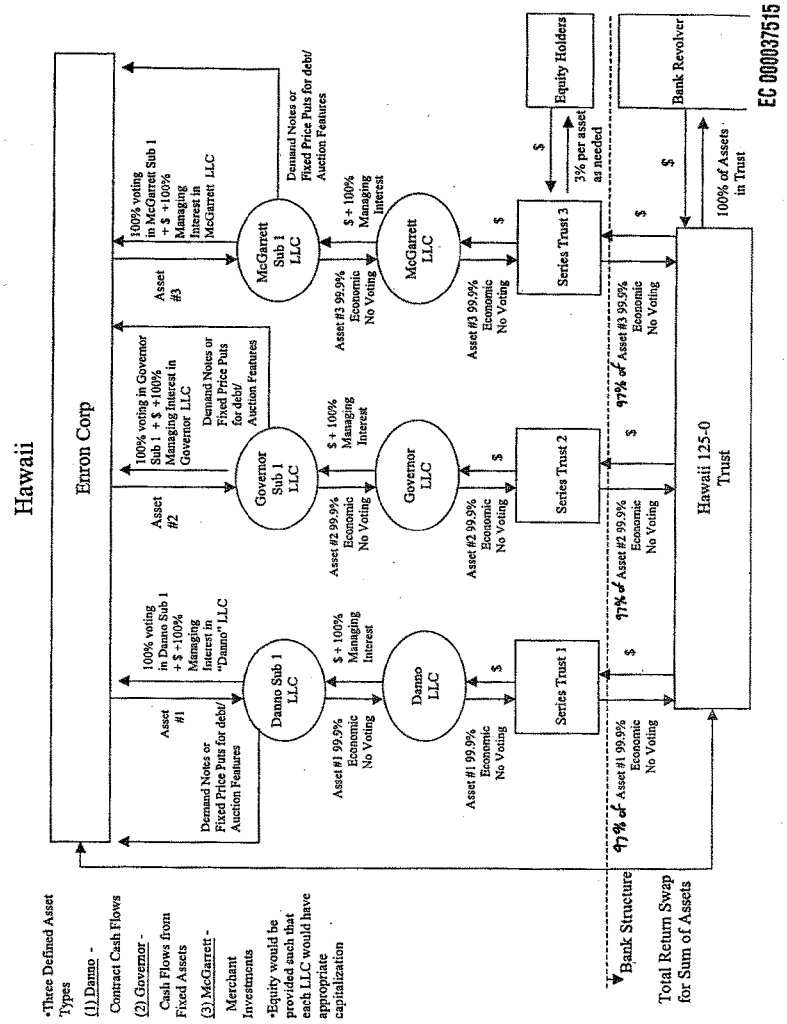
Summary of Deals

See the attached spreadsheet for a listing of all deals that were monetized through Hawaii. For more information and specifics related to gains and funds flow, see the individual deal memos.

EC 000037513

Hawaii Vehicle
Asset Tranche Summary

Tranche	Name	Date	Transfer	Sales Price	Debt	Equity
McGarret A	NPW Warrants	03/31/2000	G	$ 20,000,000	$ 18,023,750	$ 1,976,250
McGarret B	NPW Warrants	06/30/2000	D	$ 25,000,200	$ 24,230,194	$ 770,006
McGarret C	NPW Warrants	11/20/2000	Q	$ 30,011,850	$ 29,111,495	$ 900,355
McGarret D	NPW Warrants	11/20/2000	R	$ 90,925,650	$ 86,971,504	$ 3,954,146
McGarret E	Owens Corning	06/15/2000	SOLD	$ 11,428,560	$ 11,085,703	$ 342,857
McGarret F	Riva	12/07/2000	O	$ 51,800,000	$ 48,562,016	$ 3,237,984
McGarret G	NPW Warrants	12/14/2000	P	$ 46,519,000	$ 44,474,276	$ 2,044,724
McGarret H	Blockbuster	12/22/2000	I	$ 57,042,249	$ 55,329,482	$ 1,712,767
McGarret I	EBS Content Systems	03/29/2001		$ 115,192,873	$ 111,725,587	$ 3,467,286
McGarret J	Eli Lily	06/14/2001		$ 38,000,000	$ 36,850,000	$ 1,150,000
McGarret K	CGAS	03/29/2001	T	$ 31,216,721	$ 30,270,219	$ 946,502
McGarret L	Tahiti I	03/29/2001		$ 30,000,000	$ 29,100,000	$ 900,000
McGarret M	Tahiti II	06/22/2001	U	$ 20,000,000	$ 19,390,000	$ 610,000
McGarret N	Hanover	06/28/2001	SOLD	$ 70,000,020	$ 67,890,019	$ 2,110,001
McGarret O	Riva	09/07/2001	V	$ 52,169,670	$ 49,564,144	$ 2,605,526
McGarret P	NPW Warrants	09/07/2001	S	$ 46,746,476	$ 44,474,276	$ 2,272,200
McGarret Q	NPW Warrants	10/19/2001		$ 30,143,527	$ 29,191,366	$ 952,161
McGarret R	NPW Warrants	10/19/2001		$ 91,503,944	$ 88,766,174	$ 2,737,770
McGarret S	NPW Warrants	10/19/2001		$ 46,784,346	$ 44,474,276	$ 2,310,070
McGarret T	CGAS	10/19/2001		$ 31,296,385	$ 28,804,767	$ 2,491,618
McGarret U	Tahiti II	10/19/2001		$ 20,029,250	$ 19,419,250	$ 610,000
McGarret V	Riva	10/19/2001		$ 52,213,095	$ 48,098,694	$ 4,114,401



EC 000037515

Enron Corp.
Pre-Tax Earnings Analysis of SFAS 140's 1998-2001*
($MM)

Origination Date	Deal Name	Gain/(Loss) 1998	Gain/(Loss) 1999	Gain/(Loss) 2000	Gain/(Loss) 2001 Q1&Q2	Gain/(Loss) 2001 Q3	Grand Total
2001	Hanover				-		-
2001	CGAS (H2)				-		-
2001	Tahiti 1 (H2)				30	(30)	-
2001	Tahiti 2 (H2)				20	(20)	-
2001	Service Co.					19	19
2001	EOTT					10	10
2001	ETOL III				40 (c)		40
2001	Eli Lily (H2)				33		33
2000	TNPC (H1)			47 (a)		(26)	21
2000	TNPC (H1)			91 (b)		(65)	26
2000	TNPC (H1)			30		(21)	9
2000	RIVA (H2)			37			37
2000	EBSCS (H2)			53	57	(110)	-
2000	Avici			-		(30)	(30)
2000	Cerberus			-			-
2000	Bacchus/Networks			112			112
2000	Iguana/Mariner/ECP			-			-
2000	Discovery/First World			-			-
2000	ETOL I,II			104 (c)	20 (c)		124
1999	Sarlux 2		38				38
1999	Trakya 2		57				57
1999	Riverside 5		2				2
1999	Ghost		-				-
1999	Piti Power Guam		14				14
1999	Alchemy		11				11
1999	Blackbird		8				8
1999	Sutton Bridge 2		39				39
1999	Rock		27				27
1998	Sarlux/Trakya 1	200					200
1998	Riverside 3	58					58
1998	Riverside 4	28					28
1998	Bammel Looper	27	10				37
1998	Mid Texas	40					40
1998	American Coal	5					5
1998	Powder/Wind River	28	32				60
1998	Churchill	167					167
1998	Northern Borders	49					49
	Total 125/140	$ 602	$ 238	$ 474	$ 200	$ (273)	1,241
	Enron IBIT (d)	$ 1,582	$ 1,995	$ 2,482	$ 1,588	$ (633) (e)	

(a) $20M gain on initial securitization. $26M income through TRS. Additional value monetized in 2000.
(b) $25M gain on initial securitization. $66M income through TRS. Additional value monetized in 2000.
(c) The MTM of the TRS in 4Q2000 of GBP 9M and GBP 10M in 2001 has not been reflected on this schedule.
(d) Income Before Interest, Minority Interests and Income Taxes
(e) Enron IBIT includes non-recurring items.
H1 = Hawaii 1
H2 = Hawaii 2
*All gains are represented net of any current period losses

From: Sherman, Cris
Sent: Wednesday, May 16, 2001 10:20 AM
To: Quaintance Jr., Alan
Subject: FW: Offshore Double Lease Accounting Treatment

FYI

-----Original Message-----
From: Druzbik, Lisa
Sent: Tuesday, May 15, 2001 6:00 PM
To: Byargeon, W. Tom; Loch, Ken; Miller, Kevin; Taylor, Sarah; Hinze, Ryan
Cc: Mrha, Jean; Sherman, Cris
Subject: Offshore Double Lease Accounting Treatment

Team,
FYI, I met with Alan Quaintance of Joe Deffner's group today to discuss the offshore double lease transaction diagram, the accounting entries and impact to ENA earnings. Alan is a former Arthur Anderson (AA) employee and a leasing expert; therefore, he is keenly aware of the documentation and rationale needed to achieve approval by AA for FAS 125 deals. In Alan's opinion, the greatest hurdle will be proving to AA that the asset being sold in a FAS sell down, is indeed a "financial asset". Before going to AA, the transaction would have to be approved by Enron's Joint Venture committee made up of accountants.

In regard to ENA retaining a carried interest in the JV after sell down, Alan mentioned that an Asset LLC would likely be set up to hold the carried interest. Also, a total return swap may be considered as a means of marking any future gains realized from future upside. The total return swap would be between the Asset LLC and the Trust (the non-consolidated special purpose vehicle funded 97% by bank and 3% by investor) that purchased ENA's interest. The total return swap would enable ENA to cap the trust's return while letting ENA retain the upside. Alan mentioned that if the project has a +NPV at closing, a partial gain may be booked and later, as value is proven up, additional gains may be booked. In regard to the ENE footnote disclosure (#15), Alan questioned whether the footnote would be classified as a lease or as an Enron guarantee of unconsolidated affiliate performance, because it impacts certain key credit ratios in the financial statements. I will check with Cris Sherman on the footnote.

Another potential hurdle that Alan identified was the use of the Unit of Production (UOP) methodology to accelerate Lease Expense to "match" the revenues and level earnings. Accounting rules state that an alternative method (i.e. UOP method) may be substituted for the straight-line method only if it is done on a "rational basis". It is my understanding that the time in which the bulk of the value is derived should be rational if the UOP method is used; this may conflict with the fact that we are arguing that a great portion of the value is on the back end (i.e. residual value or "moveable" redeployment value, 3P reserves, tie back reserves).

Thanks, Lisa

-----Original Message-----
From: Druzbik, Lisa
Sent: Wednesday, May 09, 2001 1:20 PM
To: Deffner, Joseph; Quaintance Jr., Alan
Cc: Byargeon, W. Tom; Mrha, Jean; Sherman, Cris
Subject: Offshore Double Lease Accounting Treatment

Joe / Alan,

Per your request, attached is an accounting entry mapping example of the Offshore Double Lease structure. Ideally, we'd execute Option I; secondly, we'd likely pursue Option III which would accomplish a proper matching of revenues and expenses throughout the project life.

ACCOUNTING - Offshore Double L...

Please let me know if you have any questions or comments. I am also available to meet to discuss further.

Thanks,
Lisa A. Druzbik
Manager
Upstream Products - Offshore Services
713-[redacted]

Redacted by Permanent Subcommittee on Investigations

Offshore Double Lease Structure Accounting -- Minutes of the May 7th & 8th, 2001 Meetings w/ Cris Sherman

Joint Venture (JV) is created

- ENA makes an initial capital contribution to form the JV

Accounting Entry:

DEBIT – Investment in unconsolidated equity affiliate
CREDIT – Cash

I. **Option I: Exit Strategy - Sell Equity Interest** – At deal closing, tie-back contracts are finalized and a FAS-125 sell down occurs

- ENA sells down its equity interest in the JV to a 3rd party and receives cash; ENA utilizes the cash for operations;
- ENA books a gain, a long-term liability for the back-end lease obligation (Years 9-15) to the SPV and reverses its investment in the JV:

Accounting Entry:

DEBIT – Cash
CREDIT – Accrued Liability (long-term lease obligation)
CREDIT – Gain
CREDIT – Investment in unconsolidated equity affiliate

- ENA retains a carried interest in the JV, through the FAS 125 structure, to capture equity returns from any future 3P anchor field production and 3rd party tiebacks.

II. **Option II: Accrual Accounting Treatment whereby JV is Lessee (Lease Expense – Straight Line Method)** At deal closing, tie-back contracts are expected in the future, but not yet executed. The transaction is accounted for under the accrual method whereby ENA holds the JV equity on balance sheet and no FAS 125 transaction is consummated.

- JV records the lease payment expense to the SPV on the Income Statement using a 15-year straight line expense methodology

Accounting Entries:

DEBIT – Lease Expense $100
CREDIT – Accounts Payable to SPV $100

DEBIT – Accounts Payable to SPV $100
CREDIT – Cash $100

- *ENE Footnote Disclosure*: ENA's 80% share of the 15-year operating lease obligation to the SPV would be footnoted in the financial statements. A portion of the lease obligation would be considered "on-credit".

- ENA records its share of the JV's net income and dividends received from the JV under the equity method.

1. ENA's 80% share of the **net income before taxes** of the affiliate.

Accounting Entry:

DEBIT – Investment in unconsolidated equity affiliate $300
CREDIT – Other Income $300

2. ENA receives a **cash dividend** from the affiliate company.

Accounting Entry:

DEBIT – Cash $300
CREDIT – Investment in unconsolidated equity affiliate $300

Enron Financial Statement Impact:
Income Statement: + $300 (Other Income)
Balance Sheet: $0 (Investment in unconsolidated equity affiliate)
Cash Flow: + $300 (Dividend Income)

III. **Option III: Accrual Accounting Treatment whereby JV is Lessee (Lease Expense – Unit of Production Methodology)** – At deal closing, tieback contracts are expected in the future, but not yet executed. The transaction is accounted for under the accrual method whereby ENA holds the JV equity on balance sheet and no FAS 125 transaction is consummated.

- JV records the lease payment expense to the SPV on the Income Statement based on a rate per unit of production expense methodology. To calculate the rate to be applied to production, divide the NPV of the Lease obligation to the SPV by the forecasted 2P production.

  Accounting Entries in the early years:
  DEBIT – Lease Expense $250
  CREDIT – Deferred Liability $150
  CREDIT – Accounts Payable to SPV $100

  DEBIT – Accounts Payable to SPV $100
  CREDIT – Cash $100

- *ENE Footnote Disclosure*: ENA's 80% share of the 15-year operating lease obligation to the SPV would be footnoted in the financial statements. A portion of the lease obligation would be considered "on-credit".

- ENA records its share of the JV's net income and dividends received from the JV under the equity method.

  1. ENA's 80% share of the **net income before taxes** of the affiliate.

  Accounting Entry:
  DEBIT – Investment in unconsolidated equity affiliate $150
  CREDIT – Other Income $150

  2. ENA receives a **cash dividend** from the affiliate company.

  Accounting Entry:
  DEBIT – Cash $150
  CREDIT – Investment in unconsolidated equity affiliate $150

Enron Financial Statement Impact:
Income Statement: + $150 (Other Income)
Balance Sheet: $0 (Investment in unconsolidated equity affiliate)
Cash Flow: + $150 (Dividend Income)

NOTE: An annual review of production flows may result in a recalculation of the unit of production rate and/or the actual production may be much greater than initially expected; therefore, the lease expense could be higher than initial forecasts. Since the lease income to the JV from the producer is based on a FIFO methodology, the higher lease expense would be offset by the higher lease income received from the E&P Producer.

DISCLAIMER: The ability to utilize the "unit of production" lease expense methodology needs to be argued to AA. This issue is addressed in FASB Technical Bulletin No.88-1, which states that the lease expense should be recognized "on a straight line basis over the lease term unless another systematic and rational basis is more representative of the time pattern in which the leased property is employed". Cris is of the opinion that the UOP method results in a more appropriate matching of revenue and expenses and is therefore correctly applicable in this instance.

MAYER, BROWN, ROWE & MAW

190 SOUTH LA SALLE STREET

CHICAGO, ILLINOIS 60603-3441

ANDREW D. CAMPBELL
DIRECT DIAL (312) 701-8849
DIRECT FAX (312) 706-8351
acampbell@mayerbrownrowe.com

MAIN TELEPHONE
(312) 782-0600
MAIN FAX
(312) 701-7711

November 14, 2002

VIA MESSENGER

The Honorable Carl Levin
Committee on Governmental Affairs
United States Senate
199 Russell Senate Office Building
Washington, DC 20510

Re: In re Enron Corporation

Dear Senator Levin:

Canadian Imperial Bank of Commerce ("CIBC") is in receipt of your letter dated October 25, 2002 and accompanying subpoena relating to CIBC's transactions with Enron Corporation.

In response to your letter and subpoena, attached are Annex A and Annex B, which are charts providing the information you requested. CIBC has also arranged for the delivery of the documents you requested, which will be delivered pursuant to Mary Robertson's directions on Friday, November 15, 2002.

Sincerely,

Andrew D. Campbell

Enclosures

ANNEX A

Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
Swee'P LLC aka Accounts Receivables Securitization Program (may have been FAS 125/140 Transaction)[2]	Enron North America Accounts Receivables (third party receivables) purchased by CIBC affiliated commercial paper conduit (Asset Securitization Cooperative Cooperation).	Beginning in 1994, A/R went into the securitization vehicle on a regular basis	$102,500,000 (Amount outstanding on the 10th of the month, which was the billing date)	Enron North America Corp (Collection Agent); Enron Corp; Asset Securitization Cooperative Corporation (Conduit Purchaser); Swee'P, LLC (Initial Purchaser); Canadian Imperial Bank of Commerce (Administrative Agent and Beneficiary)	CIBC committed to purchase up to $300,000,00 in third party accounts receivable.	Payment received through collection of third party receivables (non-Enron) purchased by a CIBC affiliate.	See Annex B. Fees under securitization conduit.
Omegron Limited (FAS 125/140 Transaction)	Omegron Limited ("Omegron") is owned by an SPV management company and CIBC. CIBC has approximately £222,000 invested in Omegron equity certificates. Omegron was incorporated to monetize the cash flows associated with the operating and maintenance contract for the Teeside Power project ("O&M Contract"). Omegron owns 49% of the outstanding share capital of Enron Power Operations Teeside ("EPOT"), which was purchased with the proceeds of the Loans under associated credit facility. The repayment of the facility is premised on payments of fees to EPOT by the project company in connection with its services under the O&M Contract. The O&M Contract was originally entered into between the project and Enron Power Operations Limited ("EPOL") although the agreement was subsequently novated to EPOT. Simultaneously EPOT appointed EPOL as its agent to carry out services under the O&M Contract. At the time of the novation of the O&M Contract from EPOL to EPOT, EPOL entered into a deed of covenant with the banks whereby EPOL undertook to hold the banks harmless for any breach by EPOT	12/19/1996	£12,610,000	Omegron Limited; CIBC Wood Gundy PLC (Arranger, Lender and Agent); Sumitomo Mitsui Banking Corp. (Lender).	£3,730,935.26	Enron Corp. as guarantor of EPOT's obligations under the Credit Agreement between Omegron Limited and CIBC Wood Gundy plc.	£176,250.00

[1] Set forth below are structuring, underwriting, participation, arranging, upfront fees and other fees associated with the individual transactions. In addition to these fees, in many of these transactions CIBC received customary commitment, facility and agency fees. The total of all remuneration that CIBC received in connection with services to Enron related entities are set forth in Annex B.

[2] Included within this chart are transactions involving CIBC and Enron that were FAS 125/140 transactions. Also included within the chart are other transactions involving CIBC and Enron that may have been FAS 125/140 transactions. Due to the nature of or CIBC's comparatively limited role in these deals, we are unable to definitively state what accounting treatment was used on these transactions. To provide the most complete information it can, CIBC provides descriptions of these here.

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	In connection with the performance of its obligations under the O&M Contract. The obligations of EPOL under such deed of covenant are guaranteed by Enron Corp.						
Joint Energy Development Investments II Limited Partnership aka JEDI II (may have been FAS 125/140 Transaction)	Bank group, including CIBC made loans partially funding JEDI's debt and equity interests in energy related domestic and foreign assets. Amounts outstanding under the revolving credit facility were paid off by the borrower on October 31, 2001 and the revolving credit facility was subsequently terminated on November 7, 2001.	05/26/1998	$500,000,000	Enron Corp.; California Public Employees' Retirement Systems; Joint Energy Development Investments II Limited Partnership (Borrower); Barclays Bank plc (Documentation Agent); Credit Lyonais (Lender); Credit Suisse First Boston (Lender); Dresdner Bank, New York Branch (Lender); Fuji Bank, Ltd. Houston Agency (Lender); National Westminster Bank, plc New York Branch (Lender); National Westminster Bank, plc Nassau Branch (Lender); Bank of America, N.A. (Lender); Banca Nazionale del Lavoro (Lender); Bank Boston (Lender); BBL International (UK) Ltd. (Lender); BW Capital Markets; Citibank N.A. (Lender); Dresdner Bank A.G. (Lender); GECC (Lender); Natexis Banque-BFCE (Lender); Nord LB (Lender); CIBC Inc. (Lender); Chase Manhattan Bank (Agent); Chase Bank of Texas N.A. (Lender).	$15,000,000	Repayment was expected from liquidation of assets held by SPV or through replacement financing provided by the owners (Enron and Calpers).	$60,000 (upfront fee)
Enron Europe Power 2 Ltd. aka Riverside 3 or EEP2 (FAS 125/140 Transaction)	EEP2 owned preferred shares of Enron Europe Power 1 (EEP1), which holds an indirect equity interest in Teeside Power Ltd.	06/25/1998	£154,000,000	Enron Corp.; Enron Europe Limited (Guarantor); Enron Europe Power 2 Limited (Borrower); Enron Europe Power 1 Limited; (Bankers Trust Co. (Agent); Bankers Trust International plc (Arranger); CIBC Wood Gundy (Lender and Arranger); Artesia Ireland Ltd. (Lender); National Australia Bank Limited (Lender); BW Bank Ireland plc (Lender); Royal Bank of Canada Europe Limited (Lender); Banca Commerciale Italiana (Lender); Mediocredito Centrale S.p.A. (Lender); Istituto Bancario San Paolo di Torino S.p.A. (Lender)	£17,000,000	Negative pledge pari passu ranking and cross default to the Company's senior debt. Guarantee to Enron Capital & Trade Resources carried covenants including senior debt to capitalization of Enron Corp. not to exceed 65%, consolidated tangible net worth of Enron Corp not to fall below $1.5 billion.	£385,000 (underwriting fee); £28,000 (participation fee)
Enron Europe Power 4 Ltd. aka Riverside 4 or EEP4 (FAS 125/140 Transaction)	EEP4 owned preferred shares of Enron Europe Power 3 (EEP3), which held an indirect equity interest in Teeside Power Ltd.	09/29/1998	£60,000,000	Enron Corp.; Enron Europe Limited (Guarantor); Bank of Montreal (Lender); National Australia Bank (Lender); CIBC Wood Gundy (Agent, Arranger and Lender)	£10,000,000	Interest and principal on term loans guaranteed by Enron Europe Limited (EEL). EEL's obligations are in turn guaranteed by an Enron Corp. guarantee. The Enron Corp. guarantee included minimum consolidated net worth of $1.5 billion and senior debt to	£60,000 (upfront fee); £28,000 (agency fee)

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Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
						capitalization of 65%.	
Rawhide Investors L.L.C. ("Rawhide") (may have been FAS 125/140 Transaction)	Rawhide was initially capitalized with $22.5 million in equity and $727.5 million in debt, which was initially funded through a Citibank commercial paper conduit (CXC Incorporated) which debt was then sold to various lenders (including CIBC) pursuant to an asset purchase agreement. Rawhide then acquired a limited partnership interest in Sundance Assets, L.P. ("Sundance"). Sundance then loaned the proceeds to Ponderosa Assets, L.P. ("Ponderosa"). The assets of Sundance and Ponderosa, both of which are special purpose vehicles, are security for the transaction.	12/18/1998	$727,500,000	Enron Corp.; Wilmington Trust Co; CXC Inc. (Securitization Company); Rawhide Investors LLC (Borrower); Citibank NA (Book Runner and Agent); Citicorp North America, Inc. (Administrative Agent for the Securitization Co.); Credit Suisse First Boston (Administrative Agent); West Deutsche Landesbank (Syndication Agent); Canadian Imperial Bank of Commerce (Documentation Agent).	$50,000,000	Perfected security interest for the benefit of the lenders and the asset purchase agreement purchasers in the assets of the Borrower, including Rawhide's interest in Sundance, its rights in Ponderosa and Rawhide's rights to the indemnified amounts under the Sponsor Agreement.	$3,500,000 arrangement fee/participation fee
Enron Europe Power 5 Ltd. aka Riverside 5 or EEP5 (FAS 125/140 Transaction)	EEP5 owns ordinary shares of EEP3 and EEP4. EEP3 owns the ordinary shares of EEP1. EEP4 owned the preferred shares of EEP3.	01/29/1999	£2,000,000	Enron Europe Power 5 Limited; CIBC Wood Gundy PLC (Arranger and Agent); Enron Europe Limited (Guarantor).	£2,000,000	Interest and principal were guaranteed by Enron Europe Limited ("EEL"). EEL's obligations are in turn guaranteed by an Enron Corporation guarantee. The Enron Corporation Guarantee included: (i) Minimum consolidated tangible net worth-$1,500 million, (ii) Senior debt/capitalization 65%.	£100,000 (flat fee); £35,000 (put option fee)
Enron Europe Power 6 Ltd. aka Riverside 7 or EEP6 (FAS 125/140 Transaction)	EEP6 owned preferred shares of EEP3. EEP3 owned ordinary and preferred shares of EEP1. Notice of prepayment of bank loan was received 04/18/2000. Loan repaid by EEP6 (the borrower) on 04/20/2000.	04/28/1999	£60,000,000	Enron Europe Power 6 Limited; CIBC WorldMarkets plc (Agent and Lender); Enron Europe Limited (Guarantor).	£60,000,000	Interest and principal were guaranteed by Enron Europe Limited (EEL). EEL's obligations were guaranteed by Enron Corp. The Enron Guarantee includes: i. Minimum Consolidated Tangible Net Worth-$1,500 million, ii. Senior Debt/Capitalization 65%.	£396,342
ET Power 2 LLC aka Project Pilgrim (Trakya) (FAS 125/140 Transaction)	ET Power 2 LLC held Class B Membership Interest in ET Power I, LLC. ET Power I, LLC indirectly owned an economic interest in the Trakya power plant in Turkey.	12/23/1998	$85,000,000	Enron Corp., Enron Capital & Trade Resources Corp. (Swap Counterparty), ET Power 1 LLC, ET Power 2 LLC (Issuer of Notes); Atlantic Commercial Finance, Inc. (Agent/Documentation Agent); ABN Amro (Co-Agent); First Union National Bank/Syndication Agent); National Australia Bank Ltd. (Co-Agents).	$19,013,158	Negative pledge on all assets of ES Power 2 and ET Power 2. Total return swap with Enron Capital and Trade, supported by: guaranty from Enron Corp. which included provisions including, but not limited to, a debt to capitalization limit of 65%, a tangible net worth minimum of $1.5 billion and a cross default with a threshold of $50 million.	$2,937,500 (total for Projects Trakya and Sarlux)

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ES Power 2 LLC aka Project Pilgrim (Sarlux) (FAS 125/140 Transaction)	ES Power 2 LLC held a Class B Membership Interest in ES Power I, LLC. ES Power I, LLC indirectly owned an interest in the Sarlux power plant located in Italy.	12/23/1998	$295,000,000	Enron Corp.; Enron Capital and Trade Resources Corp. (Counterparty to Swap Agreement); ES Power 1 LLC; ES Power 2 LLC; ES Power 3 LLC; Mesquite Holdings B.V.; Canadian Imperial Bank of Commerce (Agent for Lenders); ABN Amro Bank N.V. (Co-Agent for Lenders); First Union National Bank (Syndication Agent/Co-Agent for Lenders); National Australia Bank Limited (Co-Agent for Lenders).	$65,986,843	Negative pledge on all assets of ES Power 2 and ET Power 2. Total return swap with Enron Capital and Trade, supported by: guaranty from Enron Corp. which included provisions including, but not limited to, a debt to capitalization limit of 65%, a tangible net worth minimum of $1.5 billion and a cross default with a threshold of $50 million.	See above
ESP I Interest Owner Trust aka Project Nimitz (FAS 125/140 Transaction)	ESP Owner Trust held a Class B Membership Interest in ES Power I, LLC. ESP I Interest Owner Trust financed the purchase of the Class B Membership Interest by borrowing $348,000,000 from the banks and issuing a trust certificate to CIBC Inc. for $10,800,000. Effective September 29, 1999, Pelican Bidder LP purchased the banks' notes (at par plus accrued interest) and the trust certificate (at par plus accrued yield).	06/28/1999	$358,800,000	Enron Corp. (Guarantor); Wilmington Trust Co. (Owner Trustee); ESP 1 Interest Owner Trust (Issuer of Notes); ES Power 1 LLC; ES Power 2 LLC; ES Power 3 LLC; CIBC World Markets Corp. (Arranger); Canadian Imperial Bank of Commerce (Agent and Documentation Agent); CIBC Inc. (Lender); First Union National Bank (Lender); Paribas (Lender); ABN Amro Bank N.V. (Lender); National Australia Bank Limited (Syndication Agent, Co-Agent Lender).	$118,986,842 (debt) $10,800,000 (trust certificate)	Negative pledge on all assets of ES I Interest Owner Trust. Guaranty from Enron Corp. including debt to capitalization limitation of 65%, tangible net worth minimum of $1.5 billion and a cross default with a threshold of $50 million. The trust certificates were not guaranteed.	$1,600,000
LFT I Interest Owner Trust aka Project Leftover (FAS 125/140 Transaction)	LFT I Interest Owner Trust held a Class B Membership Interest in LFT Power I LLC, which indirectly owned an economic interest in the Trakya power plant. LFT I Interest Owner Trust financed the purchase of the Class B Membership Interest in LFT Power I LLC by borrowing $99,000,000 from the banks and issuing a trust certificate to CIBC Inc. for $3,100,000. Effective 10/25/1999, Pelican Bidder LP purchased the banks' notes (at par plus accrued interest) and the trust certificate (at par plus accrued yield).	05/28/1999	$102,100,000	Enron Corp.; Wilmington Trust Co; LFT I Interest Owner Trust (Trust); LFT Power I, LLC; LFT Power II, LLC; LFT Power III, LLC; Atlantic Commercial Finance, Inc.; CIBC Inc. (Lender); Bankers Trust (Lender and Arranger); Canadian Imperial Bank of Commerce (Agent and Documentation Agent); CIBC World Markets Corp. (Arranger)	$49,500,000 (debt); $3,100,000 (trust certificate)	Negative pledge on all assets of LFT I Interest Owner Trust. Guaranty from Enron Corp. including provisions that debt to capitalization limitation of 65%, tangible net worth minimum of $1.5 billion and a cross default with a threshold of $50 million. The trust certificates were not guaranteed.	$15,000 (arrangement fee), $157,800 (upfront fee)
ECT Investing Partners L.P. (may have been FAS 125/140 Transaction)	Involved the leasing of a Falcon 900-B corporate aircraft. Based on draft agreement of September 15, 1999. CIBC acted as Arranger. CIBC did not provide financing for this transaction. We understand that the aircraft was returned to the Lessor. The exact date is unknown as CIBC was not a participant.	October 1999	$17,914,027	CIBC (Arranger); The Fifth Third Bank (Owner, Participant, Lender and Agent for certain participants); First Security Bank, N.A. (Trustee for the Fifth Third Bank); Hitachi (Lender); Wilmington Trust Co. (Trustee for ECT Investing Partners L.P.).	N/A	Interest only bullet principal repayment after five years.	$150,000 (advisory fee)
J.M. Owner Trust aka Project Ghost (FAS 125/140	J.M. Owner Trust held the Class B Membership Interest in G-Past, LLC, an	12/21/1999	$255,000,000	Enron Communications, Inc; Enron Corp (Swap Counterparty); J.M. Owner Trust; G-	$55,000,000 (bank loan); $100.00 (trust	The Borrower, J.M. Owner Trust, was a Class B member of a limited	Arrangement Fee $500,000, Upfront Fee

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Transaction)	entity that held 5,393,258 common shares of Rhythm NetConnections, Inc. J.M. Owner Trust financed the acquisition of the Class B Membership interest by borrowing $255,000,000 from its lenders and the Trust issued a trust certificate to CIBC Inc. for $100. Effective March 20, 2000 Enron Communications Investments Corp. purchased the trust certificate for $100 and purchased the lenders' notes (at par plus accrued interest).			Present LLC; G-Past LLC; G-Future LLC; CIBC Inc. (Lender); First Union National Bank (Lender and Documentation Agent); ABN Amro Bank N.V. (Lender and Co-Agent); San Paolo IMI S.p.A. (Lender and Syndication Agent); Paribas (Lender); Canadian Imperial Bank of Commerce (Agent); CIBC World Markets (Arrangers).	certificate)	liability company ("Asset LLC") that held the underlying asset. The Borrower entered into a total return swap ("TRS") with Enron Corp. pursuant to which Enron would pay to the Trust an amount equal to the Trust's obligations to the lenders under the Loan Agreement and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	$137,500
J.M. 2 Owner Trust aka Project Specter (FAS 125/140 Transaction)	J.M. 2 Owner Trust held a Class B Membership Interest in S-Past, LLC, an entity that held 3,001,200 common shares of Rhythm NetConnections, Inc. J.M. 2 Owner Trust financed the acquisition of the Class B Membership Interest by borrowing $125,000,000 from its lenders. The Trust issued a trust certificate to CIBC Inc. for $75. Effective April 10, 2000, Enron Communications Investments Corp. purchased the lenders' notes (at par plus accrued interest) and purchased the trust certificate from CIBC Inc. for $75.	03/27/2000	$125,000,000	Enron Corp. (Counterparty); JM2 Owner Trust (Issuer of Notes); CIBC Inc. (Certificate Holder); Paribas (Lender); San Paolo IMI S.p.A. (Lender); Canadian Imperial Bank of Commerce (Agent and Lender)	$55,000,000 (bank loan); $75.00 (trust certificate)	The Borrower, J.M. 2 Owner Trust, was a Class B member of a limited liability company ("Asset LLC") that held the underlying asset. The Borrower entered into a TRS with Enron Corp. pursuant to which Enron would pay to the Trust an amount equal to the Trust's obligations to the lenders under the Loan Agreement and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	None
LLC Interest Holdings 1 Trust aka Project Alchemy (FAS 125/140 Transaction)	LLC Interest Holdings 1 Trust held a Class B Membership Interest in EESO-OC Holdings #1, LLC. EESO-OC Holdings #1, LLC was a member of Owens Corning Energy LLC, a joint venture with Owens Corning Energy. LLC Interest Holdings I Trust financed the purchase of the Class B Membership Interest by borrowing $11,658,000 from CIBC and using $342,000 contributed to the Trust by CIBC Inc. as the Trust's Certificate Holder. In connection with the sale of the Class B Membership Interest, LLC Interest Holdings I Trust repaid such debt and distributed to CIBC Inc. as certificate holder the certificate amount and yield thereon.	12/27/1999	$11,400,000	Enron Corp.; Enron Energy Services Operation, Inc.; Wilmington Trust Co.; LLC Interest Holdings 1 Owner Trust, EESO Holdings 1, LLC; EESO Holdings 2, LLC; Canadian Imperial Bank of Commerce (Agent); CIBC Inc. (Lender, Certificate Holder)	$11,155,000 (term loan); $345,000 (trust certificate)	The Borrower, LLC Interest Holdings 1 Trust ("Trust"), was a Class B member of a limited liability company ("Asset LLC") that held the underlying asset. Trust entered into a TRS with Enron Corp. pursuant to which Enron would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	$225,000 (arrangement fee)

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Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
Santa Maria Trust aka Project Discovery (FAS 125/140 Transaction)	Santa Maria Trust held a Class B Membership Interest in Nina 1 LLC which indirectly owned 4,347,361 Class A shares, and 8.2 million warrants of First World Communications. Santa Maria Trust financed the acquisition of the Class B Membership Interest by borrowing $126,400,000 from its lenders and using $4,100,000 contributed to the Trust by CIBC Inc. as certificate holder of the Trust. Effective February 29, 2000, Enron North America Corp. purchased the trust certificate for $4,202,500 (par plus accrued yield) and repaid the lenders $127,064,899.11 on behalf of the Trust pursuant to a total return swap agreement between the Trust and Enron Corp.	12/29/1999	$130,500,000	Enron Corp. (counterparty to total return swap); Enron North America Corp.; Pinta, L.L.C.; Santa Maria Trust; Canadian Imperial Bank of Commerce (Agent); CIBC World Markets Corp. (Arranger); CIBC Inc. (Lender); SanPaolo IMI, S.p.A. (Syndication Agent and Lender);	$93,900,000 (debt); $4,100,000 (trust certificate)	The Borrower, Santa Maria Trust ("Trust"), was a Class B member of a limited liability company ("Asset LLC") that held the underlying asset. Santa Maria Trust entered into a TRS with Enron Corp. pursuant to which Enron would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	Arrangement Fee $1,157,972, Upfront Fee $140,850
SE Acquisition L.P. (may have been FAS 125/140 Transaction)	Utilization of Revolving Credit Facility was supported by liens on 65% of the ownership interest in various assets to be acquired.	03/31/2000	$125,000,000	SE Acquisition, L.P. (Borrower); National Westminster Bank PLC (Agent and Lender); CIBC Inc. (Participant Bank); National West (Agent); Credit Lyonnais New York Branch (Lender); Fleet National Bank (Lender)	$40,000,000	SE Acquisition participants hold a lien on its interest in entities including Marlin Acquisition L.P. and Pelican Bidder L.P.	$112,500 (upfront fee)
Project Hawaii, Series McGarret A, G, P and S (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owning warrants to purchase 6,766,400 shares of New Power.	Originally closed on 03/31/00 (as McGarret A) and refinanced within the Hawaii facilities on 12/14/00 (as McGarret G), 09/07/01 (as McGarret P) and 10/17/01 (as McGarret S)	Originally closed for $20,000,000 and refinanced on the dates specified under "Date of Transaction" for $46,519,000, $46,748,475.54 and $46,784,345.53, respectively.	**McGarret A**: Enron Corp.; Enron Energy Services LLC; Vincent Buckley; Wilmington Trust Co.; Hawaii 125-0 Trust (Trust); McGarret I, LLC (Asset LLC); Big Island I, LLC (Transferor LLC); CIBC Inc., First Union National Bank, Bayerische Landesbank, Paribas and SANPAOLO IMI S.p.A. (Lenders); Canadian Imperial Bank of Commerce (Agent). **McGarret G**: Enron Corp.; Enron North America Corp. (Swap Provider); Enron Energy Services, LLC (Sponsor); Hawaii I 125-0 Trust (Trust); Canadian Imperial Bank of Commerce (Agent); CIBC World Markets Corp (Sole Lead Arranger and Bookrunner); First Union National Bank and San Paolo IMI S.p.A (Co-Arrangers); Paribas (Syndication Agent); Bayerische Landesbank (Documentation Agent); Hawaii II (syndicate); Vincent Buddey (Independent Manager); Hawaii II 125-0 Trust (Transferor); McGarret I LLC (Asset LLC); Big Island I LLC (Sponsor Designee); **McGarret P**: Enron Corp.; Enron North America Corp.; Enron Energy	$48,562,016.25 (debt); $3,237,983.75 (trust certificates) [this amount is from series S and represents CIBC's maximum exposure for all four series related to this asset]	For McGarret A, the Borrower, Hawaii 125-0 Trust ("Trust"), was a Class B member of a limited liability company ("Asset LLC") that held the underlying asset. The Trust entered into a TRS with Enron Corp. pursuant to which Enron would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS. For McGarret G, the Borrower, Hawaii 125-0 Trust ("Trust") was a Class B member of a limited liability company ("Asset LLC") that held the underlying asset. The Trust entered into a TRS with Enron North America (and Enron Corp. guaranteed ENA's obligations under the TRS) under which ENA	CIBC received fees approximately yearly for the Hawaii transactions, and was not paid per series/transaction. In 2000, CIBC received an upfront fee of $61,250, an arrangement fee for the Hawaii 125-0 Trust of $2,425,000, and the arrangement fee for the Hawaii I and II 125-0 Trusts was $2,150,000 and the upfront fee was $98,000. In 2001, CIBC received an advisory fee of $87,500, a work fee of $15,000 and a structuring fee of $1,025,000.

ANNEX A

Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
				Services, LLC; Vincent Buckley (Independent Manager); Wilmington Trust Co; Hawaii I 125-0 Trust (Trust); McGarret I, LLC (Asset LLC); Hawaii II 125-0 Trust (Transferor); Hawaii I Syndicate (Lenders); Canadian Imperial Bank of Commerce; CIBC Inc.		would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to ENA any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS. For McGarrets P and S, the Borrowers, Hawaii II 125-0 Trust and Hawaii I 125-0 Trust, respectively, were Class B members of limited liability companies that held the underlying asset. The Borrowers entered into TRSs with Enron North America (and Enron Corp. guaranteed ENA's obligations under the TRS) under which ENA would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to ENA any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	

ANNEX A

Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
Project Hawaii, Series McGarret B, D and R (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owning warrants to purchase 8,458,200 shares of New Power.	Originally closed on 6/15/00 (as McGarret B), and refinanced within the Hawaii facilities on 9/29/00 (as McGarret D) and 10/17/01 (as McGarret R).	Originally closed for $25,000,200 and refinanced on the dates specified under "Date of Transaction" for $90,825,650 and $91,503,943.85, respectively.	**McGarrets B and D**: Enron Corp. (Swap Counterparty); Enron Energy Services, LLC (Sponsor); Vincent Buckley (Independent Manager); Wilmington Trust Co. (Owner Trustee); Hawaii 125-0 Trust (the Trust); McGarret II, LLC (Asset LLC); Big Island II, LLC; CIBC Inc. (Certificate Holder); CIBC (Lender in McGarrets B & D and Agent); First Union National Bank (Lender B & D); Bayerische Landesbank (Lender B & D); Paribas (Lender B & D); San Paolo IMI SpA (Lender B & D); National Australia Bank LTD (Lender D); National Westminster Bank plc (Lender D); The Sumitomo Bank, Ltd (Lender D); Bankers Trust Co. (Lender D); Chase Bank of Texas N.A. (Lender D); ABN Amro Bank N.V. (Lender D). **McGarret R**: Enron Corp., Enron North America Corp. (Swap Counterparty); Enron Energy Services, LLC (Sponsor); Vincent Buckley (Independent Manager); Wilmington Trust Co. (Owner Trustee); Hawaii I 125-0 Trust (Trust); McGarret II, LLC (Asset LLC); Hawaii II 125-0 Trust (Transferor); Hawaii I Syndicate (Lenders); Canadian Imperial Bank of Commerce; CIBC Inc	$88,766,173.85 (debt); $2,272,199.54 (trust certificate) [this amount is from series R and represents CIBC's maximum exposure for all three series related to this asset.]	For McGarrets B and D, the Borrower, Hawaii 125-0 Trust ("Trust"), was a Class B member of a limited liability company ("Asset LLC") that held the underlying asset. The Trust entered into a TRS with Enron Corp. pursuant to which Enron would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS. For McGarret R, the Borrower, Hawaii I 125-0 Trust was a Class B member of a limited liability company that held the underlying asset. The Borrowers entered into TRSs with Enron North America Corp. (and Enron Corp. guaranteed ENA's obligations under the TRS) under which ENA would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to ENA any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	CIBC's remuneration for the Hawaii transactions is listed above in the entry describing Project Hawaii Series McGarret A, G, P and S
Project Hawaii, Series Danno B (FAS 125/140 Transaction)	The Danno B Series of the Project Hawaii Trust held a Class B Membership Interest of Danno II, LLC (formerly known as EESO-OC Holdings #1, LLC in Project Alchemy). The Hawaii Trust financed the acquisition of the Class B Membership Interest by borrowing $11,085,703 from the Hawaii Trust lenders and using $342,857 contributed to the Trust by CIBC, Inc. as the Danno B Series Certificate Holder. Effective February 22, 2001, Enron Energy Services Operations, Inc. purchased the Danno B Series Certificate for $365,857 (par plus accrued yield) and then contributed to the Trust $11,230,285.20 to repay such	06/15/2000	$11,428,560	Enron Corp.; Enron Energy Services Operations, Inc (Sponsor); Willie J. Alexander; Wilmington Trust Co. (Owner/Trustee); Hawaii 125-0 Trust (Trust/Issuer of Notes); Danno II, LLC (Asset LLC); Maui II, LLC; LLC Interest Holdings 1 Owner Trust; First Union National Bank (Co-Arranger); Bayerische Landesbank (Documentation Agent); Paribas (Syndication Agent); San Paolo IMI SpA (Co-Arranger); Canadian Imperial Bank of Commerce (the Agent); CIBC, Inc. (Beneficial Owner of Hawaii 125-0 Trust); CIBC World Markets Corp. (Sole Lead Arranger and Bookrunner).	$11,058,000.00 (debt) $342,000 (trust certificate)	The Borrower, Hawaii 125-0 Trust ("Trust"), was a Class B member of a limited liability company ("Asset LLC") that held the underlying asset. The Trust entered into a TRS with Enron Corp. pursuant to which Enron would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	CIBC's remuneration for the Hawaii transactions is listed above in the entry describing Project Hawaii Series McGarret A, G, P and S

ANNEX A

Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
	loan (including accrued interest).						
Project Hawaii, Series McGarret C and Q (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owning warrants to purchase 2,791,800 shares of New Power.	Originally closed on 08/31/00 (as McGarret C) and refinanced within the Hawaii facilities on 10/17/01 as McGarret Q.	Originally closed for $30,011,850 and refinanced on the dates specified under "Date of Transaction" for $30,143,256.92.	Enron Corp. (Swap Counterparty); Enron Energy Services LLC (Sponsor); Vincent Buckley (Independent Manager); Wilmington Trust Co. (Trustee); Hawaii 125-0 Trust (the Trust); McGarret III, LLC (Asset LLC); Big Island III, LLC; Lenders were: CIBC Inc.; First Union National Bank; Bayerische Landesbank; Paribas; San Paolo IMI SpA; Banco Bilbao Vizcaya Argentaria; National Australia Bank Ltd.; National Westminster Bank plc; The Sumitomo Bank, Ltd.; Credit Agricole Indosuiz; Wachovia Bank NA; Bankers Trust Co (Deutsche Bank); Chase Bank of Texas N.A.; ABN Amro Bank, N.V.	$29,191,366.45 (debt); $952,160.47 (trust certificate) [this amount is from series Q and represents CIBC's maximum exposure for both series related to this asset]	For McGarret C, the Borrower, Hawaii 125-0 Trust ("Trust"), was a Class B member of a limited liability company ("Asset LLC") that held the underlying asset. The Trust entered into a TRS with Enron Corp. pursuant to which Enron would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS. For McGarret Q, the Borrower, Hawaii I 125-0 Trust was a Class B member of a limited liability company that held the underlying asset. The Borrower entered into a TRS with Enron North America (and Enron Corp. guaranteed ENA's obligations under the TRS) under which ENA would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the loan Agreement and the Trust would pay to ENA any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	CIBC's remuneration for the Hawaii transactions is listed above in the entry describing Project Hawaii Series McGarret A, G, P and S
Project Hawaii, Series McGarret F, O and V (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owning a Class B Certificate in European Power Limited Company.	Originally closed on 12/07/00 (as McGarret F) and refinanced within the Hawaii facilities on 09/07/01 (as McGarret O) and 10/17/01 (as McGarret V).	Originally closed for $51,800,000, and refinanced on the dates specified under "Date of Transaction" for $52,169,669.81 and $52,271,382.59, respectively.	Enron Corp.; Enron North America Corp. (Swap Counterparty); Enron European Power Investor LLC (Sponsor); Vincent Buckley (Independent Manager); Wilmington Trust Co. (Trustee); Hawaii II 125-0 (Trust); McGarret VI, LLC (Asset LLC); Hawaii I 125-0 (Transferor); Hawaii II Syndicate (Lenders); Canadian Imperial Bank of Commerce (Agent); CIBC World Markets (Arranger); CIBC Inc. (Series Certificate Holder).	$48,098,893.78 (debt); $4,172,688.81 (trust certificate) [this amount is from series V and represents CIBC's maximum exposure for all three series related to this asset]	For McGarrets F, O and V the Borrowers, Hawaii II 125-0 Trust, Hawaii I 125-0 Trust and Hawaii II 125-0, respectively ("Trusts"), were Class B members of limited liability companies that held the underlying asset. The Borrowers entered into TRSs with Enron North America (and Enron Corp. guaranteed ENA's obligations under the TRS) under which ENA would pay to the Trusts an amount equal to the Trusts' obligations to the Lenders under the Loan Agreement and the Trust would pay to ENA any monies received from the Asset LLC. The	CIBC's remuneration for the Hawaii transactions is listed above in the entry describing Project Hawaii Series McGarret A, G, P and S

ANNEX A

Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
						trust certificates were not guaranteed nor were they covered by the TRS.	
Project Hawaii, Series McGarret H and I (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owning a Class C Membership Interest in EBS Content Systems LLC	Originally closed on 12/22/00 (as McGarret H) and refinanced within the Hawaii facilities on 03/29/01 (as McGarret I).	Originally closed for $57,042,249 and refinanced on 03/29/01 for $115,192,873.	Enron Corp.; Enron North America Corp. (Swap Counterparty); Enron Broadband Services, Inc. (Sponsor); Vincent Buckley (Independent Manager); Hawaii II 125-0 Trust (the Trust); Wilmington Trust Co. (Trustee); McGarret VIII, LLC (Asset LLC); Big Island VIII, LLC (Transferor); Hawaii II Syndicate (Lenders); Canadian Imperial Bank of Commerce (Agent).	$111,725,587.00 (debt); $3,467,286.00 (trust certificate) [this amount is from series I and represents CIBC's maximum exposure for both series related to this asset]	For McGarrets H and I, Hawaii II 125-0 Trust was the Borrower on each transaction. The Borrower was a Class B member of a limited liability company that held the underlying asset. The Borrowers entered into TRSs with Enron North America (and Enron Corp. guaranteed ENA's obligations under the TRS) under which ENA would pay to the Trusts an amount equal to the Trusts' obligations to the Lenders under the Loan Agreement and the Trust would pay to ENA any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	CIBC's remuneration for the Hawaii transactions is listed above in the entry describing Project Hawaii Series McGarret A, G, P and S
Project Hawaii, Series McGarret K and T (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owning all of the stock of CGas, Inc.	Originally closed on 03/29/01, and refinanced within the Hawaii facilities on 10/17/01.	Originally closed for $31,216,721 and refinanced on 10/17/01 for $31,331,682.84.	Enron Corp. (Swap Counterparty); Joint Energy Development Investments Limited Partnership (Sponsor); Vincent Buckley (Independent Manager); Wilmington Trust Co.; Hawaii II 125-0 Trust; McGarret XI, LLC (Asset LLC); Hawaii I 125-0 Trust (Transferor); McGarret XI, LLC (Asset LLC); Big Island XI, LLC (Transferor); Hawaii II Syndicate (Lenders); Canadian Imperial Bank of Commerce; CIBC Inc. (Certificate Holder)	$26,804,766.91 (debt); $2,526,915.93 (trust certificate) [this amount is from series T and represents CIBC's maximum exposure for both series related to this asset]	For McGarrets K and T, the Borrowers, Hawaii I 125-0 Trust ("Trust") and Hawaii II 125-0 Trust, respectively (the "Trusts") were Class B members of limited liability companies ("Asset LLC") that held the underlying assets. The Trusts entered into TRSs with Enron Corp. pursuant to which Enron would pay to the Trusts an amount equal to the Trusts' obligations to the Lenders under the Loan Agreements and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRSs.	CIBC's remuneration for the Hawaii transactions is listed above in the entry describing Project Hawaii Series McGarret A, G, P and S
Project Hawaii, Series McGarret L (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owning the Series Porcupine A certificate in Tahiti Trust. Tahiti Trust owns a $259,212,085 promissory note (the "Porcupine Note") issued by Porcupine I LLC. The Series Porcupine A Certificate represents a priority interest in the Porcupine Note. The Porcupine Note is	03/29/2001	$30,000,000	Enron Corp. (Swap Guarantor); Enron North America Corp. (Swap Counterparty); Enron Energy Services, LLC; Pronghorn I, LLC (Sponsor); Vincent Buckley (Independent Manager); Wilmington Trust Co.; Tahiti Trust; Hawaii II 125-0 Trust (Trust); McGarret XII, LLC (Asset LLC); Big Island XII, LLC (Transferor); Hawaii II Syndicate	$29,100,000.00 (debt); $900,000 (trust certificate)	The Borrower, Hawaii II 125-0 Trust ("Trust") was a Class B member of a limited liability company that held the underlying asset. The Borrower entered into a TRS with Enron North America (and Enron Corp. guaranteed ENA's obligations under the TRS) under which ENA	CIBC's remuneration for the Hawaii transactions is listed above in the entry describing Project Hawaii Series McGarret A, G, P and S

ANNEX A

Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
	secured by an indirect interest in EES Warrant Trust, which holds warrants to purchase 24,117,800 shares of New Power stock.			(Lenders); Canadian Imperial Bank of Commerce (Agent); CIBC Inc. (Certificate Holder).		would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the loan Agreement and the Trust would pay to ENA any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	
Project Hawaii, Series McGarret J (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owning a Class A Membership Interest in LE Hesten Energy LLC. McGarret J is still outstanding.	06/14/2001	$38,000,000	Enron Corp. (Swap Guarantor); Enron North America Corp. (Swap Counterparty); Enron Energy Services Operations (Sponsor); Vincent Buckley (Independent Manager); Wilmington Trust Co.; Hawaii II 125-0 Trust (Trust); McGarret X, LLC (Asset LLC); Big Island X, LLC (Transferor); Hawaii II Syndicate (Lenders); Canadian Imperial Bank of Commerce (Agent); CIBC Inc. (Certificate Holder)	$36,850,000.00 (debt); $1,150,000.00 (trust certificate)	The Borrower, Hawaii II 125-0 Trust was a Class B member of a limited liability company that held the underlying asset. The Borrower entered into a TRS with Enron North America (and Enron Corp. guaranteed ENA's obligations under the TRS) under which ENA would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the loan Agreement and the Trust would pay to ENA any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRS.	CIBC's remuneration for the Hawaii transactions is listed above in the entry describing Project Hawaii Series McGarret A, G, P and S
Project Hawaii, Series McGarret M and U (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owning the Series Porcupine B certificate in Tahiti Trust. Tahiti Trust owns a $259,212,085 promissory note (the "Porcupine Note"). The Series Porcupine B Certificate represents a priority interest in the Porcupine Note. The Porcupine Note is secured by an indirect interest in EES Warrant Trust, which holds warrants to purchase 24,117,800 shares of New Power stock.	Originally closed on 05/22/01, and refinanced within the Hawaii facilities on 10/17/01(as McGarret U).	Originally closed for $20,000,000 and refinanced on 10/17/01 for $20,037,891.67.	McGarret M: Enron Corp.; Enron North America Corp.; Pronghorn I, LLC (Sponsor); Vincent Buckley; McGarret XII, LLC; (Sponsor); Wilmington Trust Co.; Hawaii II 125-0 Trust (Trust); McGarret XIII, LLC (Asset LLC); Tahiti Trust; Hawaii I 125-0 Trust (Transferor); Hawaii II Syndicate (Lenders); Canadian Imperial Bank of Commerce; CIBC Inc. McGarret U: Enron Corp.; Enron North America Corp.; Pronghorn I, LLC (Sponsor); Vincent Buckley (Sponsor); Wilmington Trust Co.; Hawaii II 125-0 Trust (Trust); McGarret XIII, LLC (Asset LLC); Hawaii I 125-0 Trust (Transferor); Hawaii II Syndicate (Lenders); Canadian Imperial Bank of Commerce; CIBC Inc.	$19,419,250.00 (debt); $618,641.67 (trust certificate) [this amount is from series U and represents CIBC's maximum exposure for both series related to this asset]	For McGarrets M and U, the Borrowers, Hawaii I 125-0 Trust and Hawaii II 125-0 Trust, respectively (the "Trusts"), were Class B members of limited liability companies that held the underlying asset. The Borrowers entered into TRSs with Enron North America (and Enron Corp. guaranteed ENA's obligations under the TRS) under which ENA would pay to the Trusts an amount equal to the Trusts' obligations to the Lenders under the Loan Agreement and the Trust would pay to ENA any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRSs.	CIBC's remuneration for the Hawaii transactions is listed above in the entry describing Project Hawaii Series McGarret A, G, P and S
Project Hawaii, Series McGarret N (FAS 125/140 Transaction)	Class B Membership Interest in an LLC owing 1,748,689 shares of Hanover Compressor Company. The Hawaii	06/28/2001	$70,000,000	Enron Corp (Swap Counterparty); Joint Energy Development Investments Limited Partnerships certificate holder and sponsor);	$67,890,019.00 (debt); $2,110,001.00 (trust certificate)	The Borrower, Hawaii I 125-0 Trust ("Trust"), was a Class B member of a limited liability company ("Asset	CIBC's remuneration for the Hawaii transactions is listed above in the entry

ANNEX A

Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
Transaction)	Trust financed the acquisition of the Class B Membership Interest by borrowing $67,890,019 from the Hawaii lenders and using $2,110,000 contributed to the Trust by CIBC Inc. as certificate holder. Effective August 1, 2001, JEDI purchased the trust certificate from CIBC Inc. for $2,139,892.68 (par plus accrued yield) and contributed to the Trust $68,162,521.99 to repay such loan (including accrued interest).			Vincent Buckley (Independent Manager); Wilmington Trust Co.; Hawaii I 125-0 Trust; McGarret XIV, LLC (Asset LLC); Big Island XIV, LLC (Transferor); Hawaii I Syndicate (Lenders); Canadian Imperial Bank of Commerce (Agent); CIBC Inc.; CIBC World Markets Corp (Arranger).	certificate)	LLC") that held the underlying asset. The Trust entered into a TRS with Enron Corp. pursuant to which Enron would pay to the Trust an amount equal to the Trust's obligations to the Lenders under the Loan Agreement and the Trust would pay to Enron any monies received from the Asset LLC. The trust certificates were not guaranteed nor were they covered by the TRSs.	describing Project Hawaii Series McGarret A, G, P and S.
Zephyrus Investments LLC aka Project Tammy (may have been FAS 125/140 Transaction)	Zephyrus Investments, LLC (a) borrowed $481,725,000 from the lenders pursuant to a term loan and (b) issued membership interests in consideration for capital contributions from the "certificate purchasers" in an amount equal to $18,275,000 in order to purchase the initial Class C Member Interest of Enron Finance Partners, LLC.	11/28/2000	$500,000,000	Enron Corp.; Enron Finance Partners LLC; Enron North America; Enron Power Marketing, Inc.; Chase Manhattan Bank (Administrative Agent); Bank of America (Documentation Agent); BNP Paribas (Syndication Agent); Fleet National Bank (Senior Managing Agent); Chase Securities Inc. (Lead Arranger and Book Manager); CIBC and others as participants.	$20,000,000	First priority security interest in the Preferred Units of Zephyrus and the LLC Agreement between Zephyrus Investments LLC and Enron Finance Partners (EFP). EFP has a security interest in receivables owned by Sequoia. EFP Financial Covenants and Negative Covenants: Minimum core permitted assets coverage ratio of not less than 1.25; limitations on indebtedness; no securities senior to Class C Preferred Units; no distributions on the Common Units while the Preferred Units are outstanding; no material amendments or modifications to the LLC Agreement.	$40,000 (upfront fee)
KSTAR VPP Trust (may have been FAS 125/140 Transaction)	Scheduled hydrocarbon (crude oil and natural gas) deliveries from KCS Energy, Inc. Also known as a volumetric production payment. KSTAR VPP Trust purchased a volumetric production payment due to an Enron affiliate and financed this acquisition with a $157,380,507 bank loan provided by Canadian Imperial Bank of Commerce and the issuance of $5,970,479 in trust certificates to CIBC Inc. The bank loan was assigned to EuroGreen Limited (a Credit Suisse conduit) for $149,333,552 (loan had amortized since closing and is insured by Swiss Re and Winterthur). CIBC Inc. currently holds the trust certificates.	06/28/2001	$163,350,986	Enron North America Corp. (Swap Provider); Enron Reserve Acquisition Corp.; Enron Corp. (Swap Guarantor); ENA Upstream Co. LLC (purchaser of natural gas); KStar VPP Trust; KStar VPP LP; Maguey VPP, LLC; Canadian Imperial Bank of Commerce (Administrative Agent and Note Holder) CIBC Inc. (Certificate Holder); Wilmington Trust Co. (Trustee).	$157,380, 507. 00 (debt); $5,970,479 (certificate holder)	Loans are to be repaid with proceeds from the sale of hydrocarbons by KSTAR to Enron affiliates (ENA Upstream Co. LLC and Enron Reserve Acquisition Corp.) under long term purchase agreements. Scheduled hydrocarbon deliveries from KCS Energy, Inc. Prices received by KStar for hydrocarbon sales were hedged through commodity and interest rate swaps with Enron North America Corp. (hedges only benefit the debt component). Enron Corp. guaranteed the obligations of all Enron affiliates involved in the swap transaction. No guarantees were provided to CIBC as to its	Underwriting fee $1,000,000; Arrangement fee $150,000

ANNEX A

Transaction	Description of Transaction	Date of Transaction	Dollar Value of Transaction	Parties Involved in the Transaction	CIBC's Financial Participation	Entity Supporting Repayment	Fees[1]
						principal on its debt or the trust certificates.	
Marlin Water Trust II and Marlin Water Capital Corp. II (may have been FAS 125/140 Transaction)	CIBC acted as Co-Manager on this Senior Notes offering. Proceeds of the Senior Notes offering were used to purchase Enron Notes. The Enron Notes matured and were repaid immediately following the Senior Notes offering. Proceeds totaling $918MM from the redemption of Enron Notes (principal plus interest) were used by Marlin Water Trust II to purchase a Class C beneficial interest in Atlantic Water Trust (believed to be associated with Enron). Atlantic Water Trust distributed the proceeds from the issuance of the Class C Membership Interest as follows: $795MM to Marlin Water Trust and $123MM to Bristol Water Trust	07/19/2001	$915,000,000 (US Equivalent)	Enron Corp.; Marlin Water Trust II; Marlin Water Capital Corp. II; Bankers Trust Co. (Indenture Trustee); Deutsche Bank A.G. (Euro Paying Agent for Marlin Water Trust); United States Trust Co. of New York (Indenture Trustee for Marlin Water Trust). Book Running Mangers: Credit Suisse First Boston; Deutsche Banc Alex Brown; Co-Managers: ABN Amro Inc.; Banc of America Securities LLC; CIBC World Markets; Dresdner Kleinworth Wasserstein; JP Morgan.	$54,872,378	Pursuant to a Purchase Agreement among Marlin Water Trust II, Marlin Water Capital Corp. II, Enron, CIBC and other financial institutions, were one of seven initial purchasers in a private placement of $475,000,000 aggregate principal amount of 6.31% Senior Secured Notes due in 2003 and 515,000,000 aggregate principle amount (in British pounds) of 6.19% Senior Secured Notes due in 2003 and issued by Marlin Water Trust II and Marlin Water Capital Corp. II. Subsequent to the sale, CIBC and the other initial purchasers resold all of the notes to qualified institutional buyers and non-U.S. persons. The proceeds from the sale of the notes by Marlin Water Trust II and Marlin Water Capital Corp. II were to initially be used to purchase unsecured notes of Enron, that, in turn, were to be redeemed by Enron and the proceeds thereof to be used by the Marlin entities to purchase Class C beneficial interests in Atlantic Water Trust, which owned two-thirds of Azurix, a global water company that owns, operates, and manages water and wastewater assets. A portion of the proceeds from the sale of the Class C interests were to then be distributed by Atlantic Water Trust to one of the Merlin entities which would be used to pay down debt and another portion of the proceeds would be used to purchase particular Enron debt securities.	$300,000

ANNEX B

(in US$ '000s)

	11/01/1997 to 10/31/1998	11/01/1998 to 10/31/1999	11/01/1999 to 10/31/2000	11/01/2000 to 10/31/2001	11/01/2001 to 10/31/2002	
USA Credit	$333	$7,272	$5,329	$4,754	$61	
USA Credit Amortized Fees	-	1,424	960	724	23	
USA Merchant Banking	-	-	1,117 (a)	560 (a)	-	
USA Investment Banking	-	1,000	3,000	300	-	
Structured Finance	-	136	15	1	-	
Securitization Conduit	222	492	129	560	45	
USA Net Interest Income	307	1,372	1,066	2,605	(373)	(b)
Total	**$862**	**$11,696**	**$11,616**	**$9,504**	**($244)**	

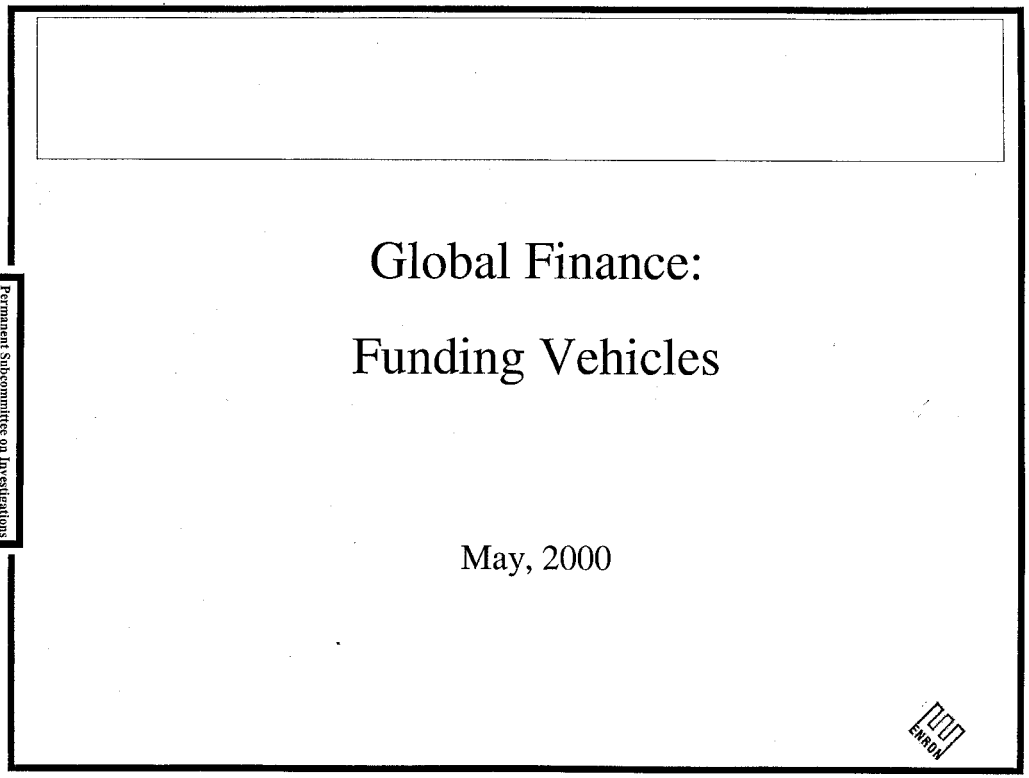
(in British Pounds '000s)

	11/01/1997 to 10/31/1998	11/01/1998 to 10/31/1999	11/01/1999 to 10/31/2000	11/01/2000 to 10/31/2001	11/01/2001 to 10/31/2002
UK Credit	£493	£538	£0	£150	£0
UK Net Interest Income	111	249	203	30	27
Total	**£604**	**£787**	**£203**	**£180**	**£27**

(in CAD $ '000s)

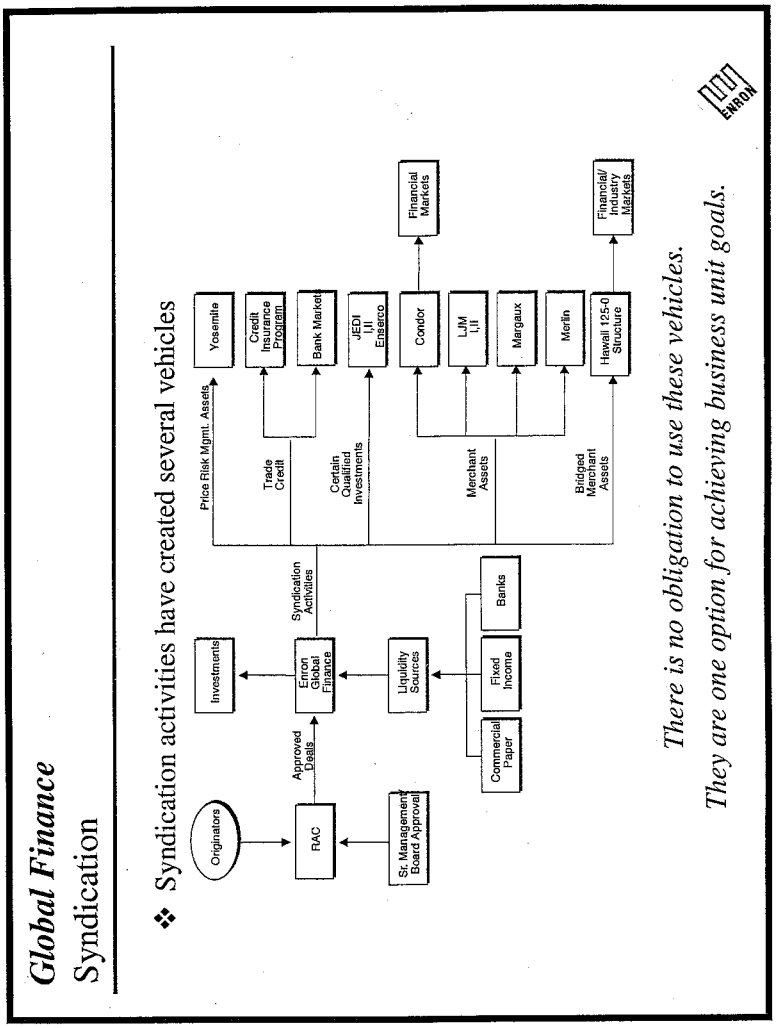
UK Credit Amoritized Fees	-	-	CAD 402	-	-	
UK Net Interest Income	-	-	403	29	(99)	(b)
Total	**CAD 0**	**CAD 0**	**CAD 805**	**CAD 29**	**(CAD 99)**	

CIBC Fiscal Year ends October 30
CAD = Canadian Dollars
(a) Represents distributions from income and gains on investments in LJM2 Co-Investment Partnership, L.P. and does not include partial return of capital
(b) Negative Interest Income results from the reversal of accrued and unpaid interest income



Global Finance
Objectives

- Global Finance's goal for 2000 is to craft solutions to help business units achieve their goals
- Common business unit goals include:
  - Earnings
  - Funds flow
  - Capital targets/charges
  - Balance sheet management
  - Return on invested capital (ROIC)
- Global Finance has equity vehicles to help achieve these goals
  - Supplement to business unit finance group
  - Fast execution
  - Enhanced certainty of execution



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Global Finance
Hawaii 125-0

- Hawaii 125-0 is a $500 million pool available to monetize conforming Enron assets
- The vehicle is an interim step to a longer term securitization or sale
- Investment focus is on exisitng assets on Enron's balance sheet
- Qualified investments include:
  - **Danno Assets:** CFs from contractual obligations to Enron related entities
  - **Governor Assets:** CFs from operating assets owned by Enron related entities
  - **McGarrett Assets:** Equity interests in Enron subsidiaries, affiliates and 3rd parties
- Non-conforming assets must be approved by the agent and require an additional 5 business days (business unit must provide transaction information a minimum of 20 business days before anticipated funding date)

The business unit retains gain/loss associated with investment and business unit maintains control of the ultimate disposal of the asset.

Global Finance
Condor

- Condor is an Enron investment partnership with financial investors
- Investment focus on purchasing merchant investments off of Enron's balance sheet
- Benefits of using Condor include
  - Funds flow credit for sale of merchant asset
  - Reduction of capital employed / ROIC
  - True risk transfer for any asset sold to Condor
- Condor will ultimately control all asset divestitures

Benefits of using Condor greatest for business unit when divesting merchant assets

Global Finance
LJM2

- LJM2 is a third party investment partnership with all third party financial investors
- Investment focus on equity investments inside Enron
- Benefits of using LJM2:
  - Earnings can be recognized from gain on sale to LJM2
  - Funds flow credit for sale of merchant asset
  - Reduction of capital employed
  - Deconsolidation can be achieved through sale of equity to LJM2

Benefits of using LJM2 greatest for business unit needing to recognize earnings on sale

Global Finance
Summary

	Hawaii 125-0	Condor	LJM2
Invest in Existing ENE Assets	✓	✓	✓
Invest in Newly Originated Assets		✓	✓
Provide Off Balance Sheet Sources of Capital	✓	✓	✓
True Risk Transfer		✓	✓
Vehicle Responsible for Ultimate Sale		✓	✓
Market Based Pricing	✓	✓	✓
Quick Execution	✓	✓	✓

Global Finance
Contacts

Trushar Patel *Manager*	Phone: (713) 853-6181 Fax: (713) 646-4990
Shirley Hudler (JEDI II) *Director*	Phone: (713) 853-4859 Fax: (713) 646-4990

Funds Flow Vehicles

Key Factors	Hawaii I	Condor (White Wing)
Existing Capacity (*Highly Variable*)	• $40m, but with existing equity only has about $2m actual capacity. Issue w/ A/A since we used equity for setup fees. • Also looking to take out SeaGas ($30m) • Hanover ($70m) just taken out, but EES asset may be taking majority of its place	• Today $50m, but may be 0 if we do EBS deal
Vehicle Maturity	H1-11/01 H2-11/02	January 1, 2003
Preferred Max. Investment Holding Period	9 Months	Prefer short-term (i.e. 9 mths.), but could extend up to maturity
Threshold	$10m per asset	No minimum threshold, but need 3rd party equity investment consent for investments > $40m
Flexibility	Asset by asset structure. Thus, each assets must be >=$10m; however, may be able to set up newco w/ ENE equity to bundle assets and sell to Hawaii, but would be more difficult.	Assets can be grouped in a basket (from diverse ENE subsidiaries) and put into the vehicle.
Business Unit Charge	Libor + 80bps plus……?	8.3%
Lead Time to Execute	2-3 weeks	2-3 weeks
Asset Transferability/ Approvals	• Internal: Business unit management; Charles Delacey & Ben Glisan • External: Committee of Equity holders (CIBC). • Financial instruments only: no contracts or R/E	• Internal: Business unit management; Barry Schnapper & Ben Glisan • 3rd party equity investment consent for investments > $40m; no 3rd party consent < $40m as long as it fits criteria. • Prefer equity method investments. Don't want consolidated investments b/c can't take debt b/c of equity dilution (would blow up 97%/3% structure). Used to use R/E, but may be negative B/S issues now.
Vehicle Ownership/Structure	• FAS 140 structure (previously FAS 125) • The vehicle has a third party equity investor for 3% of trust. Remaining 97% is debt.	ENE deconsolidated affiliate
Accounting	• Sale TO Vehicle: Business unit gets Funds Flow and Income (if sale price > BV). • Sale FROM Vehicle: ENE retains gain/loss associated with investment and is recognized when asset is sold out of vehicle. • On-going: ENE marks value of TRS swap on a going basis. Maybe additional FF on settlement of TRS ???	• Sale TO Vehicle: Business unit gets Funds Flow but no income when placed into vehicle. Increased value is booked as deferred gain b/c ENE is affiliate in transaction. (Can't get earnings pop.) • Sale FROM Vehicle: ENE only receives equity earnings from Whitewing when asset sold from vehicle ??? • On-going: no effect on FF??. Realize equity earnings on going basis
Tax Consequences	No tax consequences for US assets since	Taxable sale to vehicle, but not MTM.

	it's a financing from Tax perspective.	Foreign assets do not work well b/c it is a taxable sale.
Economics	• Debt: fixed interest rate guaranteed through ENE total return swap • Equity: fixed return, but has 1st loss and looks to asset for repayment • ENE: Excess CF (after debt/equity is paid) comes back to Enron through TRS.	• Debt: looks to shared trust for repayment (100% ENE risk.) • Equity: fixed return from trust • ENE: has 1st $750m gain/loss; retains 100% of ordinary income
Control over asset	• The business unit continues to manage & control the asset through 100% ownership of Class A shares (voting/management shares) • Trust has 100% ownership of Class B shares (economics). • It is the business unit responsibility to sell the asset outside of trust to external party at end of holding period.	• The business unit continues to manage & control the asset. • It is the Business Unit's responsibility to sell the asset.
Exit Strategy/Restrictions	• Entire asset must be sold from vehicle: cannot be removed in tranches. • The asset can be sold back to Enron, but would need to be considered "investing" asset or else would create negative funds flow. • Asset could be rolled over for additional 9 months, but not this not favorable. • Asset could be sold to external 3rd party.	• Investment can be pulled from vehicle in tranches. • The asset shouldn't be sold back to Enron. (More restrictive than Hawaii regarding this.) • Whitewing needs equity consent to sell investment at a loss.
True Sale Opinion	Needs a true sale opinion between (i) Transferor and Trust and (ii) ENE entity and asset LLC.	Needs a true sale opinion to generate Funds Flow if it is financial asset.
Affect of Business Unit Goals (at investment and sale from vehicle)	• *earnings*: investment MTM when placed into/out of vehicle. • *funds flow*: positive FF at sale to vehicle • *capital charges*: ??? • *ROIC*: ? • *B/S management*: ???	• *earnings*: investment MTM when placed OUT of vehicle. ??? • *funds flow*: positive FF at sale to vehicle • *capital charges*: • *ROIC*: ? • *B/S management*: ???
Effect on Business Unit Goals (on going in vehicle)	• *earnings*: no effect • *funds flow*: no effect • *capital charges*: ??? • *ROIC*: reduced capital deployed • *Other B/S management*: ???	• *earnings*: no effect • *funds flow*: no effect • *capital charges*: 8.5% ??? • *ROIC*: reduced capital deployed • *Other B/S management*: ???

Key Issues

- Assets can't be sold back to ENE b/c it would create negative funds flow; however, may be able get around this by classifying asset as investing activity if strategy has changed.
- Hawaii is good for non-marked assets b/c it allows you realize value/earnings (greater than cost or book value) when put into vehicle.
  - Also, good for volatile MTM investments b/c investment is not marked on a going basis while in vehicle: only marked when going in and coming out of vehicle.

- Vehicles good for investments accounted for by equity method in which ENE has sold a hedge. For these investments, ENE may be able to recognize earnings for the portion of the entity that it owned if it sells to 3rd party/vehicle. (For equity investments, Enron can recognize income only for the portion of the entity that it does not own. Sale to vehicle would qualify as 3rd party and allow ENE to realize earnings that were previously disallowed.)
- LJM is option, but charge will be much higher. (30% required return to investors.) Generally use LJM for highly structured deals that marketplace has difficulty understanding in timely basis.
- FAS 140: one-off transactions to create funds flow.
- ENE tax experts: Brent Vasconcellos (Whitewing), Bill Bowes (Hawaii)

Questions

- How does maturity of Hawaii I in 11/01 affect us using this vehicle?
- who is accounting expert on Hawaii and Whitewing?
- How is a total return swap marked on on-going basis?
- tax
  - create tax event when sold to/from vehicle for price >< BV?

Assets

Aggregate of Most Likely Targets (listed below):
ENW: $3.8m
EIM: $25.3m
EGM: $19.4m (does not include $35m American Coal debt or $15.8m Cline debt from CLO repurchase that is now strategic asset.)

Business Unit	Asset	BV-B/S (US$m)	Description
Net Works			*All other assets not included in the list have been transferred to Principal Investments (Kevin Garland).*
	True Quote	0	• Internet business linked to EOL. • We contributed no equity and today this asset has a zero basis on our books.
	Kiodex	***3.8***	• ***Internet business linked to EOL.*** • ***This asset is marked at $3.8m based on a Warburg-Pincus valuation (Brandon Wax).***
Industrial Markets			*We only need to monetize Papier Masson to get to ff target, but only if Ken C's ff argument is valid.*
	Papier Masson	***25.26***	• ***Investment in Newsprint Mill in 1998 (bought it from Noranda Forrest). We built a TMP (Thermo Mechanical Pulper) machine to produce pulp from woodchips. ENE owns 28.3%. Ex Manager of investment in ECC Paul DeVries, now Andy Kelemen/Amanda Colpean.*** • ***Value of investment might need to be written down ???*** • ***Canadian tax issues???***
	Huntco Warrants	0.137	
	Oconto Falls	4.5??	• Two Assets in holding company are Oconto Falls Tissue, Inc. and Rebox. • Invested in Dec 1998: $10mm. • Enron owns about 20% of Oconto Falls LLC, 15% IPC • Covenant defaults continue and Enron believes .agreement is in default. • Met with company July 17, 2001 and agreed the best solution would be a mu tual parting; buyout offer will be provided by August 1, 2001.
	Huntco Debt	6.3	We are looking into selling this debt.
Global Markets			*We need to talk to Larry Lawyer. He already looked at this.*
	Black Mountain	***7.3***	• ***Coal investment.*** • ***The asset is split 75/25 (ENE B/S-Jedi). The value shown is for ENE B/S.***
	Black Mountain (marketing fees)	0.8	• Marketing fees that should liquidate over next 9 months. • Doesn't really belong as equity investment.
	Cline Resources	***7.0***	• ***Coal investments: the number shown is the consolidation of the six different Cline investments: $6.06 equity and $0.9 debt. Assets split between ENE B/S and Jedi: values shown are ENE B/S.*** • ***No equity in CLO, only some debt?***
	Jupiter	***4.9***	***Coal mine investment. We have one debt and one equity piece: debt $3.4m and equity $1.5m***

Remington	*0.2*	*Coal debt.*
American Coal	35	Junior Debt. Already created Funds Flow (via CLO) and came back to ENE B/S as strategic asset. Not possible to monetize unless we can again change status to merchant asset / financial asset (Can we do 125? What about fishtail?).
In Lawhill Capital Partners	1.8	Worthless investment and getting worked off of our books.
Envera	1	Transferred to principal investments.

Papier Masson

Origination: Andy Kelemen (VP), Bruno Messer (associate)
Legal: Peter Del Veccio (39875), Peter Keohane (403-974-6923) - Canada
Accounting: Leslie Ayers (Specialist), Laura Scott (403-974-6728)-- Accounting/Finance person in Canada
Tax: Morris Clarke (35846)

- Is this accounted for by equity method?
- Legal parent ECC. EIM owns the asset. No dividends have been reported YTD 2001.
- We still need info about transfer restrictions from Legal (Dan Lyons? Or, Peter Keohane).

If we do the equivalent of a 125 in Canada, would EIM get credit for the FF even if $'s not transferred to US?

Meeting with Morris Clark & phone call with Peter Keohane, August 8 2001

- Main issues at hand if we are to transer PML into Hawaii:
  1) An exit tax will be applied to all the appreciation on the asset...approximately 30%.
  2) There will also be a Withholding Tax applicable to any dividends if they are transferred to the US.
  3) A transfer of PML to an entity outside Canada might have regulatory constraints (Peter Del Veccio?).
  4) There are transfer restrictions on shareholder agreement (Peter Del Veccio?).
- Potential solutions:
  1) PML may enter into a TRS or a Conveyance agreement for the economics of our shares with a US entity and then place the instrument in a vehicle (Can these types of instruments go into a vehicle?).
  2) Create the equivalent of a 125 in Canada. We could use the equivalent of an LLC, that is, NSULC (How would EIM realize the FF from this transaction?). If NSULC pays dividend to a U.S. entity we would be subject to a 5% Witholding Tax.
- Tax Rule: 5 / 25 Rule: If prinicipal paid back on a loan is < 25% within the first 5 years, you will NOT be subject to a Witholding Tax. That's why loans in Canada are structured at least as 5 yr bullets.

Meeting with Kent Castleman on August 10, 2001

- ECC technically owns PML but EIM will receive all mark on the asset
- If we do a 125 structure, who will get hit with taxes? We may get hit with the U.S. taxes, but what about the Canadian taxes?
- We can try and transfer PML to a Dutch Holding Co. (similar to structure of BV's in Slapshot – Ask Morris Clark). This way, we won't be taxed on the Canadian side since there is an agreement b/w Canada and Dutch not to tax each other. If we bring the asset back into the U.S., we will be taxed the U.S. tax; however, what if we could let Canada have the money and later do an intercompany transfer of the $25mm to EIM? The problem here is what if Canada doesn't need the cash?
- Contacts:
  - Laura Scott
  - Cathy Moehlman - Mary Perkins
  - Wes Callwell
  - Georgeanee ???

Meeting with Dan Lyons and Dan Fournier (Outside Counsel in Canada)

- The Piggyback Clause in the contract is an important issue we will have to deal with in placing PML in either structure:

- Hawaii – NOT an affiliate – When we sell our shares into this vehicle, other shareholders may want to "piggyback" and sell their proportionate amounts into the vehicle as well, leaving us with excess shares not transferred into the vehicle. And, when the asset is sold out of Hawaii, the same situation will occur, since Hawaii will become a PML "shareholder" after the transfer and therefore will have the same rules apply to it.

Meeting with Drew Kannelopolous (Accounting)

- Can we put this asset into Sundance? Or put it into "Sundance Canada" (creating the same structure we have here but create it in Canada)
  - If we can sell into the Dutch Holding Co., we will save on being taxed in Canada.
- We need to find out if we are really making money in PML. Otherwise, we will be deteriorating the Sundance Structure.
- We need to find examples of a "Derivative Conveyance" we have done in the past. Something where we have sold the economics to someone and kept the actual shares of a company.

Meeting with Kent Castleman, Morris Clark, Drew Kannelopolous

- We are looking at 3 possible scenarios:
  - Equivalent of a 125 in Canada
    - Is it possible? Will it be worth the expense for a $25mm asset?
  - "Derivative Conveyance"
    - Asset stays in Canada, but economics come to EIM
    - If you can show there is a true swap, this will be fine. So, what could we truly swap?
  - Sundance
    - Can we contribute / sell PML to this vehicle?
    - If we contribute to Sundance:
      - Risk of being a non-cash transaction
    - If we sell to Sundance:
      - Need to get additional equity
      - True Sale Opinion
      - SSMB's permission
    - What about combining Leaf River and PML together?
    - Can we put PML into "Rawhide / Ponderosa" (a US vehicle that has international assets in it), then sell PML into Sundance?
- If we are going to transfer to an affiliate, we should do it while Slapshot is in place
- You can only monetize an asset ONCE. Right now, it's a merchant asset, once it's in Sundance, White Wing, etc., it will be a strategic asset and cannot be re-monetized.
- **legal issue:** Do Whitewing and Sundance qualify as "Affiliates" as in s/h agreement?
- **legal issue:** What about Article 17 in PML Credit agreement…is it default event if there is another shareholder other tthan the ones defined? What is probability that we will get it waived by Administrative Agent (Bank of Nova Scotia?
- What is term of our loan via Bank of Nova Scotia?
- **issue:** ENE guarantee PML debt?
- **legal issue:** what is Equity Contribution Agreement saying? (see end of Blake, Cassels & Graydon summary document)

Black Mountain

Origination: Mike Beyer, Bill Giuliani (Pittsburg office).
Transaction Support: JOHNNA D KOKENGE (33823)
Legal: Wayne E. Gresham (31485)
Structuring – Finance: Inderpal Singh (54326)

- Summarize Put/Call provisions here
- Why was Black Mountain not put in vehicle before?
- Does transferring/selling the asset affect ENE's coal marketing rights?

- Purchased equity interest for $12.5MM in 6/99...why is equity value now only $11MM?
- How does put/call option (exercisable after 7/1/04) affect transferability?
- How does transferability
- ENE entitled to 20% of FCF of BMR. What are accounting, tax, and business unit implications?

Cline (Remington, Dakota, and Panther)

Origination: Mike Beyer
Accounting: Brent Price (CAO), Tom Myers (Sr Dir), Jeff Smith (Dir).
Transaction Support: JOHNNA D KOKENGE (33823)
Legal: Wayne E. Gresham (31485)

- issue: ECT has put option to DPR for up to 13,000 ECT units @ $870/unit (total $11.3MM) if DPR and subs fail to achieve 80% of Projected EBITDA during TTM. Capped at $11MM.
  - this is much less than our initial equity investment? how many units did ECT initially acquire?
- Reconcile $33MM equity investment to current ECT/Jedi value of $15.1. (part of it is Panther IPC that was purchase for $2.9MM, on initial investment of $7.2MM.)
- Any difference between IPC and MU? Can we disaggregate investments?
- walk through ownership/funding of DPR structure with Larry's group.

Jupiter (Cline related))

- Need update on status of call option exercisable 8/21/01.
- Why is Jupiter equity only $3.7MM MTM value? (seems like it is significantly below what was paid and carried in 5/01.) Does it include the MTM of the marketing fees?
- confirm that ENE retains marketing rights to coal even if Jupiter/Cline exercises option.
- how are the marketing rights accounted for? ...part of equity investment?
- issue: does ECT still have right to put IPC to Jupiter for 5.5x EBITDA on/after 12/05?
- issue: does ECT still have the right to acquire the rights to FCF of between 10-39% for $5-14MM per 2/25/00 DASH?

Black Mountain (Cline related)

- Why isn't the equity split 50/50 between EGM and JediII? (Power point presentation shows it being split.)
- issue: ongoing RDL call option on ECT equity beginning 7/01 at set termination price/return. 20% return in years 2 or 3, declining to 15% in years 4 or 5.
- issue: ECT has put option on equity to BMR is RDL does not operate to certain standards.
- issue: BMR (call) and ECT (put) have respective options on equity exercisable at > $12.5MM or 20% of 4x EBITDA.
- What is probability that BMR or ENE will want to exercise call/put?
- Does BMR have cash to pay ENE if put is exercised.
- Would sale affect ECT coal marking rights?

Kiodex

Origination: Andy Zipper, contact - Brandon Wax
Accounting: Kerry Roper
Legal: Barbara Grey (36832) – Anne C. Koehler (33448)

- Internet startup that provides statistical and informational services over EOL. Founders are ex Goldman Sachs tech guys and have developed a similar system for GS already. They got funding from Warburg Pinkus.
- They will be launching their product in October 2001 and they plan on being profitable by end of 2002 or 1st or 2nd qtr of 2003.
- ENW's contribution has been to let them access (they placed an icon) to EOL platform thus customers. ENW got almost 8% of the company valued at 3.8m based on Warburg Pinkus valuation (took earnings in 00).

- We will receive an additional 4.79% ownership in performance based warrants related to a certain number of EOL customers becoming Kiodex customers.
- It is transferable to an affiliate. This is good if we want to include in White Wing, but not okay if we include in Hawaii b/c ???

Onconto Falls

Originator: Jay Bodreaux – now in distressed assets: John Enerson (31788)
Managing: Andy Kelemen

- Two Assets in holding company are Oconto Falls Tissue, Inc. and Rebox.
- Distressed Asset, invested in Dec 1998: $10mm. Enron owns about 20% of Oconto Falls LLC, 15% IPC.
- Covenant defaults continue and Enron believes agreement is in default.
- Met with company July 17, 2001 and agreed the best solution would be a mutual parting; buyout offer will be provided by August 1, 2001.

General Contacts for Vehicles

Vehicle Management	Gordon McKillop (33123)	Charles Delacey (35757)
Legal	Brenda Funk	Gareth Bahlman
Accounting	Chris Sherman	
Tax	Jeff Blumenthal	Steven Douglas
EGM	Jeff Smith - 39839	Brent Price (CAO) - 37647
EIM	Allen Ueckert	Kent Castleman (CAO)
ENW	Brandon Wax	Kerry Roper (CAO)

Items to include in Bill's Summary
Investment Name/Counterparty
Investment Type (i.e. debt vs. equity) and Amount (include ENE B/S vs. off B/S vehicles like JEDI)
Business Unit Strategy/Goal for Investment
Off B/S Options
Transfer Restrictions
Issues

- tax
- accounting
- other

Structured Finance Vehicle

August 24, 2001

Enron Global Finance

EC 000851108

Hawaii 125-0

Enron Global Finance

EC 000851109

History of Vehicle

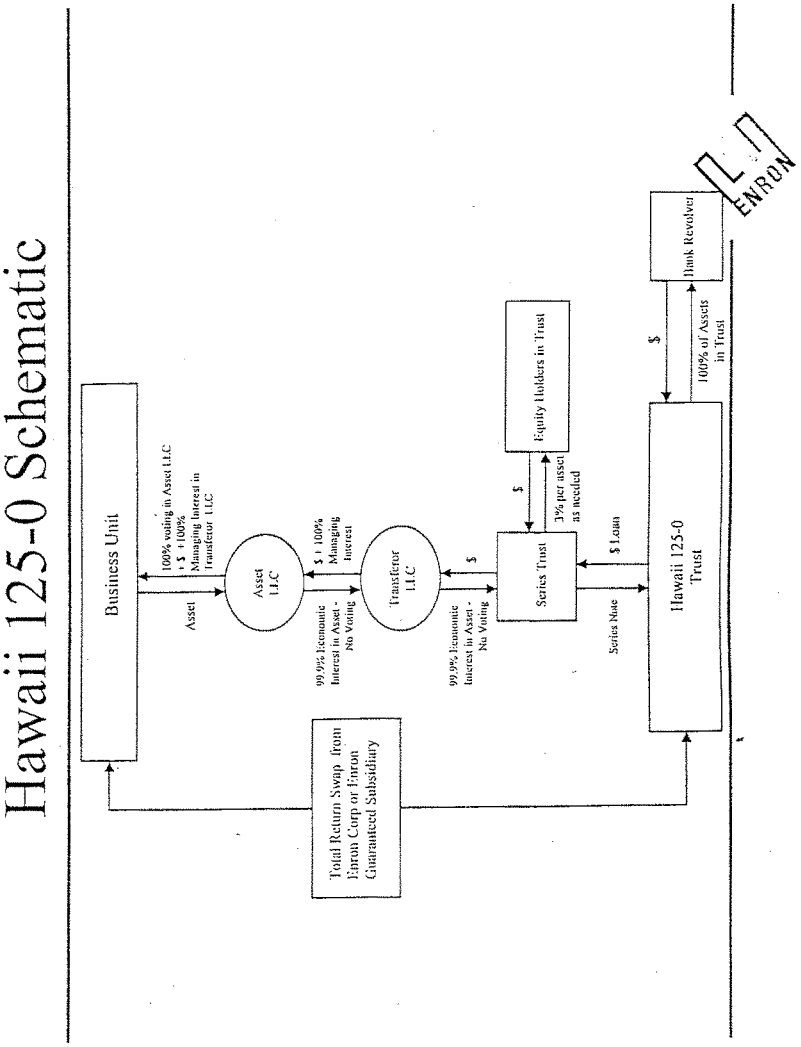
- Enron was executing one-off FAS125 deals at quarter- and year-ends
- Banks capitalized on the critical timing of these transactions to squeeze Enron into inflated fees and spreads
- Consequently, Global Finance established Hawaii 125-0 to mitigate these costs and ease the execution process

Hawaii Summary

- Hawaii I -
  - $171 million of committed capacity
  - 364-day revolving facility with a renewal option
  - Tranches limited to a 9 month term from funding
- Hawaii II -
  - $399 million of committed capacity
  - Two year facility with maturity at November 2002
  - Seeking maturity extension to November 2003 for new tranches

Hawaii Summary

- Monetization vehicle for "financial assets"
- Provides funds flow and/or gain recognition
- Banks and Equity investing in "blind pool"
- Banks rely on the Total Return Swap for repayment
- CIBC, as equity provider, assumes asset risk for 3% equity portion
- CIBC approves transactions
- Hawaii is an interim step to a longer term securitization or sale



EC 000851113

Conforming Assets

- Danno Assets - cash flows relating to contractual obligations of third parties owed to an Enron-related entity
- Governor Assets - cash flows from operating assets owned by an Enron-related entity
- McGarrett Assets - equity interests in Enron subsidiaries, affiliates and third parties

FASB 140 / 125

- Sale for GAAP accounting purposes
- Debt/Financing for tax purposes
- Financing is off balance sheet
- Funds flow and/or gain recognition
- Business Unit maintains control of the asset
- Business Unit maintains P&L risk through Total Return Swap
- Business Unit responsible for ultimate disposition of the asset

Process

- Check with EGF for availability at least 15 to 20 business days prior to funding
- Business Unit provides required information
- CIBC has 5 business days to approve conforming assets and 10 for non conforming
- Documents prepared from master documents
- Draw down request sent to debt and equity holders 3 business days prior to funding

Information Needed from Business Unit

- At least 15 to 20 business days prior to the funding date:
  - Amount of Transaction
  - Funding Date
  - Asset Description
  - Valuation Methodology of Asset
  - All material documents related to the asset

Unwind

- BU maintains control of the ultimate disposal of the asset
- Unwind is for 100% of the amount
- Most likely unwind is a sale of the asset or acquire the B economic certificate from the equity holder
- Unwind can be done any time prior to maturity with minimal breakage costs
- The documents do provide the Trust the ability to eventually sell the asset as a last option

Whitewing / Condor

Enron Global Finance

EC 000851119

Whitewing Summary

- Whitewing is an Enron investment partnership with third party financial investors
- Investment focus on purchasing merchant investments off of Enron's balance sheet
- Financing is Off Balance Sheet
- Whitewing has $4 billion in book assets, of which, $2.3 billion is for permitted investments
- Current availability is $75 million
- Whitewing allocates its cost of funding to the business units

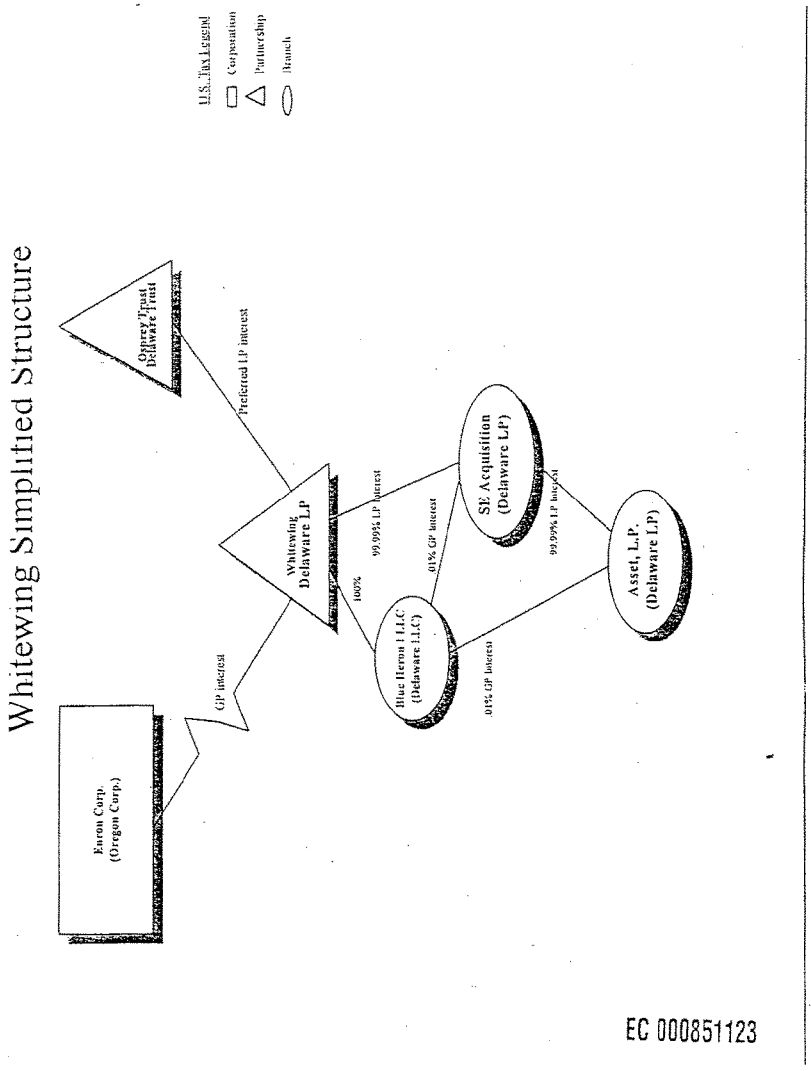
Whitewing Summary

- Benefits of using Whitewing include
  - Funds flow credit for sale of merchant asset
  - Reduction of capital employed
  - True risk transfer for any asset sold to Whitewing
- Disadvantages of using Whitewing include
  - NO current gain recognition, Sale for Tax
  - Can not sell investment for a loss without equity consent

Whitewing Structure

- Whitewing is a 50/50 partnership with Osprey Trust
- Enron currently controls the management of Whitewing as the general partner (Osprey has the right to change this at any time)
- Generally, the economics are ordinary income 100% to Enron and capital items split 98.5% Enron and 1.5% Osprey Trust
- Enron receives equity earnings
- Whitewing is an deconsolidated affiliate in Enron's footnotes

ENRON


Whitewing Simplified Structure
U.S. Tax Legend
Corporation
Partnership
Branch
Enron Corp.
(Oregon Corp.)
GP interest
Osprey Trust
Delaware Trust
Preferred LP interest
Whitewing
Delaware LP
100%
99.99% LP interest
01% GP interest
Blue Heron I LLC
(Delaware LLC)
01% GP interest
SE Acquisition
(Delaware LP)
99.99% LP interest
Asset, L.P.
(Delaware LP)
EC 000851123

Whitewing Process

- Investments over $40 million require third party equity consent, which is ten business days.
- Whitewing can NOT give debt guarantees, letters of credit or incur debt due to the partnership structure
- Investments in Whitewing should be divested to third parties
- Investments sold at a loss require third party equity consent

Whitewing Process

- Check with EGF, Gordon McKillop, for availability and general questions.
- Transactions need to be fully analyzed and valued by the business unit.
- Whitewing will have commercial, legal, accounting and tax support for which the transaction will need to approved the transaction.
- Business units are still responsible for day to day operations of transaction.

Whitewing Accounting

- Transaction is a sale for both accounting and tax
- Funds flow for merchant assets
- Earnings from asset is recorded through equity earnings
- Business Unit allocated Whitewing's cost of funds

Raptor Vehicles

Enron Global Finance

EC 000851127

Raptor Summary

- Raptor hedged approximately $785 million of merchant investments
- The business units continue to be responsible for the assets
- Enron receives and benefits from maximizing the value of the hedged investments
- Currently vehicles are fully utilized

Raptor Accounting

- Business unit records P&L impact of asset
- Corporate records P&L offset related to the swap
- Corporate internally allocates offset to keep business unit natural
- Net impact of all Raptor transactions recorded at termination of Raptor

Process for Terminating Swaps

- Raptor swaps provide for a unilateral termination
- Terminations can be in any amount or percentage of the swap
- Notify EGF Corp, Gordon McKillop, of intent to dispose or terminate swap and the completion of the transaction
- EGF will prepare and execute the termination

Enron Corp.

Structured Transactions Group
Overview

June 2001

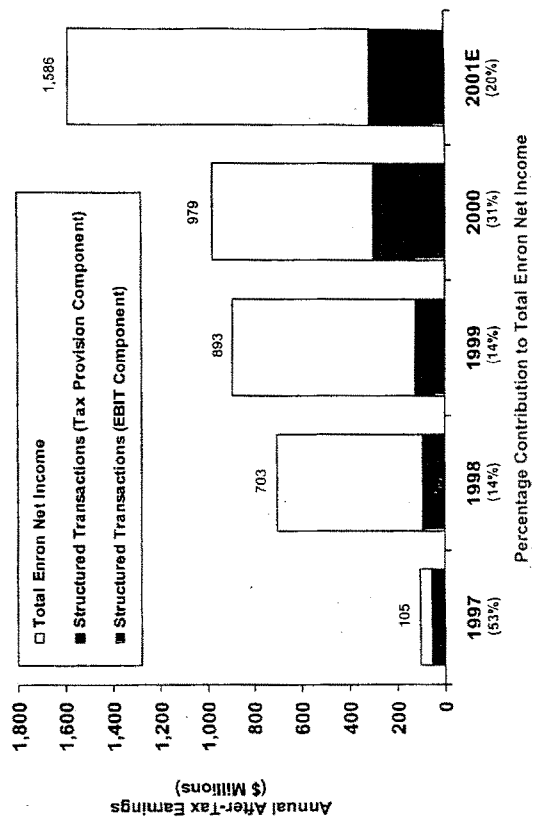
E 88576

Structured Transactions
Introduction

- The Structured Transactions group is patterned after similar groups established by various financial institutions and a select group of corporations (e.g., Citibank, BOA, Chase, Deutsche Bank, GE, AIG, Microsoft and Merck).
- The group's focus is to originate and operate transactions utilizing the tax basis of Enron Corp. and its counterparties.
- The group's activities involve a synthesis of accounting, finance, legal, and tax principles to provide enhanced returns on new and existing commercial transactions.
- Currently the group consists of thirteen individuals responsible for the front and back office aspects of each deal.
- During the first half of 2001, members of the group have maintained contacts with a variety of organizations necessary for the development and maintenance of their transactions, e.g., law and accounting firms, financial institutions, consultants, other corporations, etc.

ENRON

Structured Transactions
Contribution to Enron Annual Net Income (millions)



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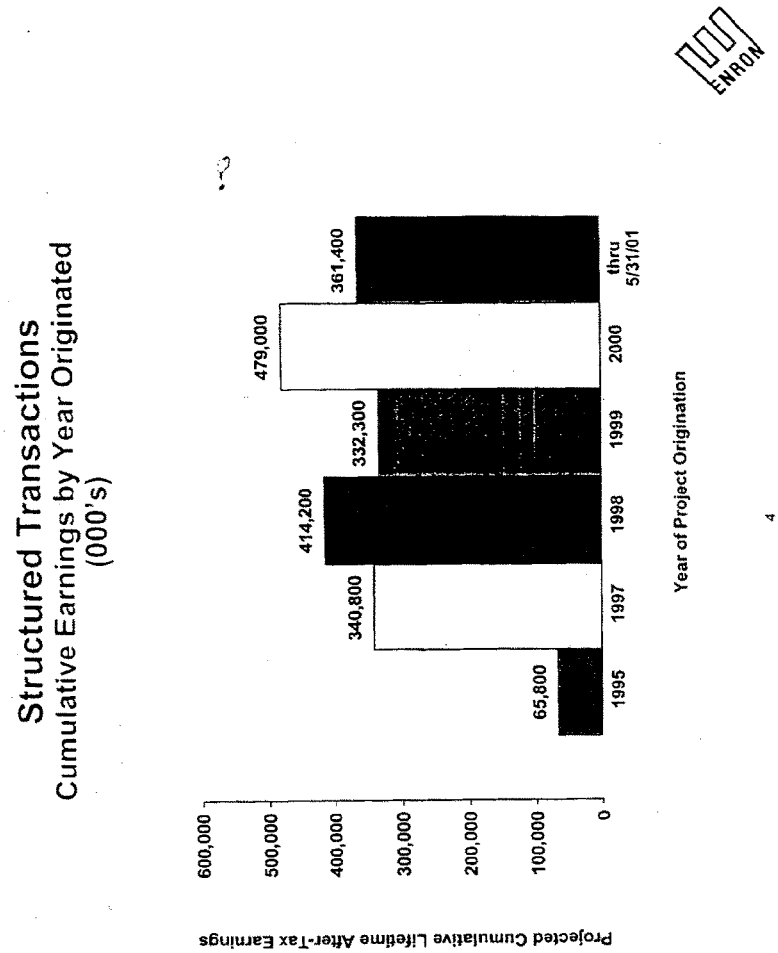

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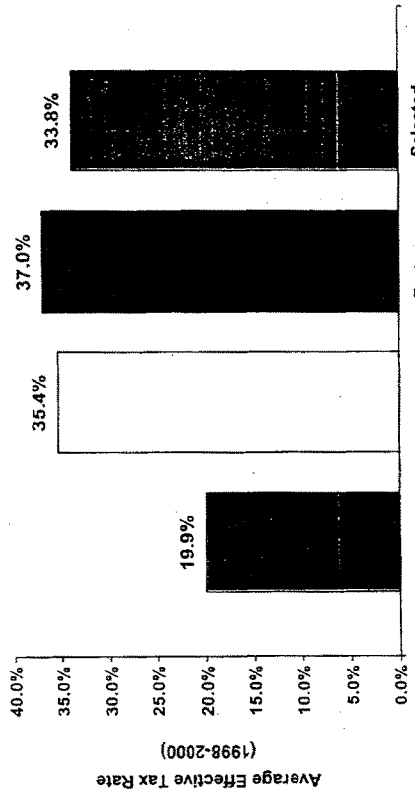
Structured Transactions

Comparison of Effective Tax Rates
(Average for Years 1998 – 2000)



[1] Includes Exxon Mobil, Wal-Mart, General Motors, Ford Motor, General Electric, Citigroup, IBM, AT&T and Verizon.
[2] Includes Dynegy, El Paso, Williams, Transmontaigne, Kinder Morgan and Western Gas.
[3] Includes CitiGroup, DeutscheBank, JP Morgan/Chase, AIG, Merrill Lynch and Barclays.

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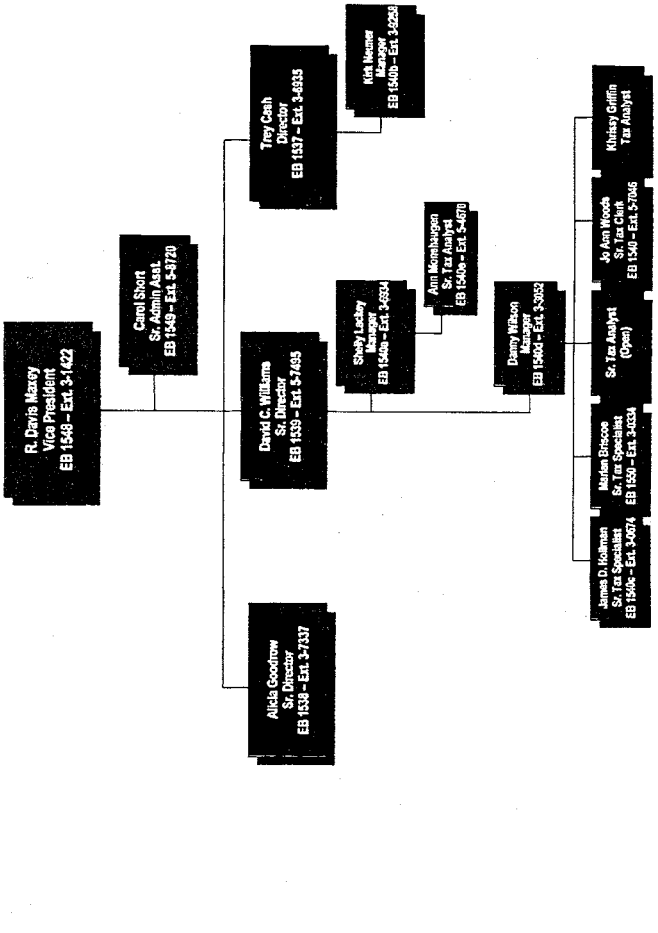
Structured Transactions
Scheduled Projects for 2001

Tammy II	Develop Action Plan and execute a minority interest financing structure using $2 billion of non-core Enron assets. Transaction will generate $370 million of net income.
Hitchcock	Research and develop project that will generate depreciation deductions, lowering Enron's effective tax rate, using foreign lease transactions.
Ajax	Research and development project to generate EBIT via acquisition of high basis, low value financial assets in a large carry-over basis transaction.
Tammy I	Develop Action Plan and execute a minority interest financing structure using $2 billion of non-core Enron assets. Will issue $750 million of preferred stock in 2001. Earnings benefit in 2001 of approximately $200 million.
Apache	Project monetizes Enron's accounts receivable. Structure new common equity for Dutch partnership, thereby increasing investment capacity of a vehicle currently holding over $1.5 billion of Enron assets. This structural modification should significantly increase the $167 million net income benefit from this transaction.
Tomas	Project monetizes former PGH portfolio of leased assets using Enron's proprietary on-line bidding process. Conclude negotiations resolving fee dispute with former manager of PGH's portfolio of leveraged assets.

R. Davis Maxey
Enron Corp. - Structured Transactions



Rev: July 12, 2001

E 88582

Confidential Treatment Requested By Wilmer, Cutler & Pickering

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
Prepay	Deffner	Cage Cage (prepay counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Canadian $150 MM Royal Bank of Canada (fixed gas prepay)	09/00	ENA	No	N/A	N/A
Prepay	Deffner	Canadian $150 MM Toronto Dominion Bank (fixed gas prepay) Chase Manhatten Bank (swap provider)	09/00	ENA	No	N/A	N/A
Prepay	Deffner	Chase IV Mahonia Limited (prepay counterparty) Chase Manhattan Bank (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Chase V Mahonia Limited (prepay counterparty) Chase Manhattan Bank (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Chase VI Mahonia Limited (prepay counterparty) Chase Manhattan Bank (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Chase VII (APEA)(Muni Prepay) APEA (prepay counterparty) Chase Manhattan Bank (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Chase VIII Mahonia Limited (prepay counterparty) Chase Manhattan Bank (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Chase IX Mahonia Limited (prepay counterparty) Chase Manhattan Bank (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Chase X Mahonia Natural Gas Limited (prepay counterparty) Chase Manhattan Bank (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Chase XI Mahonia Limited (prepay counterparty) Chase Manhattan Bank (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Citibank I Delta Energy Corporation (prepay counterparty) Citibank, N.A. (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Allen	Corp Prepay Trade 1: Toronto Dominion Texas, Inc. - (Prepaid Fixed Amount Payer) Credit Suisse First Boston International PLC - (Prepaid Fixed Amount Payer) Morgan Stanley , Inc. - (Floating Price Payer) Trade 2: Credit Suisse First Boston AG - (Prepaid Fixed Amount Payer) Barclays Bank PLC - (Floating Price Payer)	12/1/00	Enron Global Markets	No	N/A	N/A
Prepay	Deffner	CRRA (Muni) CRRA (prepay counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Allen	Crude Prepay Citibank N.A. (prepaid fixed price payer) Barclay's Bank Plc (prepaid fixed payer) Royal Bank of Scotland (prepaid fixed Toronto Dominion (float payer)	12/1/99	Enron Global Markets	No	N/A	N/A
Prepay	Deffner	CSFB Credit Suisse First Boston (prepay counterparty) Barclays Bank Plc (swap counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Deffner	Energy America (Muni) Energy America (prepay counterparty)		ECN2021/ECN38th	No	N/A	N/A
Prepay	Walden	Yosemite I Delta Energy Corporation (prepaid fixed price)	12/1/99	Enron Global Markets	No	N/A	N/A

Permanent Subcommittee on Investigations
EXHIBIT #387e

EC 000037358

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Citibank, N.A. (swap counterparty)					
Prepay	Allen	Yosemite II Citibank (US) (float payer) Delta Energy Corp (fixed price prepay)	3/1/00	Enron Global Markets	No	N/A	N/A
Prepay	Walden	Yosemite III (Enron Credit Linked Note 1) Delta Energy Corporation (swap counterparty) Citibank, N.A. (prepay fixed price counterparty)	8/25/00	Enron Global Markets	No	N/A	N/A
Prepay	Walden	Yosemite IV (Enron Credit Linked Note 2) File not found		Enron Global Markets	No	N/A	N/A

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
125/140	Sherman	**American Coal** The American Coal Company (Borrower) Enron Capital & Trade Resources Corp (Lenders) Joint Energy Development Investments II Limited Partnership (Lenders)		Global Finance Legal ECN20th Floor	Yes	N/A - QSPE	N/A
125/140	Krautz	**Avici** Wilmington Trust Company (Owner Trustee) Barclays Bank PLC (Agent) LJM2-Max, LLC (Equity Holder) Enron Corp (Reimbursement & Disclosure Agents) EBIC-Apache, LLC (Sponsor) JJB-IASSET, LLC (Asset Co's) JJB-II Asset, LLC (Asset Co's) MEB-I, LLC (Transferor) MEB-II, LLC (Transferor)		ECN20th Floor	Yes		
125/140	Patrick	**Blackbird Monetization – F125 sale of CSC N/R** EESO (Investment owner) Blackbird I LLC (Asset LLC) Blackbird II LLC (Transferor LLC) Barclay's Bank PLC (Trust Debt)	Q4/1999	Enron Energy Services	Yes	N/A - QSPE	N/A
125/140	Patrick	**Unwind of Blackbird Monetization & Buyback by EES** EESO (investment owner) Blackbird I LLC (asset) Blackbird II LLC (transferor) Barclay's Bank Plc (trust debt)	Q2/2000	Enron Energy Service	Yes	N/A - QSPE	N/A
125/140	Patrick/Allen	**Cash Co. 6** Contractual Asset Securitization Holding Trust VI: State Street Bank and Trust Company of Connecticut, National Association (Trustee) Enron Cash company No. 6, LLC (CashCo) – sold all rights in Trust to Trustee Contractual Asset Sale Agreement: Enron Cash Company No. 6, LLC (Seller) Enron Capital & Trade Resources International Corp (Servicer) State Street Bank and Trust Company of Connecticut, National Association (Trustee) Barclays Bank PLC (Admin Agent) Original Contract: Ectric Transferred rights to Enron Capital Trade Europe Finance LLC (ECTEF) ECTEF assigned rights to CashCo	6/26/98	ENA Legal ECN38th Floor	Yes	N/A	N/A
125/140	Quaintance	**Project Catalytica** KGB, LLC (Formed by Enron Ventures Corp) JSB Asset, LLC (Held by EVC, KGP, LLC, & LAB Trust) Facility Agreement: Lab Trust (Borrower) Barclays Bank PLC (London) (Agent) Lab Trust: Wilmington Trust Company (Owner Trustee) Barclays Bank PLC (Agent) LJM2 – Fred, LLC (Equity holder)		Global Finance Legal ECN20th Floor	Yes	LJM2-Fred, LLC	Wilmington Trust
125/140	Quaintance	**Catalytica Unwind** Certificate purchase agreement: Enron Ventures Corp (Purchaser) LJM2 – Fred, LLC (Seller) Dissolution Agreement: Enron Ventures Corp. JSB Asset, LLC KGB, LLC Lab Trust	3/14/01	Global Finance Legal ECN20th Floor	Yes	LJM2-Fred, LLC sold interest in Lab Trust to Enron Ventures Corp.	Wilmington Trust Company

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
125/140	Patrick	**Caymus Trust/Bacchus** Parties Enron Corp Sponsor – Enron North America Corp. Independent Manager – Willie J. Alexander WTC – Wilmington Trust Co. Trust – Caymus Trust Asset LLC – Sonoma I, LLC Transferor – Napa I., LLC Lender – Citibank NA Agent – Citibank NA Certificate Holder – Long Lane Master Trust IV by Fleet National Bank, Trust Administrator for Long Lane Matter Trust IV Caymus Trust owns: Class B Interest in Sonoma I, LLC (economics interest) Beneficial owner of Caymus Trust is Long Lane Master Trust IV		EGF ENC 20th Floor	Yes	Long Lane Master Trust IV	Wilmington Trust Company
125/140	Sommers	**Project Churchill** Description: Structured Equity Transaction Entities Involved: Banco Central Hispanoamericano S.A. LNG I, LLC LNG II, LLC LNG III, LLC LNG IV, LLC LNG V, LLC Enron LNG Power (Atlantic) Ltd, member Bankers Trust (lenders)		ENA Legal ECN38th Floor	Yes	Kenetech (50%) ENE (50%)	N/A
125/140	Sommers	**Project Churchill – (Puerto Rico Power Plant)** Ownership: Kenetech 50%, ENE 50% LNG Power 1, LLC – QSPE LNG Power 2, LLC – QSPE LNG Power 3, LLC Lenders: Bankers Trust International PLC	6/30/98	Enron International Legal	Yes	N/A - QSPE	N/A
125/140	Stubblefield	**Cortez Energy Services (LLC and Contribution & Subscription Agreement)** Contribution & Subscription Agreement: DLJMP Funding II, Inc. (Investor) DLJ Merchant Banking Partners II, LP (Investor) DLJ Merchant Banking Partners II-A, LP (Investor) DLJ Diversified Partners, LP (Investor) DLJ Diversified Partners – A, LP (Investor) DLJ Millenium Partners, LP (Investor) DLJ Millenium Partners-A, LP (Investor) DLJ First ESC LP (Investor) DLJ Offshore Partners II, e.r. (Investor) DLJ EAB Partners, LP (Investor) DLJ ESC II, LP (Investor) G.E. Capital Equity Investments, Inc. (Investor) Calpers (Investors) Ontario Teachers' Pension Plan Board (Investor) Enron Energy Services, LLC Cortez Energy Services, LLC Enron Energy Services Corp. Enron Energy Services, LLC (Owner) LJM 2 Co-Investment, LP (Investor) Nina I LLC (asset LLC) Santa Maria Trust (Trust) Pintailc (transferor)		Global Finance Legal ECN20th Floor	Yes	CIBC Inc	Wilmington Trust Company
125/140		**Project Discovery Closing Documents** Santa Maria Trust CIBC (beneficial owner)	12/29/99	Global Finance Legal ECN20th Floor	Yes	CIBC Sanpaolo IMI	Wilmington Trust Company

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		CIBC (lender) Sanpaolo IMI S.p.A (lender)					
125/140	Krautz	**EBS CONTENT SYSTEMS L.L. Monetization** Project Braveheart EBS Content Systems LLC Enron Broadband Services, Inc. SE Thunderbird, L.P. nCube Corporation Blue Heron I LLC Whitewing Management LLC Egret I LLC Enron Broadband Services, Inc. nCube Corporation Blockbuster Inc. Intertrust Technologies Corporation Macrovision Corporation Motorola Inc. Enron Corp. Enron North America Corp. Vincent Buckley Wilmington Trust Company Hawaii II 125-0 Trust McGarret VIII, L.L.C. Big Island VIII, L.L.C. Canadian Imperial Bank of Commerce CIBC Inc.	12/22/00	EBS	Yes	Class A: Enron Broadband Services, Inc (EBS) (initial member) nCube Corporation (nCube) Class B: EBS nCube SE Thunderbird, L.P. Blue Heron I LLC (general partner) Whitewing Associates L.P. (sole member) Whitewing Management LLC (general partner) EGRET I LLC (managing member) Class C: McGarret VIII, LLC	*See Hawaii II 125-0 Documentaion in "Hawaii" section
125/140	Brown	**EES Service Holdings, Inc Monetization** EES LLC (investment owner) Pyramid I LLC (asset) DLJ Capital Funding Inc. (trust equity) CS First Boston (trust debt)	Q3/2001	Enron Energy Services	Yes	DLJ Capital Funding, Inc.	Wilmington Trust Company
125/140	Allen	ETOL1 Teesside Operations Holdings Ltd. - intermediate holding company (Asset Co) Teesside Operations Holdings 2 Ltd. - (intermediate holding company) Teesside Operations Holdings 4 Ltd. - (intermediate holding company) RBS Financial Trading Company Ltd. (Purchaser) The Royal Bank of Scotland plc (Equity Holder) Lenders to Purchaser SPE: The Royal Bank of Scotland plc 13.39% (lender to SPE and Agent to Lenders) Westdeutsche Landesbank Girozentrale 10.83%- lender to SPE Lloyds TSB Bank plc 10.83%- lender to SPE Mizuho Financial Group, The Fuji Bank Ltd 10.83%- lender to SPE The Bank of Tokyo Mitsubishi Ltd. 10.83%- lender to SPE Landesbank Hessen-Thuringen Girozentrale 7.22%- lender to SPE		Enron Europe	Yes	Royal Bank of Scotland	N/A

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Raiffeisen Zentralbank Osterreich AG, London Branch 7.22%- lender to SPE Credit Lyonnais 7.22%- lender to SPE Societe Generale 7.22%- lender to SPE Landesbank Baden-Wurttemburg, London Branch 7.22%- lender to SPE Bayerische Hypo-Und Vereinsbank AG 7.22%- lender to SPE Enron Corp. (as TRS counterparty) Enron Sutton Bridge Funding Ltd. (As put counterparty).					
125/140	Allen	ETOL2 Teesside Operations Holdings Ltd. (Asset Co) Teesside Operations Holdings 2 Ltd. (Intermediate Hold Co) Teesside Operations Holdings 4 Ltd. (Intermediate Hold Co) RBS Financial Trading Company Ltd. (Purchaser) The Royal Bank of Scotland plc (Equity Holder and Lender) Enron Corp. (as TRS counterparty) Enron Sutton Bridge Funding Ltd. (As put counterparty).	3/30/01	Enron Europe	Yes	Royal Bank of Scotland	N/A
125/140	Allen	ETOL3 Teesside Operations Holdings Ltd. (Asset Co) Teesside Operations Holdings 2 Ltd. intermediate holding company) Teesside Operations Holdings 4 Ltd. intermediate holding company) Enron Sutton Bridge Funding Ltd. (Transferor) Sideriver Investments Ltd (Purchaser) The Royal Bank of Scotland plc (Equity Holder and Lender) Enron Europe Ltd (Equity Holder) Enron Corp. (as TRS counterparty) Enron Sutton Bridge Funding Ltd. (As put counterparty).	6/20/01	Enron Europe	Yes	Royal Bank of Scotland - Enron (for .01%)	N/A
125/140	Patrick/Allen	Eurocash 1 Enron Gas & Petrochemicals Trading Limited (as Counterparty to Eurocash II European Cash I Limited (as Issuer of Notes and Certificates) IBJ International plc (as Arranger) IBJ International plc (as Note Purchaser and Certificate Investor) Prudential Assurance (as Note Purchaser and Certificate Investor) Norwich (as Note Purchaser and Certificate Investor) Royal Bank of Scotland (as Note Purchaser and Certificate Investor) Credit Lyonnais (as Note Purchaser and Certificate Investor)	1/19/97	Enron Europe	Yes	IBJ International plc; Prudential Assurance; Norwich; Royal Bank of Scotland; Credit Lyonnais	N/A
125/140	Castleman	Firefly Firefly LLC (affiliate of Stonehurst Capital LLC, Firefly's Manager by Stonehurst Capital Inc. Holders of debt issued by Firefly Trust – Managing Member Douglas Stark, VP		Global Finance Legal ECN20th Floor	Yes	No File Available	Wilmington Trust Company

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Enron Corp – Raymond Bowen, Agent & Attorney-in-Fact Firefly Trust by Wilmington Trust Co. as its trustee James Lawler, VP Jacave' Electrical Distribution Trust by Wilmington Trust Tigre Trust Puulista Electrical Distribution LLC by Atlantic Commercial Financial, outgoing member (Kathy Lynn) Enron Brazil Power Holdings V Ltd. Authorized signatory: Huntlaw Corporate Services Ltd. Aquila Voting Trust – Wilmington Trust Chase Manhattan Bank, Admin Agent Wilmington Trust Company, Firefly Trustee					
125/140	Patrick	**Fishtail** LJM	12/19/00	Global Finance Legal ECN20th Floor	Yes	LJM	N/A
125/140	Butts	**Project Ghost** G-Future Interest Owner Trust G-Present, L.L.C. G-Future, L.L.C. G-Past, L.L.C. Lenders: CIBC Inc. Canadian Imperial Bank of Commerce (As August) First Union National Bank (As Documentation Agent) ABN Amro Bank (Co Agent) N.V. Panbasin (Co-Agent) and SanPaolo S.P.A (Syndication Agent) and CIBC World Markets Corp., (Arranger) Trust J.M. Owner Trust Class B membership Interest in G-Past, L.L.C., a SPE forward under laws of State of Delaware representing 99.99% a common interest in J.M., Owner Trust, a business trust forward under the laws of the State of Delaware Wilmington Trust Company, owner trustee G-Past, L.L.C., a Delaware Limited Liability Company Class A member: Enron Communications, Inc. 0.01% Class B member: G-Present 99.99% G-Present L.L.C., a Delaware Limited Liability Company Class A member: Enron Communications Inc. .01% Class B member: G-Future LLC G-Future, L.L.C., a Delaware Limited Liability Company Class A member: Enron Communications Inc. .01% Class B member: J.M. Owner Trust 99.99% True Sale Opinion suggest CIBC owns the beneficial interest of J.M. Owner Trust	12/21/99	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii I** The Parties Enron Corp Wilmington Trust Company Hawaii I 125-0 Trust Canadian Imperial Bank of Commerce CIBC Inc. Beneficial interest owner of Trust is CIBC Inc. Noteholders: Bayerische Landes Bank $15 MM	11/20/00	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		First Union National Bank $15 MM BNP Paribas $15 MM Sanpaolo (MIS P.A.) $15 MM Bauber Trust Company $15 MM TD Securities $15 MM CIBC Oppersheimer $10,500 MM National Australia Bank, Ltd $10.5 MM The Sumitomo Bank, Limited $10.5 MM Wachovia Bank $10.5 MM ABN/AMRO Bank, Ltd $9.0 MM Banco Bilbao Vizcaya Argentina, S.A. $6.0 MM National Westminster Bank PLC. $6.0 MM Credit Agicole Indosuez $6.0 MM Royal Bank of Canada $6.0 MM					
125/140	Walden	**Hawaii 125-0 (McGarret A)** The Parties Enron: Enron Corp Sponsor: Enron Energy Services, L.L.C. Independent Manager – Vincent Buckley WTC Wilmington Trust Company Trust – Hawaii 125-0 Trust Asset LLC – McGarret I, L.L.C. Transferor LLC – Big Island I, L.L.C. Lenders CIBC Inc First Union National Bank Bayerisdre Landesbank Paribas Sanpaolo IMI S.p.A CIBC-Canadian Imperial Bank of Commerce Owner of Beneficial Interest in Trust in CIBC Inc.		Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii 125-0 (McGarret B)** Asset LLC: McGarret II, L.L.C Sponsor: Enron Energy Services, L.L.C. Transferor: Big Island III, L.L.C.	6/29/00	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii 125-0 (McGarret C)** Asset LLC: McGarret III, L.L.C Sponsor: Enron Energy Services, L.L.C. Transferor: Big Island III, L.L.C.		Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii 125-0 (McGarret D)** Asset LLC: McGarret II, L.L.C Transferor: Hawaii 125-0 Trust Series McGarret B		Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii II 125-0 (McGarret F)** Asset LLC: McGarret VI, L.L.C Transferor: Big Island VI, L.L.C. Beneficial Interest Owner CIBC Inc.	12/7/00	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii 125-0 (McGarret G)** Asset LLC. McGarret I, L.L.C Sponsor: Enron Energy Services, L.L.C. Transferor: Hawaii 125-0 Trust	12/14/00	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
125/140	Walden	**Hawaii II 125-0 (EBSCS - McGarret I)** Asset LLC: McGarret III, L.L.C. Sponsor: Enron Broadband Services, Inc. Transferor: Hawaii 125-0 Trust, Series McGarret H		Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii II (Eli Lilly - McGarret J)** Asset LLC: McGarret X, L.L.C. Sponsor: Enron Energy Services Operations, Inc. Transferor: Big Island X, L.L.C.	6/14/01	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii I (CGas – McGarret K)** Asset LLC: McGarret XI, L.L.C. Sponsor: Joint Energy Development Investments Limited Partnership Transferor: Big Island XI, L.L.C.		Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii II (Tahiti – McGarret L)** Asset LLC: McGarret XII, L.L.C. Sponsor: Prongitorn I, LLC Transferor: Big Island XII, L.L.C. Beneficial Interest Owner: CIBC Inc.		Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii I (Tahiti – McGarret M)** Asset LLC: McGarret XIII, L.L.C. Sponsor: Prongitown I, L.L.C. Transferor: Big Island XIII, L.L.C. Beneficial Interest Owner: CIBC Inc. Trust: Hawaii 125-0 Trust	6/22/01	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii I (Hanover – McGarret N Unwind)** Asset LLC: McGarret XIV, L.L.C. Sponsor: EBOS Purchaser: Joint Energy Development Investments Limited Partnership Transferor: Big Island XIV, L.L.C. Beneficial Interest Owner: CIBC	6/28/01	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**Hawaii (McGarret O)** Asset LLC: McGarret VI, L.L.C. Sponsor: Enron European Power Investor Transferor: Hawaii 125-0 Trust Beneficial Interest Owner: CIBC Inc Trust: Hawaii 125-0 Trust	8/31/01	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140		**Iguana**		ENA Legal	Yes	DLJ Capital Corporation	Wilmington Trust Company

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Red Salamander Limited Company (as Issuer) DLJ Capital Corporation (as beneficial owner of Issuer)		ECN38th Floor			
125/140	Brown	**Le Hesten LLC-Formation** EESO A, Eli Lilly B, EESO C (investment owner)	Q4/2000	Enron Energy Services	No	N/A	N/A
125/140	Brown	**Le Hestenn LLC "C" Interest Monetization** EESO to Merganser LLC (investment owner) Pintail L.P. I (asset) Brant LLC (transferor) Purchase by Whitewing Entity Canvasback LLC	Q1/2001	Enron Energy Services	Yes	Whitewing Entity Canvasback	N/A
125/140	Brown	**Le Hesten LLC** EESO A – 50%, Eli Lilly B – 50%, EESO C – nonvoting pref (investment owner) McGarrett X LLC (asset)] Big Island X LLC (transferor) CIBC (trust equity/debt)	Q2/2001	Enron Energy Services	Yes	CIBC, Inc. (see also Hawaii II el. Lilly McGarrett J)	Wilmington Trust Company
125/140	Brown	**Project Leftovers (Turkey Power Project)** Ownership (ENE 50%, Wing, Gamma, Midlands 50%). LFT Power 1, LLC LFT Power 2, LLC LFT Power 3, LLC Lenders: Canadian Imperial Bank of Commerce Bankers Trust International PLC Trust: Wilmington Trust Company, Owner Trustee True Sale/Non-Consolidation Opinion of Andrews & Kirth – CIBC owns the Trust Certificates	5/28/99	Enron International	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Summers	**Project MacArthur (Guam Power Project)** Ownership (ENE 50%, Tomen Corp 50% EDP Power 1 LLC – QSPE EDP Power 2 LLC – QSPE EDP Power 3, LLC Bankers Trust International PLC (Lender)	3/30/99	Enron International	N/A	QSPE	N/A
125/140	Walden	**McGarrett A** EES LLC (investment owner) McGarret VII LLC (asset) Big Island VII LLC (transferor) CIBC Inc (trust equity/debt)	Q4/2000	Enron Energy Services	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Walden	**McGarrett B** EES LLC (investment owner) McGarret IV LLC (asset) Big Island IV LLC (transferor) CIBC Inc (trust equity/debt)	Q3/2000	Enron Energy Services	Yes	CIBC, Inc.	Wilmington Trust Company
125/140		**Nikita**			Yes	CIBC, Inc.	Wilmington Trust Company
125/140		**Project Nimitz** Ownership: Saras 55%, Enron 45% ESP 1 Interest Owner Trust ESP Power 1, LLC ESP Power 2, LLC ESP Power 3, LLC Lenders: Canadian Imperial Bank of Commerce First Union Bank Paribas ABN Ambro Bank, N.V. National Australia Bank Limited Trust:	6/28/99	Enron International Legal	Yes	CIBC, Inc.	Wilmington Trust Company

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Wilmington Trust Company, Owner Trustee True Sale/Non-consolidation Opinion of Andrews & Kirth – CIBC owns the Trust Certificates					
125/140	Patrick Brown	**OWC LLC Monetization – F125 sale of EES' Economic interest in the OWC joint venture** EESO 50%, Owens Corning 50% (investment owner) EESO-OC Hldgs I (Asset LLC) EESO-OC Hldgs II (Transferor LLC) CIBC Inc (Trust Equity/Trust Debt)	Q4/1999	EGF ECN 20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Patrick Brown	**OWC Transfer to Hawaii – Transfer to CIBC** EESO – 50%, Owens Corning 50% (investment owner) Maui II LLC (asset) Danno II LLC (transferor) CIBC (Trust equity/debt)	Q2/2000	Enron Energy Services	Yes	CIBC, Inc.	Wilmington Trust Company
125/140	Patrick Brown	**OWC Unwind** EESO (investment owner) Maui II LLC (asset) Danno II LLC (transferor) CIBC Inc (trust equity/debt)	Q1/2001	Enron Energy Services	Yes	See Above	See Above
125/140	Brown	**Pronghorn** EES LLC (investment owner) McGarrett XII LLC (Asset) Big Island XII LLC (transferor) CIBC Inc (trust equity/debt)	Q1/2001	Enron Energy Services	Yes	See Hawaii II (Tahiti-McGarrett M)	See Hawaii II (Tahiti-McGarrett M)
125/140	Sommers	**Project Pilgrim – (Sarlux Power Project)** Ownership: Saras 55%, Enron 45% ES Power 1, LLC – QSPE ES Power 2, LLC – QSPE ES Power 3, LLC Lenders: Canadian Imperial Bank of Commerce True Sale/Non-Consolidation Opinion of Andres & Kirth	12/28/98	Enron International Legal	N/A	QSPE	N/A
125/140	Sommers	**Project Pilgrim – (Turkey Power Project)** Ownership: ENE 50%, Wing, Gamma, Midlands 50% ET Power 1 LLC – QSPE ET Power 2, LLC – QSPE ET Power 3, LLC Lenders: Canadian Imperial Bank of Commerce True Sale/Non-Consolidation Opinion of Andrews & Kirth	12/23/98	Enron International Legal	N/A	QSPE	N/A
125/140	Sherman	**Powder River** PR-B Interest Owner Trust (Trust) Fort Union Gas Gathering, LLC Enron Capital & Trade Resources Corp Wilmington Trust Company ECT Powder River, LLC ECT-PR-B, LLC ECT-PR-C, LLC ECT-PR-2, LLC Merrill Lynch, Pierce, Fenner & Smith Inc.	12/30/98	Global Finance Legal ECN20th Floor	Yes	RADR Gathering L.P. Thomas William Porter III Red Rock Management Company, LLC	Wilmington Trust Company
125/140	Brown	**Pronghorn** EES LLC (investment owner) McGarrett XIII LLC (Asset) Big Island XIII LLC (transferor) CIBC Inc (trust equity/debt)	Q2/2001	Enron Energy Services	Yes	See Hawaii I (Tahiti-McGarrett M)	See Hawaii II (Tahiti-McGarrett M)

Enron Structured Finance List
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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
125/140	Nguyen	Raptor I Swap Confirmations	4/18/00		Yes	LJM2-Talon, LLC	Wilmington Trust Company
125/140	Nguyen	Raptor II	6/29/00	EES	Yes	LJM2-Timberwolf, LLC	Wilmington Trust Company
125/140	Nguyen	Raptor II	4/13/01		Yes		
125/140	Nguyen	Raptor III	9/27/00		Yes	LJM2-Porcupine LLC	Wilmington Trust Company
125/140	Nguyen	Raptor IV	9/9/00		Yes	LJM2-Bobcat LLC	Wilmington Trust Company
125/140	Allen	Riva McGarret VI, LLC (Asset LLC) European Power Limited Company (Underlying Company) Enron North America (Swap Provider) Big Island VI, LLC (Transferor LLC) Enron European Power Investor LLC (Sponsor/Transferor, Put Writer) Enron corp (guarantor of ENA's obligations to Hawaii II) Hawaii II 125-0 Trust Series McGarret F Canadian Imperial Bank of Commerce (Agent, Equity Holder in McGarret F) Wilmington Trust Company (Owner Trustee of Hawaii Trust) CIBC World Markets Corp (Debt Arranger for Hawaii) Lenders: John Hancock Life Insurance Company New York Life Isurance Nationwide Life Insurance Phoenix Home Life Insurance Company Phoenix CDO Limited Post Balanced Fund LP Post High Yield LP TCW Leveraged Income Trust LP (1,2,and 4), TCW Gem 2 Limited, TCW Gem 4 Limited	Q4/2000	Enron Europe	Yes	*European Power Limited Company (Underlying Company):* European Power Investor LLC (Enron) (nonvoting); LJM II - Margaux LLC (1/3 votes); John Hancock Life Insurance Company (2/3 votes); *McGarret VI, LLC (Asset Co):* Class A - Enron Class B - Hawaii II 125-0 Trust Series McGarret F *Hawaii II 125-0 Trust Series McGarret F:* CIBC	Wilmington Trust Company N/A Wilmington Trust Company
125/140	Patrick/Allen	Riverside 1 Enron Europe Power Limited Thornbeam Limited (as minority interest holder in Enron Europe Power Limited) SPV Management Limited (owner of £100 ordinary shares in Thornbeam Limited and Servicer to Thornbeam Limited) Strategic Money Management Company BV (owner of pref shares for £1.5 M in Thornbean Limited and lender to Thornbeam) Morgan Trust Guaranty Trust Company of New York (as Security Trustee and working capital facility lender to Thornbeam Limited) JP Morgan Securities Limited (as Lender and investor in Thornbeam Limited)	9/12/96	Enron Europe	Yes	*(Thornbeam Limited)* SPV Management Limited - £100 ordinary shares SMM BV Limited - £1.5 M pref shares	Morgan Guaranty Trust Company of New York
125/140	Patrick/Allen	Riverside 2	9/26/1997	Enron Europe	Yes	*(Strategic Money Management Corporation BV)*	

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Strategic Money Management Corporation BV - purchaser (as 50% Owner of "A" Ordinary shares of Enron Europe Power Holdings Limited) Enron Europe Power Holdings Limited - entity being sold Enron Europe Limited - seller Morgan Guaranty Trust Company of New York (as Trustee and swap counterparty) Enron Capital & Trade Resources Corp (as swap counterparty)				Pending- will forward 16 Nov.	Morgan Guaranty Trust Company
125/140	Patrick/Allen	**Riverside 3** Enron Europe Power 2 Limited Enron Europe Limited (as Guarantor) Enron Corp (as Guarantor) Bankers Trust International (as Lender) CIBC (as Lender) Bankers Trust and CIBC are providing the £154m loan that is maturing in March 1999. This transaction (alongwith the accrued interest) was refinanced through Riverside 6 for an amount of £159.5m that included £110m of Notes and £49.5m loan arranged by Barclays. (See Details below)	6/30/98	Enron Europe	Yes	QSPE	N/A
125/140	Patrick/Allen	**Riverside 4** Enron Europe Power 4 Limited (as borrower) Enron Europe Limited (as guarantor) Enron Corp (as guarantor) CIBC Wood Grundy plc (as arranger) CIBC Wood Grundy plc (as lender) Enron Europe Power 4 Limited CIBC Wood Grundy plc (as Lender and arranger) CIBC Wood Grundy plc provided the entire £60m loan that is to be repaid or refinanced by April 1999. This was subsequently refinanced by Riverside 7. Enron Corp and Enron Europe Limited provided a unconditional guarantee to CIBC providing the £60m loan facility to Enron Europe Power 4 Limited.	9/29/98	Enron Europe	Yes	QSPE	N/A
125/140	Patrick/Allen	**Riverside 5** Enron Europe Power 5 Limited CIBC provided the entire $2M loan that is to be repaid or refinanced by January 2002 Enron corp has provided an unconditional guarantee to CIBC providing the $2M loan facility to Enron Europe Power 5 Limited	1/29/99	Enron Europe	Yes	QSPE	N/A
125/140	Patrick/Allen	**Riverside 6** Teesside Power Financing Ltd Enron Europe Power 1 Limited (as guarantor) Enron Europe Power 3 Limited (as guarantor) Enron Europe Limited Enron Corp (as guarantor) Barclays Capital (as arranger) Barclays Bank plc (as facility agent) Barclays Bank plc (as lender) Landesbank Hessen - Thuringen Girozentrale (as lender) DG Bank Deutsche Genossenschafts Bank AG, London Branch (as lender) Unicredito Italiano S.P.A. London Branch (as lender) Banca Nazionale del Lavoro S.p.A. London Branch (as lender) Banco Espirito Santo e Comercial de Lisboa S.A. (as lender)	7/19/99	Enron Europe	Yes	QSPE	N/A

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Bankers Trustee Company Limited (as note trustee & security trustee) BHF Bank - AG Enron Europe Power 3 Limited Barclay's Bank Plc provided a £159.5MM bridge loan, which was eventually refinanced by July 1999 Riverside 6. Enron Corp and Enron Europe Limited provide unconditional guarantees to Barclay's Bank Plc.					
125/140	Patrick/Allen	**Riverside 6.1** Teesside Power Financing Ltd John Hancock Mutual Life $45.68 M John Hancock Variable Life $1.5 M Investors Partner Life Insurance $1 M Signature 3 Limited - $4 M Mellon Bank for Long-term investment Trust $2 M Mellon Bank for Bell Atlantic Master Trust $4 M Variable Annuity Life $5.4 M American General Life $3 M American General Assurance $2 M Franklin Life Insurance $5 M Old Line Life Insurance $1.99 M All American Life Insurance $2M Teachers Insurance $24.24 M KZH-Soleil-2-LLC $19.39 M Abbey National Treasury $20 M Prudential Assurance 15M Enron Europe Limited and Enron Corp provide limited and conditional guarantees to TPFL. These guarantees are triggered under certain circumstances resulting in lower dividends at the TPFL level. These circumstances could include changes in tax, lock-up of dividends or other similar events	7/19/99	Enron Europe	Yes	QSPE	N/A
125/140	Allen	**Riverside 3 & 6** Teesside Power Financing Ltd John Hancock Mutual Life $45.68 M John Hancock Variable Life $1.5 M Investors Partner Life Insurance $1 M Signature 3 Limited - $4 M Mellon Bank for Long-term investment Trust $2 M Mellon Bank for Bell Atlantic Master Trust $4 M Variable Annuity Life $5.4 M American General Life $3 M American General Assurance $2 M Franklin Life Insurance $5 M Old Line Life Insurance $1.99 M All American Life Insurance $2M Teachers Insurance $24.24 M KZH-Soleil-2-LLC $19.39 M Abbey National Treasury $20 M Prudential Assurance 15M Enron Europe Limited and Enron Corp provide limited and conditional guarantees to TPFL. These guarantees are triggered under certain circumstances resulting in lower dividends at the TPFL level. These circumstances could include changes in tax, lock-up of dividends or other similar events	7/19/99	Enron Europe	Yes	QSPE	N/A
125/140	Patrick/Allen	**Riverside 7** Enron Europe Power 6 Limited Enron Europe Limited (as guarantor) Enron Corp (as guarantor) CIBC (as agent) National Australia Bank Limited (as lender)	4/30/99	Enron Europe	Yes	QSPE	N/A

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Bank of Montreal (as lender) Christiana Bank Og Kreditkasse ASA (as lender) Enron Europe Power 6 Limited CIBC (as Agent) National Australia Bank Limited - £30 M (as Lender) Bank of Montreal- £20 M (as Lender) Christiana Bank Og Kreditkasse ASA - £10 M (as Lender) Riverside 7 was refinancing of previous Riverside 4 transaction. CIBC arranged the loan with other lenders providing the actual loans (see list above) for £60m loan. The entire loan is repayable in September 1999 and was refinanced through Riverside 10 Enron Corp and Enron Europe Limited provided an unconditional guarantee to CIBC and other Lenders providing the £60m loan facility to Enron Europe Power 6 Limited.					
125/140	Patrick/Allen	**Riverside 8** Same as 6.1	N/A	N/A	N/A	N/A	N/A
125/140	Patrick/Allen	**Riverside 9** Enron Europe Power 5 Limited (as borrower) Enron Europe Limited (as guarantor) Enron Corp (as guarantor) CIBC Wood Grundy plc (as lender) Enron Europe Power 5 Limited CIBC Wood Grundy plc (as Lender) Riverside 9 was a refinancing of Riverside 5 and waiver of CIBC's put option	9/30/99	Enron Europe	Yes	QSPE	N/A
125/140	Sherman	**Rock** Common Agreement Meter Acquisition Company LP, LLP Houston Pipe Line Company Hanover Mac, LLC HCC Holdings, Inc Hanover Compressor Company Hanover Measurement Services Company, L.P. Houston Pipe Line Company Hanover Measurement, LLC HCC Holdings, Inc Hanover Compressor Company Houston Pipe Line Company Hanover Pipe Line Company Hanover Measurement, LLC HCC Holdings, Inc Barclays Bank PLC (Agent) Credit Lyonnais New York Branch (Syndication Agent)	9/30/99	EBN38th Floor	No	N/A	N/A
125/140	Patrick/Allen	**Riverside 10** Enron Europe Power 6 Limited Enron Europe Limited (as guarantor) Enron Corp (as guarantor) CIBC (as agent) National Australia Bank Limited (as lender) Bank of Montreal (as lender) Christiana Bank Og Kreditkasse ASA (as lender) Enron Europe Power 6 Limited (as Borrower) CIBC (as Agent) National Australia Bank Limited- £30 M (as Lender)	9/30/99	Enron Europe	Yes	QSPE	N/A

Enron Structured Finance List
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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Bank of Montreal - £20 M (as Lender) Christiana Bank Og Kreditkasse ASA - £10 M (as Lender) CIBC arranged the loan with other lenders providing the actual loans for £61.5m loan which included £1.5m of accrued interest on Riverside 7. The entire loan is repayable in March 2000 and was repaid through a intercompany loan from Enron Europe Limited to Enron Europe Power 6 Limited					
125/140	Dwyer	**Financing of Sutton Bridge** Barclays Bank PLC - party to bond issuance BG Plc - party to bond issuance Bankers Trustee Company Lim Bankers Trust Company, New York office party to bond issuance Cedel Bank, societe anonyme-party to bond issuance Central Electricity Generating Board - party to bond issuance Bankers Trustee Company Limited - party to bond issuance Enron Power Corp Bankers Trust Luxembourg S.A. - party to bond issuance Duff & Phelps Credit Rating Co - party to bond issuance The Depository Trust company - party to bond issuance Department of Trade & Industry party to bond issuance Enron Capital & Trade Resources.Corp. Enron Capital & Trade Resources Limited Enron Engineering Services Enron Corp. (as TRS counterparty) Enron SB Operations & Maintenance Limited Enron Power Corp. Enron SB Limited General Electric company - party to bond issuance General Electric International, Inc. - party to bond issuance Sutton Bridge Power Independent Electricity Consultant - party to bond issuance Independent Gas Consultant - party to bond issuance Independent Technical Consultant - party to bond issuance Ilex Associates - party to bond issuance Mott Ewbank Preece - party to bond issuance Sedgwick Bankrisk Limited - party to bond issuance IPG Power Sutton Bridge Financing Limited Barclays de Zoete Wedd Limited - party to bond issuance Merrill Lynch International - party to bond issuance U.K. Monopolies and Mergers Commission - party to bond issuance Moody's Investors Services, Inc - party to bond issuance National Grid Company Plc - party to bond issuance Merz & McLellan Limited - party to bond issuance Portland General Corporation - party to bond issuance	5/97	Enron Europe	No	N/A	N/A

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Bankers Trust Company - party to bond issuance Standard and Poor's Rating Group - party to bond issuance Sutton Bridge Power					
125/140	Patrick/Allen	Sutton Bridge III Enron Capital & Trade Resources Enron Europe Limited - seller Enron SB 2 Limited - entity sold SBI 2 Limited SBI 3 Limited TGT Finance - receiving party to cash Teesside Gas Transportation Limited - recipient of loan from TGT Finance Bretton Holdings (One) Limited - seller Bankers Trust International Trust Plc - purchaser Bankers Trust Company - agent SBI 3 Limited- purchaser Bankers Trust International PLC - investor in SBI 3 Limited Enron Capital & Trade Resources - party to unwind Sutton Bridge 2 Enron Europe Limited- seller Bretton Holdings (One) Limited - seller Enron SB 2 Limited- entity sold TGT Finance - receiving party to cash Teesside Gas Transportation Limited - recipient of loan from TGT Finance Bankers Trust Company - agent	3/98	Enron Europe	Yes	QSPE	N/A
125/140	Patrick/Allen	**Sutton Bridge III (Third Equity)** Bankers Trust International PLC Enron Capital & Trade Resources Enron Europe Limited Enron SB 2 Limited Enron SB 2 Unlimited SBI 2 Limited SBI 3 Limited TGT Finance Teesside Gas Transportation Limited Bretton Holdings (One) Limited Bankers Trust Company	3/1/98	Enron Europe	Yes	QSPE	N/A
125/140	Allen	**Sutton Bridge IV** Enron Europe Limited Enron SB2 ESBF Sutton Bridge Funding Limited National Westminster Bank Plc Enron Sutton Bridge Funding Limited - seller Sutton Bridge Funding Limited - purchaser National Westminster Bank Plc - equity owner and lender to Sutton Bridge Funding Limited SPE	6/1/99	Enron Europe	Yes	National Westminster Bank Plc	N/A
125/140	Sherman	**Wind River** WR-B Interest Owner Trust (Trust) Lost Creek Gas Gathering Company, LLC Enron Capital & Trade Resources Corp. Wilmington Trust Company Merrill Lynch, Pierce, Fenner & Smith Inc. ECT Wind River, LLC ECT-WR-B, LLC ECT-WR-C, LLC ECT-WR-Z, LLC	12/30/98	Global Finance Legal ECN20th Floor	Yes	RADR Gathering L.P. Thomas William Porter III Red Rock Management Company, LLC	Wilmington Trust Company

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
Other	Patrick Faidyn	Azurix Bristol Water Trust Enron Corp Atlantic Water Trust Wilmington Trust Company (Trustee) Martin Water Trust Participation Agreement Enron Corp Martin Water Trust Atlantic Water Trust Enron Water (Holding) LLC Bristol Water Trust Azurix Europe LTD - Preferred Voting Trust Bankers Trust Company		Global Finance Legal ECN20th Floor	Yes	John Hancock Mutual Life Insurance Company John Hancock Variable Life Insurance Company Investors Partner Life Insurance Company Barnett & Co Principal Life Insurance Co. Allstate Life Insurance Co. Allstate Insurance Co. Trai & Co. Watercress I, LLC	Wilmington Trust Company
Other	Farmer	Brazos/Andex Resources LLC Andex Resources, LLC (seller) Brazos VPP LP – General Partner is Agave VP, LLC ECT Merchant Investments Corp. agent for JEDI II LP Joint Energy Development Investments II Limited Partnership – General Partner is Enron Capital Management II Limited Partnership who's GP is Enron Capital II Corp		ENA Legal ECN38th Floor	Yes	See Brazos	VPP Below
Other	Farmer	Brazos Trust Wilmington Trust Company (Trustee) Agave VPP, LLC. (Depositor) Bank of America (Leasee) Participation Agreement: Brazos VPP Trust (Admin Agent) Bank of America, N.A. (Class A Certificate holders) (Syndication Agent) National Westminster Bank plc. (Lender) (Class A Certificate holders) Salt Fork Trust (Class B Certificate holders)		Global Finance Legal ECN20th Floor	Yes	Salt Fork Trust	Wilmington Trust Company
Other	Farmer	Brazos VPP Brazos VPP Limited Partnership Agave VPP, LLC (General Ptr) Brazos VPP Trust (LTD Ptr)		Global Finance Legal ECN20th Floor	Yes	Agave VPP, LLC	Wilmington Trust
Other	Allen	Camelot 1 Barclay's Bank Plc	9/1/00	Enron Europe	No	N/A	N/A
Other	Allen	Camelot 2 Barclay's Bank Plc	12/1/00	Enron Europe	No	N/A	N/A
Other	Allen	Chocolate Barclay's Bank Plc	12/1/00	Enron Europe	No	N/A	N/A
Other	Fleenor	Cornhusker ENA Tenaska Energy, Inc Tenaska Energy Holdings, LLC Tenaska Clebume, LLC Continental Energy Services, Inc. Illinois Generating Energy Tenaska IV Texas Partners, Ltd Tenaska IV Partners, Ltd Empeco VII – Tx 3 IGCS Brazos Inc KUCC Clebume Corporation		Global Finance Legal ECN20th Floor	Yes	Delta Power Company	N/A

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Tenaska IV, Inc. Tenaska energy Holdings, LLC LG&E Capital Corp Ponderosa Pine, LLC DPC Ponderosa, LLC Delta Power Company					
Other	Fleenor	**E-Next Generation** DLJ ESC II, LP (CFSB) DLJ Investment Funding II, Inc. (CFSB)		**Global Finance Legal ECN20th Floor**	Yes	CFSB DLJ ESC II, LP (CFSB) DLJ Investment Funding II, Inc. (CFSB)	Wilmington Trust Company
Other	Farmer	**ENA/Brazos VPP L.P.** Brazos VPP Trust Financing pursuant to a participation agreement among Bank of America, N.A, as Administrative Agent, National Westminster Bank PLC as Syndication Agent and Brazos VPP Trust Agave VPP, LLP Bank of America, N.A. Bracewell & Patterson, L.L.P. Enron North America Corp Crescendo Energy, LLC ECT Merchant Investments Corp Enron Corp Entrada Energy Ventures, LLC Enron Reserve Acquisition Corp Brazos VPP Limited Partnership Royal Bank of Scotland/National Westminster Bank plc Richards, Layton & Finger Salt Fork Trust St. Mary's Production LLC Thompson & Knight LLP Brazos VPP Trust Wilmington Trust Company		**ENA Legal ECN38th Floor**	Yes	**See Brazos**	N/A
Other	Fleenor	**ENA/MCN Power Company, White Pine** MCN Power Company (Seller) ENA (Buyer and Assignor) White Pine Energy, LLC (Buyer and Assignee Richard Vicars, Vice President) Delta Power company LLC, Parent of DPC White Pine, LLC DPC White Pine LLC, initial member of White Pine Energy, LLC Buyer formed White Pine Energy preferred Holdings (a preferred limited partner of Michigan Power Limited Partnership)		**ENA Legal ECN38th Floor**	Yes	**Delta Power Company**	N/A
Other		**JEDI SPV I (Closing Documents)** **$225,000,000 Principal Amount – 7.342% Sr. Notes due November 15, 2003** Issuer: JEDI SPV I, LLC by Joint Energy Development Investments Limited Partnership, its sole Member by Enron Capital Management Limited Partnership, its sole general partner by Enron Capital Corp, its sold general partner Ben Glisan, Vice-President Purchasers: Scudder Kemper Investments Farmers Insurance Exchange (Note to be registered in the name of "Cudd&Co"), Laszlo Heredy, Managing Director	3/19/99	**Global Finance Legal ECN20th Floor**	Yes	**Joint Energy Development Investments Limited Partnership**	N/A

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Farmers New World Life Insurance Company (Note to be registered in the name of "Cudd&Co"). Laszlo Heredy, Managing Director Farmers Reinsurance Company (Note to be registered in the name of "Cudd&Co"). Laszlo Heredy, Managing Director Kemper Investors Life Insurance Company (Note to be registered in the name of "Hare & Co"), Gary Fridley, Chief Investment Officer and David Jorgensen, Corporate Controller Federal Kemper Life Assurance Company (Note to be registered in the name of "Hare & Co"), Gary Fridley, Chief Investment Officer and David Jorgensen, Corporate Controller Fidelity Life Association. (Note to be registered in the name of Hare & Co") Gary Fridley, Chief Investment Officer and David Jorgensen, Corporate Controller Zurich Life Insurance Company of America (Note to be registered in the name of Hare & Co"), Gary Fridley, Chief Investment Officer and David Jorgensen, Corporate Controller					
		Lincoln Investment Management, Inc. Lincoln National Life Insurance Company and Lincoln Life and Annuity Company of New York Both signed by Lincoln Investment Management, Inc. , Timothy Powell, Vice President					
		Pacific Life Insurance Company (Note to be registered in the name of "Hare& Co" and "Atwell & Co") William Schmidt, Assistant Vice President Jane Guon, Assistant Secretary					
		Sun America Corporate Finance (note to be registered in the name of "OKGBD & Co.) Sun American Life Insurance Company John Alden Life Insurance Company Anchor National Life Insurance Company Calamerica Life Insurance Company First Sunamerica Life Insurance Company All signed by Richard Barger, Authorized Agent					
		Principal Financial Group Principal Life Insurance Compnay, on behalf of one or more Separate Accounts Principal Life Insurance Company Above signed by Principal Capital Management LLC, name unreadable					
		New York Life New York Life and Annuity Corporation by New York Life Insurance Company, Lisa Scuderi, Director					
		Hartford Investment Management Co. Hartford Life Insurance Company by Hartford Investment Services, Betsy Roberts, Senior Vice President					
		The Mutual Group TMG Life Insurance Company by Constance Keller, Private Placements Director and Michael Steppe, Senior Vice President					

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Collateral Agent: State Street Bank & Trust Company					
Other	Farmer	**Kstar VPP Trust Financing (Vol. 1 – UNBOUND)** Wilmington Trust Company, Trustee and Maguey, Depositor created the Kstar VPP Trust. Maguey VPP, LLC, the General Partner and Kstar VPP Trust, the Limited Partner created the Kstar VPP LP. Kstar VPP Trust (James Lawler, Vice President) Financing with Canadian Imperial Bank of Commerce (Ian Schottlaender, Managing Director) as administrative agent and noteholder and CIBC World Markets Corp (Ian Schottlaender, Managing Director), as Arranger, Book Runner, Placement Agent and Certificate holder.	6/28/01	Global Finance Legal ECN20th Floor	Yes	See Below	See Below
Other	Farmer	**Kstar VPP Trust Financing (UNBOUND)** EuroGreen Limited, Noteholder (Michael Ksenitzer, Vice-President) Canadian Imperial Bank of Commerce, Administrative Agent (Ian Schottlaender, Managing Director) CIBC, Inc., Trust Certificateholder Swiss Re Financial Products Corporation (Prakash Shimpi) European Finance Reinsurance Company Ltd (Tim Courtis, Chief Financial Officer; Sherry Diaz, Treasurer) Enron Re Limited (S. Oliver Heyliger, Director) Harrington International Insurance Ltd. (Christophe Ollivier, Chief Underwriting Officer) Enron North America Corp (Joseph Deffner, Chief Financial Officer) Enron Corp (Ben Glisan, Managing Director, Finance and Treasurer) Kstar VPP Trust (Ann Roberts, Assistant Vice President) Kstar VPP LP by Maguey VPP, LLC its general partner by Ben Glisan, Managing Director, Finance and Treasurer Mescalito Ltd. (Timothy Proffitt, Agent and Attorney in Fact) Maguey VPP, Ltd. (Ben Glisan, Managing Director, Finance and Treasurer) Wilmington Trust Company (Ann Roberts, Assistant Vice-President)	8/3/01	Global Finance Legal ECN20th Floor	Yes	CIBC, Inc.	Wilmington Trust Company
Other		**Margaux** European Power Limited Company (Underlying Company): Enron European Power Investor LLC (Class B Certificate Holder) LJM II - Margaux (Class A Certificate Holder) John Hancock Life Insurance Company (Class A Certificate Holder and Noteholder) John Hancock Variable Life Insurance Company (Class A Certificate Holder and Noteholder) Phoenix CDO, Limited (Noteholder) Phoenix Home Life Mutual Insurance Company (Noteholder)	7/1/00	Enron Europe	Yes	Enron (non-voting) $15m; LJM II (1/3 voting interest) $10m John Hancock Life Insurance Company & John Hancock Variable Life Insurance Company - (2/3 voting interest) $20m.	Wilmington Trust Company

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		New York Life Insurance Company (Noteholder) TCW Gem II, Limited (Noteholder) TCW Gem IV, Limited (Noteholder) TCW Leveraged Income Trust L.P (Noteholder) TCW Leveraged Income Trust II (Noteholder) TCW Leveraged Income Trust IV (Noteholder) Nationwide Life Insurance Company (Noteholder) Post Balance Fund, L.P (Noteholder) Post High Yield, L.P (Noteholder) Wilmington Trust Company (Trustee) Pelican Bidder LP (counterparty to swap and swap assignment agreement) Enron Power Operations Limited (Calculation Agent) Mott MacDonald Limited (Independent Engineer) Donaldson, Lufkin & Jenrette (Arranger)					
Other	Lindsey	**Project Nahanni** CXC Incorporated (Initial Lender) – by Citicorp North America, Inc., as Attorney-in-fact by Bran Citicorp North America Inc. (Agent and Collateral Agent and Lenders) Citibank, NA – by: Bran A Raskovic, VP McKenzie River Investors, L.L.C. AMBAC Private Holdings, L.L.C. BSCS V, Inc. Yellow Knife Investors, Inc Per Enron Agreement (Vol oper docs) Enron owns 100% of capital stock of Yellow Knife Investors, Inc Marengo, L.P. (Yellowknife as the initial Marengo G.P. and Enron as initial Marengo L.P.). LP – Nahanni Investors LLC (c/o Wilmington Trust) Nahanni Investors L.L.C. (Marengo Limited Partner) CLASS A Members (Class A1 – Managing Member) McKenzie River Investors L.L.C., its managing member by: Crescent/Mach I Partners, LP, as its sole member, by: TCW Asset Management Company, its investment manager, by: Jonathon R. Insull, VP o (Class A2) AMBAC Private Holdings, LLC CLASS B Members o Enron Corp – William W. Brown, Deputy Treasurer BSCS V, Inc. (Class C) CLASS C Members BSCS V, Inc. – Dwight Jenkins, VP, c/o Lord Securities Corp. independent manager for bankruptcy remote service co, like WTC, no equity Yukon River Assets, L.L.C. Per Yukon Custody Agreement between Yukon River Assets LLC & Wilmington Trust co. as custodian Yukon River Assets, LLC by its sole member Marengo, LP by Yellowknife Investors, is GP		**Global Finance Legal** **ECN20th Floor**	**Yes**	**MacKenzie River, Investors LLC (Charles DeLacey indicates it to be Trust Company of the West)**	**Wilmington Trust Company**

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Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Klondike River Assets, L.L.C. by its side member Marengo LP by Yellowknife Investors Inc its General Partner by William Brien, President. Wilmington Trust Co. Klondike River Assets LLC custodian (Donald Mackekan, VP)					
Other	Allen	NGPL Enron Europe Limited Processing - (seller) Northern Gas Processing Limited- (SPE purchaser) SPV Management (senior management of Northern Gas Processing Limited and direct owners of voting interest/common shares in SPE) Anthony Raikes (indirect equity owner of SPE and director of NGPL) -Prudential Insurance Co of America- lender to SPE US Leasing Credit Corp- lender to SPE -Dana Capital Corp Finance Five Inc.- preference share holder and subordinated debt lender	Q4 1994	Enron Europe	No	Dana Capital Corp Finance Five Inc.; SPV Management Ltd	N/A
Other	Allen	Omega Enron Power Operations Ltd (novated TPL's O+M contract to EPOT – also is equity holder in EPOT) Enron Power Operations Teesside (SAB 51 Op Co) Omegron Ltd - (SPE which bought 49% of equity in EPOT) CIBC Wood Gundy plc (preference shareholder and debt provider to Omegron) SPV Management Ltd (ordinary shareholder in Omegron) The Law Debenture Trust Corporation plc Barclays Bank plc - representing Teesside Power Ltd banks Trenron Ltd - shareholder in Enron power Operations Teesside Fenchurch Insurance Brokers Ltd - insurer Enron Corp - Guarantor Teesside Power Ltd - party to O+M agreement	12/1/96	Enron Europe	Yes	CIBC Wood Gundy plc; SPV Management Ltd	N/A
Other		Rawhide Rawhide Investors L.L.C. (Borrower) Class A Managing member: Hoss L.L.C., managing member of Rawhide Investors L.L.C. Class A Non-managing member: Little Joe Class B ECT- Ben F. Glisan, Jr. Class C – BSCS I Lord Securities Corp – Dwight Jenkins, VP	12/4/00	Global Finance Legal ECN20th Floor	Yes	Rawhide Investors LLC - Class A equity of Rawhide Investors LLC is owned 55.56% by Hoss LLC, a wholly owned LLC of HCM High Yield Opportunity Fund LP and 44.44% by Little Joe LLC, a wholly owned LLC of Crescent/Mach I Partners LP - Class B equity: ECT (non-voting) - Class C equity: BCSC I Lord Securities Corp. (Non-voting)	[ ]

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As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		CXC Incorporated (Initial Lender) - Citicorp Hoss HCM High Yield Opportunity Fund, L.P. Harch Capital Management, Inc., as sub-advisor and authorized Delegee, Michael E. Lewitt, executive vice-president Citicorp North America Inc. (as Agent and as Collateral Agent) Ponderosa Assets, L.P. GP: Ponderosa Management Holdings Inc – Richard B. Buy, Managing Director LP – ECT – Gene E. Humphrey Vice Chairman Sole General Partner of Sundance Assets, L.P. Sundance Assets, L.P. GP – Ponderosa Assets "Ponderosa" LP - Rawhide Little Joe L.L.C. (HCM High Yield Opportunity Fund, L.P., its sole member) Crescent/Mach I Partners, LP, Sole Member TCW Asset Management Company, Investment Manager, Justin L. Driscoll Sr. VP, and Mark L. Gold, Managing Director. (TCW- Trust Company of the West)					
Other	Allen	Sutton Bridge I (Selldown to SBIL) Enron SB Limited- entity sold down Sutton Bridge Power- (sub of ESBL - entity sold) Sutton Bridge Financing Limited- (sub of SBP - entity sold) Sutton Bridge Investors- (purchaser of interest in ESBL - owned by SBIL A and SBIL B)) SBIL A (Cayman) Limited Morgan Guaranty Trust Company (MGTC) of New York, as Trustee of a Commingled Trust Fund - (investors in SBIL A) Northern Trust Company(NTC), as Trustee of the Allied Signal Inc. - (investors in SBIL B) SBIL B, LLC Metropolitan Life Insurance Company (MLIC)- (investor in SBIL B) The Mutual Life Insurance of New York (MONY)- (investor in SBIL B) American General Life and Accident Insurance Company (AGLAIC)- (investors in SBIL B) The Variable Annuity Life Insurance Company - (investors in SBIL B) The Franklin Life Insurance Company (FLIC) - (investors in SBIL B)	Q2 1997	Enron Europe	Yes	Morgan Guaranty Trust Company (MGTC) of New York; Northern Trust Company(NTC); Metropolitan Life Insurance Company (MLIC); The Mutual Life Insurance of New York (MONY); American General Life and Accident Insurance Company (AGLAIC); The Variable Annuity Life Insurance Company; The Franklin Life Insurance Company (FLIC); American General Life Insurance Company (AGLIC)	N/A

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		American General Life Insurance Company (AGLIC) - (investors in SBIL B) Bankers Trust Company - (arranging/lead bank) Enron Capital & Trade Resources Corp. Enron Europe Limited EEL Company Limited Enron Corporation (guarantor) Enron SB Operations & Maintenance Limited (O&M provider for Sutton Bridge) Mott/Ewbank/Preece (consultants) Sedgwick Bankrisk Limited- consultants ECT Cayman 9 Ltd (writer of fair value put options)					
Other	Allen	**Sutton Bridge II (Second Equity Sale)** SBI 2 Limited- purchaser Sutton Bridge Financing Limited- entity sold Enron SB2 Limited- entity sold Enron SB Limited- entity sold Enron Corp- guarantor Enron Power (Europe) Limited - seller Enron Europe Limited- seller De Nationale Investeringsbank N.V.- equity investor to SBI2 Limited Sutton Bridge Investors - see Sutton Bridge I Lex Trust company Limited - beneficial interest holders in SBI 2 Limited Lex Nominees Limmited - beneficial interest holders in SBI 2 Limited Bankers Trust company Limited - agent SPV Jersey Limited - provided management services to SBI 2 Limited Enron Capital & Trade Resources - party to swap Bankers Trust International PLC- arranging bank and counterparty to swaps	9/1/97	Enron Europe	Yes	Lex Trust Company £5 ordinary shares Lex Nominees - £5 ordinary shares De Nationale Investeringsbank - £5.1 MM B participant	N/A
Other	Allen	**Sutton Bridge Funding Limited acquisition by Pelican Bidder L.P.** Sutton Bridge Funding Limited - entity sold Pelican Bidder, L.P. purchaser National Westminster Bank PLC - seller	12/99	Enron Europe	Yes	Whitewing (Pelican Bidder, L.P.)	N/A
Other	Allen	**Sutton Bridge Pelican Reorganisation** Enron Europe Limited - party to reorganisation Pelican Bidder - investor Pelican Bidder Cayman - investor Enron SB2 - parties to reorganisation Enron SB2 Nominee - parties to reorganisation European Power Holdings - party to reorganisation and purchaser Sutton Bridge Holdings Limited - purchaser SBIL A (Cayman) Limited SBIL B, LLC	12/99	Enron Europe	Yes	(Sutton Bridge Investors) SBIL A (Cayman Limited) - 50% SBIL B, LLC - 50%	N/A
Other	Allen	**Sutton Bridge Holdings Limited** Allen & Overy-legal counsel Bankers Trustee Company Limited - bond agent Denton Wilde Sapte - legal counsel Enron Gas & Petrochemicals Trading Limited - party to GSA and CTA	04/00	Enron Europe	No	N/A	N/A

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Enron SB Operations & Maintenance Limited - O&M provider Enron SB Limited - entity sold London Electricity Group Plc - guarantor London Electricity Plc - acquiror The London Power Company Limited - GSA and CTA acquirer Sutton Bridge Power - entity sold Sutton Bridge Financing Limited - entity sold Sutton Bridge Holdings Limited - shares sold Enron Shareblock Limited - seller Enron Shareblock Limited- seller Sutton Bridge Power- entity sold Sutton Bridge Financing Limited - entity sold Enron SB Limited- entity sold Sutton Bridge Holdings Limited- shares sold London Electricity Plc - acquiror London Electricity Group Plc- guarantor The London Power Company Limited- GSA and CTA acquirer Enron Gas & Petrochemicals Trading Limited- party to GSA and CTA Allen & Overy-legal counsel Bankers Trustee Company Limited - bond agent Denton Wilde Sapte- legal counsel Enron SB Operations & Maintenance Limited- O&M provider					
Other	Allen	TPHL TPHL Enron Europe Ltd Central Power Ltd Midlands Electricity Plc TPHL- entity sold Enron Europe Ltd-seller Central Power Ltd- purchaser of minority interest in TPHL Midlands Electricity Plc- 100% equity owner of Central Power Ltd	12/1/94	Enron Europe	No	N/A	N/A
Other	Patrick/Allen	**Watershed (Subordinated financing for Enron Teesside Operations Limited ("ETOL")** ETOL Teesside (Operations) Holdings Limited (Enron Sub and holder of ETOL 'A shares') Teesside Operations (Holdings) 2 Limited (parent of TOHL) Wilton Trust (equity holder and subordinated lender to ETOL), comprising: Teesside Investments Limited (sub of Wilton Trust and equity holder of ETOL " B shares") John Hancock Mutual Life Insurance Co (certificate holder in Wilton Trust) Provident UNUM (certificate holder in Wilton Trust) American General, as Beneficiaries of the Trust (certificate holder in Wilton Trust) Wilmington Trust Company (Trustee) SPV Management Limited (management company for TIL) Enron Power Operations Limited (administrative services to TIL) Citibank N.A. (administrative role) National Westminster Bank (as agent to ETOL's Senior Lenders)	9/16/99	Enron Europe	Yes	John Hancock Mutual Life Insurance Co: Provident UNUM; American General	Wilmington Trust Company

Enron Structured Finance List
As of 11/16/2001

Deal Type	ENE Contact	Deal Name	Date	Location	SPE	Beneficial Owner	Trustee
		Senior lenders to ETOL Senior Financing ECT Finance Inc (subordinated debt- put obligor) Enron Capital & Trade Resources Limited (CTA holder) Enron North America Corp (FX swaps, FHS and Interest Rate Swaps) Enron Europe Limited (parent of TOH2L) Enron Corp (guarantor of Enron companies)					

Kelly H Boots 07/21/2000 04:45 PM

To: Sarah Heineman/HOU/ECT@ECT
cc:
Subject: Bank relationship review

---------- Forwarded by Kelly H Boots/HOU/ECT on 07/21/2000 03:45 PM ----------

Joseph Deffner 07/21/2000 03:25 PM

To: Kelly H Boots/HOU/ECT@ECT
cc:
Subject: Bank relationship review

---------- Forwarded by Joseph Deffner/HOU/ECT on 07/21/2000 03:21 PM ----------

Enron Global Finance

From: Tim Proffitt 07/21/2000 11:02 AM

To: Joseph Deffner/HOU/ECT@ECT
cc: Brian Kerrigan/HOU/ECT@ECT, Lisa Bills/Corp/Enron@ENRON
Subject: Bank relationship review

RBC
Did a great job on the BWT deal. Aggressive on pricing, took the Enron bridge at reasonable pricing with a quick turnaround, and sold us the credit spread put at a very reasonable rate. While not generating cutting edge ideas, more than willing to consider them. Andrea Sickler (the structuring person on the deal) was very good at driving to close without getting mucked up in small points. Tried to get market flex, but backed down - they were locking in pricing at least 90 days in advance of being able to go to market.

Fuji
Very good job on the EnSerCo refinance. Stepped in quickly (one day) to fill a $6.96 million hole on a 30 day extension that was required to give us time to document the new term facility.

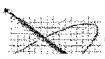
BOA
Continue to be weanies, but seem to be trying to provide better coverage.

Scotia
WAY off market on the BWT bridge loan pricing. Quotes on the permanent financing were high - and I guess the question remains as to whether they were truly offering an underwritten deal? Francios DeBroux (head of their paper group) has provided me with good insight regarding paper industry, but I don't think it makes up for their miscues.

Paribas
Weanies, weanies, weanies. High on pricing, conservative on risk assesment, trying to figure out how to price deals off of two completely different pricing models (Paribas and BNP).

CIBC
Great boon doggles, high pricing - I guess we know how they pay for those trips.

Goldman Sachs
Not extremely imaginative. Lip service w/ little follow through.



Kelly H Boots 07/21/2000 04:45 PM

To: Sarah Heineman/HOU/ECT@ECT
cc:
Subject: Mid-Year Relationship Review

---------- Forwarded by Kelly H Boots/HOU/ECT on 07/21/2000 03:46 PM ----------

Joseph Deffner 07/21/2000 03:24 PM

To: Kelly H Boots/HOU/ECT@ECT
cc:
Subject: Mid-Year Relationship Review

Since I will be on vacation during the bank review, I wanted to forward the comments from our team to you.

---------- Forwarded by Joseph Deffner/HOU/ECT on 07/21/2000 03:19 PM ----------

From: Brian Kerrigan on 07/21/2000 10:12 AM

To: Joseph Deffner/HOU/ECT@ECT
cc:
Subject: Re: Prep for Mid-Year Relationship Review

I really don't have any comments on Institutional Investors since I haven't really tried to do much with them.

Here are my comments on Tier 1 Banks
ABN : hasn't ever stepped up to the plate with a strong bid. Vitro, ReBox
Deutsche : has come up with out-of-the-box ideas. Monty Hall
Barclays : Had a HORRIBLE experience with getting a very, very simple waiver approved for Motown. These guys are low on my list.
West LB : no comment.
Chase : no comment really other than I like that they took me to Auguta, even though I was sloppy seconds.
CIBC : Doesn't really act like a Tier 1 bank, but a heck of an annual outing.
Citil Bank : No comment.

Here are my comments on Tier 2 Banks :
Societe Generale : Has done an excellent job in managing the Inter-American Development Bank on the Vitro transaction. I give these guys high marks.

KBC : has done a very good job on both Motown and Cornhusker about being very responsive and providing balance sheet. I really want to try to get them to lead a more lucrative project finance or structured finance transaction. They also do a good job on calling on me.

Toronto Dominion : Took a good look at ReBox, but declined for reasonable concerns. Other than that, - No comments, never see them.

Scotia : While I'd like to blast these guys on all fronts because of ReBox, they have come further than any other bank on the transaction and it's only because of the Enron relationship. They did screw up big time by putting Market Flex language in the transaction and not telling us. If they had told us 3 months ago that they needed Market Flex language, I would have nothing to bitch about really. These guys don't move really fast on making a decision are have ZERO creativity in coming up with structures.

Lehman : Does a good job on calling and has tried to come up with ideas, but nothing noteworthy.

BofA : Screwed me at the end of last year by telling me they had credit approval for American Coal and then backed out at the last minute. Is raping us in up-front fees on ECP. Has not distinguished themselves really in any way in my mind. Learned that they did not get all the bondholders in on the ECP bond offering, which is poor.

Dresdner : does a good job on calling, but never brings much creativity and seems to come in third place a lot on transactions I've had them bid on.

DLJ : I did Iguana with these guys, but haven't heard back from them sense. These guys should be doing a much better job on calling on us.

Fuji : Does a competent job. Came into Las Vegas Cogen, which wasn't an easy deal to do because of low coverages and some merchant risk.

Credit Lyonnais : Hardly ever hear from these guys.

First Union : I've had several conversations with a couple of these guys on "where the project finance market is". They didn't even both to show up in person when they wanted to talk to me and I haven't heard from them since.

IBJ : Has made a few attempts on calling, but nothing note worthy.

BNP Paribas : Haven't heard from these guys in 6 months.

ANZ : No comments, never see them.
BCI : No comments, never see them.
BLB : No comments, never see them.
BBL - ING : No comments, never see them.
Fleet Boston : Never heard from these guys.
Hypo Vereins : No comments, never see them.
NAB : No comments, never see them.
RBC : No comments, never see them.
Sumitomo : No comments, never see them.

Joseph Deffner 07/19/2000 01:16 AM

Each year we put our lenders through a "PRC" to identify the strongest relationships, identify relationships that have the potential to become significant as well as identify issues with certain accounts. Let me know if you have any specific feedback on any of these names. Generally, we don't use the institutional market all that much but any info would be useful. Thanks.
---------- Forwarded by Joseph Deffner/HOU/ECT on 07/19/2000 01:09 AM ----------

---------- Forwarded by Mary Border/Corp/Enron on 07/18/2000 05:01 PM ----------
To: Mary Border/Corp/Enron@Enron
cc:

Subject: Institutional Investors

Mary, please forward to the attendee list for the relationship meeting on July 25th.

Attached is a file that contains the latest listing of institutional investors and a total of their current exposure to Enron. Approximately 230 institutions hold our paper. On July 25th we will focus on the top 15 to 20 investors. Please take a look at the attached file which has two worksheets - one sorted by exposure amount and the other is sorted alphabetically. If you have any comments/questions prior to July

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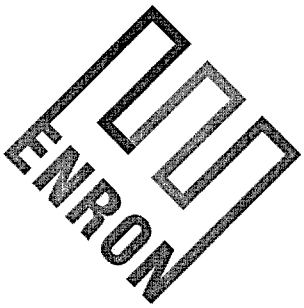
Debt Investor Relationship Review

January 2001



For Internal Purposes Only

Agenda

8:00 – 8:15 AM	Introduction	Glisan
8:15 – 8:30 AM	Market Conditions • Bank • Capital Markets	 Boots DeSpain
8:30 – 8:45 AM	Tier 1 and Tier 2 Banks • Criteria • Product Matrix	Boots
8:45 – 10:00 AM	Tier 2 Bank & Other Discussion	Heineman
10:00 – 10:15 AM	Break	
10:15 – 11:15 AM	Tier 1 Bank Discussion	Boots
11:15 – 11:45 AM	Product Ranking	Boots/DeSpain
11:45 – 12:30 PM	Institutional Investors	Hudler
12:30 – 1:00 PM	Overview • 2000 Update • Deal Pipeline • EGF Organization Structure	Glisan

Attendees

Kelly Boots
Dan Boyle
Bill Brown
Dan Castagnola
Joe Deffner
Charles DeLacey
Tim DeSpain
Anne Edgley
Andy Fastow
Clint Freeland
Steve Friedlander
Ben Glisan
Sarah Heineman
Shirley Hudler
Brian Kerrigan
Michael Kopper
Mark Lindsey
Cheryl Lipshutz
Doug McDowell
Mark Metts
Jordan Mintz
Ananda Mukerji
Mary Perkins
Tim Proffitt
Barry Schnapper
Jimmy Simien
Mitch Taylor

Via Telephone:
Peter Anderson
Lisa Bills
Paul Chivers
Ranabir Dutt
Kevin Howard
George McKean
James Richardson
Jeremy Thirsk

Bank Discussion

Banking Criteria

Tier 1

- Ability to structure, underwrite, and distribute complex, mission-critical deals with limited execution risk
- Deliver balance sheet for non-agented deals when needed
- Account officer and senior management capable of delivering institution at all times

Tier 2

- Limited ability to structure, underwrite, and distribute deals with increased execution risk
- Deliver balance sheet for one-off transactions or non-agented deals
- Account officer and senior management capable of delivering institution majority of the time
- Proven expertise in niche market or product

Bank Product Matrix

Structured Finance

Corporate	Non Recourse	Bank Syndication
NA	*NA*	1
1	1	2
2	2	3
Europe	*Europe*	
1	1	
2	2	

Project Finance	Debt Capital Markets	Credit Derivative
NA	*NA*	1
1	1	2
2	2	
3	3	
Europe	*Europe*	
1	1	
2	2	
3	3	
Emerging Markets	*Asia*	**Other Derivative**
1	1	1
2	2	2
3	3	3

Best Bank

NA
1
2
Europe
1
2
Asia
1
2

CURRENT TIER 1 BANKS

CURRENT TIER 2 BANKS

Current Tier 1 Banks (9)

ABN/AMRO
Barclays Bank
Canadian Imperial Bank of Commerce
Chase Manhattan Bank
Citigroup
Credit Suisse First Boston/DLJ
Deutsche Bank
Royal Bank of Scotland
Westdeutsche Landesbank

Current Tier 2 Banks (23)

Australia New Zealand Bank
Bank of America
Bank of Nova Scotia
Bayerische Landesbank
Bear Stearns
BNP Paribas
Credit Lyonnais
Dresdner Kleinwort Benson
First Union
Fleet Boston Financial
HypoVereinsbank
ING Group
KBC
Lehman Brothers
Mizuho: Dai Ichi, IBJ, Fuji
National Australia Bank
Overseas Private Investment Corp.
Royal Bank of Canada
Societe Generale
State Bank of India
Sumitomo Bank
Toronto Dominion
UBS Warburg

Others (4)

Banco Santander Central Hispano
Banco Bilbao Vizcaya Argentaria

Current Tier 2 Banks

Australia New Zealand Bank

Account Officer: Geoffrey Pack
Approximate Total Enron Related Exposure: $232MM

New Capital Commitments in 2000:
- Corp CP backup facility, $50MM
- Monterrey Project Financing $91MM, $15MM Documentation Agent

Other Activity:
- None

Declined Transactions:
- None

Pending Activity:
- Project Inauguration

Issues/Comments:
- Weak calling effort/support of Corp
- Strong project and shipping bank – Dabhol and LNG

New Message:

Bank of America

Account Officer: Jo Tamalis
Approximate Total Enron Related Exposure: $1,223MM

New Capital Commitments in 2000:
- Turbo Park $600MM (1 of 4 Leads) $125MM commitment
- Project Zephyrus $500MM (1 of 4 Leads) $150MM commitment
- NA VPP $150MM Lead, $75MM commitment
- Corp CP backup facility, $75MM commitment, $65MM hold
- PGE Corp Revolver $50MM

Other Activity:
- $175MM Corp bond issue – medium term note
- Rawhide amendment $25MM
- JEDI 2 amendment

Declined Transactions:
- None

Pending Activity:
- VPP Syndication
- East Coast Power

Issues/Comments:
- Strong corporate support on three year-end transactions
- Jim Allred's calling effort has dramatically improved the relationship
- Tier 1?

New Message:

Bank of Nova Scotia

Account Officer: Bryan Bulawa
Approximate Total Enron Related Exposure: $289MM

New Capital Commitments in 2000:
- Corp CP backup facility, $75MM commitment, $65MM hold

Other Activity:
- Monte extension

Declined Transactions:
- SE Acquisition
- Project Zephyrus

Pending Activity:
- JT Holdings Refinance $30MM (received approval 1/2001)

Issues/Comments:
- Disappointing 2000; Rebox – market flex, lack of creativity with structure, off market on Bob West Treasure
- No apparent exposure constraints.
- Lack of structuring ability. Niche bank for Enron with focus on project financings and 364-day conduit facilities.
- Potential shipping bank and paper bank for freight online and clickpaper.com.

New Message:

Bayerische Landesbank

Account Officer: Sean O'Sullivan
Approximate Total Enron Related Exposure: $448MM

New Capital Commitments in 2000:
- Bob West Treasure $102MM, $40MM commitment
- Hawaii 125-O Refinance $570MM, $50MM
- Hawaii 125-O $500MM $50MM Doc Agent
- Corp CP backup facility, $75MM commitment, $65MM hold

Other Activity:
- Monte Extension

Declined Transactions:
- SE Acquisition
- ETOL

Pending Activity:
- Project Zephyrus

Issues/Comments:
- Exposure constraints; seeking an increase in Enron capacity from Board in January 2001

New Message:

Bear Stearns

Account Officer: Tom Blair
Approximate Total Enron Related Exposure: $226MM

New capital commitments in 2000:
- Bear Stearns Revolver $75MM

Other activity:
- Equity Derivatives Line $100MM
- Rawhide amendment $25MM

Declined Transactions:
- Corp CP Backup Facility

Pending Activity:
- None

New Message:

BNP Paribas

Account Officer: John Roberts
Approximate Total Enron Related Exposure: $529MM

New Capital Commitments in 2000:
- Project Zephyrus $500MM (1 of 4 Leads), $125MM commitment
- Hawaii 125-O Refinance $570MM, $50MM
- Hawaii 125-O $500MM, Syndication Agent $50MM
- Corp CP backup facility, $75MM commitment, $65MM hold

Other Activity:
- Azurix High-Yield Bond Offering
- Monte Extension
- JEDI 2 amendment

Declined Transactions:
- Bob West Treasure

Pending Activity:
- NA VPP

Issues/Comments:
- Support on corporate financings (Hawaii, Zephyrus)
- Tighter credit policies under the new model post merger with BNP

Credit Lyonnais

Account Officer: Darrell Stanley
Approximate Total Enron Related Exposure: $702MM

New Capital Commitments in 2000:
- ETOL GBP 15MM
- Project Inauguration $475MM (1 of 4 Leads), $105.5MM commitment
- Slovakian Prepay 28.8 Euro, Lead
- Enron Europe Liquidity Line $64MM
- SE Acquisition $30MM, Documentation Agent
- Corp CP backup facility, $75MM commitment, $65MM hold

Other Activity:
- Rawhide amendment
- JEDI 2 amendment

Declined Transactions:
- None

Pending Activity:

Issues/Comments:
- Strong support from Jerome Halbout
- Difficulty with regulations on MG Metals transaction
- Lyonnais struggles with innovative product delivery – weak structuring

New Message:

Dresdner Kleinwort Benson

Account Officer: Kirk Edelman
Approximate Total Enron Related Exposure: $400MM

New Capital Commitments in 2000:
- Corp CP backup facility, $75MM commitment, $65MM hold

Other Activity:

Declined Transactions:
- ETOL
- Project Zephyrus
- Hawaii 125-O

Pending Activity:
- None

Issues/Comments:
- Weak coverage -- declined Hawaii twice.
- Exposure.
- Unproven structuring and distribution capabilities.

New Message:

Fleet Boston Financial

Account Officer: Jim McBride
Approximate Total Enron Related Exposure: $412MM

New Capital Commitments in 2000:
- Project Backbone $115MM Co-Lead, $55.7MM commitment
- Project Zephyrus $500MM (1 of 4 Leads), $125MM commitment
- Panama $50MM Lead, $15MM hold
- SE Acquisition $30MM, Syndication Agent
- JEDI SPV $500MM,. $35MM Commitment
- Corp CP backup facility, $50MM

Other Activity:
- JEDI SPV amendment
- JEDI 2 amendment

Declined Transactions:
- None

Pending Activity:
- None

Issues/Comments:
- Strong support on year-end transactions.
- Jim McBride opened Fleet's Houston office. Joint calling with Jill Calabrese in Boston.
- Top tier bank for Enron Broadband, Joe Dempsey

New Message:

First Union

Account Officer: Paul Riddle
Approximate Total Enron Related Exposure: $270MM

New Capital Commitments in 2000:
- Hawaii 125-O Refinance $570MM, $50MM
- Hawaii 125-0 $500MM, $50MM Co-Arranger
- Corp CP backup facility $75MM commitment, $65MM hold

Other Activity:
- Jedi II amendment

Declined Transactions:
- Bob West Treasure

Pending Activity:
- NA VPP
- Project Zephyrus $50MM commitment (approved 1/2001)

Issues/Comments:
- Pushing for high yield mandate to further open up balance sheet
- Transactional vs. relationship driven;pathetic calling effort
- In discussion with EBS. New head of telecom is Joe Dempsy formerly from Bear – whiffed on Project Backbone

New Message:

HypoVereinsbank

Account Officer: Yoram Dankner
Approximate Total Enron Related Exposure: $476MM

New Capital Commitments in 2000:
- ETOL GBP 10MM
- Corp CP backup facility $50MM

Other Activity:
- None

Declined Transactions:
- Vitro-Monterrey Power Project
- Cornhusker
- Bob West Treasure

Pending Activity:
- Arcos

Issues/Comments:
- Some exposure constraints
- Need to win project mandate or underwriting role
- Joint alliance with Williams Capital (minority-owned debt market investment boutique)

New Message:

ING Group/BBL

Account Officer: Cheryl Labelle
Approximate Total Enron Related Exposure: $347MM

New Capital Commitments in 2000:
- Cornhusker $225MM, $20MM commitment
- Vitro/Monterrey $91MM, $10MM commitment
- JEDI SPV $500MM, $20MM commitment
- Corp CP backup facility $50MM

Other Activity:
- JEDI 2 Amend
- JEDI SPV amendment and extension

Declined Transactions:
- ETOL
- Hawaii 125-O

Pending Activity:
- NA VPP

Issues/Comments:
- We would like to have greater access to ING's huge balance sheet
- Credit has difficulty with Enron structured transactions
- Strong interest in Latin America.

New Message:

KBC

Account Officer: Mike Sawicki
Approximate Total Enron Related Exposure: $383MM

New Capital Commitments in 2000:
- Cornhusker $215MM Lead Arranger ($50MM hold)
- Corp CP backup facility $50MM
- Motown $68MM Lead Arranger ($30MM hold)
- Jedi SPV $20MM

Other Activity:
- JEDI SPV amendment and extension
- Jedi II amendment
- Rawhide amendment

Declined Transactions:
- Hawaii 125-O Refinance

Pending Activity:
- Project Inauguration

Issues/Comments:
- Up-tiering relationship by underwriting/leading Motown and Cornhusker
- Consistently able to understand complex structures
- Depth of distribution capabilities (new syndication group)

New Message:

Lehman Brothers

Account Officer: Skip McGee
Approximate Total Enron Related Exposure: $153MM

New Capital Commitments in 2000:
- EOG Monetization $17MM

Other Activity:
- $325MM Corp bond issue Lead
- Osprey II Add On Issue
- Jedi SPV Amendment
- Yosemite III Issue

Declined Transactions:
- Corp CP Backup Facility

Pending Activity:
- HPL sale advisor

Issues/Comments:
- Will use balance sheet strategically.

New Message:

Mizuho – Dai-Ichi Kangyo

Account Officer: Bert Tang
Approximate Total Enron Related Exposure: $414MM

New Capital Commitments in 2000:
- Motown $68MM, $25MM commitment
- Corp CP backup facility $25MM
- JEDI SPV $500MM, $35MM

Other Activity:
- Jedi SPV $35MM extension

Declined Transactions:
- Project Zephyrus
- Hawaii 125-O

Pending Activity:
- NA VPP
- ENOVATE

Issues/Comments:
- Improved calling effort by Bert Tang with coverage out of the NY office
- Most sophisticated in understanding complex structures of the three: IBJ, Fuji, DKB

New Message:

Mizuho – Fuji Bank

Account Officer: Lucy Walker
Approximate Total Enron Related Exposure: $323MM

New Capital Commitments in 2000:
- EnSerCo $40MM Lead
- Corp CP backup facility $75MM commitment, $65MM hold

Other Activity:
- Jedi SPV $35MM extension

Declined Transactions:
- Vitro-Monterrey Power Project
- Cornhusker
- Motown
- Hawaii 125-O

Pending Activity:
- ETOL
- NA VPP

Issues/Comments:
- Strong performance on EnSerCo
- Lucy Walker is the new global relationship manager with departure of Nate Ellis. Tremendously weak calling efforts by both.

New Message:

Mizuho - Industrial Bank of Japan

Account Officer: Lynn Williford
Approximate Total Enron Related Exposure: $266MM

New Capital Commitments in 2000:
- JEDI SPV $35MM
- Corp CP backup facility $50MM

Other Activity:
- Jedi SPV $35MM extension

Declined Transactions:
- Hawaii 125-O
- Bob West Treasure
- Cornhusker

Pending Activity:
- Project Zephyrus $20MM commitment (approved 1/2001)

Issues/Comments:
- Want a Co-Arranger role on a financing, yet calling effort has been weak.

New Message:

National Australia Bank

Account Officer: Frank Campiglia
Approximate Total Enron Related Exposure: $209MM

New Capital Commitments in 2000:
- Hawaii 125-0 Refinance $570MM, $35MM
- Hawaii 125-O $500MM, $35MM
- Corp CP backup facility $75MM commitment, $65MM hold

Other Activity
- Monte Extension $29MM

Declined Transactions:
- Ghost
- JEDI SPV
- ETOL FAS
- Project Zephyrus

Pending Activity
- None

Issues/Comments:
- Unproven ability to deliver commitments on complex structures or tenors greater than two years.
- New structuring and distribution individuals from UBS

New Message:

OPIC

Account Officer: Nancy Rivera
Approximate Total Enron Related Exposure:

New Capital Commitments in 2000:

Other Activity

Declined Transactions:

Pending Activity

Issues/Comments:
- Potentially move to Other Banks

New Message:

Royal Bank of Canada

Account Officers: Linda Stephens/Giles Darby
Approximate Total Enron Related Exposure: $934MM ($500MM EOG Deal)

New Capital Commitments in 2000:
- EOG Monetization $500MM Lead
- Alberta PPA C$ 147.4MM Lead
- Bob West Treasure $102MM Lead Arranger
- Hawaii 125-O Refinance $570MM, $20MM commitment
- Corp CP backup facility $75MM commitment, $65MM hold

Other Activity:
- JEDI 2 Amendment
- Jedi SPV Extension

Declined Transactions:
- Hawaii 125-O

Pending Activity:
- NA VPP

Issues/Comments:
- Choppy performance on EOG Monetization from credit approval perspective. However, Giles and team's ability to creatively place exposure outside of the bank syndication market was favorable.
- Reorganization with Mulgrew in London has dramatically improved relationship
- Gil Bernard retired in early 2000, Linda Stephens is the local relationship manager
- Great job on BWT - Andrea Sickler
- Lack of innovative structuring ideas has limited their ability to earn more positive returns, historically.
- Tier 1 potential in the future?

New Message:

Societe Generale

Account Officer: Elizabeth Hunter
Approximate Total Related Enron Exposure: $402MM

New Capital Commitments in 2000:
- Project Inauguration $475MM (1 of 4 Leads) $105.5MM
- Cornhusker $225MM, $25MM commitment
- Vitro $91MM Lead with IDB, $16MM hold
- Corp CP backup facility $50MM

Other Activity:
- Jedi II Amendment

Declined Transactions:
- Hawaii 125-O
- Hawaii 125-O Refinance

Pending Activity:
- ETOL
- Arcos

Issues/Comments:
- Enron relationship coverage has moved under the direction of the Project Finance Group at SG under Jay Worenklein. Bet Hunter is the new global relationship Manager for SG (replacing Mark Cox from the Corp side).
- Improved calling effort.
- Strong support on Vitro-Monterrey project financing
- Difficulty with institution at year-end on Project Inauguration
- Pushing for Tier 1

Sumitomo Bank

Account Officer: Bruce Meredith
Approximate Total Enron Related Exposure: $369MM

New Capital Commitments in 2000:
- Project Zephyrus $500MM, $50MM commitment
- Hawaii 125-0 Refinance $570MM, $35MM
- Hawaii 125-O $500MM, $35MM
- JEDI SPV $500MM, $35MM commitment
- Corp CP backup facility $75MM commitment, $65MM hold
- Citrus $30MM Lead short term loan

Other Activity:
- JEDI 2 amendment
- JEDI SPV $35MM amendment

Declined Transactions:
- Cornhusker
- TurboPark

Pending Activity:
- NA VPP

Issues/Comments:
- Was not able to deliver on Turbo Park as a co-arranger
- Senior management meeting in NY will assist in creating additional capacity.

New Message:

State Bank of India

Account Officer: Sharad Sharma
Approximate Total Enron Related Exposure:

New Capital Commitments in 2000:

Other Activity:

Declined Transactions:
- Enron Corp CP Backup Facility

Pending Activity:
- Dabhol

Issues/Comments:
- Potentially move to Other Banks?

New Message:

Toronto Dominion

Account Officer: Bob Gibson
Approximate Total Enron Related Exposure: $589MM

New Capital Commitments in 2000:
- Euro Prepay $135MM, Lead
- Alberta PPA C$ 147MM Lead
- Hawaii 125-0 Refinance $570MM, $50MM commitment
- Corp CP backup facility $75MM commitment, $65MM hold

Other Activity:
- Jedi SPV amendment

Declined Transactions:
- Hawaii 125-O

Pending Activity:
- NA VPP

Issues/Comments:
- Pending change in relationship management with departure of Katherine Lucey to RBC DS.
- Extremely poor showing on European Prepay execution. Originally proposed to underwrite, structure and lead $400MM European prepay, but due to TD policy (TD must offset all Enron Corp exposure with credit default swaps) they were only able to commit to $135MM.
- High exposure.
- The lack of structuring ability/ideas limit TD's fee earning potential with Enron.
- Second tier bank for Enron Communications.

New Message:

UBS Warburg

Account Officers: Jim Hunt
Approximate Total Enron Related Exposure: $599MM

New Capital Commitments in 2000:
- Corp CP backup facility $75MM commitment, $65MM hold

Other Activity:
- $1B Corp bond issue Co
- Equity derivatives line $1Billion exposure
- Osprey Trust III Notes

Declined Transactions:
- Bob West Treasure

Pending activity:
- None

Issues/Comments:
- Need a mandate
- Did not earn target fee amount of $5MM due to certain financings not closing this year (Summer)

Other Banks

BSCH

Account Officer: Rebecca Rains
Approximate Total Enron Related Exposure: $114MM

New Capital Commitments in 2000:
- Vitro-Monterrey Power Project $91MM, $15MM Syndication Agent
- Corp CP backup facility $50MM
- Ghost $255MM, $20MM commitment

Other Activity:
- Arcos

Declined Transactions:
- ETOL
- Hawaii 125-O Refinance
- Hawaii 125-O

Pending activity:
- None

Issues/Comments:
- Historically struggled with Enron credit
- Capacity constraints due to Arcos underwriting (already allocated capital for 2Q01 closure)
- Weak account coverage in US

BBVA

Account Officer: Manuel Sanchez Rodriguez
Approximate Total Enron Related Exposure: $77.5MM

New Capital Commitments in 2000:
- Vitro-Monterrey Power Project $91MM, $15MM
- Hawaii 125-O Refinance $570MM,
- Hawaii 125-O $500MM, 20MM
- Corp CP backup facility $25MM
- Ghost $255MM, $20MM commitment

Other Activity:
- None

Declined Transactions:
- ETOL

Pending activity:
- Project Inauguration
- Arcos

Issues/Comments:
- Fairly new relationship. Support on Ghost, Hawaii, and Monterrey in 2000.
- Declined ETOL due holding off on anymore TRS transactions for a while.

Current Tier 1 Banks

ABN/AMRO

Account Officer: Peter Gaw
Approximate Total Enron Related Exposure: $644MM

New Capital Commitments in 2000:
- Backbone $115MM Lead, $77.4MM commitment
- Hawaii 125-0 Refinance $570MM, $30MM
- Hawaii 125-0 $500MM, $30MM
- Corp CP backup facility, $125MM Documentation Agent, $68MM hold
- Portland General Corp Revolver $50MM

Other Activity:
- Corp bond issue ($325MM) – Co
- Margin Line $25MM (uncommitted) for NA NYMEX Clearing
- Rawhide amendment and extension $50MM

Declined Transactions:
- Project Tammy
- Originally declined Hawaii

Pending Activity:
- Project Inauguration (SA Turbine)
- Metgas arranging/financing discussions.

Issues/Comments:
- Lack of support for Corp transactions (Hawaii/Tammy)
- Exposure; limited ability to structure/distribute non-project deals
- Grosshans

New Message:

Barclays Bank

Account Officer: Rich Williams
Approximate Total Enron Related Exposure: $724MM ($1.5B Metals Uncommitted)

New Capital Commitments in 2000:
- Campaign 2K $95.4MM LEAD (FAS 125 Avici/Catalytica)
- Project Inauguration (SA Turbine) $475MM (1 of 4 Leads) Syndication Agent, $105.5MM
- Cocoa Deconsolidation $40MM Lead
- JT Holdings $110MM refinance, $25MM commitment (A,B, & C notes)
- Cornhusker $20MM (acquisition of NA assets White Pines)
- Corp CP backup facility, $125MM Syndication Agent, $80MM hold

Other Activity:
- MG Physical Metals Facility (Project Camelot) $750MM (Uncommitted)
- MG Metals I inventory Deconsolidation $750MM (Uncommitted)
- Yosemite 2 credit linked notes
- JEDI SPV amendment and extension $50MM commitment
- Rawhide amendment and extension $35MM
- JEDI 2 Amendment
- Monte extension

Declined Transactions:
- None

Pending Activity:
- ETOL (if needed)
- Arcos
- Monte extension and increase

Issues/Comments:
- Outstanding support on European and Corporate transactions at year-end
- Inability to deliver on institutional placements.

New Message:

Canadian Imperial Bank of Commerce

Account Officer: Billy Bauch
Approximate Total Enron Related Exposure: $883MM

New Capital Commitments in 2000:
- $250MM short term Letter of Credit for Enron Metals
- Hawaii Refinance $570MM Lead Arranger $35MM Debt, $20MM Equity
- Hawaii 125-O $500MM Lead Arranger, $35MM Debt $15MM Equity
- SE Acquisition $30MM
- Corp CP backup facility, $75MM commitment, $65MM hold

Other Activity:
- New Power Company IPO
- Rawhide amendment $50MM
- JEDI 2 amendment
- Monte Extension

Declined Transactions:
- None

Pending Activity:
- Project Zephyrus $50MM commitment

Issues/Comments:
- Questionable depth of structuring/distribution capabilities, beyond FAS 125 structure
- Inconsistent support as Tier 1 – overpriced at times
- Need to increase senior management contact
- Equity capacity?

New Message:

Chase Manhattan Bank

Account Officer: Rick Walker
Approximate Total Enron Related Exposure: $1,000MM

New Capital Commitments in 2000:
- North America Prepay $330MM Lead
- Project Zephyrus $500MM Lead, $150MM commitment
- Garden State $24.5MM Co-Lead
- Fishtail (Networks Fund Deconsolidation) $42MM Lead
- Mahonia $650MM Prepay Lead
- Hawaii 125-0 $500MM, $20MM commitment
- Corp CP backup facility, $125MM Co-Lead Arranger, $65MM hold
- San Juan revolver $40MM Lead

Other Activity:
- New Power Company IPO
- Azurix high-yield bond offering
- JEDI 2 amendment Lead
- Rawhide amendment $17.5MM
- JEDI SPV amendment and extension Lead, $50MM commitment
- Networks Fund

Declined Transactions:
- None

Pending Activity:
- Networks structured financing

Issues/Comments:
- Disappointing performance on Margaux.
- Networks Fund
- Top Tier bank for EBS.
- Top Tier bank for F/X trading, derivatives (US & UK), and fixed income (US & UK).

New Message:

Citigroup

Account Officer: Jim Reilly
Approximate Total Enron Related Exposure: $791MM

New Capital Commitments in 2000:
- Bacchus (monetization of Fishtail interests) Lead $145MM
- JT Holdings Refinance Lead $30MM (A's only)
- Garden State $24.5MM Co-Lead
- Turbo Park $600MM (1of4 Leads) $145.5MM commitment
- Corp CP backup facility, $125MM Co-Lead Arranger, $61MM hold
- Panama $50MM, $7.5MM commitment

Other Activity:
- New Power Co IPO
- Yosemite II credit linked notes Lead
- Yosemite III Lead
- JEDI II amendment
- Rawhide amendment $50MM Lead Arranger
- Monte Extension

Declined Transactions:
- None

Pending Activity:
-

Issues/Comments:
- Noise in 2000; Baillie
- Poor coverage in Europe, whiffed on Arcos, MG, and Euro prepay
- Strong performance on the $3.0 Billion Corp CP Backup Facility
- Top tier bank for EBS
- Top tier bank for F/X trading, derivatives (US & UK)

New Message:

CSFB

Account Officer: Osmar Abib
Approximate Total Enron Related Exposure: $1,244MM

New Capital Commitments in 2000:
CSFB:
- Turbo Park $600MM Lead, $145.5MM commitment
- Euro Prepay $150MM Lead
- JT Holdings Refinance $6.6MM (B's and C's)
- Excalibur MG acquisition financing $500MM Lead
- Corp CP backup facility, $75MM commitment, $65MM hold

DLJ:
- Corp CP backup facility, $75MM commitment $27MM Hold (assigned entire commitment)

Other Activity:
CSFB:
- Azurix high-yield
- Azurix M&A advisory
- Osprey Trust III
- New Power Company IPO
- $1Billion Corp bond issue Lead
- JEDI 2 amendment
- Rawhide amendment $50MM

DLJ:
- Margaux
- Osprey I
- Osprey Trust III Notes
- Azurix high-yield bond offering
- New Power Company IPO
- New Power Company bond placement

Declined Transactions:
- None

Pending Activity:
- Numerous M & A mandates
- Peakers Sale Advisory
- Turbo Park syndication
- Eastern Credit Linked Note
- PGN Sale (Granite) Advisor - Corp Development

Issues/Comments:
- Strong support on Euro Prepay and JT Holdings Notes at year-end
- Chose not to bid on Enron's $3.0 billion Corporate Revolver Lead
- Strong performance on Net Works bid
- Outstanding structuring/distribution capabilities
- Manage Deal Flow
- Top Tier bank for EBS – Larry Nath

Deutsche

Account Officer: Paul Cambridge
Approximate Total Enron Related Exposure: $366MM

New Capital Commitments in 2000:
- Turbo Park $600MM (1 of 4 Leads) $145.5MM commitment
- Cornhusker $35MM
- Hawaii 125-0 Refinance $570MM, $50MM commitment
- Hawaii 125-0 $500MM, $50MM commitment
- Corp CP backup facility, $75MM commitment $65MM Hold

Other Activity:
- Osprey Trust III Notes Lead
- Rawhide amendment $35MM

Declined Transactions:
- Bob West Treasure (EEX Insurance Wrap)

Pending Activity:
- Enron India building $40MM bond offering
- Yosemite I,II Equity Syndication

Issues/Comments:
- Strong support of corporate transactions (Hawaii & Cornhusker)
- Top Tier bank for EBS.
- Expand senior management contacts
- 2000 light year, need to see more business in 2001

New Message:

Royal Bank of Scotland

Account Officer: Kevin Howard
Approximate Total Enron Related Exposure: $877MM

New Capital Commitments in 2000:
- Project Zephyrus $500MM, $50MM commitment
- ETOL Monetization GBP 138.5MM Lead
- NA VPP $150MM, $75MM Co-Lead
- Hawaii Refinance $570MM, $20MM commitment
- Hawaii 125-0 $500MM, $20MM commitment
- SE Acquisition $120MM Lead Arranger, $30MM hold
- Corp CP backup facility, $75MM commitment, $65MM hold
- Ghost $255MM, $20MM commitment

Other Activity:
- Yosemite II credit linked notes (RBS)
- JEDI 2 amendment
- Rawhide amendment
- Azurix High-Yield Bond Offering

Declined Transactions:
- None

Pending Activity:
- Arcos with BSCH

Issues/Comments:
- Difficult execution at year-end on Project Zephyrus and NA VPP
- Extremely weak distribution capabilities – SE Acquisition and ETOL
- Top Tier bank for F/X trading, derivatives (US & UK), and fixed income (US & UK).

New Message:

Westdeutsche Landesbank

Account Officer: Rich Newman
Approximate Total Enron Related Exposure: $554MM

New Capital Commitments in 2000:
- Project Inauguration $475MM Lead, Closed $475MM, $144.25 (taking all of the Brazilian risk)
- ETOL GBP 20MM
- SA Turbine lease financing Lead $90MM
- NA Turbine lease financing Lead $556MM
- Corp CP backup facility, $75MM commitment, $65MM hold

Other Activity:
- Rawhide amendment $50MM
- JEDI 2 amendment

Declined Transactions:
- None

Pending Activity:
- Project Zephyrus
- Letter of Credit Line

Issues/Comments:
- Exposure
- Newman's inability to deliver institution (corporate vs. structured group)
- NA Turbine refinancing – John Ryan

New Message:

Institutional Investors

LIST OF INSTITUTIONAL DEALS

	Effective Date	Maturity Date	Deal Amount
1998			
Mid Texas	9/30/1998	9/30/2013	$78,844,739
Marlin Water Trust 7.09% Sr. Secured Notes	12/17/1998	12/15/2001	$1,048,500,000
Marlin Trust Certificates	12/17/1998	12/15/2001	$125,000,000
Papier Masson LTEE	12/31/1998	12/31/2005	$28,000,000
Rawhide Equity Interests	12/31/1998	12/31/2003	$22,500,000
Spokane Funding Trust Notes	12/31/1998	1/31/2017	$150,600,000
Spokane Funding Trust Certificates	12/31/1998	1/31/2017	$4,600,000
			$1,458,044,739
1999			
East Coast Power 6.737%, 5 Year	4/14/1999	4/14/2004	$317,000,000
East Coast Power 7.066%, 10 Year	4/14/1999	4/14/2009	$262,250,000
East Coast Power 7.536%, 15 Year	4/14/1999	4/14/2014	$340,500,000
EEP 3 Riverside 6 (Teeside)	6/30/1999	6/30/2008	$177,200,000
Osprey Trust 8.31% Notes	9/16/1999	1/15/2003	$1,507,000,000
Osprey Trust Certificates	9/16/1999	1/15/2003	$100,000,000
Wilton Trust - ETOL Sub debt/equity	9/16/1999	9/16/2009	$116,183,926
EOTT Energy Partners, L.P. $245mm, 11% Sr. Notes	10/1/1999	10/1/2009	$245,000,000
Yosemite I Credit Linked Notes	11/18/1999	11/15/2004	$766,500,000
ENA CLO I Trust Notes	12/22/1999	7/31/2014	$311,300,000
ENA CLO I Trust Equity Interest	12/22/1999	7/31/2014	$12,900,000
The New Power Company - Private Placement	12/22/1999	12/31/2000	$197,500,000
			$4,353,333,926
2000			
Yosemite II Credit Linked Notes GBP 200mm	2/23/2000	2/23/2007	$359,204,000
European Power Funding Trust (Marguax) - Equity	7/5/2000	7/5/2010	$30,000,000
European Power Funding Trust (Marguax) - Notes	7/5/2000	7/5/2010	$95,000,000
Osprey Trust II Add On Certificates	7/10/2000	1/15/2003	$70,000,000
Yosemite III Credit Linked Notes	8/22/2000	8/30/2002	$526,700,000
Osprey Trust III Notes	10/5/2000	1/15/2003	$780,000,000
Osprey Trust III Notes Euro 357.4 mm	10/5/2000	1/15/2003	$277,380,000
Project Bacchus Equity	12/19/2000		$6,000,000
Campaign 2K Equity	12/19/2000		$1,070,192
Fishtail LLC Equity	12/19/2000	6/29/2001	$8,000,000
South American Turbines Equity	12/21/2000		$14,500,000
			$2,167,854,192
Grand Total:			$7,979,232,857

INSTITUTIONAL STATISTICS

	Current Stats	Mid Year Stats
Total Exposure to Institutions:	$ 7.96 billion	$ 6.34 billion
# of Institutions that hold Enron	276	224
New Institutions since mid-yr 2000	52	
Top 20 Institutions	$ 3.61 billion	$ 3.10 billion
Top 33% represent 80% of $$	$ 6.58 billion	$ 5.00 billion

SUMMARY OF INSTITUTIONAL EXPOSURE
TOP 20

Prudential Capital Group	$	494,804,739
John Hancock Advisors/Mutual Life Insurance Company	$	372,900,000
Pacific Investment Management Company	$	332,500,000
Moore Capital	$	305,000,000
Blackrock	$	302,000,000
Travelers Investment Management Group	$	204,000,000
Alliance Capital Management	$	163,191,000
TIAA-CREF	$	162,700,000
Donaldson, Lufkin & Jenrette	$	142,500,000
Scudder Kemper Investments	$	140,000,000
Fiduciary Trust Company International	$	133,700,000
Principal Capital Management LLC	$	132,500,000
AIG Global Investment Corp.	$	125,000,000
Conseco Capital Management	$	102,500,000
New York Life Insurance Company	$	102,400,000
Allstate Financial Group	$	102,000,000
Vanguard Investment Services, Inc.	$	102,000,000
Aegon USA	$	95,820,000
General Re Financial Securities Limited	$	93,000,000
Deutsche Asset Management	$	85,950,000
	$	3,608,515,739

DISCUSSION

How do we define our relationships

Direct

- Institutions we can go to for equity
- Those we will be spending a lot of time with this year
- Institutions with which we have personal contacts

CalPERS
John Hancock
Prudential

Indirect Relationships

- Strictly marketed to through investment bank sales force

Develop relationship with the following institutions:

- Equity/High Yield/Structured Deals

John Hancock
Stonehurst
LJM
CSFB
CIBC

- Corporate Debt/Structured Deals

Alliance Capital
PIMCO
Met Life
New York Life
Moore Capital
Travelers'
TIAA-CREF
Blackrock
Allstate
Trust Company of the West
Principal Capital

Deal Pipeline

Whitewing Presentation

August 14, 2001

Whitewing Assets

- Summary of valuations
- International Assets
  - Sarlux
  - Nowa Sarzyna
  - Trakya
  - Promigas
  - Elektro
  - ARCOS
- Asset Sales

- Appendix: Transfer Restrictions

Whitewing Assets
Estimated Valuations
at June 30, 2001
$ in Millions

WW Acquisition date	Asset	Book Value 6/30/01	WW adjusted Cash Basis	Estimated Valuation	Model Comments	Transfer Restriction Comments
	International					
9/30/1999	Sarlux - Italy	$ 349.8	$ 350.4	$ 177.7	complete working model	complete
3/30/2000	Nowa Sarzyna - Poland	$ 19.1	$ 21.3	$ 2.0	complete working model	complete
10/25/1999	Trakya - Turkey	$ 110.9	$ 100.5	$ 88.9	complete working model	complete
10/25/1999	Promigas - Columbia	$ 154.5	$ 127.4	$ 72.7	base case-deterministic- model	complete
8/31/2000	Elektro - Brazil	$ 478.1	$ 481.5	$ 245.0	multiple valuation model- RAC model by year-end	complete
11/6/00 forward	ARCOS GE turbines - Spain	$ 172.0	$ 172.0	$ 172.0	assume book value	complete
	Domestic					
12/29/1999	Heartland Steel	$ -	$ 14.8	$ -	Bankruptcy	-
2/28/2000	Yosemite I	$ 34.8	$ 34.8	$ 34.8	Par	complete
12/6/2000	ENA Merchant Pool 1	$ 222.0	$ 227.9	$ 191.5	Revalued every quarter	have info
12/21/2000	ENA Merchant Pool 2	$ 289.6	$ 283.2	$ 289.2	Revalued every quarter	have info
12/21/2000	Yosemite II	$ 15.5	$ 15.5	$ 15.5	Par	complete
12/21/2000	American Coal Note	$ 82.3	$ 82.3	$ 82.3	Par	complete
12/22/2000	Canadian Turbines	$ 39.0	$ 39.0	$ 39.0	Assume book value	complete
12/22/2000	EBS Dark Fiber	$ 7.0	$ 7.0	$ 7.0	Assume book value	complete
12/22/2000	EBSCS Equity	$ 17.9	$ 18.8	$ 18.8	TRS to be revalued in September	complete
3/30/2001	Eli Lilly C Interest	$ 50.4	$ 50.4	$ 50.4	Par	
6/29/2001	Merchant AES Pool	$ 184.2	$ 179.8	$ 170.8	Revalued every quarter	
		$ 2,224.9	$ 2,186.4	$ 1,657.4		
				$ (2,186.4)		
	Estimated Capital Loss			$ (529.0)		
	Capital gains to 6/30/01			$ 88.3		
				$ (440.7)		

DARK FIBER

Velocity Merchant Investments

Asset	Type	12/8/2000 Carry Value	Adjusted Carry Value	Estimated Value	Gains / Losses
2000-11 Pool					
Active Power Common	Public	18,154,801.00	-	-	4,412,750.78
Active Power Warrants	Private	4,475,250.00	4,475,250.00	3,703,320.00	(771,930.00)
Alpine Natural Gas Preferred	Private	2,850,000.00	2,850,000.00	400,000.00	(2,450,000.00)
Alpine Natural Gas Warrants	Private	98,263.00	-	-	(98,263.00)
Bighorn	Private	32,428,000.00	31,397,222.00	28,776,000.00	(2,621,222.00)
Black Bay	Private	124,485.00	29,985.00	29,985.00	-
City Forest IPC	Private	1,663,000.00	-	-	(1,663,000.00)
Crescendo	Private	7,041,248.00	7,041,248.00	8,676,729.24	1,635,481.24
Cypress Exploration	Private	24,695,041.00	21,254,916.80	18,821,580.56	(2,433,336.24)
Dais Analytic	Private	3,000,000.00	3,000,000.00	9,850,463.00	6,850,463.00
Destec	Private	12,012,473.00	12,012,473.00	15,480,108.56	3,467,635.56
Encorp	Private	3,000,000.00	3,000,000.00	15,107,669.00	12,107,669.00
Fuel Cell Energy	Public	5,439,648.00	5,439,648.00	3,707,792.00	(1,731,856.00)
Hancock	Private	2,141,609.00	-	-	-
Hanson	Private	2,256,961.00	1,694,298.16	1,694,298.16	-
HV Marine Warrants	Private	17,370,000.00	17,370,000.00	6,750,000.00	(10,620,000.00)
iMedeon	Private	4,600,000.00	4,600,000.00	4,600,000.00	-
Juniper	Private	8,636,136.00	8,636,136.00	8,597,250.21	(38,885.79)
Keathley Canyon	Private	2,385,250.00	1,300,250.00	1,300,250.00	-
Linder Petroleum	Private	6,267,589.00	5,029,153.29	5,000,000.00	(29,153.29)
Mariner Warrants	Private	18,531,000.00	-	-	(18,531,000.00)
Masada Oxynol	Private	3,896,000.00	3,896,000.00	1,000,000.00	(2,896,000.00)
Metering Technology Corp.	Private	5,000,000.00	5,000,000.00	6,060,606.00	1,060,606.00
Oconto Falls Common	Private	1,803,840.00	-	-	-
Octonto Falls IPC	Private	2,300,803.00	-	-	-
Pioneer Chlor (Boulder Power)	Private	12,004,000.00	12,178,047.22	9,441,047.55	(2,736,999.67)
Power Systems Mfg	Private	1,000,000.00	-	-	720,000.00
Sam Gary/Bonne Terre	Private	4,543,972.00	4,540,711.83	5,045,511.00	504,799.17
Solo Energy	Private	7,488,000.00	7,488,000.00	7,488,000.00	-
Texland	Private	3,257,328.00	3,257,328.00	3,860,750.42	603,422.42
Tridium	Private	5,025,082.00	5,025,082.00	5,025,082.00	-
Utiliquest	Private	7,219,000.00	7,219,000.00	5,418,500.00	(1,800,500.00)
Venoco	Private	32,678,250.00	33,620,489.32	15,630,000.00	(17,990,489.32)
WB Oil and Gas	Private	1,360,000.00	-	-	(1,360,000.00)
		264,747,029.00	211,355,238.62	191,464,942.70	(36,409,308.14)
2000-12 Pool					
East Coast Power Loan	Private	157,900,000.00	-	-	-
East Coast Power Loan - Int.	Private	1,381,625.00	-	-	-
East Coast Power Swap	Private	-	150,882,359.00	156,927,000.00	6,044,641.00
Mariner Energy Combined Debt	Private	122,394,685.00	132,313,445.05	132,313,445.05	-
		281,676,310.00	283,195,804.05	289,240,445.05	6,044,641.00
Total		546,423,339.00	494,551,042.67	474,099,443.19	(27,268,736.17)

AES Merchant Investments

Asset	Type	6/29/2001 Carry Value	Adjusted Carry Value	Estimated Value	Gains / Losses
Artesia	Private	3,000,000	3,000,000	3,000,000	-
Cinta	Private	3,000,000	3,000,000	3,000,000	-
Pathfire	Private	5,000,000	5,000,000	5,000,000	-
Surgient Networks	Private	5,000,000	5,000,000	5,000,000	-
Vivace Networks	Private	5,972,107	5,972,107	5,972,107	-
Amber Networks	Private	6,531,387	6,531,387	6,531,387	-
AP Engines	Private	3,000,000	3,000,000	3,000,000	-
eMotion	Private	3,000,000	3,000,000	3,000,000	-
Telseon	Private	5,000,000	5,000,000	5,000,000	-
Vspan	Private	5,000,000	5,000,000	5,000,000	-
Catalytica	Public	23,164,835	23,164,835	14,315,197	(8,849,638)
Advanced Mobile Power Systems	Private	16,999,079	16,999,079	16,999,079	-
Encorp	Private	5,000,000	5,000,000	5,000,000	-
Silicon Power Corporation	Private	2,500,000	2,500,000	2,500,000	-
Hanover Compressor Common	Public	87,604,862	87,604,862	87,474,769	(130,093)
		179,772,270	179,772,270	170,792,539	(8,979,731)
AES 99.99%		179,754,293	179,754,293	170,775,460	(8,978,833)

Sarlux Description

Structure

Whitewing 45%

SARAS 55%

Valuation

Based upon 8/10/01 model from RAC-London

- Current value: $177.7MM, at 11.5%
- Whitewing purchase price: $350.4 MM
- Original DASH value: $311.1MM, at 11.5%

Transfer Restrictions

- Cannot reduce shareholdings below 25% until 1/06
- Can transfer up to 79% of its shares to an Enron Corp guaranteed affiliate

Nowa Sarzyna Description

Structure

100% Enron Poland Investment BV (Dutch), of which 50% is Whitewing

Valuation

Based upon 7/01 model from RAC-London

- Current Value: $2.0MM, at 13.5%
- Whitewing purchase price: $21.3MM, at 13.5%
- Original DASH value: $27.7MM, at 13.5%

Transfer Restrictions

- Enron subject to holding requirement of 25% of voting capital

Trakya Description

Structure

- 50% Enron (28.14% Corp., 21.86% Whitewing)
- 50% other (31% Midlands Generation Overseas Ltd. , 9% Western Resources International Ltd., 8% Gama Endustri A.S., 2% Gama Pazarlama A.S.)

Valuation

Based upon 8/9/01 model from RAC-model

- Current value, Whitewing share: $88.9 MM, at 20% (RAC London current model)
- Whitewing purchase price: $100.5 MM, at 17%
- Original DASH value, Whitewing share: $82.4 MM, at 17%

Transfer Restrictions

- Unanimous written shareholder consent

Promigas Description

Structure

42.92% Whitewing

57.08% Other (15.9% Familia Scarpet, 14.7% Corporacion Financiera del Valle S.A., 10.8% Corporacion Financiera Colombiana S.A., 7% International Finance Corporation, 5.3% Inversiones Harivalle S.A., 3.38% other investors)

Valuation

Based upon 5/01 model RAC-Houston

- Current value: $72.7 MM, at 22.50% (RAC Houston model)
- Purchase price: $137.4 MM, at 17.98%

Transfer Restrictions

- None with respect to other shareholders and lenders
- Must respect Colombian Securities Regulations

Elektro Description

Structure

99% Enron (of which, Whitewing owns 25.4% equity interest)

1% publicly held

Valuation

Based upon 5/31/01 multiple valuation RAC- Houston

- Current value: $245 MM, at 21.63%
- Purchase price: $461.5 MM, at 14.95%Transfer Restrictions

Transfer Restrictions

-Requires consent of ANEEL, Brazilian Federal Regulator of the Brazilian Electric Power Sector

ARCOS- GE Power Islands Description

Structure

100% Enron/Whitewing

Valuation

- Original purchase price, $172 MM

Transfer Restrictions

- Requires GE consent

Asset Sales

Possible 125 Transactions

- American Coal Note
- East Coast Power Swap
- Catalytica
- Eli Lilly C Interest
- Yosemite I & II

3rd Party Sale by Business Unit

- Canadian Turbines -Boulder Power
- ARCOS GE Turbines -Utiliquest
- Fuel Cell Energy -Venoco
- HV Marine Warrants

Business Unit take out structure

- EBS Dark Fiber (combining with other fiber)

ENRON GLOBAL ASSETS AND SERVICES
Equity Value Schedule
$(Millions)
As of June 2001

10/31/01

Update 1

	Corp. Dev. Est. Market Value	Enron's Carry Value	Difference
South America			
Elektro	1,016	2,026	(1,010)
Cuiaba	374	535	(161)
TGS	388	451	(63)
CEG and CEG - Rio	247	269	(22)
Gaspart	204	194	10
Transredes	115	145	(30)
TBG/GTB (BBPL)	29	41	(12)
Total South America	2,373	3,661	(1,288)
Caribbean			
Promigas	119	158	(38)
Vengas	105	142	(36)
BLM	31	110	(79)
SECLP		102	(102)
Accroven	37	49	(12)
PQPLLC	42	41	1
Calife	-	37	(37)
San Juan Gas	-	36	(36)
KGL	15	30	(15)
Haina note	-	18	(18)
Procaribe	-	6	(6)
Caribbean Basin Fund	-	6	(6)
Corinto	2	5	(3)
Bachaquero	-	3	(3)
Centragas	19	(2)	21
Eccoelectrica	248	130	118
Total Caribbean	618	869	(251)
Asia			
SK-Enron	220	297	(77)
Eclipse	74	67	7
Batangas	54	51	3
Subic	26	30	(4)
Bond portfolio	23	23	(1)
Ptt Guam	15	20	(5)
Total Asia	411	488	(77)
India			
Dabhol	342	870	(528)
GAIL	53	70	(17)
EGEP	385	400	(15)
Total India	780	1,340	(560)
Other			
Poland	42	34	8
Trakya	198	232	(34)
Sarlux	200	349	(149)
Total Other	440	615	(175)
Total Project Related Activities	4,621	6,973	(2,352)
Other Basis Not Related to Projects Above (See Detail)		560	
SA Merchant Activities Currently In Wholesale		177	
Total Enron Global Assets with SJG, SA Merchant and EI HQ		7,710	

Permanent Subcommittee on Investigations
EXHIBIT #389b

E 103411

Enron Global Assets & Services

Significant Exposures (In US$MM's)

Investment Name	Country	RAC Valuation (5/31/01) Low	RAC Valuation (5/31/01) High	Jeff Skilling's Estimate	(6/30/01) Carrying Value
EGAS Investments:					
Elektro	Brazil	650	1,112	800	2,026
Dabhol Power Co[1]	India	340	912	600	1,135
Cuiaba	Brazil	213	254	250	535
TGS	Argentina	203	365	250	451
SK-Enron	South Korea	131	348	250	297
CEG/CEG-Rio	Brazil	116	220	240	269
Gaspart	Brazil	78	178	150	194
Promigas	Colombia	68	90	90	158
Transredes	Bolivia	50	73	50	145
Vengas	Venezuela	103	126	80	142
EcoElectrica	Puerto Rico	110	214	205	145
COPEL	Brazil	88	88	70	116
Bahia Las Minas	Panama	24	31	-	110
Smith/Enron Cogen	Dominican Republic	-	65	-	102
All Others		330	436	350	529
Subtotal - EGAS Investments		2,504	4,512	3,385	6,354
Azurix[2]:					
Wessex	Great Britain	1,716	1,987	1,900	2,999
Azurix NA	Canada/US	90	130	120	194
Buenos Aires	Argentina	75	150	-	105
All Others		95	148	125	243
Subtotal - Azurix		1,976	2,415	2,145	3,541
Former EI Headquarters Capital		-	-	-	224
Grand Total		4,480	6,927	5,530	10,119

[1] Includes direct and indirect Dabhol exposure.
[2] Valuations reflect estimates from Azurix; RAC believes these estimates to be reasonable, but has not performed an independent valuation.

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 #390a

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

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

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#: NY5: 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. 01FO6022761
Qualified in New York County
Commission Expires June 4, 2003

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510–6250

December 16, 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 year the Permanent Subcommittee on Investigations held a hearing on, among other things, 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. Subsequent to that hearing we sent you a number of questions to which you responded. Attached is a list of nine follow-up questions which I ask that you answer by January 10, 2003. As with your answers to the previous questions, please have the appropriate person provide the answers on behalf of Citigroup under oath.

If you have any questions about this request, please have your staff contact Robert Roach, Counsel and Chief Investigator of the Subcommittee at 202-224-9505. Thank you.

Sincerely,

Carl Levin
Chairman
Permanent Subcommittee on Investigations

CL:ljg
Enclosure

FOLLOW-UP QUESTIONS FOR CITIGROUP

The term "Citigroup" or "Delta" in the questions below, includes any person acting or serving as an agent of either entity.

(1) When Citigroup established Delta, did Citigroup intend for Delta: (1) to engage in any business or transactional activity independent from Citigroup; or (2) to engage in any business or transactional activity that did not involve activities necessary to serve Citigroup's underlying economic interest; or (3) to do anything other than serve Citigroup's transactional and business purposes? If so, what were the other purposes? Please forward to the Subcommittee any documents supporting such answer as well as the incorporation/formation papers filed with the appropriate Cayman Islands agency.

(2) Has Delta ever engaged in any transaction that it was not requested to participate in by Citigroup, or rejected any transaction proposed by Citigroup? If so, please specify all such actions and the reasons given by Delta for taking such actions or rejecting Citigroup's proposals.

(3) How much money, on an annual basis, in the past ten years, has Delta directly transferred to charitable organizations or causes? How much money, on an annual basis, in the past ten years, has Delta transferred to a charitable trust or trusts for distribution to charitable organizations or causes? For each year, please identify the trusts and the amounts and how much of each amount was distributed to charitable organizations or causes. Who decided the size and recipient of any charitable contributions Delta made and what were the criteria for those contributions?

(4) Has Citigroup provided transactional instruction or document negotiations or execution services to Delta? If so, please specify each instance in which such services occurred, who provided them, and why they were provided.

(5) Has Citigroup provided guidance to Delta with respect to the terms of Delta's transactions? If so, please specify each instance in which such guidance was provided, including what guidance was provided and why it was provided.

(6) Identify all costs, fees, expenses, or reimbursements that Citigroup has paid to, or on behalf of, Delta.

(7) Identify with specificity all instances where legal counsel paid by or representing Citigroup has or have acted on behalf of Delta.

(8) Are there or have there ever been any covenants or agreements between Citigroup and

any person or entity that would limit, direct, or in any way affect the operation, organization, or business activities of the Grand Cayman Commodities or GCC Trust or Delta? If so, please describe such covenants or agreements and provide copies of all relevant materials.

(9) The Citigroup account opening documents for Delta note that the Delta account is an "internal account." Please describe what that means. In addition, if the process for opening Delta's account was different from the procedure normally employed for account openings, please explain.

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

January 24, 2003

By Telecopy and Hand Delivery

The Honorable Carl Levin, Ranking Minority
United States Senate
Committee on Governmental Affairs
Permanent Subcommittee on Investigations
Washington D.C. 20515-6115

Dear Senator Levin:

I am writing in response to your letter of December 16, 2002 to Sanford Weill. We appreciate your willingness to provide additional time to respond to your inquiry. Your questions and the company's response are set forth below.

1. When Citigroup established Delta, did Citigroup intend for Delta: (1) to engage in any business or transactional activity independent from Citigroup; or (2) to engage in any business or transactional activity that did not involve activities necessary to serve Citigroup's underlying economic interest; or (3) to do anything other than serve Citigroup's transactional and business purposes? If so, what were the other purposes? Please forward to the Subcommittee any documents supporting such answer as well as the incorporation/formation papers filed with the appropriate Cayman Islands agency.

Delta was established with the purpose of serving as a special purpose entity that would enable it to engage in business or transactional activities in a way that was legally independent of Citigroup.[1] According to the Memorandum of Association of Delta (attached at Tab 1), Delta is permitted, *inter alia,* to engage in "any 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." Citigroup did not expect that Delta would engage in significant business activities separate from Citigroup. However, there is nothing in the incorporation documents that limits Delta to engaging in transactions only with Citigroup.

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[1] Citigroup is used throughout and includes Citigroup Inc and all of its predecessors and affiliates.

2. Has Delta ever engaged in any transaction that it was not requested to participate in by Citigroup, or rejected any transaction proposed by Citigroup? If so, please specify all such actions and the reasons given by Delta for taking such actions or rejecting Citigroup's proposals.

Only the officers and directors of Delta are in a position to confirm whether "Delta ever engaged in any transaction that it was not requested to participate in by Citigroup." All of the transactions involving Delta of which Citigroup is aware were described to the Committee in our letter of July 17, 2002 (attached at Tab 2). Each of these transactions was "proposed by Citigroup." Based on our information and belief, Delta and Delta's counsel reviewed each transaction that was proposed and negotiated the documents and/or terms of such transactions. None of the transactions proposed to Delta by Citigroup was "rejected" by Delta.

3. How much money, on an annual basis, in the past ten years, has Delta directly transferred to charitable organizations or causes? How much money, on an annual basis, in the past ten years, has Delta transferred to a charitable trust or trusts for distribution to charitable organizations or causes? For each year, please identify the trusts and the amounts and how much of each amount was distributed to charitable organizations or causes. Who decided the size and recipient of any charitable contributions Delta made and what were the criteria for those contributions?

As stated to the Committee on July 29, 2002 (attached at Tab 3), the GCC Trust was established by the owners of Delta to receive any proceeds arising out of Delta. The directors of that Trust have the discretion to pay out monies held by Delta to any qualifying charity, or to the National Council for Voluntary Organizations, an umbrella charity organization in Grand Cayman. Citibank does not have direct knowledge of whether the directors of the Trust have made any distributions to NCVO or to any other qualifying charity, or the amount of any such distributions.

4. Has Citigroup provided transactional instruction or document negotiations or execution services to Delta? If so, please specify each instance in which such services occurred, who provided them, and why they were provided.

Citigroup did not provide transactional instruction or document negotiations or execution services to Delta.

5. Has Citigroup provided guidance to Delta with respect to the terms of Delta's transactions? If so, please specify each instance in which such guidance was provided, including what guidance was provided and why it was provided.

Citigroup established Delta as a special purpose entity to act as a counterparty in certain transactions involving Citigroup. In that connection, Citigroup would have discussed the "terms of the transactions" with Delta, as is does with any other counterparty. As mentioned above, based on our information and belief, Delta, in conjunction with its outside counsel, reviewed those transactions and negotiated the documents and/or the terms of the transactions prior to engaging in such transactions.

6. Identify all costs, fees, expenses, or reimbursements that Citigroup has paid to, or on behalf of, Delta.

As stated previously to the Committee, Citigroup has paid the annual registration fees of Delta and certain other administrative costs associated with particular transactions. (Attorney's fees are discussed in the answer to question 7, below.)

7. Identify with specificity all instances where legal counsel paid by or representing Citigroup has or have acted on behalf of Delta.

Counsel representing Citigroup has not acted on behalf of Delta in any of the Citigroup-Delta transactions. As is customary in transactions of this type, Maples & Calder advised other parties to the transactions, including Citigroup, on issues arising under Cayman Islands law. As stated previously to the Committee, prior to the Enron bankruptcy, the legal fees incurred by Delta were paid in part by Citigroup and in part by Enron. Following the bankruptcy, Citigroup paid Delta's legal fees in connection with the unwinding of the Yosemite and ECLN transactions. Based on our review of the files to date, we can confirm that Citigroup paid a portion of Delta's legal fees in connection with the June 2001 prepaid transaction.

8. Are there or have there ever been any covenants or agreements between Citigroup and any person or entity that would limit, direct, or in any way affect the operation, organization, or business activities of the Grand Cayman Commodities or GCC Trust or Delta? If so, please describe such covenants or agreements and provide copies of all relevant materials.

Citigroup has no knowledge of any "covenants or agreements between Citigroup and any person or entity that would limit, direct, or in any way affect the operation, organization, or business activities of Grand Cayman Commodities or

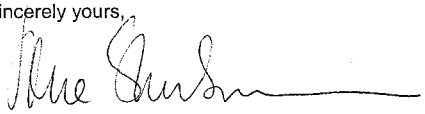
GCC Trust or Delta," except for the terms of the specific transaction contracts between Delta and Citigroup, which required Delta to perform in accordance with those terms.

9. The Citigroup account opening documents for Delta note that the Delta account is an "internal account." Please describe what that means. In addition, if the procedure for opening Delta's account was different from the procedure normally employed for account openings, please explain.

As the documents produced to the Committee indicate, the referenced Delta account was opened in 1994 in order to facilitate a commodities prepaid transaction in which Citibank and Delta were counterparties. The account was opened solely for the purpose of receiving proceeds payable to Delta from the transaction and making payments due to Citibank under the transaction. The term "internal account" designates an account for which the contacts and signatories are internal to Citibank. The procedure for opening the account was no different from the procedure in place at the time for the opening of other corporate accounts, and required the completion of the corporate account form.

Please let us know whether we may be of any further assistance to your inquiry. As Chuck Prince testified at the Subcommittee's hearing on December 11, 2002, following your examination of Citigroup transactions at the Subcommittee's July 23 hearing at which Citigroup witnesses were questioned about Delta, Citigroup adopted a rule pursuant to which we will only execute a material financing transaction that is not going to be recorded by the company as debt on its balance sheet if – and only if – the company agrees to disclose the net effect of the transaction on the company's financial condition.

Sincerely yours,



Jane C. Sherburne
Deputy General Counsel

cc: Hon. Susan Collins, Chair

TAB #1

REGISTERED AND FILED
AS NO. 51558 THIS 3rd DAY
OF December 1993
Dep. Registrar of Companies
Cayman Islands

THE COMPANIES LAW
COMPANY LIMITED BY SHARES
MEMORANDUM OF ASSOCIATION
OF
DELTA ENERGY CORPORATION

1. The name of the Company is **Delta Energy Corporation**.

2. The Registered Office of the Company shall be at the offices of P.O. Box 309, George Town, 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,

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patents, annuities, licences, 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 organise 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 by 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.

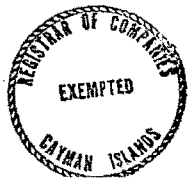
5. The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

6. The share capital of the Company is US$900,000.00 divided into 900,000 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.

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) 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.

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 3rd day of December, 1993

SIGNATURE, ADDRESSES and DESCRIPTION OF SUBSCRIBER	NUMBER OF SHARES TAKEN BY EACH
A.B. Travers, Attorney-at-Law P.O. Box 309, Grand Cayman	one
Megan Stone, Legal Assistant P.O. Box 309, Grand Cayman	one

Witness to the above signatures

I, CINDY Y. JEFFERSON Dep. 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 3 day of December, 1993.

Dep. REGISTRAR OF COMPANIES

ABT/46706

REGISTRAR OF COMPANIES EXEMPTED CAYMAN ISLANDS

THE COMPANIES LAW

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

DELTA ENERGY CORPORATION

REGISTERED AND FILED
AS NO. 51558 THIS 3rd DAY
OF December 1999

Dep. Registrar of Companies
Cayman Islands

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.

"Member" shall bear the meaning ascribed to it in the Statute.

"month" means calendar month.

"The registered office" means the registered office for the time being of the Company.

"paid-up" means paid-up and/or credited as paid-up.

"Seal" means the common seal of the Company and includes every duplicate seal.

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"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 authorise certificates to be issued with the seal and authorised 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

REGISTRAR OF COMPANIES CAYMAN ISLANDS

incurred by the Company in investigating evidence, as the Directors may prescribe.

ISSUE OF SHARES

6. 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.

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

8. The instrument of transfer of any share shall be in writing and shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register in respect thereof.

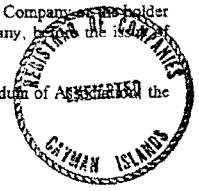
9. The Directors may in their absolute discretion decline to register any transfer of shares without assigning any reason therefor. If the Directors refuse to register a transfer they shall notify the transferee within two months of such refusal.

10. The registration of transfers may be suspended at such time and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than forty-five days in any year.

REDEEMABLE SHARES

11. (a) 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.

(b) 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 authorised by the Statute, including out of capital.

VARIATION OF RIGHTS OF SHARES

12. 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.

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 recognised 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 recognise (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.

LIEN ON SHARES

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16. The Company shall have a first and paramount lien and charge on all shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such share shall operate as a waiver of the Company's lien (if any) thereon. The Company's lien (if any) on a share shall extend to all dividends or other monies payable in respect thereof.

17. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder or holders for the time being of the share, or the person, of which the Company has notice, entitled thereto by reason of his death or bankruptcy.

18. To give effect to any such sale the Directors may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

19. The proceeds of such sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CALL ON SHARES

20. (a) The Directors may from time to time make calls upon the Members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed terms, provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call, and each Member shall (subject to receiving at least fourteen days notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on the shares. A call may be revoked or postponed as the Directors may determine. A call may be made payable by instalments.

(b) A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.

(c) The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

21. If a sum called in respect of a share is not paid before or on a day appointed for payment thereof, the persons from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding ten per cent per annum as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest either wholly or in part.

22. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium or otherwise, shall for the purposes of these Articles be deemed to be a call duly made, notified and payable on the date on which by the terms of issue the same becomes payable, and in the case of non-payment all the relevant provisions of these Articles as to payment of interest forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

23. The Directors may, on the issue of shares, differentiate between the holders as to the amount of calls or interest to be paid and the times of payment.

24. (a) The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him, and upon all or any of the monies so advanced may (until the same would but for such advances, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) seven per cent (7%) per annum, as may be agreed upon between the Directors and the Member paying such sum in advance.

(b) No such sum paid in advance of calls shall entitle the Member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

FORFEITURE OF SHARES

25. (a) If a Member fails to pay any call or instalment of a call or to make any payment required by the terms of issue on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call, instalment or payment remains unpaid, give notice requiring payment of so much of the call, instalment or payment as is unpaid, together with any interest which may have accrued and all expenses that have been incurred by the Company by reason of such non-payment. Such notice shall name a day (not earlier than the expiration of fourteen days from the date of giving of the notice) on or before which the payment required by the notice is to be made, and shall state that, in the event of non-payment at or before the time appointed the shares in respect of which such notice was given will be liable to be forfeited.

(b) If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture.

(c) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

26. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture were payable by him to the Company in respect of the shares together with interest thereon, but his liability shall cease if and when the Company shall have received payment in full of all monies whenever payable in respect of the shares.

27. A certificate in writing under the hand of one Director or the Secretary of the Company that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the fact therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

28. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium as if the same had been payable by virtue of a call duly made and notified.

REGISTRATION OF EMPOWERING INSTRUMENTS

29. 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

30. 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 recognised 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.

31. (a) Any person becoming entitled to a share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to make such transfer of the share to such other person nominated by him as the deceased or bankrupt person could have made and to have such person registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy as the case may be.

(b) If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

32. A person becoming entitled to a share by reason of the death or bankruptcy or liquidation or dissolution of the holder (or in any other case than by transfer) shall be entitled to the same dividends and other advantages 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 PROVIDED HOWEVER that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within ninety days the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

AMENDMENT OF MEMORANDUM OF ASSOCIATION, CHANGE OF LOCATION OF REGISTERED OFFICE & ALTERATION OF CAPITAL

33. (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 [illegible] than its existing shares;

(iii) by subdivision of its existing shares or any of them divide [illegible] whether 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 Article 11 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

34. 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.

35. 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.

36. 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

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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

37. (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 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.

38. (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

39. 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 day 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 38 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 or par value seventy-five per cent (75%) of the shares in issue, or their proxies.

40. 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

41. 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 provided always that if the Company has one shareholder of record the quorum shall be that one (1) Member present in person or by proxy.

42. Subject and without prejudice to any provisions of the Statute, a 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 authorised 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.

43. 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.

44. 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.

45. 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.

46. 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.

47. 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.

48. 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 favour of or against such resolution.

49. The demand for a poll may be withdrawn.

50. Except as provided in Article 52, 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.

51. 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.

52. 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

53. 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.

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54. 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.

55. 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.

56. 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.

57. 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.

58. On a poll or on a show of hands votes may be given either personally or by proxy.

PROXIES

59. The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation under the hand of an officer or attorney duly authorised in that behalf. A proxy need not be a Member of the Company.

60. 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 telecopy confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company.

61. 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.

62. 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.

63. 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 authorise 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 authorised 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.

64. 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

65. There shall be a Board of Directors consisting of not less than one or more than ten persons (exclusive of alternate Directors) PROVIDED HOWEVER that the Company may from time to time by ordinary resolution increase or reduce the limits in the number of 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 or a majority of them.

66. 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 travelling, 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.

67. 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.

68. 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.

69. 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.

70. 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.

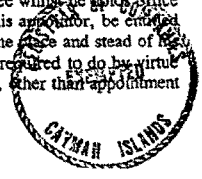
71. A Director or alternate Director of the Company may be or become a Director or other Officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or Officer of, or from his interest in, such other company.

72. 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 realised 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.

73. 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 72 and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

ALTERNATE DIRECTORS

74. Subject to the exception contained in Article 82, 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 while 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

75. 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.

76. 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 authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

77. 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.

78. 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.

79. 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 dependants and may make contributions to any

fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

80. 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

81. (a) 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 the three next following paragraphs shall be without prejudice to the general powers conferred by this paragraph.

(b) 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.

(c) 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 authorise 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 and 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.

(d) Any such delegates as aforesaid may be authorised by the Directors to subdelegate all or any of the powers, authorities, and discretions for the time being vested in them.

MANAGING DIRECTORS

82. 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.

83. 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

84. 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.

85. 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 organisation as the case may be. The provisions of Article 40 shall apply mutatis mutandis with respect to notices of meetings of Directors.

86. 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.

87. 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.

88. 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.

89. 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.

90. 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.

91. 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.

92. 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.

93. (a) A Director may be represented at any meetings 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 59-62 shall mutatis mutandis apply to the appointment of proxies by Directors.

VACATION OF OFFICE OF DIRECTOR

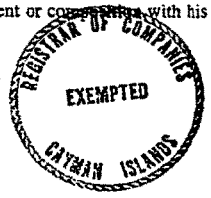
94. The office of a Director shall be vacated:

(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 compromise with his creditors generally;

(d) if he is found a lunatic or becomes of unsound mind.



APPOINTMENT AND REMOVAL OF DIRECTORS

95. 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.

96. 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

97. 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 favour of such action.

SEAL

98. The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised 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

99. 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

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such provisions as to disqualification and removal as the Directors from time to time prescribe.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

100. 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 authorise payment of the same out of the funds of the Company lawfully available therefor.

101. 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.

102. No dividend or 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 Statute..

103. 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.

104. 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.

105. 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.

106. Any dividend, 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 of 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.

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107. No dividend shall bear interest against the Company.

CAPITALISATION

108. The Company may upon the recommendation of the Directors by ordinary resolution authorise 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 (not being redeemable 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 capitalisation, 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 authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

BOOKS OF ACCOUNT

109. 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.

110. 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, book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in general meeting.

11. 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

112. 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.

113. 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.

114. 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.

115. 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

116. 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.

117.(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 organisation and to have been effected on the day the same is sent as aforesaid.

118. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in the register of Members in respect of the share.

giving the notice to the joint holder first named on the register of Members in respect of the share.

119. 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.

120. Notice of every general meeting shall be given in any manner hereinbefore authorised 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

121. 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.

122. 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 winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole

EXEMPTED CAYMAN ISLANDS

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.

INDEMNITY

123. 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

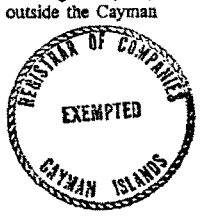
124. Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31st December in each year and, following the year of incorporation, shall begin on 1st January in each year.

AMENDMENTS OF ARTICLES

125. 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

126. 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 3rd day of December, 1993

A.B. Travers, Attorney-at-Law
P.O. Box 309, Grand Cayman

Megan Stone, Legal Assistant
P.O. Box 309, Grand Cayman

Witness to the above Signatures

I, CINDY Y. JEFFERSON Dep. Registrar of Companies in and for the Cayman Islands DO HEREBY certify that this is a true and correct copy of the Articles of Association of this Company duly incorporated on the 3 day of December, 1993.

Dep Registrar of Companies

ABT/46706

REGISTRAR OF COMPANIES EXEMPTED CAYMAN ISLANDS

TAB #2

citigroup

Jane C. Sherburne
Deputy General Counsel
Litigation and Compliance

Citigroup Inc.
1101 Pennsylvania Avenue NW
Suite 530
Washington, DC 20004

Tel 202 220 5690
Fax 202 220 5699
New York 212 793 4942
sherburnej@citi.com

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

TAB #3

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

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,

Lane C. Sherburne
Deputy General Counsel

Enclosures

Doc#: NY1: 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. 31-4936976
Qualified in New York County
Commission Expires May 4, 19__

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

[redacted]

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

July 25, 2002

Mr. William B. Harrison, Jr.
President and Chief Executive Officer
J.P. Morgan Chase & Co.
270 Park Avenue
New York, N.Y. 10017

Dear Mr. Harrison:

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 Chase's use of a Special Purpose Vehicle (SPV), Mahonia, Ltd. (and its successors), as a pass-through entity established in Jersey for Enron's "prepays" in which Chase participated. Documents the Subcommittee obtained show that Chase directed its agent, the law firm of Mourant du Feu & Jeune, to establish an SPV in Jersey that would be "controlled by Chase" but not "wholly owned" by Chase and that to accomplish this, Chase wanted to establish a charitable trust that would own a holding company that would own the SPV. Chase witnesses told us that Chase neither owns or controls Mahonia despite the documents presented at the hearing and the statements of the witnesses that Chase pays Mahonia's attorney fees and all costs associated with the administration of Mahonia, that Mahonia has not entered into a commercial transaction that did not involve Chase, and that Chase served as Mahonia's agent on all of the prepays in which Chase and Mahonia were involved.

We ask that you, personally, no later than 12 P.M. Monday afternoon, July 29th: 1) answer the following questions on behalf of Chase under oath and return them to the Subcommittee office, SR-199; and 2) instruct/direct your agents, attorneys and all other parties responsible for the formation, operation, administration or management of Mahonia Limited, Mahonia II Limited, and Mahonia Natural Gas Limited (collectively called "Mahonia") (including but not limited to Mourant du Feu & Jeune, Mourant & Co. Trustees Limited, Mourant & Co., Eastmoss Limited, The Eastmoss Trust, Juris Limited, Lively Limited, 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 Mahonia, and all documents that address or indicate Chase's relationship to Mahonia.

QUESTIONS: (Please note that any reference to Chase is intended to include any entity related to Chase or Chase's agent.)

1) Did Chase establish Mahonia and, if so, when, for what purpose and why in Jersey?

Permanent Subcommittee on Investigations
EXHIBIT #390b

2) Does Chase own Mahonia, and if it doesn't, who does?

3) If the owner of Mahonia is a charitable trust, does Chase own the charitable trust, and if it doesn't, who does?

4) Who serves on the Board of Directors of Mahonia and the entity that owns Mahonia?

5) Who is the agent for Mahonia and who is the agent for the entity that owns Mahonia?

6) Does Chase pay for: Mahonia's administrative fees? Registration fees? Attorney fees? Transactions fees?

7) When a non-Chase entity does business with Mahonia, with whom does the entity conduct the negotiations -- a Chase employee or a Mahonia employee?

8) What obligations do any of the attorneys, trustees, administrators, directors, or beneficial owners of Mahonia have to Chase with respect to Mahonia and separate and apart from Mahonia?

9) Does Chase effectively control Mahonia?

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

William B. Harrison, Jr.
Chairman and Chief Executive Officer

July 29, 2002

VIA FEDERAL EXPRESS & FACSIMILE

The Honorable Carl Levin
The Honorable Susan M. Collins
United States Senate
Permanent Subcommittee On Investigations
199 Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Levin and Senator Collins:

As Chairman and Chief Executive Officer of J.P. Morgan Chase & Co., I submit this letter in response to the Permanent Subcommittee on Investigations' July 25, 2002 request for certain information regarding the relationship and dealings of J.P. Morgan Chase & Co., and its affiliates and their predecessors ("JPMorgan Chase") with Mahonia Limited ("Mahonia"). I do not have personal knowledge of, and, therefore, cannot attest on the basis of my personal knowledge to, the facts necessary to answer the Subcommittee's questions. Instead, those with knowledge of the facts and familiarity with the relevant documents have been consulted, and I submit the following responses on behalf of JPMorgan Chase. I note that (i) you have imposed a very short deadline for answering your questions, (ii) many of the events in question took place ten or more years ago, and (iii) there may be relevant facts not known to JPMorgan Chase. JP Morgan Chase has, however, sought to obtain the best information available, and it has prepared this response on the basis of that information.

At the outset, I should point out a few basic facts relating to Mahonia. Mahonia is a special purpose entity incorporated in 1992 at JPMorgan Chase's request. As is typical with special purpose entities, whether they are organized in the United States or elsewhere, Mahonia was formed to participate in transactions arranged by the sponsor, in this case JPMorgan Chase. Mahonia is a legally independent entity that has its own shareholders and directors and makes its own decisions about whether to enter into transactions. JPMorgan Chase has no power to compel Mahonia to enter into a transaction Mahonia does not wish to enter into. Once Mahonia accepts a particular transaction and transaction documents are executed, Mahonia appoints JPMorgan Chase as its agent for that transaction. That appointment gives JPMorgan Chase the power and authority to carry out the steps necessary to perform the transaction on Mahonia's behalf.

1. Did Chase establish Mahonia and, if so, for what purpose and why in Jersey?

Mahonia was established at JPMorgan Chase's request in December 1992 by Mourant du Feu & Jeune, acting on behalf of The Eastmoss Trust.

J.P. Morgan Chase & Co. • 270 Park Avenue, New York, NY 10017-2070
Telephone: 212 270 4019
william.harrison@chase.com

Mahonia was established to participate in transactions arranged by JPMorgan Chase (as was explained by Mourant du Feu & Jeune to the Jersey authorities at the time Mahonia was incorporated). It was not incorporated in contemplation of a transaction with Enron but in contemplation of a transaction with one or more other clients of JPMorgan Chase that did not proceed. Having been incorporated but not used, Mahonia was then identified as available for use in a June 1993 prepay transaction with Enron.

At the time, The Chase Manhattan Bank, N.A. (predecessor to The Chase Manhattan Bank and, later, JPMorgan Chase Bank) believed that it did not have regulatory authority to take physical delivery of commodities such as oil or gas. To satisfy regulatory requirements, Mahonia served as the entity that received physical delivery of gas or oil from Enron under the gas and oil forward contracts referred to as prepays. The reason that JPMorgan Chase utilized a Jersey special purpose entity, as opposed to an entity in another jurisdiction, is that some JPMorgan Chase employees who worked on the early Enron prepay transactions worked in JPMorgan Chase's London office and had often arranged transactions involving Jersey special purpose entities. I further note that Jersey is also regarded as having high quality legal and regulatory systems and as not having significant tax impact on transactions.

2. Does Chase own Mahonia, and if it doesn't, who does?

JPMorgan Chase does not own Mahonia. Mahonia is directly owned by Lively Limited and Juris Limited and is beneficially owned by Mourant & Co. Trustees Limited as trustee of The Eastmoss Trust.

JP Morgan Chase also does not own Mahonia II Limited, Mahonia Natural Gas Limited, Mourant du Feu & Jeune, Mourant & Co., Juris Limited, Lively Limited, The Eastmoss Trust or Eastmoss Limited. The shareholders of Mahonia, Juris Limited and Lively Limited, are two Jersey companies that act as subscribers for shares in companies incorporated by the Mourant Group, the Jersey professional services firm whose partners include partners in the law firm of Mourant de Feu & Jeune. Lively Limited and Juris Limited are ultimately owned by the partners of the Mourant Group. Juris Limited and Lively Limited made Declarations of Trust in respect of their shareholdings in Mahonia in favor of the Trustee of The Eastmoss Trust, Mourant & Co. Trustees Limited.

We understand that this is a standard arrangement for special purpose entities established in Jersey by the leading law firms and corporate services providers, including the Mourant Group.

3. If the owner of Mahonia is a charitable trust, does Chase own the charitable trust, and if it doesn't, who does?

The Eastmoss Trust was formed in 1986 at the request of JPMorgan Chase. The Eastmoss Trust, as formed, is not the structure that was contemplated at the time of Ian James' April 24, 1986 letter that you referred to during the hearing on July 23, 2002. At the time that letter was written, it was contemplated that the structure of the trust would involve JPMorgan Chase having a controlling interest, and Chase Bank & Trust Company (C.I.) Limited ("Chase

Jersey") was intended to be the Trustee and would have provided all of the directors of the special purpose entity. It was in this context that Mr. James made the comments on the second page of his letter relating to JPMorgan Chase's control of the special purpose entities. However, as indicated in Mr. James' May 29, 1986 letter, which was included as part of Subcommittee Exhibit 118 distributed at the hearing, this is not the structure that was thereafter actually adopted for The Eastmoss Trust. In that subsequent letter, Mr. James stated:

> "For U.S. regulatory reasons Chase were then advised they could not have either the ownership or control of Xco and so the Jersey structure outlined in my letter to you was proposed. In order that the U.S. authorities could be entirely satisfied with the arrangements it was considered preferable that my firm's trust company should act as trustee of the charitable trust and administer Eastmoss rather than Chase Jersey."

See May 29, 1986 Letter, attached hereto as Exhibit A. Neither Chase Jersey, nor any other JPMorgan Chase entity, now has or ever has had any control over The Eastmoss Trust, whether as trustee or otherwise. As explained below, the Trustee of The Eastmoss Trust was and is Furze Trustees Limited, which subsequently changed its name to Mourant & Co. Trustees Limited.

As noted, JPMorgan Chase does not own or have any ownership interest in The Eastmoss Trust. The Eastmoss Trust is a charitable trust formed in accordance with the laws of Jersey. As a trust, The Eastmoss Trust has no owners, but does have a trustee. The Trustee of The Eastmoss Trust is Mourant & Co. Trustees Limited. JPMorgan Chase does not own Mourant & Co. Trustees Limited and is not a trustee of The Eastmoss Trust.

4. Who serves on the Board of Directors of Mahonia and the entity that owns Mahonia?

Richard Jeune and Ian James are the directors of Mahonia. There are 26 directors of Lively Limited and Juris Limited, including Mr. Jeune and Mr. James, of whom 23 are also directors of Mourant & Co. Trustees Limited, again including Mr. Jeune and Mr. James. All of the directors are partners of the Mourant Group (and none is an employee of JPMorgan Chase).

5. Who is the agent for Mahonia and who is the agent for the entity that owns Mahonia?

JPMorgan Chase is not and has never been the general agent for Mahonia or Mourant & Co. Trustees Limited/The Eastmoss Trust. To JPMorgan Chase's knowledge, neither Mahonia nor The Eastmoss Trust has a general agent. Once Mahonia accepts a particular transaction and transaction documents are executed, Mahonia appoints JPMorgan Chase as its agent for that transaction. That appointment gives JPMorgan Chase the power and authority to carry out the steps necessary to perform the transaction on Mahonia's behalf. In addition, following Enron's collapse, Mahonia appointed JPMorgan Chase as its attorney-in-fact in connection with protecting and enforcing the parties' rights under the prepay transactions.

6. Does Chase pay for: Mahonia's administrative fees? Registration fees? Attorney fees? Transaction Fees?

As is typical with special purpose entities, whether they are organized in the United States or elsewhere, Mahonia's fees and expenses, including administrative, transactional, attorneys' and annual registration fees, are paid or reimbursed by the party that asked that the special purpose entity be established, in this case, JPMorgan Chase. It is not uncommon in various kinds of commercial transactions between independent parties for one party to pay another party's fees and expenses.

7. When a non-Chase entity does business with Mahonia, with whom does the entity conduct the negotiations – a Chase employee or a Mahonia employee?

In developing a transaction, the non-JPMorgan Chase entity (in this case, Enron) typically would negotiate a potential transaction with JPMorgan Chase. If the transaction required a special purpose entity, then JPMorgan Chase might propose the transaction to a suitable special purpose entity, in this case Mahonia. This process is commonplace for transactions involving special purpose entities. (I note that on at least one occasion, Mahonia declined to engage in an activity proposed to it by JPMorgan Chase that did not meet Mahonia's risk criteria.)

It was understood by all parties that Mahonia generally required that the contract on one side (*e.g.*, Mahonia-Chase) follow closely the terms of the contract on the other side (*e.g.*, Mahonia-Enron). Also, JPMorgan Chase had a significant economic interest in the Mahonia-Enron contracts, which were collateral for Mahonia's obligations under the Mahonia-Chase contracts. Thus, for most issues a third party like Enron negotiated with JPMorgan Chase, which was negotiating on its own behalf the terms of collateral acceptable to it and the terms of the Mahonia-Enron contract that it would be willing to have reflected in the Mahonia-Chase contract. As would invariably be the case with special purpose entities, it was unusual for a third party to raise an issue that affected Mahonia separately in a way that would not be reflected in Mahonia's contract with Chase. Mahonia would, however, take its own advice and make its own comments as part of the negotiations.

8. What obligations do any of the attorneys, trustees, administrators, directors, or beneficial owners of Mahonia have to Chase with respect to Mahonia and separate and apart from Mahonia?

The attorneys, trustees, administrators, directors and beneficial owners of Mahonia do not, in their capacity as such, owe any obligations or duties to JPMorgan Chase with respect to Mahonia. To the contrary, these individuals' obligations and duties are owed to Mahonia and to its shareholders. Separately and unconnected with Mahonia, from time to time the Mourant Group and Mourant de Feu & Jeune provide other company formation and administration services and legal advice to JPMorgan Chase as well as to many other large financial services institutions.

9. Does Chase effectively control Mahonia?

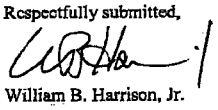
As you know, "control" is a term that is defined in different ways by various statutes and regulations. For example, Regulation Y issued pursuant to the Bank Holding Company Act defines "control" in relation to the ownership or power to vote shares, the control over the election of the Board of Directors and the power to exercise a controlling influence over the management or policies of a company. Likewise, regulations issued pursuant to the Securities Act of 1933 define control in terms of the power to direct the management and policies of another person. The International Swaps and Dealers Association ("ISDA") Master Agreement, which applies to trading in gas and oil swap contracts (including those that were agreed in relation to certain of the Enron prepays), employs a similar concept in determining whether parties are "affiliates." ISDA deems entities to be "affiliates" only if (i) one party owns (directly or indirectly) a majority of the voting power of the other party, or (ii) some third party owns a majority of the voting power of both parties. The common theme is the power to direct the activities of the controlled entity.

Thus understood, JPMorgan Chase does not control (or "effectively" control) Mahonia. While Mahonia is a special purpose entity incorporated at JPMorgan Chase's request, it is nonetheless legally independent from JPMorgan Chase. Mahonia is owned by Mourant & Co. Trustees Limited as trustee of The Eastmoss Trust and controlled by its directors, not JPMorgan Chase. Mahonia's directors' obligations and duties are owed to Mahonia, not to JPMorgan Chase. The type of transactions proposed by JPMorgan Chase are generally of a kind that JPMorgan Chase is aware Mahonia will be willing to enter, so there is an expectation that Mahonia will accept transactions proposed by JPMorgan Chase, provided that they are considered appropriate by the Mahonia directors. However, Mahonia's directors have the exclusive authority to decide whether to enter into any proposed transaction. JPMorgan Chase has no power to compel Mahonia to enter into a transaction Mahonia does not wish to enter into. In fact, as indicated above, on at least one occasion, Mahonia declined to engage in an activity proposed by JPMorgan Chase.

* * * * * *

With respect to the Subcommittee's request for documents, JPMorgan Chase does not have the power to direct Mahonia or the other entities listed in your letter to produce the documents requested. I understand that Mahonia has cooperated with a number of investigations that are occurring in the United States and has produced a number of documents. We will forward your request to Mahonia, second it with our own request to the same effect, and will advise the Subcommittee of Mahonia's response.

Respectfully submitted,



William B. Harrison, Jr.

State of New York)
: ss.:
County of New York)

William B. Harrison, Jr., being duly sworn, deposes and says:

1. I am the Chairman and Chief Executive Officer of J.P. Morgan Chase & Co. (together with its subsidiaries and affiliates, "JPMorgan Chase").

2. I submit this verification in connection with my July 29, 2002 letter in response to the July 25, 2002 request of the United States Senate Permanent Subcommittee on Investigations (the "Subcommittee").

3. As stated in my July 29, 2002 letter, I do not have the personal knowledge needed to respond to the Subcommittee's questions. However, in an effort to be responsive to the Subcommittee's request, I directed that inquiry be made to the extent appropriate and feasible in the time allowed by the request to provide the Committee with answers to its questions based on the best information available to JPMorgan Chase. I have reviewed the July 29, 2002 letter and certain of the documentary evidence on which it is based, and I have discussed the letter and its contents with persons involved in its preparation.

4. On the basis of the foregoing, I believe the answers contained in my July 29, 2002 letter to be true and accurate.

William B. Harrison, Jr.

Sworn to before me this 29th
day of July, 2002

Notary Public

ANGELINA F. LONGO
Notary Public, State of New York
No. 4736577
Qualified in Westchester County
Certificate Filed in New York County
Commission Expires April 30, 2003

Mourant du Feu & Jeune
Advocates, Solicitors and Notaries Public
P.O. Box 87, 18 Grenville Street, St Helier,
Jersey, Channel Islands

Telephone (0534) 74343
Telex 4192064
Telecopier (0534) 79064

Our Ref: ICJ/8320/2/7

M.D. Fox, Esq.,
Assistant Commercial Relations Officer,
Commercial Relations Department,
Cyril Le Marquand House,
The Parade,
St. Helier,
Jersey, C.I.

29th May, 1986

Dear Michael,

Eastmoss Limited

I should begin by thanking you and your department for the speed with which Eastmoss was incorporated. This was very much appreciated not only by this firm, but also by Chase and the other participants in the transaction which for reasons which I shall explain later in this letter, was abortive, but nevertheless was highly successful from the point of view of Chase and its ultimate client. The role of the Island in achieving this was crucial and the fact that we were able to incorporate the company in this very short time scale has, in my view, enhanced Jersey's reputation with the various professionals involved in this transaction.

I undertook in my letter to you of 19th May that as soon as the matter became public I would write to you to give you full details of the various participants.

The participants were as follows:-

Bidder	Dixons
Target	Woolworths
Canco	Comet
XCo	Teak Investments Limited (a Coward Chance U.K. shelf Company)

EXHIBIT A

...2/

The position was that Chase were aware that Dixons had been negotiating with a third party, who has now been identified as Granada, regarding the sale of Comet should Dixons' acquisition of Woolworths prove successful. In view of the complexities of the situation it is not surprising that Granada's initial offers were significantly below the actual market value of Comet and both from the commercial point of view and from the fact that this could give rise to unfavourable publicity which would not assist Dixons in the midst of a contested takeover, it was felt by Dixons and their advisers, S.G. Warburg & Co., that Dixons could not accept this initial offer. Accordingly Chase were approached with the suggestion that they should fund Xco which would thereupon agree to purchase Comet at a price determined by the actual sale proceeds of Comet to a third party in the months following a successful takeover of Woolworths by Dixons.

For U.S. regulatory reasons Chase were then advised that they could not have either the ownership or the control of Xco and so the Jersey structure outlined in my letter to you was proposed. In order that the U.S. authorities could be entirely satisfied with the arrangements it was considered preferable that my firm's trust company should act as trustee of the charitable trust and administer Eastmoss rather than Chase Jersey.

In the event, at 4 a.m. on Thursday 19th May Xco was able to make a formal offer for the purchase of Comet. Apparently, in the light of this 'market-value' offer, the discussions between Dixons and Granada intensified. At 9 a.m. on that morning it was announced that Granada had agreed to acquire Comet, provided that Dixons' bid for Woolworths was successful, on terms which were acceptable to Dixons and significantly higher than the original offer. The result was therefore highly satisfactory both for Chase and its client, Dixons, even though the Xco offer was not accepted.

I think that I should also mention that Eastmoss Limited was only entering into this transaction on the basis that it would have made a profit pro rata to the amount of the Comet sale price. Thus if Comet had ultimately been sold to a third party for the same price as that paid by Granada, Eastmoss would have made a net profit of approximately £40,000 which would have been available to be distributed to the Trustees of the Charitable Trust for them to apply for charitable purposes.

I am raising with Chase the question of whether Eastmoss Limited should now be dissolved but I understand that there is a possibility that it will be used in an alternative transaction provided that your

Jeune

department is agreeable. I am obtaining details of this transaction and I will write to you with these if it appears that Eastmoss Limited is to be involved.

Please let me know if you require any further information.

Yours sincerely,

I.C. James

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

December 16, 2002

Mr. William B. Harrison, Jr.
President and Chief Executive Officer
J.P. Morgan Chase & Co.
270 Park Avenue
New York, N.Y. 10017

Dear Mr. Harrison:

Earlier this year the Permanent Subcommittee on Investigations held a hearing on, among other things, Chase's use of a Special Purpose Vehicle (SPV), Mahonia, Ltd. (and its successors), as a pass-through entity established in Jersey for Enron's "prepays" in which Chase participated. Subsequent to that hearing we sent you a number of questions to which you responded. Attached is a list of nine follow-up questions which I ask that you answer by January 10, 2003. As with your answers to the previous questions, please have the appropriate person provide the answers on behalf of Chase under oath.

If you have any questions about this request, please have your staff contact Robert Roach, Counsel and Chief Investigator of the Subcommittee at 202-224-9505. Thank you.

Sincerely,

Carl Levin
Chairman
Permanent Subcommittee on Investigations

CL:ljg
Enclosure

FOLLOW-UP QUESTIONS FOR CHASE

The term "Chase" or "Mahonia" in the questions below, includes any person acting or serving as an agent of either entity.

(1) When Chase established Mahonia, did Chase intend for Mahonia: (1) to engage in any business or transactional activity independent from Chase; or (2) to engage in any business or transactional activity that did not involve activities necessary to serve Chase's underlying economic interest; or (3) to do anything other than serve Chase's transactional and business purposes? If so, what were the other purposes? Please forward to the Subcommittee any documents supporting such answer, and please explain why the incorporation/formation papers filed with the Isle of Jersey Commercial Relations Department (now the Jersey Financial Services Commission) identify the purpose of Mahonia as "To assist in transactions arranged by Chase Bank?" If there were purposes other than "[t]o assist in transactions arranged by Chase Bank," why didn't the incorporation papers say "and for other purposes?"

(2) Has Mahonia ever engaged in any transaction that it was not requested to participate in by Chase, or rejected any transaction proposed by Chase? If so, please specify all such actions and the reasons given by Mahonia for taking such actions or rejecting Chase's proposals.

(3) How much money, on an annual basis, in the past ten years, has Mahonia directly transferred to charitable organizations or causes? How much money, on an annual basis, in the past ten years, has Mahonia transferred to a charitable trust or trusts for distribution to charitable organizations or causes? For each year, please identify the trusts and the amounts and how much of each amount was distributed to charitable organizations or causes. Who decided the size and recipient of any charitable contributions Mahonia made and what were the criteria for those contributions?

(4) Has Chase provided transactional instruction or document negotiations or execution services to Mahonia? If so, please specify each instance in which such services occurred, who provided them, and why they were provided.

(5) Has Chase provided guidance to Mahonia with respect to the terms of Mahonia's transactions? If so, please specify each instance in which such guidance was provided, including what guidance was provided and why it was provided.

(6) Identify all costs, fees, expenses, or reimbursements that Chase has paid to, or on behalf of, Mahonia.

(7) Identify with specificity all instances where legal counsel paid by or representing

Chase has or have acted on behalf of Mahonia.

(8) Are there or have there ever been any covenants or agreements between Chase and any person or entity that would limit, direct, or in any way affect the operation, organization, or business activities of the Eastmoss Trust or Mahonia? If so, please describe such covenants or agreements and provide copies of all relevant materials.

(9) Has Chase opened any accounts for Mahonia. If so, please provide a copy of all reviews conducted by Chase, including any money laundering reviews, that were part of the account opening due diligence process. If the process for opening Mahonia's account was different from the procedure normally employed for account openings, please explain.

Ahuva Genack
Vice President and
Assistant General Counsel
Legal Department

January 17, 2003

VIA FEDERAL EXPRESS & FACSIMILE

The Honorable Carl Levin
United States Senate
Permanent Subcommittee on Investigations
199 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Levin:

I am writing in response to your December 16, 2002 letter to William B. Harrison, Jr., requesting certain additional information regarding the relationship and dealings of J.P. Morgan Chase & Co. and its affiliates and their predecessors ("JPMorgan Chase") with Mahonia Limited ("Mahonia") and The Eastmoss Trust. The answers set forth below are based on the best information currently available to JPMorgan Chase.

1. When Chase established Mahonia, did Chase intend for Mahonia: (1) to engage in any business or transactional activity independent from Chase; or (2) to engage in any business or transactional activity that did not involve activities necessary to serve Chase's underlying economic interest; or (3) to do anything other than serve Chase's transactional and business purposes? If so, what were the other purposes? Please forward to the Subcommittee any documents supporting such answer, and please explain why the incorporation/formation papers filed with the Isle of Jersey Commercial Relations Department (now the Jersey Financial Services Commission) identify the purpose of Mahonia as "To assist in transactions arranged by Chase Bank?" If there were purposes other than "[t]o assist in transactions arranged by Chase Bank," why didn't the incorporation papers say "and for other purposes?"

As indicated in our letter to the Subcommittee dated July 29, 2002 ("July 29 Letter"), JPMorgan Chase did not establish Mahonia. Mahonia was established by Mourant & Co. Trustees Limited (a company ultimately owned by the partners of Mourant du Feu & Jeune, a leading Jersey law firm) in its capacity as trustee of The Eastmoss Trust (a trust established by Mourant & Co. Trustees Limited solely for the benefit of charities and charitable purposes). As is typical with special purpose entities ("SPEs"), Mahonia was formed to participate in transactions to be arranged by its sponsor, in this case JPMorgan Chase. Accordingly, while there are no restrictions in the terms of The Eastmoss Trust or in Mahonia's constitutional documents that would prevent the directors of Mahonia from engaging in business or transactional activity independent of JPMorgan Chase, it was not anticipated that Mahonia would engage in activities unrelated to JPMorgan Chase.

J.P. Morgan Chase & Co. • One Chase Manhattan Plaza, Floor 26, New York, NY 10081
Telephone: 212 552 0918 • Facsimile: 212 552 1295
ahuva.genack@chase.com

2. Has Mahonia ever engaged in any transaction that it was not requested to participate in by Chase, or rejected any transaction proposed by Chase? If so, please specify all such actions and the reasons given by Mahonia for taking such actions or rejecting Chase's proposals.

Mahonia has not engaged in transactions that were not arranged by JPMorgan Chase, and Mahonia agreed to participate in each of the several prepay commodity transactions introduced to it by JPMorgan Chase.

As noted in our July 29 Letter, in one instance, JPMorgan Chase suggested an investment transaction to Mahonia that Mahonia declined. Specifically, in late 1998 and early 1999, JPMorgan Chase discussed with Mahonia the possibility of Mahonia purchasing U.S. natural gas calls. It was suggested that such an investment would have substantial upside potential. Mahonia rejected the proposal because of the speculative nature of the transaction. Also, through the years of dealing with one another, JPMorgan Chase learned that Mahonia would not accept certain risks. If a transaction could not be structured to eliminate such risks, JPMorgan Chase would not propose it to Mahonia.

3. How much money, on an annual basis, in the past ten years, has Mahonia directly transferred to charitable organizations or causes? How much money, on an annual basis, in the past ten years, has Mahonia transferred to a charitable trust or trusts for distribution to charitable organizations or causes? For each year, please identify the trusts and the amounts and how much of each amount was distributed to charitable organizations or causes. Who decided the size and recipient of any charitable contributions Mahonia made and what were the criteria for those contributions?

Mahonia itself has not made donations directly to charity. Rather, Mahonia has declared dividends that have been received by The Eastmoss Trust. The Eastmoss Trust has, in turn, made charitable contributions. Attached hereto as Exhibit 1 is a chart showing the recipients, amounts and dates of all contributions made by The Eastmoss Trust since 1988. In each instance, the trustees of The Eastmoss Trust determined the amount and recipient of the donations. Consistent with the Instrument of Trust setting out the terms of the trust upon which the property of The Eastmoss Trust is held, The Eastmoss Trust can contribute money to any charitable organization. The funds with which the donations were made were dividends granted by companies that are ultimately owned by The Eastmoss Trust, including Mahonia.

In the past ten years, Mahonia (and Stoneville Aegean) have declared the following amounts of dividends:

Date	Amount
1994	£158.69
1997	£700.00
1998	£3001.00

Additional funds, totaling approximately $140,000, are currently being held in interest bearing bank accounts controlled by Mahonia and several other SPEs that were involved in prepay commodity transactions. JPMorgan Chase has been advised that the directors and shareholders of those companies intend to declare equivalent amounts as dividends, leading to additional future contributions by The Eastmoss Trust.

4. Has Chase provided transactional instruction or document negotiations or execution services to Mahonia? If so, please specify each instance in which such services occurred, who provided them, and why they were provided.

As noted in our July 29 Letter, the arranger of a transaction that utilizes an SPE (here JPMorgan Chase) typically negotiates the potential transaction with the third party. Nevertheless, Mahonia would take its own advice and make its own comments as part of the negotiation of transactions in which it participated. Additionally, although Mahonia in the majority of cases executed transaction documents on its own behalf, it granted powers of attorney to JPMorgan Chase and particular employees of JPMorgan Chase to execute documents on its behalf. It also appointed JPMorgan Chase as its agent in the transactions in which it participated. Some documents were executed by employees of JPMorgan Chase on Mahonia's behalf, pursuant to the powers of attorney and agency agreements. *See also* Response to Question 5.

5. Has Chase provided guidance to Mahonia with respect to the terms of Mahonia's transactions? If so, please specify each instance in which such guidance was provided, including what guidance was provided and why it was provided.

As indicated above and in our July 29 Letter, JPMorgan Chase typically negotiated transactions with third parties. It was understood by all parties that Mahonia generally required that the contract on one side (*e.g.*, Mahonia-Chase) follow closely the terms of the contract on the other side (*e.g.*, Mahonia-Enron). Also, JPMorgan Chase had a significant economic interest in the Mahonia-Enron contracts, which were collateral for Mahonia's obligations under the Mahonia-Chase contracts. Thus, a third party like Enron negotiated most issues with JPMorgan Chase, which was negotiating on its own behalf the terms of collateral acceptable to it and the terms of the Mahonia-Enron contract that it would be willing to have reflected in the Mahonia-Chase contract. As would invariably be the case with transactions involving SPEs, it was unusual for a third party to raise an issue that affected Mahonia separately in a way that would not be reflected in Mahonia's contract with Chase. Mahonia would, however, take its own advice and make its own comments as part of the negotiations.

6. Identify all costs, fees, expenses, or reimbursements that Chase has paid to, or on behalf of, Mahonia.

JPMorgan Chase makes the following payments to, or on behalf of, Mahonia in connection with transactions in which Mahonia participated: an administrative fee earned by Mourant; legal fees earned by the law firm Mourant du Feu & Jeune; and a profit earned by Mahonia. JPMorgan Chase also pays administrative costs associated with Mahonia.

7. Identify with specificity all instances where legal counsel paid by or representing Chase has or have acted on behalf of Mahonia.

In connection with each transaction in which Mahonia participated, JPMorgan Chase was appointed Mahonia's agent. It would be impossible to ascertain or list every instance in which an attorney paid by JPMorgan Chase represented Mahonia in connection with JPMorgan Chase's role as agent. Attorneys paid by and representing JPMorgan Chase have also acted on behalf of Mahonia in connection with litigation and investigations spawned by the Enron collapse.

8. Are there or have there ever been any covenants or agreements between Chase and any person or entity that would limit, direct, or in any way affect the operation, organization, or business activities or The Eastmoss Trust or Mahonia? If so, please describe such covenants or agreements and provide copies of all relevant materials.

There are no limitations placed on The Eastmoss Trust by covenants or agreements between any person or entity and JPMorgan Chase. As to Mahonia, there are no corporate restrictions on the right of the directors of Mahonia to enter into any transaction not arranged by JPMorgan Chase. However, in transactions arranged by JPMorgan Chase in which Mahonia participated, Mahonia gave JPMorgan Chase a security interest in its rights under the particular transaction and in any assets Mahonia then owned or thereafter acquired. Mahonia further covenanted that it would "exercise its rights, authorities and discretions under or in respect of the Collateral, [which is defined to include all current and subsequently obtained assets] in such manner as JPMorgan Chase may from time to time require."[1] Moreover, each transaction arranged by JPMorgan Chase in which Mahonia participated contained a negative pledge clause, in which Mahonia could not, without JPMorgan Chase's consent, "assign, charge, hedge, dispose of or otherwise encumber any or all of Mahonia's rights, title and interest in the Collateral." Effectively, it would have been necessary for Mahonia to obtain JPMorgan Chase's consent before entering into any transaction not involving JPMorgan Chase.

9. Has Chase opened any accounts for Mahonia? If so, please provide a copy of all reviews conducted by Chase, including any money laundering reviews, that were part of the account opening due diligence process. If the process for opening Mahonia's account was different from the procedure normally employed for account openings, please explain.

JPMorgan Chase has opened several accounts for Mahonia and other SPEs involved in the prepay commodity transactions. Copies of JPMorgan Chase's account opening files for these entities are attached hereto as Exhibit 2. As evidenced by these files, JPMorgan Chase received corporate resolutions and signatory lists for the account owners in accordance with bank policy. With respect to heightened or special account opening due diligence, none

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[1] The security agreements have previously been provided to the Subcommittee.

was necessary. Mahonia and the other SPEs were incorporated to participate in transactions arranged by JPMorgan Chase. As such, JPMorgan Chase was knowledgeable about their businesses and principals and there was no need for JPMorgan Chase to conduct additional due diligence, including money laundering reviews. This is consistent with normal procedures in place at the time; if JPMorgan Chase already "knew its customer," no special due diligence was required.

Respectfully submitted,

Ahuva Genack

AG/dch

Eastmoss Trust

Schedule of charitable distributions

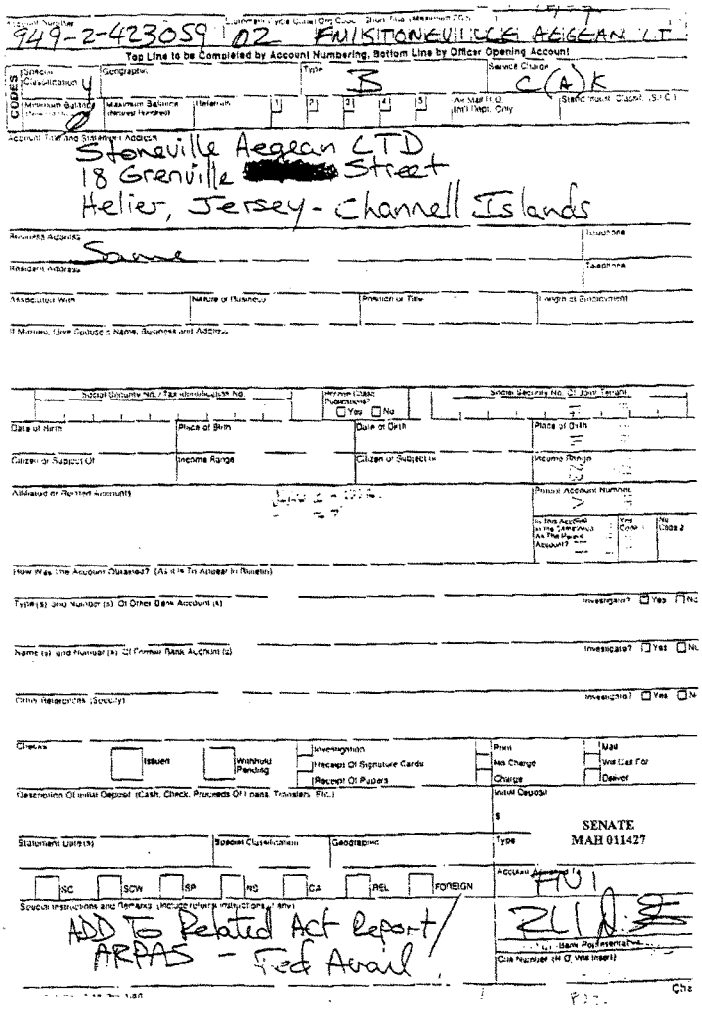
Date	Distribution	Amount (£)	Notes
October 1988	Leukemia Society of America	14,000.00 ($20,000)	Leukemia Society of America is a not for profit health agency incorporated under the laws of the State of New York dedicated to seeking the cause of and cures of leukemia and related ailments.
December 1989	Trinity College, Dublin	10,988.90 (IE13,000)	Trinity College Dublin, is a Dublin educational establishment that is a wholly charitable foundation under Irish law.
November 1993	Rehab	8,000.00	Rehab is the short name for an appeal by the Basingstoke & Alton Cardiac Rehabilitation Charity Limited (a UK registered charity providing rehabilitation facilities for cardiac patients).
June 1994	Friends of Issue	2,500.00	Friends of Issue was an infertility charity (based in the UK) that helped to pay the costs of IVF for couples who could not afford it.
June 1994	JAYF	2,000.00	Jersey Association for Youth and Friendship is a Jersey charitable fund providing hostel based assistance for disadvantaged children.
June 1994	Jersey Lifeboat Guild	2,000.00	Jersey Lifeboat Guild is the Jersey Branch of the Royal National Lifeboat Institution involved in local fund raising activity.
June 1994	Jersey Society for the Disabled	4,500.00	Jersey Society for the Disabled is a Jersey charitable society providing day care and other facilities for local disabled persons.

TAB #1

June 1994	Jersey Council on Alcoholism	2,000.00	Jersey Council on Alcoholism provides residential care and counseling for those with problems related to alcohol abuse (and is partially funded by the Jersey states).
June 1994	Cancer Research Campaign	2,000.00	Cancer Research Campaign is a Jersey Branch of the UK body, involved mainly with fund raising for research being carried out in the UK.
February 1995	Apple Charitable Trust	10.00	Apple Charitable Trust: this small donation was to enable the establishment of another charitable trust (akin to the Eastmoss Trust) for purposes entirely unconnected with Chase, Enron or these transactions.
March 1996	The Owl Fund	200.00	The Owl Fund is a local Jersey charity run by one of the departments of the States of Jersey.
April 1996	Lambeth Walk In	10,000.00	Lambeth Walk In is a hostel facility provided by the West London Mission of the Methodist Church for the homeless in Lambeth.
November 1996	Victoria College	285.00	Student sponsorship. Victoria College is a local Jersey college and this was a donation for fees.
February 1999	Victoria College	335.00	Student sponsorship. See above.
April 1999	The Jersey Clinic	1,000.00	The Jersey Clinic is a Jersey charitable clinic providing small pensions and Christmas bonuses for persons suffering from chronic chest diseases.
April 1999	Jersey Society for the Disabled	1,000.00	See above.
February 2000	Victoria College	680.00	Student sponsorship. See above.

March 2000	WWF	10,000.00	World Wildlife Fund
March 2001	Victoria College	560.00	Student sponsorship. See above.
October 2001	JP Morgan Fleming Foundation	6,736.00	This is a wholly charitable trust based in London established for general charitable purposes including the education and training of children and young people and people with disabilities or special needs.
October 2001	Jersey Blood Donor Service	6,736.00	Jersey Blood Donor Service is a voluntary/charitably funded blood donation service operated in the Jersey General Hospital and assisting with the supply of blood product to local hospitals.
December 2001	Childrens Hospice Association	2,500.00	Childrens Hospice Association is a UK charity based in Edinburgh providing hospice facilities for children.
TOTAL		**£8,030.90**	

TAB #2



949-2-423059 02 FN/KITONEVILLE AEGEAN LT

Top Line to be Completed by Account Numbering, Bottom Line by Officer Opening Account

CODES — Service Charge: C(A)K

Stoneville Aegean LTD
18 Grenville [redacted] Street
Helier, Jersey - Channell Islands

Same

SENATE
MAH 011427

ADD To Related Act Report/
ARPAS - Fed Avail

FOIA Confidential Treatment Requested by JPMC

SENT BY:Mourant du Feu & Jeune ; 22-12-92 ; 14:21 ; CHASE JERSEY→ M.P.F.J.→ # 8/
12-21-1992 13:55 713 # 8/44

CORPORATE RESOLUTIONS

9449-2 425059

I, as Secretary of STONEVILLE AEGEAN LIMITED a corporation duly organized and existing under the laws of the State of JERSEY, CHANNEL ISLANDS, hereby certify that the Board of Directors of said corporation duly adopted the following resolutions and that such resolutions are now in full force and effect:

"RESOLVED, that each subsidiary of The Chase Manhattan Corporation that accepts deposits (each being hereinafter referred to individually as the "Bank") be and hereby is designated as a depositary of this corporation and that the officers and agents of this corporation be and hereby are, and each of them hereby is, authorized to open accounts or otherwise to conduct business with the Bank and to deposit any of the funds of this corporation in the Bank either at its head office or at any of its branches. For purposes of these resolutions, subsidiary shall mean any corporation of which more than 50% of the shares having ordinary voting power are owned directly or indirectly by The Chase Manhattan Corporation.

RESOLVED, that, until the further order of this Board of Directors, any funds of this corporation deposited in the Bank be subject to withdrawal, transfer or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (whether written or otherwise) for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given on behalf of this corporation by any one of the following: (SEE NOTE BELOW)

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

RESOLVED, that the Bank is hereby authorized to pay any such check, note, draft, bill of exchange, acceptance, undertaking, authorization, letter, or other instrument, order or item or execute any such instructions (whether written or otherwise) or effect any such withdrawal, transfer or charge and also to receive the same from the payee or any other holder without inquiry as to the circumstances of issue, withdrawal, transfer or charge or the disposition of the proceeds even if drawn to the individual order of or paid to any signing person, or payable to the Bank or others for his account, or tendered in payment of his individual obligation, and whether drawn against an account in the name of this corporation or in the name of any officer or agent of this corporation as such, and, at the option of the Bank, even if the account shall not be in credit to the full amount of such instrument, withdrawal, transfer or charge.

RESOLVED, that each of the following: (SEE NOTE BELOW)

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

is hereby authorized on behalf of this corporation to transact, and to delegate its respective authority to transact, any and all types of business with or through the Bank including but not limited to the authority to:

1. Borrow money and obtain credit for this corporation from the Bank on any terms and to make and deliver notes, drafts, acceptances, instruments of guaranty, agreements and any other obligations of this corporation therefor, including but not limited to applications for letters of credit, in form satisfactory to the Bank.

2. Grant security interests in and/or pledge or assign and deliver, as security for money borrowed or credit obtained, stocks, bonds, instruments, bills receivable, accounts, mortgages, merchandise, bills-of-lading, warehouse receipts and other documents, insurance policies, certificates, and any other property now or hereafter held or belonging to this corporation, with full authority to indorse, assign or guarantee any of the same in the name of this corporation.

3. Discount any bills receivable or any paper held by this corporation with full authority to indorse the same in the name of this corporation.

SENATE
MAH 011428

NOTE: Insert in the spaces above the titles only (not the names) of officers who are authorized and the names only of other authorized persons, as for example: "President, Vice President, Treasurer, John Doe, William Roe". Also indicate clearly in what manner they are to sign, i.e., any one, any two, jointly, etc., and any special combination of signers, as for example: "one of whom shall be an officer".

4. Withdraw from the Bank and give receipt for, or authorize the Bank to deliver to bearer or to one or more designated persons, any or all documents and securities or other property held by it, whether held as collateral security or for safekeeping or for any other purpose.

5. Authorize and request the Bank to purchase or sell for account of this corporation stocks, bonds and other securities.

6. Enter into contracts with the Bank on behalf of this corporation for the purchase and/or sale of foreign exchange, either spot or forward, execute and deliver guaranties, indemnities, pledges, and other agreements relating thereto, and give any and all instructions (whether written or otherwise) to charge accounts of this corporation with the Bank in connection therewith.

7. Execute and deliver all security and other agreements, financing statements and other papers required by the Bank in connection with any of the foregoing matters and affix thereto the seal of this corporation.

8. Enter into other agreements with the Bank with respect to products or services, including but not limited to funds transfer products and securities custody services, from time to time made available by the Bank to this corporation, to effect any and all transactions, transfers or other actions contemplated by such agreement and to execute and deliver guaranties, indemnities, pledges and other agreements relating thereto (including but not limited to agreements regarding authentication of instructions (whether written or otherwise) delivered to the bank), all in such form as may be approved by any of the officers or other authorized persons, such approval to be evidenced by the execution of any such agreement, guaranty, indemnity or pledge.

9. Give any and all instructions (whether written or otherwise) to charge or credit accounts of this corporation with the Bank in connection with any of the foregoing.

Nothing herein contained shall limit this corporation, through its officers, employees or other authorized representatives, from entering into agreements otherwise authorized or from assenting through such officers, employees or other authorized representatives to the terms and conditions upon which the Bank offers its products and services to its customers.

RESOLVED, that the Bank, as designated depositary of this corporation, be and hereby is requested, authorized and directed to honor all checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given in this corporation's name on its account(s) (including but not limited to those drawn to the individual order of or paid to any person or persons whose name or names appear thereon as signer or signers thereof or who deliver such written instructions) when bearing or purporting to bear the facsimile signature(s) of any _____ of the following:
(NUMBER)

NAME	TITLE
	All
	All
	All
	All
	All
	All
	All

SENATE
MAH 011429

and the Bank shall be entitled to honor and to charge this corporation for all such checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions regarding the payment or transfer of money, regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Bank by the Secretary or other officer of this corporation.

RESOLVED, that the Secretary or any other officer of this corporation be and hereby is authorized to certify to the Bank the names of the present officers of this corporation and other persons authorized to sign for it (including but not limited to persons to whom such officers or authorized persons have delegated their authority) and the offices respectively held by them, if any, together with specimens of their signatures, and in case of any change or authorized

persons or of any holder of any such office or holders of any such offices, the fact of such change and the names of any new officers and the offices respectively held by them, if any, together with specimens of their signatures; and the Bank be and hereby is authorized to honor any checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (written or otherwise) or agreements or other documents signed by any new officer or officers in respect of whom it has received any such certificate or certificates or by any such person with the same force and effect as if said officer or said officers or person were named in the foregoing resolutions.

RESOLVED, that the authority given hereunder shall be deemed retroactive and any and all acts hereunder performed prior to the passage of these resolutions are hereby ratified and approved.

RESOLVED, that the Bank be promptly notified in writing by the Secretary or any other officer of this corporation of any change in these resolutions, such notice to be given to each office of the Bank in which any account of this corporation may be maintained or from which any product or service affected by such change is provided to this corporation, and that until it has actually received such notice in writing it is authorized to act in pursuance of these resolutions, and that until it has actually so received such notice and has had a reasonable opportunity to act upon such notice it shall be indemnified and saved harmless from any loss suffered or liability incurred by it in continuing to act in pursuance of these resolutions, even though these resolutions may have been changed.

I **FURTHER CERTIFY** that there is no provision in the Charter or By-Laws of this corporation limiting the power of the Board of Directors to pass the foregoing resolutions, and that the same are in conformity with the provisions of said Charter and By-Laws.

I **FURTHER CERTIFY** that the present officers of this corporation and the offices respectively held by them are as follows:

NAME		TITLE
RICHARD FRANCIS VALY JEUNE	AS	DIRECTOR
IAN COLIN JAMES	AS	DIRECTOR
MOURANT & CO. SECRETARIES LIMITED	AS	COMPANY SECRETARY
	AS	

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of this corporation and affixed the corporate seal this 22nd day of DECEMBER 1992

As Secretary of Said Corporation
[illegible] Signatory
[illegible] & CO. SECRETARIES LIMITED

Other Officer DIRECTOR

Title

(CORPORATE SEAL)

SENATE
MAH 011430

FOIA Confidential Treatment Requested by JPMC

NOTE: In case the Secretary or other recording officer is authorized to sign checks, notes, agreements, etc., or otherwise deliver instructions regarding the payment or transfer of funds by the above resolution, this certificate must also be signed by a second officer of the corporation.

In case the facsimile signature of or instructions from the Secretary or other certifying officer is authorized by the above resolutions, this certificate must also be signed by a second officer of the corporation.

SENT BY:Mourant du Feu & Jeun ;22-12-92 ; 14:18 ; CHASE SOUTHW... M.P F.J.-
12-21-1992 12:54 713 ... 8722

Business Account

Account No. ▶

Account Title: STONEVILLE AEGEAN LIMITED

Tax Identification #

Business Type: ☐ Corporation ☐ Partnership ☐ Sole Proprietorship ☐ Municipality ☐ Estate ☐ Other

Account Type: ☐ Checking ☐ Savings ☐ Money Market Account ☐ Now Checking ☐ Money Market Checking ☐ Other

Instructions: Fill in the number of signatures required and rule out spaces not used. If two or more signatures are required on check, draft, note or other item, special instructions must be given in writing to the Chase Manhattan Bank, N.A.

Card Number	No. of Sigs Checks	Req. For: Loans/Notes

Name	Title	Specimen Signature
RICHARD FRANCIS VAUDIN JEUNE	DIRECTOR	
MOURANT & CO. SECRETARIES LIMITED	COMPANY SECRETARY	SEE ATTACHED SIGNATURE LIST

The Customer hereby certifies that the Bank has been designated as a depository of the Customer and that the above signatures are those of the persons authorized to sign on behalf of the Customer and to deliver instructions and transact any and all business with the Bank on its behalf. The Customer acknowledges receipt of the Account Conditions and Rules and Regulations applicable to the account and hereby agrees that all instructions and transactions shall be covered by such Account Conditions and Rules and Regulations in effect from time to time.

Under the penalties of perjury, we certify (1) that the number shown on this form is our correct taxpayer identification number and (2) that we are not subject to backup withholding either because we have not been notified that we are subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified us that we are no longer subject to backup withholding. (If you are subject to backup withholding, cross out the words that state you are not. See separate instruction sheet for details.)

This account is not transferable except on the books of The Chase Manhattan Bank, N.A.

Date | Signature • Secretary • Cashier

CK per corp resolution

0810 14 REV. 5-88

SENATE
MAH 011431

FOIA Confidential
Treatment Requested by JPMC

SENT BY: Mourant du Feu & Jeune 02-12-92 ; 14:19 ; M.D.F.J.- ; # 3/11

Continued on the
STONEVILLE AEGEAN LTD
Signatory list

Mourant & Co.

Standard Signatory List

PO Box 87, 18 Grenville Street, St Helier,
Jersey, JE4 8PX, Channel Islands

Telephone (0534) 74343 Telex 4192064 Facsimile (0534) 79064
(0534) 36844

9/0-J-42305

D.O.M.	
DAVID OSWALD MOON	PETER DE CARTERET MOURANT
KEITH SHERWOOD BAKER	RICHARD FRANCIS VALPY JEUNE Director
CONRAD EDWIN COUTANCHE	IAN COLIN JAMES Director
ALAN RICHARD BINRINGTON	JAMES DAVID PHILIPPE CRILL
T.J. Herbert	J.A. Richomme.
TIMOTHY JOSEPH HERBERT	JACQUELINE ANNE RICHOMME
D Holl	M. Bettison
DAVID JAMES HOLL	MICHAEL BETTISON

January 1992 "A" Signatories

USE OF SIGNATORY LIST

SENATE
MAH 011432

For all payments, deliveries of scrip and any commitments - two signatories from this list are

PROCESS

FOIA Confidential Treatment Requested by JPMC

9/c-2-423059 FILE

"A" Signatories Continued	
IAN RICHARD SWINDALE	ROBERT GLASCYN DAVIES
"B" Signatories	
GARETH ESSEX-CATER	DEAN BEUZEVAL
RICHARD GOUGH	KEVIN PHILIP FARLEY
SARAH MARGARET RAYSON	VALERIE MATTON

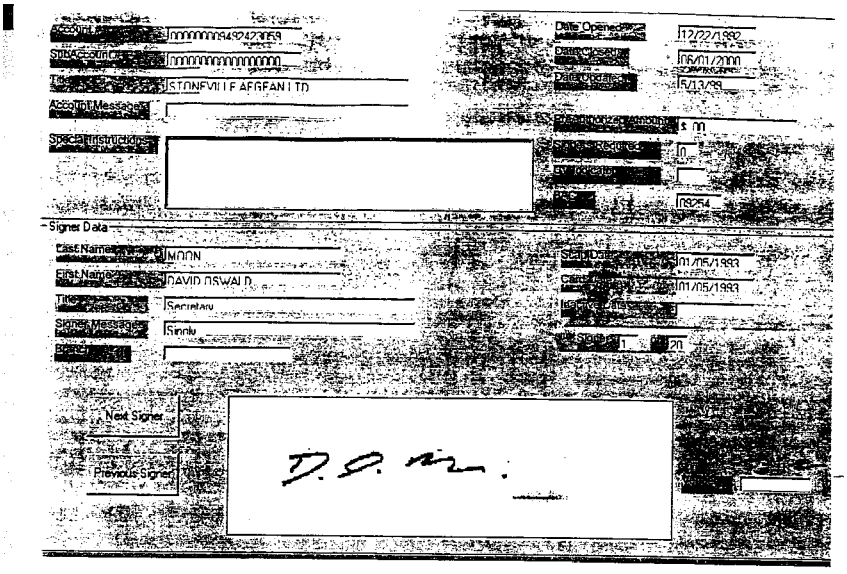
January 1992

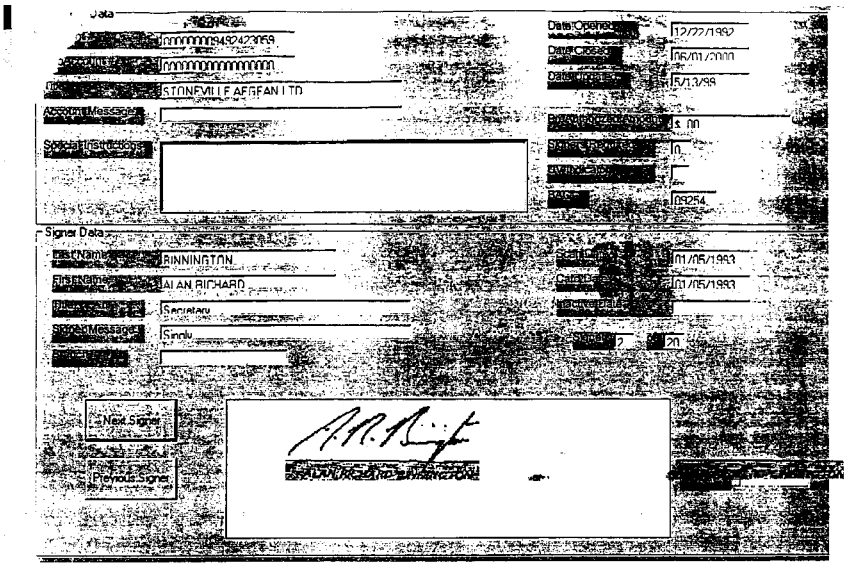
MB1/14487-1.333

USE OF SIGNATORY LIST

SENATE
MAH 011433

For all payments, deliveries of scrip and any commitments - two signatories from this list are required provided that at least one is an "A" Signatory.

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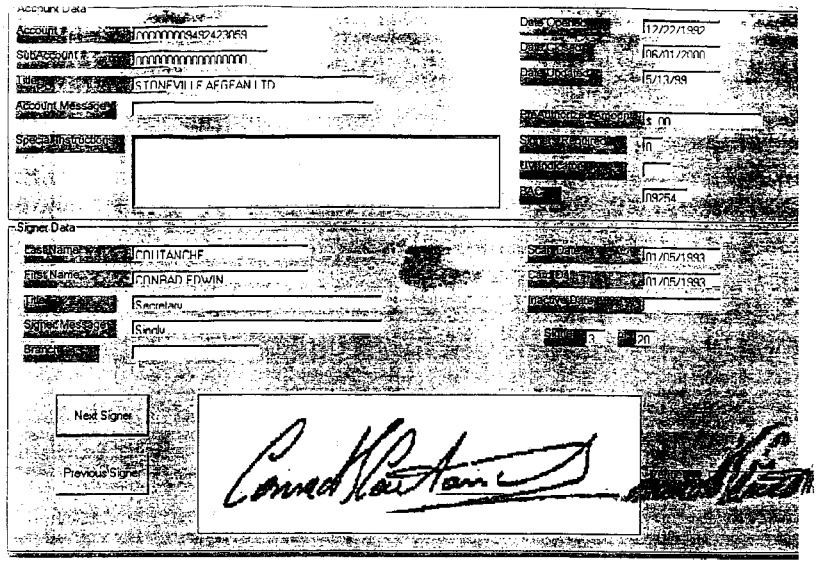
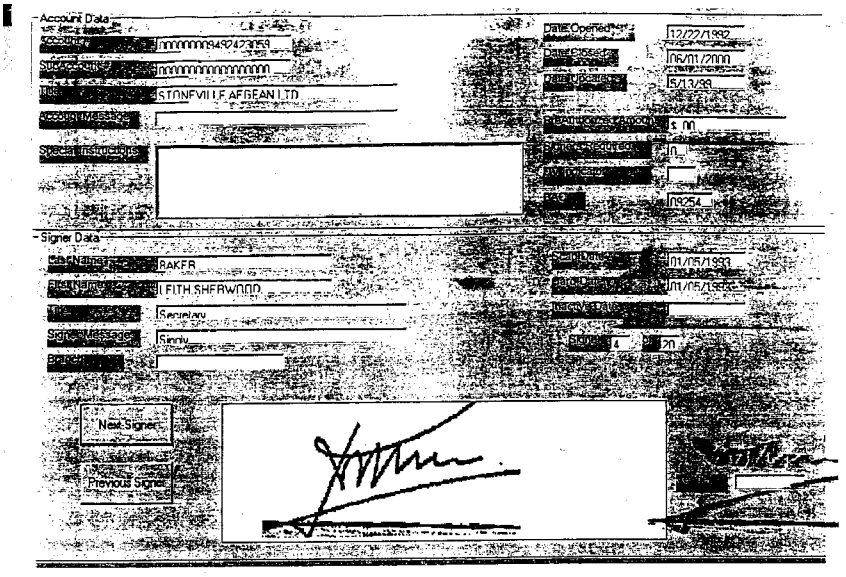
Date Closed:
05/01/2000
Date Updated:
5/13/99
STONEVILLE AFGHAN LTD
Account Message:
Special Instructions:
$ .00
In
Signer Data
RINNINGTON
ALAN RICHARD
Secretary
Single
01/05/1993
01/05/1993
Next Signer
Previous Signer

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12/22/1992
06/01/2000
5/13/98
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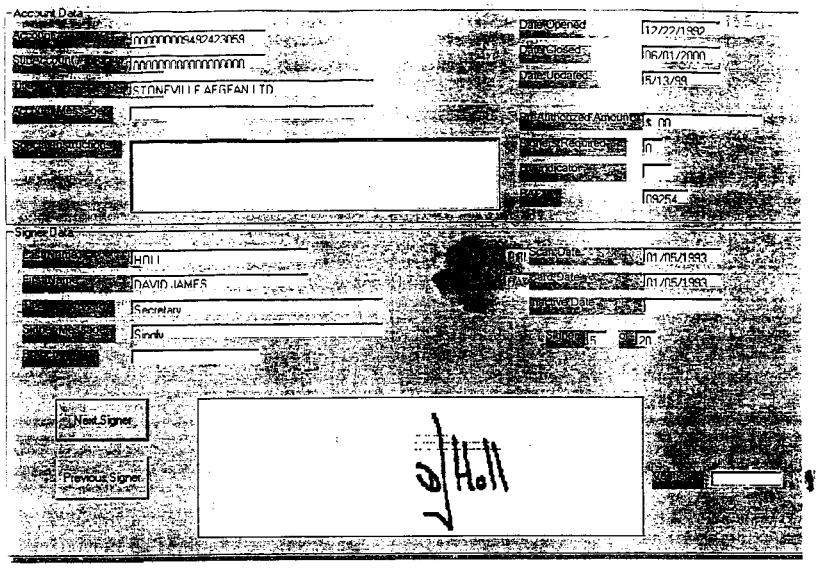
BAKER
KEITH SHERWOOD
Secretary
Signer Message
Next Signer
Previous Signer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06/01/2000
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STONEVILLE AFGHAN LTD
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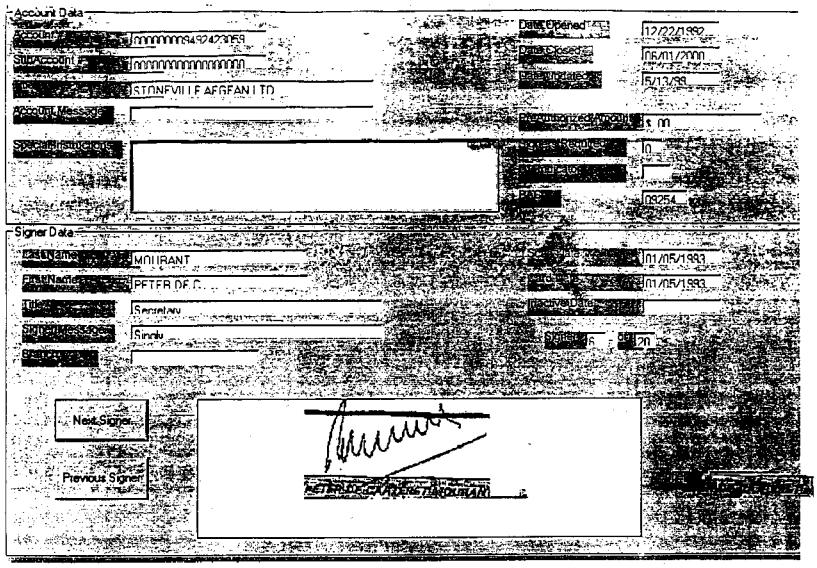
DAVID JAMES
Secretary
Sindu
Next Signer
Previous Signer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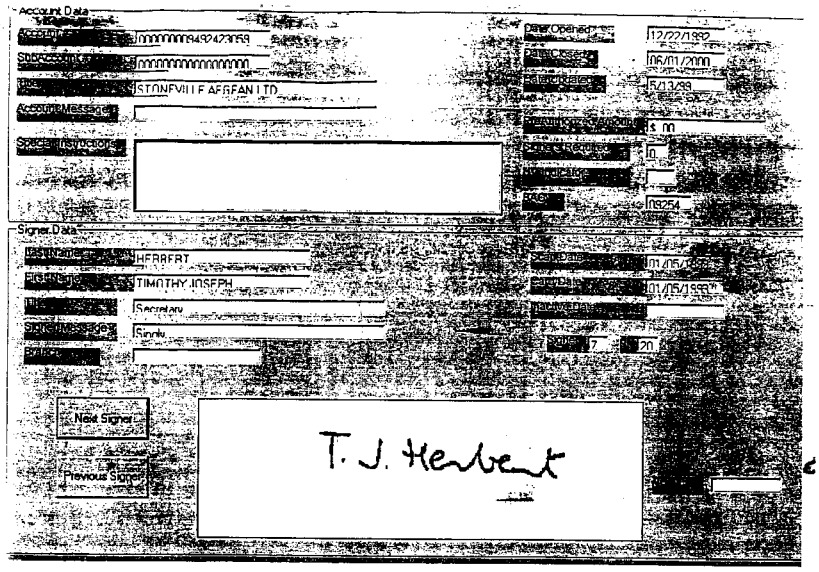
12/22/1992
06/01/2000
5/13/98
08254
Signer Data
MOURANT
PETER DF C
Secretary
Sindy
01/05/1993
01/05/1993
Next Signer
Previous Signer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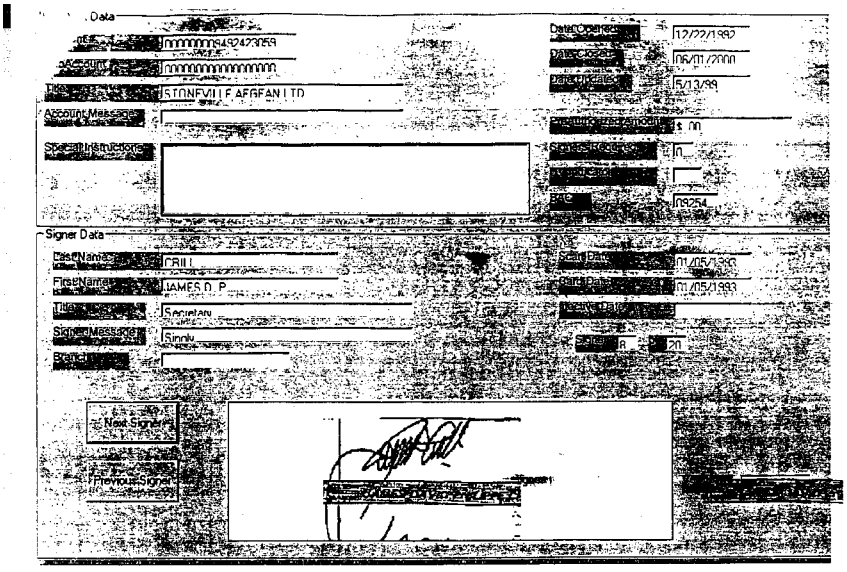
STONEVILLE AFGHAN LTD
12/27/1989
06/01/2000
5/13/99
Signer Data
HERBERT
TIMOTHY JOSEPH
Secretary
Single
Next Signer
Previous Signer
T. J. Herbert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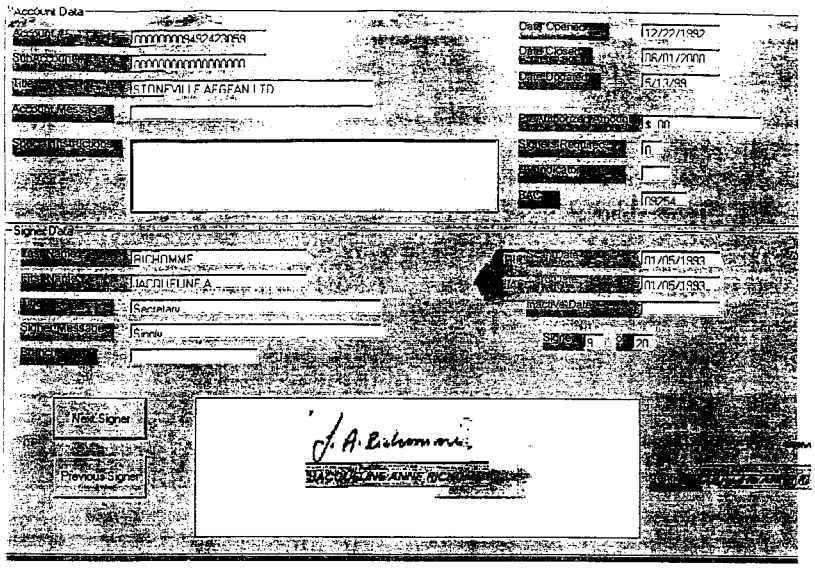
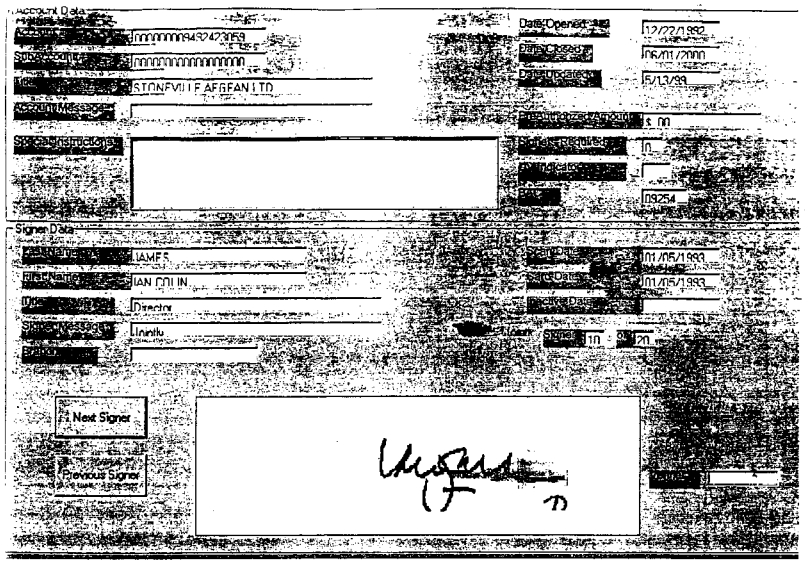
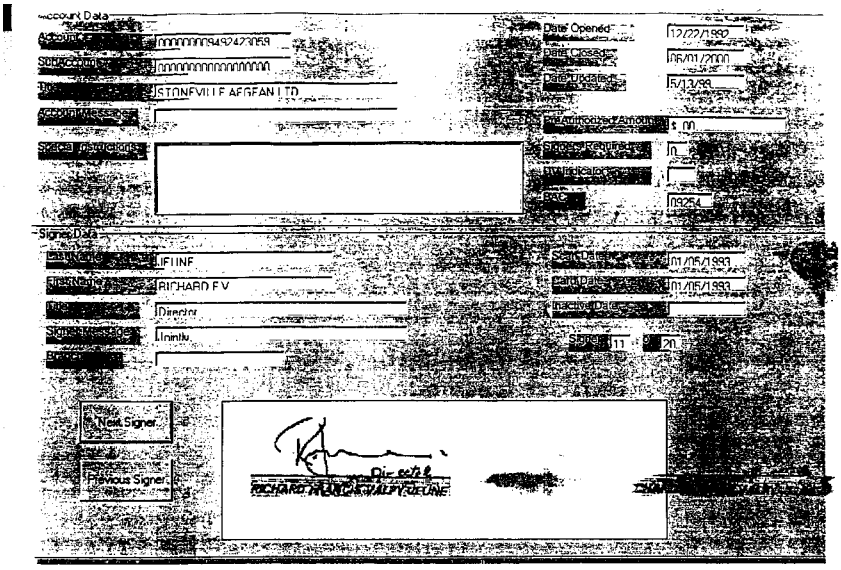
06/01/2000
5/13/99
STONEVILLE AFGHAN LTD
Account Message
Special Instructions
Signer Data
CRILL
JAMES D P
Secretary
Simply
Next Signer
Previous Signer

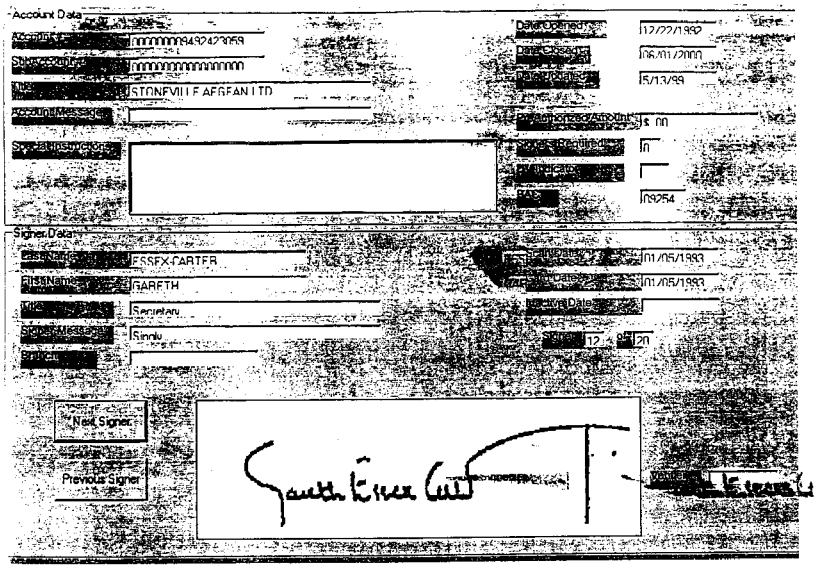


SENATE
MAH 011442

FOIA Confidential
Treatment Requested by JPMC

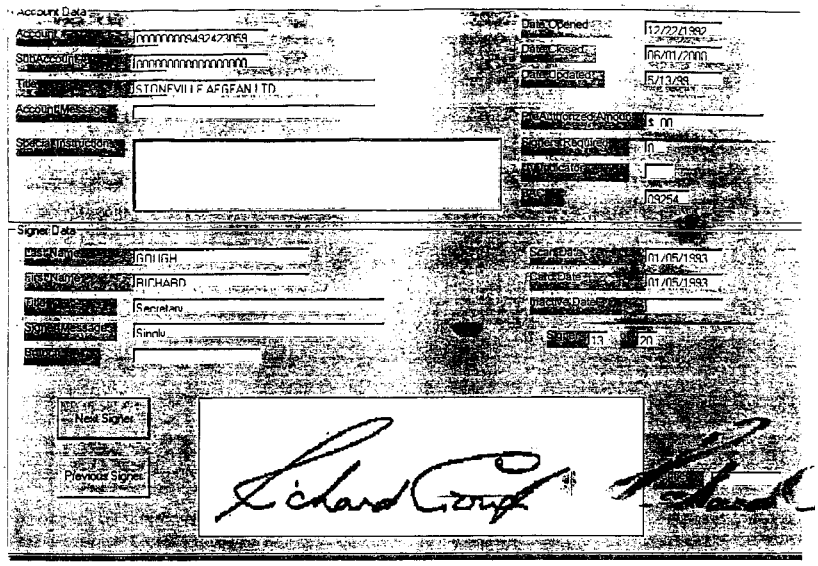


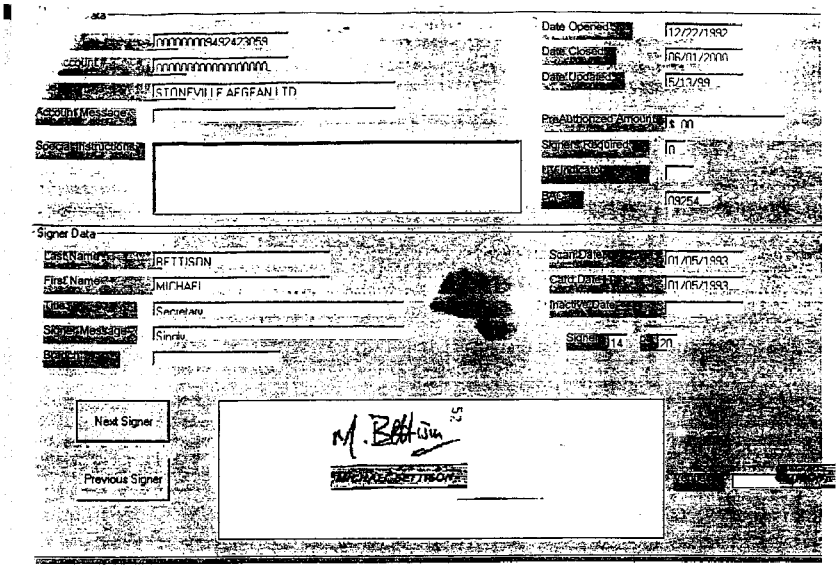




SENATE
MAH 011445

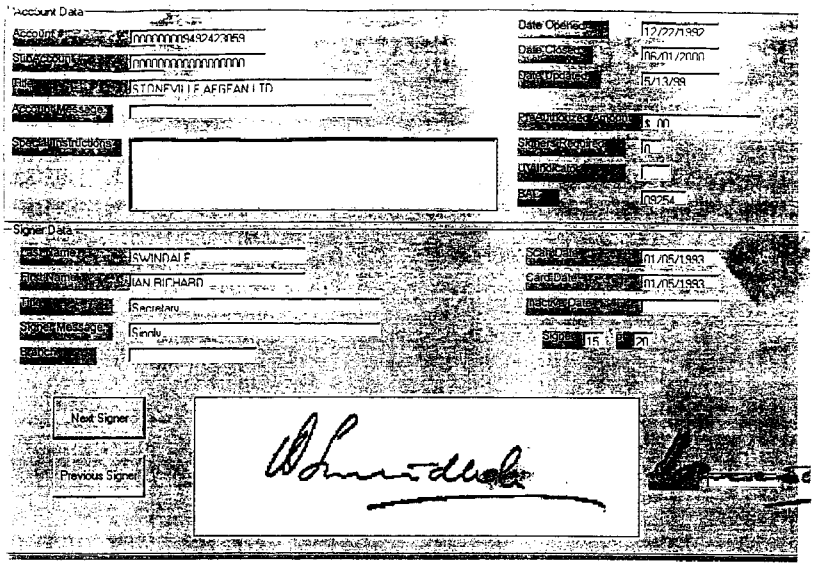
FOIA Confidential
Treatment Requested by JPMC

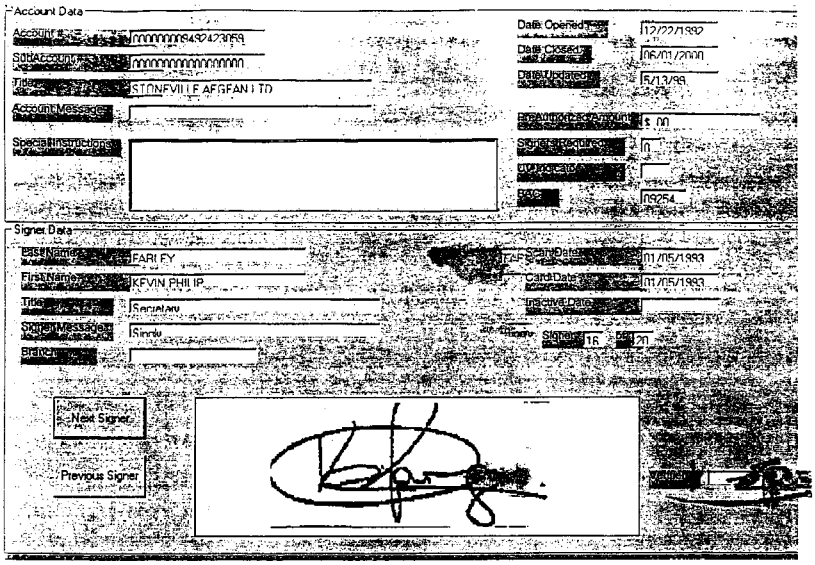




SENATE
MAH 011447

FOIA Confidential
Treatment Requested by JPMC

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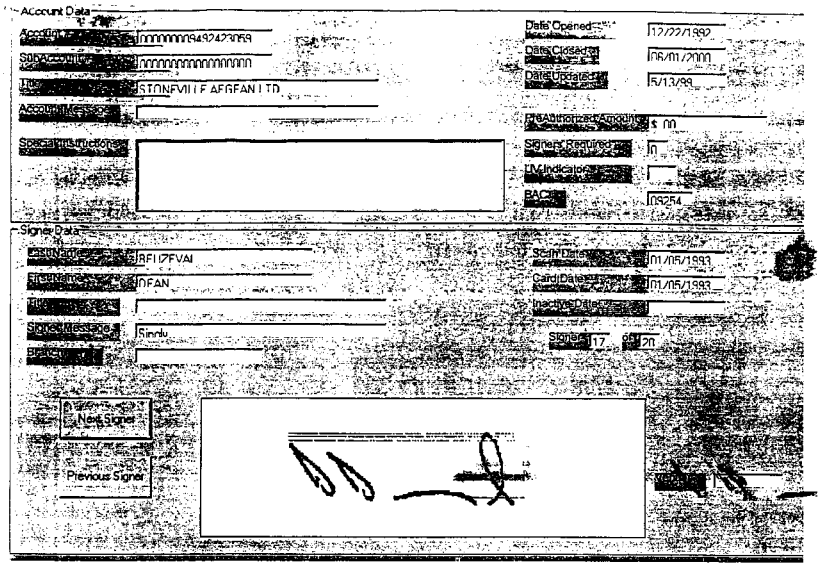
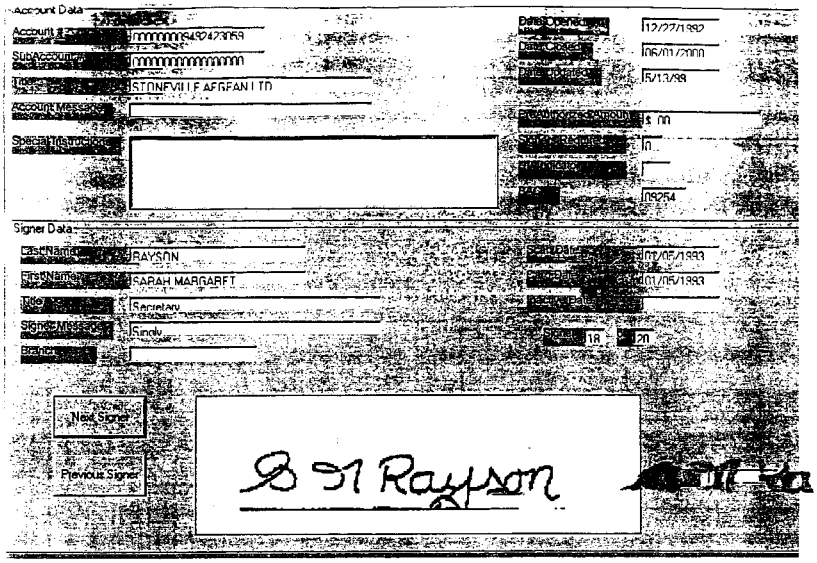
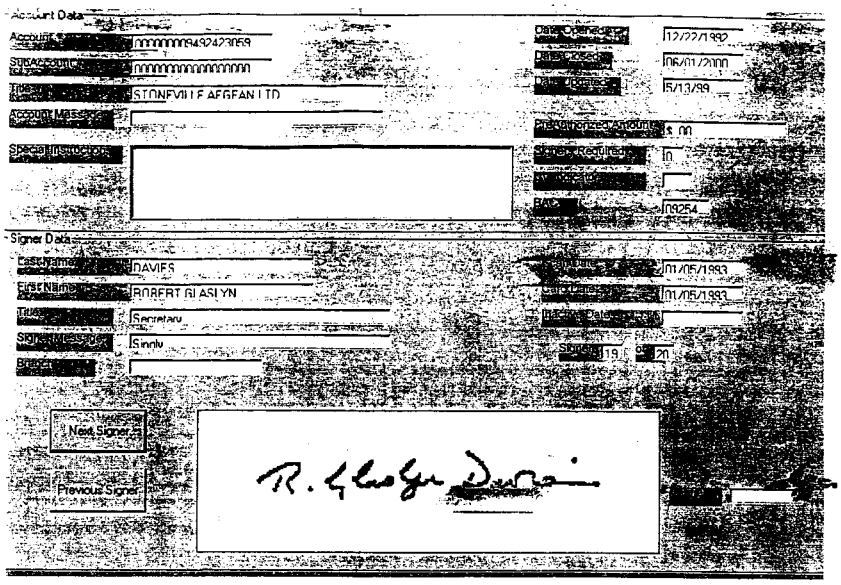
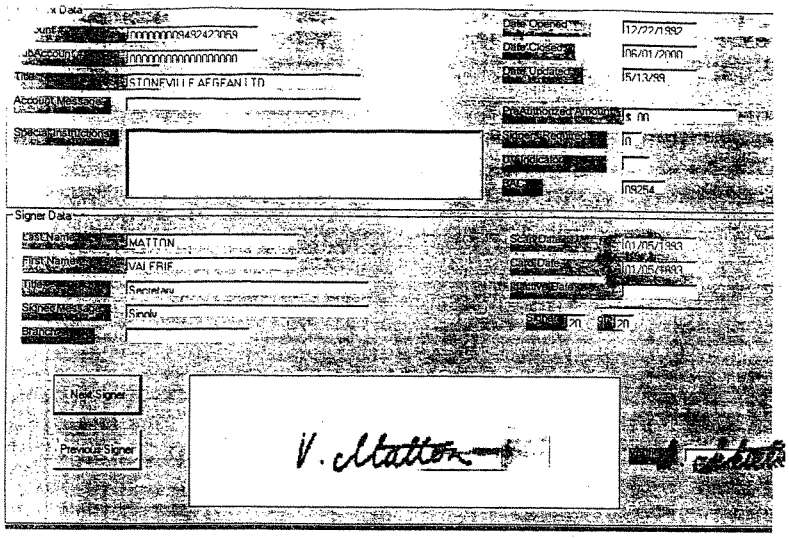
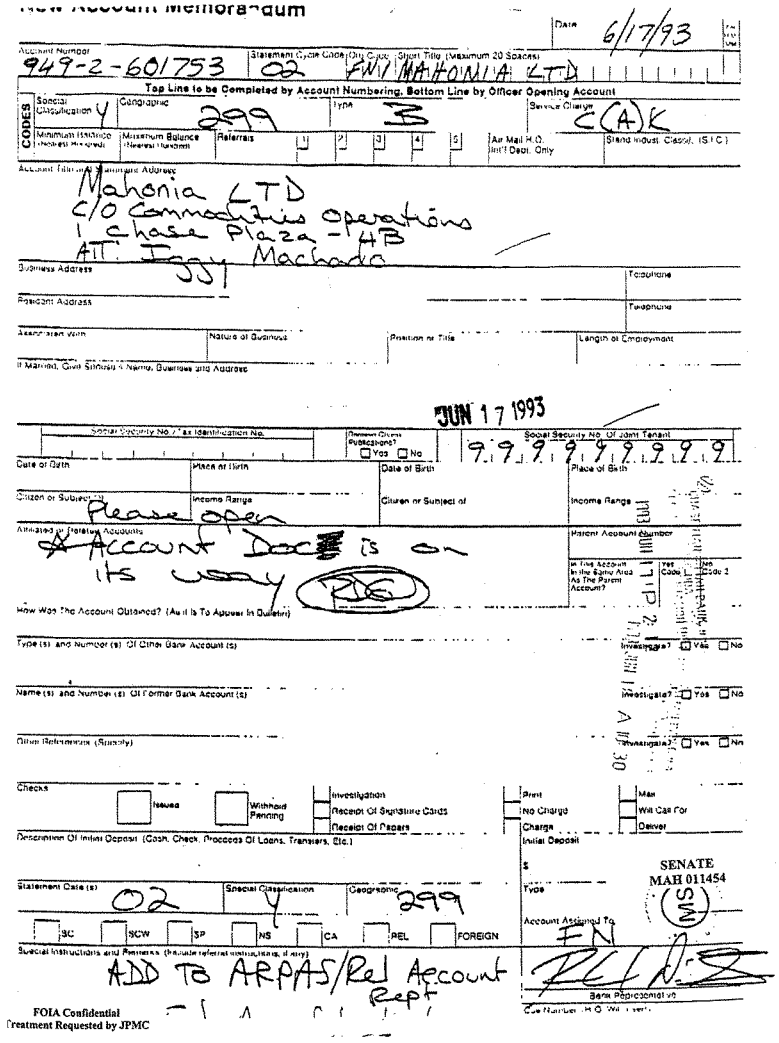
Date Closed
06/01/2000
Date Updated
5/13/99
Account Message
$ .00
Special Instructions
Signer Required
Code
09254
Signer Data
FARLEY
KEVIN PHILIP
Secretary
Signer
Card Date
01/05/1993
Inactive Date
Next Signer
Previous Signer




Account Data
STONEVILLE AFGHAN LTD
Signer Data
RAYSON
SARAH MARGARET
Secretary
Next Signer
Previous Signer
S M Rayson







New Account Memorandum

Date 6/17/93

Account Number: 949-2-601753 | Statement Cycle Code: 02 | Qty Copy | Short Title (Maximum 20 Spaces): FN/MAHONIA LTD

Top Line to be Completed by Account Numbering, Bottom Line by Officer Opening Account

CODES: Special Classification: 4 | Geographic: 299 | Type: B | Service Charge: C(A)K

Minimum Balance (Interest Accounts) | Maximum Balance (Reserve Accounts) | Referrals: 1 2 3 4 5 | Air Mail H.O. (Int'l Dept. Only) | Stand Indust. Class. (S.I.C.)

Account Title and Mailing Address:
Mahonia LTD
C/O Commodities Operations
1 Chase Plaza - 41B
ATT: Iggy Machado
JJJ

Business Address | Telephone

Residence Address | Telephone

Association With | Nature of Business | Position or Title | Length of Employment

If Married, Give Spouse's Name, Business and Address

JUN 17 1993

Social Security No. / Tax Identification No. | Foreign Citizen Publications? ☐ Yes ☐ No | Social Security No. Of Joint Tenant: 999999999

Date of Birth | Place of Birth | Date of Birth | Place of Birth

Citizen or Subject of: Please open | Income Range | Citizen or Subject of | Income Range

Affiliated or Related Accounts: ✱ Account Doc is on its way RJG | Parent Account Number

Is This Account In the Same Area As The Parent Account? Yes Code 1 No Code 2

How Was The Account Obtained? (As It Is To Appear In Question)

Type (s) and Number (s) Of Other Bank Account (s) | Investigate? ☐ Yes ☐ No

Name (s) and Number (s) Of Former Bank Account (s) | Investigate? ☐ Yes ☐ No

Other References (Specify) | Investigate? ☐ Yes ☐ No

Checks: ☐ Issues ☐ Withhold Pending | ☐ Investigation ☐ Receipt Of Signature Cards ☐ Receipt Of Papers | ☐ Print ☐ No Charge ☐ Charge | ☐ Mail ☐ Will Call For ☐ Deliver

Description Of Initial Deposit (Cash, Check, Proceeds Of Loans, Transfers, Etc.) | Initial Deposit $

Statement Date (s): 02 | Special Classification: 4 | Geographic: 299 | Type | Account Assigned To: FN

☐ BC ☐ SCW ☐ SP ☐ NS ☐ CA ☐ REL ☐ FOREIGN

Special Instructions and Remarks (Indicate referral name, title, if any):
ADD TO ARPAS/Rel Account Rept

Bank Representative

Our Number - H.O. Will Insert

SENATE
MAH 011454

FOIA Confidential Treatment Requested by JPMC

CHASE

CORPORATE RESOLUTIONS

of

MOURANT.
Confirmed as the
MAHONIA LIMITED
signatory list

TO:0534-609333 20 JUN '93 18:04 No.028 P.07 P.07

Mourant & Co.

Standard Signatory List

PO Box 87, 18 Grenville Street, St Helier,
Jersey, JE4 8PX, Channel Islands

Telephone (0534) 74343 Telex 4192064 Facsimile (0534) 79064
(0534) 36844

D.O.M.	
DAVID OSWALD MOON	PETER DE CARTERET MOURANT
KEITH SHERWOOD BAKER	RICHARD FRANCIS VALPY JEUNE
CONRAD EDWIN COUTANCHE	IAN COLIN JAMES
ALAN RICHARD BINNINGTON	JAMES DAVID PHILIPPE CRILL
T. J. Herbert	J. A. Richomme
TIMOTHY JOSEPH HERBERT	JACQUELINE ANNE RICHOMME
D J Holl	M. Bettison
DAVID JAMES HOLL	MICHAEL BETTISON

FOIA Confidential
Treatment Requested by JPMC

January 1994

"A" Signatories

11114427-1.333

SENATE
MAH 011456

USE OF SIGNATORY LIST

For all payments, deliveries of scrip and any commitments - two signatories from this list are

"A" Signatories Continued	
IAN RICHARD SWINDALE	ROBERT GLASLYN DAVIES
"B" Signatories	
GARETH ESSEX-CATER	DEAN BEUZEVAL
RICHARD GOUGH	KEVIN PHILIP FARLEY
SARAH MARGARET RAYSON	VALERIE MATTON

January 1992

MH1/14457-1.353

USE OF SIGNATORY LIST

SENATE
MAH 011457

For all payments, deliveries of scrip and any commitments - two signatories from this list are required provided that at least one is an "A" Signatory.

CORPORATE RESOLUTIONS

949-2-601753

I, as Secretary of MAHONIA LIMITED, a corporation duly organized and existing under the laws of the State of JERSEY, CHANNEL ISLANDS, hereby certify that the Board of Directors of said corporation duly adopted the following resolutions and that such resolutions are now in full force and effect:

"RESOLVED, that each subsidiary of The Chase Manhattan Corporation that accepts deposits (each being hereinafter referred to individually as the "Bank") be and hereby is designated as a depositary of this corporation and that the officers and agents of this corporation be and hereby are, and each of them hereby is, authorized to open accounts or otherwise to conduct business with the Bank and to deposit any of the funds of this corporation in the Bank either at its head office or at any of its branches. For purposes of these resolutions, subsidiary shall mean any corporation of which more than 50% of the shares having ordinary voting power are owned directly or indirectly by The Chase Manhattan Corporation.

RESOLVED, that, until the further order of this Board of Directors, any funds of this corporation deposited in the Bank be subject to withdrawal, transfer or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (whether written or otherwise) for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given on behalf of this corporation by any one of the following: (SEE NOTE BELOW)

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

RESOLVED, that the Bank is hereby authorized to pay any such check, note, draft, bill of exchange, acceptance, undertaking, authorization, letter, or other instrument, order or item or execute any such instructions (whether written or otherwise) or effect any such withdrawal, transfer or charge and also to receive the same from the payee or any other holder without inquiry as to the circumstances of issue, withdrawal, transfer or charge or the disposition of the proceeds even if drawn to the individual order of or paid to any signing person, or payable to the Bank or others for his account, or tendered in payment of his individual obligation, and whether drawn against an account in the name of this corporation or in the name of any officer or agent of this corporation as such, and, at the option of the Bank, even if the account shall not be in credit to the full amount of such instrument, withdrawal, transfer or charge.

RESOLVED, that each of the following: (SEE NOTE BELOW)

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

is hereby authorized on behalf of this corporation to transact, and to delegate its respective authority to transact, any and all types of business with or through the Bank including but not limited to the authority to:

1. Borrow money and obtain credit for this corporation from the Bank on any terms and to make and deliver notes, drafts, acceptances, instruments of guaranty, agreements and any other obligations of this corporation therefor, including but not limited to applications for letters of credit, in form satisfactory to the Bank.

2. Grant security interests in and/or pledge or assign and deliver, as security for money borrowed or credit obtained, stocks, bonds, instruments, bills receivable, accounts, mortgages, merchandise, bills-of-lading, warehouse receipts and other documents, insurance policies, certificates, and any other property now or hereafter held or belonging to this corporation, with full authority to indorse, assign or guarantee any of the same in the name of this corporation.

3. Discount any bills receivable or any paper held by this corporation with full authority to indorse the same in the name of this corporation.

NOTE: Insert in the spaces above the titles only (not the names) of officers who are authorized and the names only of other authorized persons, as for example: "President, Vice President, Treasurer, John Doe, William Roe". Also indicate clearly in what manner they are to sign, i.e., any one, any two, jointly, etc., and any special combination of signers, as for example: "one of whom shall be an officer".

4. Withdraw from the Bank and give receipt for, or authorize the Bank to deliver to bearer or to one or more designated persons, any or all documents and securities or other property held by it, whether held as collateral security or for safekeeping or for any other purpose.

5. Authorize and request the Bank to purchase or sell for account of this corporation stocks, bonds and other securities.

6. Enter into contracts with the Bank on behalf of this corporation for the purchase and/or sale of foreign exchange, either spot or forward, execute and deliver guaranties, indemnities, pledges, and other agreements relating thereto, and give any and all instructions (whether written or otherwise) to charge accounts of this corporation with the Bank in connection therewith.

7. Execute and deliver all security and other agreements, financing statements and other papers required by the Bank in connection with any of the foregoing matters and affix thereto the seal of this corporation.

8. Enter into other agreements with the Bank with respect to products or services, including but not limited to funds transfer products and securities custody services, from time to time made available by the Bank to this corporation, to effect any and all transactions, transfers or other actions contemplated by such agreement and to execute and deliver guaranties, indemnities, pledges and other agreements relating thereto, (including but not limited to agreements regarding authentication of instructions (whether written or otherwise) delivered to the bank), all in such form as may be approved by any of the officers or other authorized persons, such approval to be evidenced by the execution of any such agreement, guaranty, indemnity or pledge.

9. Give any and all instructions (whether written or otherwise) to charge or credit accounts of this corporation with the Bank in connection with any of the foregoing.

Nothing herein contained shall limit this corporation, through its officers, employees or other authorized representatives, from entering into agreements otherwise authorized or from assenting through such officers, employees or other authorized representatives to the terms and conditions upon which the Bank offers its products and services to its customers.

RESOLVED, that the Bank, as designated depositary of this corporation, be and hereby is requested, authorized and directed to honor all checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given in this corporation's name on its account(s) (including but not limited to those drawn to the individual order of or paid to any person or persons whose name or names appear thereon as signer or signers thereof or who deliver such written instructions) when bearing or purporting to bear the facsimile signature(s) of any ________ (NUMBER) of the following:

NAME		TITLE
	AS	
	AS	
	AS	
	AS	
	AS	
	AS	
	AS	

and the Bank shall be entitled to honor and to charge this corporation for all such checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions regarding the payment or transfer of money, regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Bank by the Secretary or other officer of this corporation.

RESOLVED, that the Secretary or any other officer of this corporation be and hereby is authorized to certify to the Bank the names of the present officers of this corporation and other persons authorized to sign for it (including but not limited to persons to whom such officers or authorized persons have delegated their authority) and the offices respectively held by them, if any, together with specimens of their signatures, and in case of any change of authorized

persons or of any holder of any such office or holders of any such offices, the fact of such change and the names of any new officers and the offices respectively held by them, if any, together with specimens of their signatures; and the Bank be and hereby is authorized to honor any checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (written or otherwise) or agreements or other documents signed by any new officer or officers in respect of whom it has received any such certificate or certificates or by any such person with the same force and effect as if said officer or said officers or person were named in the foregoing resolutions.

RESOLVED, that the authority given hereunder shall be deemed retroactive and any and all acts hereunder performed prior to the passage of these resolutions are hereby ratified and approved.

RESOLVED, that the Bank be promptly notified in writing by the Secretary or any other officer of this corporation of any change in these resolutions, such notice to be given to each office of the Bank in which any account of this corporation may be maintained or from which any product or service affected by such change is provided to this corporation, and that until it has actually received such notice in writing it is authorized to act in pursuance of these resolutions, and that until it has actually so received such notice and has had a reasonable opportunity to act upon such notice it shall be indemnified and saved harmless from any loss suffered or liability incurred by it in continuing to act in pursuance of these resolutions, even though these resolutions may have been changed.

I FURTHER CERTIFY that there is no provision in the Charter or By-Laws of this corporation limiting the power of the Board of Directors to pass the foregoing resolutions, and that the same are in conformity with the provisions of said Charter and By-Laws.

I FURTHER CERTIFY that the present officers of this corporation and the offices respectively held by them are as follows.:

NAME		TITLE
RICHARD FRANCIS VAUX JEUNE	AS	DIRECTOR
IAN COLIN JAMES	AS	DIRECTOR
HOLKAM & CO. SECRETARIES LIMITED	AS	COMPANY SECRETARY
	AS	

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of this corporation and affixed the corporate seal this 22 ND day of JUNE 1993

4/7/93

As Secretary of Said Corporation
HOLKAM & CO. SECRETARIES LIMITED

Other Officer DIRECTOR

Title

(CORPORATE SEAL)

*NOTE: In case the Secretary or other recording officer is authorized to sign checks, notes, agreements, etc., or otherwise deliver instructions regarding the payment or transfer of funds by the above resolution, this certificate must also be signed by a second officer of the corporation.

In case the facsimile signature of or instructions from the Secretary or other certifying officer is authorized by the above resolutions, this certificate must also be signed by a second officer of the corporation.

12-21-1992 12:54 713 654 6722 CHASE SOUTHWES[illegible] P.04

Business Account Account No. ▶ 949-2-601753

Account Title: MAHONIA LIMITED

Tax Identification #

Business Type: ☐ Corporation ☐ Partnership ☐ Sole Proprietorship ☐ Municipality ☐ Estate ☐ Other

Account Type: ☐ Checking ☐ Savings ☐ Money Market Account ☐ Now Checking ☐ Money Market Checking ☐ Other

Instructions: Fill in the number of signatures required and N/A out spaces not used. If two or more signatures are required on check, draft, note or other item, special instructions must be given in writing to the Chase Manhattan Bank, N.A.

Card Number | No. of Bks. Req. For Checks | Req. For Loans/Notes

Name	Title	Specimen Signature
IAN COLIN JAMES	DIRECTOR	
MOURANT & CO. SECRETARIES LIMITED	COMPANY SECRETARY	SEE ATTACHED SIGNATURE LIST

The Customer hereby certifies that the Bank has been designated as a depository of the Customer and that the above signatures are those of the persons authorized to sign on behalf of the Customer and to deliver instructions and transact any and all business with the Bank on its behalf. The Customer acknowledges receipt of the Account Conditions and Rules and Regulations applicable to the account and hereby agrees that all instructions and transactions shall be covered by such Account Conditions and Rules and Regulations in effect from time to time.

Under the penalties of perjury, we certify (1) that the number shown on this form is our correct taxpayer identification number and (2) that we are not subject to backup withholding either because we have not been notified that we are subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified us that we are no longer subject to backup withholding. (If you are subject to backup withholding, cross out the words that state you are not. See separate instruction sheet for details.)

This account is not transferable except on the books of The Chase Manhattan Bank, N.A.

Date | Signature - Secretary

OK RLO

BSIG 14 REV. 9-88

FILE

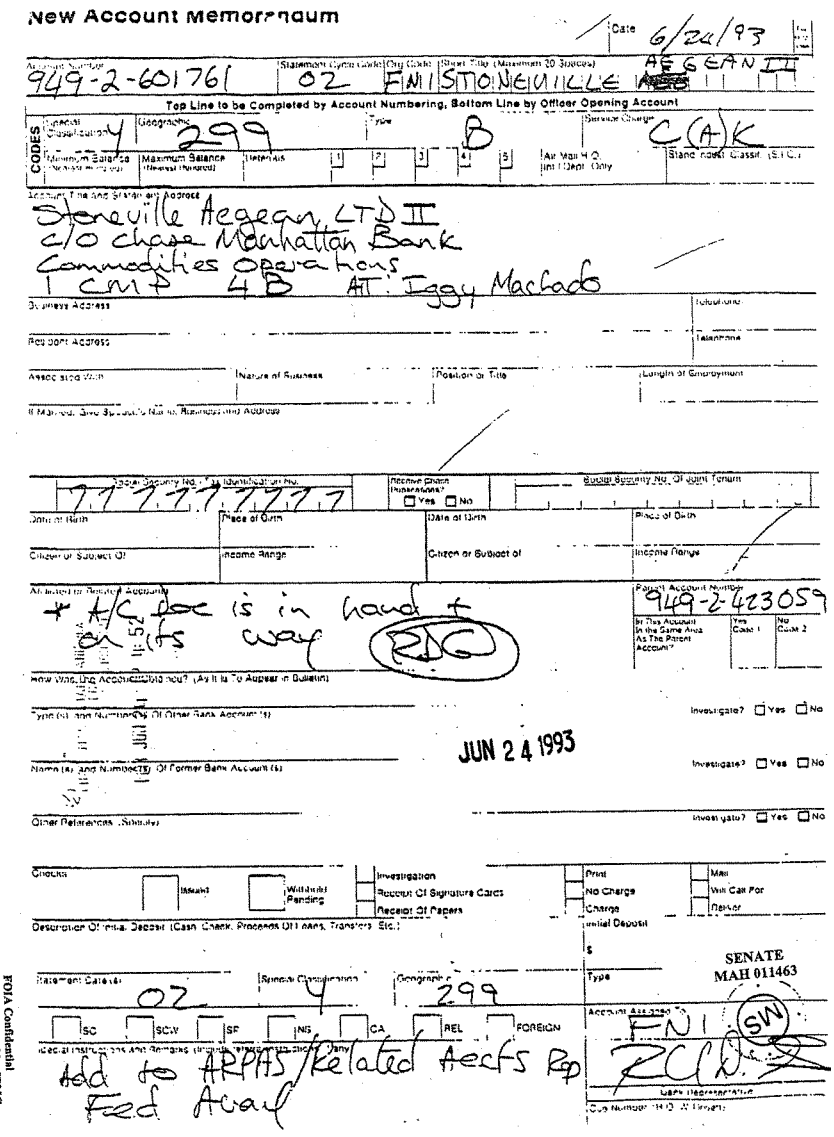
949-2-601753-FN1

No Checks to be drawn on
This Account

JUN 30 1993

SENATE
MAH 011462

FOIA Confidential
Treatment Requested by JPMC



New Account Memorandum

Date 6/24/93

Account Number 949-2-601761 | Statement Cycle Code 02 | City Code FNI | Short Title (Maximum 20 Spaces) STONEVILLE AEGEAN II

Top Line to be Completed by Account Numbering, Bottom Line by Officer Opening Account

CODES: Type 4 | Geographic 299 | Type B | Service Charge C (A) K

Minimum Balance | Maximum Balance | Interests | 1 | 2 | 3 | 4 | 5 | Air Mail H.O. (Int'l Dept. Only) | Stand. Instr. Classif. (S.I.C.)

Account Title and Signature Address
Stoneville Aegean, LTD II
c/o Chase Manhattan Bank
Commodities Operations
1 CMP 4B ATT: Iggy Machado

Business Address | Telephone

Residence Address | Telephone

Associated With | Nature of Business | Position or Title | Length of Employment

If Married, Give Spouse's Name, Maiden Name, Address

Social Security No. / Identification No. 777777777 | Receive Check Statements? ☐ Yes ☐ No | Social Security No. Of Joint Tenant

Date of Birth | Place of Birth | Date of Birth | Place of Birth

Citizen or Subject of | Income Range | Citizen or Subject of | Income Range

Attached to Related Account(s)
+ A/C doc is in hand + on its way RDG

Parent Account Number 949-2-423059

Is This Account In the Same Area As The Parent Account? | Yes Code 1 | No Code 2

How Was This Account Sold? (As It Is To Appear in Bulletin)

Type(s) and Number(s) Of Other Bank Account(s) | Investigate? ☐ Yes ☐ No

JUN 24 1993

Name(s) and Number(s) Of Former Bank Account(s) | Investigate? ☐ Yes ☐ No

Other References (Solicited) | Investigate? ☐ Yes ☐ No

Checks: ☐ Issued ☐ Withheld Pending | ☐ Investigation ☐ Receipt Of Signature Cards ☐ Receipt Of Papers | ☐ Print ☐ No Charge ☐ Charge | ☐ Mail ☐ Will Call For ☐ Deliver

Description Of Initial Deposit (Cash, Check, Proceeds Of Loans, Transfers, Etc.)

Initial Deposit $

Statement Cycle (s) 02 | Special Considerations 4 | Geographic 299 | Type

☐ SC ☐ SCW ☐ SF ☐ NS ☐ CA ☐ REL ☐ FOREIGN

SENATE
MAH 011463

Account Assigned To FNI SW

Add to ARPHS/Related Accts Rpt
Fed Avail

Bank Representative

City Number (H.O. Use Only)

FOIA Confidential Treatment Requested by JPMC

12-21-1992 12:54 713 [redacted] 6722 CHASE [redacted] P.04

Business Account Account No. ▶

Account Title: STONEVILLE AEGEAN LIMITED

Tax Identification #

Business Type: ☐ Corporation ☐ Partnership ☐ Sole Proprietorship ☐ Municipality ☐ Estate ☐ Other

Account Type: ☐ Checking ☐ Savings ☐ Money Market Account ☐ NOW Checking ☐ Money Market Checking ☐ Other

Instructions: Fill in the number of signatures required and rule out spaces not used. If two or more signatures are required on check, draft, note or other item, special instructions must be given in writing to the Chase Manhattan Bank, N.A.

Card Number	No. of Sigs. Req. For: Checks	Loans/Notes

Name	Title	Specimen Signature
RICHARD FRANCIS VAUX JEUNE	DIRECTOR	
MOURANT & CO. SECRETARIES LIMITED	COMPANY SECRETARY	SEE ATTACHED SIGNATURE LIST

The Customer hereby certifies that the Bank has been designated as a depositary of the Customer and that the above signatures are those of the persons authorized to sign on behalf of the Customer and to deliver instructions and transact any and all business with the Bank on its behalf. The Customer acknowledges receipt of the Account Conditions and Rules and Regulations applicable to the account and hereby agrees that all instructions and transactions shall be covered by such Account Conditions and Rules and Regulations in effect from time to time.

Under the penalties of perjury, we certify (1) that the number shown on this form is our correct taxpayer identification number and (2) that we are not subject to backup withholding either because we have not been notified that we are subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified us that we are no longer subject to backup withholding. (If you are subject to backup withholding, cross out the words that state you are not. See separate instruction sheet for details.)

This account is not transferable except on the books of The Chase Manhattan Bank, N.A.

Date | Signature - Secretary - Counsel

OK per corp resolution

BSRG 14 REV. 8-88

FOIA Confidential Treatment Requested by JPMC

SENATE MAH 011464

Confirmed as the
STONEVILLE AEGEAN LTD
Signatory list

Mourant & Co.

Standard Signatory List

PO Box 87, 18 Grenville Street, St Helier,
Jersey, JE4 8PX, Channel Islands

Telephone (0534) 74343 Telex 4192064 Facsimile (0534) 79064
(0534) 36844

910-J-41302

D.O.M.	
DAVID OSWALD MOON	PETER DE CARTERET MOURANT
KEITH SHERWOOD BAKER	RICHARD FRANCIS VALPY JEUNE Director
CONRAD EDWIN COUTANCHE	IAN COLIN JAMES Director
ALAN RICHARD BINNINGTON	JAMES DAVID PHILIPPE CRILL
T. J. Herbert	J. A. Richomme
TIMOTHY JOSEPH HERBERT	JACQUELINE ANNE RICHOMME
D Hall	J. Bettison
DAVID JAMES HOLLS	MICHAEL BETTISON

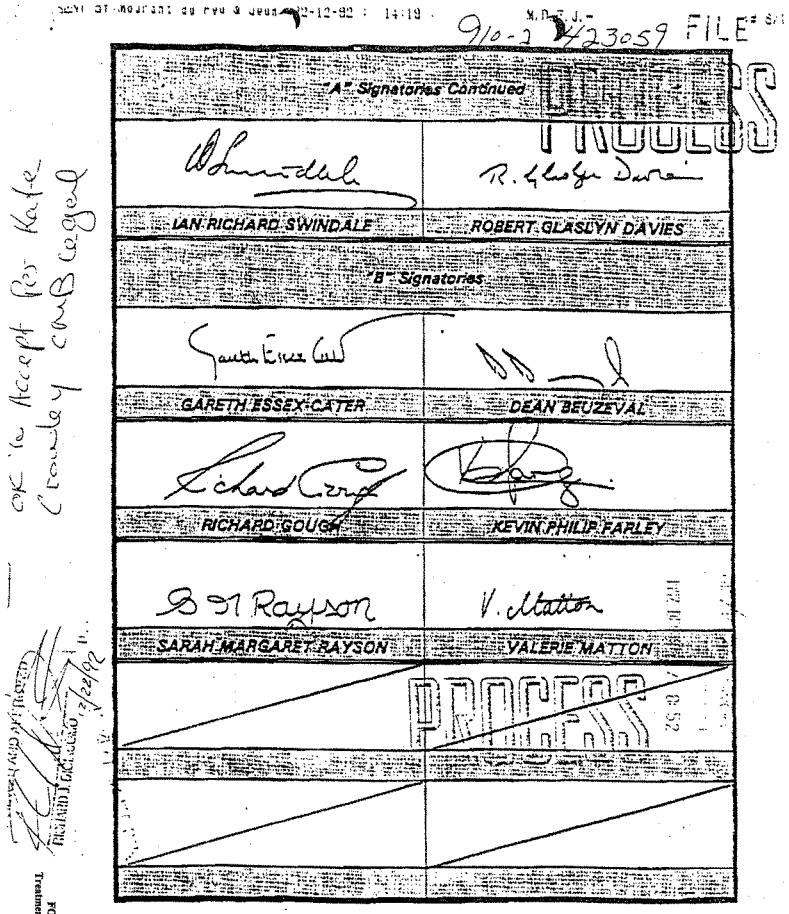
SENATE
MAH 011465

OK Yo Hooper Dar
Kate Crowley
CMB Legal

January 1992 "A" Signatories

USE OF SIGNATORY LIST

PROCESS



"A" Signatories Continued

IAN RICHARD SWINDALE | ROBERT GLASCYN DAVIES

"B" Signatories

GARETH ESSEX-CATER | DEAN BEUZEVAL

RICHARD GOUGH | KEVIN PHILIP FARLEY

SARAH MARGARET RAYSON | VALERIE MATTON

January 1992

SENATE
MAH 011466

USE OF SIGNATORY LIST

For all payments, deliveries of scrip and any commitments - two signatories from

12-21-1998 13:55 [illegible] P.08

CORPORATE RESOLUTIONS

949-2-601761

I, as Secretary of STONEVILLE AEGEAN LIMITED

a corporation duly organized and existing under the laws of the [illegible] of JERSEY, CHANNEL ISLANDS, hereby certify that the Board of Directors of said corporation duly adopted the following resolutions and that such resolutions are now in full force and effect:

"**RESOLVED**, that each subsidiary of The Chase Manhattan Corporation that accepts deposits (each being hereinafter referred to individually as the "Bank") be and hereby is designated as a depositary of this corporation and that the officers and agents of this corporation be and hereby are, and each of them hereby is, authorized to open accounts or otherwise to conduct business with the Bank and to deposit any of the funds of this corporation in the Bank either at its head office or at any of its branches. For purposes of these resolutions, subsidiary shall mean any corporation of which more than 50% of the shares having ordinary voting power are owned directly or indirectly by The Chase Manhattan Corporation.

RESOLVED, that, until the further order of this Board of Directors, any funds of this corporation deposited in the Bank be subject to withdrawal, transfer or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (whether written or otherwise) for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given on behalf of this corporation by any one of the following: (SEE NOTE BELOW)

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

RESOLVED, that the Bank is hereby authorized to pay any such check, note, draft, bill of exchange, acceptance, undertaking, authorization, letter, or other instrument, order or item or execute any such instructions (whether written or otherwise) or effect any such withdrawal, transfer or charge and also to receive the same from the payee or any other holder without inquiry as to the circumstances of issue, withdrawal, transfer or charge or the disposition of the proceeds even if drawn to the individual order of or paid to any signing person, or payable to the Bank or others for his account, or tendered in payment of his individual obligation, and whether drawn against an account in the name of this corporation or in the name of any officer or agent of this corporation as such, and, at the option of the Bank, even if the account shall not be in credit to the full amount of such instrument, withdrawal, transfer or charge.

RESOLVED, that each of the following: (SEE NOTE BELOW)

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

is hereby authorized on behalf of this corporation to transact, and to delegate its respective authority to transact, any and all types of business with or through the Bank including but not limited to the authority to:

1. Borrow money and obtain credit for this corporation from the Bank on any terms and to make and deliver notes, drafts, acceptances, instruments of guaranty, agreements and any other obligations of this corporation therefor, including but not limited to applications for letters of credit, in form satisfactory to the Bank.

2. Grant security interests in and/or pledge or assign and deliver, as security for money borrowed or credit obtained, stocks, bonds, instruments, bills receivable, accounts, mortgages, merchandise, bills-of-lading, warehouse receipts and other documents, insurance policies, certificates, and any other property now or hereafter held or belonging to this corporation, with full authority to indorse, assign or guarantee any of the same in the name of this corporation.

3. Discount any bills receivable or any paper held by this corporation with full authority to indorse the same in the name of this corporation.

SENATE
MAH 011467

NOTE: Insert in the spaces above the titles only (not the names) of officers who are authorized and the names only of other authorized persons, as for example: "President, Vice President, Treasurer, John Doe, William Roe". Also indicate clearly in what manner they are to sign, i.e., any one, any two, jointly, etc., and any special combination of signers, as for example: "one of whom shall be an officer".

FOIA Confidential Treatment Requested by JPMC

4. Withdraw from the Bank and give receipt for, or authorize the Bank to deliver to bearer or to one or more designated persons, any or all documents and securities or other property held by it, whether held as collateral security or for safekeeping or for any other purpose.

5. Authorize and request the Bank to purchase or sell for account of this corporation stocks, bonds and other securities.

6. Enter into contracts with the Bank on behalf of this corporation for the purchase and/or sale of foreign exchange, either spot or forward, execute and deliver guaranties, indemnities, pledges, and other agreements relating thereto, and give any and all instructions (whether written or otherwise) to charge accounts of this corporation with the Bank in connection therewith.

7. Execute and deliver all security and other agreements, financing statements and other papers required by the Bank in connection with any of the foregoing matters and affix thereto the seal of this corporation.

8. Enter into other agreements with the Bank with respect to products or services, including but not limited to funds transfer products and securities custody services, from time to time made available by the Bank to this corporation, to effect any and all transactions, transfers or other actions contemplated by such agreement and to execute and deliver guaranties, indemnities, pledges and other agreements relating therein (including but not limited to agreements regarding authentication of instructions (whether written or otherwise) delivered to the bank), all in such form as may be approved by any of the officers or other authorized persons, such approval to be evidenced by the execution of any such agreement, guaranty, indemnity or pledge.

9. Give any and all instructions (whether written or otherwise) to charge or credit accounts of this corporation with the Bank in connection with any of the foregoing.

Nothing herein contained shall limit this corporation, through its officers, employees or other authorized representatives, from entering into agreements otherwise authorized or from assenting through such officers, employees or other authorized representatives to the terms and conditions upon which the Bank offers its products and services to its customers.

RESOLVED, that the Bank, as designated depositary of this corporation, be and hereby is requested, authorized and directed to honor all checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given in this corporation's name on its account(s) (including but not limited to those drawn to the individual order of or paid to any person or persons whose name or names appear thereon as signer or signers thereof or who deliver such written instructions) when bearing or purporting to bear the facsimile signature(s) of any _____ (NUMBER) of the following:

NAME	TITLE

SENATE
MAH 011468

and the Bank shall be entitled to honor and to charge this corporation for all such checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions regarding the payment or transfer of money, regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Bank by the Secretary or other officer of this corporation.

RESOLVED, that the Secretary or any other officer of this corporation be and hereby is authorized to certify to the Bank the names of the present officers of this corporation and other persons authorized to sign for it (including but not limited to persons to whom such officers or authorized persons have delegated their authority) and the offices respectively held by them, if any, together with specimens of their signatures, and in case of any change of authorized

SENT BY:Mourant du Feu & Jeune: 22-12-92 : 14:23 : M.D.F.J.-
12-21-1992 12:57 713 6744 310/1

persons or of any holder of any such office or holders of any such offices, the fact of such change and the names of any new officers and the offices respectively held by them, if any, together with specimens of their signatures; and the Bank be and hereby is authorized to honor any checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (written or otherwise) or agreements or other documents signed by any new officer or officers in respect of whom it has received any such certificate or certificates or by any such person with the same force and effect as if said officer or said officers or person were named in the foregoing resolutions.

RESOLVED, that the authority given hereunder shall be deemed retroactive and any and all acts hereunder performed prior to the passage of these resolutions are hereby ratified and approved.

RESOLVED, that the Bank be promptly notified in writing by the Secretary or any other officer of this corporation of any change in these resolutions, such notice to be given to each office of the Bank in which any account of this corporation may be maintained or from which any product or service affected by such change is provided to this corporation, and that until it has actually received such notice in writing it is authorized to act in pursuance of these resolutions, and that until it has actually so received such notice and has had a reasonable opportunity to act upon such notice it shall be indemnified and saved harmless from any loss suffered or liability incurred by it in continuing to act in pursuance of these resolutions, even though these resolutions may have been changed.

I FURTHER CERTIFY that there is no provision in the Charter or By-Laws of this corporation limiting the power of the Board of Directors to pass the foregoing resolutions, and that the same are in conformity with the provisions of said Charter and By-Laws.

I FURTHER CERTIFY that the present officers of this corporation and the offices respectively held by them are as follows.:

NAME		TITLE
RICHARD FRANCIS VALPY JEUNE	AS	DIRECTOR
IAN COLIN JAMES	AS	DIRECTOR
MOURANT & CO. SECRETARIES LIMITED	AS	COMPANY SECRETARY
	AS	

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of this corporation and affixed the corporate seal this 22nd day of DECEMBER 1992.

12/22/92

As Secretary of Said Corporation
Authorised Signatory
MOURANT & CO. SECRETARIES LIMITED

Other Officer DIRECTOR

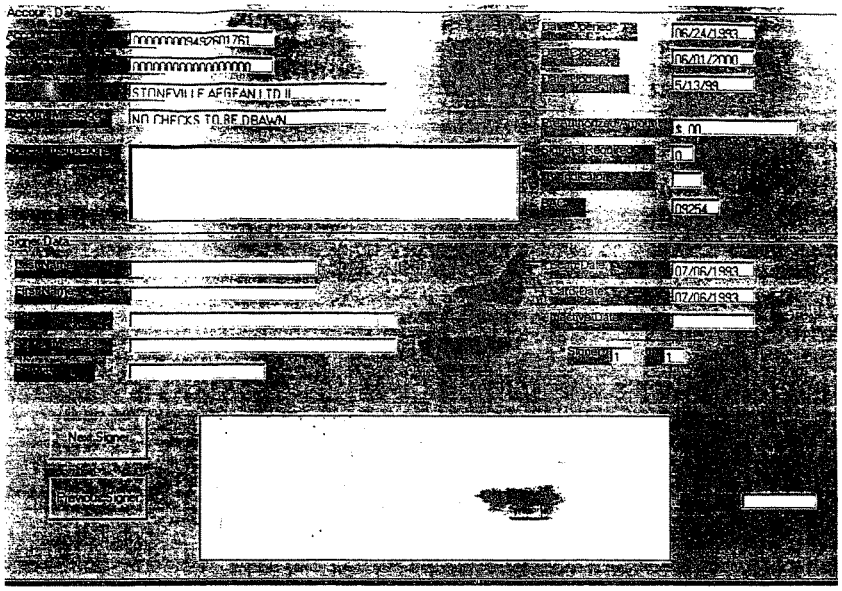
(CORPORATE SEAL) Title

SENATE
MAH 011469

*NOTE: In case the Secretary or other recording officer is authorized to sign checks, notes, agreements, etc., or otherwise deliver instructions regarding the payment or transfer of funds by the above resolution, this certificate must also be signed by a second officer of the corporation.

In case the facsimile signature of or instructions from the Secretary or other certifying officer is authorized by the above resolutions, this certificate must also be signed by a second officer of the corporation.

FOIA Confidential
Treatment Requested by JPMC



New Account M..norandum from Rick D...acomo X8L3C Date E.K

Account Number	Statement Cycle Code	Org Code	Short Title (Maximum 20 Spaces)
949-2-601985	02	FNI	STONEVILLE A III

Top Line to be Completed by Account Numbering, Bottom Line by Officer Opening Account

CODES				
Special Classification Y	Geographic 299	Type 8		Service Charge C(A)K
Minimum Balance (Nearest Hundred)	Maximum Balance (Nearest Hundred)	Referrals 1 2 3 4 5	Air Mail H.O. Int'l Dept. Only	Stand. Indust. Classif. (S.I.C.)

Account Title and Statement Address
Stoneville Aegean LTD III
Chase Commodities Operations
1 Chase Manhattan Plaza 4B
ATT: Iggy Machado

Business Address | Telephone

Resident Address | Telephone

Associated With | Nature of Business | Position or Title | Length of Employment

If Married, Give Spouse's Name, Business and Address

Social Security No. / Tax Identification No.	Receive Chase Publications?	Social Security No. Of Joint Tenant
?-????????	☐ Yes ☐ No	

Date of Birth	Place of Birth	Date of Birth	Place of Birth
Citizen or Subject Of	Income Range	Citizen or Subject of	Income Range

Affiliated or Related Accounts
A/C Doc is in hand & on its way (RG)

Parent Account Number 949-2-623059
Is This Account In The Same Area As The Parent Account? Yes Code 1 / No Code 2

How Was The Account Obtained? (As It's To Appear In Bulletin)

Type(s) and Number(s) Of Other Bank Account(s) — Investigate? ☐ Yes ☐ No

Name(s) and Number(s) Of Former Bank Account(s) — Investigate? ☐ Yes ☐ No

SEP 29 1993

Other References (Specify) — Investigate? ☐ Yes ☐ No

Checks: ☐ Issued ☐ Withhold Pending | Investigation / Receipt Of Signature Cards / Receipt Of Papers | Print / No Charge / Charge | Mail / Will Call For / Deliver

Description Of Initial Deposit (Cash, Check, Proceeds Of Loans, Transfers, Etc.) | Initial Deposit $

Statement Date(s) | Special Classification | Geographic | Type

☐ SC ☐ SCW ☐ SP ☐ NS ☐ CA ☐ REL ☐ FOREIGN | Account Assigned To FN (SIN)

Special Instructions and Remarks (Include referral instructions, if any)
ADD To Rel acct Report/ARPAS

Bank Representative
Cue Number H.O. Will Insert

FOIA Confidential
Treatment Requested by JPMC

SENATE
MAH 011471

Rec'd 9/29/93

CORPORATE RESOLUTIONS

I, as Secretary of STONEVILLE AEGEAN LIMITED a corporation duly organized and existing under the laws of the State of JERSEY, CHANNEL ISLANDS, hereby certify that the Board of Directors of said corporation duly adopted the following resolutions and that such resolutions are now in full force and effect:

"RESOLVED, that each subsidiary of The Chase Manhattan Corporation that accepts deposits (each being hereinafter referred to individually as the "Bank") be and hereby is designated as a depositary of this corporation and that the officers and agents of this corporation be and hereby are, and each of them hereby is, authorized to open accounts or otherwise to conduct business with the Bank and to deposit any of the funds of this corporation in the Bank either at its head office or at any of its branches. For purposes of these resolutions, subsidiary shall mean any corporation of which more than 50% of the shares having ordinary voting power are owned directly or indirectly by The Chase Manhattan Corporation.

RESOLVED, that, until the further order of this Board of Directors, any funds of this corporation deposited in the Bank be subject to withdrawal, transfer or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (whether written or otherwise) for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given on behalf of this corporation by any one of the following: **(SEE NOTE BELOW)**

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

949-2-60485

RESOLVED, that the Bank is hereby authorized to pay any such check, note, draft, bill of exchange, acceptance, undertaking, authorization, letter, or other instrument, order or item or execute any such instructions (whether written or otherwise) or effect any such withdrawal, transfer or charge and also to receive the same from the payee or any other holder without inquiry as to the circumstances of issue, withdrawal, transfer or charge or the disposition of the proceeds even if drawn to the individual order of or paid to any signing person, or payable to the Bank or others for his account, or tendered in payment of his individual obligation, and whether drawn against an account in the name of this corporation or in the name of any officer or agent of this corporation as such, and, at the option of the Bank, even if the account shall not be in credit to the full amount of such instrument, withdrawal, transfer or charge.

RESOLVED, that each of the following: **(SEE NOTE BELOW)**

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

is hereby authorized on behalf of this corporation to transact, and to delegate its respective authority to transact, any and all types of business with or through the Bank including but not limited to the authority to:

1. Borrow money and obtain credit for this corporation from the Bank on any terms and to make and deliver notes, drafts, acceptances, instruments of guaranty, agreements and any other obligations of this corporation therefor, including but not limited to applications for letters of credit, in form satisfactory to the Bank.

2. Grant security interests in and/or pledge or assign and deliver, as security for money borrowed or credit obtained, stocks, bonds, instruments, bills receivable, accounts, mortgages, merchandise, bills-of-lading, warehouse receipts and other documents, insurance policies, certificates, and any other property now or hereafter held or belonging to this corporation, with full authority to indorse, assign or guarantee any of the same in the name of this corporation.

3. Discount any bills receivable or any paper held by this corporation with full authority to indorse the same in the name of this corporation.

NOTE: Insert in the spaces above the titles only (not the names) of officers who are authorized and the names only of other authorized persons, as for example: "President, Vice President, Treasurer, John Doe, William Roe". Also indicate clearly in what manner they are to sign, i.e., any one, any two, jointly, etc., and any special combination of signers, as for example: "one of whom shall be an officer".

4. Withdraw from the Bank and give receipt for, or authorize the Bank to deliver to bearer or to one or more designated persons, any or all documents and securities or other property held by it, whether held as collateral security or for safekeeping or for any other purpose.

5. Authorize and request the Bank to purchase or sell for account of this corporation stocks, bonds and other securities.

6. Enter into contracts with the Bank on behalf of this corporation for the purchase and/or sale of foreign exchange, either spot or forward, execute and deliver guaranties, indemnities, pledges, and other agreements relating thereto, and give any and all instructions (whether written or otherwise) to charge accounts of this corporation with the Bank in connection therewith.

7. Execute and deliver all security and other agreements, financing statements and other papers required by the Bank in connection with any of the foregoing matters and affix thereto the seal of this corporation.

8. Enter into other agreements with the Bank with respect to products or services, including but not limited to funds transfer products and securities custody services, from time to time made available by the Bank to this corporation, to effect any and all transactions, transfers or other actions contemplated by such agreement and to execute and deliver guaranties, indemnities, pledges and other agreements relating thereto (including but not limited to agreements regarding authentication of instructions (whether written or otherwise) delivered to the bank), all in such form as may be approved by any of the officers or other authorized persons, such approval to be evidenced by the execution of any such agreement, guaranty, indemnity or pledge.

9. Give any and all instructions (whether written or otherwise) to charge or credit accounts of this corporation with the Bank in connection with any of the foregoing.

Nothing herein contained shall limit this corporation, through its officers, employees or other authorized representatives, from entering into agreements otherwise authorized or from assenting through such officers, employees or other authorized representatives to the terms and conditions upon which the Bank offers its products and services to its customers.

RESOLVED, that the Bank, as designated depositary of this corporation, be and hereby is requested, authorized and directed to honor all checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given in this corporation's name on its account(s) (including but not limited to those drawn to the individual order of or paid to any person or persons whose name or names appear thereon as signer or signers thereof or who deliver such written instructions) when bearing or purporting to bear the facsimile signature(s) of any _____ (NUMBER) of the following:

NAME	TITLE
	AS
	AS
	AS
	AS
	AS
	AS
	AS

and the Bank shall be entitled to honor and to charge this corporation for all such checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions regarding the payment or transfer of money, regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Bank by the Secretary or other officer of this corporation.

RESOLVED, that the Secretary or any other officer of this corporation be and hereby is authorized to certify to the Bank the names of the present officers of this corporation and other persons authorized to sign for it (including but not limited to persons to whom such officers or authorized persons have delegated their authority) and the offices respectively held by them, if any, together with specimens of their signatures, and in case of any change of authorized

persons or of any holder of any such office or holders of any such offices, the fact of such change and the names of any new officers and the offices respectively held by them, if any, together with specimens of their signatures; and the Bank be and hereby is authorized to honor any checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (written or otherwise) or agreements or other documents signed by any new officer or officers in respect of whom it has received any such certificate or certificates or by any such person with the same force and effect as if said officer or said officers or person were named in the foregoing resolutions.

RESOLVED, that the authority given hereunder shall be deemed retroactive and any and all acts hereunder performed prior to the passage of these resolutions are hereby ratified and approved.

RESOLVED, that the Bank be promptly notified in writing by the Secretary or any other officer of this corporation of any change in these resolutions, such notice to be given to each office of the Bank in which any account of this corporation may be maintained or from which any product or service effected by such change is provided to this corporation, and that until it has actually received such notice in writing it is authorized to act in pursuance of these resolutions, and that until it has actually so received such notice and has had a reasonable opportunity to act upon such notice it shall be indemnified and saved harmless from any loss suffered or liability incurred by it in continuing to act in pursuance of these resolutions, even though these resolutions may have been changed.

I **FURTHER CERTIFY** that there is no provision in the Charter or By-Laws of this corporation limiting the power of the Board of Directors to pass the foregoing resolutions, and that the same are in conformity with the provisions of said Charter and By-Laws.

I **FURTHER CERTIFY** that the present officers of this corporation and the offices respectively held by them are as follows.:

NAME		TITLE
RICHARD FRANCIS VAUGHAN JEUNE	AS	DIRECTOR
IAN COLIN JAMES	AS	DIRECTOR
MOURANT & CO. SECRETARIES LIMITED	AS	COMPANY SECRETARY
	AS	

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of this corporation and affixed the corporate seal this 22nd day of DECEMBER 1992

Gareth Francis Hurley

As Secretary of Said Corporation
Assistant Secretary
MOURANT & CO. SECRETARIES LIMITED

Other Officer DIRECTOR

Title

(CORPORATE SEAL)

***NOTE:** In case the Secretary or other recording officer is authorized to sign checks, notes, agreements, etc., or otherwise deliver instructions regarding the payment or transfer of funds by the above resolution, this certificate must also be signed by a second officer of the corporation.

In case the facsimile signature of or instructions from the Secretary or other certifying officer is authorized by the above resolutions, this certificate must also be signed by a second officer of the corporation.

"A" Signatories Continued	
NOTE INSTRUCTIONS	
IAN RICHARD SWINDALE	ROBERT GLASLYN DAVIES
"B" Signatories	
GARETH ESSEX-CATER	DEAN BEUZEVAL
RICHARD GOUGH	KEVIN PHILIP FARLEY
SARAH MARGARET RAYSON	VALERIE MATTON
NOTE INSTRUCTIONS	
	PROCESSED

January 1992

USE OF SIGNATORY LIST

For all payments, deliveries of scrip and any commitments - two signatories from this list are required provided that at least one is an "A" Signatory.

STONEVILLE AEGEAN LTD
Signatory list

Mourant & Co.

Standard Signatory List

PO Box 87, 18 Grenville Street, St Helier,
Jersey, JE4 8PX, Channel Islands
Telephone (0534) 74343 Telex 4192064 Facsimile (0534) 79064
(0534) 36844

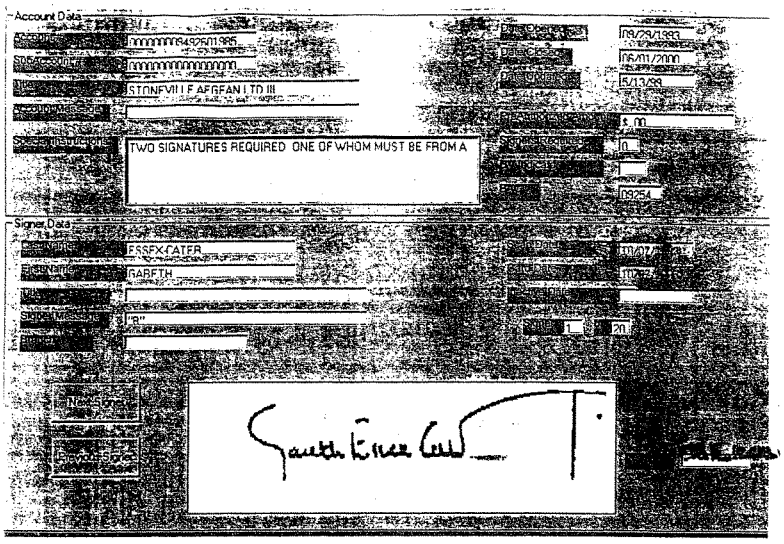
NOTE INSTRUCTIONS D.O.M.	
DAVID OSWALD MOON	PETER DE CARTERET MOURANT
KEITH SHERWOOD BAKER	RICHARD FRANCIS VALPY JEUNE
CONRAD EDWIN COUTANCHE	IAN COLIN JAMES
ALAN RICHARD BINRINGTON	JAMES DAVID PHILIPPE CRILL
T.J. Herbert TIMOTHY JOSEPH HERBERT	J.A. Richomme. JACQUELINE ANNE RICHOMME
D Holl DAVID JAMES HOLL	M. Bettison MICHAEL BETTISON

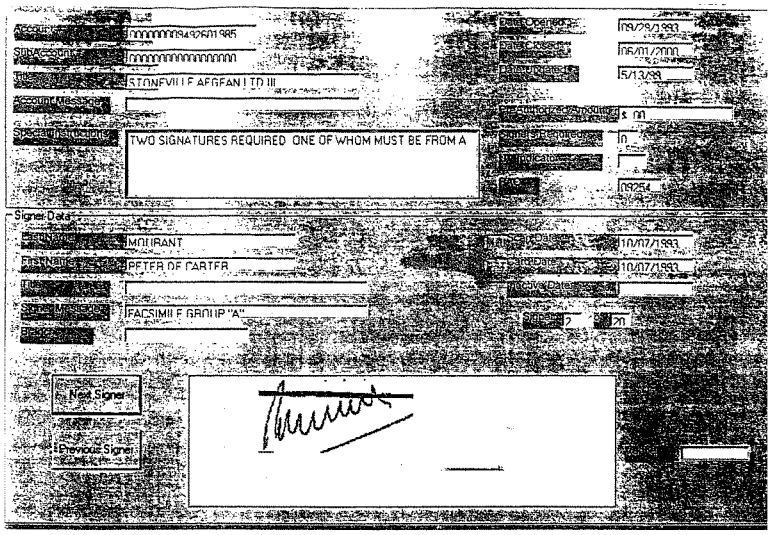
NOTE INSTRUCTIONS
January 1992 "A" Signatories

USE OF SIGNATORY LIST

SENATE
MAH 011476

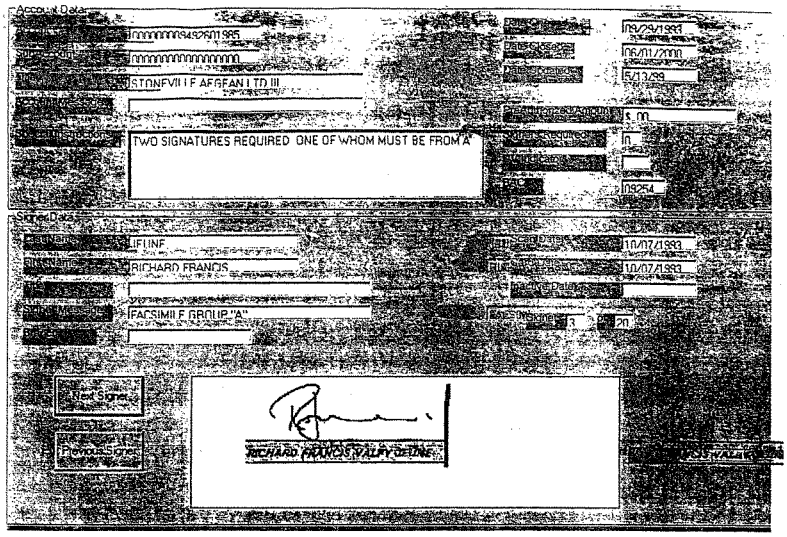
For all payments, deliveries of scrip and any commitments - two signatories from this list are required provided that at least one is an "A" Signatory.





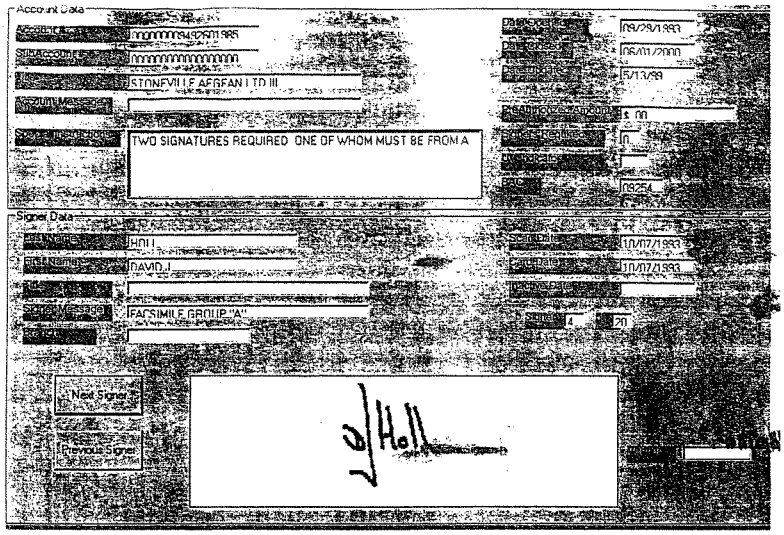
SENATE
MAH 011478

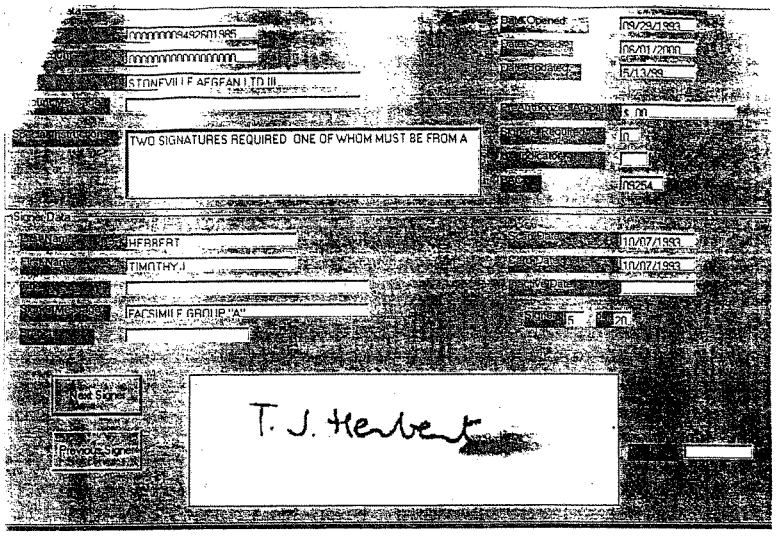
FOIA Confidential
Treatment Requested by JPMC



SENATE
MAH 011479

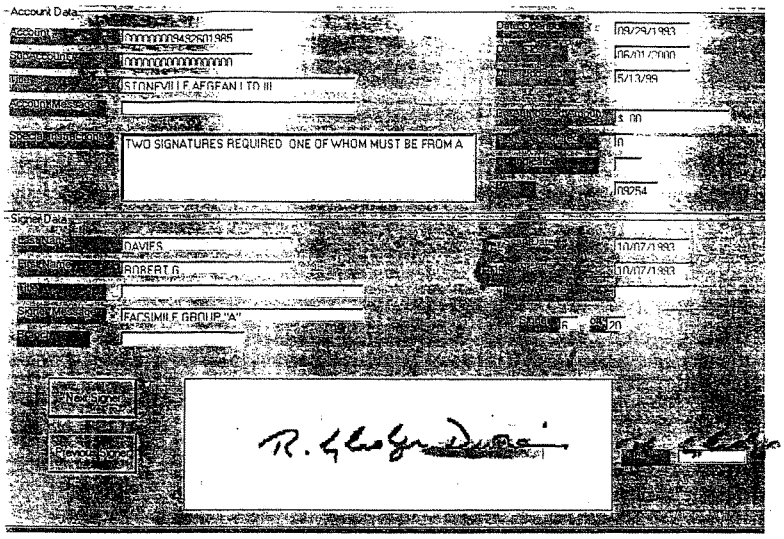
FOIA Confidential
Treatment Requested by JPMC

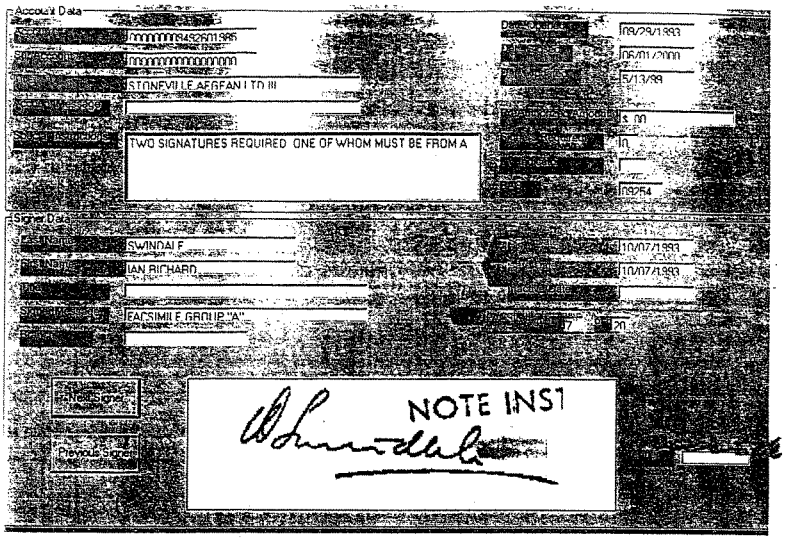




SENATE
MAH 011481

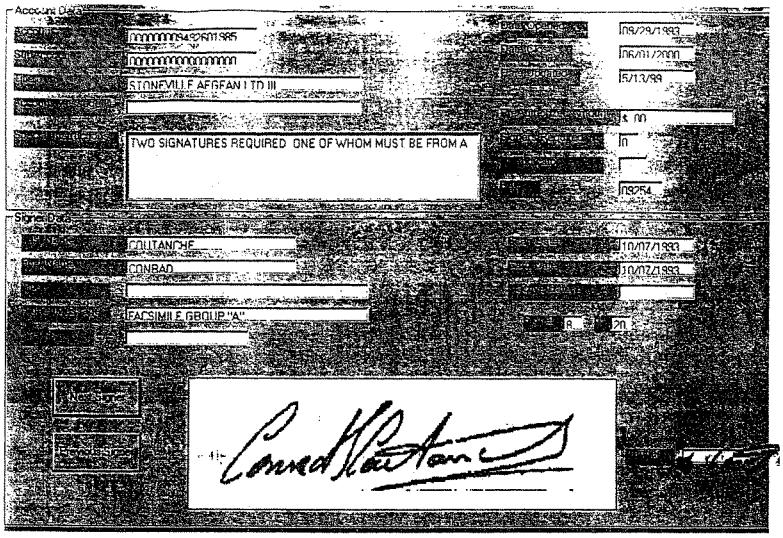
FOIA Confidential
Treatment Requested by JPMC





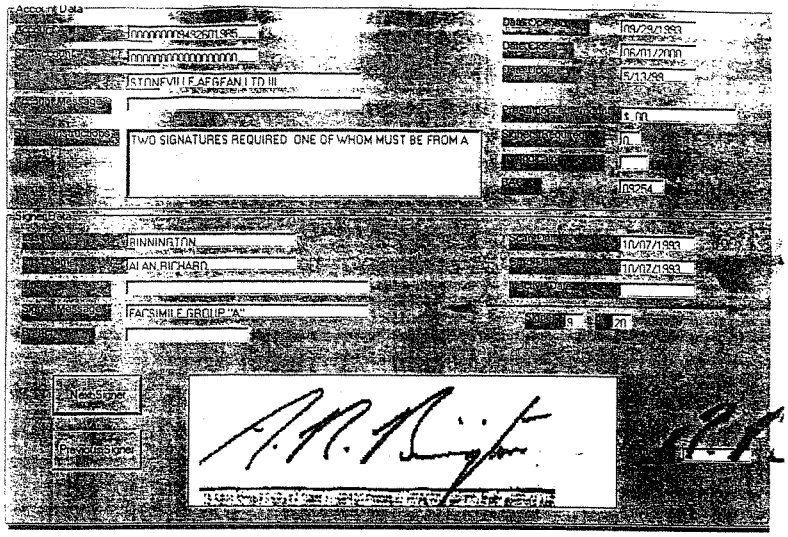
SENATE
MAH 011483

FOIA Confidential
Treatment Requested by JPMC



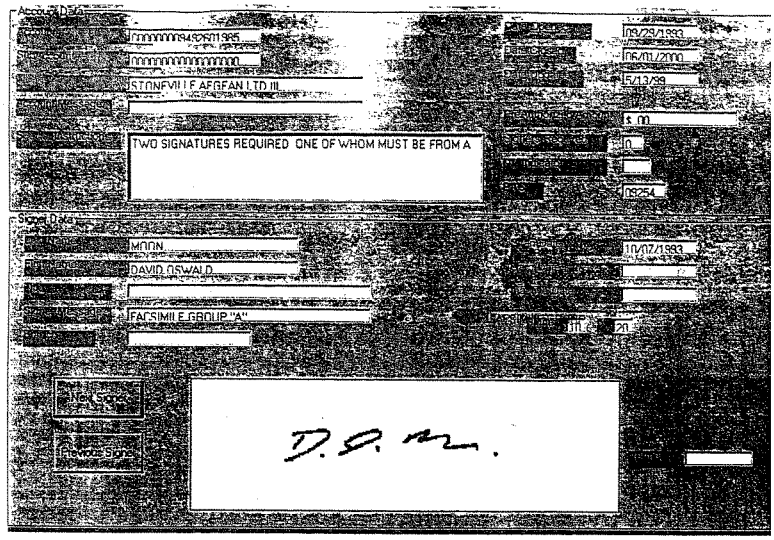
SENATE
MAH 011484

FOIA Confidential
Treatment Requested by JPMC



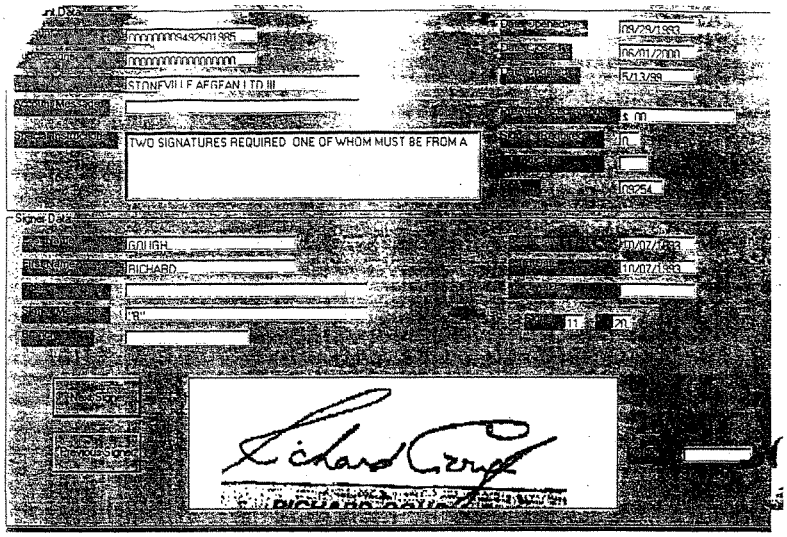
SENATE
MAH 011485

FOIA Confidential
Treatment Requested by JPMC



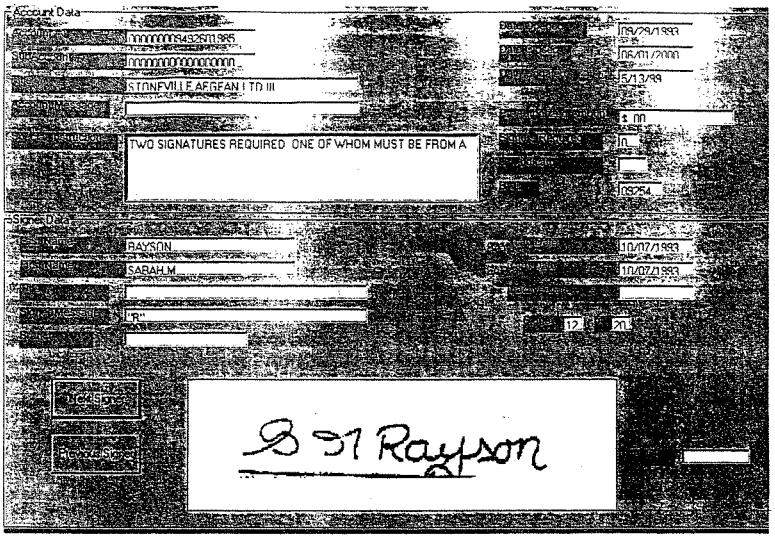
SENATE
MAH 011486

FOIA Confidential
Treatment Requested by JPMC



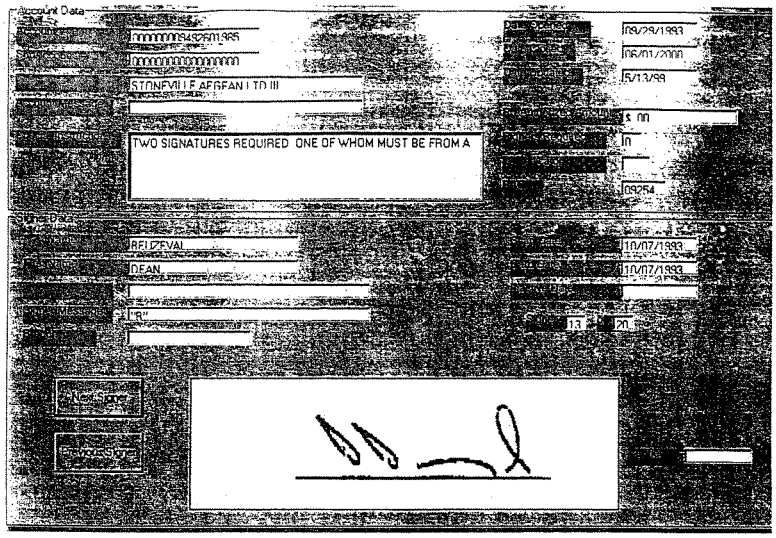
SENATE
MAH 011487

FOIA Confidential
Treatment Requested by JPMC



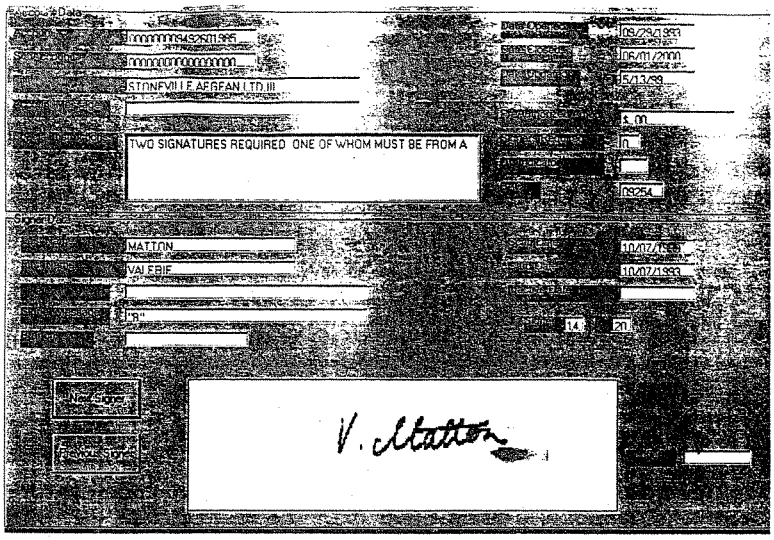
SENATE
MAH 011488

FOIA Confidential
Treatment Requested by JPMC



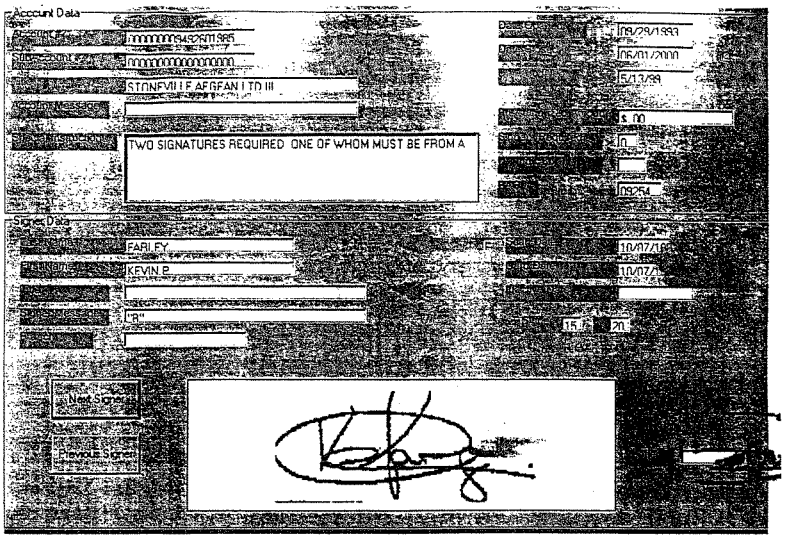
SENATE
MAH 011489

FOIA Confidential
Treatment Requested by JPMC



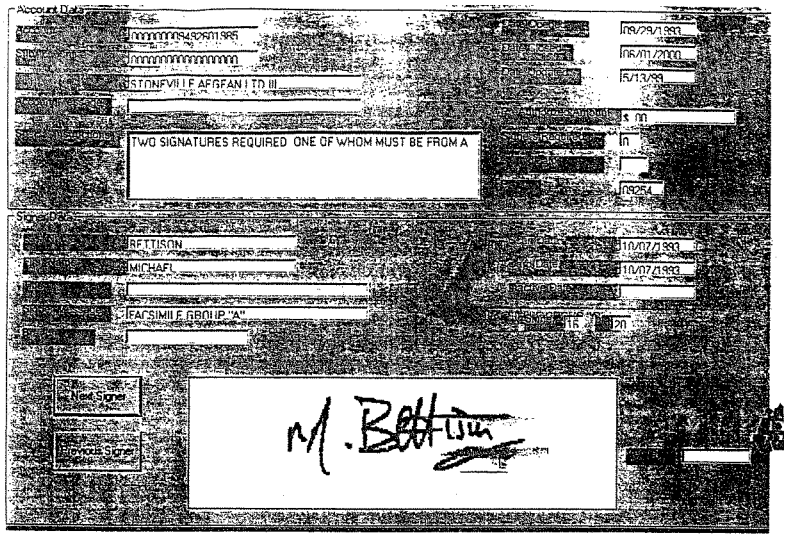
SENATE
MAH 011490

FOIA Confidential
Treatment Requested by JPMC



SENATE
MAH 011491

FOIA Confidential
Treatment Requested by JPMC



SENATE
MAH 011492

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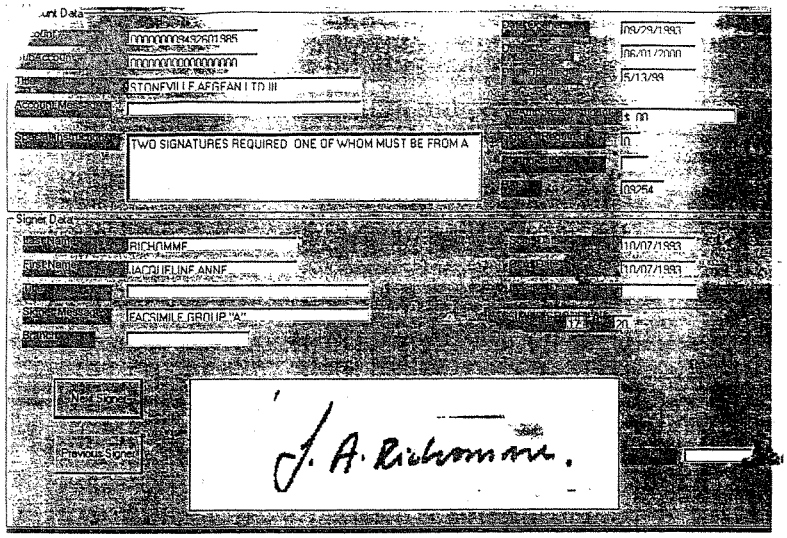
Treatment Requested by JPMC



SENATE
MAH 011493

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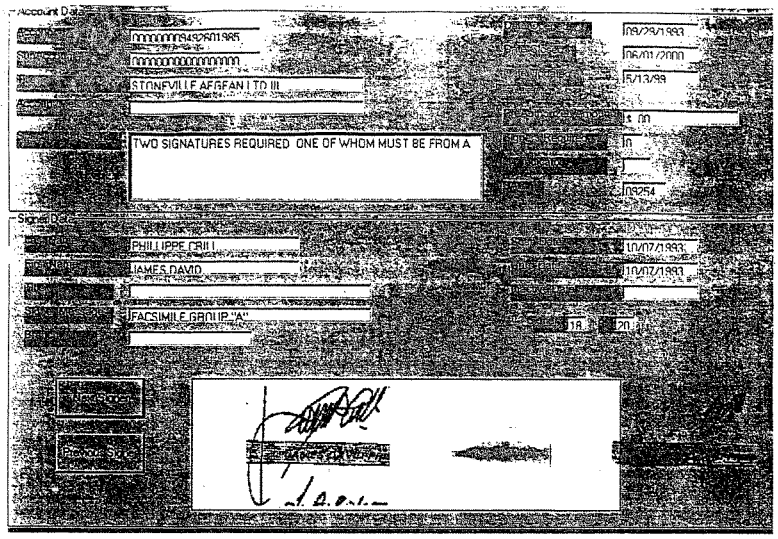
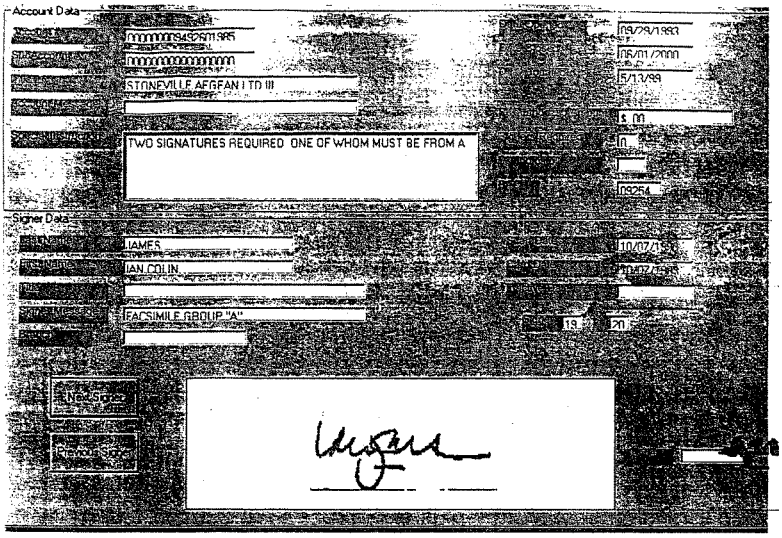
Treatment Requested by JPMC



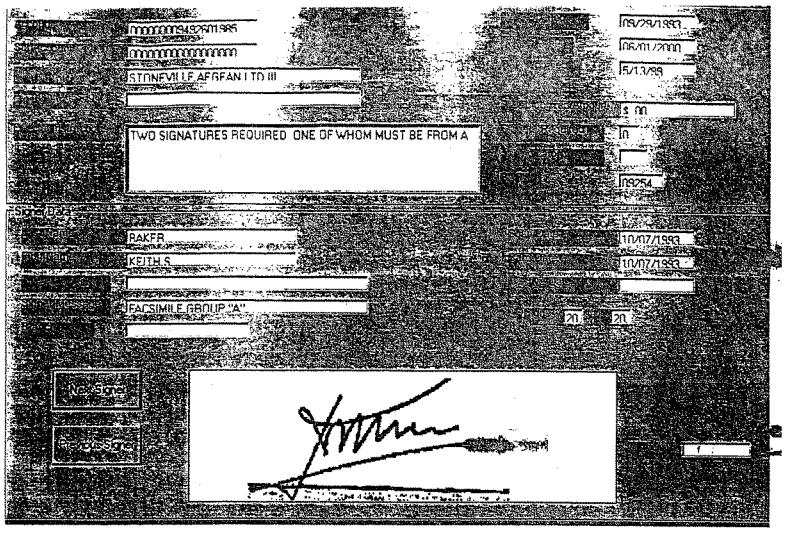
SENATE
MAH 011494

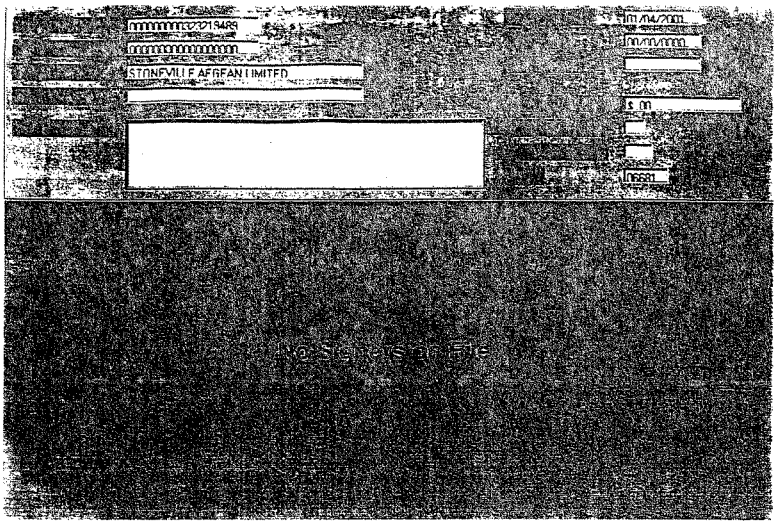
FOIA Confidential
Treatment Requested by JPMC



SENATE
MAH 011495

FOIA Confidential
Treatment Requested by JPMC





SENATE
MAH 011497

FOIA Confidential
Treatment Requested by JPMC

...ew Account Memorandum

Date 3/5/96

Account Number 014-2-603932 | Statement Cycle Code 02 | Org Code | Short Title (Maximum 20 Spaces) MAHONIA LTD 2

Top Line to be Completed by Account Numbering, Bottom Line by Officer Opening Account

CODES: Special Classification | Geographic 296 | Type C. | Service Charge K.

Minimum Balance (Nearest Hundred) | Maximum Balance (Nearest Hundred) | Referrals 1 2 3 4 5 | Air Mail H O Int'l Dept Only | Stand Indust Classif (S I C) 6211

Account Title and Statement Address

Mahonia LTD #2
C/o Commodities Group
1 Cmp. 36
New York N.Y. 10081

Business Address | Telephone

Resident Address | Telephone

Associated With | Nature of Business | Position or Title | Length of Employment

If Married Give Spouse's Name, Business and Address

Social Security No / Tax Identification No | Receive Chase Publications? ☐ Yes ☐ No | Social Security No Of Joint Tenant

Date of Birth | Place of Birth | Date of Birth | Place of Birth

Citizen or Subject Of | Income Range | Citizen or Subject of | Income Range

Affiliated or Related Accounts | Parent Account Number

In This Account In the Same Area As The Parent Account? | Yes Code 1 | No Code 2

How Was The Account Obtained? (As It Is To Appear In Bulletin)

Type (s) and Number (s) Of Other Bank Account (s) | Investigate? ☐ Yes ☐ No

Name (s) and Number (s) Of Former Bank Account (s) | Investigate? ☐ Yes ☐ No

Other References (Specify) | Investigate? ☐ Yes ☐ No

Checks: ☐ Issued ☐ Withhold Pending | ☐ Investigation ☐ Receipt Of Signature Cards ☐ Receipt Of Papers | ☐ Print ☐ No Charge ☐ Charge | ☐ Mail ☐ Will Call For ☐ Deliver

Description Of Initial Deposit (Cash Check Proceeds Of Loans, Transfers, Etc.) | Initial Deposit $

SENATE MAH 011498

Statement Date (s) 02 | Special Classification J | Geographic 296 | Type C.

☐ SC ☐ SCW ☐ SP ☐ NS ☐ CA ☐ REL ☐ FOREIGN | Account Assigned To Mon Te: Mahonia

Special Instructions and Remarks (Include referral instructions if any)

FOIA Confidential Treatment Requested by JPMC

Bank Representative

Due Number (H O Will Insert) 6253794655

NB 8 Rev 2-85 Chase

CHASE

Account Documentation Cover Memo

To: Domestic Account Services
Account Documentation Section

Date: 3/6/96

Account Title	Account Number	Organization Code
MAHONIA LTD #2	949-2-603432	CB1

Enclosed are the following documents relative to the captioned account:

- ACCOUNT DOC'S
- CORPORATE RESOLUTION
- SIGNATURE CARD

(ATTACHED DOCUMENTS FROM A/C #910-2-601753) ARE TO BE USED TO OPEN #910-2-603432.

The above documentation has been reviewed by us and determined acceptable. Brian M Tuttle
Relationship Manager

Approvals:	
Non-Chase Forms	Facsimile Signature Protection Waived
Team Leader: Brian Tuttle	Component Executive

TRANS 740 REV. 8-92

COVER MEMO

SENATE
MAH 011499

FOIA Confidential
Treatment Requested by JPMC

MAHONIA LIMITED

Mourant & Co.

Standard Signatory List

PO Box 87, 18 Grenville Street, St Helier,
Jersey, JE4 8PX, Channel Islands

Telephone (0534) 74343 Telex 4192064 Facsimile (0534) 79064
(0534) 36844

REVIEWED
BRIAN M. TEITELBAUM
3/6/93

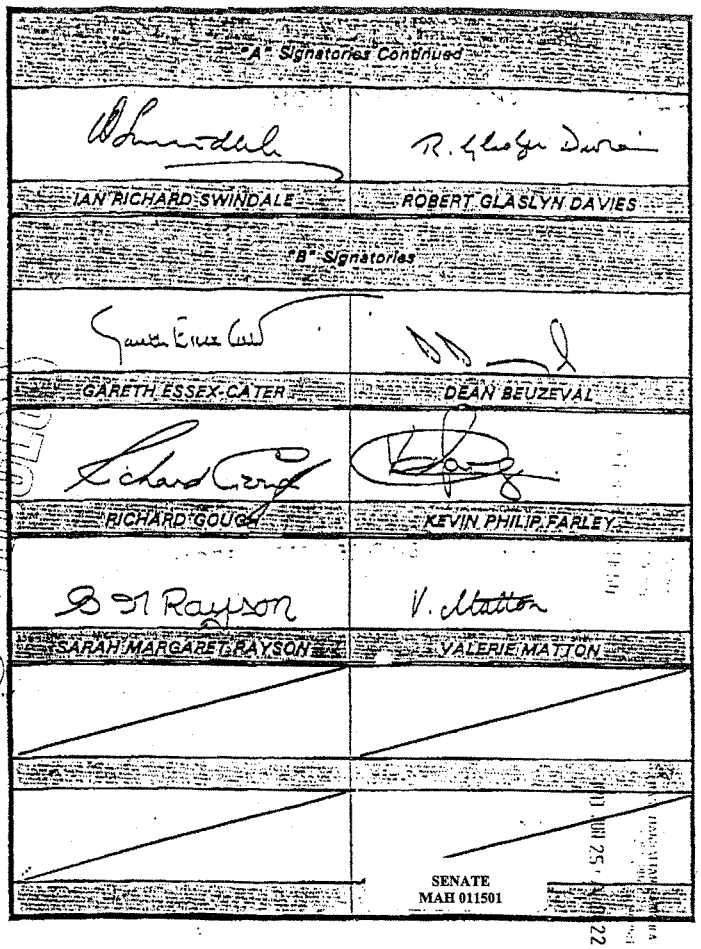
DAVID OSWALD MOON	PETER DE CARTERET MOURANT
KEITH SHERWOOD BAKER	RICHARD FRANCIS VALPY JEUNE
CONRAD EDWIN COUTANCHE	IAN COLIN JAMES
ALAN RICHARD BINNINGTON	JAMES DAVID PHILIPPE CRILL
TIMOTHY JOSEPH HERBERT	JACQUELINE ANNE RICHOMME
DAVID JAMES HOLL	MICHAEL BETTISON

January 1992 "A" Signatories

USE OF SIGNATORY LIST

SENATE
MAH 011500

For all payments, deliveries of scrip and any commitments - two signatories from this list are



"A" Signatories Continued

IAN RICHARD SWINDALE — ROBERT GLASLYN DAVIES

"B" Signatories

GARETH ESSEX-CATER — DEAN BEUZEVAL

RICHARD GOUGH — KEVIN PHILIP FARLEY

SARAH MARGARET RAYSON — VALERIE MATTON

SENATE
MAH 011501

January 1992

REVIEWED AND APPROVED BY:

BRIAN M. TEFFELMAN

USE OF SIGNATORY LIST

For all payments, deliveries of scrip and any commitments - two signatories from this list are required provided that at least one is an "A" Signatory.

M E M O R A N D U M

DATE: March 6, 1996

TO: Pearlene Robinson Acct. Documentation 4 CMC/6

FROM: Brian M. Teitelbaum GPTS Customer Service
4 CMC/20

RE: Mahonia Ltd. # 2 Acct. # 949-2-603932

CC: Seth A. Brener

Please find attached a Corporate Resolution and Signatory List for Mahonia Ltd. # 2 Acct. # 949-2-601753. These documents are to be used to activate account # 949-2-603932-- Mahonia Ltd. # 2.

This account must be activated and opened today, March 6, 1996 in order to ensure account activity postings for March 7, 1996.

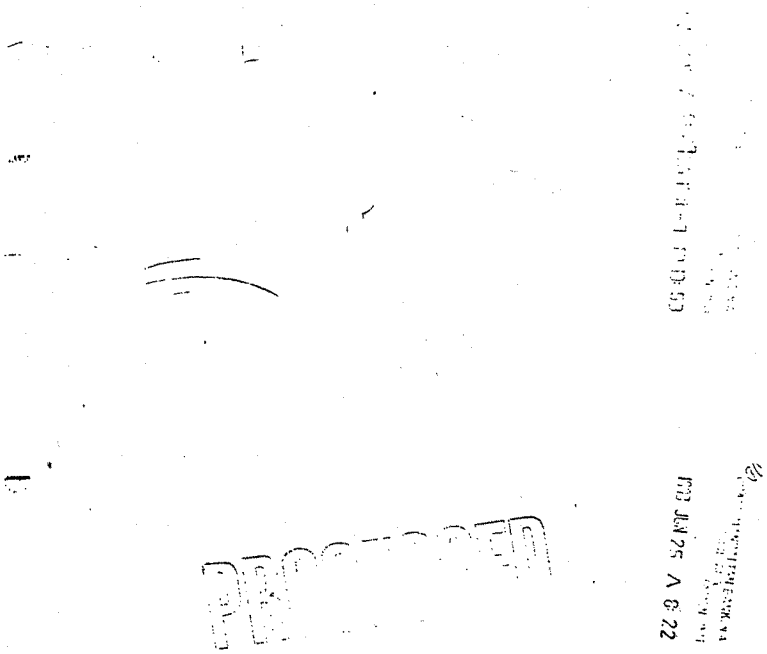
If there are any questions, please contact myself at CN 321-2663 or Seth A. Brener at CN 321-1439.

Thank you.

CHASE

CORPORATE RESOLUTIONS

of 999-2-60359132



CORPORATE RESOLUTIONS

I, as Secretary of MAHONIA LIMITED
a corporation duly organized and existing under the laws of the Bailiwick of JERSEY, CHANNEL ISLANDS, hereby cer. that the Board of Directors of said corporation duly adopted the following resolutions and that such resolutions are now in full for and effect:

"RESOLVED, that each subsidiary of The Chase Manhattan Corporation that accepts deposits (each being hereinafter referred to individually as the "Bank") be and hereby is designated as a depositary of this corporation and that the officers and agents of this corporation be and hereby are, and each of them hereby is, authorized to open accounts or otherwise to conduct business with the Bank and to deposit any of the funds of this corporation in the Bank either at its head office or at any of its branches. For purposes of these resolutions, subsidiary shall mean any corporation of which more than 50% of the shares having ordinary voting power are owned directly or indirectly by The Chase Manhattan Corporation.

RESOLVED, that, until the further order of this Board of Directors, any funds of this corporation deposited in the Bank be subject to withdrawal, transfer or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (whether written or otherwise) for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given on behalf of this corporation by any one of the following: (SEE NOTE BELOW)

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

RESOLVED, that the Bank is hereby authorized to pay any such check, note, draft, bill of exchange, acceptance, undertaking, authorization, letter, or other instrument, order or item or execute any such instructions (whether written or otherwise) or effect any such withdrawal, transfer or charge and also to receive the same from the payee or any other holder without inquiry as to the circumstances of issue, withdrawal, transfer or charge or the disposition of the proceeds even if drawn to the individual order of or paid to any signing person, or payable to the Bank or others for his account, or tendered in payment of his individual obligation, and whether drawn against an account in the name of this corporation or in the name of any officer or agent of this corporation as such, and, at the option of the Bank, even if the account shall not be in credit to the full amount of such instrument, withdrawal, transfer or charge.

RESOLVED, that each of the following: (SEE NOTE BELOW)

ANY TWO DIRECTORS OR THE SECRETARY ALONE IN ACCORDANCE WITH ITS MANDATE

is hereby authorized on behalf of this corporation to transact, and to delegate its respective authority to transact, any and all types of business with or through the Bank including but not limited to the authority to:

1. Borrow money and obtain credit for this corporation from the Bank on any terms and to make and deliver notes, drafts, acceptances, instruments of guaranty, agreements and any other obligations of this corporation therefor, including but not limited to applications for letters of credit, in form satisfactory to the Bank.

2. Grant security interests in and/or pledge or assign and deliver, as security for money borrowed or credit obtained, stocks, bonds, instruments, bills receivable, accounts, mortgages, merchandise, bills-of-lading, warehouse receipts and other documents, insurance policies, certificates, and any other property now or hereafter held or belonging to this corporation, with full authority to indorse, assign or guarantee any of the same in the name of this corporation.

3. Discount any bills receivable or any paper held by this corporation with full authority to indorse the same in the name of this corporation.

NOTE: Insert in the spaces above the titles only (not the names) of officers who are authorized and the names only of six authorized persons, as for example: "President, Vice President, Treasurer, John Doe, William Roe". Also indicate also in what manner they are to sign, i.e., any one, any two, jointly, etc., and any special combination of signers, as example: "one of whom shall be an officer".

4. Withdraw from the Bank and give receipt for, or authorize the Bank to deliver to bearer or to one or more designated persons, any or all documents and securities or other property held by it, whether held as collateral security or for safekeeping or for any other purpose.

5. Authorize and request the Bank to purchase or sell for account of this corporation stocks, bonds and other securities.

6. Enter into contracts with the Bank on behalf of this corporation for the purchase and/or sale of foreign exchange, either spot or forward, execute and deliver guaranties, indemnities, pledges, and other agreements relating thereto, and give any and all instructions (whether written or otherwise) to charge accounts of this corporation with the Bank in connection therewith.

7. Execute and deliver all security and other agreements, financing statements and other papers required by the Bank in connection with any of the foregoing matters and affix thereto the seal of this corporation.

8. Enter into other agreements with the Bank with respect to products or services, including but not limited to funds transfer products and securities custody services, from time to time made available by the Bank to this corporation, to effect any and all transactions, transfers or other actions contemplated by such agreement and to execute and deliver guaranties, indemnities, pledges and other agreements relating thereto, (including but not limited to agreements regarding authentication of instructions (whether written or otherwise) delivered to the Bank), all in such form as may be approved by any of the officers or other authorized persons, such approval to be evidenced by the execution of any such agreement, guaranty, indemnity or pledge.

9. Give any and all instructions (whether written or otherwise) to charge or credit accounts of this corporation with the Bank in connection with any of the foregoing.

Nothing herein contained shall limit this corporation, through its officers, employees or other authorized representatives, from entering into agreements otherwise authorized or from assenting through such officers, employees or other authorized representatives to the terms and conditions upon which the Bank offers its products and services to its customers.

RESOLVED, that the Bank, as designated depositary of this corporation, be and hereby is requested, authorized and directed to honor all checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions for the payment or transfer of money when made, signed, drawn, accepted, indorsed or given in this corporation's name on its account(s) (including but not limited to those drawn to the individual order of or paid to any person or persons whose name or names appear thereon as signer or signers thereof or who deliver such written instructions) when bearing or purporting to bear the facsimile signature(s) of any ANY (NUMBER) of the following:

NAME	TITLE

and the Bank shall be entitled to honor and to charge this corporation for all such checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or written instructions regarding the payment or transfer of money, regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Bank by the Secretary or other officer of this corporation.

RESOLVED, that the Secretary or any other officer of this corporation be and hereby is authorized to certify to the Bank the names of the present officers of this corporation and other persons authorized to sign for it (including but not limited to persons to whom such officers or authorized persons have delegated their authority) and the offices respectively held by them, if any, together with specimens of their signatures, and in case of any change of authorized

persons or of any holder of any such office or holders of any such offices, the fact of such change and the names of any new officers and the offices respectively held by them, if any, together with specimens of their signatures; and the Bank be and hereby is authorized to honor any checks, notes, drafts, bills of exchange, acceptances, undertakings, authorizations, letters, or other instruments, orders, items or instructions (written or otherwise) or agreements or other documents signed by any new officer or officers in respect of whom it has received any such certificate or certificates or by any such person with the same force and effect as if said officer or said officers or person were named in the foregoing resolutions.

RESOLVED, that the authority given hereunder shall be deemed retroactive and any and all acts hereunder performed prior to the passage of these resolutions are hereby ratified and approved.

RESOLVED, that the Bank be promptly notified in writing by the Secretary or any other officer of this corporation of any change in these resolutions, such notice to be given to each office of the Bank in which any account of this corporation may be maintained or from which any product or service affected by such change is provided to this corporation, and that until it has actually received such notice in writing it is authorized to act in pursuance of these resolutions, and that until it has actually so received such notice and has had a reasonable opportunity to act upon such notice it shall be indemnified and saved harmless from any loss suffered or liability incurred by it in continuing to act in pursuance of these resolutions, even though these resolutions may have been changed.

I FURTHER CERTIFY that there is no provision in the Charter or By-Laws of this corporation limiting the power of the Board of Directors to pass the foregoing resolutions, and that the same are in conformity with the provisions of said Charter and By-Laws.

I FURTHER CERTIFY that the present officers of this corporation and the offices respectively held by them are as follows.:

NAME		TITLE
RICHARD FRANCIS VALPY JEUNE	AS	DIRECTOR
IAN COLIN JAMES	AS	DIRECTOR
ROUSAUT & CO. SECRETARIES LIMITED	AS	COMPANY SECRETARY
	AS	

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of this corporation and affixed the corporate seal this 22 ND day of JUNE 1993

As Secretary of Said Corporation
ROUSAUT & CO. SECRETARIES LIMITED

Other Officer DIRECTOR

Title

(CORPORATE SEAL)

*NOTE: In case the Secretary or other recording officer is authorized to sign checks, notes, agreements, etc., or otherwise deliver instructions regarding the payment or transfer of funds by the above resolution, this certificate must also be signed by a second officer of the corporation.

In case the facsimile signature of or instructions from the Secretary or other certifying officer is authorized by the above resolutions, this certificate must also be signed by a second officer of the corporation.

Business Account Account No. ▶ 949-2-601753

Account Title: MAHONIA LIMITED | Tax Identification #

Business Type: ☐ Corporation ☐ Partnership ☐ Sole Proprietorship ☐ Municipality ☐ Estate ☐ Other

Account Type: ☐ Checking ☐ Savings ☐ Money Market Account ☐ Now Checking ☐ Money Market Checking ☐ Other

Instructions: Fill in the number of signatures required and N/A out spaces not used. If two or more signatures are required on check, draft, note or other item, special instructions must be given in writing to the Chase Manhattan Bank, N.A.

Card Number | No. of Sigs. Req. On Checks | Req. For Loans/Notes

Name	Title	Specimen Signature
IAN COLIN JAMES	DIRECTOR	
MOURANT & CO. SECRETARIES LIMITED	COMPANY SECRETARY	SEE ATTACHED SIGNATURE LIST

The Customer hereby certifies that the Bank has been designated as a depositary of the Customer and that the above signatures are those of the persons authorized to sign on behalf of the Customer and to deliver instructions and transact any and all business with the Bank on its behalf. The Customer acknowledges receipt of the Account Conditions and Rules and Regulations applicable to the account and hereby agrees that all instructions and transactions shall be covered by such Account Conditions and Rules and Regulations in effect from time to time.

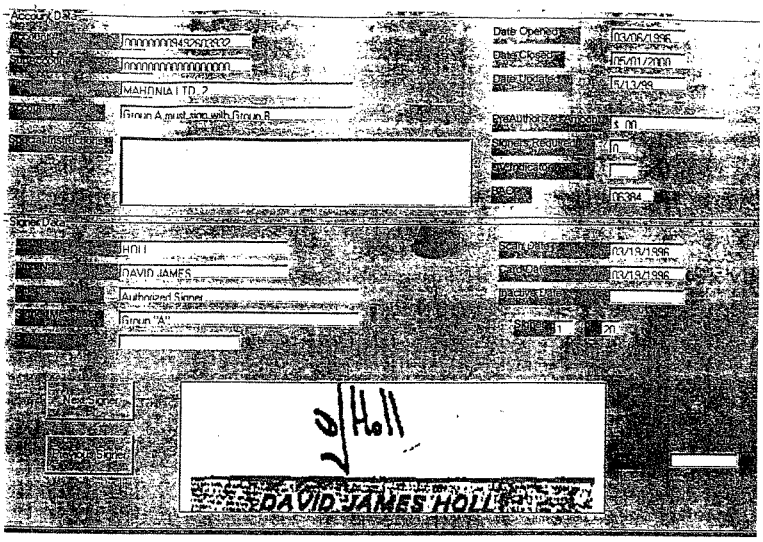
Under the penalties of perjury, we certify (1) that the number shown on this form is our correct taxpayer identification number and (2) that we are not subject to backup withholding either because we have not been notified that we are subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified us that we are no longer subject to backup withholding. (If you are subject to backup withholding, cross out the words that state you are not. See separate instruction sheet for details.)

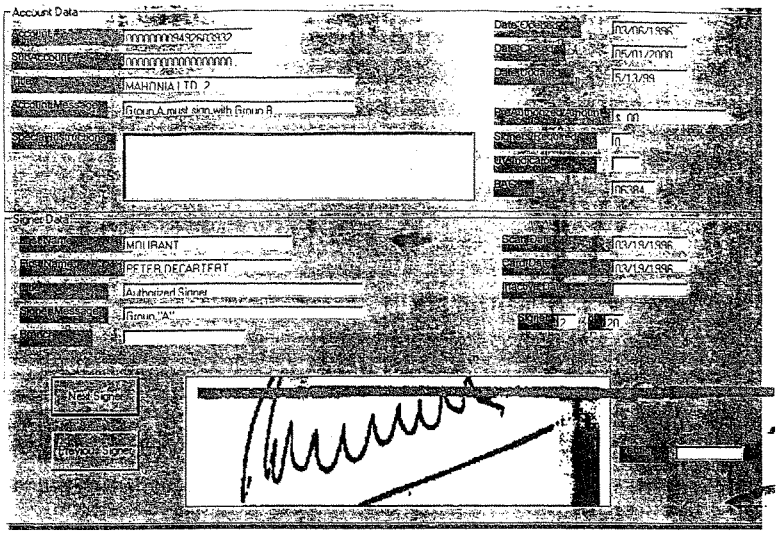
This account is not transferable except on the books of The Chase Manhattan Bank, N.A.

Date | Signature - Signature Guaranteed

OK RDO

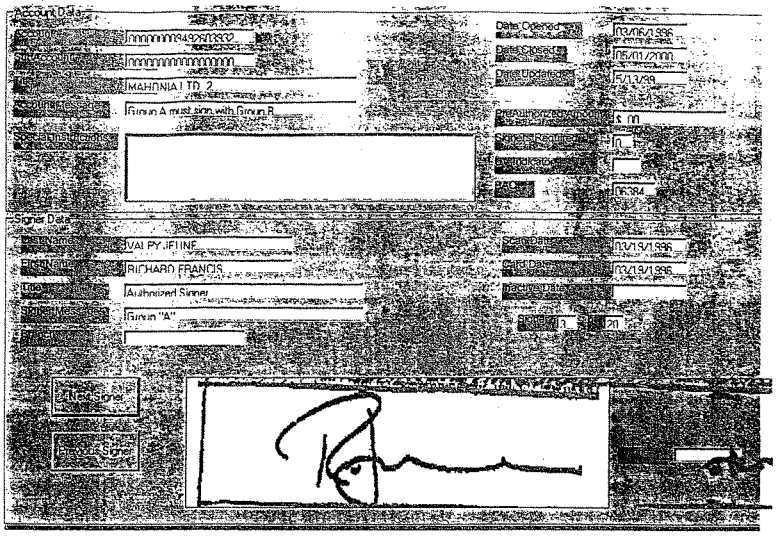
REVIEWED AND APPROVED BY:
Brian M Teitelbaum
BRIAN M. TEITELBAUM
3/6/95


Account ID
MAHONIA LTD 2
Group A must sing with Group B
Date Opened
03/08/1996
Date Closed
05/01/2000
Date Updated
5/13/99
Signers Required
1
Authorized Signers
2
PB Office
06384
HOLT
DAVID JAMES
Authorized Signer
Group "A"
03/18/1996
03/18/1996
Status
1
20
DAVID JAMES HOLT



SENATE
MAH 011509

FOIA Confidential
Treatment Requested by JPMC



SENATE
MAH 011510

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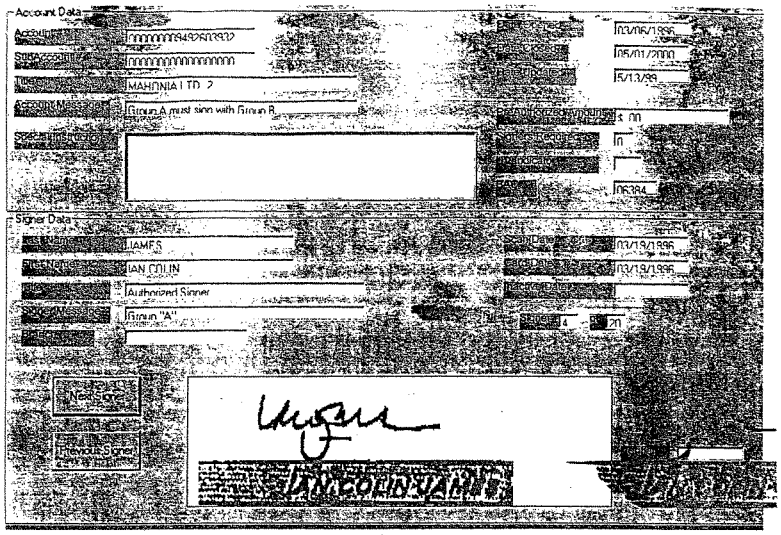

SENATE
MAH 011511

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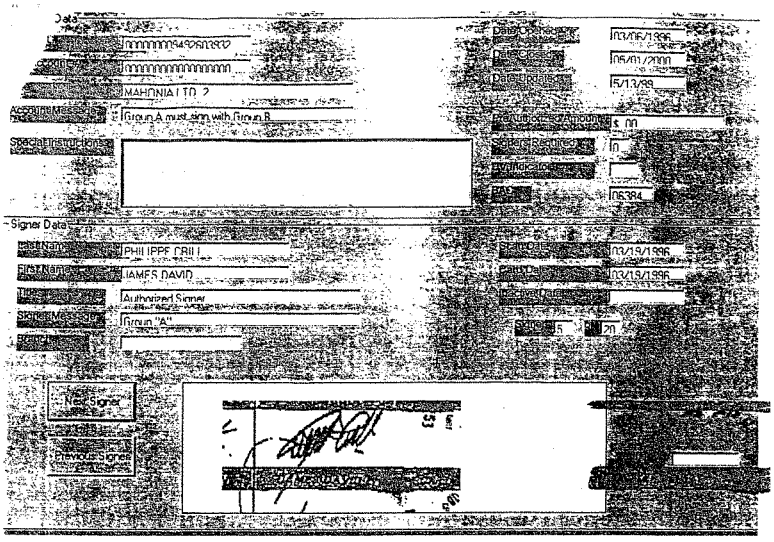
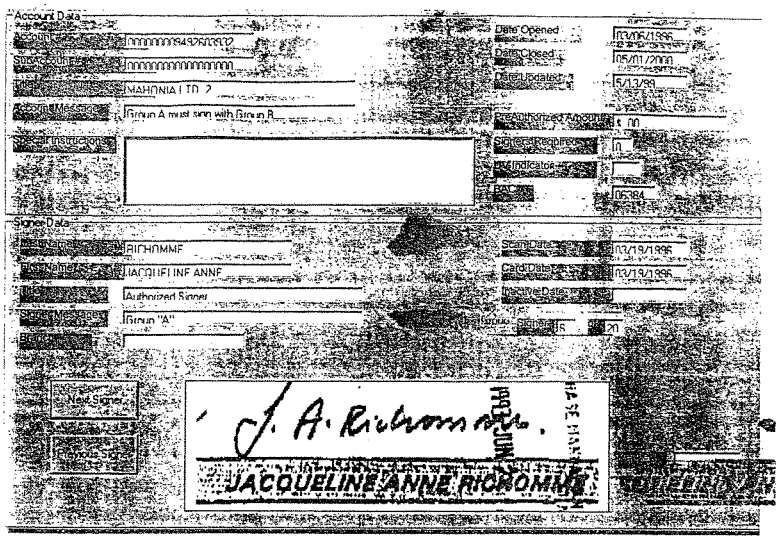
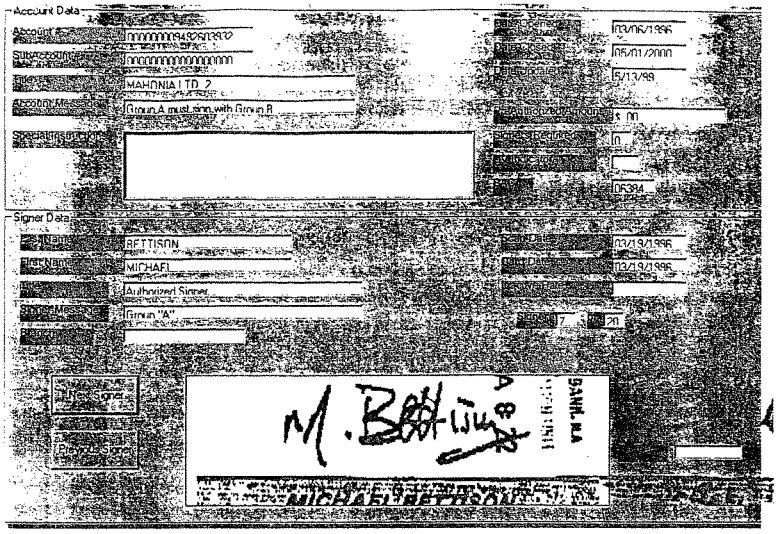
Treatment Requested by JPMC

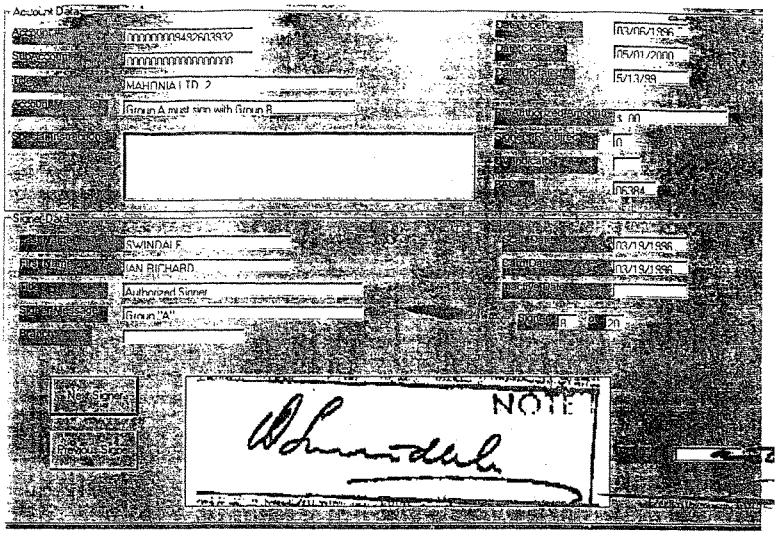


SENATE
MAH 011512

FOIA Confidential
Treatment Requested by JPMC


Account Data
Date Opened
Date Closed
Date Updated
MAHONIA LTD 2
Group A must sign with Group B
Special Instructions
Signer Data
RICHOMME
JACQUELINE ANNE
Authorized Signer
Group "A"
Next Signer
JACQUELINE ANNE RICHOMME





SENATE
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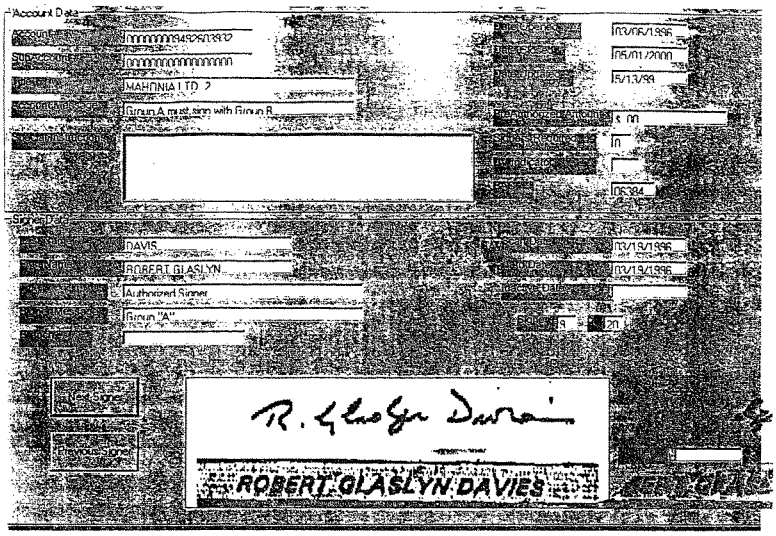
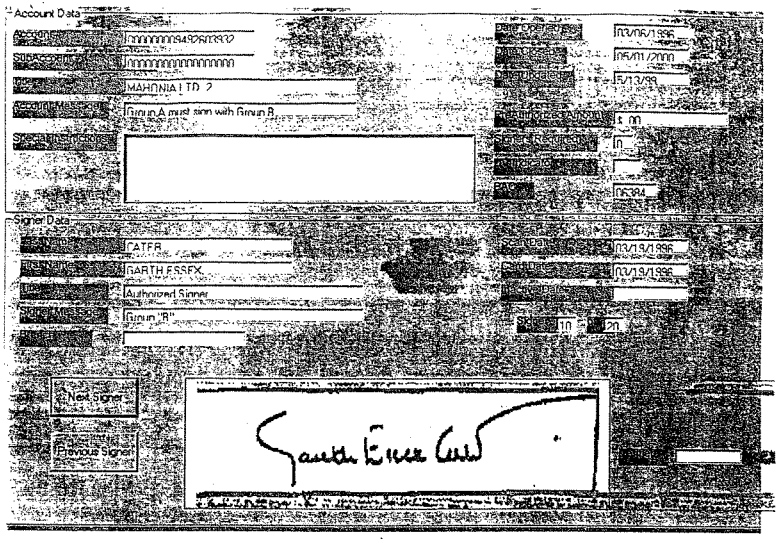
Treatment Requested by JPMC





SENATE
MAH 011517

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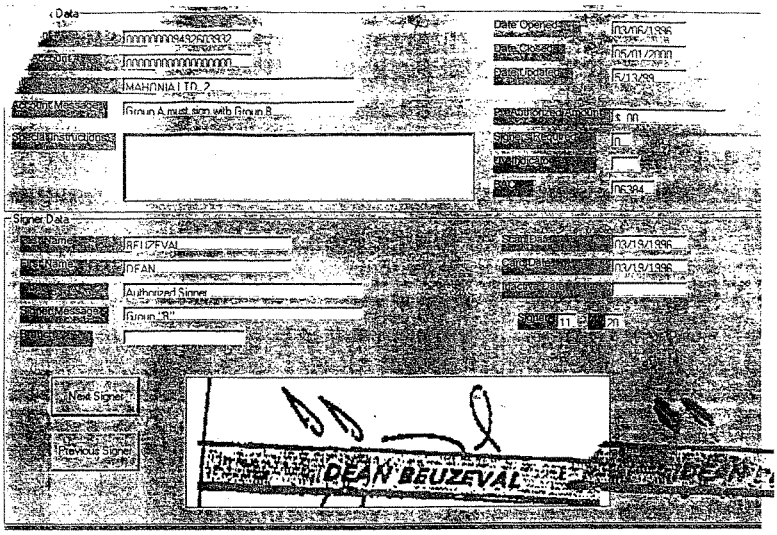
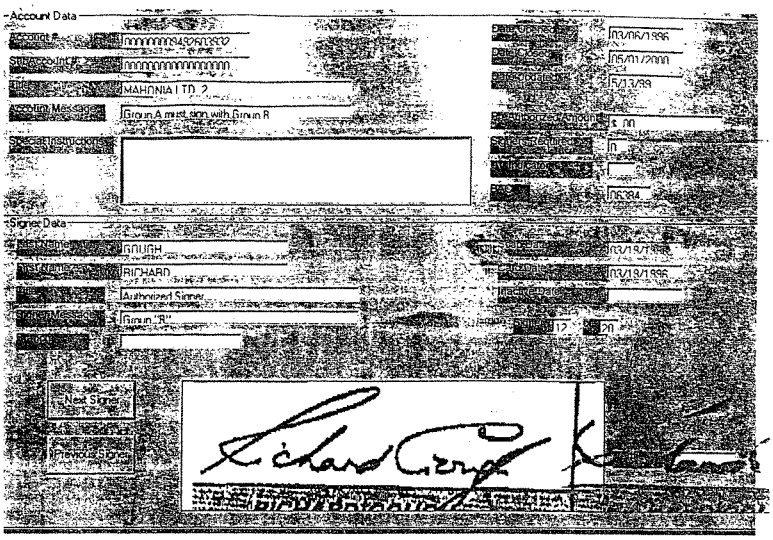
Treatment Requested by JPMC

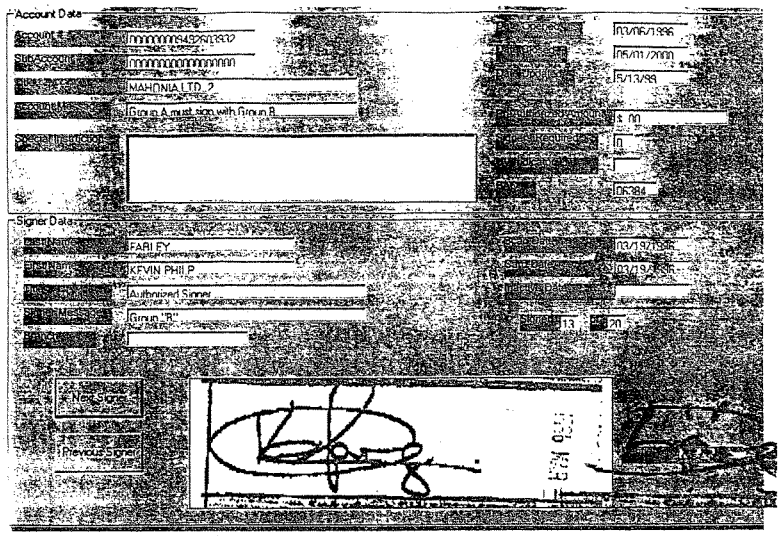


SENATE
MAH 011518

FOIA Confidential
Treatment Requested by JPMC



SENATE
MAH 011519



SENATE
MAH 011520

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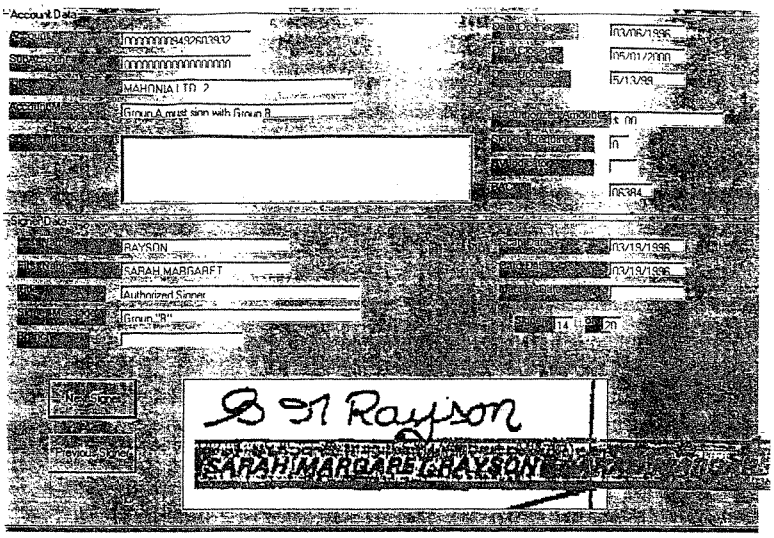
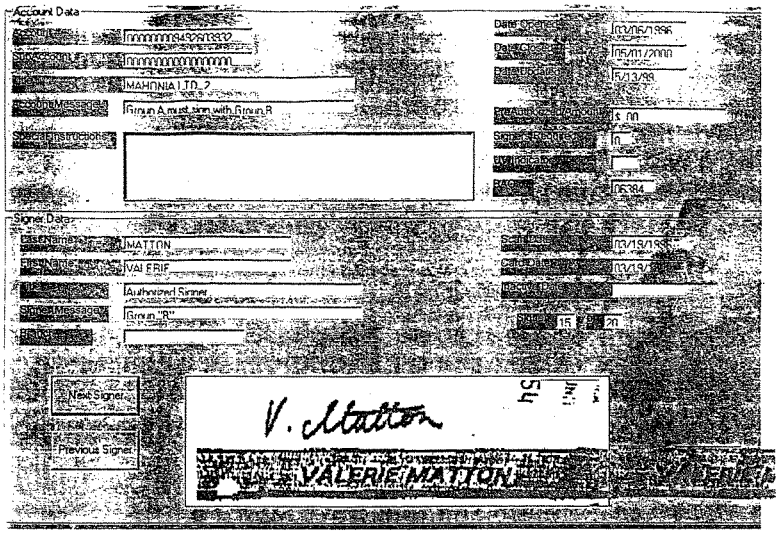
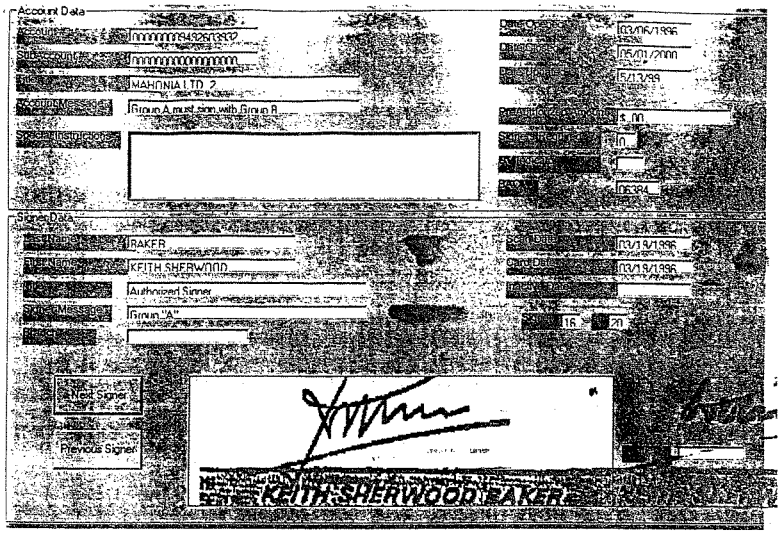
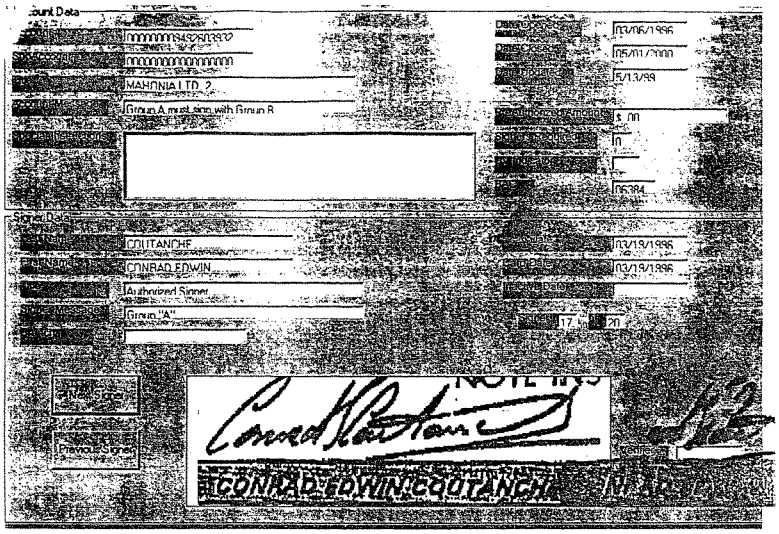
Treatment Requested by JPMC



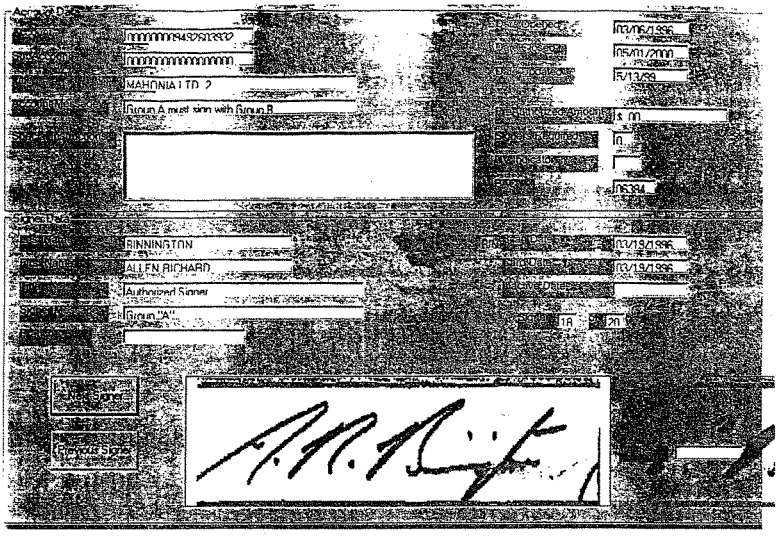


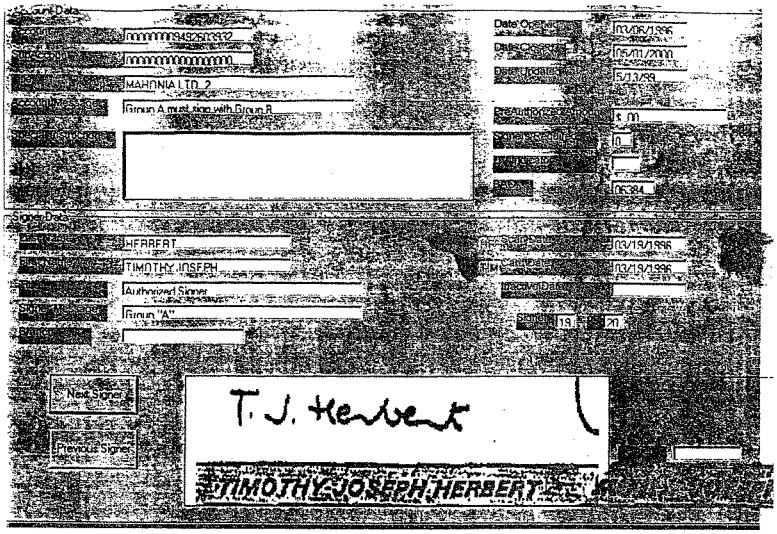


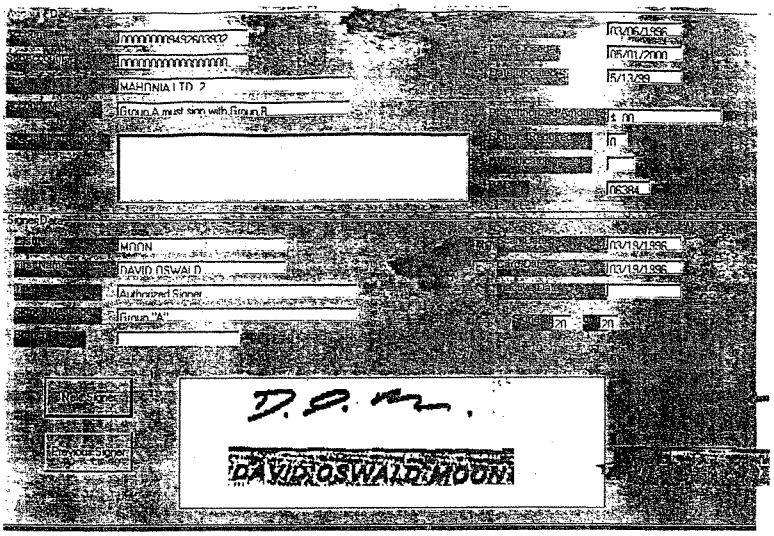


SENATE
MAH 011524

FOIA Confidential
Treatment Requested by JPMC







SENATE
MAH 011527

FOIA Confidential
Treatment Requested by JPMC

The Chase Manhattan Bank

CHASE

CERTIFICATE REGARDING ACCOUNT(S)

(SPECIAL ENTITIES)

CUSTOMER NAME: MAHONIA II LIMITED (the "Customer")

This Certificate Regarding Account(s) is provided to The Chase Manhattan Bank and its subsidiaries and affiliates (each being hereinafter referred to as "Bank") with respect to the following account(s) (collectively called the "Account(s)") listed below:

Account Number	Account Name
935533658	MAHONIA II LIMITED

1. Certification. The undersigned, as _____ (Indicate capacity in which the undersigned signs this certificate)

of the Customer (the "Certifying Officer"), certifies that the governing body (the "Governing Body") of the Customer is THE BOARD OF DIRECTORS (Name of Customer's governing body, e.g., Board of Directors)

and resolutions authorizing the agreements and other matters contained in this certificate have been duly adopted by the Governing Body of the Customer, as required by the charter and other organizational documents of the Customer, and are recorded in the minute books of the Customer, and have not been rescinded, modified or amended, or if the Governing Body which the Certifying Officer has the authority to make the agreements and certifications contained in this certificate.

2. Bank as Depositary. The Bank has been selected as a depositary for the funds of the Customer. The Bank may obtain information from any source, including credit investigations, as it deems appropriate. Opening any Accounts will constitute the Customer's agreement to the Bank's Terms and Conditions for Business Accounts and Services (as they may be amended from time to time) and to each of the provisions reflected in this certificate.

3. Authorized Persons. The Bank may allow funds to be withdrawn from any Account on the check, draft, or other order of payment bearing the Account number(s) (and any withdrawals thereby created will be the indebtedness of the Customer) when signed by (SPECIFY NUMBER IF SIGNATURES ARE REQUIRED) A of the following persons ("Authorized Persons"):

PLEASE TYPE OR PRINT CLEARLY BELOW THE NAMES OF THE AUTHORIZED PERSONS

NAME	FACSIMILE (type YES if applicable)	SPECIAL INSTRUCTIONS, IF ANY
IAN COLIN MARKS	YES	SOLE
RICHARD FRANCIS VALPY BURKE	YES	SOLE
MOURANT & CO SECRETARIES LIMITED	YES	SOLE

SENATE
MAH 011528

Page 1 of:

NOV. -29. 99 (MON) 17:44 P. 002

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Authorized Person(s") are hereby authorized to sign, by hand ... or facsimile (including, but not limited to, computer generated) signature(s), checks, drafts, notes, acceptances and other instruments (hereinafter each collectively referred to as "Item(s)"). Notwithstanding the above, no Authorized Person is authorized singly to: (1) initiate Automated Clearing House ("ACH") debits without a signature; (2) initiate payments by use of Depository Transfer Checks ("DTC") without a signature other than the name of the Corporation printed on the DTC; or (3) give instructions, by means other than the signing of an Item, with respect to any deposit transaction, including, but not limited to, the payment, transfer or withdrawal of funds by wire, computer or other electronic means, or otherwise, as if money, credits, Items or property at any time held by the Bank for account of the Corporation ("Instructions").

Bank is hereby authorized to honor and pay Items, whether signed by hand or by facsimile (including, but not limited to, computer generated) signature(s) if the actual or purported facsimile signature(s), regardless of how or by whom affixed, resembles the specimens filed with Bank by Corporation. Bank is further authorized to honor and pay such Items, orders, DTCs, ACHs and Instructions, including such as may bring about or increase an overdraft and such as may be payable to or for the benefit of any Authorized Person or other Officer or employee individually, without inquiry as to the circumstances of the issue or the disposition of the proceeds thereof and without limit as to amount.

Bank is hereby authorized to accept for deposit, for credit, or for collection, or otherwise, Items endorsed by any person or by rubber or other impression in the name of Corporation without inquiry as to the circumstances of the endorsement or the lack of endorsement or the disposition of the proceeds

5. Changes in Authorized Persons.

ANY DIRECTOR (SPECIFY TITLE OR NAME OF INDIVIDUAL) may instruct the Bank to add or delete signatories to an Account by a written notice to the Bank ("Change Certificate"), certifying the name, title and signature of such additional signatory and setting forth any limitations on the authority of signatories.

6. Continued Effectiveness. This certificate will continue in full force and effect until the Bank actually receives written notice from the Customer revoking or modifying this certificate, and the Bank may conclusively presume that this certificate is in effect and that the persons identified from time to time as officers of the Customer by certificate of the Certifying Officer have been duly elected or appointed and continue to hold such offices.

Executed this 1ST day of DECEMBER 1995

Signature Verified by:

Customer Name: MARGANIA LIMITED

Signature:

Typed/Printed Name:

Title: DIRECTOR AND SECRETARY

SENATE
MAH 011529

Page 2 of

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MAHONIA II LIMITED

We, the Subscribers to the Memorandum of Association of the Company named above, in accordance with Article 99 of the Company's Articles of Association, hereby appoint the following as the First Directors of the Company:

Ian Colin James
Richard Francis Valpy Jeune

For and on behalf of
JURIS LIMITED

Signature Verified by:

For and on behalf of
LIVELY LIMITED

SUSAN LE CORNU

Dated this 24th day of November 1999

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Treatment Requested by JPMC

SENATE
MAH 011530

MAHONIA II LIMITED

CERTIFIED EXTRACT OF RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY

Banking Arrangements:

IT WAS RESOLVED to open a bank account styled "Mahonia II Limited" with The Chase Manhattan Bank (the "**Bank**") and that the Bank be appointed as bankers to the Company and that an account be opened with the Bank pursuant to the terms of the account opening form.

IT WAS FURTHER RESOLVED as follows:-

(a) to pass the resolutions set out in the account opening form and that such resolutions be deemed to form a part of these Minutes; and

(b) that the Company adopt the signing powers and authorities set out in the "Mourant & Co. Standard Signatory List", as shall be varied from time to time, to operate the Company's bank accounts on behalf of the Company, and a copy of the "Mourant & Co. Standard Signatory List" currently in force dated October 1999 initialled by the Chairman for identification, is attached to these Minutes; and

(c) that any Director and the Secretary be authorised to complete and sign the account opening form to give effect to these Resolutions.

Signatory List:

For the purposes of administering the affairs of the Company the signatory list referred to in the preceding paragraphs shall be the list of signatories known and referred to as the "Mourant & Co. Standard Signatory List", as shall be varied from time to time.'

I certify the above to be a true and correct copy of the Resolutions of the Directors passed on the day of 30th November, 1999

Signature Varified by:

Director

Dated: 30 November 1999

1

SENATE
MAH 011531

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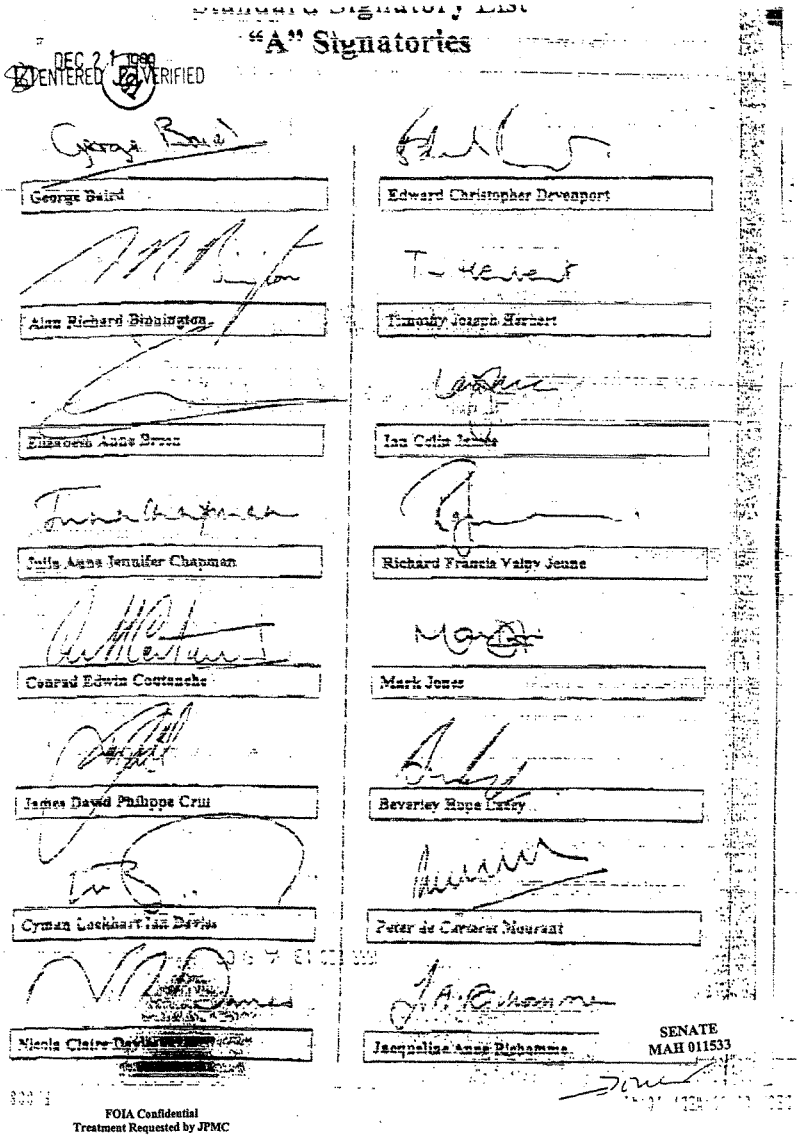
Mourant & Co.

Trust Company Services of
Mourant du Feu & Jeune, Advocates, Solicitors & Notaries Public

Standard Signatory List

Mourant & Co.
P.O. Box 87, 22 Grenville Street, St. Helier, Jersey, JE4 8PX, Channel Islands
Telephone: (01534) 609000 Facsimile: (01534) 609333
International Dialling: Telephone: +44-1534 609000 Facsimile: +44-1534 609333

SENATE
MAH 011532



"A" Signatories

DEC 21 1990
ENTERED VERIFIED

George Baird

Edward Christopher Devenport

Alan Richard Binnington

Timothy Joseph Herbert

Ellsworth Anne Green

Ian Colin [illegible]

Julia Anne Jennifer Chapman

Richard Francis Valpy Jeune

Conrad Edwin Courtauche

Mark Jones

James David Philippe Crii

Beverley Hope Lacey

Cyman Lockhart Ian Davis

Peter de Carteret Nourrat

Nicola Claire Da[illegible]

Jacqueline Anne Richamme

SENATE
MAH 011533

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DEC 21 2005
ENTERED VERIFIED

Mary Rose Scott (Moz)

Jonathan Paul Speck

Alastair John Richard Syvret

Standard Signatory List
"B" Signatories

Gareth Essex-Cater

Julie Hodge

Kevin Philip Farley

Susan Le Cornu

Richard Gough

Jean Lee

Susan Hanby

Alex Luxo

Julie Harris

Pam Medder

"B" Signatories Cont'd....

Michael Payne

Heidi Wilson

Sarah Margaret Rayson

Gary Edward Youngou

"C" Signatories

Not for checks

Julie Delvard

John Anthony Hughes

Adrian Gower

Kevin Monro

Helen Clare Grant

Use of Signatory List

For routine and internal transactions such as fixing deposits, and transfers between accounts in the same name or designation and not involving payment away to third parties: - *any one A or B signatory;*

For all other payments, deliveries of scrip and any commitments, signatories required are:-

For amounts up to:	*£200*	*any one signatory;*
(or equivalent currency)	*£1,000*	*any one A or B signatory;*
	£20,000	*any two A or B signatories;*
For amounts exceeding:	*£20,000*	*any one A or B signatory;*
(or equivalent currency)	-	*PLUS one A signatory.*

SENATE
MAH 011535

April 1999

Chase
Treasury Solutions

☑ CORPORATE ☐ INTERNATIONAL ☐ BLOCKED

CORPORATE ACCOUNT SETUP FORM

☐ New Chase Relationship ☑ Existing Relationship/New Legal Entity ☐ Existing Legal Entity

ACCOUNT MAINTENANCE/BANK STATEMENT INFORMATION

Account #: 323874541 Starter Kit: ☐ Yes ☑ No

Account title: (35 Character maximum)	Customer Contact:	Phone:	Tax ID:	Open Date:
MAHONIA II LIMITED			999999999	1 Dec 1999

C/O or Attention:	Customer Legal Name:
Daniel Lennon	Mahonia II Limited

Address:	City:	State/Country	ZIP:
140 East 45th Street	New York	NY	

Immediate Parent Name/Account/CAS ID Number:	Ultimate Parent Name/ Account / CAS ID Number:
Mahonia Limited/0047498008	Mahonia Limited/0047498008

PORTFOLIO MANAGEMENT/CODES

CAS ID: 0075587308	UCN: 003592755000	GCR: 5Y668101	BAC: 6681	RBAC: 6681	OFF CODE: 001
Completed by PMA	Completed by PMA	Completed by PMA	Completed by GCD	Completed by PMA	Completed by Risk Manager

SIC CODE: INDUSTRY: SECURITIES BRCK

CSO SERVICE ASSISTANT # 880002 ✓

Reviewed by: PMA Joyce Slater CSS

CAA BILLING INFORMATION

Is this the MAIN? ☐ YES ☑ NO *Enter Main Acct #:* 949-2-603932

Alternate CAA address:	City:	State:	ZIP:

OVERDRAFT COMPENSATION / SERVICE PLAN

*Service plan: CPODNA	Overdraft Charges	Overdraft rate:
Same As account # 949-2-603932	☐ Direct Dr. or ☑ CAA	☑ Prime +2 **Exception OD:

** Refer to Overdraft Service Plan Matrix.* *** If other than prime + 2, requires Product Management approval.*

New Right of Offset (ROO) Group? ☐ YES ☑ NO	Link to ROO Group?. ☐ YES ☐ NO	Group #
IF YES, DOCUMENTATION MUST BE ATTACHED		

BANK STATEMENT PROCESSING

Additional bank statement address? ☐ YES ☑ NO C/O or Attention:

Debit Credit Advice's: ☐ Yes(Default) ☐ Suppress
(paper advice included in the DDA Paper Statement Mailing)

Statement Cycle: ☐ Daily ☐ Weekly (Specify Day) ☑ Monthly (Default) ☐ Other
Statement Suppression: ☐ Statements Only* ☐ Check Truncation Only** ☐ Both Agreement Sent: ☐ Yes ☐ No
Statement Plus (Diskette): ☐ Yes ☐ No

*Statement Suppression agreement required. **Check Truncation agreement required.

SENATE
MAH 011536

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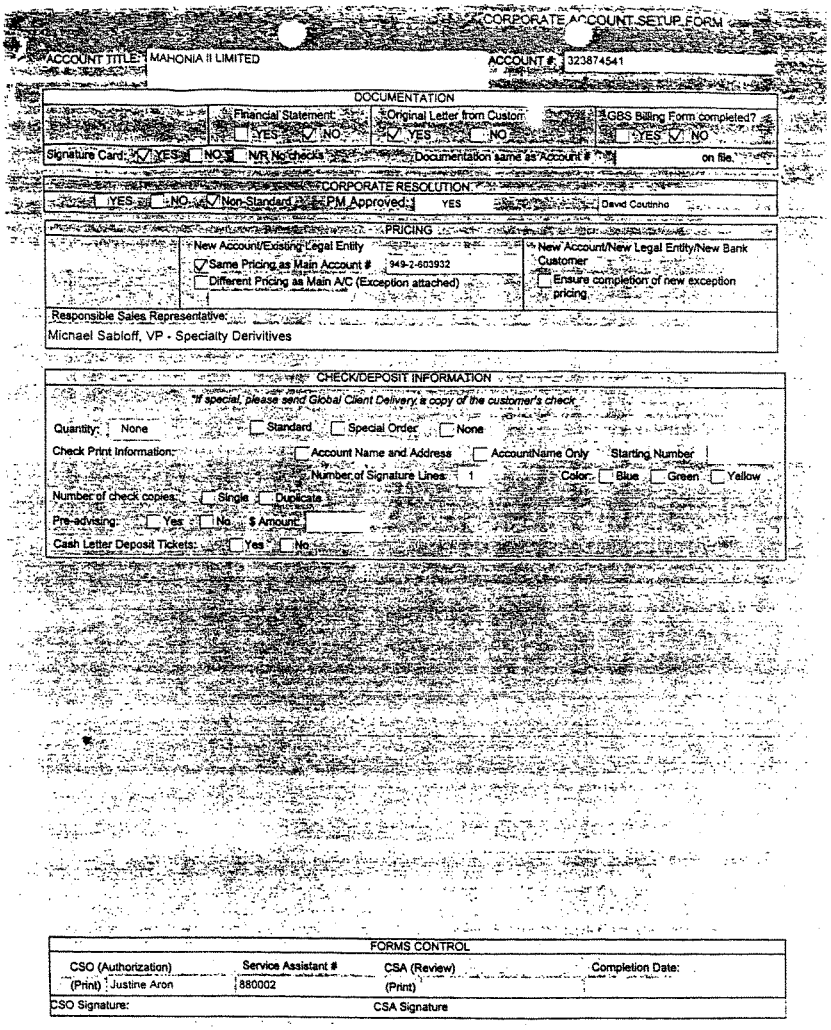

CORPORATE ACCOUNT SETUP FORM

ACCOUNT TITLE: MAHONIA II LIMITED

ACCOUNT #: 323874541

DOCUMENTATION

	Financial Statement:	Original Letter from Custon:	GBS Billing Form completed?
	☐ YES ☑ NO	☑ YES ☐ NO	☐ YES ☑ NO

Signature Card: ☑ YES ☐ NO ☐ N/R No checks Documentation same as Account # on file.

CORPORATE RESOLUTION

☐ YES ☐ NO ☑ Non-Standard PM Approved: YES David Coutinho

PRICING

New Account/Existing Legal Entity	New Account/New Legal Entity/New Bank Customer
☑ Same Pricing as Main Account # 949-2-603932	☐ Ensure completion of new exception pricing
☐ Different Pricing as Main A/C (Exception attached)	

Responsible Sales Representative:

Michael Sabloff, VP - Specialty Derivitives

CHECK/DEPOSIT INFORMATION

"If special, please send Global Client Delivery a copy of the customer's check"

Quantity: None ☐ Standard ☐ Special Order ☐ None

Check Print Information: ☐ Account Name and Address ☐ Account Name Only Starting Number

Number of Signature Lines: 1 Color: ☐ Blue ☐ Green ☐ Yellow

Number of check copies: ☐ Single ☐ Duplicate

Pre-advising: ☐ Yes ☐ No $ Amount:

Cash Letter Deposit Tickets: ☐ Yes ☐ No

FORMS CONTROL

CSO (Authorization)	Service Assistant #	CSA (Review)	Completion Date:
(Print) Justine Aron	880002	(Print)	
CSO Signature:		CSA Signature	

SENATE
MAH 011537

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RUSH

Child Job number: [redacted]33972

Job number:	23252
Region:	New York
Account Number:	323874541
Account Name:	MAHONIA II LIMITED
Tier:	GOLD
Relationship Manager:	Justine Aron
TMO:	Justine Aron
Client Service Officer:	Justine Aron
Client Delivery Agent:	Kina Battle
Job in Operations**:	01-DEC-1999 02:58 PM

Service: [redacted]DDACORP — Account Opening Corporate

Implementation Type:	New
Quantity of Service:	1
# of Accounts:	1

Comments from CSO:

Return Request to Delivery

Post Comment

Assigned By:
Walkes, Vesta

Assigned To:
Patanf, Jash
Thomas, Yvonne CC

Requires QA/QC Step:
No

Forms for this product:
New Account

Finish Your Assignment(**):
close

MAHONIA II LIMITED

CERTIFIED EXTRACT OF RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY

Banking Arrangements:

IT WAS RESOLVED to open a bank account styled "Mahonia II Limited" with The Chase Manhattan Bank (the "Bank") and that the Bank be appointed as bankers to the Company and that an account be opened with the Bank pursuant to the terms of the account opening form.

IT WAS FURTHER RESOLVED as follows:-

(a) to pass the resolutions set out in the account opening form and that such resolutions be deemed to form a part of these Minutes; and

(b) that the Company adopt the signing powers and authorities set out in the "Mourant & Co. Standard Signatory List", as shall be varied from time to time, to operate the Company's bank accounts on behalf of the Company, and a copy of the "Mourant & Co. Standard Signatory List" currently in force dated October 1999 initialled by the Chairman for identification, is attached to these Minutes; and

(c) that any Director and the Secretary be authorised to complete and sign the account opening form to give effect to these Resolutions.

Signatory List:

For the purposes of administering the affairs of the Company the signatory list referred to in the preceding paragraphs shall be the list of signatories known and referred to as the "Mourant & Co. Standard Signatory List", as shall be varied from time to time."

I certify the above to be a true and correct copy of the Resolutions of the Directors passed on the day of 30th November, 1999

Signature Verified by:

Director

Dated: 30 November 1999

SENATE
MAH 011539

FOIA Confidential
Treatment Requested by JPMC

MAHONIA II LIMITED

We, the Subscribers to the Memorandum of Association of the Company named above, in accordance with Article 99 of the Company's Articles of Association, hereby appoint the following as the First Directors of the Company:

Ian Colin James
Richard Francis Valpy Jeune

For and on behalf of
JURIS LIMITED

Signature Verified by:

For and on behalf of
LIVELY LIMITED

SUSAN LE CORNU

Dated this 24th day of November 1999

1st Chase Manhattan Bank

CHASE

CERTIFICATE REGARDING ACCOUNT(S)

(SPECIAL ENTITIES)

CUSTOMER NAME: MAHONIA II LIMITED (the "Customer")

This Certificate Regarding Account(s) is provided to The Chase Manhattan Bank and its subsidiaries and affiliates (each being hereinafter referred to as "Bank") with respect to the following account(s) (collectively called the "Account(s)") listed below:

Account Number	Account Name
[redacted]	MAHONIA II LIMITED

1. Certification. The undersigned, as _____ (insert capacity in which the undersigned signs this certificate)

of the Customer (the "Certifying Officer"), certifies that the governing body (the "Governing Body") of the customer is

THE BOARD OF DIRECTORS

(Name of Customer's governing body, e.g., Board of Directors)

and resolutions authorizing the agreements and other matters contained in this certificate have been duly adopted by the Governing Body of the Customer, as required by the charter and other organizational documents of the Customer, and are recorded in the minute books of the Customer, and have not been rescinded, modified or amended, or if the Governing Body exists, the Certifying Officer has the authority to sign the agreements and certifications contained in this certificate.

2. Bank as Depositary. The Bank has been selected as a depositary for the funds of the Customer. The Bank may obtain information from any bank, depending credit investigations, as it deems appropriate. Opening any Account will authorize the Customer's agreement to the Bank's Terms and Conditions for Business Accounts and Services (as they may be amended from time to time) and to each of the provisions in this certificate.

3. Authorized Persons. The Bank may allow funds to be withdrawn from any Account on the check, draft, or other order of payment bearing an Account number(s) (and any substitution thereto created with or the abbreviation of the Customer) when signed by (SPECIFY NUMBER OF SIGNATURES REQUIRED) ___2___ of the following persons ("Authorized Persons"):

PLEASE TYPE OR PRINT CLEARLY BELOW THE NAMES OF THE AUTHORIZED PERSONS

NAME	FACSIMILE (yes YES if applicable)	SPECIAL INSTRUCTIONS, IF ANY
IAN COLIN WARNER	YES	NONE
RICHARD FRANCIS VALEY ROSE	YES	NONE
ASHURST & CO NOMINEES LIMITED	YES	NONE

SENATE
MAH 011541

Page 1 of

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P. 002

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Authorized Person(s") are hereby authorized to sign, by hand ... or facsimile (including, but not limited to, computer generated signatures), checks, drafts, notes, instruments and other instruments (hereinafter each collectively referred to as "Item(s)"). Notwithstanding the above, an Authorized Person is authorized singly to: (1) initiate Automated Clearing House ("ACH") debits without a signature; (2) initiate payments by use of Depository Transfer Checks ("DTC") without a signature other than the name of the Corporation printed on the DTC; or (3) give instructions, by means other than the signing of an Item, with respect to any deposit transaction, including, but not limited to, the payment, transfer or withdrawal of funds by wire, computer or other electronic means, or otherwise, of money, credits, Items or property at any time held by the Bank for account of the Corporation ("Instruction").

Bank is hereby authorized to honor and pay Items, whether signed by hand or by facsimile (including, but not limited to, computer generated signature(s)) if the actual or purported facsimile signature(s), regardless of how or by whom affixed, resembles the specimens filed with Bank by Corporation. Bank is further authorized to honor and pay such Items, orders, DTCs, ACHs and Instructions, including such as may bring them or increase an overdraft and such as may be payable to or for the benefit of any Authorized Person or other Officer or employee individually, without inquiry as to the circumstances of the issue or the disposition of the proceeds hereof and without limit as to amount.

Bank is hereby authorized to accept for deposit, for credit, or for collection, or otherwise, Items endorsed by any person or by rubber or other impression in the name of Corporation without inquiry as to the circumstances of the endorsement or the lack of endorsement or the disposition of the proceeds

5. Changes in Authorized Persons.

[redacted] (SPECIFY TITLE OR NAME OF INDIVIDUAL) may instruct the Bank to add or delete signatories to an Account by a written notice to the Bank ("Change Certificate"), certifying the name, title and signature of such additional signatory and setting forth any limitations on the authority of signatories.

6. Continued Effectiveness. This certificate will continue in full force and effect until the Bank actually receives written notice from the Secretary revoking or modifying this certificate, and the Bank may conclusively presume that this certificate is in effect and that the persons identified from time to time as officers of the Customer by certificate of the Certifying Officer have been duly elected or appointed and continue to hold such offices.

Signature Verified by:

Executed this 1st day of DECEMBER 1995

Customer Name: MANAGED [redacted] LIMITED

Signature: [redacted]

Typed/Printed Name: [redacted]

Title: DIRECTOR AND SECRETARY

Page 2 of

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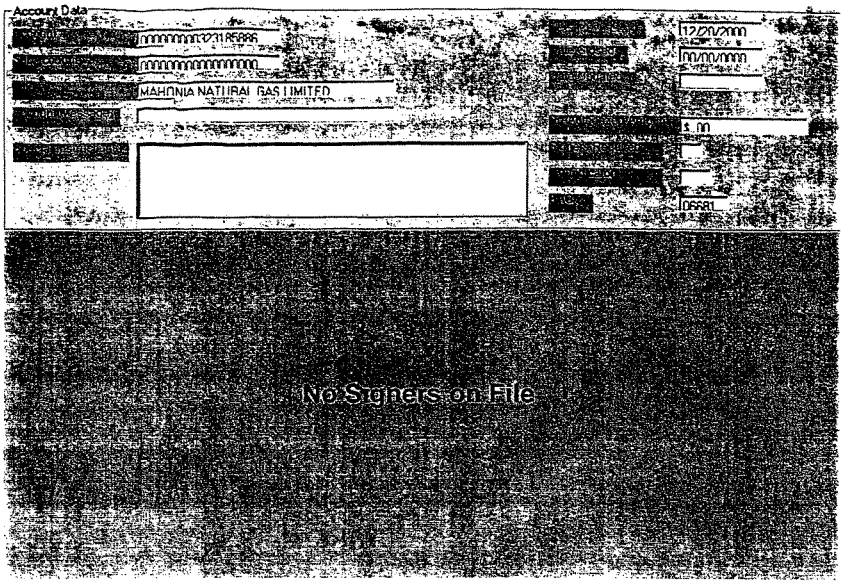
SENATE
MAH 011542



SENATE
MAH 011543

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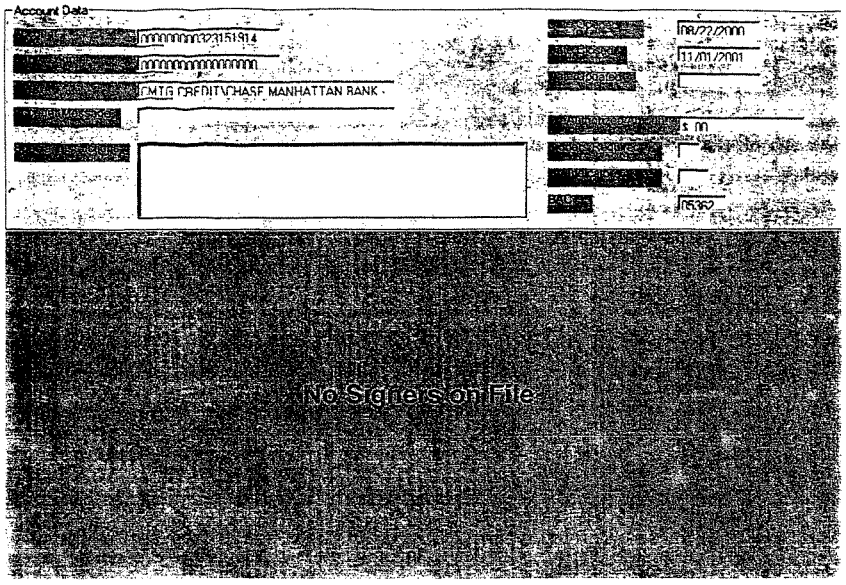
Treatment Requested by JPMC



Summary of Proposed Transaction Approval Process (TAP) Policy Revisions

Organizational

- Eliminate CEO/COO designation by consolidating authority with ENE OOC as a result of Joe Sutton' s departure
- Update authority delegations to Business Group Heads as a result of organizational changes effective November 8, 2000.

Authority Limits

- Increase monetary threshold for transactions subject to TAP from $500K to $2.5 MM.
- Increase authority of business group heads from $5 million to $10 million and the authority of the ENE OOC from $75 to $100 million subject to continued post approval review by ENE BOD.

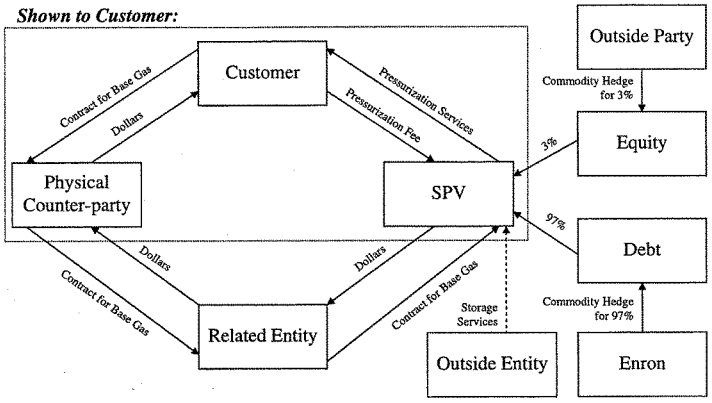
Non-Conforming Definition

- Transactions will be deemed Non-Conforming if the DASH indicates "Returns Below Capital Price" or "Do Not Proceed"
- Transactions "Below Capital Price" can be approved by the ENE OOC if < $100 million

Imbedded Financing and Pre-Pays

- Added separate approval process (E-DASH) for certain prepays and embedded financing in commodity transactions.
- Transactions falling outside the E-DASH approval process will remain subject to the Transaction Approval Process.

Proposed Gas Storage Monetization Structure



ECp000055406

Permanent Subcommittee on Investigations
EXHIBIT #390d

Proposed Gas Storage Monetization Structure

- Transaction Steps:
  - *Customer* would enter into a physical gas sales transaction with the *Physical Counter-party*
    - The *Physical Counter-party* would preferably be a third-party entity that could enter into physical transactions (i.e., Chase) or could be Enron in certain circumstances
    - The amount of gas would be based upon the engineer's study of "removable base gas"
    - The *Customer* would be paid based upon a current negotiated market price
    - The *Physical Counter-party* would have the option to remove the gas over a specified term (but would be required to remove the gas by the end of the term)
  - *Customer* would also enter into a Pressurization Agreement with a third-party entity, *SPV*, to provide pressurization services over a specified period of time
    - The pressurization fee would cover the debt and equity of the SPV as well as the required returns to each entity
    - The *SPV* would have the option to utilize existing gas based upon current contractual structures or to utilize their own gas for the service
  - *Physical Counter-party* would enter in to an offsetting contract for the base gas with a *Related Entity*
    - The *Related Entity* is a shell-company utilized by the banks (Chase) to flow physical transactions through

Proposed Gas Storage Monetization Structure

- Transaction Steps:
  - *Related Entity* enters into a physical transaction with *SPV* that is identical with the *Physical Counter-party* deal
  - *SPV*, which is created through a 97% debt/3% equity structure, utilizes their initial capital funds to purchase the physical gas transaction with *Related Entity*
    - *SPV* will receive monthly pressurization fees from the *Customer* (which will be used to repay the equity and debt)
    - *Equity* of *SPV* must hedge their commodity risk with a party other than Enron in order to be considered true "third-party equity"
    - At the end of the deal, *SPV* will enter into a new contract with the *Customer* to sell "new" base gas for the storage

Proposed Gas Storage Monetization Structure

- Potential Issues:
  - Transaction costs with structure
  - Sale opinion with *Physical Counter-party*
  - *SPV* outsourcing storage services (possibility of Bridgeline)
  - Executory contract between *Customer* and *SPV*
  - Enron's fee (not accrual)
    - Ability of Enron to be *Physical Counter-party*
  - Seasonality and customer issues of storage entity

Gas Storage Pad Gas Monetization
Issues & Bank List
March 14, 2001

Potential Issues:

1. Leasing Issues
   - Determination from a client standpoint that the sale and service agreement is not treated as a lease, but rather a true sale
     a. Base gas is treated as real estate in financial statements
     b. Storage company responsible for maintaining base gas and associated insurance
     c. Ability to withdraw gas and NOT have storage unusable
   - Possibility for SAS 50 letter
2. Engineering Report
   - Must determine that the pad gas (not working gas) can physically be removed without affecting the viability of the storage facility
     a. Understand cost and timing implications of removing gas (i.e., any additional compression required)
3. Market standard for Pressurization Fee
   - Review of services agreement
   - Ability of SPV to support services agreement for the third party
4. Specific Withdrawal Schedule
   - Provision must detail specific timing of when pad gas will be withdrawn with possible penalties for delays
   - Ability to "exchange" gas at end of deal – will be entered into after the original deal
5. Demand Charge
   - Ability to take into consideration the backwardation of gas prices
   - Hard to establish as "market" for accounting purposes
6. Equity participation can not be hedged through the SPV or Enron (i.e., must have both credit and commodity risk)
7. Enron's fees
   - Earn through swap (ability to mark)
   - Pull fees out of SPV (documentation issue)
   - Impact to price of gas in transaction
   - Joint venture with Enron holding 50% (equity interest return)
8. Tax Impacts of Monetization (Rhett J)

Possible Banks:

1. Bank of America
2. Fleet First Boston (Jim McBride)
3. First Union (Paul Riddle)
4. RBS (Kevin Howard)
5. Bank One
6. Citibank

Bank Issues/Requirements:

1. Initial deal size versus total anticipated deals
   - Ability to add other deals (but not obligation)
2. Credit quality of storage entities
   - Bridgeline
   - National Fuels – A-
   - Performance guarantee of ultimate parent
3. Fees required:
   - Commitment fee
   - Upfront fee
   - Legal fees
4. Equity participation (3% requirement)
   - Return required
   - Hold period
   - Tax consequences
5. Timing and average life of transaction
6. Enron capacity and/or other deals in the pipeline

Bank Proposal:

1. Brief description of transaction – monetization of storage base gas
   - Purchase of base gas by SPV in return for (1) monthly future payments from the Storage Company, and (2) withdrawl and sale of actual based gas in specified time frame
2. Facility size:
   - Currently have one transaction anticipated to be approximately $15 million in total
   - Have other potential deals in the "pipeline"
   - Facility size could be up to $75 million in total
3. Facility structure:
   - Rather than have a full commitment for the entire proposed $75 million, have an agreement with bank that they will receive a "first look" at the potential deals in return for possible financing under agreed upon terms (no commitment fee initially)
   - Ability to hold partial or majority of equity of facility
   - Facility life
4. Facility costs:
   - Upfront fees
   - Expected legal fees
   - Expected margin based on life and couterparty
5. Ability of bank to hold versus syndicate given initial size

Joseph Deffner 12/07/2000 12:00 AM

To: William S Bradford/HOU/ECT@ECT, Cris Sherman/HOU/ECT@ECT, Teresa G Bushman/HOU/ECT@ECT, Morris Richard Clark/HOU/ECT@ECT
cc:
Subject: New Prepay with Chase

Here is an update on the current prepay we are structuring with Chase for $500mm prior to year end.

In the prior transactions, we have received a prepayment from Mahonia on a forward delivery schedule of fixed volumes. We have hedged ourselves by buying fixed price physical commodity from Chase Manhattan. There is a fundamental difference in this transaction than prior deals though. In prior transactions, Chase provided the funding to Mahonia entirely from its own blance sheet. This year end, Chase is balance sheet constrained and must bring in additional lenders.

Having additional lenders provide financing to Mahonia is a concern to Chase from a securities perspective. Consider the alternative structure and give me your thoughts. I am expecting Chase to provide a term sheet on this by tomorrow.

ENA enters into a prepaid fixed volume gas supply contract with Chase Manhattan, not Mahonia. Chase sells participations in the contract to the additional two banks. Essentially, our contract has been split into three equal parts. While the purchaser of record is still Chase, 2/3rds of the beneficial interests have been sold to the other lenders. The bank group engages Chase as its agent to remarket the gas at delivery.

ENA hedges itself by entering into a fixed price forward purchase contrat with Mahonia.

This is essentially a reversal of the historical transaction.

Specific issue for Bill: ENA now has an at the money 5-year trade with Mahonia with substantial mark-to-mark exposure. We would need to arrange margining capability through Mahonia to make Enron comfortable. My initial thought is to rely on the rehypothecation agreement as our form of protection.

Thoughts? I will follow up with the draft term sheet as soon as I receive it.

Thanks. Joe

From: Garberding, Michael
Sent: Friday, September 14, 2001 9:09 AM
To: Jeff Dellapina (E-mail)
Cc: Bills, Lisa; Quaintance Jr., Alan
Subject: Rep Letter for Mahonia

Jeff --

As discussed yesterday in our call, Arthur Andersen (AA) now requires us to have certain reps from the Swap Co.that is utilized within the prepay structure. The following attachment is an example of what the letter will look like. With regard to the process (as the transaction reaches completion), AA will send directly to the Swap Co. a letter from Enron that describes the rep confirm process along with an example of the rep letter. The Swap Co. will need to return a signed rep letter to AA on their own letterhead signed by an authorized member of the Swap Co. (that is similar to the example). Please let us know if you have any questions with regard to either the letter or the process. Thanks for your help.

Rep Letter 9-13-01.doc

Michael Garberding
Enron Americas Global Finance
Work: (713) Redacted by Permanent Subcommittee on Investigations
Fax: (713)
E-mail: michael.garberding@enron.com

Permanent Subcommittee on Investigations
EXHIBIT #390f

[Date , 2001]

Enron Corp.
1400 Smith Street
Houston, Texas 77002

To Whom It May Concern:

Re: [Mahonia] (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:_____

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

ECn000095865

From: Bills, Lisa
Sent: Monday, November 05, 2001 1:02 PM
To: Quaintance Jr., Alan
Subject: FW: steps for $250MM

Importance: High


STEPS FOR $250MM.doc

-----Original Message-----
From: Boyle, Dan
Sent: Monday, November 05, 2001 10:36 AM
To: Cook, Mary
Cc: Bills, Lisa; Garberding, Michael; Bahlmann, Gareth
Subject: FW: steps for $250MM
Importance: High

Mary:

Joe Deffner suggests you coordinate with Lisa or Mike on the mechanics of the "termination" of the swap. Recognizing that we don't want to call it a termination.

After you speak with Cadwaleder, let me know and we will convene the correct group.

Dan O. Boyle
Vice President
Enron Global Finance
Phone: 713-[redacted]
Mobile: 713-
Pager: 877
Skytel PIN: 8807FBF5

Redacted by Permanent Subcommittee on Investigations

-----Original Message-----
From: Bahlmann, Gareth
Sent: Monday, November 05, 2001 10:28 AM
To: Boyle, Dan

Permanent Subcommittee on Investigations
EXHIBIT #390h

Subject: FW: steps for $250MM
Importance: High

Gareth Bahlmann

-----Original Message-----
From: Cook, Mary <Mary.Cook@ENRON.com>
To: 'dmitchel@cwt.com' <dmitchel@cwt.com>; 'rick.antonoff@cwt.com' <rick.antonoff@cwt.com>; Mintz, Jordan <Jordan.Mintz@ENRON.com>; Bahlmann, Gareth <Gareth.Bahlmann@ENRON.com>
CC: Walden, Clint <Clint.Walden@ENRON.com>
Sent: Mon Nov 05 10:17:14 2001
Subject: FW: steps for $250MM

David and Rick, please pass on to Bruce.

Clint (accounting) Does not this structure convert the swaps to a loan on balance sheet at ENA prior to assumption of loan in step 3? Are we agreeing to do so? I think we are.

The net out agreement must amend the swaps and not be phrased in terms of an early termination date as the term is used in ISDA. As swaps are terminated, CSAs also terminate.

Step 3 fails to include cancellation of Enron Corp. guaranties and release of ENA upon assumption by pipelines. Also need release on ENA on Delta swap and CSA.

See the steps below.

Jordan, please advise when you want to discuss.

-----Original Message-----
From: Mintz, Jordan
Sent: Monday, November 05, 2001 9:53 AM
To: Soldano, Louis; Fossum, Drew; Boyle, Dan; Bahlmann, Gareth; Cook, Mary; Davis, Angela; 'tyates@velaw.com'; 'ashouse@velaw.com'; Mitchell, David; 'starry@velaw.com'; Sphross, Joel; Walden, Clint; Schnapper, Barry; Brown, Bill W.
Subject: FW: steps for $250MM

Please review and we can then get together to discuss. Mary/Angela--please forward to Cadwalader, if appropriate.
Jordan

-----Original Message-----
From: G. Alan Rafte [mailto:arafte@bracopatt.com]
Sent: Monday, November 05, 2001 9:48 AM
To: Mintz, Jordan
Cc: Alfredo Perez; Carlyn Carey; Catherine Henderson; Nancy Jo Nelson;

Robin Miles; William Hayes; patricia.caffrey@chase.com;
robert.traband@chase.com; lydia.g.junek@citi.com;
michael.w.nepveux@citi.com; shirley.s.elliott@citi.com;
william.t.fox.iii@citi.com; John.lyons@citicorp.com;
donald.bernstein@dpw.com; tiziana.tabucchi@dpw.com;
GEORGE.SERICE@jpmorgan.com; james.ballentine@jpmorgan.com;
robert.anastasio@jpmorgan.com; cherie.spraggs@shearmar.com;
dbartner@shearman.com; dbleich@shearman.com; Dbuffone@shearman.com;
matein@shearman.com; christopher.teano@ssmb.com;
james.f.reilly@ssmb.com; richard.d.banziger@ssmb.com;
steven.r.victorin@ssmb.com
Subject: steps for $250MM

Jordan, attached is the summary of the steps for the assumption of the $250MM swap transaction. Please forward it to appropriate members of your group. Best regards.

G. Alan Rafte
Bracewell & Patterson, L.L.P.
Suite 2900 South Tower
711 Louisiana
Houston, Texas 77002-2781
Telephone: 713.221.1441
Telecopy: 713.221.2408
email: arafte@bracepatt.com

STEPS FOR $250MM SWAP ASSUMPTION

Step 1: Prior to closing of the loans, Citibank, N.A. New York would assign its rights and obligations under the swap transaction to Citicorp USA.

Step 2: Prior to closing of the loans, ENA, Delta and Citi enter into a "net out" agreement under which all of the floating payment obligations are terminated and ENA agrees that it has a fixed payment obligation to be denominated as a termination payment under the swap to pay $[255]MM on December 27.

Step 3: Prior to the closing of the loans, the pipeline companies would assume the obligations of ENA under the swap pro rata. In exchange for the assumptions, ENA gives to each of the pipeline companies a note.

Step 4: Simultaneously with the loan closing, the payment obligations of the pipeline companies that were assumed be would deemed to be cancelled in exchange for a borrowing under the refinancing tranche that is part of the credit facility. There would be no new money advanced under the facility, just a deemed advance under the credit facility. The refinancing tranche would be secured ratably as part of the collateral package securing the loans generally.

ECp000095805

From: Tijerina, Shirley
Sent: Wednesday, September 26, 2001 1:05 PM
To: Quaintance Jr., Alan
Subject: FW: New Confirm

I just change a couple of things. The indenting and also "affiliates" was misspelled.

Here is the revised copy.

Mahonia Limited Confirm.doc

-----Original Message-----
From: Quaintance Jr., Alan
Sent: Wednesday, September 26, 2001 11:06 AM
To: Tijerina, Shirley
Subject: New Confirm

Here it is. Can you get Wes to sign this today?

Mahonia Limited Confirm.doc

Thanks,

Alan Q

Permanent Subcommittee on Investigations
EXHIBIT #390i

September 26, 2001

Mahonia Limited
Attention: Ian James
22 Grenville Street
Jersey, Channel Islands JE4 8PX
Fax Number 44-1534-609333

Dear Ian:

Our auditors, Arthur Andersen LLP, are now engaged in an audit of our financial statements. In connection therewith, they desire to confirm the following information about Mahonia Limited (the "Company"):

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 transactions with entities other than Enron Corp and its subsidiaries and affiliates ("Enron");

2. The Company has assets other than those that will be acquired through transactions with Enron; and

3. The Company has unencumbered assets, which are available for application towards obligations owed to its present and future creditors (including Enron).

4. The Chase Manhattan Bank and its consolidated subsidiaries do not own the ownership interests of the Company or consolidate the Company under generally accepted accounting principles.

Please confirm the above statements on your letterhead if you agree with the statements. If not, please furnish any information you may have that explains to the auditors why you don't agree with the above statements. See sample return confirmation attached.

After signing and dating your confirmation, please mail it directly to Arthur Andersen LLP, 711 Louisiana, Suite 1300, Houston, Texas 77002. A stamped, addressed envelope is enclosed for your convenience.

Very truly yours,

Wes Colwell
Managing Director

Enclosure

To Arthur Andersen LLP:

We confirm the following information about Mahonia Limited (the "Company"), with the following exceptions (if any):

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 transactions with entities other than Enron Corp and its subsidiaries and affiliates ("Enron");

2. The Company has assets other than those that will be acquired through transactions with Enron; and

3. The Company has unencumbered assets, which are available for application towards obligations owed to its present and future creditors (including Enron).

4. The Chase Manhattan Bank and its consolidated subsidiaries do not own the ownership interests of the Company or consolidate the Company under generally accepted accounting principles.

Exceptions, if any:

Date: _____ Signed: _____
By: _____

September 26, 2001

Mahonia Limited
Attention: Ian James
22 Grenville Street
Jersey, Channel Islands JE4 8PX
Fax Number 44-1534-609333

Dear Ian:

Our auditors, Arthur Andersen LLP, are now engaged in an audit of our financial statements. In connection therewith, they desire to confirm the following information about Mahonia Limited (the "Company"):

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 transactions with entities other than Enron Corp and its subsidiaries and affilliates ("Enron");

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Very truly yours,

Enclosure

To Arthur Andersen LLP:

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2. The Company has assets other than those that will be acquired through transactions with Enron; and

3. The Company has unencumbered assets, which are available for application towards obligations owed to its present and future creditors (including Enron).

4. The Chase Manhattan Bank and its consolidated subsidiaries do not own the ownership interests of the Company or consolidate the Company under generally accepted accounting principles.

Exceptions, if any:

Date: _____ Signed: _____
By: _____

From: Loibl, Kori
Sent: Tuesday, July 10, 2001 7:19 PM
To: Quaintance Jr., Alan
Subject: RE: Citibank/ Delta Prepay

No problem. I am the one who actually calculates this book and put everything into TAGG, I'm sure Errol would have sent you my way anyway. Eric brought up the size (mmbtu) issue prior to us booking this deal. The price book (another book captured in our group) does sizeable trades such as this quite often. I believe Errol supplied Eric Moon with a couple of deal numbers. I would be happy to talk to you or one of the auditors about this deal tomorrow. I'm sorry I was unavailable today, but can help you after 8:30 a.m. tomorrow (Wednesday). I am usually here around 7:15 but am busy with my traders until around 8 or 8:30, so feel free to call me and I will try to help you as best as I can.

-----Original Message-----
From: Quaintance Jr., Alan
Sent: Tuesday, July 10, 2001 5:17 PM
To: Loibl, Kori
Cc: Garberding, Michael
Subject: Citibank/ Delta Prepay

Kori:

We tried to call Errol and got referred to you since he is out. I am an accountant in the Wholesale Finance group. I participated in a prepay transaction that was closed on June 28, 2001 between ENA, Citibank and Delta. The transaction was for 61,652,281 MMBtu of Natural Gas. It settles on December 27, 2001 at the price of the Nymex Henry Hub Natural Gas for the January 2002 delivery month. The transaction is a financial transaction only.

We worked on the transaction with Eric Moon in gas structuring. He had given us Errol's name. The reason we need your help is that the auditors would like to verify that the MMBtus involved in the trade are not inconsistent with normal trades that run through the financial book for gas. Are you an appropriate person that can answer that question? If not, is there someone who can? We need to get the question answered for them tomorrow prior to earnings release on Thursday. I understand Errol is out for the rest of the week.

Please let me know if you can help. We would like to set up a call tomorrow. One audit manager would be on the call and would ask a couple of questions about the size of the MMBtus in the prepay v. the size of other financial trades in the book.

Thanks,

Alan Quaintance
X57731

From: Koehler, Anne C.
Sent: Thursday, September 27, 2001 12:33 PM
To: Garberding, Michael
Cc: Quaintance Jr., Alan
Subject: RE: Revised Pre Pay docs

I have told the lawyer for Chase that we will add a provisions to the confirmation that says that Mahonia may assign its rights under the Transaction as a security interest for a hedge that Mahonia enters into. This tracks language that is in the Guaranty and does not name Chase.

-----Original Message-----
From: Garberding, Michael
Sent: Thursday, September 27, 2001 10:49 AM
To: Koehler, Anne C.
Subject: RE: Revised Pre Pay docs

I spoke with Alan Q about the side letter. He is fundamentally ok with the concept (as long as there is no mention of Chase and it just represents the ability to assign as security - i.e., monetization of position). However, we both believe the optics would be better if we folded it into the confirm rather than had a side letter. Let me know your thoughts when you get the chance. Thanks.

Mike

ECp000094783

From: EMoser@milbank.com@ENRON
Sent: Wednesday, October 24, 2001 1:25 PM
To: Deffner, Joseph; Bills, Lisa; Clark, Catherine; Garberding, Michael; Kolle, Brian; Angelos, Megan; Engeldorf, Roseann; Sheridan, Gail; Funk, Brenda L.; Linares, Leslie; Quaintance Jr., Alan; Rios, Amy; Liss, Kevin; Douglas, Stephen H.; Wells, Bret; Clark, Morris; Koehler, Anne C.; Zucha, Theresa; robtaylor@akllp.com; dbarbour@akllp.com; dannysullivan@akllp.com; tpoppleweil@akllp.com; paul.f.cambridge@db.com; mike.jakubik@db.com; george.tyson@db.com; erik.falk@db.com; michael.lamont@db.com; sean.mckenna@db.com; andrew.langerman@db.com; kevin.bell@db.com; david.gallagher@db.com; scott.kerson@db.com; charles.chigas@db.com; ross.newman@db.com; maia.babbs@db.com; anthony.demeo@db.com; TDavis@milbank.com; BKayle@milbank.com; AWalker@milbank.com; ELim@milbank.com; SHarp@milbank.com; JWalker@milbank.com; RLJacobs@milbank.com; TSiebens@milbank.com; henryhavre@akllp.com; richard.rkim@db.com; bogomil.ivanov@db.com; nilam.patel@db.com; christopher.meany@db.com; brian.wiele@db.com; fred.brettschneider@db.com; greg.lippmann@db.com; hiroki.kunte@db.com; roy.cantu@db.com; jordan.milman@db.com; karen.weaver@db.com; anthony.thompson@db.com; renato.barbieri@db.com; Despain, Tim; EMoser@milbank.com; ESanford@milbank.com; david.mellgard@db.com; chip.goodrich@db.com; mjewesson@akllp.com
Cc: EMoser@milbank.com
Subject: Comments on Prepaid Swaps

Attached for your review please find the preliminary comments of the DB/Milbank team on the A&K drafts of the prepaid swap documents and Paragraph 13 of the draft CSAs, together with a brief summary of a few of the broader points raised by the drafts. As we understand that the appropriate tax discussions are taking place contemporaneously, we have not given comments on the tax representation or master agreement amendment that A&K distributed over the weekend.

We look forward to discussing the attached with you on Friday's call.

Eric Moser

<<jnr15000.PDF>>

jnr15000.PDF

- jnr15000.PDF

Main discussion points on Prepaid Swaps

October 24, 2001

The following points highlight some of the principal issues that Deutsche Bank and Milbank have on the current drafts of the prepaid swap confirmations and related documents.

1. ***CDO Terms***. Apart from a place-holder in the "Netting Provisions" section of the Enron/DB swap, the swaps do not presently incorporate provisions giving ENA the benefit of the credit protection expected to be provided under the Project X CDO. Work obviously will be needed here.

2. ***Enron Guaranty – Mechanical issues regarding grace and cure periods***. We have not received a draft of the Enron guaranty; it will need to be received and reviewed as soon as possible to ensure that timing issues are addressed appropriately.

   Among other things, if any grace and cure periods are given to Enron under the Enron guaranty (or if there is any requirement in the Enron guaranty that grace and cure periods under the ENA swaps have lapsed before Enron will be obligated to pay under its guaranty) then the periodic and final payment dates under the swaps must be adjusted so that all of those grace and cure periods have run (and sufficient back-office administrative time is given) prior to the date on which DB is required to make the related payment under the CLNs.

   If, for example, the CLNs have quarterly interest payments and there are 10 Business Days of grace and administrative time that need to be built into the system, then on the 10th Business Day prior to the CLN interest payment date ENA would be required to make a periodic floating payment under the swaps that covers the entire quarter's CLN interest expense (among other amounts).

   Point 7 below addresses other similar time-line coordination issues.

3. ***Deliverable Obligations***. For the Enron guaranty obligations to be considered "Enron Deliverable Obligations" under the CLN, there must be "Publicly Available Information" that confirms the related Enron Failure to Pay. The relevant definitions are set out below.

   We recommend that a fiscal agency arrangement be used, with a fiscal agent appointed to monitor the ENA swaps and the Enron guaranties and report payment defaults if they occur.

   "Publicly Available Information" means information that reasonably confirms any of the facts relevant to the determination that an Enron Failure to Pay described in an Enron Credit Event Notice has occurred and which (i) has been published in any internationally recognised published or electronically displays news sources (it being understood that each Public Source shall be deemed to be an internationally recognised published or electronically displayed news source), regardless of whether the reader or user thereof pays a fee to obtain such information; *provided* that, if [DB] or any of its

affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless such party or its affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation; (ii) is information received from (A) Enron or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation; or (iii) is information contained in any order, decree or notice, however described, of a court, tribunal, regulatory authority or similar administrative or judicial body.

"Public Source" means each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun and Financial Times (and successor publications).

4. ***Transfer of Enron Deliverable Obligations.*** Because the Enron guaranty obligations are not bonds, notes or other instruments that can be readily transferred, a mechanism is needed to allow the claims against Enron under its guaranties to be transferred easily by DB and Swapco up through the structure to the CLN Indenture Trustee (and, if necessary, pledged). The fiscal agency arrangements referred to in point 3 above can and should be used to address this point as well.

5. ***Termination Claims; Net Termination Amount.*** The current drafts of the swap confirmations use non-ISDA "Net Termination Amount" and "Termination Claim" definitions, and override normal ISDA termination payments upon an early termination of the swaps. The parties will need to determine whether the standard ISDA termination payments would work in this case and, if not, whether the current draft works. To "work" in this context would mean that the aggregate amount of termination claims owing by ENA (and thus claims against Enron under the Enron Guaranties) resulting from early termination of the swaps would equal the underlying transaction notional (i.e., $1 billion) plus any "make-whole" (if payable at the CLN level) or other analogous amounts, plus an interest claim dating from the most recent date periodic payments were made by ENA, and that all of those amounts would bear interest from the default date at a rate of interest that matches the post-default rate borne by the CLN notes.

6. ***Calculation Agent.*** DB should be the calculation agent under all of the swaps; ENA has proposed that it be the calculation agent in the ENA/Swapco swap, but that DB be the calculation agent under the others. To ensure that all amounts are calculated uniformly under all of the swaps, it is critical to have the same calculation agent under all of the swaps.

7. ***Other General coordination issues relating to the CLNs and CDO.*** Frequency of periodic swap payments under the swaps needs to match the frequency of CLN interest payments (and any CDO payment flows). Because the swaps are to be the source of all funds payable up through the system to the CLNs and the CDO, the periodic payment stream needs to be sized appropriately.

Although the CLNs would pay interest semi-annually, because the CDO would require quarterly payments the swaps will need to have quarterly payments as well. To most efficiently match financing costs at the CLN and CDO levels, the periodic notional quantities and periodic fixed amounts may vary from periodic payment date to periodic payment date (e.g., the 1st and 3rd quarterly payments would be sized to reflect CDO-only costs, whereas the 2nd and 4th quarterly payments would be larger and would include both the CLN and CDO costs).

Also, if any make-whole is payable at the CLN level in connection with a redemption, then the swaps would need to incorporate that amount in connection with any early termination or cancellation of the swaps.

8. ***Transfer of Rights and Obligations by ENA.*** Given the integrated nature of the swaps with the proposed CLN and the CDO transactions, and documentary and other issues that would undoubtedly arise, we do not believe that ENA should have the ability to transfer any of its rights or obligations under the confirmations without DB's or Swapco's consent.

Riders

Rider 1A:

The definitions and provisions contained in the 1993 ISDA Commodity Derivatives Definitions (as supplemented by the 2000 Supplement), published by the International Swaps and Derivatives Association, Inc. (the "***Commodity Definitions***") are incorporated into this Confirmation. In the event of any inconsistency between the Commodity Definitions and provisions and this Confirmation, this Confirmation will govern.

Rider 3A: [to address a make-whole, if applicable in the CLN structure]

Final Floating Amount:	The sum of: (a) the lesser of: (1) the Final Notional Quantity *multiplied by* the Final Floating Price; and (2) U.S.$[1,000,000,000]; *plus* (b) if the Final Floating Payment Date is prior to the Scheduled Termination Date, the Cancellation Amount.

Rider 4A: [to address a make-whole, if applicable in the CLN structure]

"*Cancellation Amount*" means an amount (determined by the Calculation Agent) equal to the excess (if any) of (a) the sum of the present values of each payment described in the table below whose date falls after the Cancellation Date, discounted from the date opposite such payment in such table to the [Cancellation Date] on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at [the applicable U.S. Treasury yield] plus [__] basis points; *over* (b) [$1,000,000,000].

Date	***Amount of Payment***
	[insert dollar amount of each payment of principal and interest originally scheduled to be made on the CLNs and the date on which such payments are to be made.]

Enron/[Swapco] Swap Confirmation

Preliminary DB/MILBANK COMMENTS

November [__], 2001

To: Enron North America Corp.
1400 Smith Street
Houston, Texas 77002
Attention: _____
Facsimile No.: (713) 646-2495
Telephone No.: (713) 853-3316

From: [Swapco]
[Address]
Attention: _____
Facsimile No.: _____
Telephone No.: _____

Confirmation Ref: [_____]

The 1993 ISDA Commodity defs should be incorporated. See Rider 1A for suggested text.

Ladies and Gentlemen:

The purpose of this letter agreement (this "***Confirmation***") is to set forth the terms and conditions of the Transaction entered into between [Swapco] ("***Party A***" or "_____") and Enron North America Corp. ("***Party B***" or "***ENA***") on the Trade Date specified below (the "***Transaction***"). This Confirmation constitutes a "Confirmation" as referred to in the Master Agreement specified below. Certain capitalized terms used herein are defined in Section 6 below.

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement, dated as of November __, 2001 (the "***Master Agreement***"), between Party A and Party B, ~~as a amended from time to time~~. All provisions contained in the Master Agreement govern this Confirmation except as expressly modified below.

as amended,

Need to see Master, Schedule, etc.

Each party will make each payment specified in this Confirmation as being payable by it, not later than the due date for value on that date in the place of the account specified below, in freely transferable U.S. Dollars and in the manner customary for payments in U.S. Dollars.

The terms of the Transaction to which this Confirmation relates are as follows:

1. ***General Terms***:

Trade Date:	November [__], 2001
Effective Date:	November [__], 2001
Scheduled Termination Date:	November [__], 2002

see discussion pt 2, on timing of payments

Commodity Bus. Day Convention: Preceding

Floating Amount Payer:	Party B
Fixed Amount Payer:	Party A
Calculation Agent:	ENA Disagrs
Business Day Convention:	Preceding.
Initial Payment Date:	The Effective Date
Payment Dates:	For payments to be made under Section 3: (a) the Initial Payment Date; → why the closing Date? (b) May [__], 2002 (the "*Interim Payment Date*"); and (c) the Cancellation Date (unless such date is the Early Termination Date). For payments to be made under Section 4, the Cancellation Date (unless such date is the Early Termination Date).
Market Disruption Events:	Price Source Disruption Trading Suspension Disappearance of Commodity Reference Price Tax Disruption
Disruption Fallback:	If a Market Disruption Event with respect to the Specified Price for the relevant Pricing Date occurs, then the Specified Price shall be determined by using the first preceding Commodity Business Day on which no Market Disruption Event existed with respect to the Specified Price (all as determined by the Calculation Agent).

To match CLN and CDO, pmts should be quarterly. Notional quantities may vary from pmt date to pmt date to match cash needs.

2. ***Fixed Payment***

Fixed Amount Payment Date:	The Initial Payment Date
Fixed Amount:	U.S.$[$1,000,000,000 less the cap premium]
Settlement:	On the Fixed Amount Payment Date, the Fixed Amount Payer shall pay the Fixed Amount to Party B.

3. ***Periodic Floating Payments***

Periodic Floating Payment Dates:	Each Payment Date.
Periodic Floating Amount:	For any Payment Date, the Periodic Notional Quantity for such Payment Date *multiplied by* the Periodic Floating Price for such Payment Date.

Periodic Notional Quantity:

(a) For the Initial Payment Date (if it is not the Cancellation Date), [_____] MMBtu;

(b) for the Interim Payment Date (if prior to the Cancellation Date), [_____] MMBtu; and

(c) for the Cancellation Date (if it is a Payment Date), [_____] MMBtu *multiplied by* the Cancellation Fraction.

As stated above - will be quarterly, and will likely vary from one pmt date to another.

must be sized to cover all interest pmts and other costs through CLN/CDO pmt dates, even if pmt date here precedes CLN/CDO pmt date.

Periodic Floating Price:

For any Payment Date, a "Floating Price" determined in accordance with the Commodity Definitions, where:

(a) the "Commodity Reference Price" is NYMEX Henry Hub Natural Gas Futures Contract for the applicable Delivery Date;

(b) the "Specified Price" is the closing price;

(c) the "Delivery Date" for such Payment Date is the month during which such Payment Date occurs; and

(d) the "Pricing Date" is the last Commodity Business Day prior to the month in which such Payment Date occurs (or, for determinations under Section 7 below, the Windup Date).

Settlement:

On each Payment Date, the Floating Amount Payer shall pay the Periodic Floating Amount for such Payment Date to Party A.

4. ***Final Floating Payment***

Final Floating Payment Date:

The Cancellation Date (unless such date is the Early Termination Date).

Final Floating Amount:

The lesser of:

(a) the Final Notional Quantity *multiplied by* the Final Floating Price; and

(b) U.S.$[1,000,000,000].

Replace w/ Rider 3A to cover make-whole

Final Notional Quantity:

[_____] MMBtu

Final Floating Price:

For the Final Floating Payment Date, a "Floating Price" determined in accordance with the Commodity Definitions, where:

(a) the "Commodity Reference Price" is NYMEX Henry Hub Natural Gas Futures Contract for the applicable Delivery Date;

(b) the "Specified Price" is the closing price;

(c) the "Delivery Date" is the month during which such Final Floating Payment Date occurs; and

	(d) the "Pricing Date" is the last Commodity Business Day prior to the month in which the Final Floating Payment Date occurs (or, for determinations under Section 7 below, the Windup Date).
Settlement:	On the Final Floating Payment Date, the Floating Amount Payer shall pay the Final Floating Amount to Party A.

5. ***Notice and Account Details***

Telephone, Telex and/or Facsimile Numbers and Contact Details for Notices:	
Party A:	As specified in the Master Agreement
Party B:	As specified in the Master Agreement
Account Details:	
Account Details of Party A:	Wire transfers to _____
Account Details of Party B:	Wire transfers to Enron North America Corp. _____ Account No.: _____ ABA No.: _____

6. ***Certain Definitions***:

As used in this Confirmation, the following terms shall have the following respective meanings:

"*Bankruptcy Code*" means the United States Bankruptcy Code, Title 11 of the United States Code, as amended.

Rider 4A (to cover make whole)

"*Cancellation Date*" means the earliest to occur of:

(1) the Early Termination Date (if any) under the Master Agreement;

(2) such date as Party A and Party B may agree in writing to be the Cancellation Date; and

(3) the Scheduled Termination Date

All dates are objective.

with respect to (1) and (3) above, as determined by the Calculation Agent in good faith in accordance with the terms of this Confirmation (and such determination shall be binding absent manifest error).

"*Cancellation Fraction*" means, for any Periodic Floating Payment to be made under Section 3 above on the Cancellation Date (if it is a Payment Date), a fraction, the numerator of which is equal to the number of days (determined on a 30/360 basis) during the period from and including the immediately preceding Payment Date (or, if the Cancellation Date is the first

Payment Date, from and including the Effective Date) to but excluding the Cancellation Date, and the denominator of which is equal to 180. needs to match pmt frequency

"*Discounted Present Value*" of any payment (the "*Future Payment*") scheduled to be made on any date (the "*Future Payment Date*") and determined as at any date (the "*Determination Date*") is equal to the present value of such Future Payment, determined by discounting such Future Payment on a semi-annual basis on each Periodic Payment Date falling during the period from and including the Determination Date to and ~~excluding~~ such Future Payment Date at a rate *per annum* (determined on a 30/360 basis) equal to the Discount Rate, all as determined by the Calculation Agent in accordance with standard industry practice (*provided* that if the Future Payment Date is on or prior to the Determination Date, then the Discounted Present Value of the related Future Payment will be equal to such Future Payment). including

"*Discount Rate*" means a rate per annum equal to [____]%.

"*Enron*" means Enron Corp., a corporation organized under the laws of the State of Oregon, and its successors.

"*Enron Guaranty*" means the Guaranty dated as of November [__], 2001 made and entered into by Enron in favor of Party A and its successors and assigns, substantially in the form of Exhibit I hereto.

was used only in default interest section → "*LIBOR*" means USD-LIBOR-BBA (Telerate 3750) with a Designated Maturity of six months.

"*Local Business Day*" means a Business Day in Houston, Texas and New York, New York. ← Not used.

"*Net Termination Amount*" means an amount equal to the Termination Payment owing by the Defaulting Party *minus* the Termination Payment owing by the Non-defaulting Party.

"*Termination Claims*" means, as to a Defaulting Party, net amounts owing (or deemed owing) by such party under Section 7 of this Confirmation and under Section 6(e) of the Master Agreement (to the extent relating to this Transaction), together with all other amounts (including, without limitation, amounts owing under Section 11 of the Master Agreement and interest accruing on overdue amounts at the Default Rate) owing by such party with respect to this Transaction.

"*Termination Payment*" means, as to any party ("*X*"), an amount equal to:

(1) the sum of the Discounted Present Values of each Periodic Floating Amount (if any) scheduled to be made by X under Section 3 above during the period from and including the Windup Date to and including the Scheduled Termination Date and unpaid by X; *plus*

(2) the Discounted Present Value of the Final Floating Amount (if any) scheduled to be made by X under Section 4 above on the Scheduled Termination Date,

in each case determined as at the Windup Date.

See discussion pt. #5

"*Transfer*" means a transfer, assignment or other disposition, and "*Transferred*" and "*Transferee*" have correlative meanings.

"*Windup Date*" means the Early Termination Date or, if the Early Termination Date is not a Periodic Payment Date, the Periodic Payment Date immediately preceding the Early Termination Date; *provided* that, if the Windup Date occurs prior to the first Payment Date, it shall be the Effective Date.

See disc. pt. 5

7. ***Payments on Early Termination, Etc.***

Party A and Party B agree that, if an Early Termination Date occurs under the Master Agreement, then the Calculation Agent shall determine the Net Termination Amount, and:

(1) if the Net Termination Amount is positive, then the Defaulting Party will on the Cancellation Date pay such amount to the Non-defaulting Party; and

(2) if the Net Termination Amount is negative, then the Non-defaulting Party will on the Cancellation Date pay the absolute value of the Net Termination Amount to the Defaulting Party.

Such payments shall be in lieu of payments that otherwise would be owing on the Cancellation Date under Sections 3 and 4 above (and in lieu of liquidation payments or payments on early termination that otherwise would be determined and payable in accordance with Section 6(e) of the Master Agreement), and shall constitute the final payments payable under or in respect of or in connection with this Confirmation and this Transaction (other than interest at the Default Rate payable on overdue amounts and amounts payable under Section 11 of the Master Agreement in connection with this Transaction). Notwithstanding the foregoing, payments made in accordance with this Section 7 shall be deemed to be payments under Section 6(e) of the Master Agreement for all purposes thereof.

8. ***Credit Support Documents***

(a) For purposes of this Transaction, "Credit Support Document" includes:

(1) the Enron Guaranty shall be a Credit Support Document of Party B; and

(2) the Credit Support Annex dated as of November[__], 2001 between Party A and Party B attached to this Confirmation as Exhibit II shall be a Credit Support Document of Party B.

Unless otherwise expressly agreed by Party A and Party B in writing, such documents shall not serve as Credit Support Documents of Party B for any Transaction (other than this Transaction) and no other documents shall serve as Credit Support Documents of any party for this Transaction.

(b) For purposes of this Transaction, "Credit Support Provider" includes, in relation to Party B, Enron.

9. ***Other Terms.***

(a) *Concerning the Calculation Agent.*

(1) Each party agrees that the Calculation Agent is not acting as a fiduciary for or as an advisor to either party in respect of its duties as Calculation Agent in connection with the Transaction to which this Confirmation relates.

(2) The Calculation Agent's calculations and determinations shall be made in good faith, in a commercially reasonable manner and be binding in the absence of manifest error.

(b) *Swap Agreements.*

Each party hereby acknowledges and agrees that it intends, for all purposes relevant to such determination, that this Confirmation be treated as a "swap agreement" under the Bankruptcy Code.

(c) *Interpretation.*

Each reference to the singular shall include the plural and vice versa.

(d) *Headings.*

The headings used in this Confirmation are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Confirmation.

(e) *Assignments by Party B.*

Notwithstanding anything to the contrary in Section 7 of the Master Agreement, Party B may transfer, in whole or in part, its rights and obligations in respect of this Transaction to any Affiliate, so long as the obligations of such Affiliate are guaranteed by Enron pursuant to a guaranty substantially similar to the Enron Guaranty.

See disc. pt 8 - no ENA transfer should be allowed w/o DB agreement

(f) *Assignments by Party A.*

Needs to mesh with fiscal agency arrange-ments (as will other provisions)

(1) Notwithstanding anything in the Master Agreement (including, without limitation, in Section 7 thereof) to the contrary, Party B hereby acknowledges and agrees that all Termination Claims owing by Party B may from time to time, without notice to or consent of Party B, be Transferred in whole or in part to one or more Transferees and in one or more separate transactions, and may be so Transferred successively.

(2) Notwithstanding anything in Section 7 of the Master Agreement to the contrary, Party B hereby acknowledges that all of Party A's right, title and interest in and to this Transaction, including rights in and to the Master Agreement (to the extent relating to this Transaction) and rights under the Enron Guaranty, may be pledged to secure indebtedness or other obligations from time to time owing by Party A, and Party B hereby consents to such pledge.

(3) Subject to paragraphs (1) and (2) above, Party A agrees that, so long as Party B is a Non-defaulting Party, it will Transfer its rights under this Confirmation only by surrender of this Confirmation to Party B and the issuance by Party B of a new Confirmation to the Transferee.

(g) *Additional Termination Events, Etc.*

Solely for purposes of this Transaction, the following Additional Termination Event shall apply:

An Early Termination Date occurs under any Material Commodity Transaction, in which event:

(x) Party B shall be the Affected Party under this Transaction; and

(y) an Early Termination Date under this Transaction shall occur automatically on and as of the Early Termination Date under such Material Commodity Transaction.

As used in this Section 9(g), "*Material Commodity Transaction*" means a Commodity Transaction that (a) is a Transaction to which Party B is or has ever been a party and under which Party B or an Affiliate thereof continues to be an obligor and (b) is a Transaction having an initial notional amount or strike price in excess of U.S.[$_____].

(h) *Defaulting Parties, Affected Parties, Etc.*

For purposes of this Confirmation and the Transaction hereunder, each reference to "Defaulting Party" and "Non-defaulting Party" herein 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.

(i) *Netting Provisions.*

Notwithstanding anything in the Master Agreement to the contrary:

(1) Section 2(c)(ii) of the Master Agreement will apply to this Transaction.

(2) For purposes of the Netting Provisions set forth in Paragraph 11 of Part 1 of the Schedule to the Master Agreement, if this Transaction is a Terminated Transaction, it shall not be aggregated with or netted against other Terminated Transactions in performing the calculations contemplated by Section 6(e) of the Master Agreement unless the Non-defaulting Party (or non-Affected Party) so elects.

? need to see schedule

(j) *Default Rate.*

Notwithstanding anything in the Master Agreement to the contrary, the "Default Rate" for purposes of this Transaction shall be a stated rate of LIBOR plus 2% per annum determined from the date on which the applicable payment became due (calculated on a 30/360 basis), and interest accruing hereunder at the Default Rate shall be payable on demand of the Non-defaulting Party and in any event on each Periodic Payment Date (or, if any such date is not a Business Day, the next preceding Business Day).

Must be at least the CLN post-default rate

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Very truly yours,

[SWAPCO]

By: _____
Authorized Signatory
Name:

Accepted and confirmed as
of the Trade Date:

ENRON NORTH AMERICA CORP.

By: _____
Authorized Signatory
Name:

EXHIBIT I

FORM OF ENRON GUARANTY } need to see

CREDIT SUPPORT ANNEX

From: Garberding, Michael
Sent: Thursday, September 27, 2001 11:47 AM
To: 'Julie Carter'
Cc: Quaintance Jr., Alan; Edmonds, Marcus; Kolle, Brian
Subject: RE: Mahonia Confirm

Julie --

Thanks for your message. You should have already received the confirmation from Arthur Andersen. With regard to your comments below on representation #4, can you please make the representation up to the point of "or consolidate .. principles." Instead of that statement, can you please add a sentence saying the following, "We don't comment on Chase's accounting, but Chase does not own our ownership interests."

Please give me a call with any questions and thanks for all your help. Take care.

Michael Garberding
Enron Americas Global Finance
Work: (713)
Fax: (713) Redacted by Permanent Subcommittee on Investigations
E-mail: michael.garberding@enron.com

-----Original Message-----
From: Julie Carter [mailto:Julie.Carter@mourant.com]
Sent: Thursday, September 27, 2001 4:43 AM
To: phillip.levy@chase.com; Quaintance Jr., Alan
Cc: Garberding, Michael
Subject: Re: Mahonia Confirm

Dear Alan and Phil

Ian has the following comments:

Everything is OK except for the words "or consolidate..principles." in 4 as this is a matter for Chase not the board of Mahonia.

Kind regards

Yours sincerely
For and on behalf of
Mourant & Co. Secretaries Limited

Julie Carter

>>> "Quaintance Jr., Alan" <Alan.Quaintance.Jr@ENRON.com> 26 September 2001 >>>

Julie:

I am forwarding a draft of a confirmation to you for Ian James to review. <<Mahonia Limited Confirm.doc>>

Our auditors, Arthur Andersen, will fax a signed copy of this request to you at 44-1534-609333. When you receive the request from Arthur Andersen, please fax Andersen a confirmation in response. The confirmation, faxed back to Andersen, should be the second page of the above document on Mahonia Limited letterhead. Please have it signed and

Permanent Subcommittee on Investigations
EXHIBIT #390m

dated. Arthur Andersen's fax number is 713-646-3555. Please also fax Enron a copy of your confirmation at 713-646-3602 (attn: Alan Quaintance).

I can be reached at 713-345-7731 if you have any questions.

Thank you,

Alan Quaintance

From: Garberding, Michael
Sent: Thursday, September 27, 2001 9:06
To: Quaintance Jr., Alan
Subject: RE: Mahonia Confirm

We probably need to talk with Jeff D regarding this. I think he is the one Lisa initially spoke with. Is there any other ways we can state this rep. utilizing their comments? Let me know. Thanks.

-----Original Message-----
From: Julie Carter
Sent: Thu 9/27/2001 4:43 AM
To: phillip.levy@chase.com; Quaintance Jr., Alan
Cc: Garberding, Michael
Subject: Re: Mahonia Confirm

From: "Julie Carter" <Julie.Carter@mourant.com>@ENRON [IMCEANOTES-+22Julie+20Carter+22+20+3CJulie+2ECarter+40mourant+2Ecom+3E+40ENRON@ENRON.com]
Sent: Thursday, September 27, 2001 5:43 AM
To: phillip.levy@chase.com; Quaintance Jr., Alan
Cc: Garberding, Michael
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I can be reached at 713-345-7731 if you have any questions.

Thank you,

Alan Quaintance

party, and may not be relied on by anyone as the basis of a contract by estoppel or otherwise. Thank you.
****

Website: http://www.mourant.com

From: "Julie Carter" <Julie.Carter@mourant.com>@ENRON [IMCEANOTES-+22Julie+20Carter+22+20+3CJulie+2ECarter+40mourant+2Ecom+3E+40ENRON@ENRON.com]
Sent: Thursday, September 27, 2001 11:53 AM
To: Garberding, Michael
Cc: Quaintance Jr., Alan; Edmonds, Marcus; Kolle, Brian; Ian James
Subject: RE: Mahonia Confirm

Michael

We have not received anything from Arthur Anderson as yet but will make the changes specified by you when we do.

Kind regards

Yours sincerely
For and on behalf of
Mourant & Co. Secretaries Limited

Julie Carter

>>> "Garberding, Michael" <Michael.Garberding@ENRON.com> 27 September 2001 >>>

Julie --

Thanks for your message. You should have already received the confirmation from Arthur Andersen. With regard to your comments below on representation #4, can you please make the representation up to the point of "or consolidate .. principles." Instead of that statement, can you please add a sentence saying the following, "We don't comment on Chase's accounting, but Chase does not own our ownership interests."

Please give me a call with any questions and thanks for all your help.
Take care.

Michael Garberding
Enron Americas Global Finance
Work: (713) 853-1864
Fax: (713) 646-3602
E-mail: michael.garberding@enron.com

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Sent: Thursday, September 27, 2001 4:43 AM
To: phillip.levy@chase.com; Quaintance Jr., Alan
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Thank you,

Alan Quaintance

We cannot accept any responsibility for the accuracy or completeness of this
message as it has been transmitted over a public network. If you suspect that
the message may have been intercepted or amended, please call the sender.

If this message includes attachments, please ensure they are opened within
the relevant application to ensure full receipt.
If you experience difficulties, please refer back to the sender.

Website: http://www.mourant.com

The information in this email is confidential. The contents may not be disclosed or used by anyone other than the addressee. If you are not the intended recipient, please notify us immediately at the above E-mail address or telephone +44 1534 609000

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If this message includes attachments, please ensure they are opened within the relevant application to ensure full receipt.
If you experience difficulties, please refer back to the sender.

From: John.Vollkommer@chase.com@ENRON [IMCEANOTES-John+2EVollkommer+40chase+2Ecom+40ENRON@ENRON.com]
Sent: Thursday, September 27, 2001 1:35 PM
To: Koehler, Anne C.
Cc: IMCEANOTES-John+OU=2EVollkommer/40chase/2Ecom/40ENRON@ENRON.com; Garberding, Michael; Quaintance Jr., Alan
Subject: RE: Mahonia Limited

Looks okay. Are you going to e-mail me a clean set of docs so that I can send them to Mahonia (we need to change all references from Sept. 27 to Sept.28)? The authorized signatory will apparently only be available there in the morning.

Anne.C.Koehler@enron.com on 09/27/2001 01:06:23 PM

To: IMCEANOTES-John+2EVollkommer/40chase/2Ecom/40ENRON@ENRON.com
cc: Michael.Garberding@enron.com, Alan.Quaintance.Jr@enron.com
Subject: RE: Mahonia Limited

Here are the suggested language additions for the Mahonia confirmation to allow for assignments and disclosure of information to assignees.Let me know if this is acceptable.

6. Confidentiality. The contents of this Confirmation, the Transactions hereunder and all other documents relating thereto (hereinafter collectively referred to as "this Agreement"), and any information made available by one party to the other party with respect to this Agreement is confidential and shall not be disclosed to any third party (nor shall any public announcement relating to this Agreement be made by either party), except for such information (i) as may become generally available to the public, (ii) as may be required or appropriate in response to any summons, subpoena, or otherwise in connection with any litigation or to comply with any applicable law, order, regulation, ruling, or accounting disclosure rule or standard, (iii) as may be obtained from a non-confidential source that disclosed such information in a manner that did not violate its obligations to the non-disclosing party in making such disclosure, or (iv) as may be furnished to the disclosing party's Affiliates, and to each such person's auditors, attorneys, advisors or lenders which are required to keep the information that is disclosed in confidence; provided, however, that either party may disclose such information to a permitted assignee.

(e) Assignments.

For the purpose of this Transaction, Section 7 of the ISDA Agreement is hereby amended by adding the following to the end of the section: "; provided, however, that Party A may transfer its rights and obligations under this Transaction to any Affiliate so long as the obligations of such Affiliate are guaranteed by Enron Corp. and any

Permanent Subcommittee on Investigations
EXHIBIT #390n

changes necessary to reflect such transfer have been made to the Letters of Credit provided hereunder; and provided further, however, that Party B may assign its rights under this Transaction as security for a hedging contract entered into by Party B."

-----Original Message-----
From: John.Vollkommer@chase.com@ENRON

[mailto:IMCEANOTES-John+2EVollkommer+40chase+2Ecom+40ENRON@ENRON.com]

Sent: Thursday, September 27, 2001 11:01 AM
To: Koehler, Anne C.
Subject: Mahonia Limited

---------- Forwarded by John Vollkommer/CHASE on 09/27/2001
11:58 AM ----------

"Julie Carter" <Julie.Carter@mourant.com> on 09/27/2001 11:20:48 AM

To: John Vollkommer/CHASE@CHASE
cc: "Ian James" <Ian.James@mourant.com>
Subject: Mahonia Limited

John

Further to our discussions I have discussed the tax situation with the Directors of Mahonia Limited and they have advised that:

Mahonia Limited has taken no tax or legal advice in connection with the transaction and is not represented in the US by US council. However, the Directors believe that Mahonia Limited is only carrying on a trade or business in the island of Jersey and accordingly the applicable law is that of the island of Jersey and there is no withholding tax under Jersey Law.

They are happy to provide the representations detailed in Annex A to the ENAC Swap and to complete the W8-ben form on the basis of their understanding as described above.

Kind regards

Yours sincerely
For and on behalf of
Mourant & Co. Secretaries Limited

Julie Carter

Website: http://www.mourant.com

The information in this email is confidential. The contents may not be disclosed
or used by anyone other than the addressee. If you are not the intended
recipient, please notify us immediately at the above E-mail address or telephone +44 1534 609000

We cannot accept any responsibility for the accuracy or completeness of
this
message as it has been transmitted over a public network. If you suspect
that
the message may have been intercepted or amended, please call the sender.

If this message includes attachments, please ensure they are opened within
the relevant application to ensure full receipt.
If you experience difficulties, please refer back to the sender.

From: Johnna Kokenge on 11/15/2000 08:51 AM CST

To: Kent Castleman/NA/Enron@Enron
cc: Mike Morrison/NA/Enron@Enron

Subject: Re: Sale treatment for Prepayments with subsequent participation to an investor

Kent-

Would be happy to work with you on these transactions. Additionally, I have recruited Mike Morrison to also help with these. Let me know when you would like to get together on these and we can set up a meeting.

Thanks!

Johnna

Kent Castleman

Kent Castleman
Sent by: Kent Castleman

11/13/2000 05:08 PM

To: Johnna Kokenge/Corp/Enron@ENRON
cc:
Subject: Sale treatment for Prepayments with subsequent participation to an investor

have you ever worked on a prepay structure? If so can you take a look at this and give me your thoughts. If not, take a look anyway. Just kidding - kind of. What is your availability to help me with this and also a Steel inventory transaction?

I am in Sao Paulo through Tuesday. If you have some time to work on these, maybe we can sit down sometime later this week to discuss these 2 transactions (I'm not going to the Management Conference).

thanks
Kent

---------- Forwarded by Kent Castleman/SA/Enron on 11/13/2000 08:04 PM ----------

From: Ray Carter on 11/13/2000 03:41 PM CST

To: Kent Castleman/NA/Enron@Enron
cc: Ray Carter/NA/Enron@Enron

Subject: Sale treatment for Prepayments with subsequent participation to an investor

We are attempting to set up a financing, and a participation of the financing. The methodology to be employed is much the same as that used by financial institutions when they sell down their deals to investors. We have used these methods and similar documentation at other firms. We have distributed over USD 1 Billion, and have managed to get sale treatment of the financing.

In the cookie cutter structure - Enron Metals NY will prepay a purchase of a commodity wheren the commodity is to be delivered to Enron Metals at a future date. The prepayment will be governed by a credit document (the Export Prepayment Agreement, Promissory Notes, Guarantees / Credit Enhancement (as needed)), and will be treated as a financing transaction. The Prepayment Agreement is basically a credit agreement, and requires that a sum certain be repaid via the delivery of commodity at maturity (which may comprise a shipment window). The promissory notes evidence the debt.

The commodity transaction will be documented via standard Enron Metals contracts. The price of the commodity may be fixed prior to the funding of the prepayment, or may be fixed at a future date, prior to delivery. If fixed at a future date, the prepayment agreement will require that sufficient commodity be delivered in order to equate to the sum certain previously advanced.

The prepayment is subsequently pariticipated to an investor via a funded risk participation agreement (FPA). The fpa transfers all rights, title and interests to the participant - ie, all risks -- in the credit documents. The risk participation is amortized by the proceeds of the Export Prepayment (ie. sums owing by Enron Metals for the physical as it takes physical delivery). The Participant will purchase the risk on a discounted basis.

I have annexed a sample copy of the funded risk participation agreement

Rgds, Ray

PARTICIPATION AGREEMENT LONG FOR

From: Garberding, Michael
Sent: Thursday, September 20, 2001 1:56 PM
To: Quaintance Jr., Alan
Subject: Chase Prepay

Draft E-Mail:

Jeff --

Just wanted to follow up with you regarding the prepay. We had forwarded a proposed representation letter for Mahonia that Arthur Andersen (AA) is requiring of us. Also, AA has spoken to us about some additional items.

Specifically, (1) Articles of Association and Registration for Mahonia (just like we received on Stoneville last year), and (2) a representation letter from Chase that states the following:

> Chase (use corporate name) and its consolidated subsidiaries do not own the shares (use the legal name of the Mahonia shares) of Mahonia (use full legal name for Mahonia) or consolidate Mahonia under generally accepted accounting principles.

Let me know your thoughts on this rep and please forward the above info when you get the chance. Thanks again for your help. Take care.

Michael Garberding
Enron Americas Global Finance
Work: (713) 853-1864
Fax: (713) 646-3602
E-mail: michael.garberding@enron.com

Treasa Kirby
11/21/2000 08:37 AM

To: Andrew S Fastow/HOU/ECT@ECT
cc:
Subject: Prepay

Andy,
Michael asked me to forward this structure to you in advance of his call.

Regards

---------- Forwarded by Treasa Kirby/LON/ECT on 21/11/2000 13:38 ----------

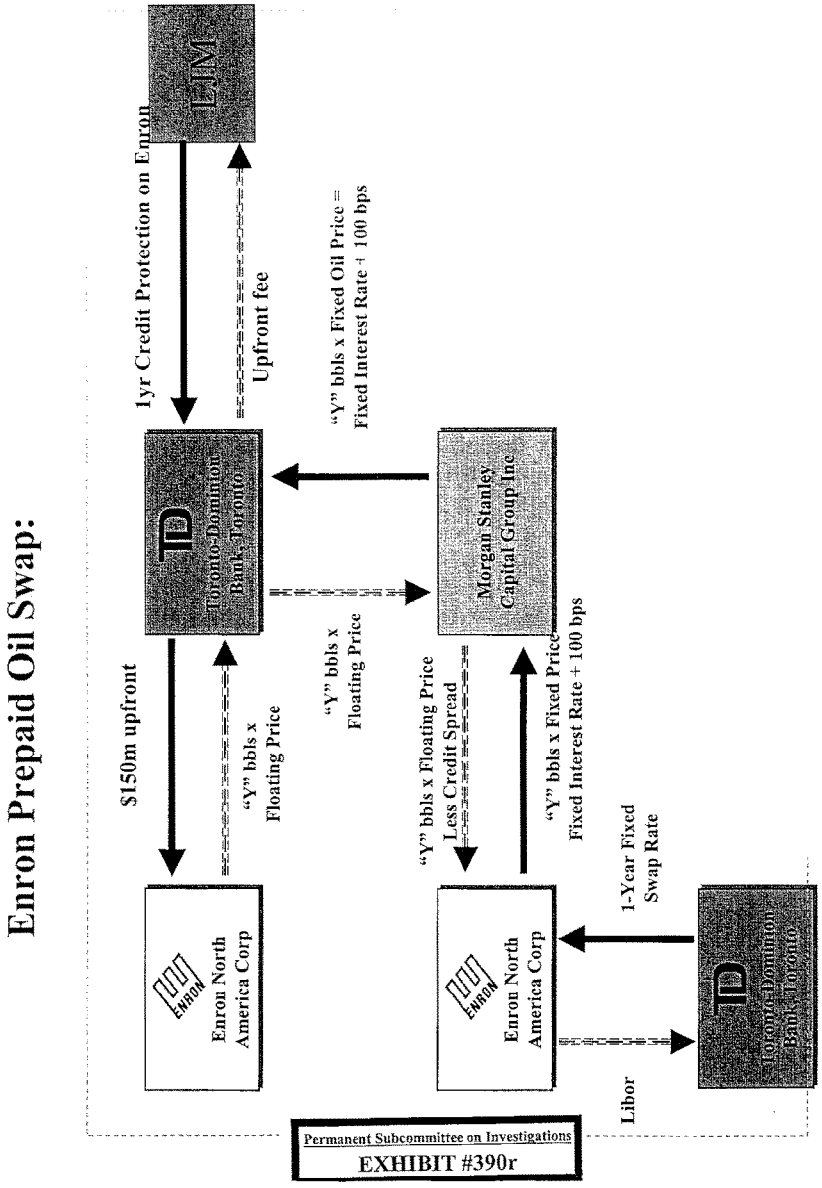
Treasa Kirby
21/11/2000 11:42

To: Michael Kopper/HOU/ECT@ECT
cc:

Subject: Prepay

Michael,
Clean copy of prepay structure attached.

prepay.ppt


Enron Prepaid Oil Swap:
EJM
1yr Credit Protection on Enron
Upfront fee
Toronto-Dominion Bank, Toronto
"Y" bbls x Fixed Oil Price = Fixed Interest Rate + 100 bps
Morgan Stanley Capital Group Inc
$150m upfront
"Y" bbls x Floating Price
"Y" bbls x Floating Price
"Y" bbls x Floating Price Less Credit Spread
"Y" bbls x Fixed Price Fixed Interest Rate + 100 bps
Enron North America Corp
1-Year Fixed Swap Rate
Enron North America Corp
Toronto-Dominion Bank, Toronto
Libor
Permanent Subcommittee on Investigations
EXHIBIT #390r

Michael E. Patterson
Vice Chairman

February 27, 2003

The Honorable Carl Levin
Ranking Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Levin:

At the hearing conducted by the Subcommittee on Permanent Investigations on December 11, 2002, my colleagues and I provided testimony with respect to transactions involving J.P. Morgan Chase & Co. ("JPMC") and Enron Corporation ("Enron"), as well as policies that JPMC now has in place to provide enhanced review of a broad range of proposed transactions.

In connection with one of those transactions, the so-called "Flagstaff" transaction, you asked questions concerning provisions of the documentation that provided for re-characterization of certain funds transfers in the event that the Canadian tax consequences of the transaction proved to be different than anticipated in the opinions of counsel. As I testified, I did not personally participate in the structuring or implementation of the Flagstaff transaction. Nevertheless, in accordance with your request, I am providing in this letter for the hearings' record additional information concerning the question of re-characterization.

As you are aware, tax considerations are a material factor in many business transactions. Often the manner in which the tax laws will be applied is not entirely free from doubt despite the fact that legal opinions have been obtained from qualified legal counsel. In such cases, the parties may include provisions in the transactional agreements to reflect the possibility that the actual tax consequences may prove to be different than anticipated (either because the relevant tax laws are interpreted other than as

J.P. Morgan Chase & Co. • 270 Park Avenue, New York, NY 10017-2070
Telephone: 212 270 2067 • Facsimile: 212 270 2778
patterson_michael@jpmorgan.com

expected or amended after the transaction is closed to eliminate an anticipated benefit). For example, one party may agree to indemnify another party if the latter is subjected to unanticipated tax liabilities; or the agreements may provide for unwinding of transactional components.

With respect to the Flagstaff transaction, the testimony JPMC presented at the hearing confirmed that the re-characterization provision you cited was included at the request of Enron to address a collateral tax issue (*i.e.*, Canadian withholding taxes) that could arise if the Canadian tax authorities challenged Enron's treatment of the underlying transaction. More specifically, the provision was intended by Enron to prevent adverse Canadian non-resident withholding tax consequences that might otherwise result if some of the interest payments on the loan from Flagstaff Capital Corporation to Hansen Investments Co. were "recharacterized" by the Canadian taxing authorities as payments of principal. Section 2.06(f) of the Hansen/Flagstaff loan agreement [1] provided that to the extent that such a recharacterization would result in the loan being ineligible for exemption from Canadian withholding taxes, such amounts would be deemed, as between the parties, to have been advanced by Hansen to Flagstaff, rather than repaid under the Hansen/Flagstaff loan agreement. In this regard, I expect that if the Canadian tax authorities reviewed the underlying transaction, they would have been entitled to examine all relevant documentation. The recharacterization provision is apparent on the face of the documents. The Canadian tax authorities could therefore have determined whether payments made by Hansen to Flagstaff could properly be treated as loans rather than as repayment of debt.

Please feel free to contact me if I can be of further assistance.

Sincerely,

[1] Credit Agreement dated as of June 22, 2001 among Hansen Investments Co., as Borrower, and Flagstaff Capital Corporation, as Lender, and The Chase Manhattan Bank, as Administrative Agent.

Board of Governors of the Federal Reserve System
Office of the Comptroller of the Currency
Securities and Exchange Commission

February 10, 2003

The Honorable Susan M. Collins
Chairman
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

The Honorable Norm Coleman
Chairman
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

The Honorable Carl Levin
Ranking Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Senators:

Thank you for the opportunity to further address some of the areas that we discussed during the Subcommittee's December hearing on the role of financial institutions in the collapse of the Enron Corporation. In letters to the Federal Reserve, Office of the Comptroller of the Currency (OCC) and the Securities and Exchange Commission (SEC), we were asked to respond to several specific questions and provide responses to certain Subcommittee recommendations. The questions and our responses are detailed below.

(1) **At the hearing, the OCC estimated that less than ten of the financial institutions it oversees provide the types of complex structured finance products and transactions examined during the December hearing. Please estimate the number of financial institutions overseen by the Federal Reserve that provide these types of complex structured finance products and**

transactions to their clients. Please estimate the number of financial institutions overseen by the SEC that provide these types of complex structured finance products and transactions to their clients.

A limited subset, probably ten or less of the domestic and foreign banking entities supervised or overseen by the Federal Reserve, actively engage in structuring or marketing the most complex structured transactions such as those reviewed at the December hearing. This estimate includes the "less than ten" banking organizations primarily supervised by the OCC, and referenced in that agency's testimony at the December hearings, as well as broker-dealers, regulated by the SEC, that are affiliates of the banks and holding companies. In addition, the SEC regulates approximately six other broker-dealers that are active in this business.

Most large financial organizations engage in at least some forms of structured transactions that may be considered complex, including commercial paper conduits, collateralized loan obligations and synthetic leases. In formulating our response to this question, we have excluded those firms that are viewed as engaging only in the more generic or well-known products.

(2a) At the hearing you testified that the Federal Reserve is already engaged in a review of structured finance transactions. Please indicate whether the Federal Reserve would be willing to provide the Subcommittee staff with a briefing on this effort no later than February 28, 2003.

Federal Reserve staff are continuing efforts to complete our review of structured transactions at several Federal Reserve supervised banking organizations. Although these efforts may not be fully completed by February 28th, Federal Reserve staff would be happy to meet with Subcommittee staff to discuss generally the types of structured transaction practices we have found during these reviews, consistent with the need to safeguard to the maximum extent possible, confidential supervisory information.

(2b) Please provide the reaction of the Federal Reserve, OCC, and SEC to the following Subcommittee recommendation.

The Federal Reserve, OCC, and the SEC should immediately initiate a one-time joint review of banks and securities firms participating in complex structured finance products with U.S. public companies to identify those structured finance products, transactions, or practices which facilitate a U.S. public company's use of deceptive accounting in its financial statements or reports. By June 2003, these agencies should issue joint guidance on acceptable and unacceptable structured finance products, transactions and practices. By the end of 2003, the Federal Reserve, OCC, and SEC should each take all necessary steps to ensure the financial institutions that they oversee have stopped participating in unacceptable structured finance products, transactions or practices.

As we testified before the Subcommittee in December, staff at each of our respective agencies are continuing to review the participation of financial organizations in complex structured finance products, transactions or practices that have raised significant legal and accounting questions. In carrying out these efforts, the Federal Reserve, OCC, and SEC are collaborating on specific issues arising from practices reviewed, as well as the broader issues relating to the appropriate control infrastructures and oversight mechanisms that are appropriate at financial organizations engaging in the structured finance business.

Based on the significant work completed by each of the agencies to-date, rather than conduct an additional one-time joint review, the agencies will continue to confer on the examination and investigatory efforts that are already well underway. We will be working closely to evaluate the various findings and observations from that work, and to take any enforcement or supervisory actions that are warranted. We are committed to continuing to expend the necessary resources to determine that appropriate remedial actions are taken at individual organizations.

Our work has confirmed that the permutations of structured transactions can be virtually endless. The appropriateness of any particular product can depend very much on the specific factual context in which the product is provided, which can vary greatly from transaction to transaction and can be highly complex. Thus the agencies believe that issuing a list of permitted and prohibited products, as such, is not the most effective approach. Rather, as we stated in our testimony and plan to reiterate in supervisory guidance, it is the responsibility of banks, broker-dealers and other financial services companies to develop and maintain policies and procedures to assure that they are in compliance with all applicable laws and regulations with regard to a particular activity or product; that they do not participate in activities of their customers that they know to be illegal or improper; and that they do not engage in borderline transactions that are likely to result in significant reputational or legal risks.

During 2003 our agencies will review and evaluate the actions individual organizations are taking to strengthen policies and practices in these areas. In coordinating our work, the agencies intend to develop consistent guidance for the entities within our respective regulatory jurisdictions that clarify our expectations for sound control and oversight mechanisms. The resulting sound practices should enable these organizations to appropriately evaluate all aspects of risks associated with structured transactions, including reputational, legal and operational risks, while not stifling financial innovation.

(3) The Subcommittee has recommended that the SEC issue a regulation, guidance, or other policy document stating that it is the SEC's policy to take enforcement action against a financial institution that offers a deceptive financial product to, or participates in a deceptive financial transaction with, a U.S. publicly traded company, thereby aiding or abetting that company's inclusion of material false or misleading information in its financial statements or reports. Upon issuance of [the described] guidance or other policy statement, the Federal Reserve and OCC should promptly instruct their bank examiners as part of their routine bank examinations to evaluate a bank's structured finance activities to determine whether such activity

appears to constitute a violation of the SEC policy and, if so, to declare that activity also constitutes an unsafe and unsound banking practice. In addition, the Federal Reserve and OCC should instruct their bank examiners to utilize the agency's full panoply of regulatory and enforcement tools to require any such bank to cease engaging in any such unsafe and unsound practice.

As detailed in the SEC's written testimony for the December 11, 2002 hearing, aiding-and-abetting a violation of the reporting or antifraud provisions of the federal securities laws is itself a basis for liability under the federal securities laws, subject to SEC enforcement action. As a general matter, SEC enforcement actions provide information about what conduct violates the federal securities laws. All SEC enforcement actions are made public and the SEC includes as part of the institution or settlement of its actions a description of the factual and legal basis for its charges or findings. In this way, the public is made aware of the SEC's reasoning and may apply that reasoning to other potentially violative conduct. Furthermore, the federal banking regulators, in fulfilling their statutory responsibilities to ensure the safety and soundness of the institutions they regulate, closely follow SEC enforcement actions against banks, even when they are not conducting a parallel or coordinated investigation. Going forward the SEC will make special efforts to bring these actions to the attention of the federal banking regulators.

You have suggested that the SEC take the additional step of providing the banking regulators with a specific statement that it is the SEC's policy to take enforcement action against a financial institution that offers a deceptive financial product to, or participates in deceptive financial transactions with, a U.S. publicly traded company, thereby aiding and abetting that company's inclusion of material false or misleading information in its financial statements or reports. The SEC intends to provide a letter to the banking regulators explaining the statutory bases for potential liability of secondary actors, including primary and aiding and abetting violations of Section 10(b).

The banking agencies expect banks to establish adequate controls to ensure compliance with applicable laws, including federal securities laws. Similar controls are expected at broker-dealers and other financial institutions regulated by the SEC. Copies of the SEC letter will be distributed to examination staff at financial institutions engaged in complex structured transactions, and appropriately incorporated into relevant examination and training materials. This guidance will be employed as appropriate in evaluating the adequacy of the internal control mechanisms of financial institutions engaged in this business and for evaluating sampled transactions. Potential violations of federal securities laws will be referred to the SEC, and the banking agencies will, as is currently done, provide necessary information to the SEC in connection with its investigations and enforcement actions. If the Federal Reserve or OCC identify conduct by banks we regulate that is unsafe or unsound, including violations of federal securities laws as identified in the SEC's guidance letter, we will take appropriate supervisory and enforcement action to address those practices.

The SEC and the federal banking regulators have a long history of cooperation on enforcement matters including referrals by the banking regulators of securities law violations and, when appropriate, coordinated investigations. We intend that this cooperative relationship will develop and continue.

We hope this information is helpful to you and your staff. If you have any other questions, do not hesitate to contact either John Lopez at the Federal Reserve, Carolyn McFarlane at the Office of the Comptroller of the Currency, or Jane Cobb at the Securities and Exchange Commission.

Sincerely,

Richard Spillenkothen
Director, Division of Banking Supervision and Regulation
Board of Governors of the Federal Reserve System

Douglas W. Roeder
Senior Deputy Comptroller
Large Bank Supervision
Office of the Comptroller of the Currency

Annette Nazareth
Director of the Division of Market Regulation
Securities and Exchange Commission