# STRUCTURED TRANSACTIONS GROUP, SUMMARIES OF PROJECT EARNINGS AND CASH FLOWS, NOVEMBER 2001

# Structured Transactions Group

## Summaries of Project Earnings & Cash Flows

November 2001

Confidential

# Estimated Net Income by Project and Year Recognized (Thousands)

| Project | *Tanya* | *Teresa* | *Steele* | *Renegade* | *Tomas* | *Cochise* | *Apache* | *Condor* | *Valhalla* | *Tammy I* | *Tammy II* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1995 | 46,500 | - | - | - | - | - | - | - | - | - | - | 46,500 |
| 1996 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1997 | - | 52,100 | 3,860 | - | - | - | - | - | - | - | - | 55,960 |
| 1998 | - | 26,000 | 14,800 | 800 | 55,993 | - | - | - | - | - | - | 97,593 |
| 1999 | 19,300 | 21,200 | 16,300 | - | 9,846 | 34,300 | 11,300 | 20,000 | - | - | - | 132,246 |
| 2000 | - | 120,100 | 15,700 | - | 51,290 | 53,000 | 20,600 | 37,100 | 7,381 | (8,726) | - | 296,445 |
| 2001 | - | 10,000 | 15,600 | - | (4,049) | 22,300 | 18,800 | 31,700 | 12,797 | 198,305 | (926) | 304,527 |
| **Subtotal** | **65,800** | **229,400** | **66,260** | **800** | **113,080** | **109,600** | **50,700** | **88,800** | **20,178** | **189,579** | **(926)** | **933,271** |
| 2002 | - | - | 11,207 | - | (7,644) | 17,600 | 20,000 | 26,367 | 12,797 | 100,889 | 74 | 181,290 |
| 2003 | - | 27,700 | 794 | - | (3,020) | 12,002 | 21,300 | 22,767 | 12,797 | 100,889 | 184,993 | 380,222 |
| 2004 | - | - | 712 | - | (1,216) | 3,998 | 22,700 | 20,666 | 12,797 | 14,930 | 184,994 | 259,581 |
| 2005 | - | - | 638 | - | 1,705 | - | 24,100 | 19,666 | 5,414 | 191 | 74 | 51,788 |
| 2006 | - | - | 571 | - | 2,997 | - | 28,200 | 18,071 | - | - | - | 49,839 |
| 2007 | - | - | 507 | - | 162 | - | - | 17,500 | - | - | - | 18,169 |
| 2008 | - | - | 459 | - | 167 | - | - | 17,500 | - | - | - | 18,126 |
| 2009 | - | - | 335 | - | 171 | - | - | 17,500 | - | - | - | 18,006 |
| 2010 | - | - | 294 | - | 6,441 | - | - | 17,500 | - | - | - | 24,235 |
| 2011 | - | - | 247 | - | - | - | - | 17,500 | - | - | - | 17,747 |
| 2012 | - | - | 211 | - | - | - | - | 17,500 | - | - | - | 17,711 |
| 2013 | - | - | 189 | - | - | - | - | 17,500 | - | - | - | 17,689 |
| 2014 | - | - | 169 | - | - | - | - | 8,700 | - | - | - | 8,869 |
| 2015 | - | - | 150 | - | - | - | - | - | - | - | - | 150 |
| 2016 | - | - | 133 | - | - | - | - | - | - | - | - | 133 |
| 2017 | - | - | 118 | - | - | - | - | - | - | - | - | 118 |
| 2018 | - | - | 104 | - | - | - | - | - | - | - | - | 104 |
| 2019 | - | - | 91 | - | - | - | - | - | - | - | - | 91 |
| 2020 | - | - | 79 | - | - | - | - | - | - | - | - | 79 |
| 2021 | - | - | 68 | - | - | - | - | - | - | - | - | 68 |
| 2022 | - | - | 54 | - | - | - | - | - | - | - | - | 54 |
| 2023 | - | - | 31 | - | - | - | - | - | - | - | - | 31 |
| 2024+ | - | - | 2 | - | - | - | - | - | - | - | - | 2 |
| **Subtotal** | - | **27,700** | **17,163** | - | **(237)** | **33,600** | **116,300** | **238,737** | **43,805** | **216,899** | **370,135** | **1,064,102** |
| **Total** | **65,800** | **257,100** | **83,423** | **800** | **112,843** | **143,200** | **167,000** | **327,537** | **63,983** | **406,477** | **369,209** | **1,997,372** |

# Estimated Current Tax Benefit Detail by Project and Year (Thousands)

| Project | Tanya | Teresa | Steele | Renegade | Tomas | Cochise | Apache | Condor | Valhalla | Tammy I | Tammy II | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1995 | 65,800 | - | - | - | - | - | - | - | - | - | - | 65,800 |
| 1996 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1997 | - | (14,469) | 1,284 | - | | - | - | - | - | - | - | (13,186) |
| 1998 | - | (10,544) | 6,552 | - | 64,156 | - | - | - | - | - | - | 60,163 |
| 1999 | - | (9,535) | 15,209 | - | - | - | 11,331 | - | - | - | - | 17,005 |
| 2000 | - | (37,766) | 4,049 | - | 44,922 | - | 20,591 | - | - | - | - | 31,795 |
| 2001 | - | (3,210) | 4,299 | - | - | - | 18,800 | - | - | - | - | 19,889 |
| **Subtotal** | **65,800** | **(75,525)** | **31,392** | **-** | **109,078** | **-** | **50,722** | **-** | **-** | **-** | **-** | **181,467** |
| 2002 | - | (9,369) | 5,248 | - | - | - | 20,000 | - | - | - | - | 15,878 |
| 2003 | - | 8,663 | 5,131 | - | - | - | 21,300 | - | - | - | - | 35,093 |
| 2004 | - | 8,663 | 4,870 | - | - | - | 22,700 | - | - | - | - | 36,232 |
| 2005 | - | 8,663 | 4,854 | - | - | (764) | 24,100 | - | - | - | - | 36,852 |
| 2006 | - | 8,663 | 4,560 | - | - | 7,351 | 28,200 | - | - | - | - | 48,774 |
| 2007 | - | 8,663 | 4,257 | - | - | 15,425 | - | - | - | 10,190 | 9,102 | 47,635 |
| 2008 | - | 8,663 | 4,264 | - | - | 13,459 | - | - | - | 10,616 | 9,483 | 46,484 |
| 2009 | - | 8,663 | 3,897 | - | - | 13,899 | - | - | - | 10,616 | 9,483 | 46,558 |
| 2010 | - | 8,663 | 3,108 | - | - | 14,616 | - | - | - | 10,616 | 9,483 | 46,486 |
| 2011 | - | 8,663 | 2,133 | - | - | 13,685 | - | - | - | 10,616 | 9,483 | 44,579 |
| 2012 | - | 8,663 | 1,467 | - | - | 12,392 | - | - | - | 10,616 | 9,483 | 42,620 |
| 2013 | - | 8,663 | 1,056 | - | - | 10,843 | - | - | - | 10,616 | 9,483 | 40,660 |
| 2014 | - | 8,663 | 261 | - | - | 9,367 | - | - | - | 10,616 | 9,483 | 38,389 |
| 2015 | - | 8,663 | 80 | - | - | 8,530 | - | 20,051 | - | 10,616 | 9,483 | 57,422 |
| 2016 | - | 8,663 | 53 | - | - | 7,489 | - | 37,119 | - | 10,616 | 9,483 | 73,423 |
| 2017 | - | 8,663 | 41 | - | - | 4,468 | - | 31,736 | - | 10,616 | 9,483 | 65,006 |
| 2018 | - | 8,663 | 21 | - | - | 3,215 | - | 27,383 | - | 10,616 | 9,483 | 59,381 |
| 2019 | - | 8,663 | 14 | - | - | 2,293 | - | 23,796 | - | 10,616 | 9,483 | 54,865 |
| 2020 | - | 8,663 | 5 | - | - | 1,781 | - | 21,720 | - | 10,616 | 9,483 | 52,267 |
| 2021 | - | 8,663 | (3) | - | - | 1,529 | - | 20,747 | - | 10,616 | 9,483 | 51,034 |
| 2022 | - | 8,663 | (1,516) | - | - | 979 | - | 19,105 | - | 10,616 | 9,483 | 47,330 |
| 2023 | - | 8,663 | (6) | - | - | 402 | - | 17,497 | - | 10,616 | 9,483 | 46,654 |
| 2024+ | - | 164,588 | 2,586 | - | - | (411) | - | 113,627 | - | 233,996 | 209,014 | 723,399 |
| **Subtotal** | **-** | **337,131** | **46,380** | **-** | **-** | **140,548** | **116,300** | **332,781** | **-** | **414,042** | **369,839** | **1,757,020** |
| **Total** | **65,800** | **261,606** | **77,772** | **-** | **109,078** | **140,548** | **167,022** | **332,781** | **-** | **414,042** | **369,839** | **1,938,487** |

ENRON

# Structured Transactions Group
# Business Review

## October 2001

# Table of Contents

# Structured Transactions Group
# Overview

# Introduction

- Boutique Group. 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).

- Focus. The group originates transactions utilizing the tax attributes of Enron Corp. and its counterparties and operates the resulting structures.

- Capabilities. The group synthesizes tax, finance, legal and accounting principles to enhance returns in the context of Enron's commercial transactions. Successful implementation of transactions depends upon sound technical analysis and effective communication across business units. We successfully plan, implement and operate our structures by creating sophisticated models and utilizing Enron's diverse I.T., accounting and tax systems.

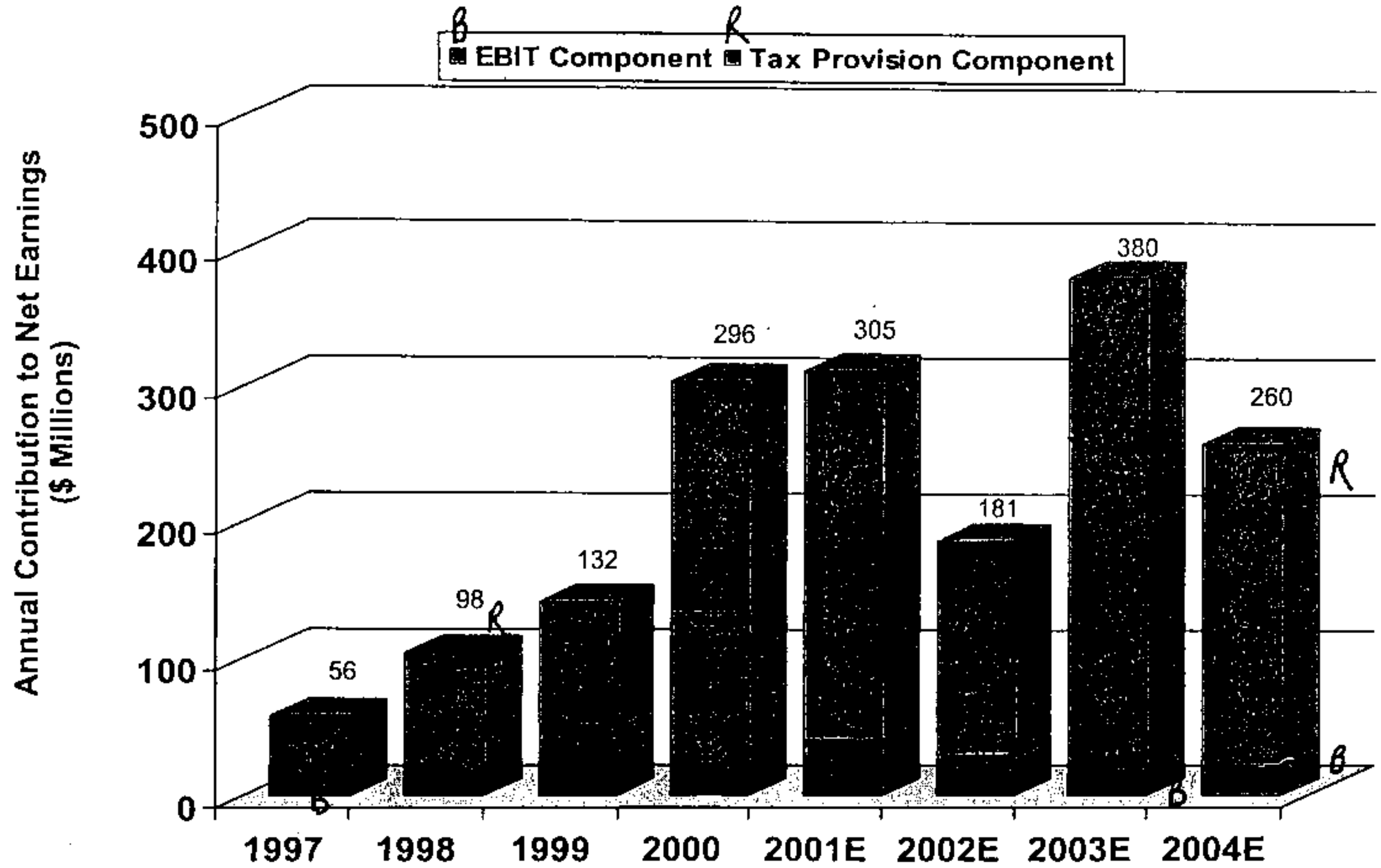
- Risk Management. The group manages risk through diligence and care in:

    - Selecting transactions to pursue
    - Engaging appropriate professional staff
    - Diversifying the portfolio of structures
    - Sizing transactions reasonably
    - Avoiding widely-marketed structures
    - Refraining from replicating existing structures
    - Managing and controlling information strictly
    - Maintaining the ability to act (and react) quickly

- Personnel. The group consists of fourteen individuals responsible for the front and back office aspects of each deal. Seven group members are CPAs, four are attorneys, four are MBAs and four have masters degrees in finance, accounting or tax.

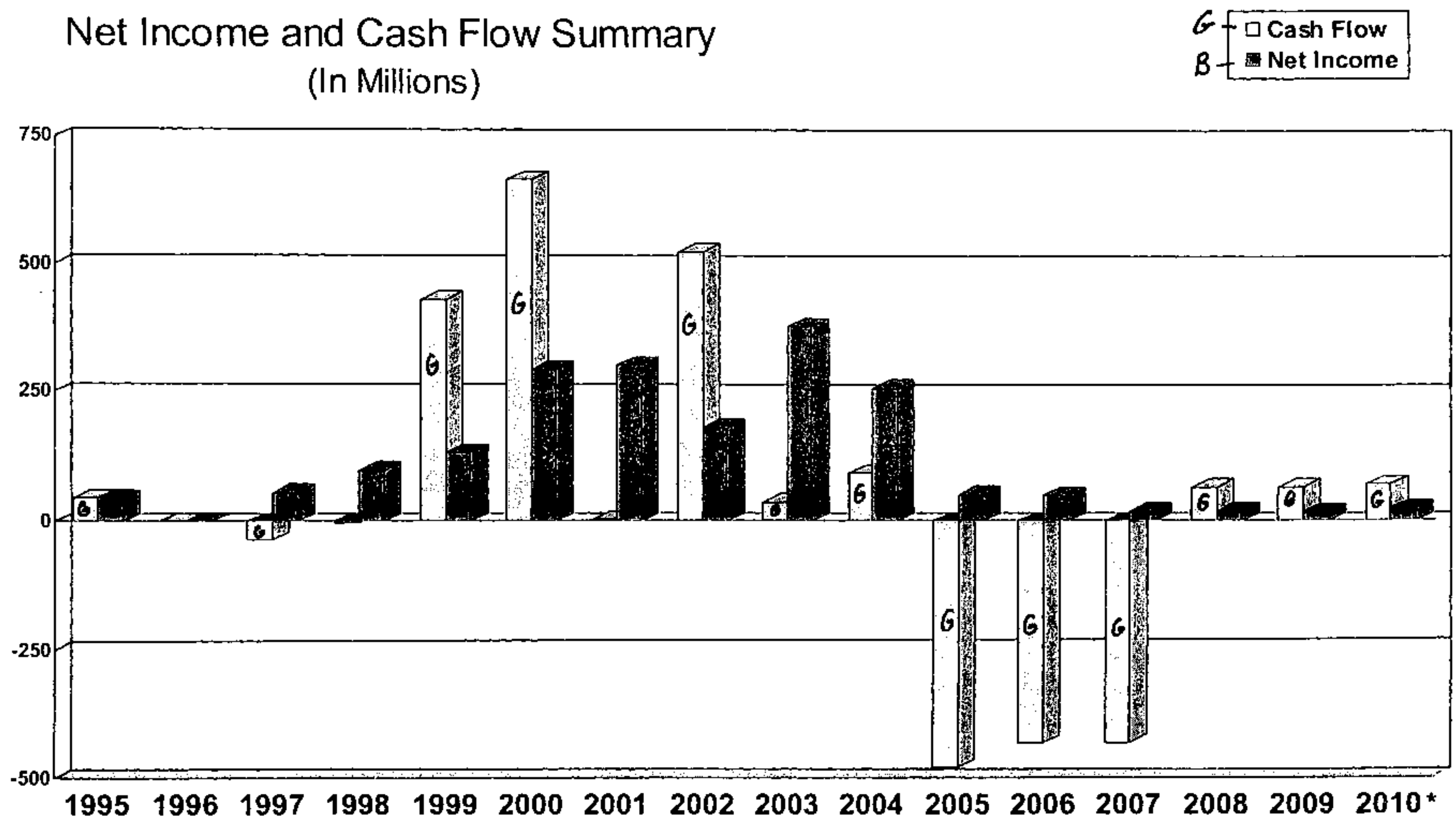
- Recent Activities. In the first half of 2001, the group initiated three new projects, significantly modified one structure and operated nine existing structures.

## Contribution to Enron's Annual Net Income (millions)



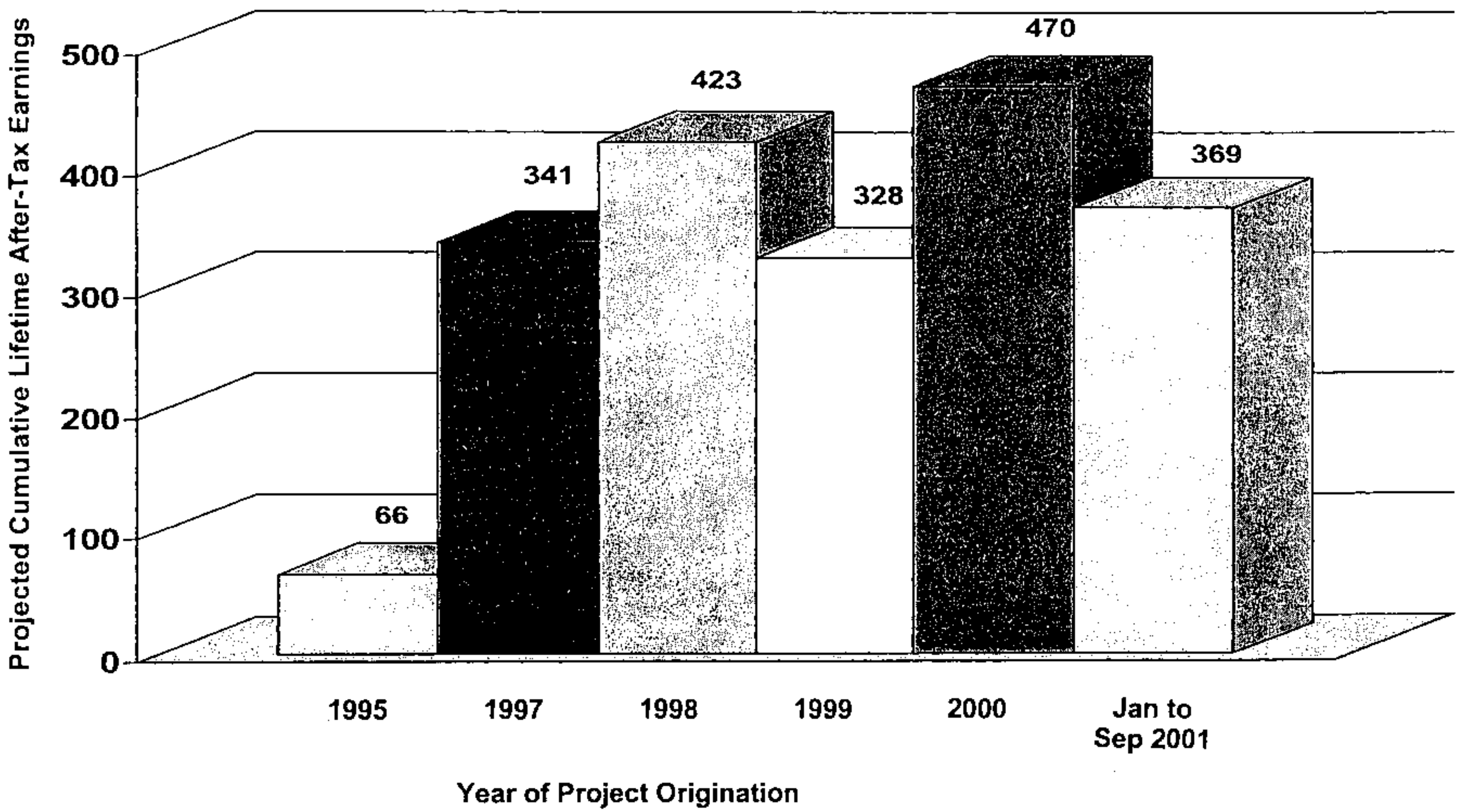

NOTE: The tax provision component reflects tax benefits generated by structured transactions, less tax expenses generated by the EBIT component of structured transactions.

## Structure Overview - Aggregate

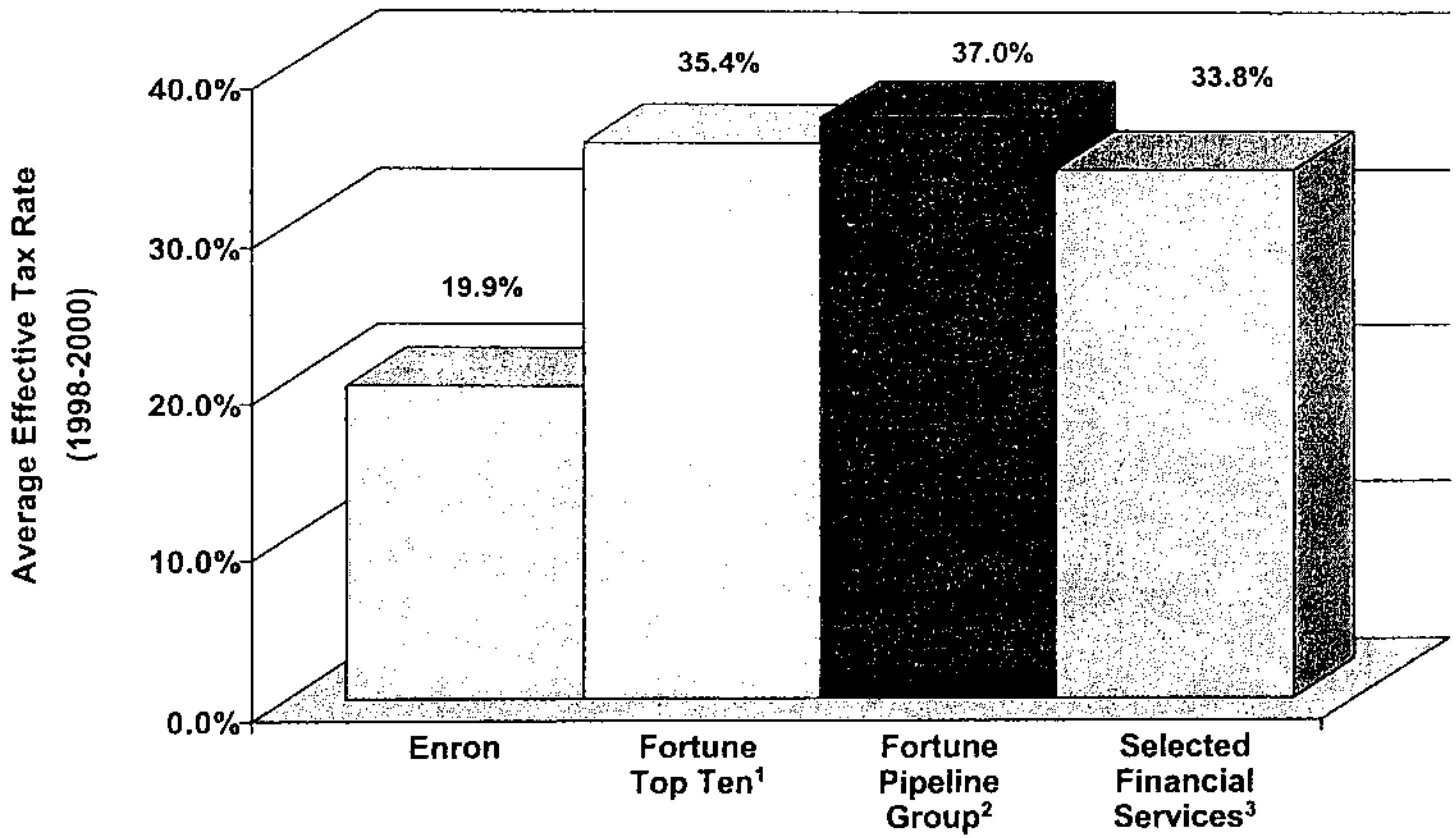



*There is additional net income of $62.85 million and positive cash flow of $1,381.71 million from 2011 through the year 2046 resulting from the various projects.

## Projected Cumulative Earnings by Year Originated (millions)



## Comparison of Effective Tax Rates (Average for Years 1998 – 2000)




[1] Includes Exxon Mobil (33%), Wal-Mart (37.7%), General Motors (34.6%), Ford Motor (33.7%), General Electric (31.1%), Citigroup (35.9%), IBM (31.4%), AT&T (42.2%) and Verizon (39.1%).

[2] Includes Dynegy (33.3%), El Paso (31.3%), Williams (43.9%), Transmontaigne (37%), Kinder Morgan (40%) and Western Gas (36.5%).

[3] Includes CitiGroup (35.9%), DeutscheBank (40.3%), JP Morgan/Chase (35.2%), AIG (30.2%), Merrill Lynch (33.4%) and Barclays (27.8%).

# Key Project Metrics

| Project (year closed) | Projected Cumulative Earnings ($1000's) | Net Present Value at 7% ($1000's) | Internal Rate of Return |
|---|---|---|---|
| Tanya (1995) | 65,800 | 65,800 | N/A |
| Teresa (1997) | 257,100 | (2,100) | 6.8% |
| Steele (1997)* | 83,423 | 28,500 | 23.5% |
| Renegade (1998)* | 800 | 800 | N/A |
| Tomas (1998)* | 112,843 | 53,700 | 301.2% |
| Cochise (1998)* | 143,200 | 50,300 | 17.4% |
| Apache (1998) | 167,000 | 116,800 | 3565.8% |
| Condor (1999) | 327,537 | 66,700 | 20.9% |
| Valhalla (2000)* | 63,983 | 50,700 | 1747.6% |
| Tammy I (2000) | 406,477 | 85,500 | 27.8% |
| Tammy II (2001) | 369,209 | 86,600 | 72.1% |
| **Totals** | **1,997,372** | **603,300** | |

* These projects contribute to EBIT.

# Enron Balance Sheet Perspective

**Enron Corp. and Subsidiaries**
**December 31, 2000**
**(in millions)**

| | Enron Corp. Consolidated | Structured Transactions | % of Enron Assets |
|---|---|---|---|
| ASSETS | | | |
| Current Assets | | | |
| Trade Receivables | $10,396 | $2,013 | 19.4% |
| Assets From Price Risk Management Activities | 12,018 | 279 | 2.3% |
| Other | 7,968 | 1,652 | 20.7% |
| Total Current Assets | $30,381 | $3,944 | 13.0% |
| Investments and Other Assets | $23,379 | $3,959 | 16.9% |
| Property, Plant and Equipment, at Cost | $15,459 | $7,972 | 51.6% |
| Less Accumulated Deprec, Depletion and Amortization | (3,716) | (3,108) | 83.7% |
| Property, Plant and Equipment, Net | $11,743 | $4,863 | 41.4% |
| TOTAL ASSETS | $65,503 | $12,766 * | 19.5% |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities | $28,406 | $1,338 | 4.7% |
| Long-Term Debt | 8,551 | 3,715 | 43.4% |
| Deferred Credits and Other Liabilities | 13,759 | 1,387 | 10.1% |
| Minority Interests | 2,414 | 1,018 | 42.2% |
| Company-Obligated Preferred Securities of Subsidiaries | 904 | 162 | 18.0% |
| Shareholders' Equity | 11,470 | 4,717 | 41.1% |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $65,503 | $12,336 * | 18.8% |

* Not all structures utilize equal amounts of assets and liabilities.

# Action Plan for 2001

| | |
|---|---|
| **Ajax** | Develop and implement project to generate EBIT via acquisition of high basis, low value financial assets in a large carry-over basis transaction. |
| **Apache** | 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 could significantly accelerate the $167 million net income benefit from this transaction. |
| **Hitchcock** | Research and develop project that will generate depreciation deductions, lowering Enron's effective tax rate, using foreign lease transaction. |
| **Tammy I** | Use proceeds of asset sales to finance purchase of preferred stock. Expected earnings benefit in 2001 of approximately $200 million. |
| **Tammy II** Done | Develop and implement a minority interest financing structure using $2 billion of non-core Enron assets. Global Finance to do |
| **Tomas** Done | Conclude negotiations resolving fee dispute with former manager of PGH's portfolio of leveraged assets. Monetize additional assets. |
| **Valhalla** | Valkyrie partnership will be liquidated so as to simplify overall structure. |

# Appendices

# Net Income Detail by Project and Year Recognized (Thousands)

| Project | Tanya | Teresa | Steele | Renegade | Tomas | Cochise | Apache | Condor | Valhalla | Tammy I | Tammy II | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1995 | 46,500 | - | - | - | - | - | - | - | - | - | - | 46,500 |
| 1996 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1997 | - | 52,100 | 3,860 | - | - | - | - | - | - | - | - | 55,960 |
| 1998 | - | 26,000 | 14,800 | 800 | 55,993 | - | - | - | - | - | - | 97,593 |
| 1999 | 19,300 | 21,200 | 16,300 | - | 9,846 | 34,300 | 11,300 | 20,000 | - | - | - | 132,246 |
| 2000 | - | 120,100 | 15,700 | - | 51,290 | 53,000 | 20,600 | 37,100 | 7,381 | (8,726) | - | 296,445 |
| 2001 | - | 10,000 | 15,600 | - | (4,049) | 22,300 | 18,800 | 31,700 | 12,797 | 198,305 | (926) | 304,527 |
| 2002 | - | - | 11,207 | - | (7,644) | 17,600 | 20,000 | 26,367 | 12,797 | 100,889 | 74 | 181,290 |
| 2003 | - | 27,700 | 794 | - | (3,020) | 12,002 | 21,300 | 22,767 | 12,797 | 100,889 | 184,993 | 380,222 |
| 2004 | - | - | 712 | - | (1,216) | 3,998 | 22,700 | 20,666 | 12,797 | 14,930 | 184,994 | 259,581 |
| 2005 | - | - | 638 | - | 1,705 | - | 24,100 | 19,666 | 5,414 | 191 | 74 | 51,788 |
| 2006 | - | - | 571 | - | 2,997 | - | 28,200 | 18,071 | - | - | - | 49,839 |
| 2007 | - | - | 507 | - | 162 | - | - | 17,500 | - | - | - | 18,169 |
| 2008 | - | - | 459 | - | 167 | - | - | 17,500 | - | - | - | 18,126 |
| 2009 | - | - | 335 | - | 171 | - | - | 17,500 | - | - | - | 18,006 |
| 2010 | - | - | 294 | - | 6,441 | - | - | 17,500 | - | - | - | 24,235 |
| 2011 | - | - | 247 | - | - | - | - | 17,500 | - | - | - | 17,747 |
| 2012 | - | - | 211 | - | - | - | - | 17,500 | - | - | - | 17,711 |
| 2013 | - | - | 189 | - | - | - | - | 17,500 | - | - | - | 17,689 |
| 2014 | - | - | 169 | - | - | - | - | 8,700 | - | - | - | 8,869 |
| 2015 | - | - | 150 | - | - | - | - | - | - | - | - | 150 |
| 2016 | - | - | 133 | - | - | - | - | - | - | - | - | 133 |
| 2017 | - | - | 118 | - | - | - | - | - | - | - | - | 118 |
| 2018 | - | - | 104 | - | - | - | - | - | - | - | - | 104 |
| 2019 | - | - | 91 | - | - | - | - | - | - | - | - | 91 |
| 2020 | - | - | 79 | - | - | - | - | - | - | - | - | 79 |
| 2021 | - | - | 68 | - | - | - | - | - | - | - | - | 68 |
| 2022 | - | - | 54 | - | - | - | - | - | - | - | - | 54 |
| 2023 | - | - | 31 | - | - | - | - | - | - | - | - | 31 |
| 2024+ | - | - | 2 | - | - | - | - | - | - | - | - | 2 |
| Total | 65,800 | 257,100 | 83,423 | 800 | 112,843 | 143,200 | 167,000 | 327,537 | 63,983 | 406,477 | 369,209 | 1,997,372 |

# Cash Flow Detail by Project and Year Incurred (Thousands)

| Project | *Tanya* | *Teresa* | *Steele* | *Renegade* | *Tomas* | *Cochise* | *Apache* | *Condor* | *Valhalla* | *Tammy I* | *Tammy II* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1995** | 46,500 | - | - | - | - | - | - | - | - | - | - | 46,500 |
| **1996** | - | - | - | - | - | - | - | - | - | - | - | - |
| **1997** | - | 8,535 | (44,924) | | | - | - | - | - | - | - | (36,389) |
| **1998** | - | (17,669) | 8,216 | 8,768 | (3,268) | - | - | - | - | - | - | (3,953) |
| **1999** | 19,300 | (25,861) | 17,380 | (1,927) | (6,701) | (62,739) | 500,594 | (7,709) | - | - | - | 432,337 |
| **2000** | - | (33,272) | 6,116 | (2,004) | 86,354 | 42,903 | 18,792 | 616 | 56,566 | 491,274 | - | 667,347 |
| **2001** | - | (62,574) | 29,928 | (2,124) | 6,449 | 393 | 20,316 | 616 | 13,000 | (1,695) | (926) | 3,383 |
| **2002** | - | (29,690) | 6,958 | (1,914) | 11,169 | 1,313 | 22,544 | 616 | 13,000 | 889 | 500,074 | 524,959 |
| **2003** | - | (17,502) | 6,968 | 0 | 2,921 | 3,698 | 25,432 | 616 | 13,000 | 889 | 74 | 36,096 |
| **2004** | - | 25,596 | 6,626 | 0 | 2,715 | 17,083 | 27,326 | - | 13,000 | 889 | 74 | 93,310 |
| **2005** | - | 25,596 | 6,538 | 0 | 2,476 | (764) | 29,360 | - | (44,583) | (499,809) | 74 | (481,112) |
| **2006** | - | 25,596 | 6,178 | 0 | 3,786 | 7,351 | (477,366) | - | - | - | - | (434,454) |
| **2007** | - | 25,596 | 5,812 | 0 | 162 | 15,425 | - | - | - | 10,190 | (490,898) | (433,713) |
| **2008** | - | 25,596 | 5,773 | 0 | 167 | 13,459 | - | - | - | 10,616 | 9,483 | 65,094 |
| **2009** | - | 25,596 | 5,285 | 0 | 171 | 13,899 | - | - | - | 10,616 | 9,483 | 65,050 |
| **2010** | - | 25,596 | 4,455 | 0 | 6,441 | 14,616 | - | - | - | 10,616 | 9,483 | 71,207 |
| **2011** | - | 25,596 | 3,434 | 0 | - | 13,685 | - | - | - | 10,616 | 9,483 | 62,814 |
| **2012** | - | 25,596 | (11,059) | 0 | - | 12,392 | - | - | - | 10,616 | 9,483 | 47,028 |
| **2013** | - | 25,596 | 2,573 | 0 | - | 10,843 | - | - | - | 10,616 | 9,483 | 59,110 |
| **2014** | - | 25,596 | 1,758 | 0 | - | 9,367 | - | - | - | 10,616 | 9,483 | 56,819 |
| **2015** | - | 25,596 | 1,559 | 0 | - | 8,530 | - | 20,051 | - | 10,616 | 9,483 | 75,835 |
| **2016** | - | 25,596 | 1,516 | 0 | - | 7,489 | - | 37,119 | - | 10,616 | 9,483 | 91,819 |
| **2017** | - | 25,596 | 1,488 | 0 | - | 4,468 | - | 31,736 | - | 10,616 | 9,483 | 83,387 |
| **2018** | - | 25,596 | 1,455 | 0 | - | 3,216 | - | 27,383 | - | 10,616 | 9,483 | 77,749 |
| **2019** | - | 25,596 | 1,436 | 0 | - | 2,293 | - | 23,796 | - | 10,616 | 9,483 | 73,220 |
| **2020** | - | 25,596 | 1,414 | 0 | - | 1,781 | - | 21,720 | - | 10,616 | 9,483 | 70,610 |
| **2021** | - | - | 1,395 | 0 | - | 1,529 | - | 20,747 | - | 10,616 | 9,483 | 43,770 |
| **2022** | - | - | (130) | 0 | - | 979 | - | 19,105 | - | 10,616 | 9,483 | 40,053 |
| **2023** | - | - | 1,356 | (3) | - | 402 | - | 17,497 | - | 10,616 | 9,483 | 39,351 |
| **2024+** | - | - | 3,919 | - | - | (411) | - | 113,627 | - | 233,996 | 209,014 | 560,145 |
| ***Total*** | 65,800 | 257,100 | 83,424 | 800 | 112,843 | 143,200 | 167,000 | 327,537 | 63,983 | 406,477 | 369,209 | 1,997,373 |

ENRON

# Project Tanya

## Business Review

# Structure Overview

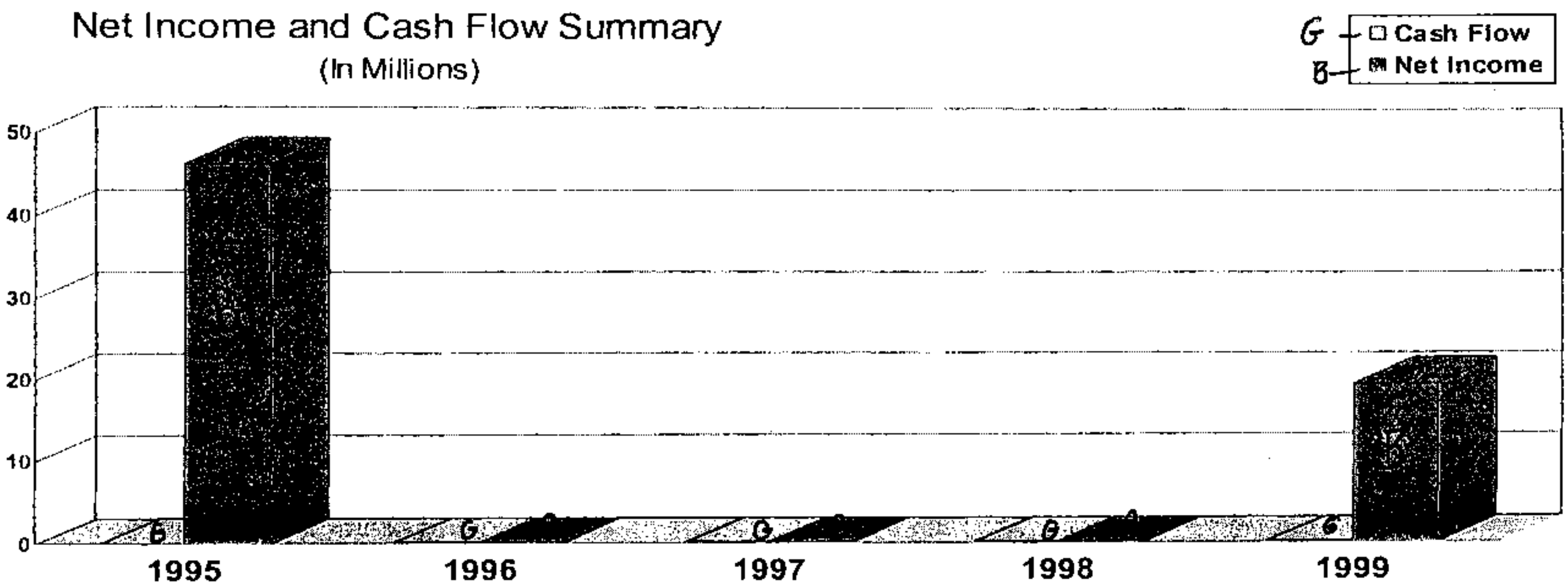
## Assets/Risk Management

- The SFAS 106 liabilities assumed by EMI (valued at $187.1 million at date of transfer) continue to be managed by the Human Resources Department.
- During 2001, Enron reacquired the outstanding preferred stock held by the management of EMI.
- It is anticipated that in 2002, EMI will be liquidated and the SFAS 106 liabilities distributed to Enron.

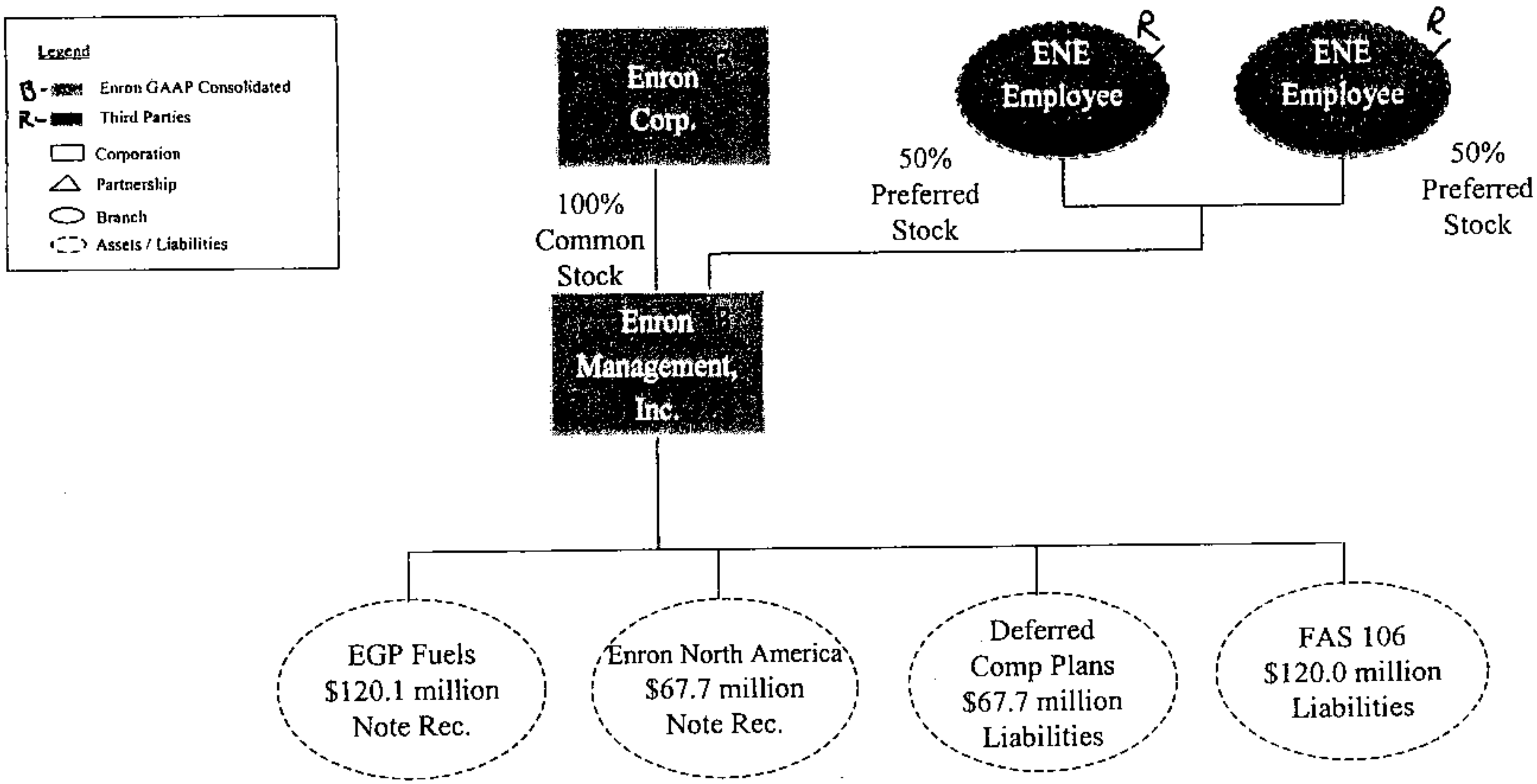
## Transaction Description

- The transaction involves the creation of an entity (Enron Management, Inc. "EMI") to assume and manage Enron's deferred compensation and post-retirement benefit obligations ("SFAS 106 liabilities").
- In 1995, the sale of preferred stock received by Enron during the formation of the structure generated a capital loss of $185.5 million which was used to offset capital gains from a secondary offering of EGO common stock.
- As a result of the audit group's successful defense of the structure, the IRS declined to challenge Enron's 1995 return position.

## Net Income and Cash Flow Summary
(In Millions)



## Transaction Structure




| | |
|---|---|
| Time to execute | 2 months |
| Closing date | December 1995 |
| Total earnings | $66 million |

## Summary and Progress Report

| | |
|---|---|
| December 1995 | On December 1, 1995, Enron Corp. ("Enron") capitalized Enron Management, Inc. ("EMI") with Notes Receivable from operating subsidiaries of $187.1 million, subject to a contractual assumption of Enron's deferred compensation and post retirement benefit obligations. In exchange for the transfer, Enron received all of a newly created class of voting participating preferred stock in EMI.<br><br>On December 28, 1995, Enron sold the preferred stock in EMI to two officers responsible for the management of the compensation and benefits group to provide the officers with an incentive to control costs and share in the rewards of these cost containment efforts. |
| July 1998 | One of the preferred stockholders resigned from Enron and contractually transferred her shares to the remaining officer. Pursuant to the applicable Stock Purchase & Sale Agreement ("Agreement"), the remaining shareholder acquired the stock of the departing manager. |
| 1999 | The $185.5 million capital loss generated by this transaction was reviewed by the IRS during the audit of Enron's 1995 Federal tax return. As a result of the audit group's successful defense of the structure, the Service declined to challenge the 1995 return position. |
| April 2001 | Pursuant to the terms of the Agreement, the remaining preferred shareholder put her shares back to Enron Corp. |

# Project Teresa

## Business Review

# Structure Overview

## Asset/Risk Management

Assets Held:
- Enron Building North — $300 million subject to a long-term lease may not be transferred out of structure
- Pipeline Companies
- Hawker N5734 — $10 million
- Hawker N5732 — $12 million

Other Issues:
- In 2003, minority interests valued at $33 million will be redeemed out of the structure.
- Assets held in the structure will be distributed back up to Enron Corp. affiliate at that time.

## Transaction Description

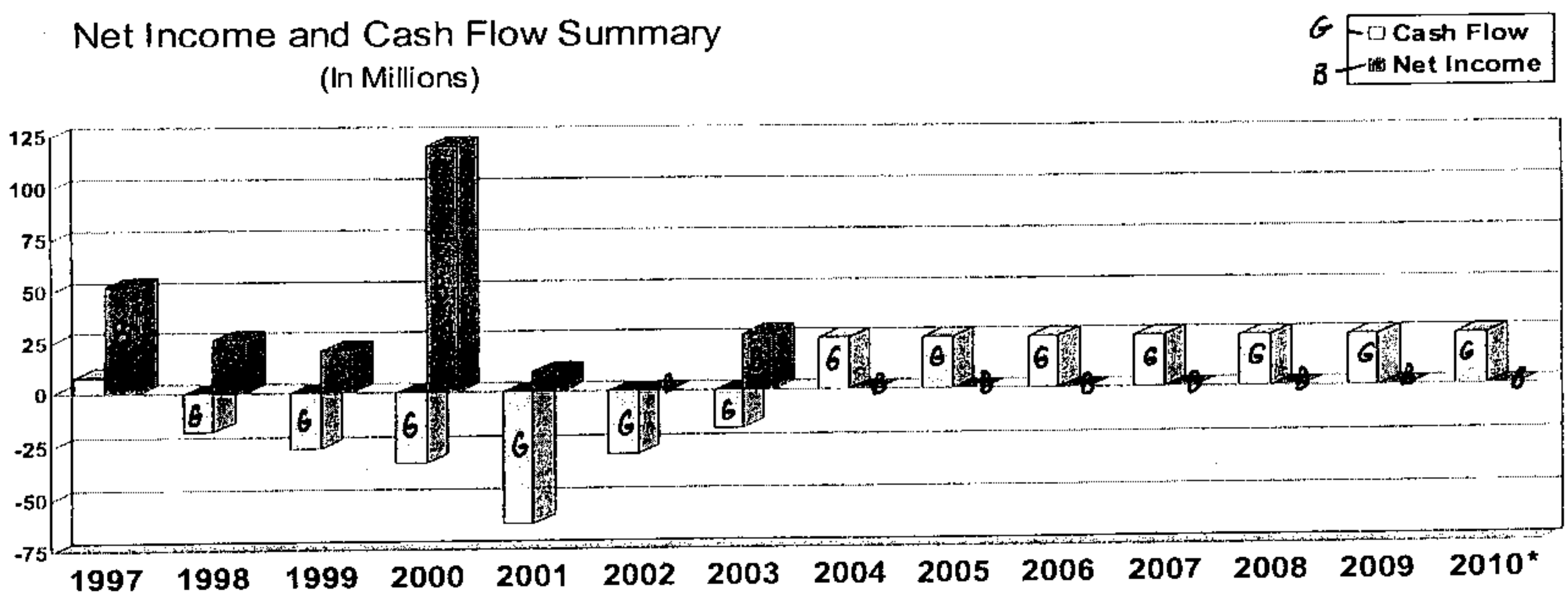
This transaction creates tax deductions in the form of enhanced depreciation deductions on the Enron Center North.

The tax basis of the building is effectively written up through a series of stock transactions that flow through a partnership with minority interest equity.

The stock transactions are economically supported by earnings and profits generated in the ordinary course of business by the pipeline companies.

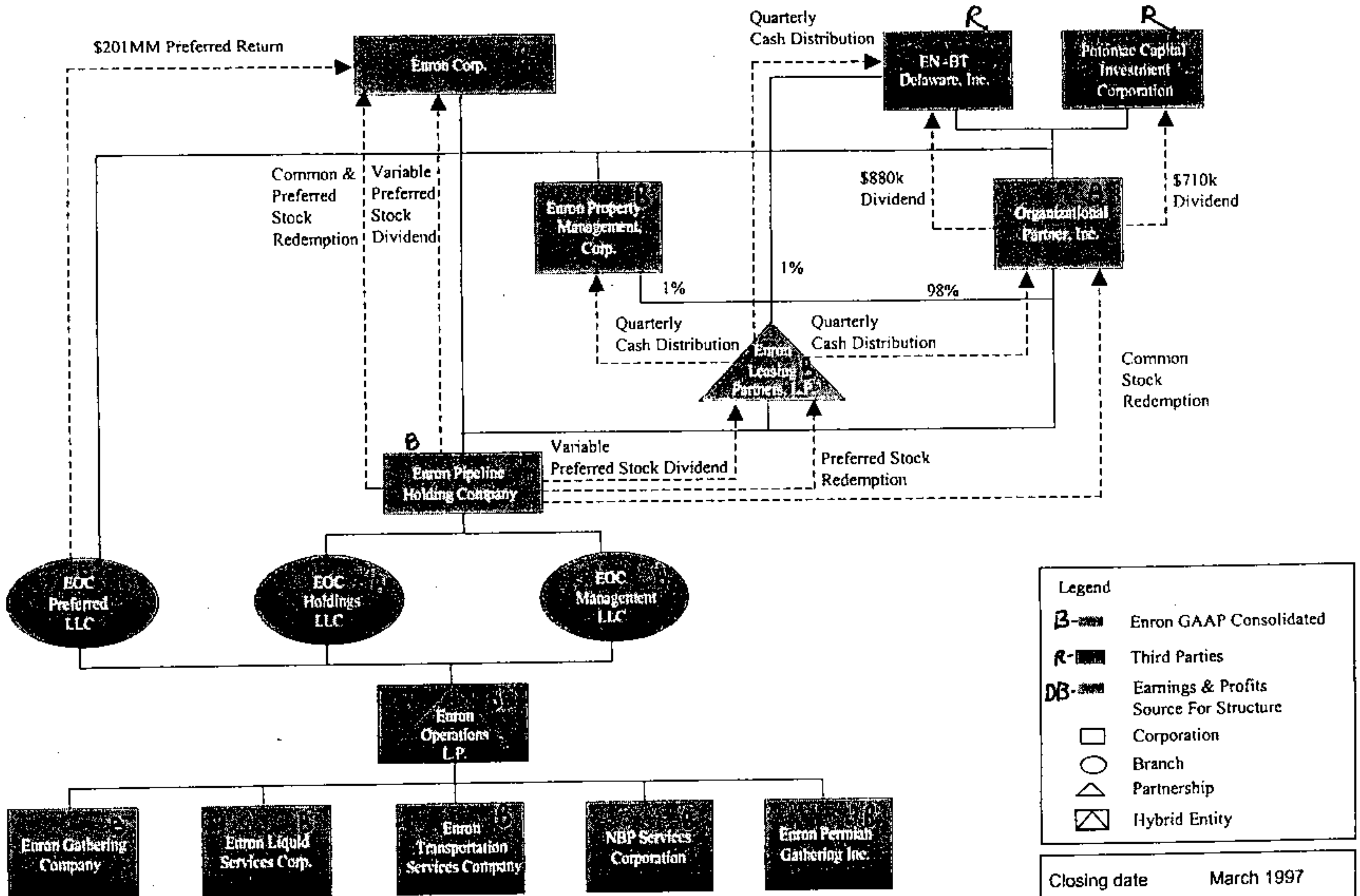
## Net Income and Cash Flow Summary

(In Millions)




*There is additional positive cash flow of $255.96 million from 2011 through the year 2020 resulting primarily from tax depreciation on an increased basis in Enron Center North.

# Transaction Structure




| | |
|---|---|
| Closing date | March 1997 |
| Total earnings | $257 million |

## Summary and Progress Report

| | |
|---|---|
| March 1997 | Enron Corp. and Bankers Trust Company (now Deutsche Bank) formed Enron Leasing Partners, L.P. (the "Partnership"). Enron Corp.'s interest in the Partnership was primarily held by a tax deconsolidated entity, Organizational Partner, Inc. ("OPI"). The Partnership's investments include tax ownership of the Enron Building and preferred stock issued by Enron Pipeline Holding Company ("EPHC"). Potomac Capital and Deutsche Bank hold interests in OPI. |
| Quarterly March 1998 - present | Periodically, EPHC redeems its preferred stock held by the Partnership in a transaction which is treated as dividend income by EPHC to the Partnership for tax purposes but is not treated as income for GAAP purposes. The partners' outside tax basis in the Partnership is increased ratably with each distribution. |
| November 1999 | A restructuring was implemented to increase the earnings and profits of EPHC by transferring ownership of the pipeline companies held by Enron Operations Corp. into EPHC. Certain partnership conversions and other formalities were necessary to prevent an increase in Texas franchise tax exposure as a result of the restructuring. This restructuring created a large, intercompany preferred class of stock in Enron Operations, L.P. |
| Second Quarter 2000 | A $1 billion note payable by HPL to EPHC was transferred as a payable to Enron Corp. in connection with the sale of HPL. This had no material effect on the structure. |
| 2001-2002 | Additional earnings and profits must be generated through a tax restructuring to support the dividend payments out of the structure. |
| 2002 | The preferred stock of EPHC will be completely redeemed out of the structure leaving the Partnership with a high tax basis, low fair market value preferred stock of EPHC. This stock will be an asset of Enron which may be used in other structures. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| It is probable that the structure will run out of earnings and profits before all of the preferred stock can be redeemed in 2002. Approximately $28MM in benefits may become stranded in the structure. | We have looked at various strategies to increase the available earnings and profits in the pipeline companies but regulatory restraints currently make this impractical. We are researching other planning opportunities. |
| Quarterly dividend payments must be structured, authorized and executed appropriately. | Legal Department pays careful attention to the details of notice, approval and execution. Delays in reporting of the transaction by the corporate secretary's office often prevent accurate reflection of the transactions in databases and other internal documentation. |
| The dividend payments require sufficient earnings and profits to satisfy certain tax tests and sufficient earned surplus to count as dividends under Delaware law. | Earnings and profits from the pipeline companies are carefully monitored in coordination with Greek Rice and Rod Hayslett's groups to determine whether they are sufficient to support the dividend. Separate tests are conducted to meet the Delaware legal requirements. |
| The Partnership Agreement requires quarterly cash distributions to its Partners. | Calculate, review and pay distributions. |
| Sufficient earnings and profits must also be available to support Enron Operations, L.P.'s preferred stock dividends. | Cash, earnings, and profits are all carefully monitored at the EPHC and EOLP levels. |
| Closing and monthly journal entries required for more than 10 separate entities each month. Review general ledgers of each entity to verify appropriate booking of entries. | Coordination with accounting and tax departments to appropriately reflect activity. |

# Project Steele

## Business Review

# Structure Overview

## Asset/Risk Management

Assets Acquired:

| | |
|---|---|
| - REMIC Residual Interests | \$ 7.5 million |
| - Corporate Bond Portfolio (rated AA or better) | \$50.0 million |

Current Status of Assets:

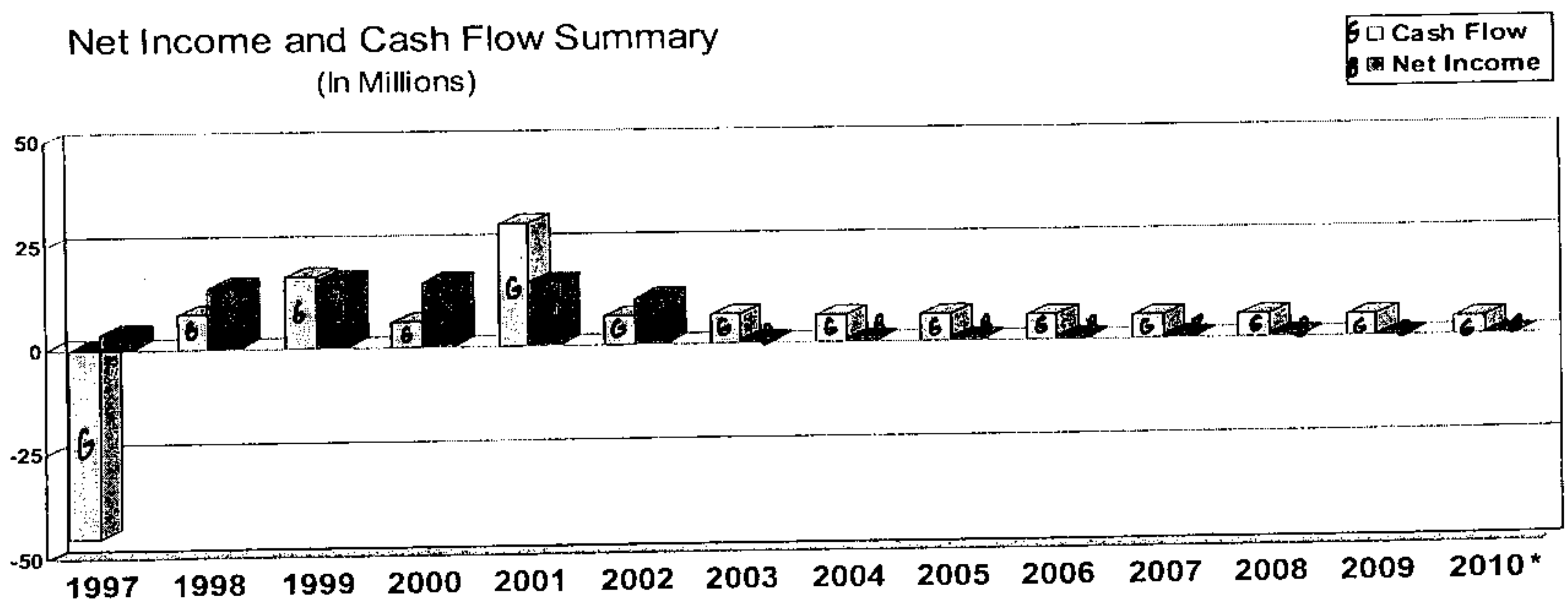
| | |
|---|---|
| - Outstanding principal on bonds (the portfolio will be fully amortized by the end of 2003) | \$34.0 million |
| - REMIC Residuals – 20% average annual cash yield during 1998-2000 | \$ 1.5 million |

## Transaction Description

- In October 1997, Enron acquired a portfolio of financial assets (corporate bonds and REMIC residual interests) from Bankers Trust Company. The portfolio augments a company-operated hedge fund.
- Because of the attributes of the REMICs (i.e., high tax basis and low fair market value), financial accounting rules allowed Enron to recognize operating income resulting from the amortization of a deferred credit over the five-year life of the bond portfolio.

## Net Income and Cash Flow Summary

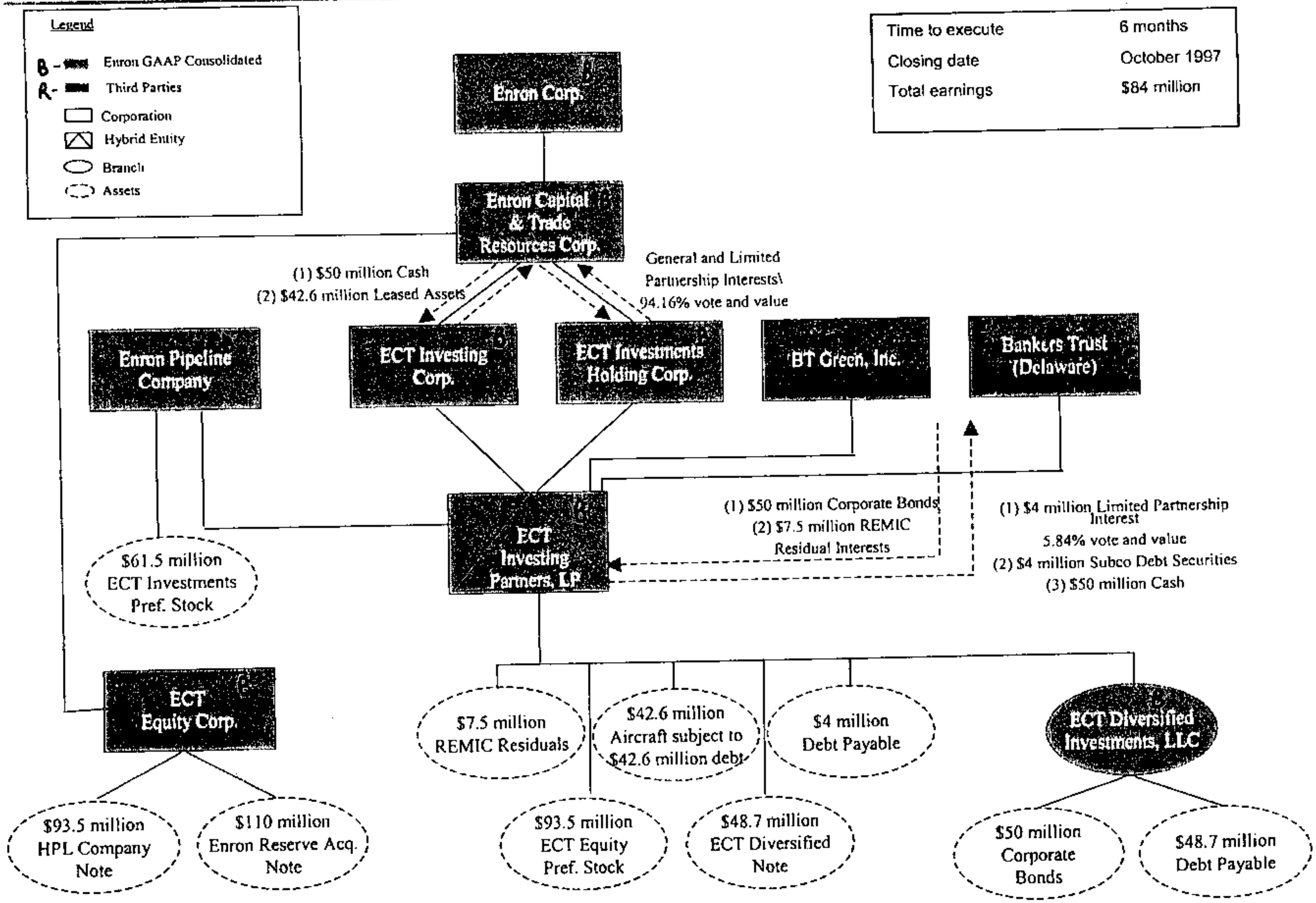
(In Millions)




*There is additional net income of \$1.65 million and positive cash flow of \$12.11 million from 2011 through the year 2025 resulting primarily from tax losses from REMIC residual interests.

# Transaction Structure

| | |
|---|---|
| Time to execute | 6 months |
| Closing date | October 1997 |
| Total earnings | $84 million |



# Summary and Progress Report

| | |
|---|---|
| October 1997 | Enron Corp. and Bankers Trust (now Deutsche Bank) formed ECT Investing Partners, L.P. (the "Partnership"). Enron and various subsidiaries contributed cash and leased assets (corporate aircraft) to the Partnership while BT transferred various investment securities (corporate bonds and REMIC residual interests). The Partnership's acquisition of a high tax basis / low book basis REMIC portfolio resulted in the creation of deferred tax assets. The Partnership amortizes an offsetting deferred credit into pre-tax income over a relatively short time frame. |
| February 2000 | Falcon 50 aircraft sold to Raytheon resulting in taxable income of $14 million. |
| March 2001 | Falcon 900 aircraft sold to Enron Corp. and refinanced. |
| Quarterly | Quarterly dividend and fee payments to be made to BT. Over 200 quarterly statements (REMIC Schedule Q's) of taxable income / loss are received and recorded. |
| Monthly | Monitor monthly bond portfolio brokerage statements and reconcile the accrued interest to brokerage receipts. |
| October 2002 | Mandatory cash distribution to Deutsche Bank based upon excess retained earnings. |
| 2002 and Beyond | Next year is the final year of accelerated pre-tax income. In 2002, the projected pre-tax earnings are $18 million but are expected to decline to about $1 million annually through 2011. |
| After October 2002 | Deutsche Bank may elect to recapitalize its preferred interest into debt instruments ("Recapitalization Notes"). |
| After October 2004 | Deutsche Bank receives an unassignable right to put its Recapitalization Notes back to Enron. |
| After April 2009 | Deutsche Bank receives an assignable right to put its Recapitalization Notes back to Enron. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| Maintain custody of REMICs and monitor quarterly taxable income/loss and basis calculations. | REMIC certificates are stored in Enron vault on 48th floor. Structured Transactions group tracks taxable income/loss by REMIC and maintains tax basis for each. |
| Ensure proper custody and management of cash generated by the structure. | ST group works with Treasury and accounting to monitor cash activity in checking and brokerage accounts and makes arrangements to transfer cash to Enron Corp. as needed. |
| Must monitor acquisitions and dispositions of assets in structure; e.g. aircraft and U.S. Treasury securities. | ST group works closely with Enron Legal, Enron commercial groups and outside counsel to safeguard against adverse effects of asset acquisitions and dispositions on structure and ensures adherence to reps and warranties. |
| Closing and monthly journal entries required for nine separate entities each month. Review general ledgers of each entity to verify appropriate booking of entries. | Coordination with accounting and tax departments in various business units to appropriately reflect activity. |

# Project Renegade

## Business Review

# Structure Overview

## Asset/Risk Management

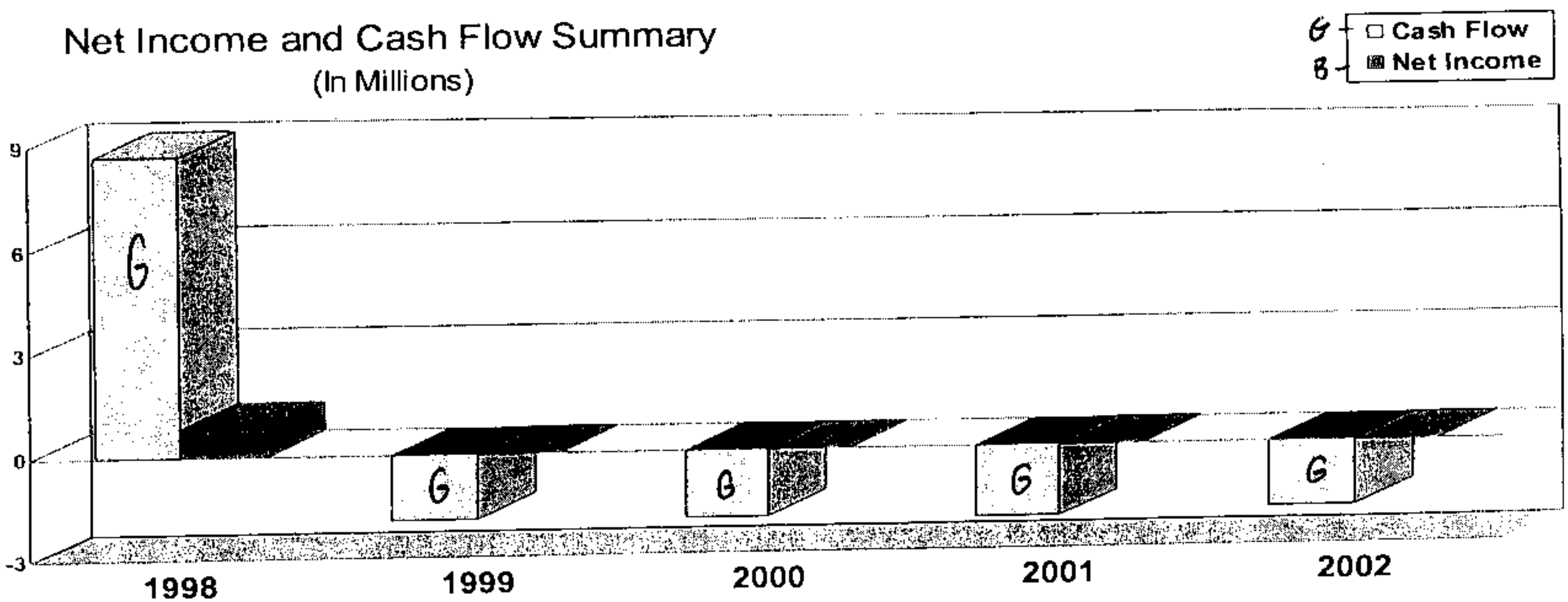
- Deutsche Bank acquired $8 million of preferred securities from the FASIT.
- The principal balance of these securities will be fully amortized in December 2002.

## Transaction Description

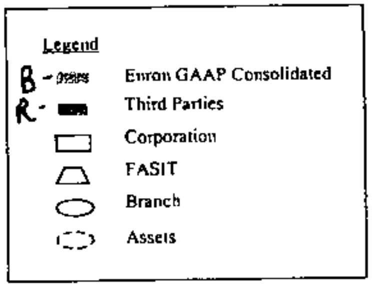
- In December 1998, Enron created a structure to facilitate the issuance of securities at below market interest rates.
- The transaction also had collateral year-end tax planning benefits for Deutsche Bank. In consideration for its counterparty role in structuring the transaction, Enron received a $1.3 million fee.

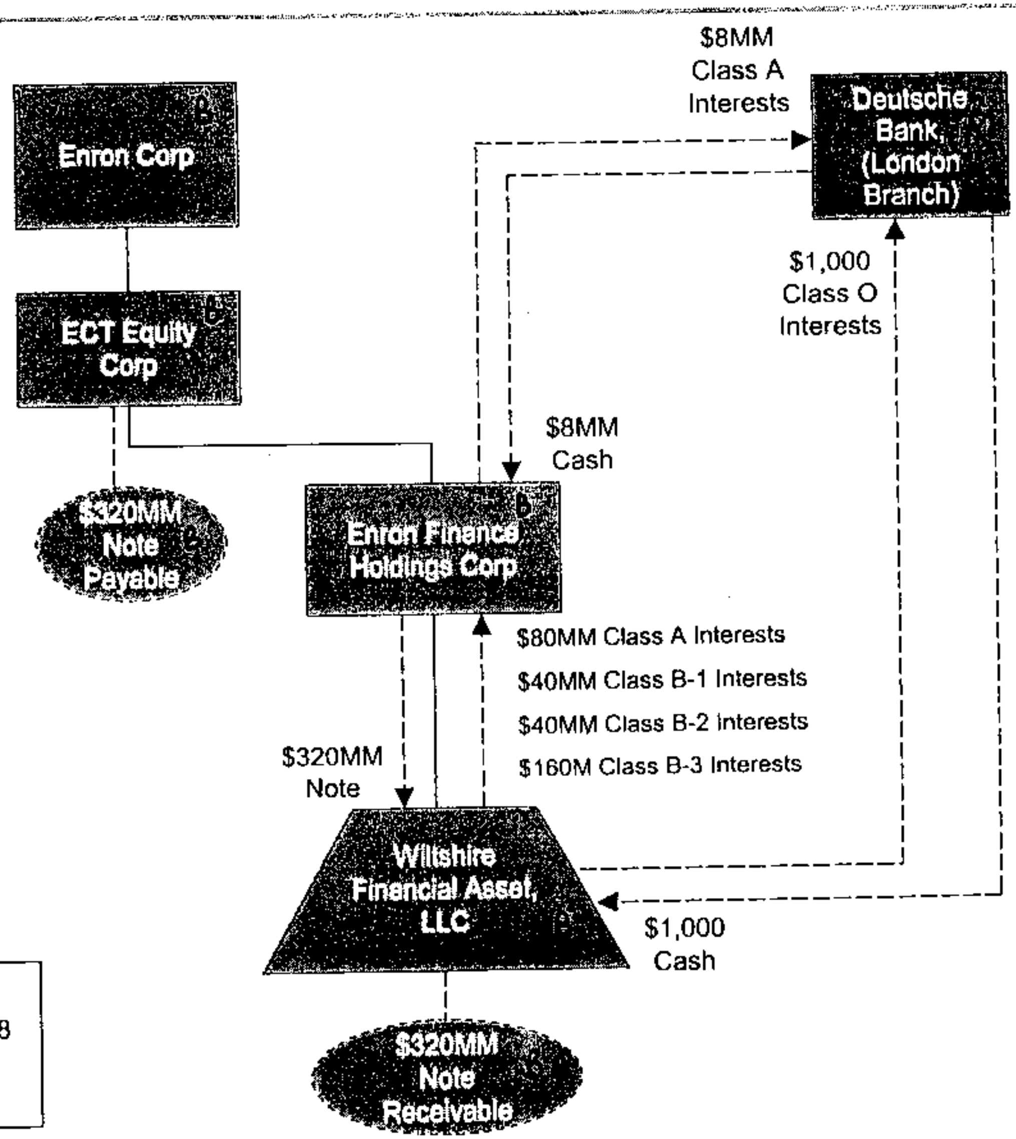
## Net Income and Cash Flow Summary

(In Millions)



# Transaction Structure




| | |
|---|---|
| Time to execute | 1 month |
| Closing date | December 1998 |
| Total earnings | $800,000 |

# Summary and Progress Report

| | |
|---|---|
| December 1998 | ECT Equity Corp created a $320MM intercompany note with Enron Finance Holdings Corp. Enron Finance Holdings Corp. created Wiltshire Financial Asset, LLC, a special purpose limited liability company that elected to be treated as a financial asset securitization investment trust (FASIT) for U.S. federal income tax purposes. Enron Finance Holdings Corp. contributed the $320MM intercompany note to Wiltshire Financial Asset, LLC in exchange for 100% of the Preferred Interests in Wiltshire. Enron Finance Holdings Corp. sold $8MM of the Class A interests to Deutsche Bank.<br>Enron Corp. recorded pre-tax fee income of $1.3MM from Deutsche Bank. |
| June 1999 – December 2002 | Wiltshire Financial Asset, LLC makes semi-annual principal and interest payments on the Class A interests to Enron Finance Holdings Corp. and Deutsche Bank. |
| December 2002 | Class A interests will be fully amortized. |
| Monthly | Prepare accounting entries for all entities to accrue interest income and expense. |
| Semi-annually | Pay accrued interest and principal on Class A Interests. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| Class A interests require semi-annual payment of principal and interests to Deutsche Bank. | Coordinate cash flows with Accounting and Treasury. |
| Marketing of remaining Class A interests held by Enron Finance Holdings Corp. | Work with Deutsche Bank to sell remaining Class A interests. |

ENRON

# Project Tomas

## Business Review

# Structure Overview

## Asset/Risk Management

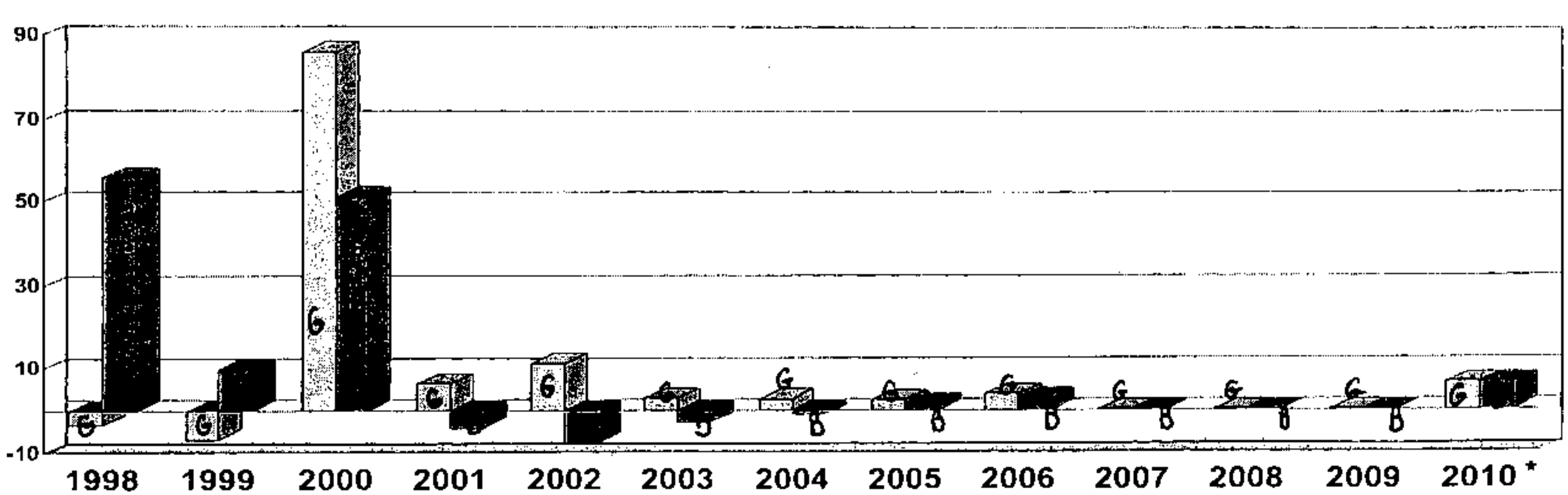
Assets Held:
- Aircraft leased to United (747) $13.6 million book value
- Aircraft leased to Continental (DC-9) $11.6 million book value

Risks:
- Extremely poor aircraft resale market
- Credit risk for lessee has increased due to airline industry distress

## Transaction Description

This structure generated tax basis in a portfolio of "burnt out" leveraged lease assets, which Portland General originally acquired and provided a mechanism for liquidating the portfolio at a substantial gain.

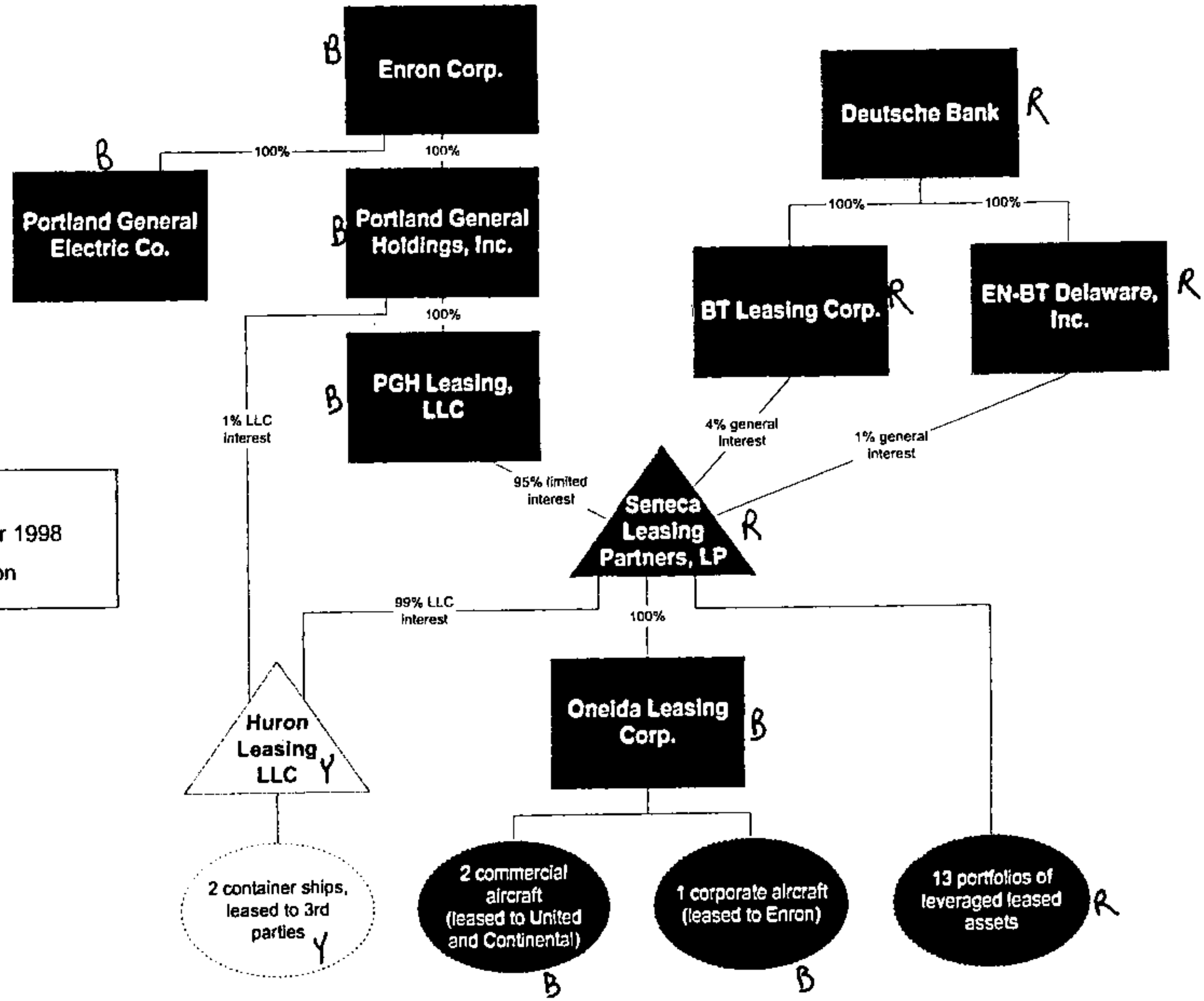
## Net Income and Cash Flow Summary
(In Millions)




*This project ceased to produce income or cash flow after 2010.

## Transaction Structure

Legend
- B Enron Consolidated
- R Non-consolidated (no Enron ownership)
- Y Non-consolidated (1% Enron ownership)
- Partnership
- Corporation
- Assets




| | |
|---|---|
| Time to execute | 10 months |
| Closing date | September 1998 |
| Total earnings | $103 million |

## Summary and Progress Report

| | |
|---|---|
| September 1998 | Portland General and two Bankers Trust subsidiaries formed Seneca Leasing Partners, LP, to hold Portland General's 17 portfolios of leveraged lease assets, among other things. |
| April 1999 | Two leased assets were sold to lessees and a third lease was renegotiated and renewed. |
| July 1999 | The two containership assets were transferred to Huron Leasing LLC, which is owned 99% by Seneca and 1% by PGH Holdings, LLC, to address maritime citizenship concerns caused by Deutsche Bank's acquisition of Bankers Trust. |
| June 2000 | PGH Leasing gave notice of its intent to withdraw from Seneca, triggering a public bid valuation process to determine the retirement price due to PGH Leasing. |
| July 2000 | Oneida Leasing, a subsidiary of Seneca, purchased two commercial aircraft that Deutsche Bank had acquired earlier in the year from an Enron subsidiary, ECT Investments Holding Corp. |
| October 2000 | Enron retired from the Seneca partnership, receiving the stock of Oneida Leasing (which held a large receivable from Deutsche Bank, the two commercial aircraft, and an Enron corporate aircraft). |
| December 2000 | Oneida collected on the large Deutsche Bank receivable. |
| January 2001 | Began negotiations with United Airlines regarding return conditions of aircraft. |
| June 2001 | PGH Leasing settled a management fee dispute with GATX, related to GATX's original contract with Portland General. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| Aircraft residual value. Oneida Leasing holds two commercial aircraft which have suffered significant unexpected declines in residual value. The 747 comes off lease in April 2002. | Have been exploring options regarding disposition of aircraft. |
| Lease specifics. One of the commercial aircraft, a 747, has been taken out of service by the lessee (United). The United lease ends in April 2002. Interpretation of lease provisions regarding return conditions in the lease agreement with United are in dispute. | Have been negotiating with United to resolve the disputed issues, in consultation with the Aircraft Group, a consulting firm. |
| Windup of Huron Leasing. The two ships held by Huron Leasing have been sold to third parties, leaving Huron holding minimal remaining assets. Seneca has guaranteed all contractual obligations of Huron to third parties. | Now confirming with outside advisors that liquidation will not adversely affect their previous opinions or advice.<br>Following confirmation, will proceed to liquidate Huron Leasing, which should have no material impact on Enron. |
| Portland General Holdings. The remaining Tomas assets (Oneida and PGH Leasing) are accounted for through Portland General Holdings, creating certain systems issues. | The group communicates regularly with Portland General accounting to insure correct record keeping.<br>If Portland General Electric is sold, will need to have a plan for moving the accounting for Portland General Holdings to Houston. |
| Portland General Holdings board members. Many of the board members of Portland General Holdings are unfamiliar with Tomas and its remaining assets. | Recent efforts to move management of the Tomas entities to Houston should help eliminate some of these difficulties. |

# Project Cochise

## Business Review

# Structure Overview

## Asset/Risk Management

Assets Held:

- REMIC Regular Interests — $26 million
- REMIC Residual Interests — $0 book value

Current Status:

- All of the assets are held in a REIT which is subject to complex tax compliance rules.
- In 2004, the minority interest valued at $2 million will be redeemed. After that time, Enron will be allowed to unwind the REIT and dispose of the REMIC portfolio in due course.
- The REMIC Regular Interests are rated AA. There is a liquid market for these securities.
- The REMIC Residual Interests have a high tax basis which facilitates the recognition of tax deductions over their 20-year term.

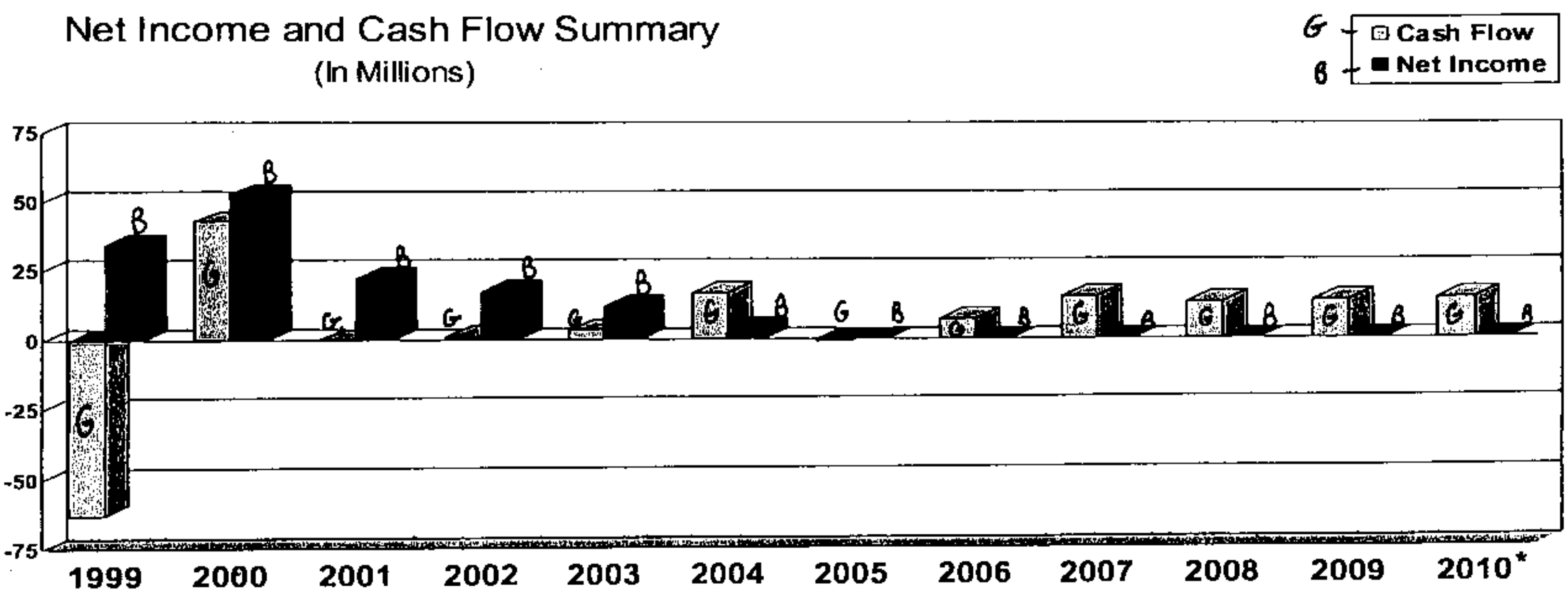
## Transaction Description

- In 1998, Enron acquired a diversified portfolio of financial instruments consisting of REMIC interests and equipment leases (commercial aircraft). Acquisition of the portfolio was consistent with Enron's wide-ranging strategy of searching for opportunistic financial investments.

- Certain financial accounting rules allowed Enron to write-down the tax basis in the leased aircraft by the amount of built-in loss in the REMIC Residual Interests thereby eliminating depreciation charges above the line on the leased aircraft.

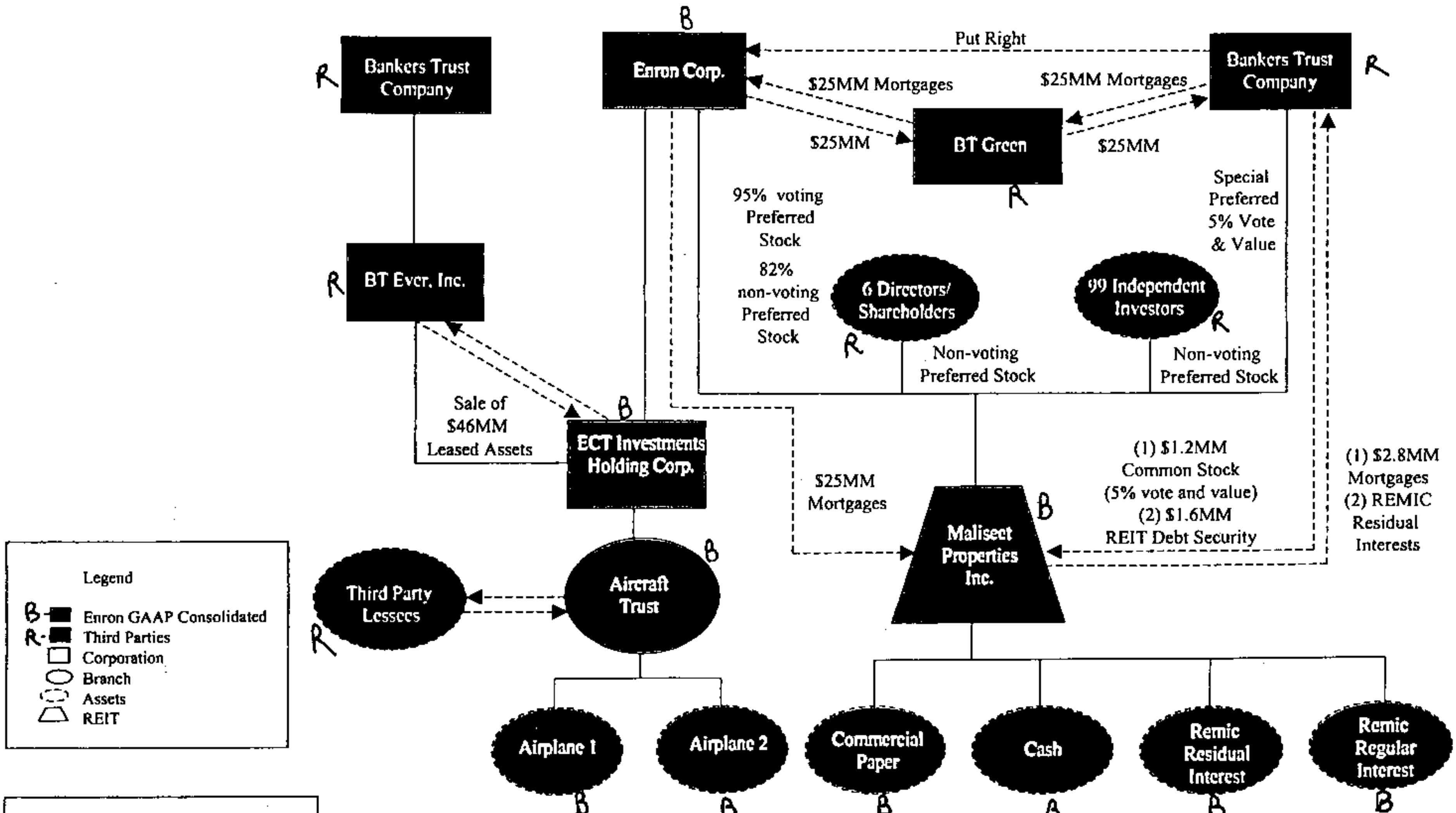
## Net Income and Cash Flow Summary

(In Millions)




*There is additional positive cash flow of $76.56 million from 2011 through the year 2025 resulting primarily from tax losses from REMIC residual interests.

# Transaction Structure




| | |
|---|---|
| Closing Date | December 1998 |
| Total earnings | $143 Million |

# Summary and Progress Report

| | |
|---|---|
| January 1999 | Enron Corp. recapitalized and renamed Enron Interstate Pipeline Company into Maliseet Properties, Inc. and elected to treat Maliseet as a REIT for federal income tax purposes. Enron Corp., a Bankers Trust Subsidiary, and 99 independent investors and 6 Enron officers capitalized Maliseet with REMIC Residual Interests, mortgages, and cash. |
| January 1999 | In an integrated transaction, ECT Investments Holding Corp. acquired ownership of two commercial aircraft leased to third parties. |
| June 2000 | ECT Investments Holding Corp. sold its aircraft for approximately $36MM. |
| Quarterly | Over 200 quarterly statements (REMIC Schedule Q's) of taxable income/loss are received and recorded. |

| | | | |
|---|---|---|---|
| Annual Tests | 75% Gross Income must be derived from real estate transactions. | 95% of Gross Income must be derived from real estate transactions plus dividends and interest | Limited to 5% of total asset value invested in securities of a single issuer. |
| Quarterly Tests | 75% of the value of total assets must consist of real estate, cash or government securities. | No more than 25% of the REIT's assets may be held in securities. | Limited to 5% of total asset value invested in securities of a single issuer. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| Cash dividend payments must be made quarterly. | Legal, accounting, and tax procedures are in place to appropriately declare and pay dividends. We have contracted with a management company to pay the private investors and handle tax reporting requirements. |
| Annual consent dividends of income are required to maintain REIT status and achieve financial accounting benefits. | Work with Arthur Andersen and Deutsche Bank to obtain Deutsche Bank's agreement. |
| Must show ownership by at least 100 shareholders each year. | Receive documentation from management company supporting ownership by 100+ individual shareholders annually. Approval is required prior to ownership. |
| Must maintain a qualifying portfolio of real estate assets generating real estate income to maintain REIT status. | Cash management is coordinated with Mary Perkins' group. Plan to purchase additional REMIC interests in September. Arthur Andersen reviews portfolio and reports regularly. |
| Maintain compliance with quarterly REIT tests. | Manage assets and income monthly to ensure that quarterly tests are met. |
| Prepare REIT tax return. | Work with Arthur Andersen and Deutsche Bank to fairly report income. |

ENRON

# Project Apache

## Business Review

# Structure Overview

## Asset/Risk Management

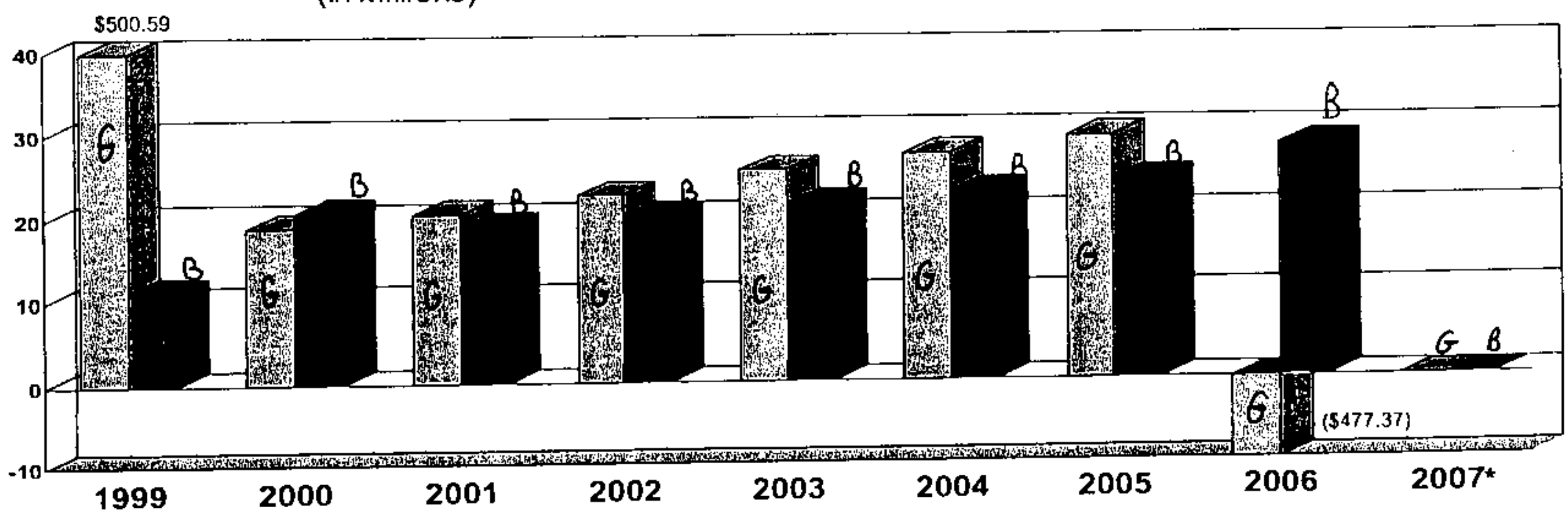
Assets Used:
- Third-party receivables regenerated monthly in EWS Operations, valued at $1,300 million.

Liabilities:
- Minority interest financing of $500 million; project ends in 2006.

## Transaction Description

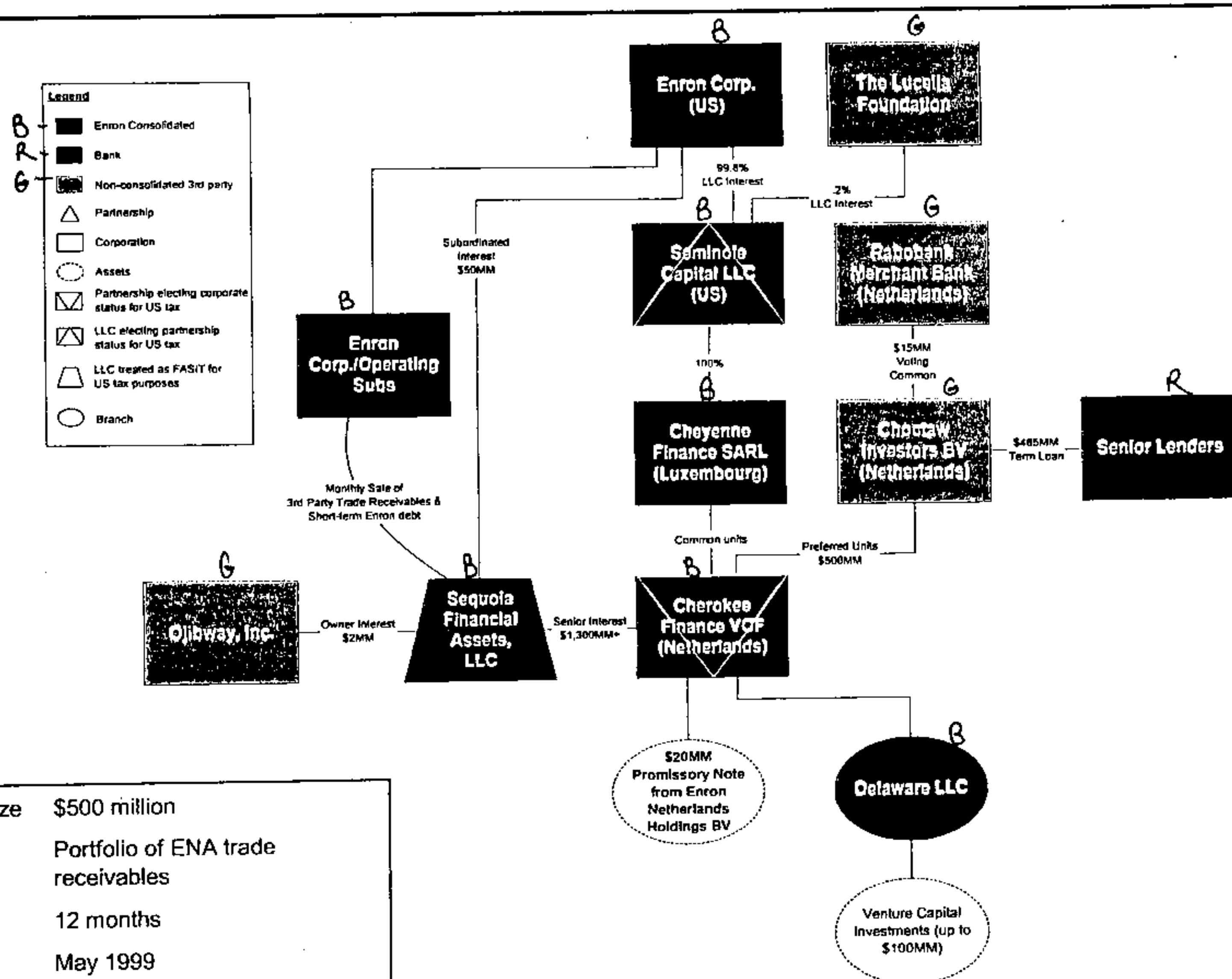
This structure provides minority-interest financing and generates tax benefits related to factoring 3rd party receivables generated by Enron North America.

## Net Income and Cash Flow Summary
(In Millions)



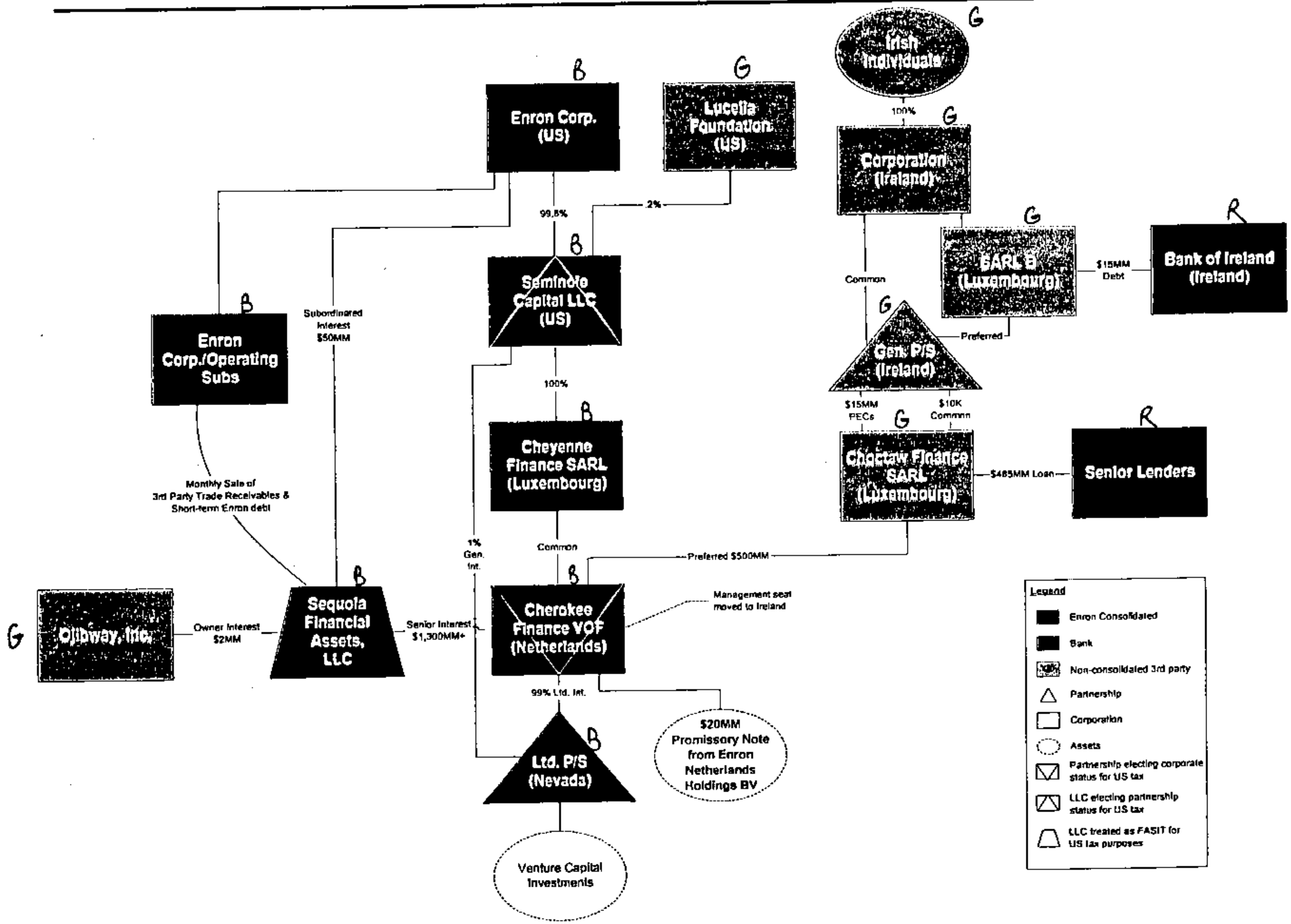

*This project will cease to produce income or cash flow after 2007.

# Current Structure




| | |
|---|---|
| Transaction size | $500 million |
| Assets used | Portfolio of ENA trade receivables |
| Time to close | 12 months |
| Closing date | May 1999 |
| Total earnings | $167 million |

# Anticipated Restructuring



# Summary and Progress Report

| | |
|---|---|
| May 1999 | Cherokee Finance VOF and Sequoia Financial Assets, LLC were formed. Cherokee began investing monthly in Sequoia senior notes; the funds of the investment are used by Sequoia to purchase 3rd party receivables generated by Enron in its trading business. |
| December 2000 | Amendments allowed Enron Finance Partners (part of Project Tammy) to invest in Sequoia senior notes alongside Cherokee. Amendment also expanded permitted investments in Cherokee to include equity investments (such as venture capital) to some extent. |
| January 2001 | Three venture capital investments of Enron Broadband were placed in the Cherokee structure. |
| 4th Quarter 2001 (anticipated) | The equity of Choctaw will be restructured to bring in new ownership.<br>- The change will allow Cherokee to increase the value of equity investments held in the structure.<br>- Until completion of the restructuring, such investments are capped due to limitations placed by the current Choctaw equity holder. |
| Monthly Activities | Analysis and identification of receivables<br>Generation of 300+ accounting entries<br>Preparation and distribution of monthly receivables reports<br>Preparation of Form 8811 for Ojibway<br>Distribution to Ojibway |
| Quarterly Activities | Distributions to Sequoia noteholders<br>Financial statement preparation<br>Certification of compliance with ratios |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| Restrictions on the amount of equity investments which can be included in the structure. | Currently in the process of replacing Dutch equity with non-institutional holders who will be more amenable to the structure holding additional equity investments in the structure. |
| Potential Luxembourg taxation upon distribution of proceeds of an equity sale by Cherokee. | Restructuring to convert current LLC's to a more efficient vehicle, probably a Nevada limited partnership. |
| Pressure from other Enron groups to use 3rd party receivables in other structures – exacerbates difficulties of monthly tracking of receivables, which is a crucial element in maintaining minority interest financing status. | Exploring using "gross" receivables amount rather than "net" positions currently used. |
| Separate Cherokee audit produced two issues:<br>(1) identification of receivables; and<br>(2) calculation of return on interim notes | Refining procedure for identifying receivables on 1st of the month.<br>Correcting the calculation of interim debt going forward. |
| Offshore management issues for Cherokee and Seminole. | Significant decisions are made only after board meetings held in the Caymans. |

# Project Condor

## Business Review

# Structure Overview

## Asset/Risk Management

<u>Assets Used:</u>

- Bammel Assets $930 million

<u>Status of Assets:</u>

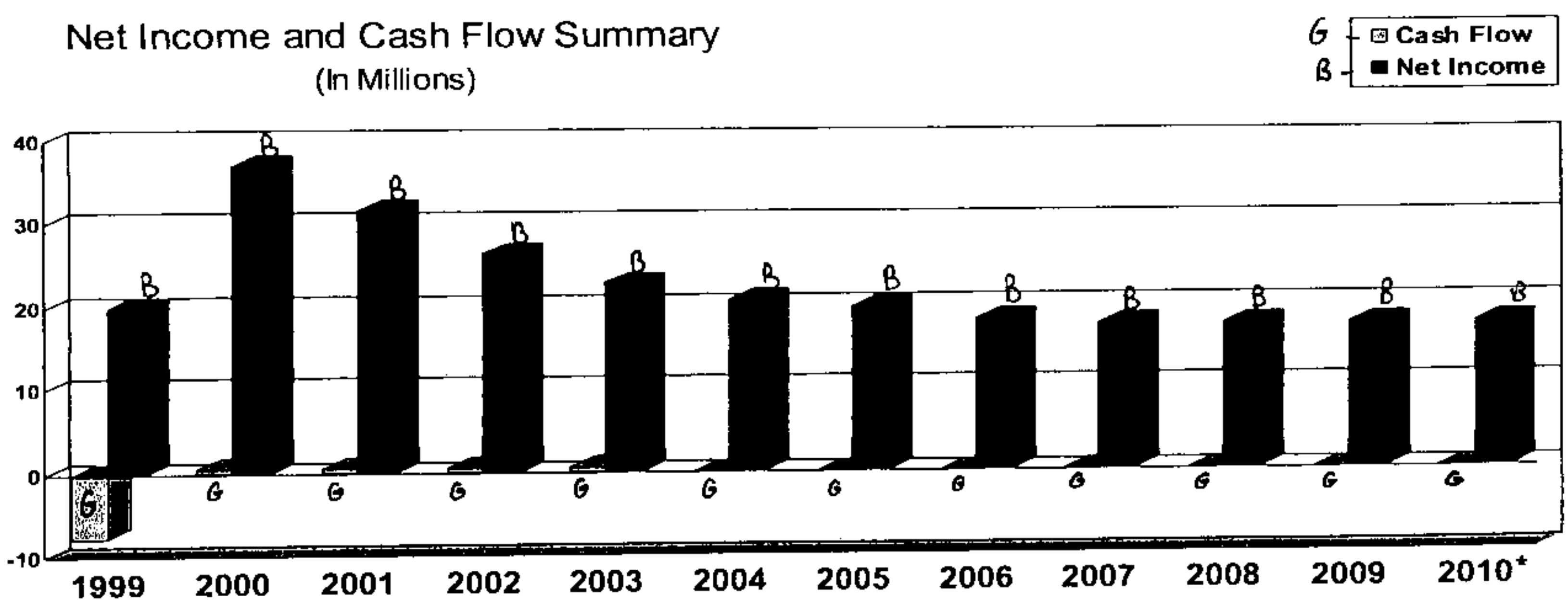
- HPL was sold to AEP in 2001. Legal ownership of the Bammel assets were retained by Enron and subleased from the Condor structure to AEP.

## Transaction Description

- In November 1999, Houston Pipe Line Company ("HPL") contributed its interest in the Bammel storage field and the Houston distribution loop ("Bammel Assets") to Whitewing Associates, L.P. The collateral provided by this transaction facilitated the $1.0B Osprey Trust financing.
- A collateral benefit of the transaction is the accretion of additional tax basis for the Bammel Assets upon unwind of the structure.

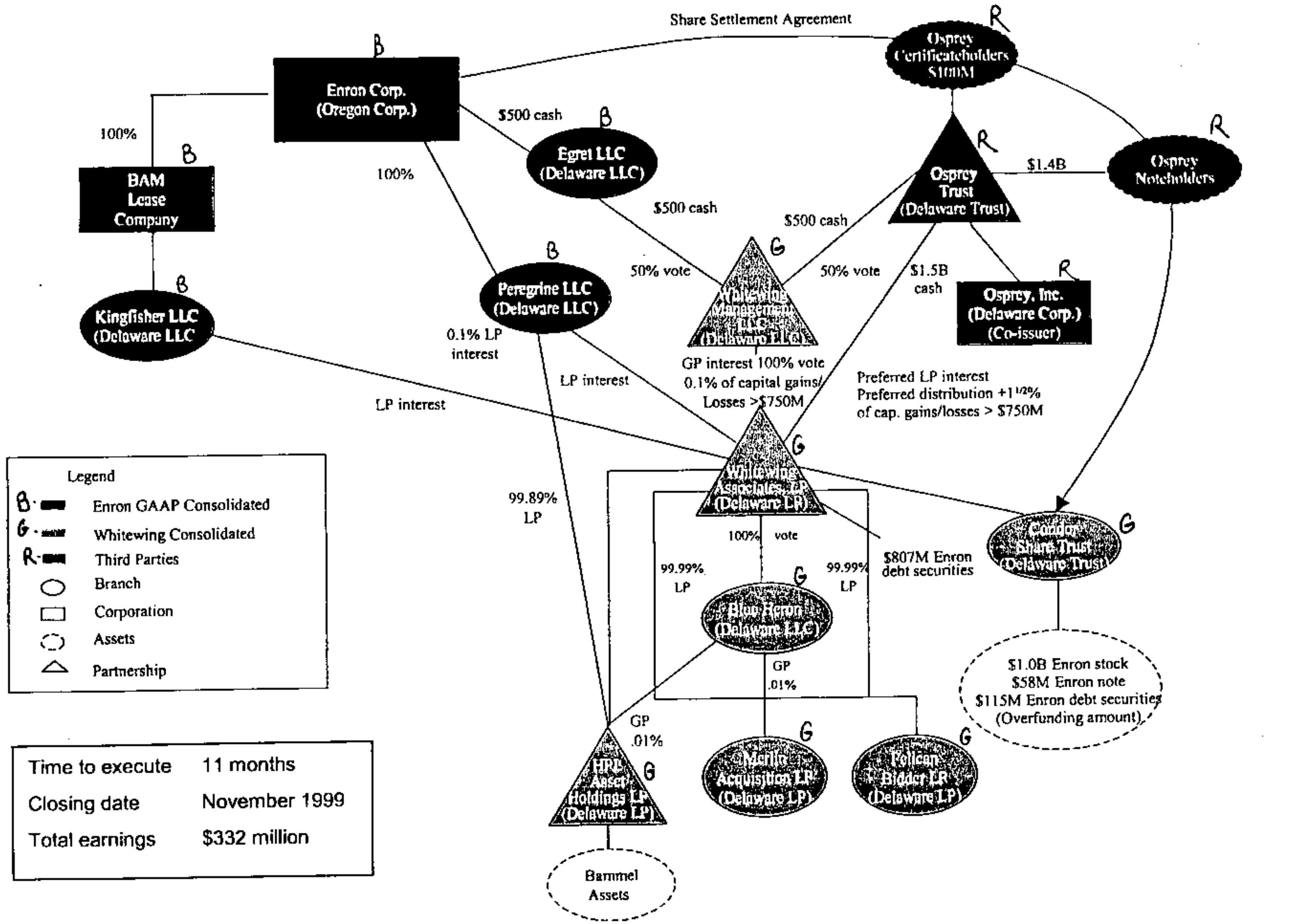
## Net Income and Cash Flow Summary

(In Millions)




*There is additional net income of $61.2 million and positive cash flow of $332.78 million from 2011 through the year 2030 resulting primarily from tax depreciation on a pipeline asset.

# Transaction Structure




| | |
|---|---|
| Time to execute | 11 months |
| Closing date | November 1999 |
| Total earnings | $332 million |

## Summary and Progress Report

| | |
|---|---|
| September 1999 | Whitewing Associates, L.P. ("Whitewing") received a $1.5 billion partnership contribution from Osprey Trust in exchange for a preferred LP interest. |
| November 1999 | Houston Pipe Line Company ("HPL") contributed its interest in the Bammel assets to a Delaware limited partnership called HPL Asset Holdings LP ("Asset Holdings") for an LP and GP interest. HPL contributed its LP interest and its indirect GP interest in Asset Holdings to Whitewing in exchange for a preferred LP interest. Asset Holdings leased the Bammel assets to HPL on a 18-year, triple-net lease. |
| November 1999 | The yield payable by Whitewing on the preferred LP interest held by Osprey Trust was reduced as a result of the enhanced collateral provided by the cashflow from the lease of the Bammel assets. |
| September 2000 | Osprey Trust contributed assets valued at approximately $1 billion to Whitewing in exchange for an increased LP interest. |
| June 2001 | Enron sold the stock of HPL subject to a Section 338(h)(10) election. In connection with the sale, HPL transferred its Whitewing interests, its leasehold interest in the Bammel assets, and selected other assets to BAM Lease Company (BAM). The original lease running between Asset Holdings and BAM was extended an additional 31 years to accommodate a 31-year sublease by BAM of the Bammel assets to the new owner of HPL. Also, Asset Holdings' name was changed to ENA Asset Holdings LP. |
| Quarterly | HPL and BAM (as HPL's successor) make lease payments to Asset Holdings. Whitewing makes preferred partnership distributions to BAM pursuant to the terms of its LP interest. |
| Annually | Whitewing's partnership tax return reflects certain allocations of income and deduction to BAM and Enron Corp. These allocations result from differences between FMV and the tax basis of the Bammel assets that existed at the time of their contributions to Whitewing. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| Whitewing's Global Finance activities must be continually monitored to analyze their impact on the Condor structure. | Planning & Reporting personnel must interact regularly with Global Finance. |
| Enron Corp. must loan BAM sufficient funds to allow BAM to make lease payments to Asset Holdings on a quarterly basis. | Treasury, accounting, and tax personnel are aware of this quarterly requirement and have put procedures into place to ensure it is done. |
| Whitewing must make preferred partnership distributions to BAM on a semiannual basis. | Treasury, accounting, and tax personnel monitor the distribution status and maintain related systems. |
| Proper computation and recording of the special Partnership allocations required by the Condor structure. | Tax personnel prepare the annual Whitewing tax return and make the appropriate allocations to the Whitewing partners. |
| Enron Corp's partnership interest in Whitewing must not be reduced below zero or Enron Corp. will recognize taxable income. | Tax Department personnel monitor Enron Corp.'s tax basis in its Whitewing interest including the effects of distributions on the required special allocations. At some time, modifications of the structure will be needed to increase the outside of tax basis of Enron Corp. in Whitewing Associates by $500MM. |
| Upon unwind of the structure, Whitewing Associates must distribute at least $1 billion of the portfolio preferred stock to Enron Corp. in redemption of its partnership interest. | Monitor structure to ensure that sufficient preferred shares remain in Whitewing to facilitate unwind. |

# Project Valhalla

## Business Review

# Structure Overview

## Asset/Risk Management

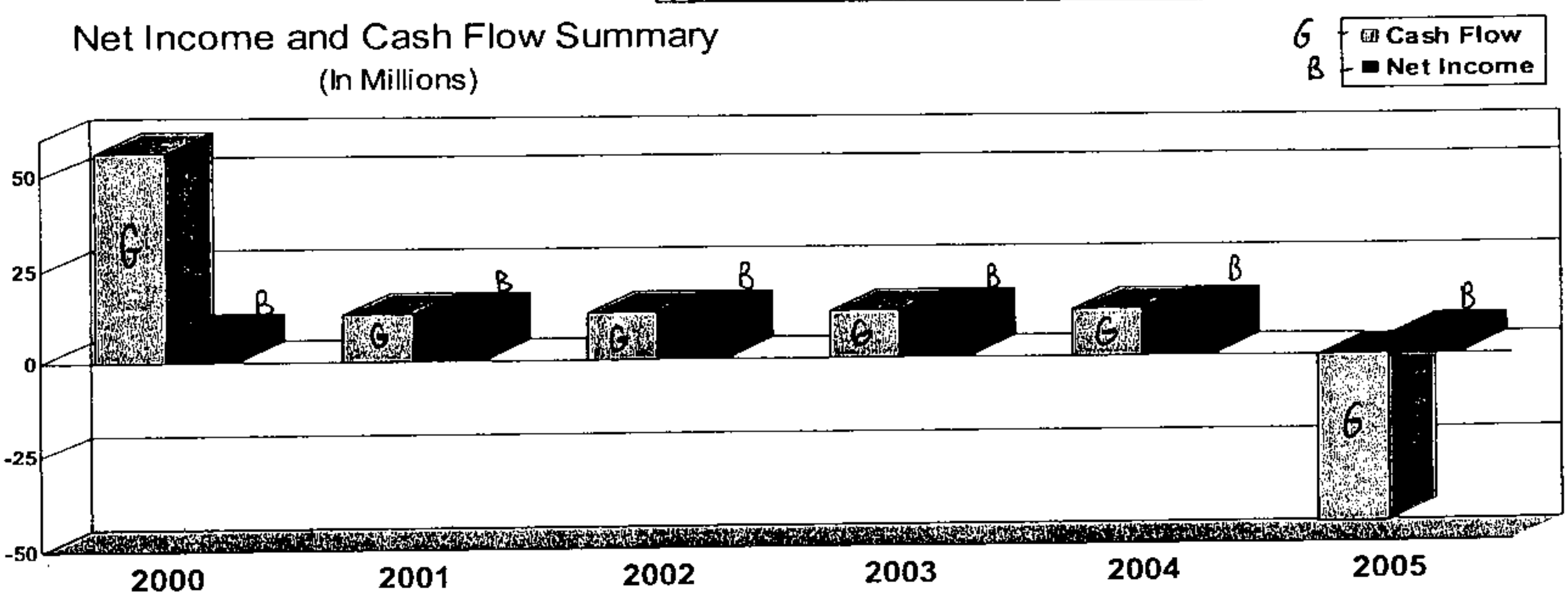
- Enron's credit exposure on $1.95B of funds deposited with DB's London affiliate is mitigated by legal set-off against the $2.0B security held by DB.
- The 5-year structure is subject to annual renewal. Changes to DB's German tax position could cause them to unwind the structure early.

## Transaction Description

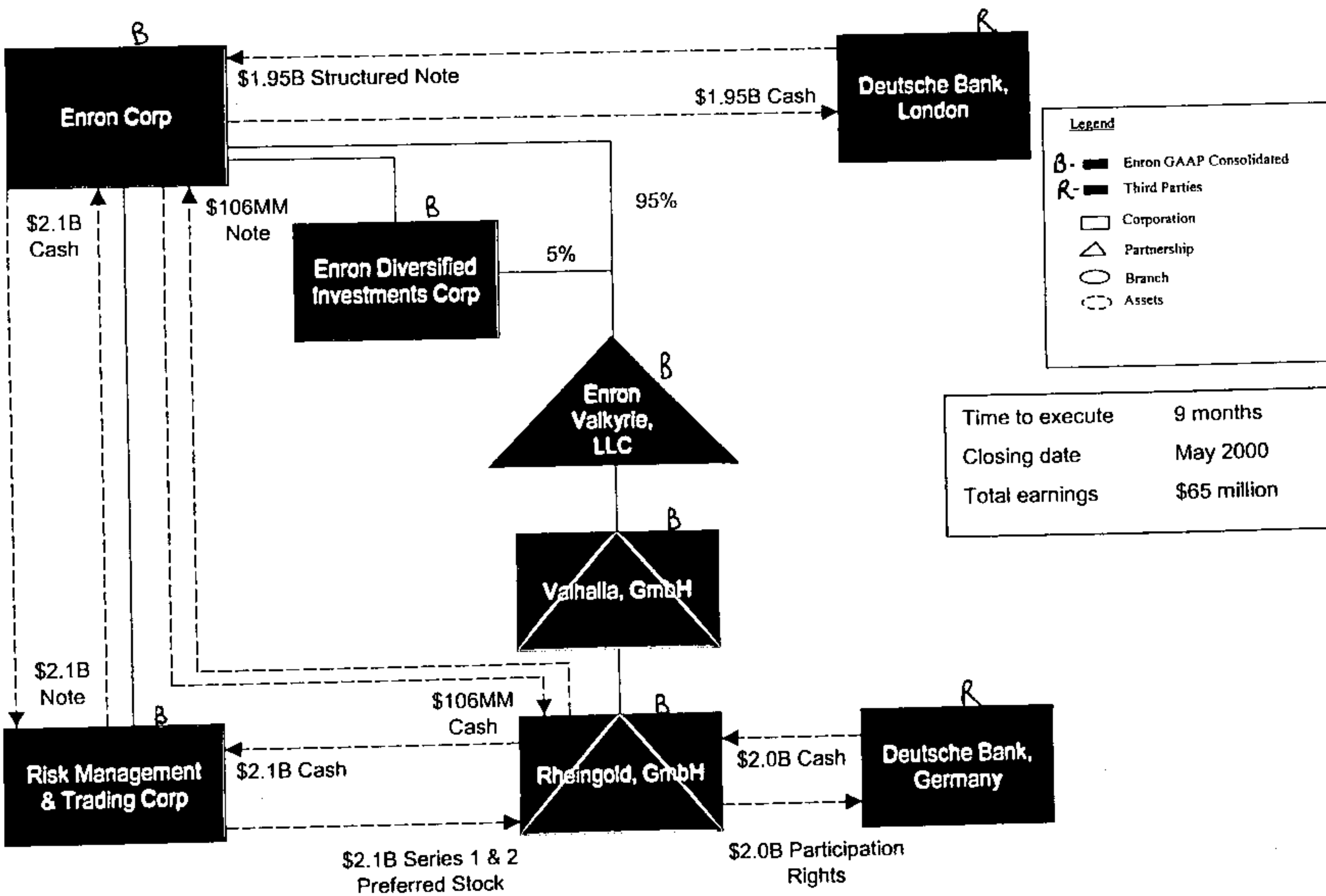
- In 2000, an Enron affiliate issued a $2.0B fixed-rate, 5-year preferred security to Deutsche Bank ("DB") in Germany. Simultaneously, Enron deposited $1.95B with DB in London with a yield based upon a package of Treasury and commodity indexes. This transaction creates commodity and interest positions that are integrated into and augment Enron's trading books.
- The Note and the Debt are offset in the Enron Corp. consolidated financial statements.
- The rate differential on the Debt and the Note generates $20MM in interest income (before tax) per year for the next 5 years.

## Net Income and Cash Flow Summary

(In Millions)



# Transaction Structure




| | |
|---|---|
| Time to execute | 9 months |
| Closing date | May 2000 |
| Total earnings | $65 million |

## Summary and Progress Report

| | |
|---|---|
| December 1999 – May 2000 | Enron Corp. and Enron Diversified Investments Corp., a wholly owned subsidiary, formed Enron Valkyrie, LLC. Valkyrie formed two wholly owned German subsidiaries, Valhalla Gmbh and Rheingold GmbH. Rheingold issued $2.0B in 'Participation Rights' to Deutsche Bank (DB), and purchased $2.1B in preferred stock from Risk Management & Trading Corp (RMT). RMT invested the $2.1B received from the preferred stock sale with Enron Corp., who purchased a $1.95B Structured Note Receivable from DB. The Note is offset against the Rheingold 'Participation Rights' in the Enron Corp. consolidated financial statements. In addition, Enron Corp. and DB entered into a $50MM interest rate swap. |
| December 2000 | The Structured Note was transferred from Deutsche Bank – New York to Deutsche Bank – London. |
| Monthly | Enron Corp. accrues interest income on the $1.95B Structured Note Receivable at 8.74%.<br>Rheingold accrues interest expense on the $2.0B 'Participation Rights' at 7.7%.<br>Intercompany interest income and expense is accrued on all intercompany notes. |
| Quarterly | Enron Corp. makes variable payments to DB on the $50MM interest rate swap. |
| Annually | Rheingold receives dividend income from RMT, which is used to pay the accrued interest expense on the 'Participation Rights' to DB.<br>Enron Corp. receives payment from DB for the accrued interest income on the Structured Note Receivable.<br>Enron Corp. receives fixed payment from DB on the $50MM interest rate swap.<br>Intercompany accrued interest is paid. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| Valhalla, GmbH and Rheingold, GmbH must be recognized as residents in Germany under German law. | The primary books and records for these entities are prepared in Germany, and office space is maintained in Eschborn. Quarterly office visits are made to these offices, and various management activities are performed while there. |
| Rheingold must have dividend income from RMT (as opposed to a return of capital) in order to maintain the proper German tax characterization. | The intercompany note receivable of $2.1B generally provides sufficient income for the desired dividend treatment. Other RMT losses, however, could erode RMT's dividend paying ability. Tax personnel must, therefore, monitor RMT's other activities. |
| The $1.95B Structured Note Receivable from Deutsche Bank must continue to be offset against the $2.0B 'Participation Rights' owed to Deutsche Bank in Enron's financial statements. | Legal and accounting opinions regarding the offset were received and the related assumptions are monitored for their continued applicability. |
| A material downgrade in Deutsche Bank's credit rating would force the structure to be unwound. | Tax department personnel monitor the credit rating of Deutsche Bank to verify that it has not been downgraded. |
| We must properly coordinate the required cash distributions, related declarations of dividends, and preparation of US and German books and records. | Systems have been established for these activities and tax personnel interact with Legal, Treasury, and Accounting to coordinate the cash flows and related events. |
| The use of the Valkyrie partnership creates a theoretical US tax issue associated with the use of preferred intercompany dividends. | Elect to treat EDIC as a branch of Enron Corp., thereby dissolving the Valkyrie partnership and removing the related US tax exposure. |

ENRON

# Project Tammy I

## Business Review

# Structure Overview

## Assets/Risk Management

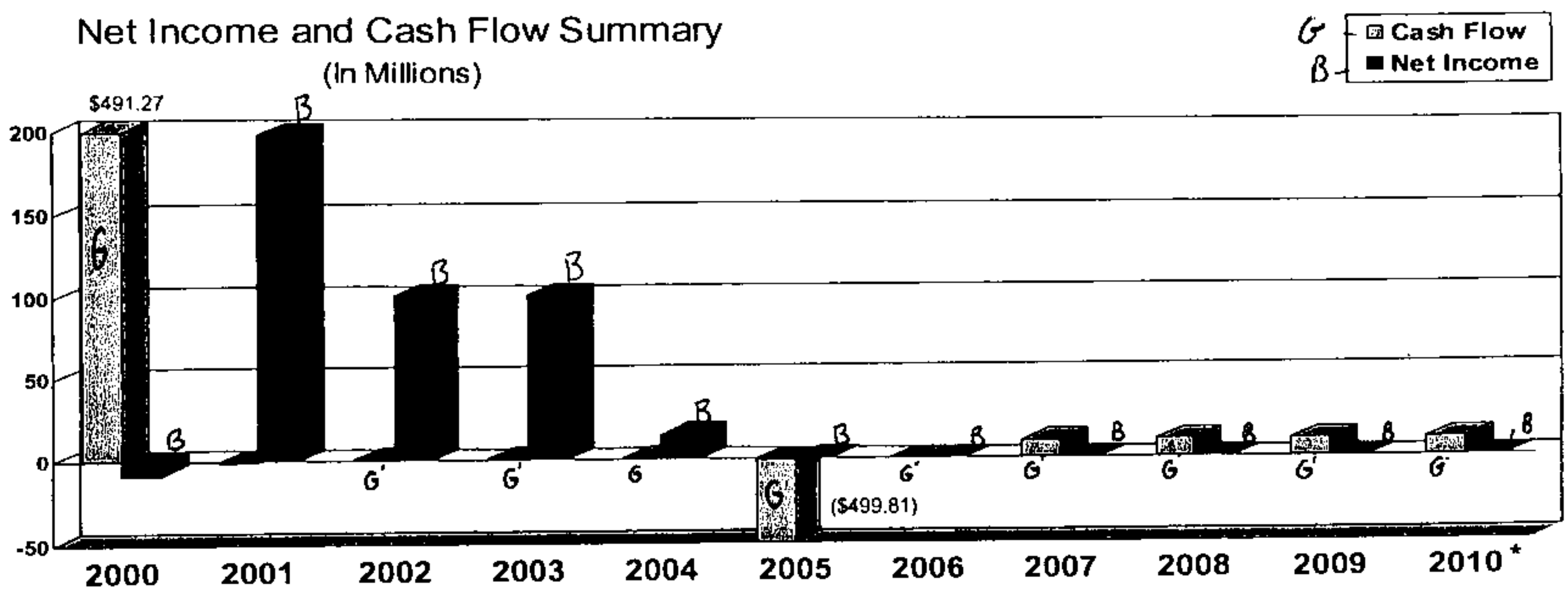
Assets Held:
- Ecoelectrica
- EOG India Limited
- Enron Renewable Energy Corp.
- Proceeds from the sale of East Coast Power
- Minority Interest financing Invested in Sequoia Notes
- Intercompany Harris Indenture Debt
- Other Intercompany Receivables

Current Status:
- Any sales or restructurings of finance or ownership of these assets requires coordination with the Structured Transactions Group to preserve the benefits.
- Minority interest financing of $500MM will be repaid in 2005.
- Periodically, invested proceeds from the sale of assets are used to purchase Enron Corp. preferred stock. Additional proceeds will eventually be used to purchase Enron Center South.

## Transaction Description

- This is a minority interest financing transaction raising $500 million and supported by a contributed portfolio of low basis, high fair market value equity investments.
- The transaction creates tax deductions in the form of enhanced depreciation deductions on the Enron Center South. The deductions are created through a shift in tax allocation of certain tax gains imbedded in the contributed assets.
- The enhanced depreciation deductions in the building are taken over the depreciable life of the building but the benefits are included in the tax provision in earlier years as preferred stock is purchased.

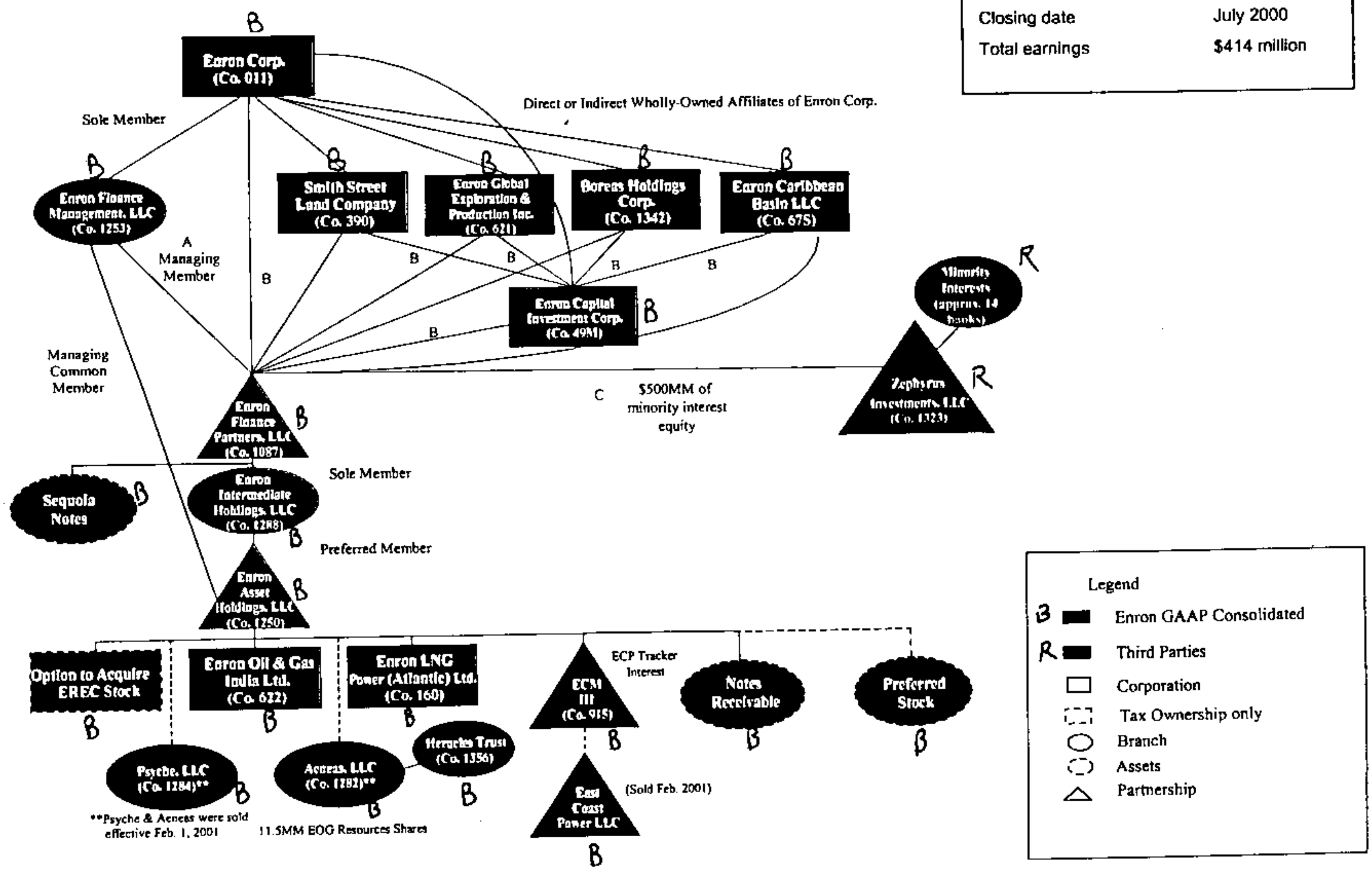
## Net Income and Cash Flow Summary
(In Millions)




*There is additional positive cash flow of $372 million from 2011 through the year 2046 resulting primarily from tax depreciation on Enron Center South.

## Transaction Structure

| | |
|---|---|
| Time to execute | 18 months |
| Closing date | July 2000 |
| Total earnings | $414 million |



## Summary and Progress Report

| | |
|---|---|
| July-December 2000 | Enron Finance Partners, LLC ("EFP") was formed and funded in the third and fourth quarters of last year. Minority interest financing in the amount of $500MM was sold to a consortium of banks led by Chase in the fourth quarter. |
| January 2001 | Enron restructured its financing of EOG Resources shares in a transaction yielding $477MM in tax gain in the Tammy I structure. |
| February 2001 | Enron, through Jedi II, sold its shares of East Coast Power yielding $252MM in tax gain to the structure. |
| May 2001 | Board authorized issuance of $1 billion of blank-check Preferred Stock. |
| September 2001 | Enron Asset Holdings, LLC will purchase approximately $630MM of Preferred Stock from Enron Corp. using $520MM in proceeds from the monetization of EOG Resources stock and the ECP Tracker interest valued at $110MM representing the proceeds from the sale of East Coast Power. |
| 2001 | The sale of Enron Renewable Energy Corp. ("EREC") is in negotiation with a sale planned in 2001. If this sale is not completed, it is possible that the EREC stock will be held as an investment asset with a plan to initiate a public offering of a portion of the shares in the future. An IPO of the EREC shares would yield the same benefits with respect to the shares sold as would a sale to a third party. However, the total benefit from the sale of EREC shares may not be realized until there is a disposition of all of the shares. |
| 2001 | Enron LNG (Atlantic) Ltd. II is currently on the market. We have been actively involved in discussions with the business teams regarding any necessary pre-sale structuring to meet the needs of buyers while preserving the estimated benefits through the structure. |
| 2001-2002 | The sale of Enron Oil & Gas India, Ltd. is currently in negotiation. We have been in contact with the business team and should know the outcome of the negotiations within a month. If the sale is not completed, this asset will be held in inventory for a sale in the future. |
| Quarterly | Preferred dividend payments to minority interest investors. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| Issuance of Preferred Stock | September 2001 – Approximately $630MM preferred stock issued resulting in the recognition of approximately $200MM of project earnings in 2001. Possible additional issuances later in 2001 and 2002. |
| We must create cash flows within the structure to insure that there is no default on debt instruments or on the minority interest financing facility. | From time to time, it may be necessary for Enron to lend additional funds into the structure to facilitate liquidity. As projects sell and cash is received, the cash flow issues should reverse themselves in the ordinary course of business. |
| Deconsolidation of EREC creates potential for cash tax cost if EREC becomes a U.S. federal taxpayer prior to sale. | We are currently working with Tax Planning to develop a pre-sale structure that would preserve Tammy I gain and allow EREC to continue to sell development projects. In the alternative, we are considering selling this asset intra-company. |
| Potential purchasers of the EREC stock have requested consideration of a 338(h)(10) election as a part of the sale. | Pre-sale structuring and purchase price adjustments will accomplish the same end goal without impairing the structure; so the denial of the 338(h)(10) election is not a serious impediment to sale. |
| The sales price of various assets is different from the fair market value of such assets on contribution. | Some depreciation in value between the contribution date and the sales date is hedged through a preferred return mechanism built into the structure. |
| The EOG India Ltd. Asset has declined in value since it was contributed. | The preferred return structure combined with a pre-sale appreciation in the value of certain other assets will cover the current decline in value without an impact to the benefits from the structure. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| The Ecoelectrica asset was significantly undervalued by the business teams at the time of contribution. | It will be necessary to restate the fair market value from inception on this asset, but there will be no corresponding increase in benefit as a result. |
| Enron provides services under a Management Agreement for Zephyrus Investments, LLC. | Preparation of separate, unaudited financials, tax returns and regular reporting to Zephyrus minority interest investors. |

# Project Tammy II

## Business Review

# Structure Overview

## Assets/Risk Management

Assets Held:
- Tax Ownership of Portland General Electric
- Proceeds from the sale of EOTT common units
- Proceeds from the sale of Hanover Compressor shares
- Intercompany Harris Indenture and similar long-term debt
- Other Intercompany Receivables

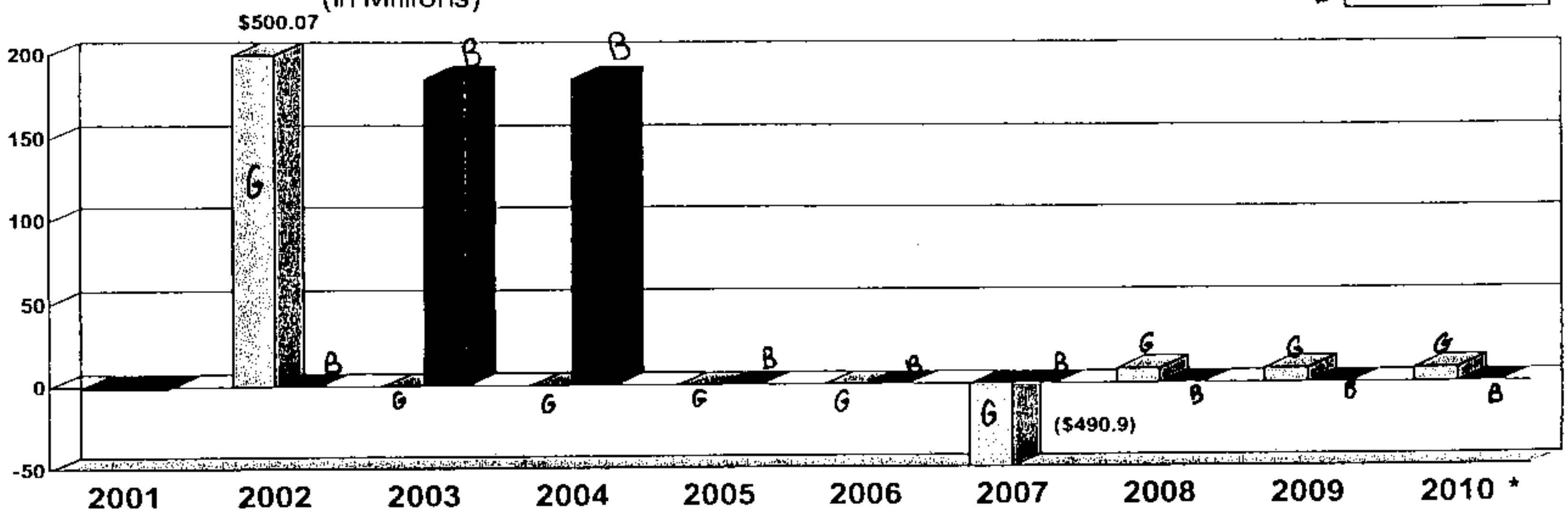
Current Status:
- The contribution of PGE into the structure deconsolidated PGE for federal income tax purposes.
- Issuance of $500 million of minority interest financing has been delayed pending further developments in the disposition of PGE.

## Transaction Description

- This is a minority interest financing transaction raising $500 million and supported by a contributed portfolio of low basis, high fair market value equity investments.
- The transaction creates tax deductions in the form of enhanced depreciation deductions on a long-lived depreciable asset. The deductions are created through a shift in tax allocation of certain tax gains imbedded in the contributed assets.
- The enhanced depreciation deductions in the building are taken over the depreciable life of the asset but the benefits are included in the tax provision in earlier years as preferred stock is purchased.

## Net Income and Cash Flow Summary

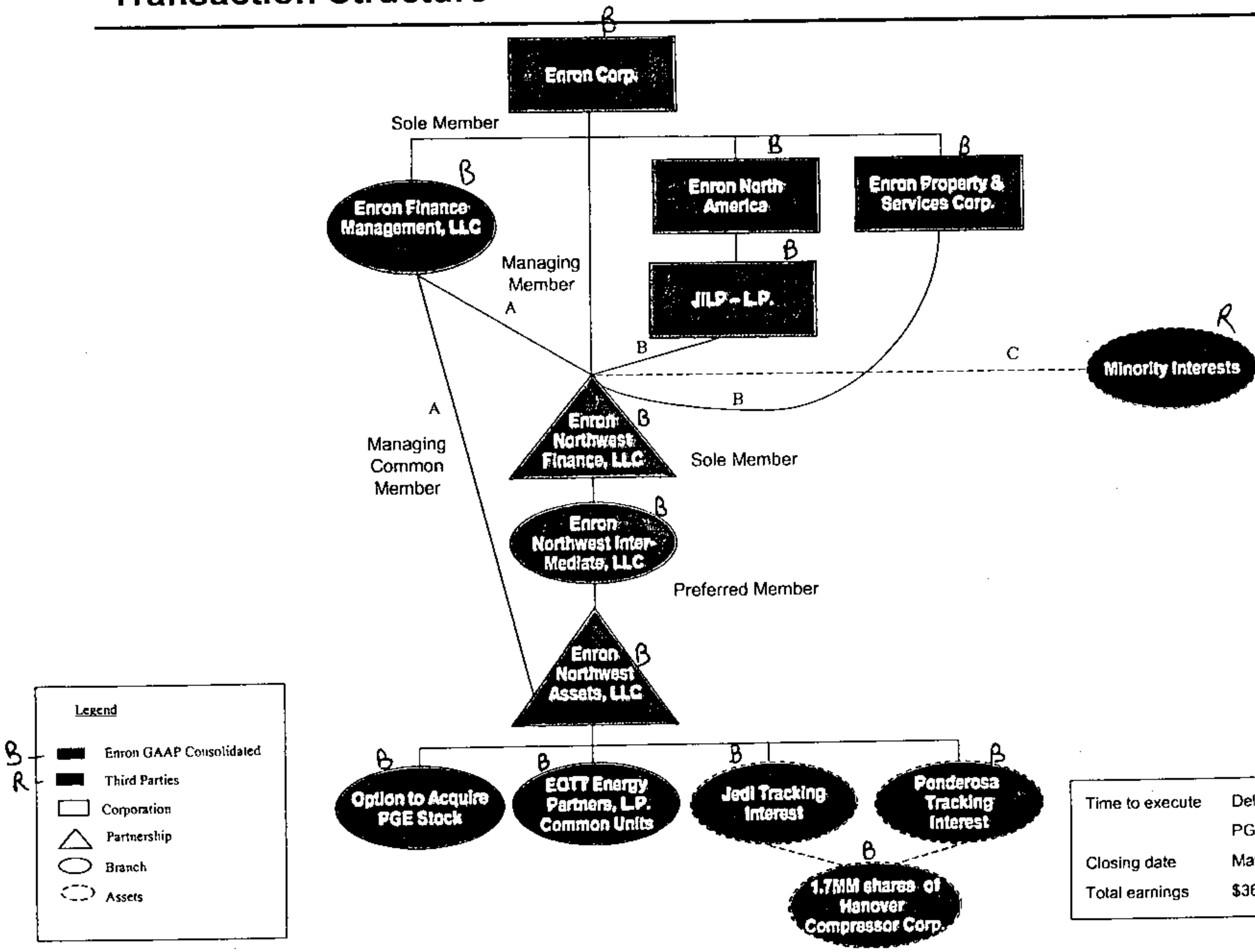
(In Millions)




*There is additional positive cash flow of $332.29 million from 2011 through the year 2046 resulting primarily from tax depreciation on a long-lived asset.

Confidential

# Transaction Structure




| | |
|---|---|
| Time to execute | Delayed pending PGE Transaction |
| Closing date | May 2001 |
| Total earnings | $361 Million |

# Summary and Progress Report

| | |
|---|---|
| May 2001 | On May 7, 2001, Enron Corp. ("Enron") created a purchase option (the "Option") on the common shares of Portland General Electric Company ("PGE") and contributed that Option together with certain other assets into Enron Northwest Finance, LLC ("Finance") in exchange for a membership interest in Finance. Finance contributed its debt and assets to two additional companies: Enron Northwest Intermediate, LLC (debt) and Enron Northwest Assets, LLC (assets). Certain other companies contributed cash and demand notes into the structure to provide substance and liquidity. Enron received Board approval for this and related transactions on May 1, 2001. |
| June 2001 | Enron Corp. contributed the common units of EOTT Energy Partners, L.P. into the structure together with debt as an additional contribution to capital. |
| August 2001 | Tracking interests were created out of Joint Energy Development Investments Limited Partnership ("JEDI") and out of Ponderosa Assets, L.P. ("Ponderosa") reflecting economic ownership of 1.7mm shares of Hanover Compressor Corp. stock. Enron contributed the JEDI tracking interest; and JILP-L.P. contributed the Ponderosa tracking interest into the structure as contributions to capital. These parties also contributed additional debt to the structure. Subsequently, Enron and JILP contributed a fraction of their respective interests in Finance to Enron Property and Services Corp. in exchange for additional stock in that entity. |
| 2001-2002 | The contribution of the assets was the first of several integrated steps intended to result in the issuance of minority interest equity out of Finance. Certain additional tax benefits may be realized out of the minority interest financing structure following a sale of the PGE common shares and other contributed assets. |
| 2001-2002 | This contribution of the Option deconsolidated PGE from Enron for federal income tax purposes. It did not deconsolidate PGE from Enron for financial accounting purposes. If necessary, this project can be unwound at its current stage of development in a manner that would permit PGE to reconsolidate with Enron. |

# Operational Issues and Action Items

| Operational Issues | Action Items |
|---|---|
| Continue to monitor progress of PGE sale to determine whether an unwind may be appropriate. | Meet regularly with Mark Metts. Discuss options regularly with Rick Causey. |
| Actively monitor the sale of shares in Hanover Compressor Corp. and manage the resulting cash flows and income to insure proper routing to the project. | Promptly analyze any transactions that occur; ensure the consistent book and tax treatment for all parties involved. Coordinate cash flows with the tracker interests. |
| Actively monitor the restructuring of EOTT to insure that any tax sale is appropriately accounted for and to insure that the structure does not incur any additional liabilities. | Meet regularly with ETS management for updates on restructuring. Assess and reflect the impact on the Tammy II structure. |
| Perform preliminary analysis on minority interest financing. | Work closely with Global Finance on developing a structure for minority interest financing. |
| Legal & Tax compliance concerns. | Draft amended limited liability company agreements for operational entities. |
| Accurate and timely identification of cash, tax, and financial accounting issues. | Continue to develop model to accurately anticipate tax, cash flow, and financial accounting impact of various activities. |