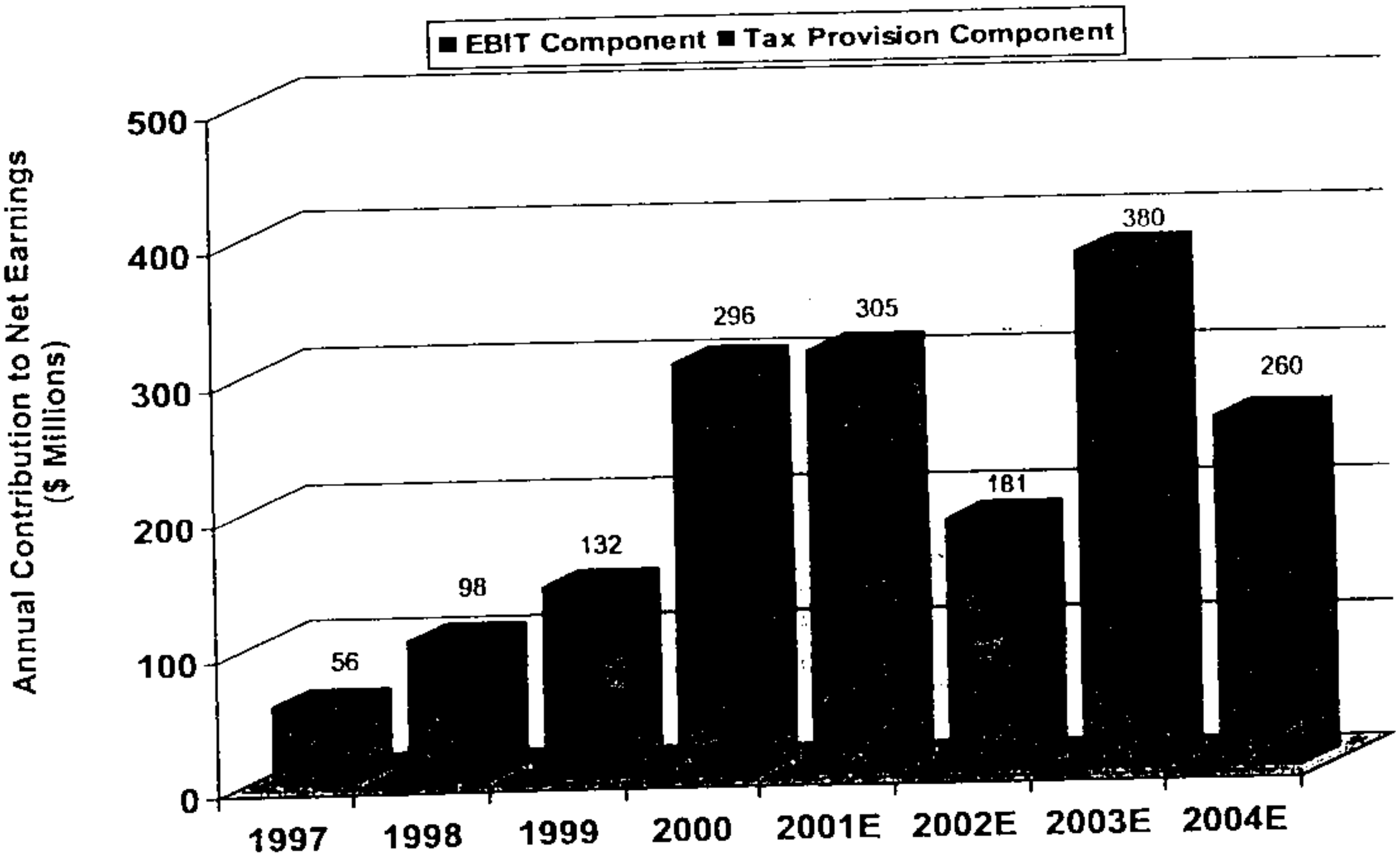
Structured Transactions Group
Overview

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.

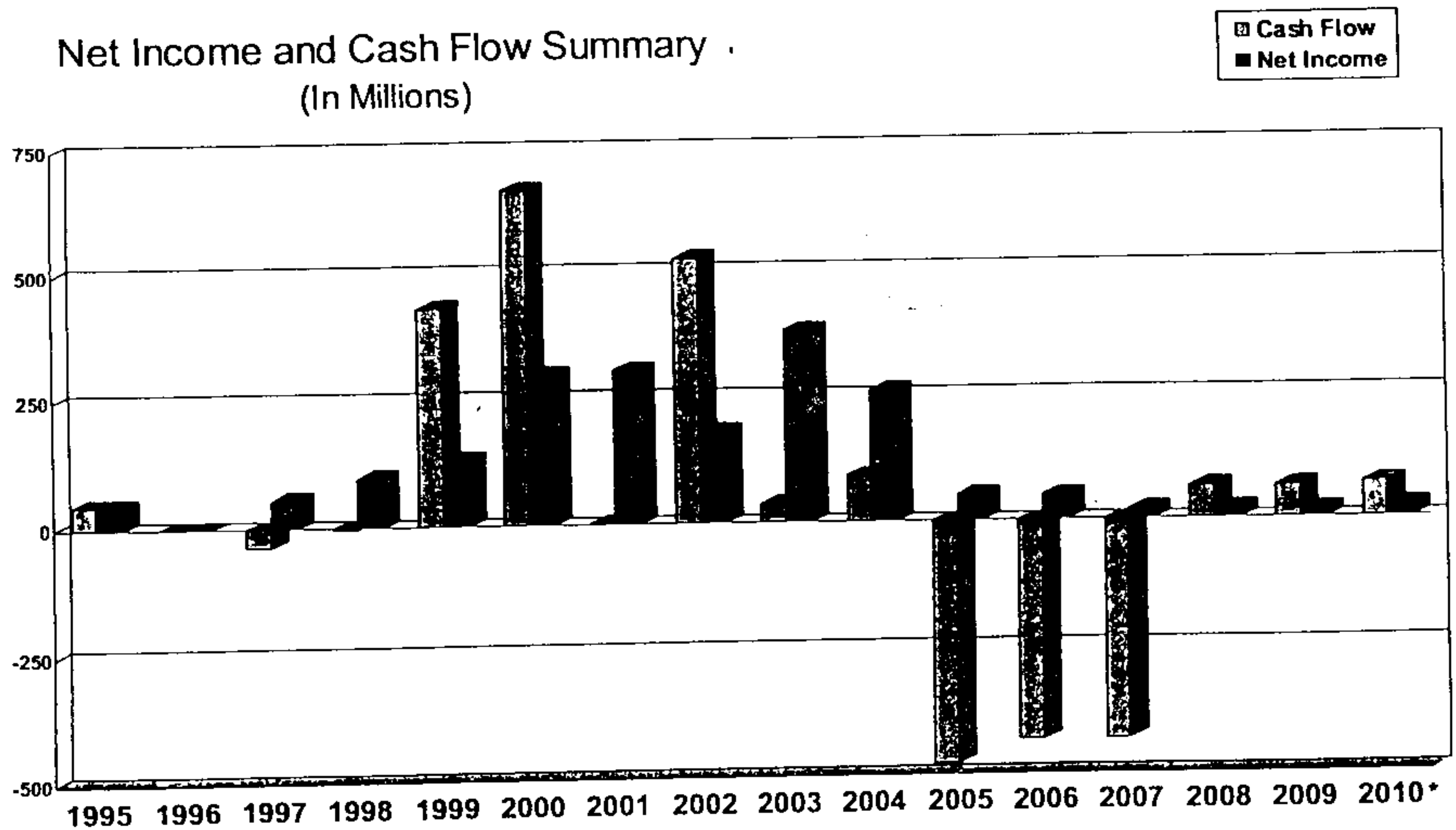
Contribution to Enron's Annual Net Income (millions)



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

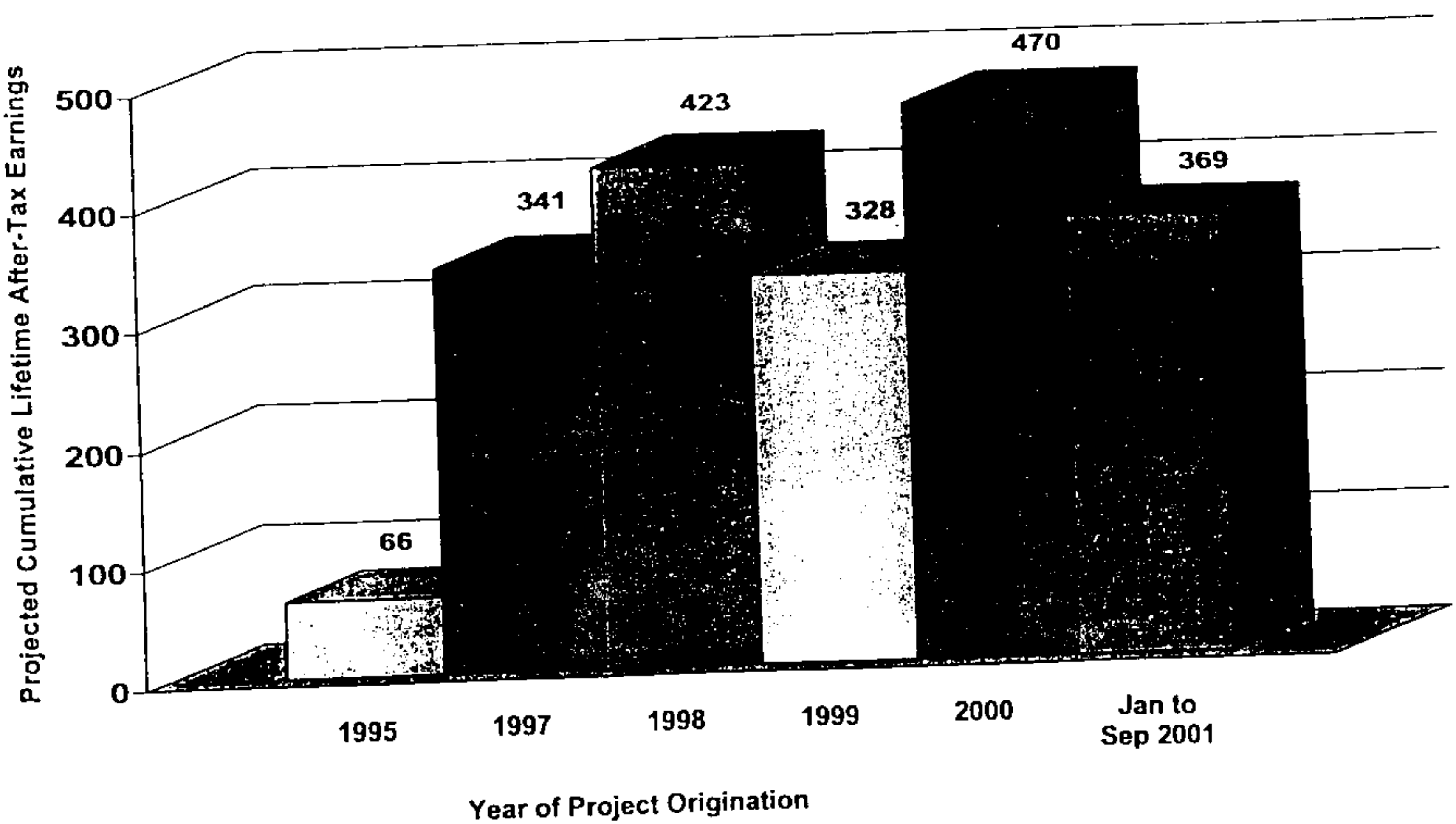
Structure Overview - Aggregate

Net Income and Cash Flow Summary
(In Millions)

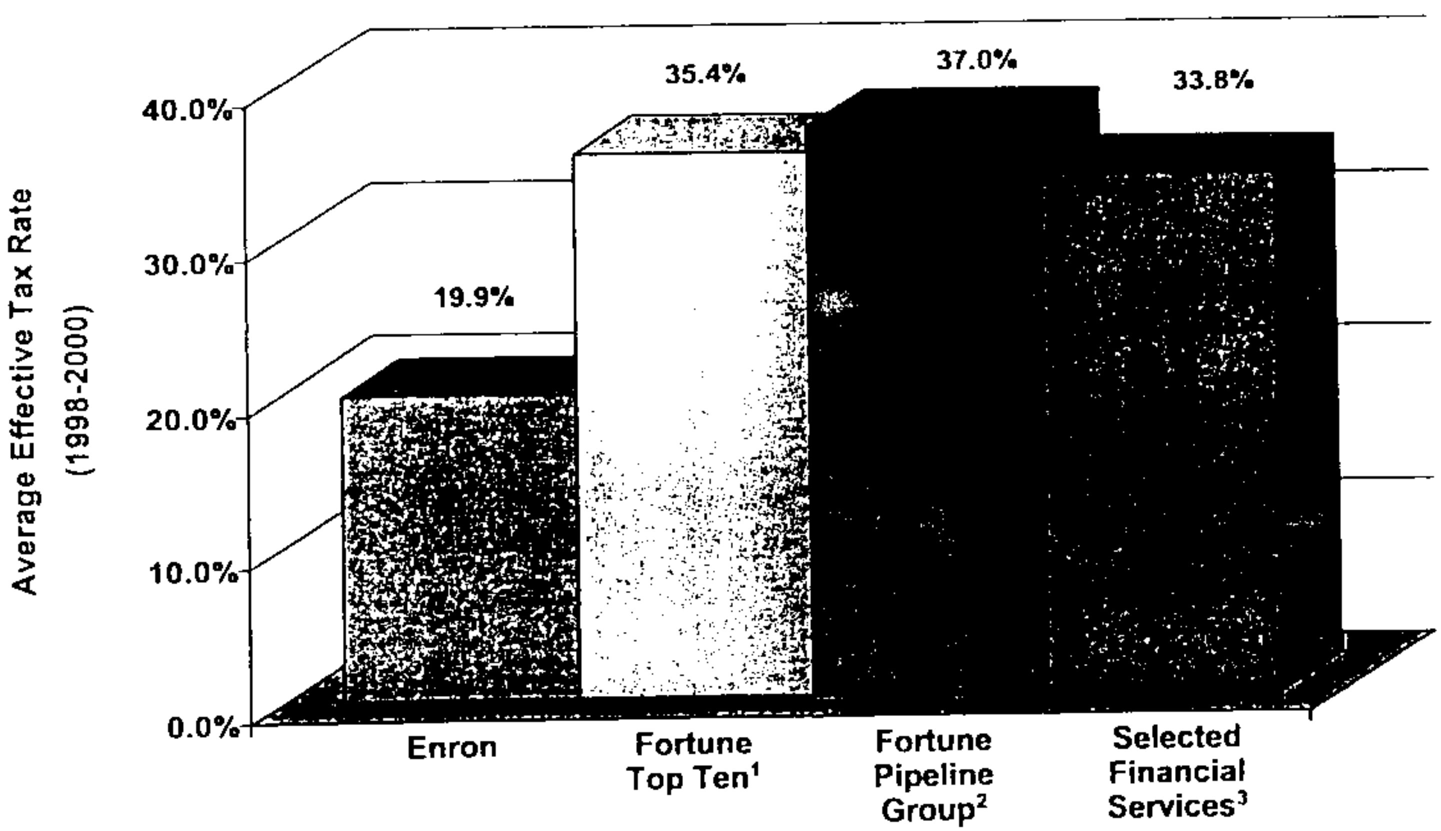


*There is additional net income of $62.85 million and positive cash flow of $1,381.71 million from 2011 through the year 2046 resulting from the various projects.

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	Develop and implement a minority interest financing structure using $2 billion of non-core Enron assets.
Tomas	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

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.

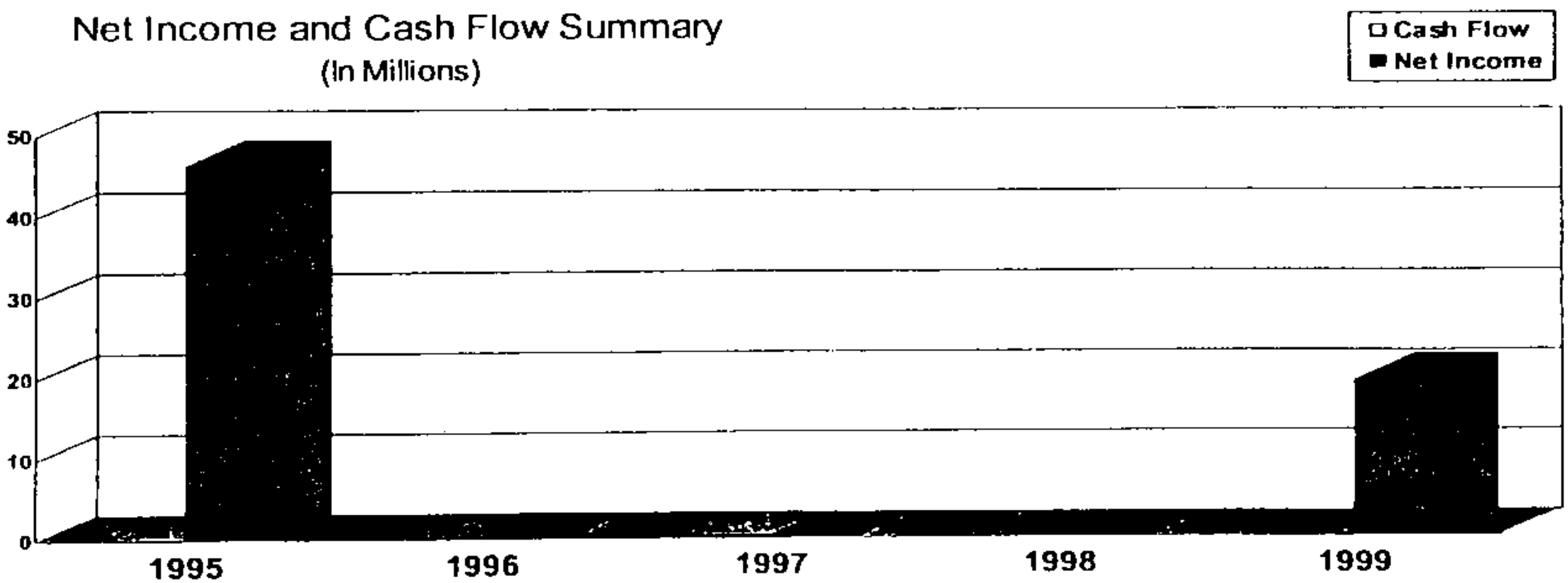
Transaction Description

- 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").

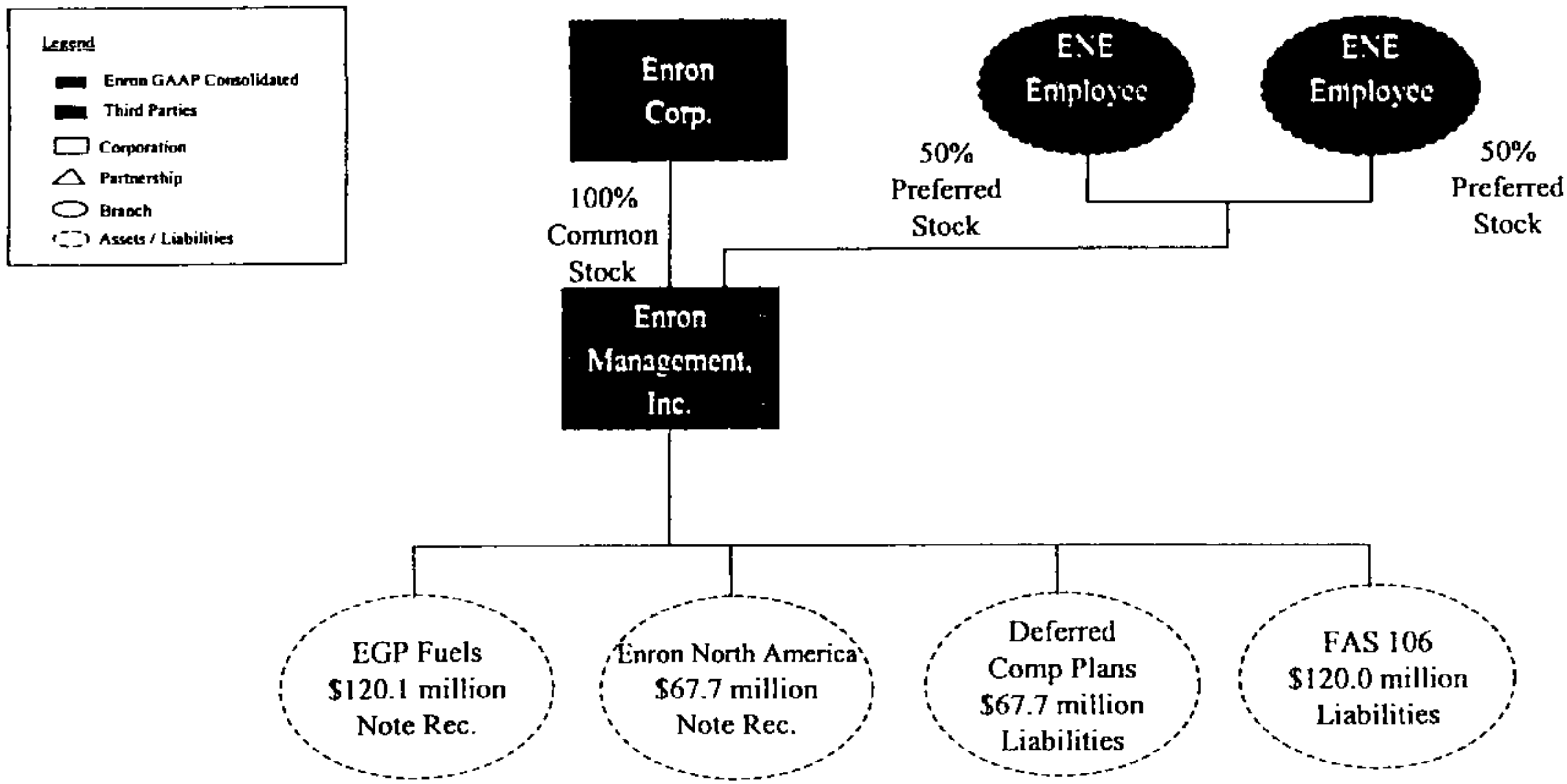
In 1995, the sale of preferred stock received by Enron during the formation of the structure generated a capital loss of $185.5 million which was used to offset capital gains from a secondary offering of EGO common stock.

- 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. 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

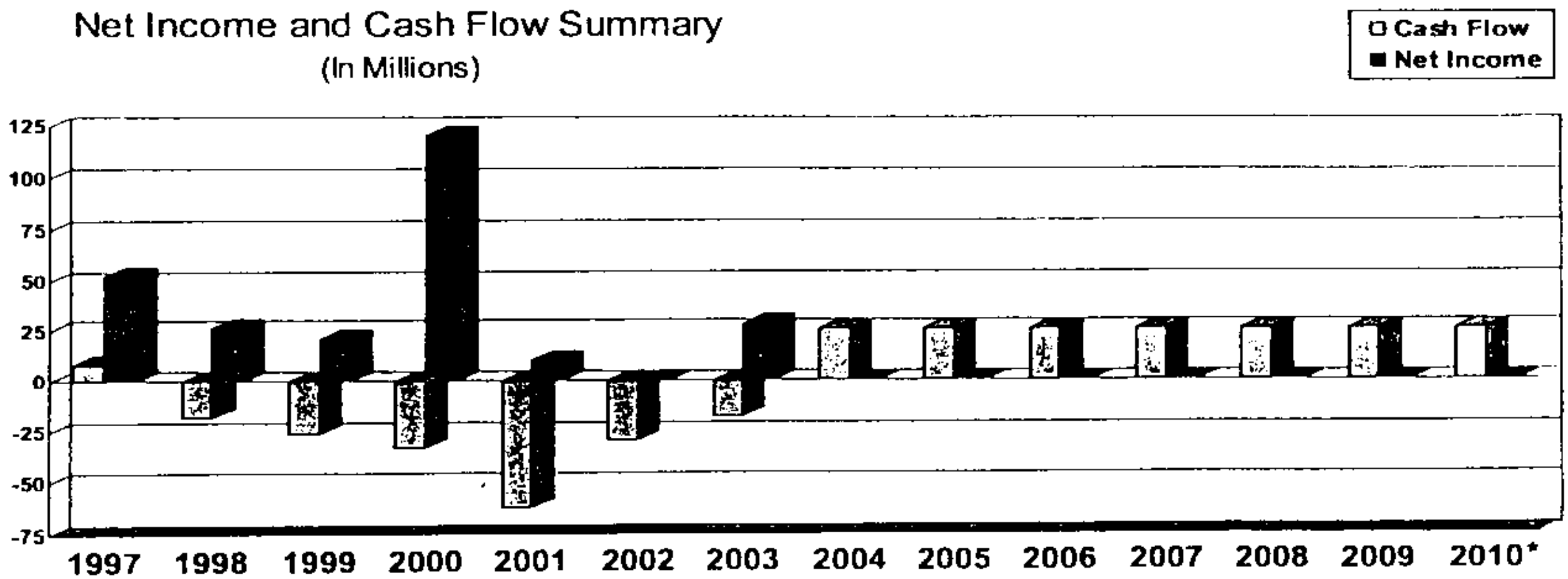
Assets Held:
- Enron Building North — $300 million subject to a long-term lease may not be transferred out of structure
- Pipeline Companies
- Hawker N5734 — $10 million
- Hawker N5732 — $12 million

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

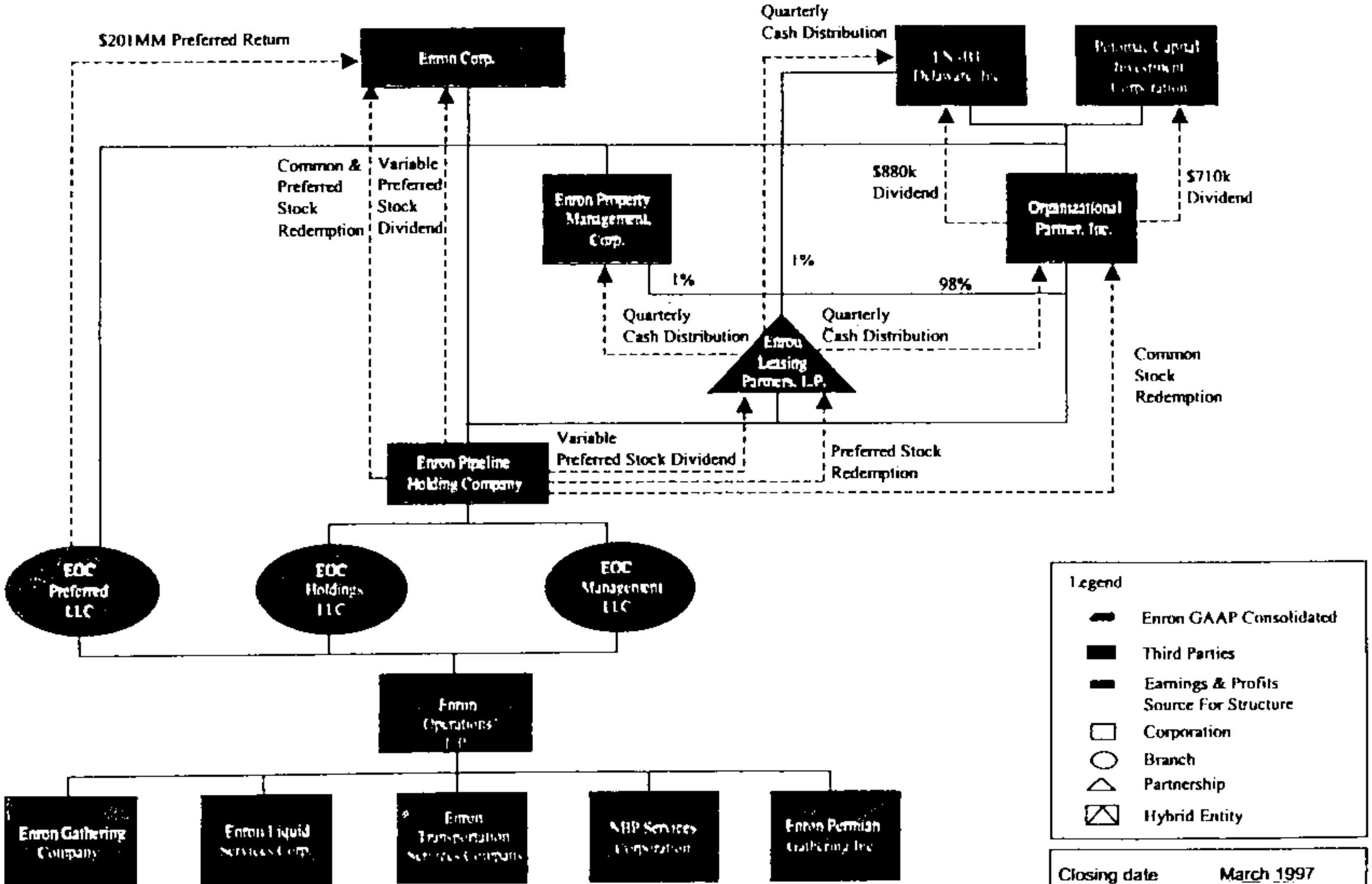
- This transaction creates tax deductions in the form of enhanced depreciation deductions on the Enron Center North.
- The tax basis of the building is effectively written up through a series of stock transactions that flow through a partnership with minority interest equity.
- The stock transactions 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

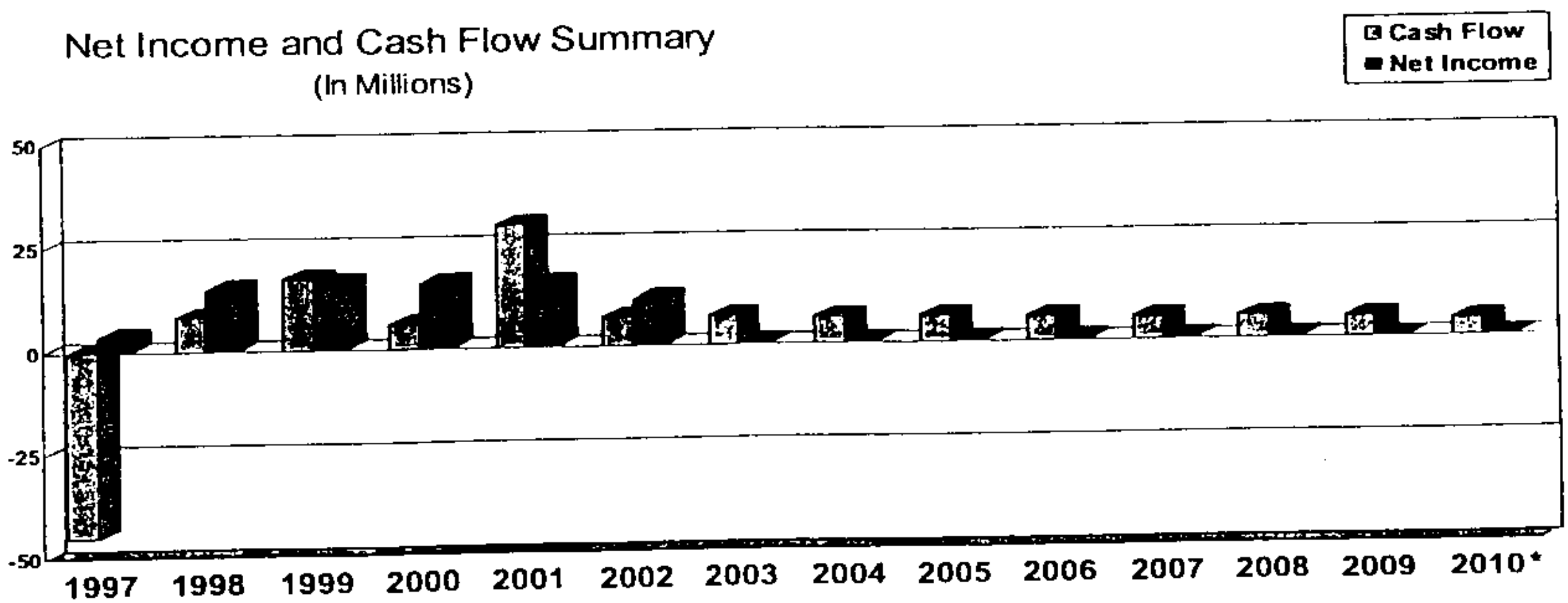
Assets Acquired:	
- REMIC Residual Interests	\$ 7.5 million
- Corporate Bond Portfolio (rated AA or better)	\$50.0 million
Current Status of Assets:	
- Outstanding principal on bonds (the portfolio will be fully amortized by the end of 2003)	\$34.0 million
- REMIC Residuals – 20% average annual cash 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

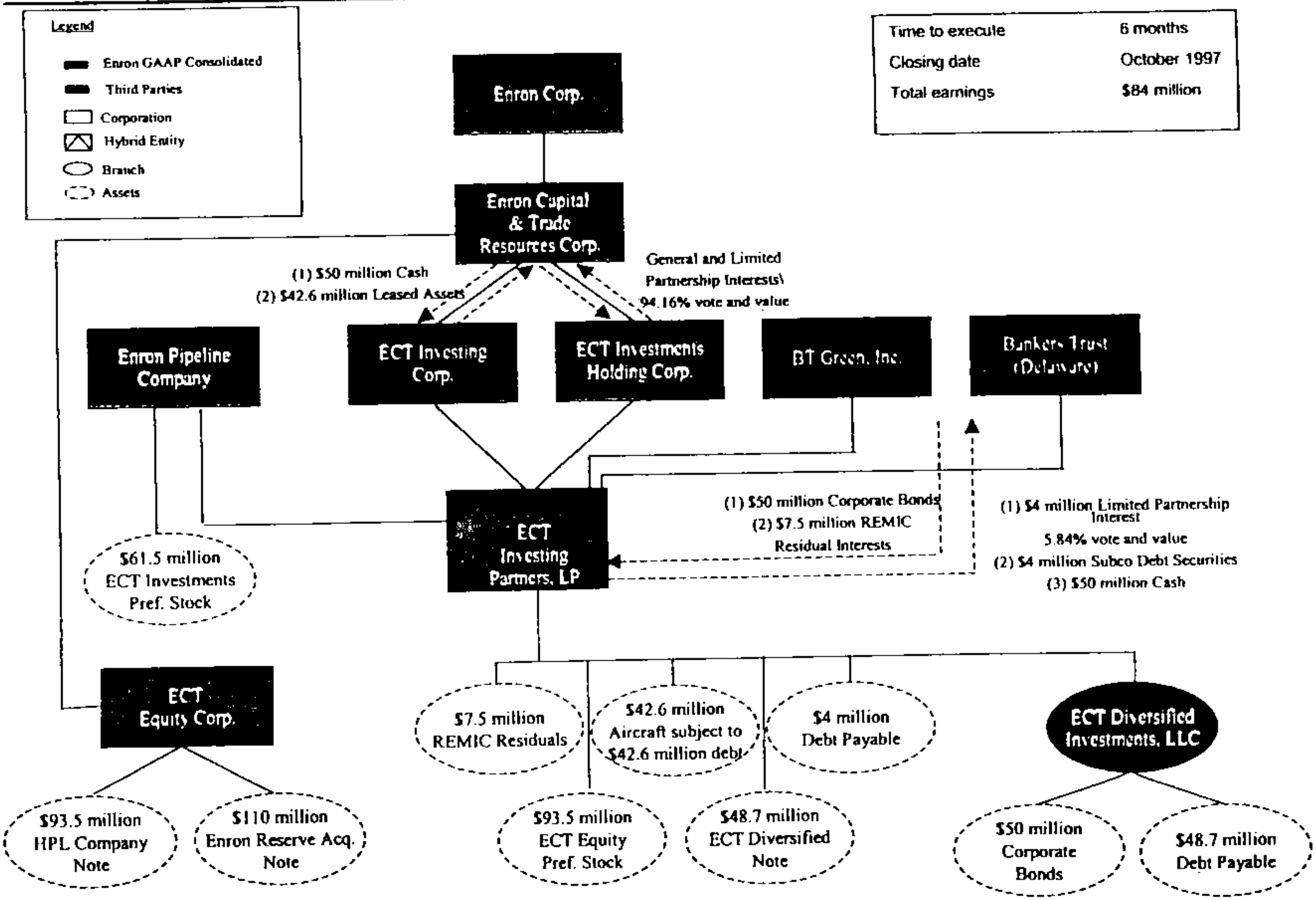
(In Millions)



*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.

ENRON

Project Renegade

Business Review

Structure Overview

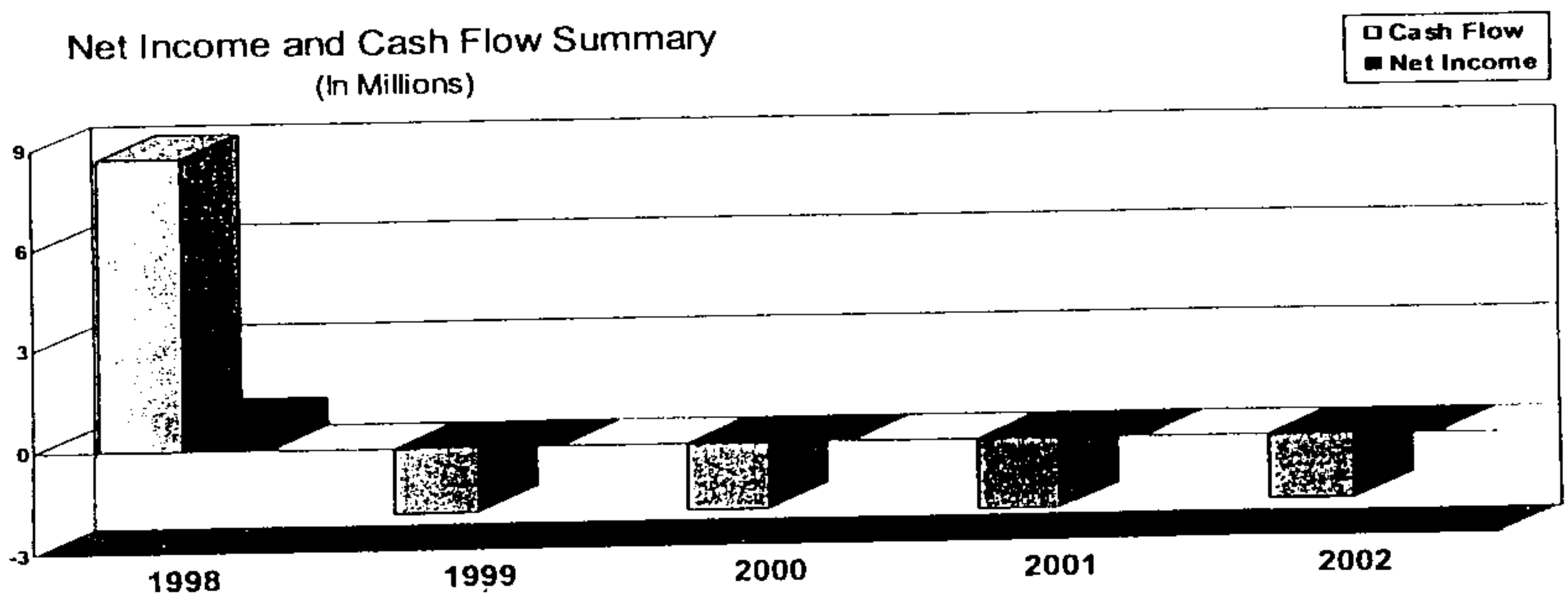
Asset/Risk Management

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

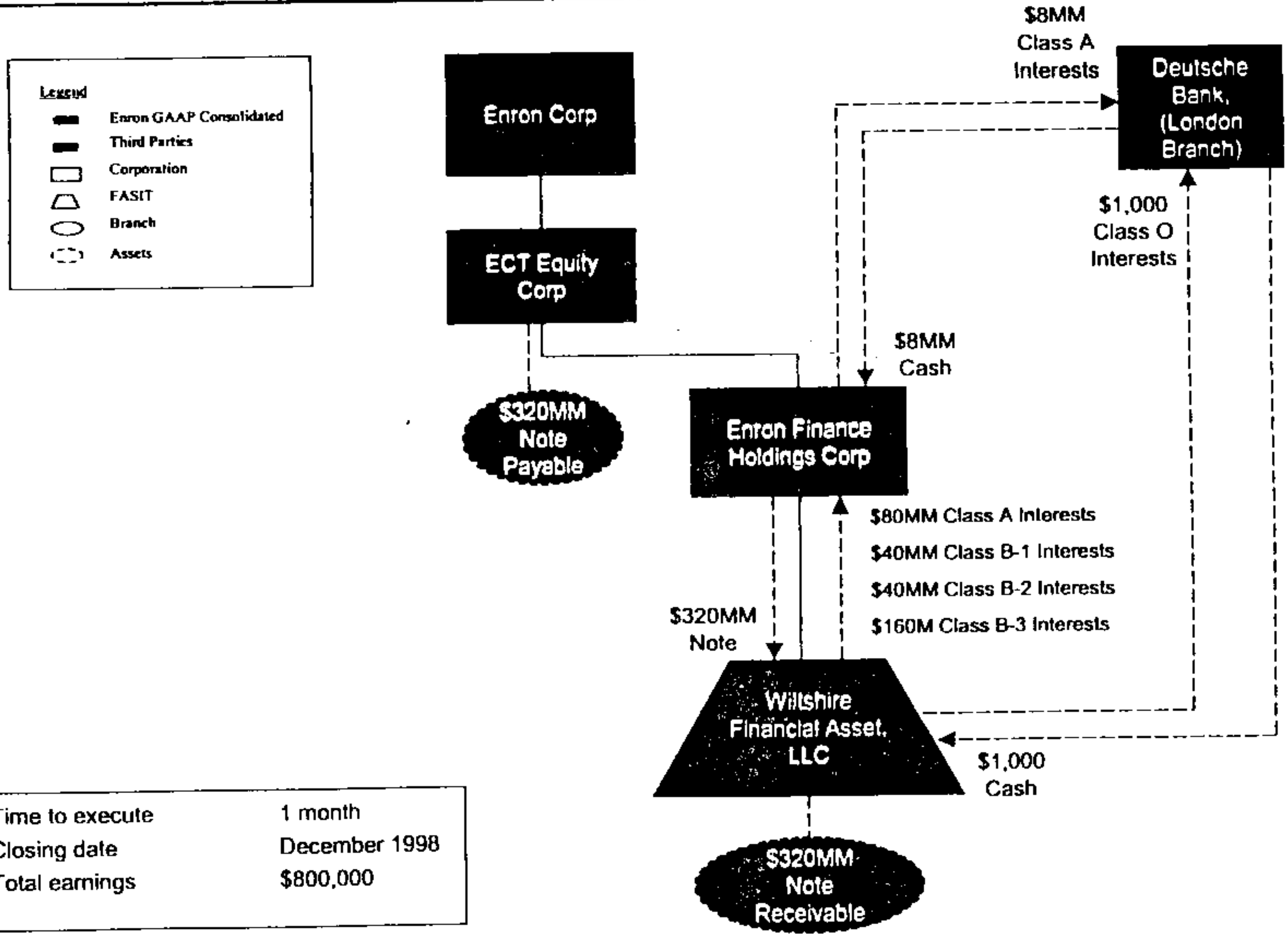
Transaction Description

- 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. 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

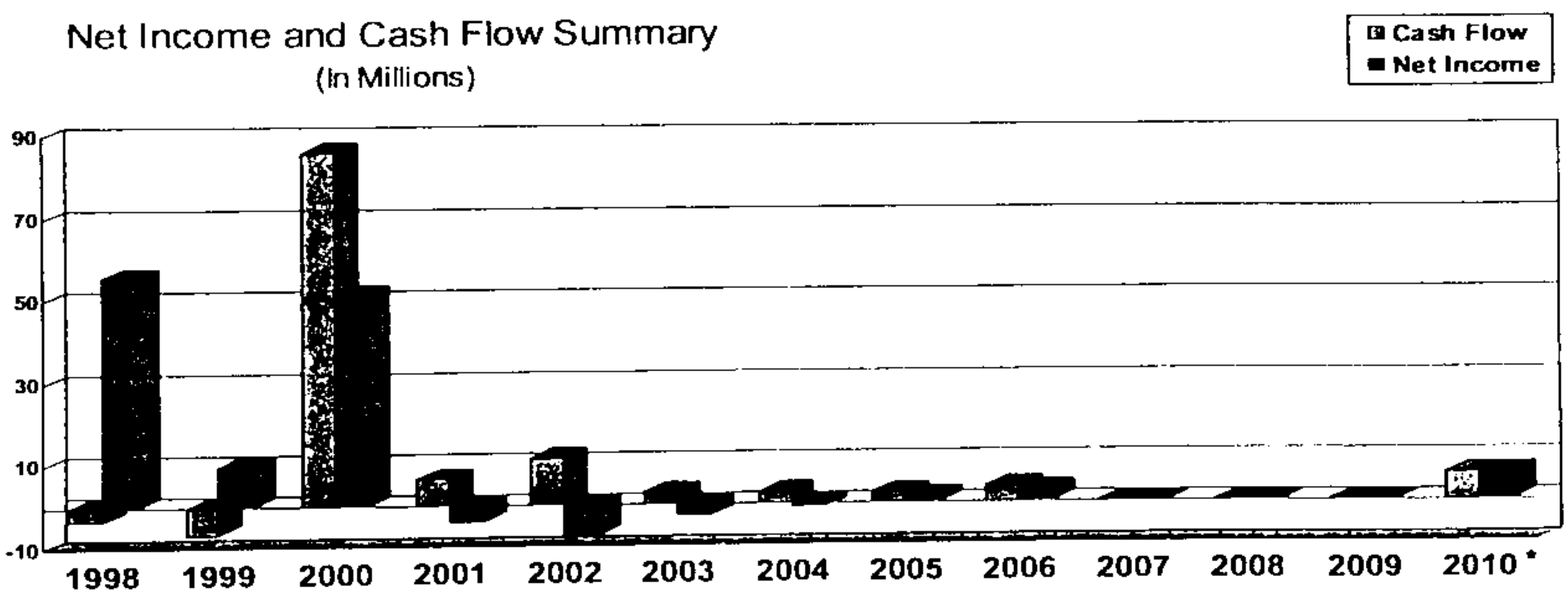
Assets Held:
- Aircraft leased to United (747) $13.6 million book value
- Aircraft leased to Continental (DC-9) $11.6 million book value

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 "bumt 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)



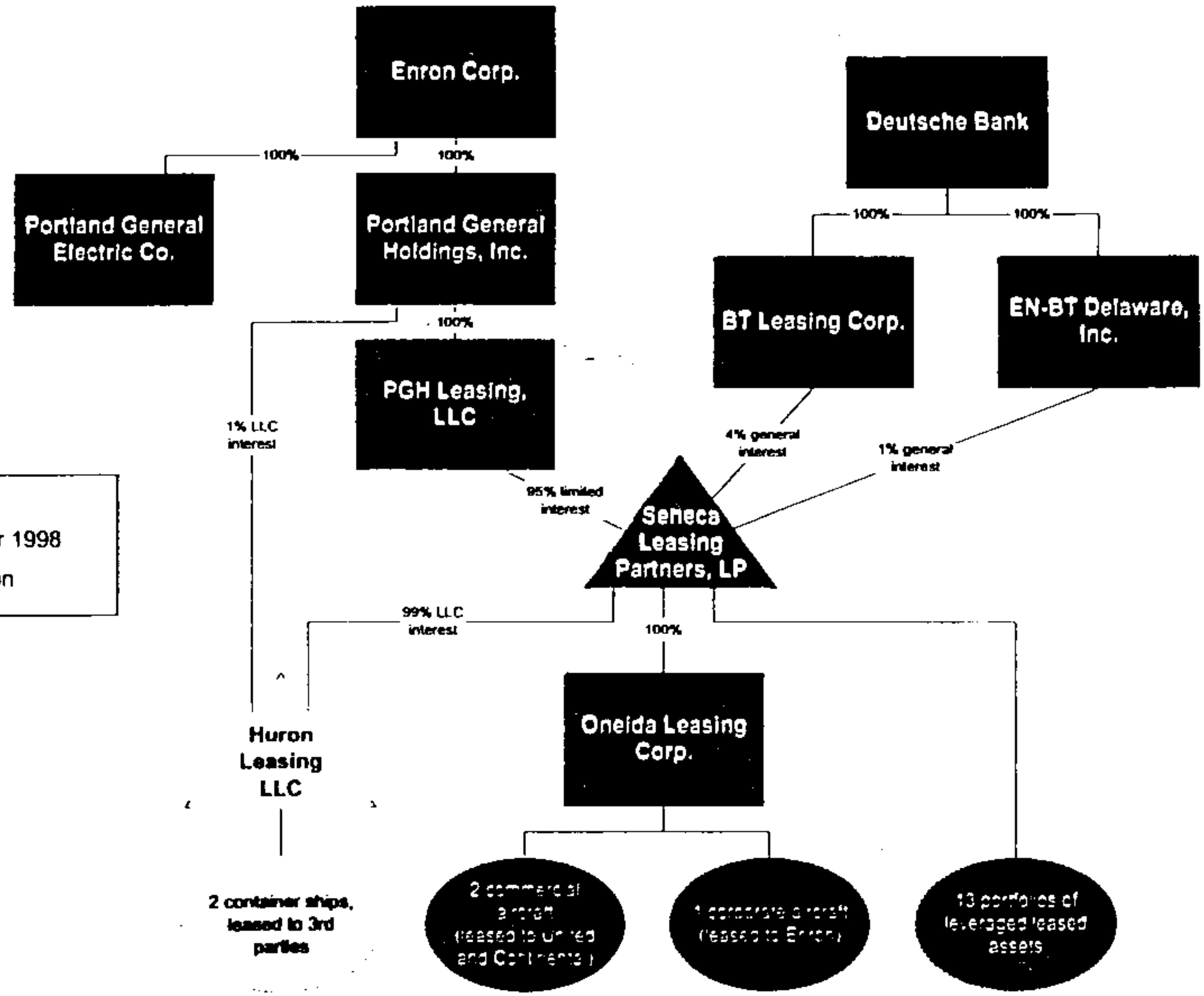
*This project ceased to produce income or cash flow after 2010.

Transaction Structure

Legend

- Enron Consolidated
- Non-consolidated (no Enron ownership)
- Non-consolidated (1% Enron ownership)
- Partnership
- Corporation
- Assets

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



EC2 000038344

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. 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. 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.

ENRON

Project Cochise

Business Review

Structure Overview

Asset/Risk Management

Assets Held:
- REMIC Regular Interests $26 million
- REMIC Residual Interests $0 book value

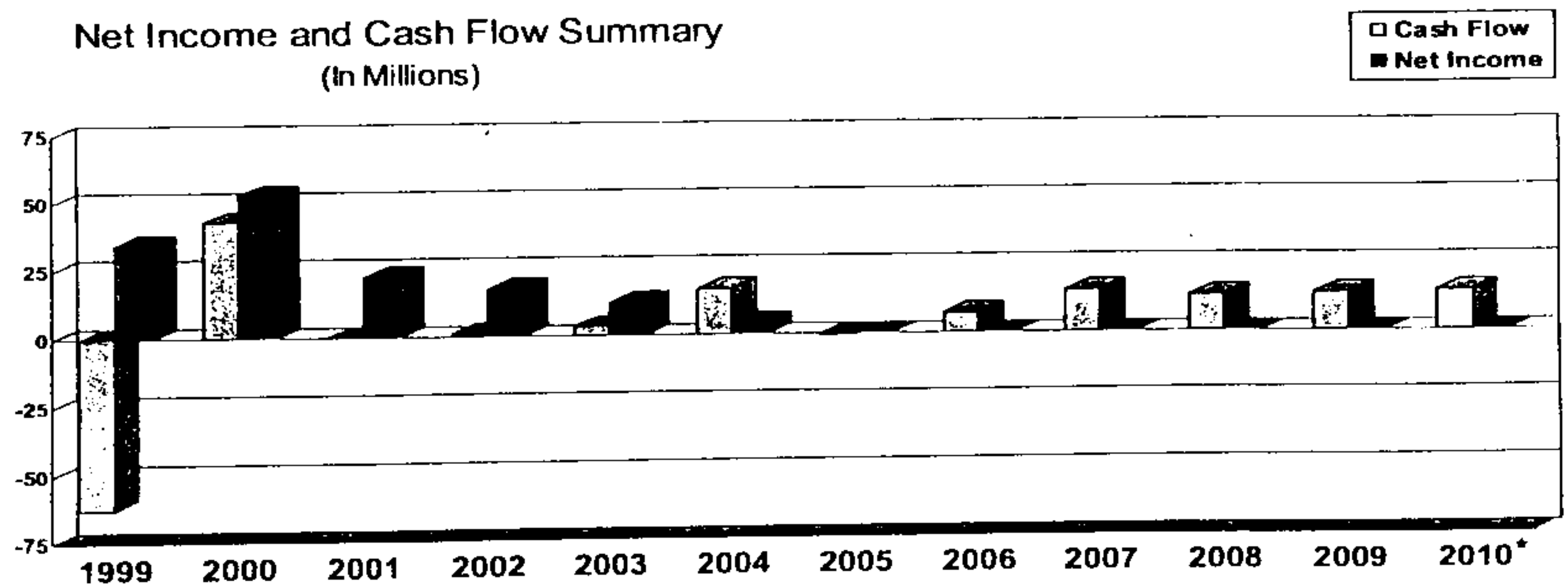
Current Status:
- All of the assets are held in a REIT which is subject to complex tax compliance rules.
- In 2004, the minority interest valued at $2 million will be redeemed. After that time, Enron will be allowed to unwind the REIT and dispose of the REMIC portfolio in due course.
- The REMIC Regular 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.

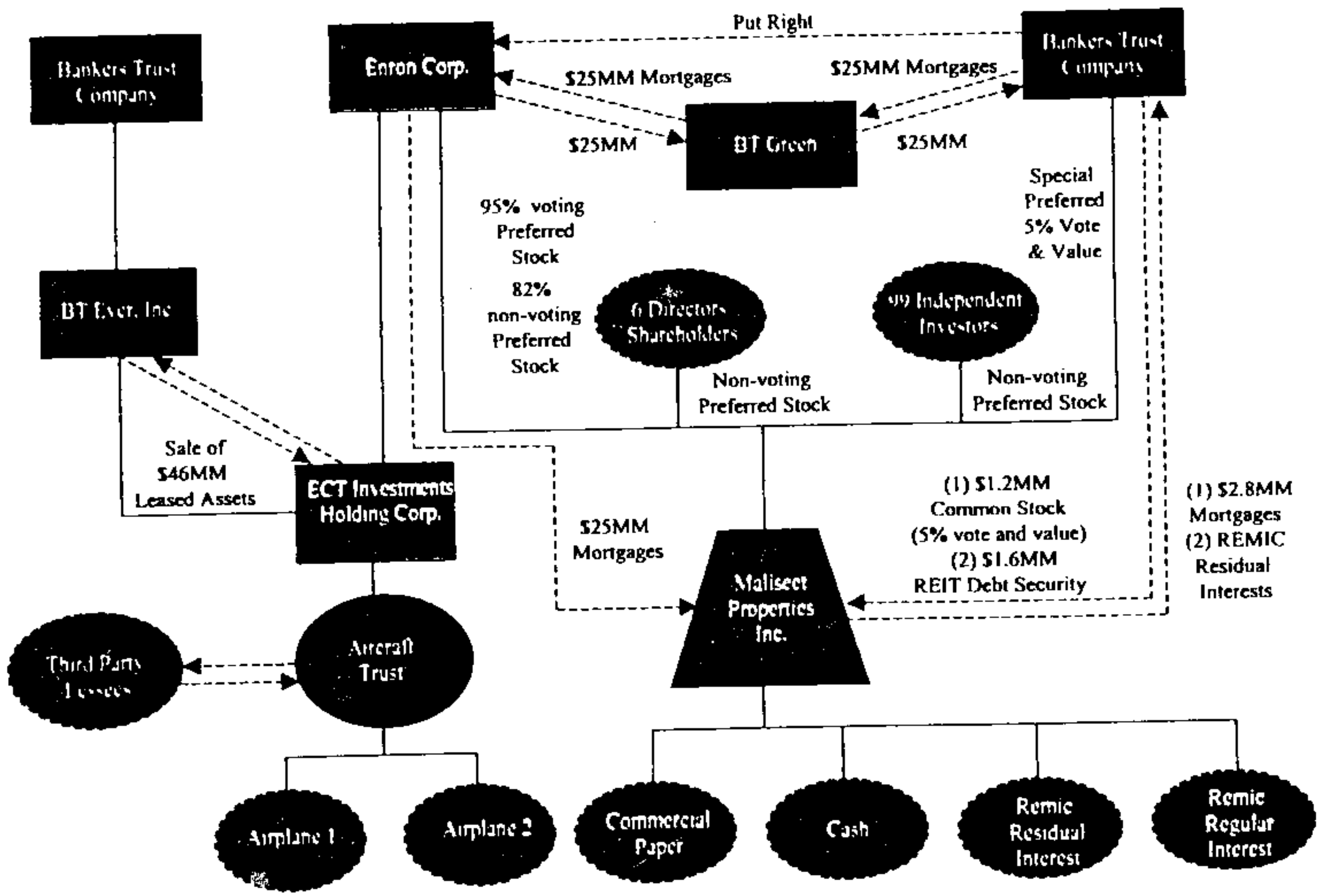
Net Income and Cash Flow Summary

(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



Legend

- Enron GAAP Consolidated
- Third Parties
- Corporation
- Branch
- Assets
- REIT

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

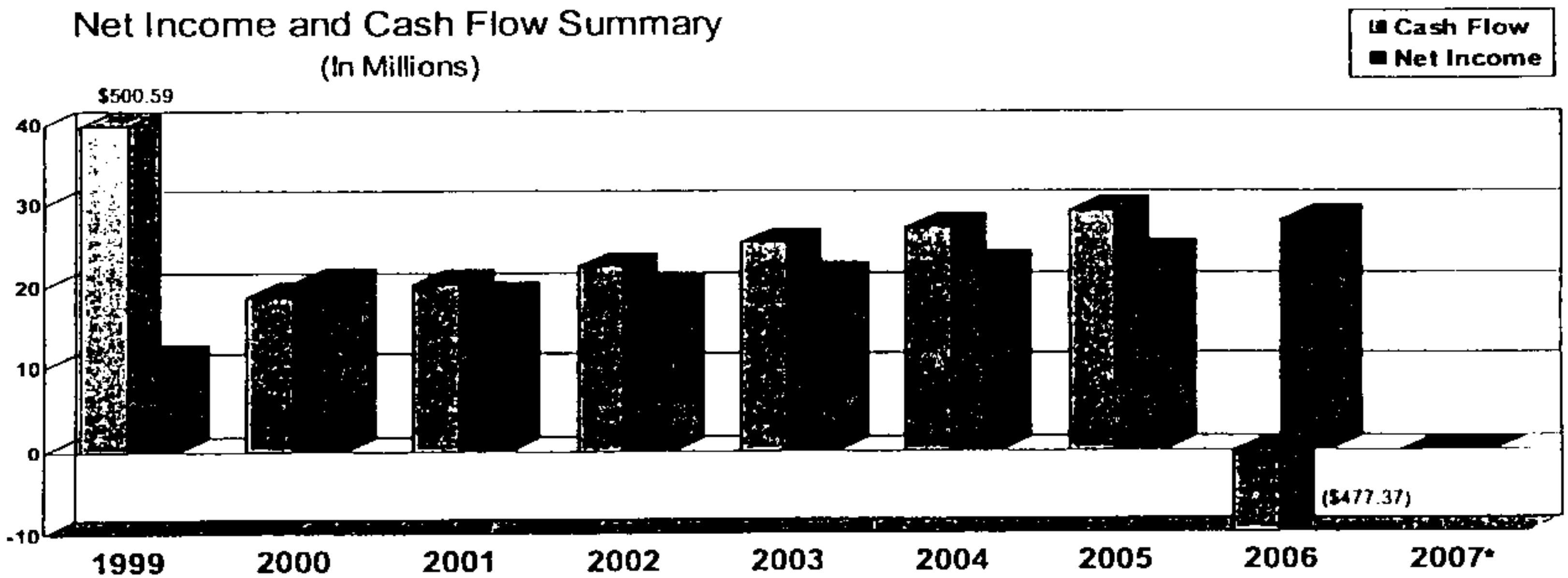
Assets Used:
- Third-party receivables regenerated monthly in EWS Operations, valued at $1,300 million.

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

Transaction Description

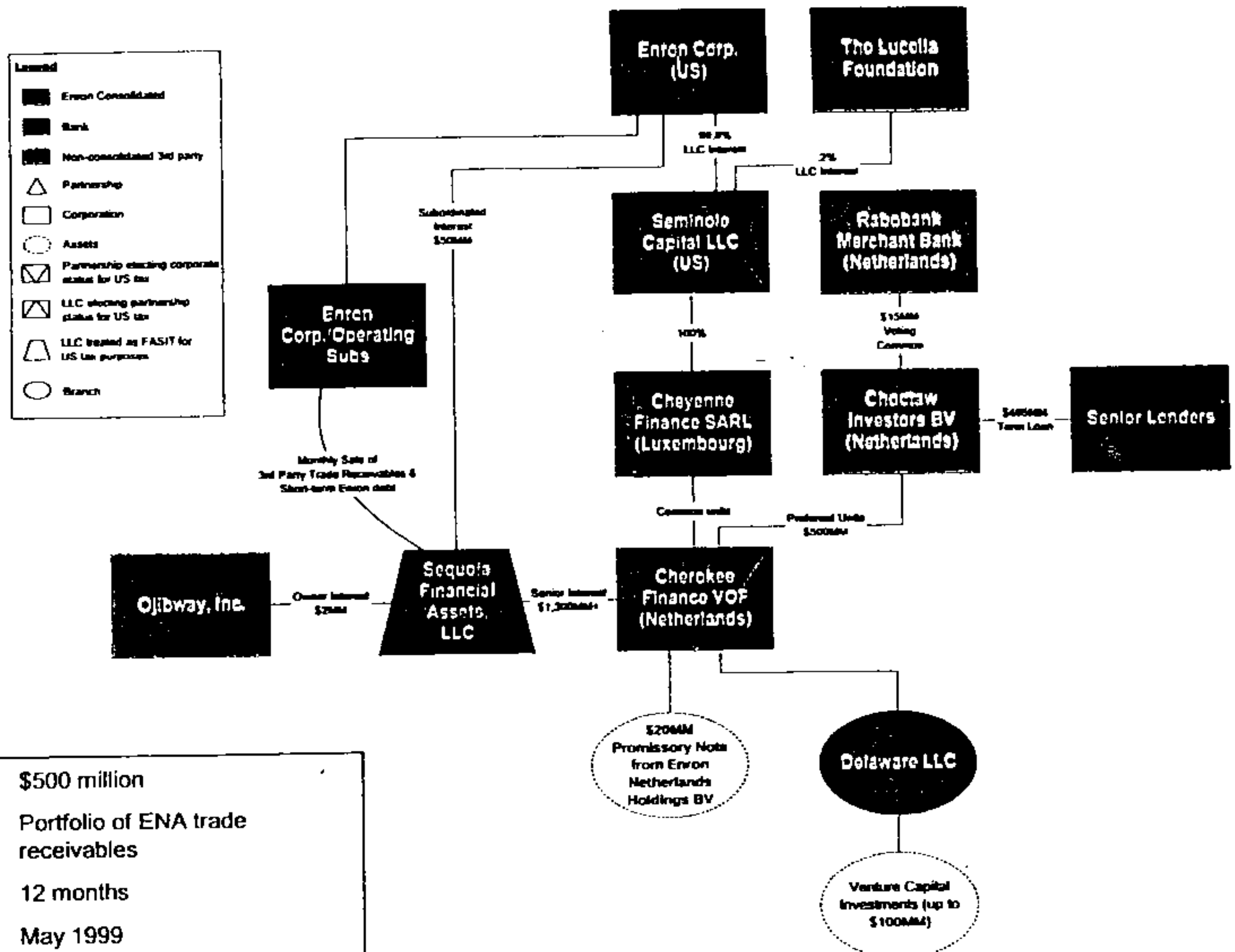
This structure provides minority-interest financing and generates tax benefits related to factoring 3rd party receivables generated by Enron North America.

Net Income and Cash Flow Summary
(In Millions)



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

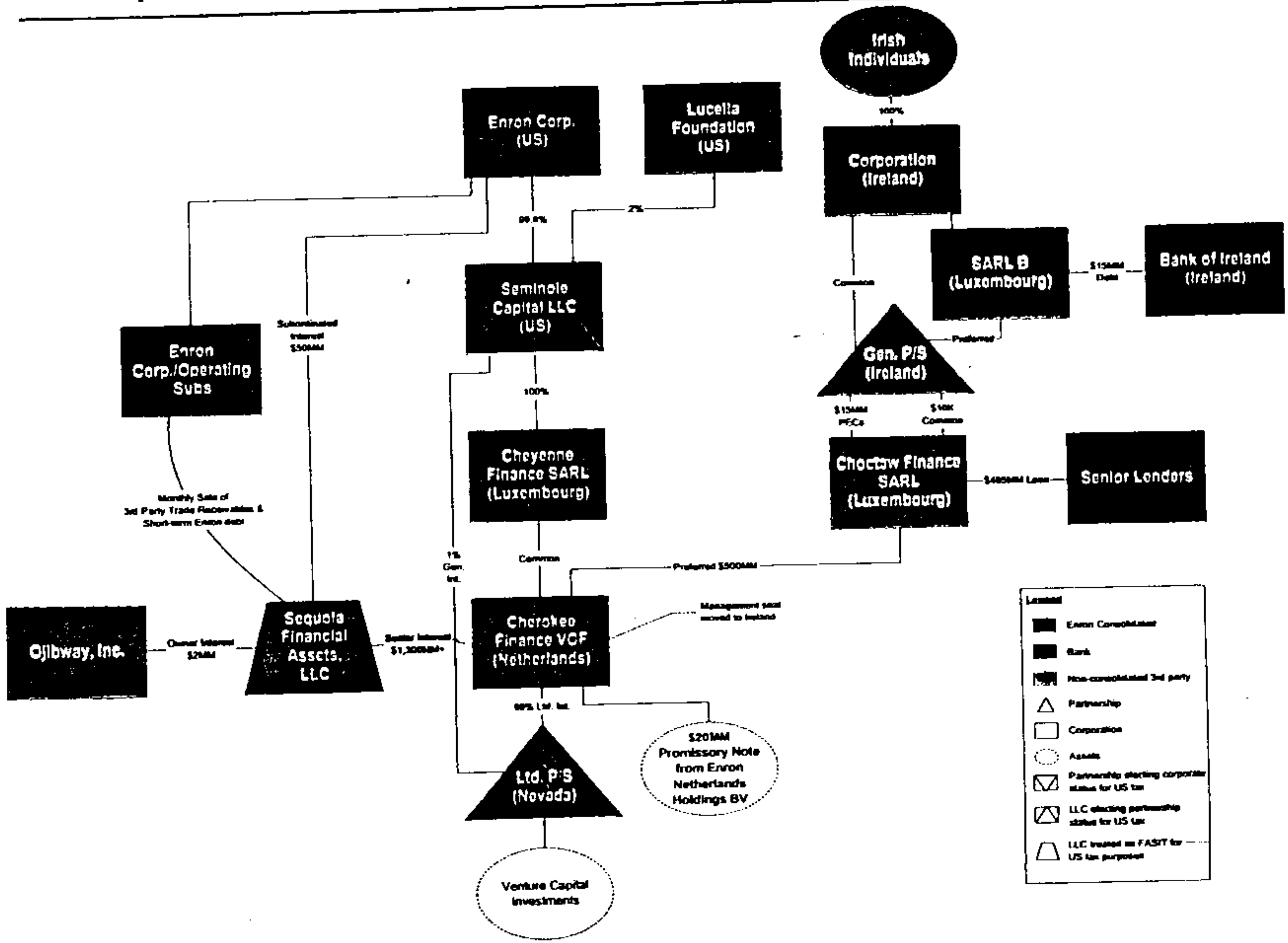
Current Structure



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

Confidential

Anticipated Restructuring



EC2 000038355

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. - The change will allow Cherokee to increase the value of equity investments held in the structure. - 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 Generation of 300+ accounting entries Preparation and distribution of monthly receivables reports Preparation of Form 8811 for Ojibway Distribution to Ojibway
Quarterly Activities	Distributions to Sequoia noteholders Financial statement preparation 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: (1) identification of receivables; and (2) calculation of return on interim notes	Refining procedure for identifying receivables on 1st of the month. 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.

ENRON

Project Condor

Business Review

Structure Overview

Asset/Risk Management

Assets Used:

- Bammel Assets $930 million

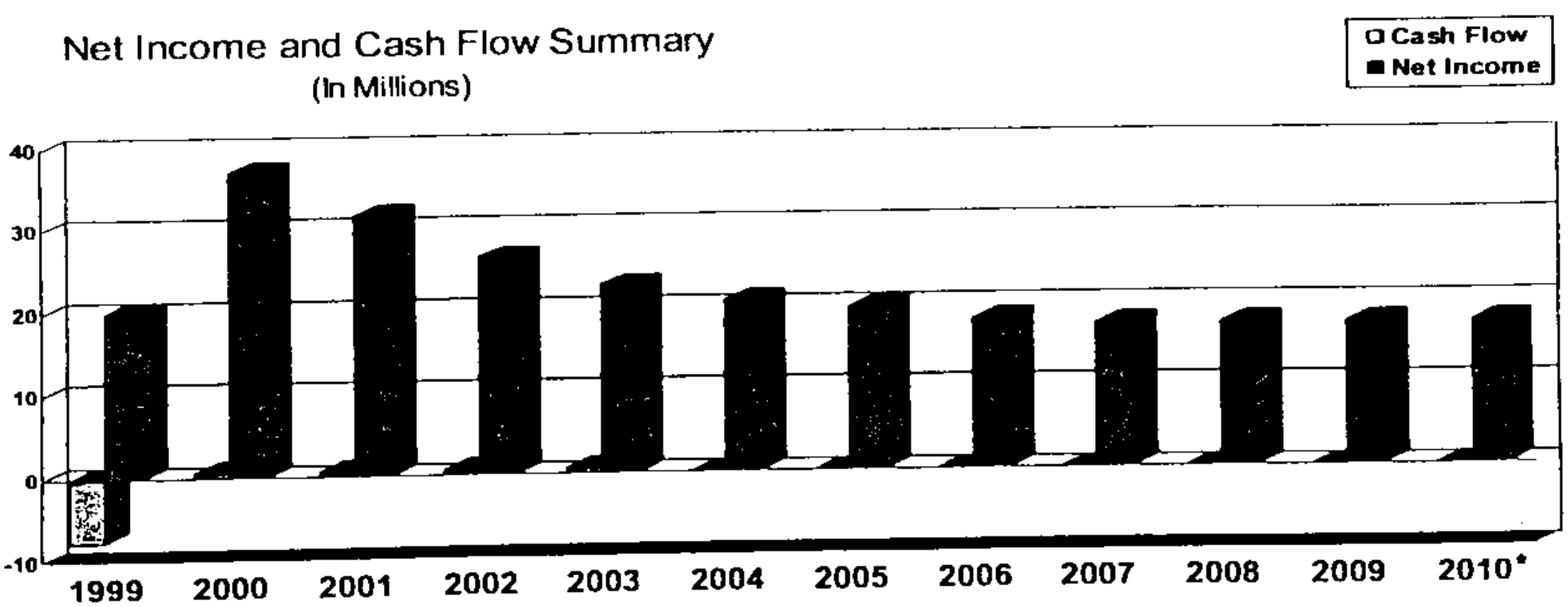
Status of Assets:

- 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

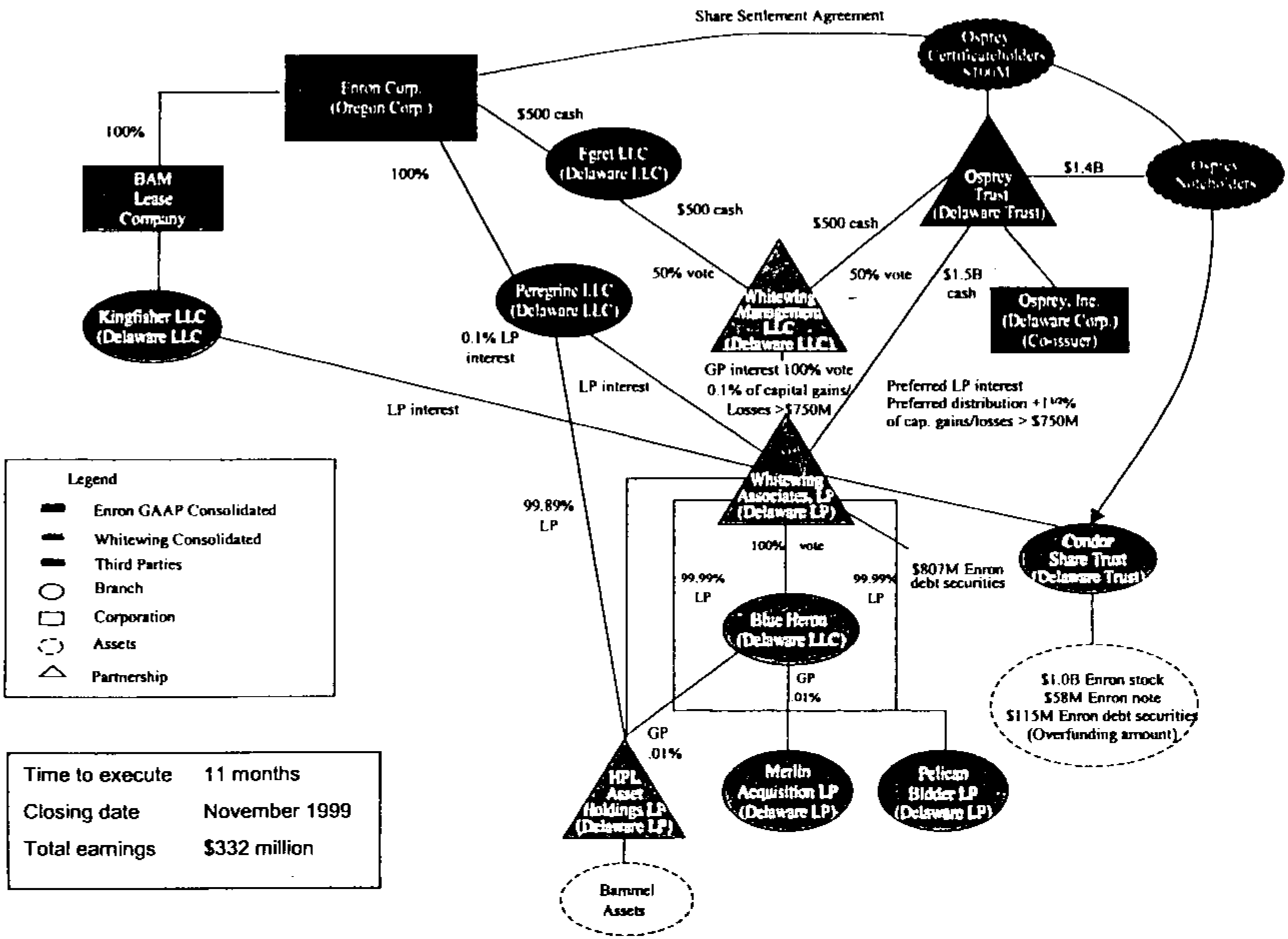
- In November 1999, Houston Pipe Line Company ("HPL") contributed its interest in the Bammel storage field and the Houston distribution loop ("Bammel Assets") to Whitewing Associates, L.P. The collateral provided by this transaction facilitated the $1.0B Osprey Trust financing.
- A collateral benefit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

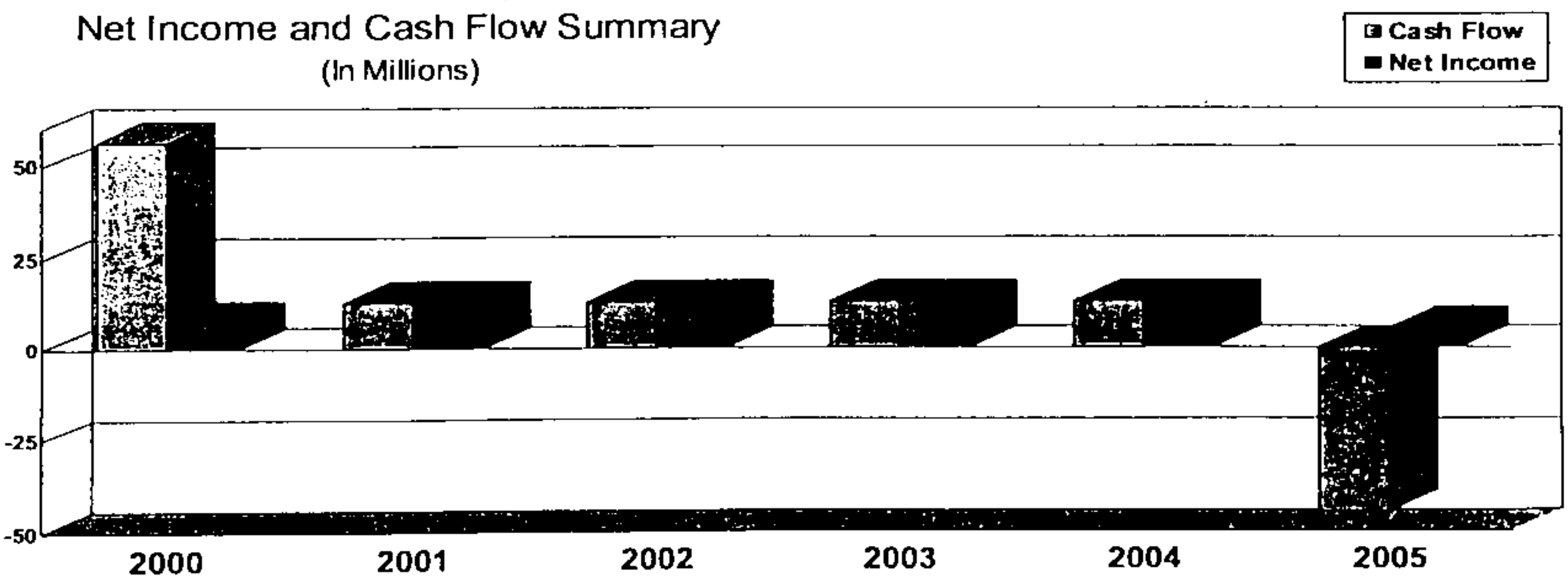
- Enron's credit exposure on $1.95B of funds deposited with DB's London affiliate is mitigated by legal set-off against the $2.0B security held by DB.
- The 5-year structure is subject to annual renewal. Changes to DB's German tax position could cause them to unwind the structure early.

Transaction Description

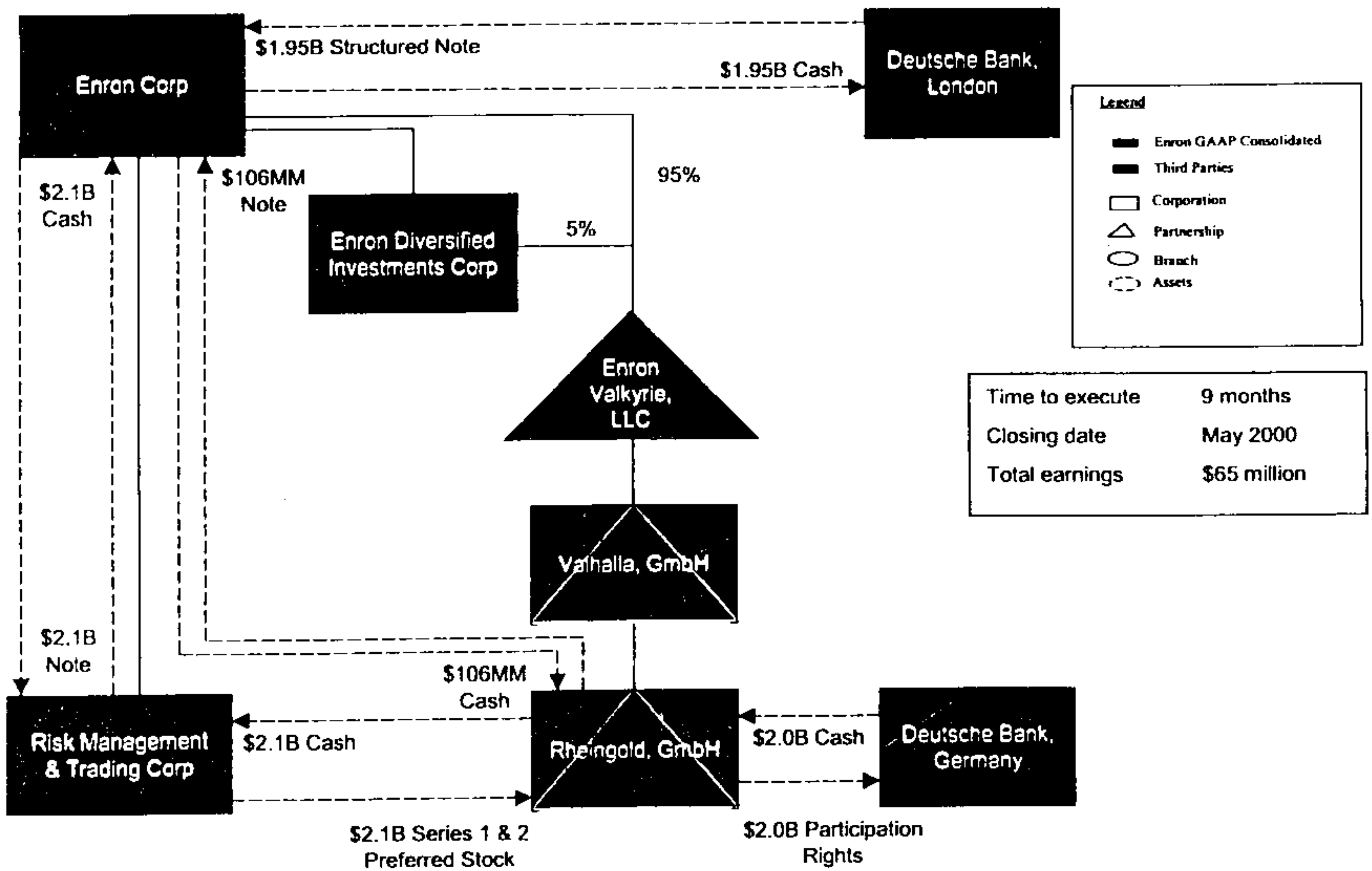
- In 2000, an Enron affiliate issued a $2.0B fixed-rate, 5-year preferred security to Deutsche Bank ("DB") in Germany. Simultaneously, Enron deposited $1.95B with DB in London with a yield based upon a package of Treasury and commodity indexes. This transaction creates commodity and interest positions 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%. Rheingold accrues interest expense on the $2.0B 'Participation Rights' at 7.7%. 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. Enron Corp. receives payment from DB for the accrued interest income on the Structured Note Receivable. Enron Corp. receives fixed payment from DB on the $50MM interest rate swap. 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:

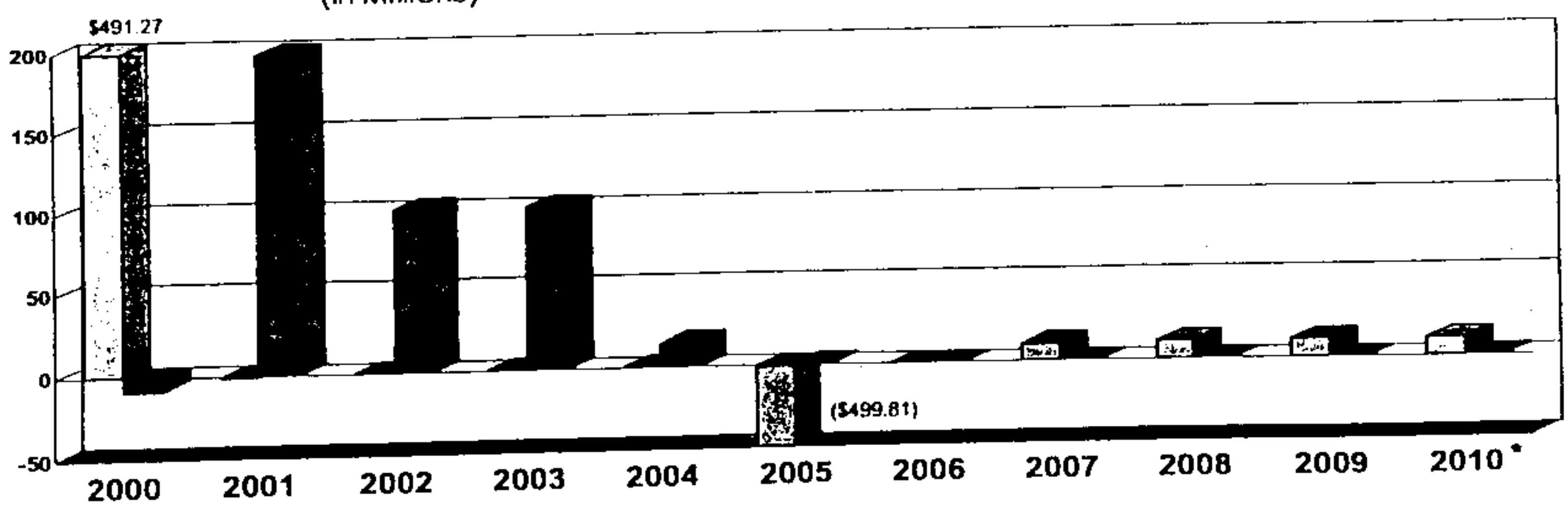
- Any sales or restructurings of finance or ownership of these assets requires coordination with the Structured Transactions Group to preserve the benefits.
- Minority interest financing of $500MM will be repaid in 2005.
- Periodically, invested proceeds from the sale of assets are used to purchase Enron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

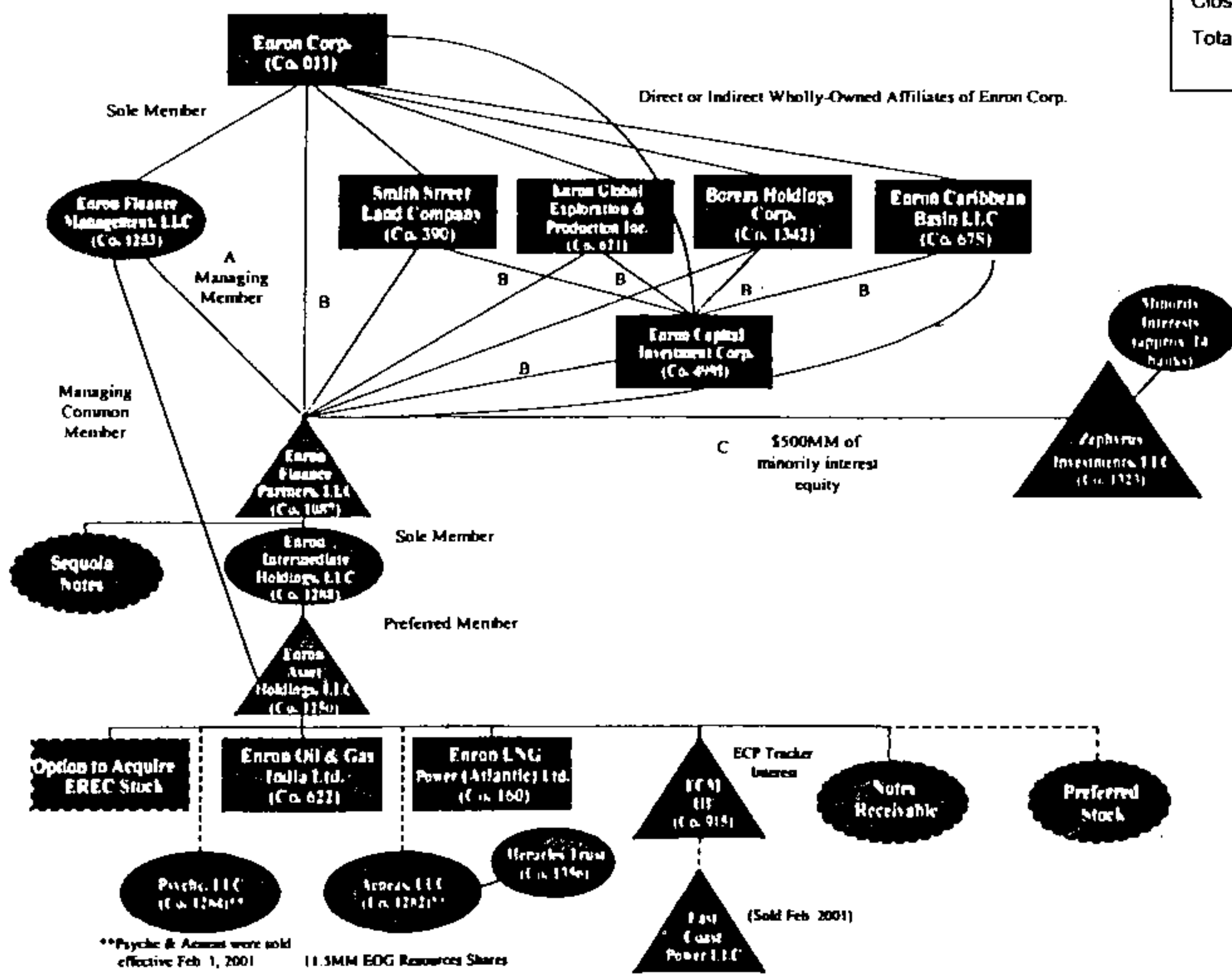
(In Millions)

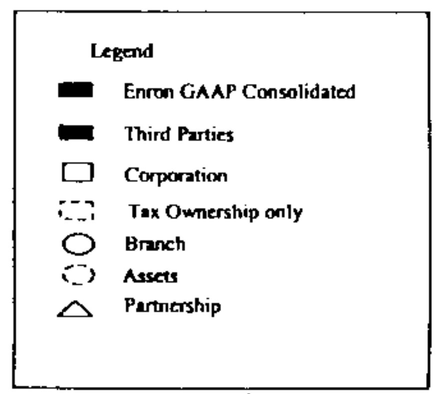


*There is additional positive cash flow of $372 million from 2011 through the year 2046 resulting primarily from tax depreciation on Enron Center South.

Transaction Structure

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





EC2 000038370

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.

ENRON

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

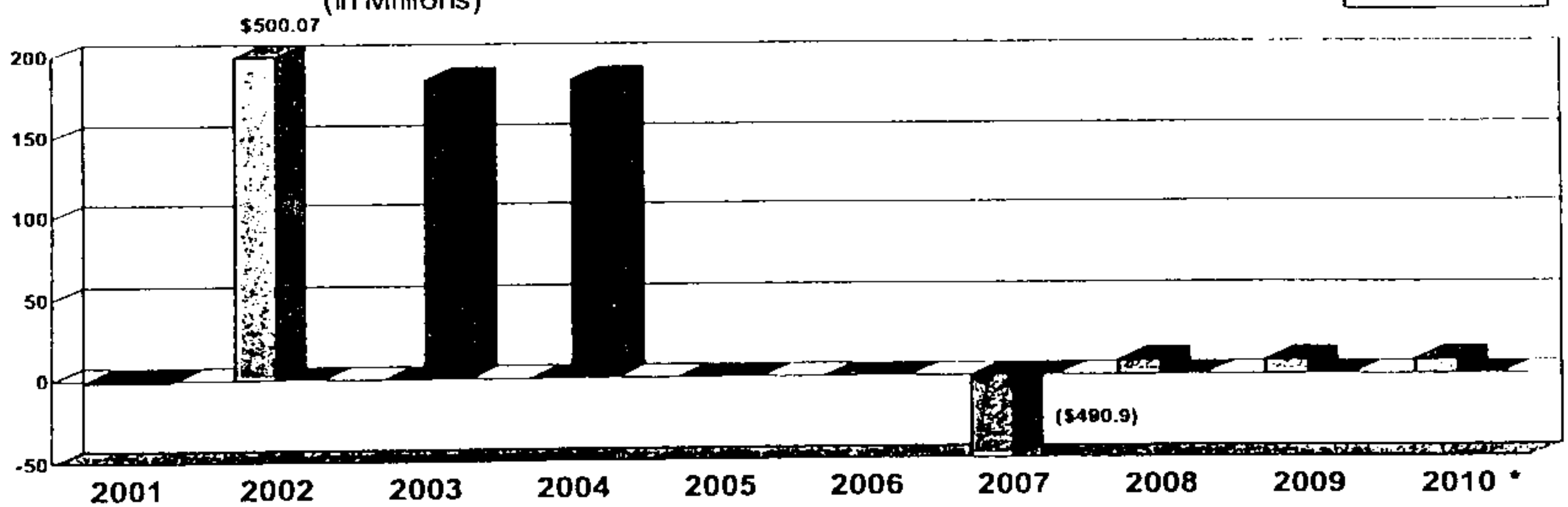
Current Status:
- The contribution of PGE into the structure deconsolidated PGE for federal income tax purposes.
- Issuance of $500 million of minority interest financing has been delayed pending further developments in the disposition of PGE.

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.

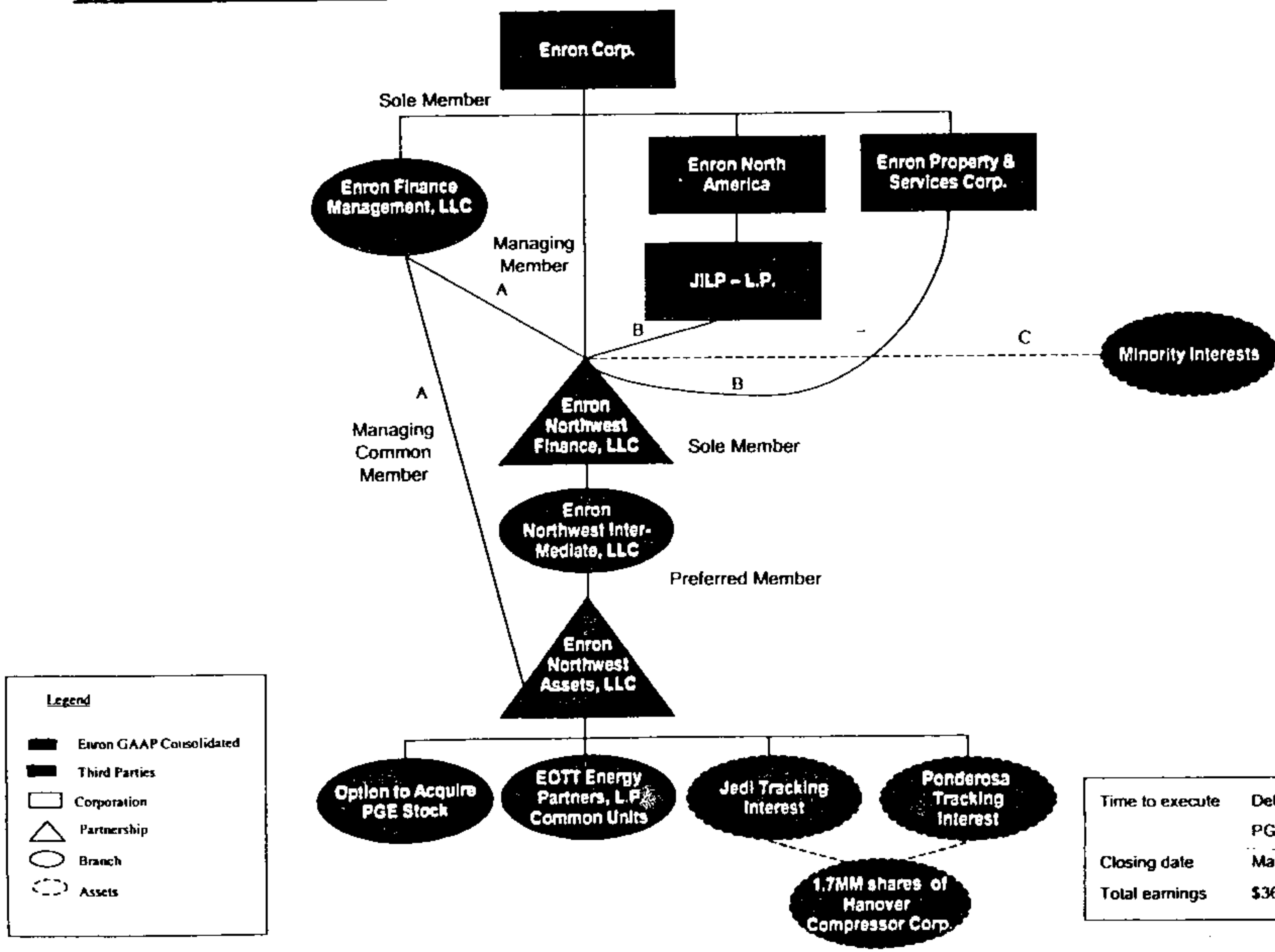
Net Income and Cash Flow Summary

(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.

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.

Special Minority Interest Transactions

October 2001

Confidential

Table of Contents

Other Minority Interest Transactions

October 2001

Confidential

Table of Contents

Enron Management Inc.

- In December 1995, Enron Corp. ("Enron") implemented a strategy to manage the contingent liabilities from two of its non-qualified benefit plans. Ultimately, the strategy involved the following steps:
  - Enron Management, Inc. ("EMI") contractually assumed Enron's deferred compensation and post retirement benefit obligations ("the Liabilities").
  - Employees in the Compensation and Benefits Departments were transferred to EMI. These groups are directly responsible for managing these plans and the Liabilities.
  - Pursuant to a Stock Purchase & Sale Agreement ("the Agreement"), the two department heads responsible for the management of the Compensation and Benefits Departments (Mary K. Joyce and Patricia Edwards) acquired EMI participating preferred stock with a face value of $40,000. The terms of the preferred stock were designed to provide the department heads with an incentive to control costs and allowed them to modestly share in the rewards of these cost containment efforts.
  - In 1998, Ms. Edwards resigned from Enron and sold her shares to Ms. Joyce for the then fair market value of $85,000.
  - In 2001, pursuant to the terms of the Agreement, Ms. Joyce exercised an option to put her shares back to Enron Corp. for $440,000. As a result of the successful cost containment efforts of Ms. Joyce and Ms. Edwards, Enron realized cost reductions in the Liabilities in excess of $40 million.

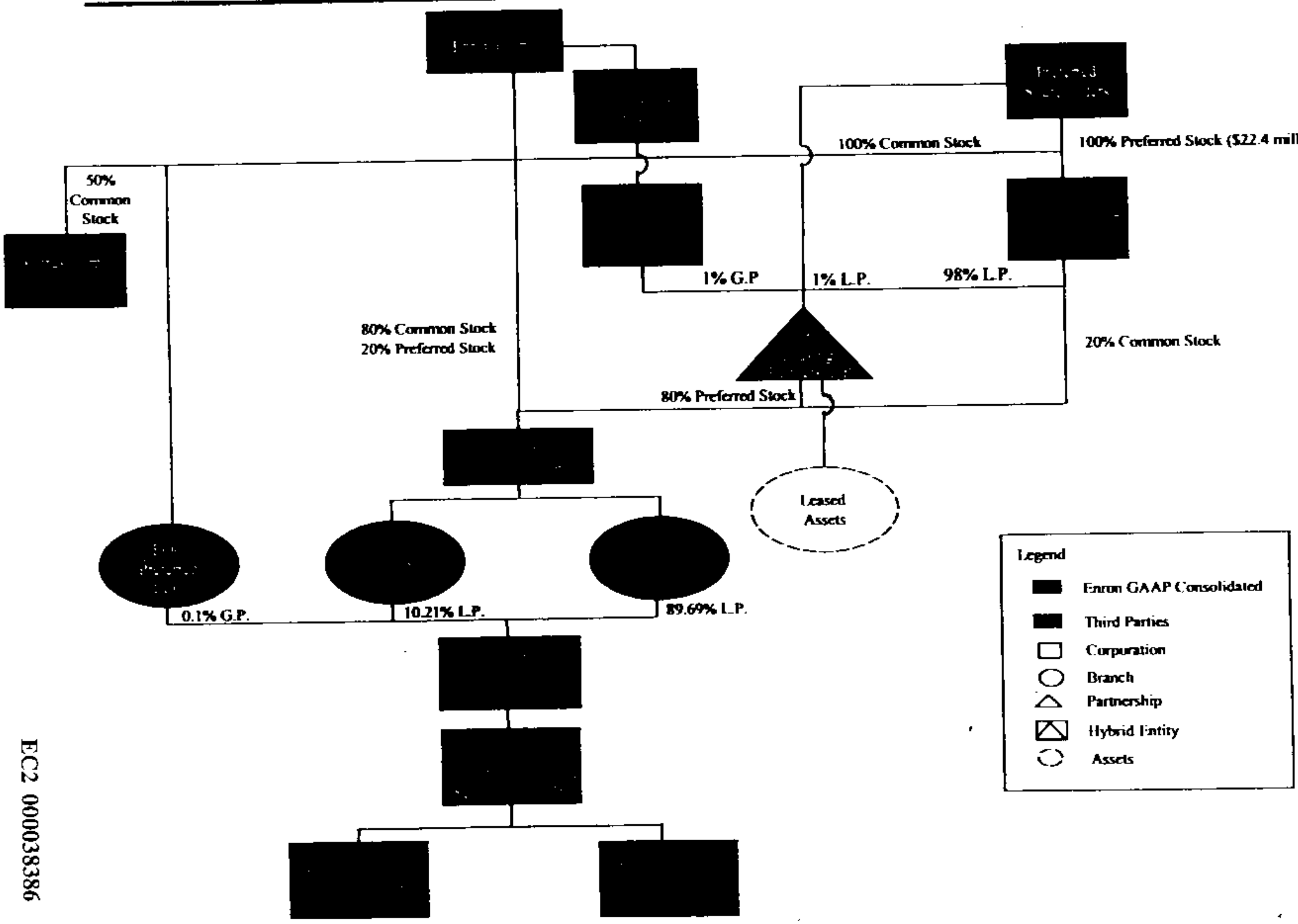
ECT Strategic Value Corp.

- In 1996, Enron North America Corp. ("ENA") implemented a strategy to manage the reserve liabilities generated in its trading business.
- ECT Strategic Value Corp. ("ESCV") contractually assumed ENA's deferred compensation and post retirement benefit obligations ("the Liabilities").
- Pursuant to an agreement ("the Agreement"), members of ENA management with expertise in the resolution of reserve liabilities acquired "tracking equity" in ESCV.
- The terms of the tracking equity were designed to provide these members of senior management with an incentive to control costs and allowed them to modestly share in the rewards of these cost containment efforts enjoyed by ENA.

Enron Leasing Partners, LP

- In March of 1997, Enron Corp. and an investor formed Enron Leasing Partners, L.P. ("ELP") to own and manage a portfolio of leased assets used in the ordinary course of Enron's business.
- The investor brought certain lease management skills to the structure and helped identify and manage a portfolio which includes Enron Center North and various aircraft.
- The liquidity and yield to the investor is in part funded by ELP's preferred stock interest in Enron Pipeline Holding Company, the holding company for Enron's interstate natural gas pipelines.

Enron Leasing Partners Structure



ECT Investing Partners, LP

- In October 1997, Enron Corp. and an outside investor ("the Investor") formed ECT Investing Partners, L.P. (the "Partnership").
- The purpose of the venture was to acquire and manage a diversified portfolio of investment assets.
- With the assistance of the Investor, the Partnership procured a portfolio of corporate debt securities with an initial fair market value of $50 million.
- Currently, as a result of the partial liquidation of the portfolio, the current fair market value of the portfolio is about $24 million.

Wiltshire Financial Assets, LLC

- In December 1998, Enron created Wiltshire Financial Asset, LLC ("Wiltshire") to facilitate the issuance of debt securities at below market interest rates.
  - The transaction involved the capitalization of Wiltshire by Enron Finance Holdings Corp. ("EFHC") with a $320 million intercompany note ("the Note").
  - In exchange for the Note, EFHC received four tranches of securities ("the Interests"), each with a declining degree of seniority in its claims upon the Note's proceeds.
- As a result of the waterfall created by the progressive subordination of the Interests, the most senior $80 million security ("Class A Interests") would receive four-to-one coverage in the event of an Enron bankruptcy.
  - It was anticipated that the over-collateralization and principal amortization features of the Class A Interests would result in their trading at a premium over similar Enron obligations.
  - To date, EFHC has sold $8 million Class A Interests and continues to hold remaining unamortized balance thereof and all of the tranches of subordinated Interests.

Maliseet Properties, Inc.

- Maliseet Properties, Inc. (the "Company") is a Real Estate Investment Trust formed in 1999 to manage a diversified portfolio of real estate-based financial investments on behalf of Enron Corp. and other investors.

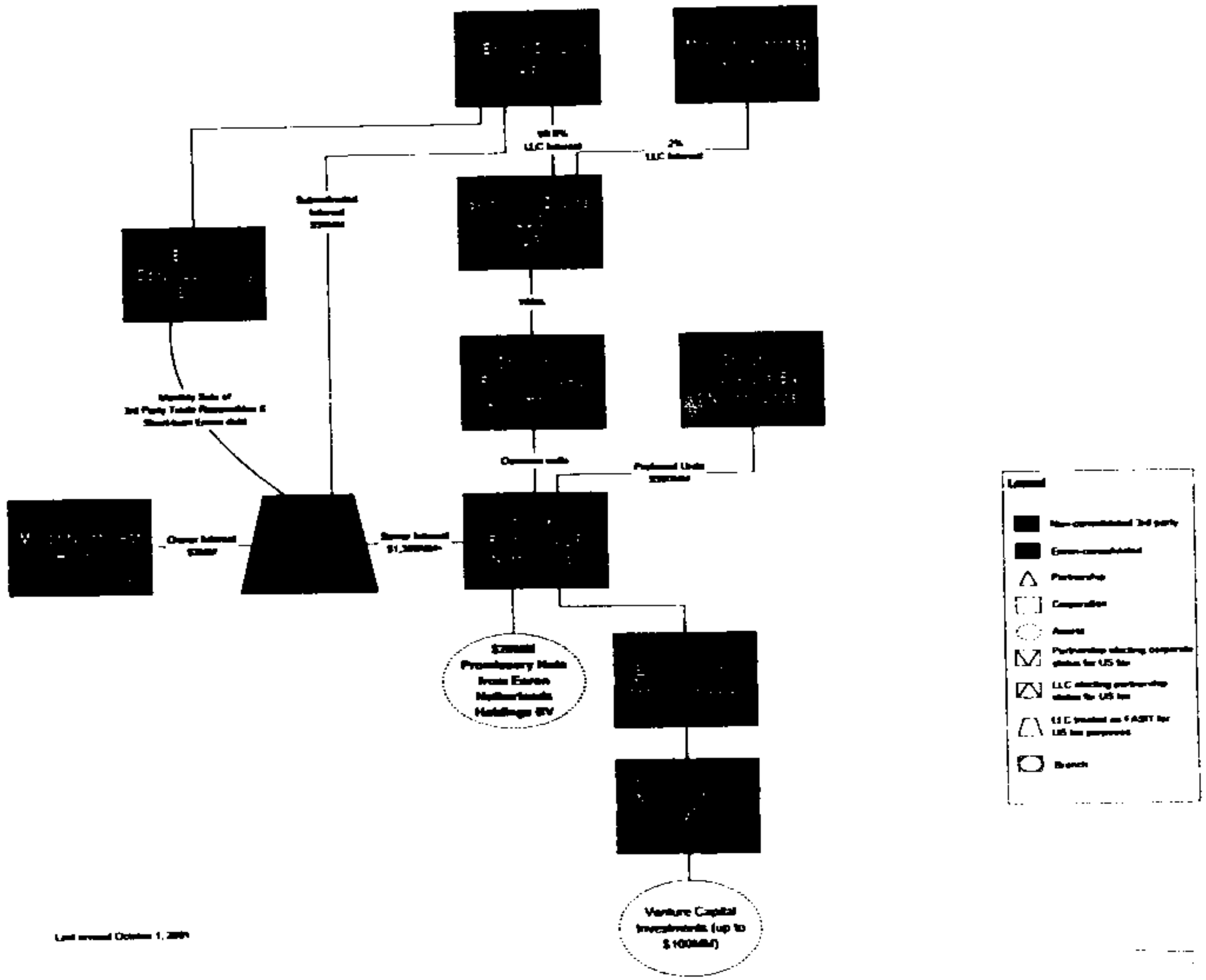
- The interplay between certain tax rules requiring that the Company have at least 100 shareholders; certain securities rules restricting the number of investors who are eligible to purchase in a private offering made it prudent to include some officers of Enron Corp. among the shareholders.

- Of the 104 individual shareholders in the Company, six are Enron officers: Robert J. Hermann, Richard A. Causey, James V. Derrick, Jeffery McMahon, Robert H. Butts, and Andrew S. Fastow.
  - The securities held by these officers are $1,000 non-voting, non-participating preferred interests that bear a 15% annual dividend.
  - No officer was compelled to purchase shares in the Company.
  - Each officer was offered the opportunity on the same terms offered to other accredited outside investors.
  - The shares are not transferable but may be redeemed by Enron Corp. after January 28 of 2004.

Cherokee Finance VOF

- Cherokee Finance VOF and Sequoia Financial Assets, LLC were formed in May 1999, with involvement of minority interest financing (Choctaw Investors BV).
- 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 North American gas and power trading businesses.
- Amendments in December 2000 allowed Enron Finance Partners 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. In January 2001, three venture capital investments of Enron Broadband were placed in the Cherokee structure.

Cherokee Finance VOF Structure



ENA Asset Holdings, LP

- In November 1999, Enron Corp. sponsored Whitewing Associates, L.P. ("Whitewing") as a financing vehicle for various investment opportunities.
  - To support Whitewing's credit capacity, 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 LP and GP interests.
  - 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.
  - 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.
- In June 2001, Enron sold the stock of HPL to AEP.
  - 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.

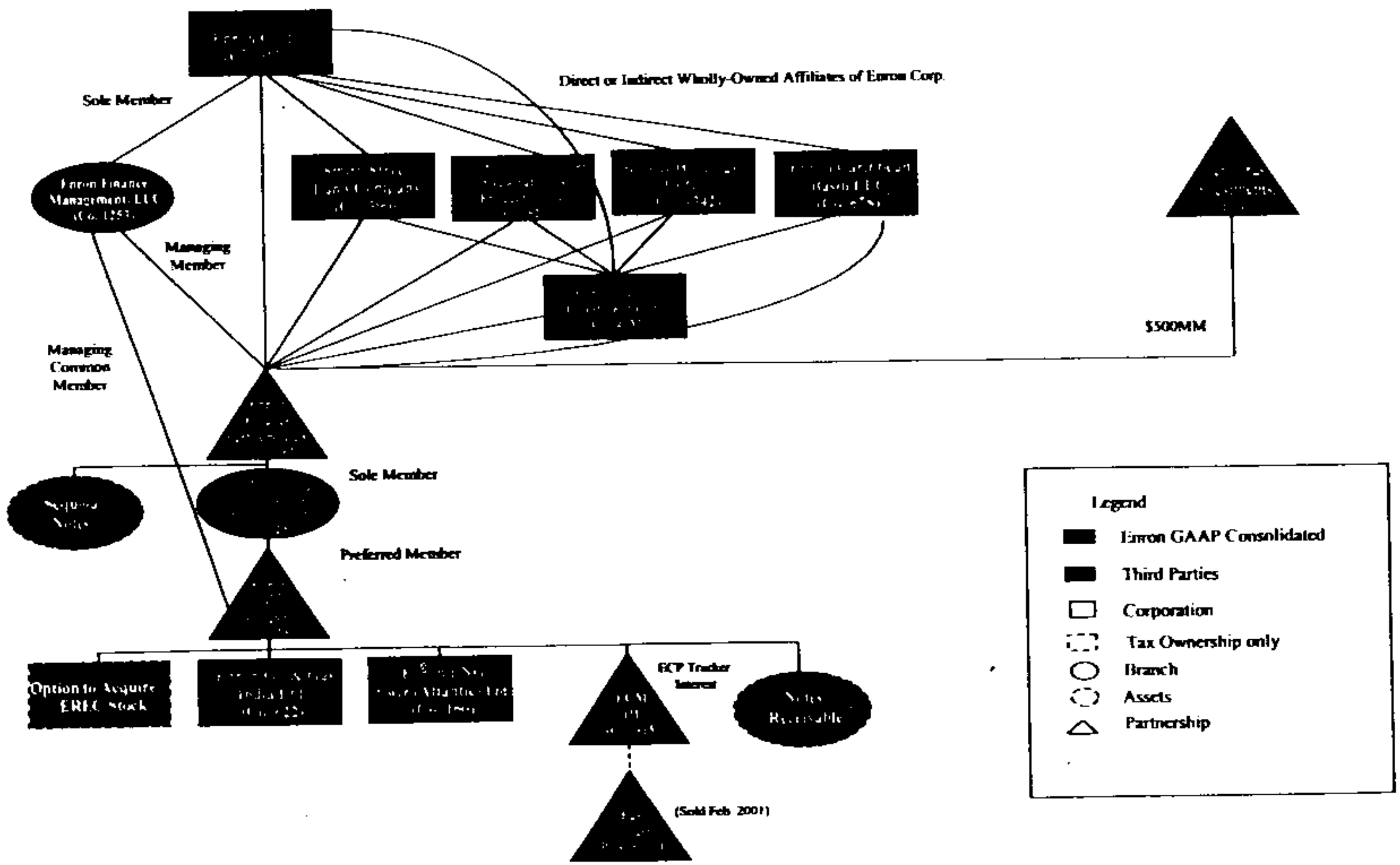
Rheingold, Gmbh

- In May of 2000, Enron Corp. ("Enron") formed a German subsidiary Rheingold, GmbH ("Rheingold").
- Rheingold issued $2.1 billion in "participation rights" and used the funds to acquire preferred equity in Risk Managing and Trading Corp. ("RMT"), a wholly owned Enron subsidiary.
- Enron invested $1.95 billion of the proceeds in a structured note containing a fixed rate component and a variable return computed in reference to certain commodity indices. The remaining funds were invested in other instruments including interest rate swaps.
- The structured note and participation rights are offset and shown as a net liability in the Enron financial statements.
- The Rheingold structure helps Enron manage both its credit position and the various commodity positions reflected in the RMT and Enron trading books.

Enron Finance Partners, LLC

- In July of 2000, Enron Corp. ("Enron") created a minority interest financing vehicle capitalized with certain of its non-core business assets including:
  - derivative ownership of Enron Renewable Energy Corp.,
  - stock of EOG Resources, Inc.,
  - economic ownership of the East Coast Power, Inc.,
  - economic ownership of Ecoelectrica, and
  - economic ownership of EOG India, Ltd.
- In the fourth quarter of 2000, $500 million of minority interest equity was placed with outside investors (Zephyrus Investments, LLC).
- As assets are sold out of this structure some of the proceeds will be invested in intercompany securities.

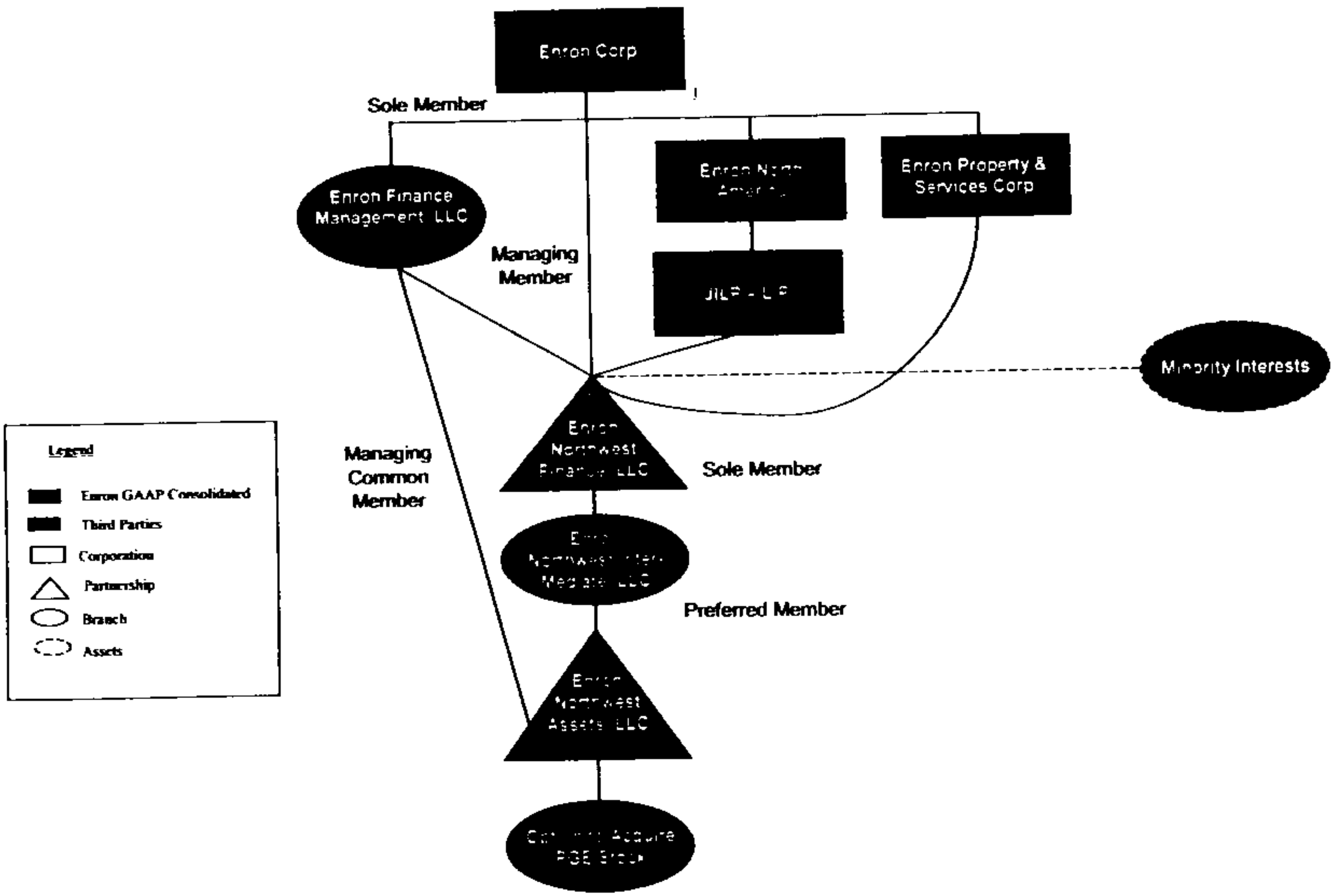
Enron Finance Partners - Structure



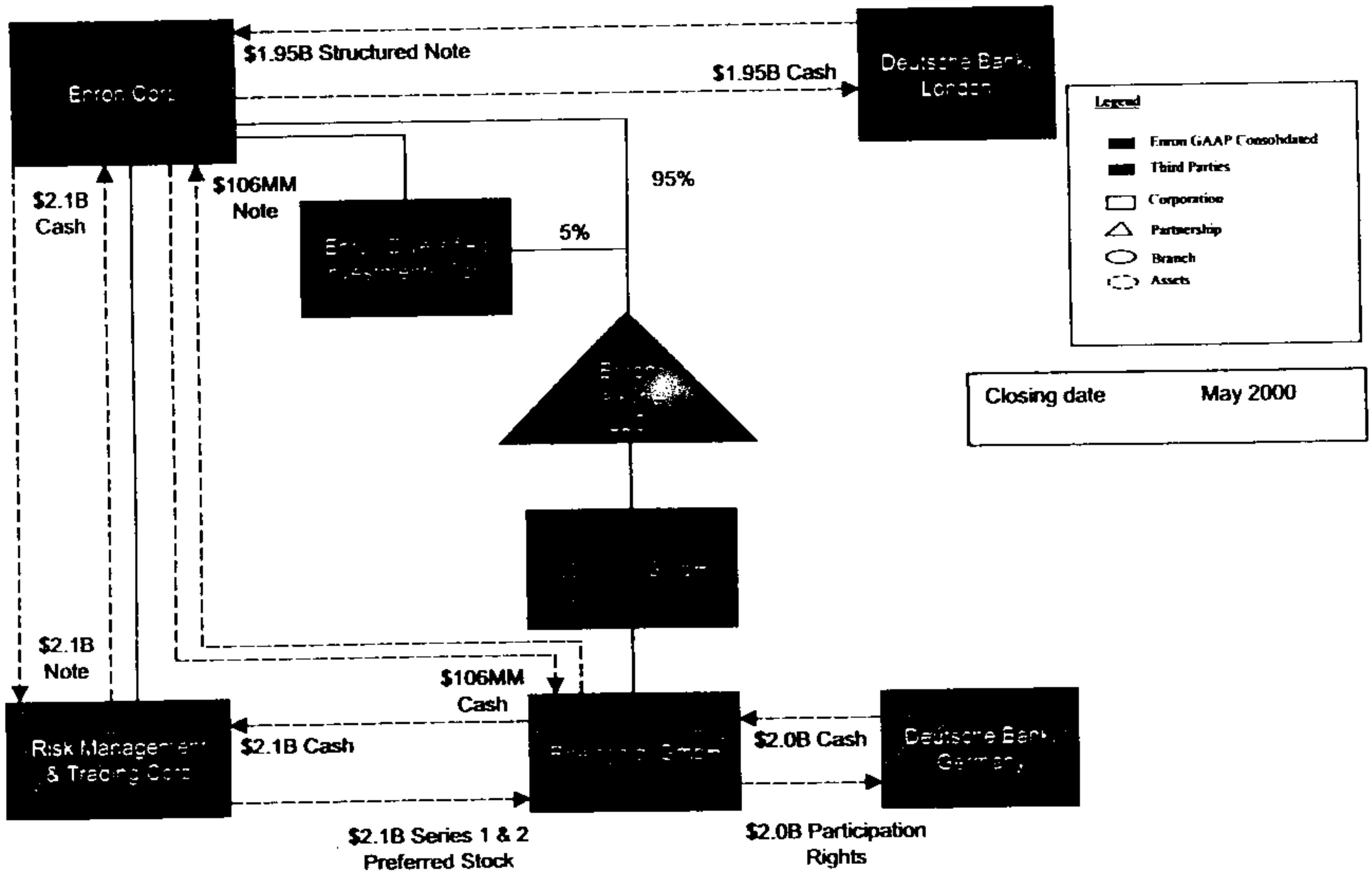
Enron Northwest Finance, LLC

- On May 7, 2001, Enron Corp. ("Enron") created a minority interest financing vehicle capitalized with certain non-core business assets including derivative ownership of Portland General Electric Company ("PGE").
- It is anticipated that Enron Northwest Finance will issue approximately $500 million of minority interest equity in the first half of 2002.

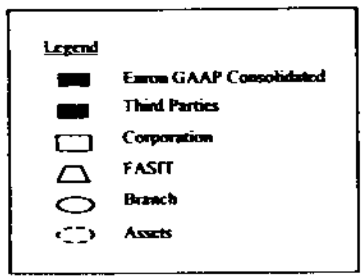
Enron Northwest Finance Structure

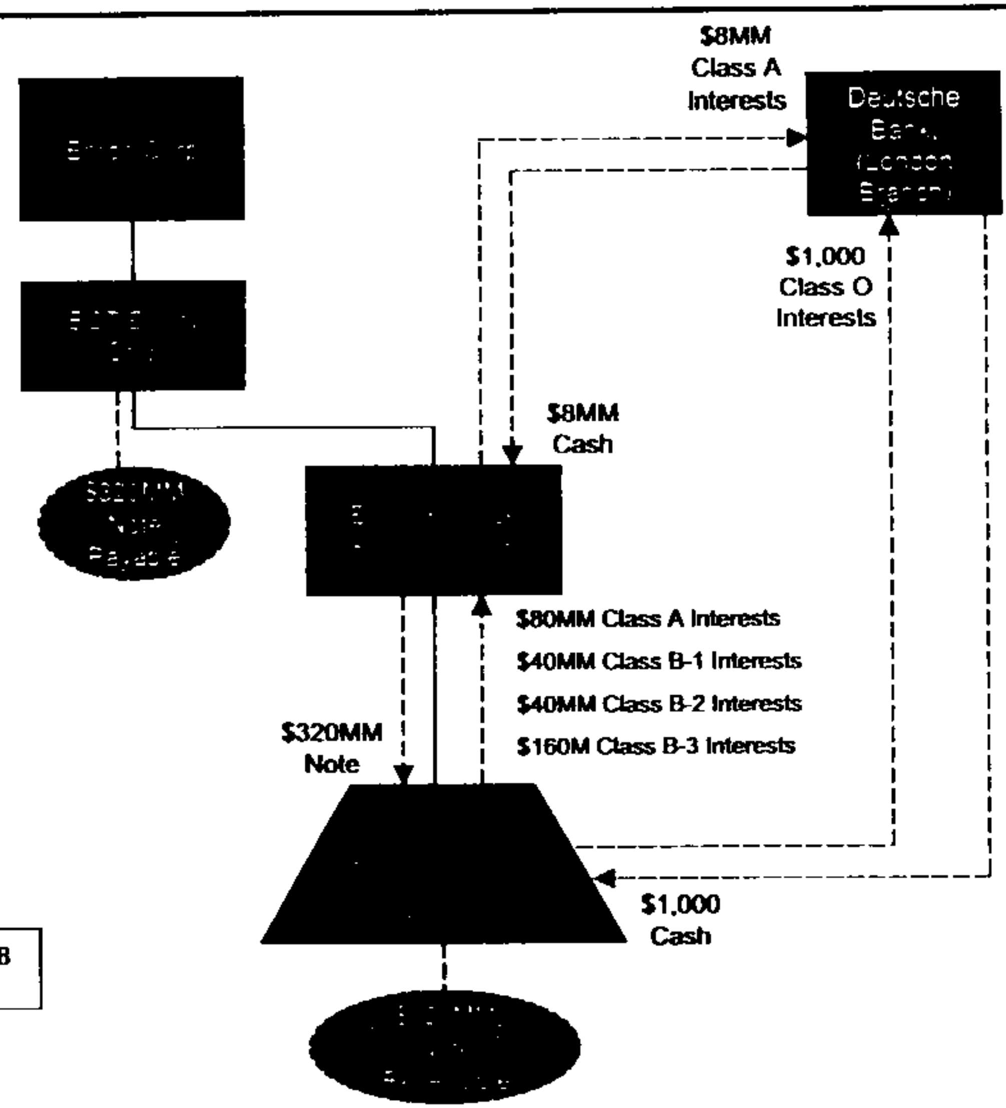


Transaction Structure



Transaction Structure





Closing date	December 1998

Enron Corp.

Structured Transactions Group

March 28, 2001

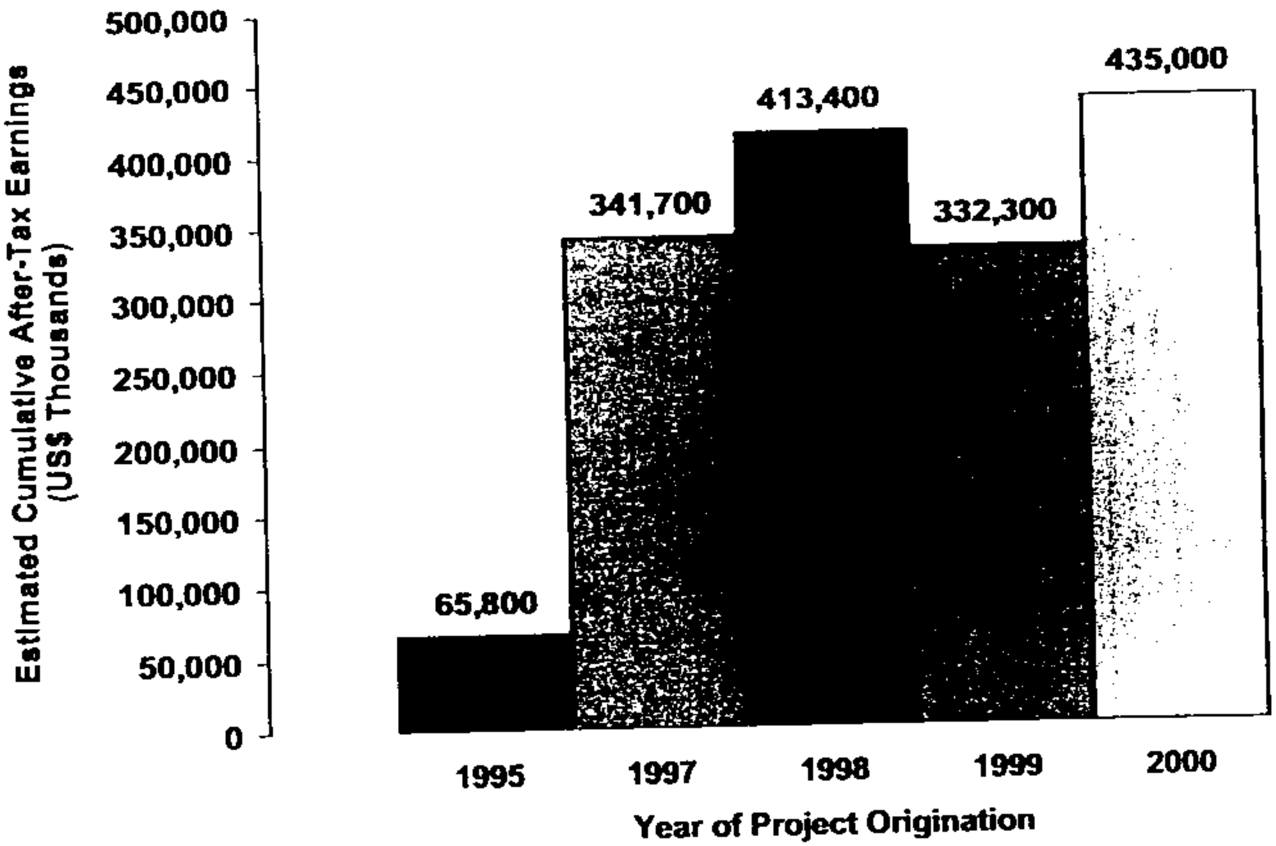
Corporate Tax Planning
Structured Finance Earnings by Transaction
(000's)

	1998 After Tax Earnings	1999 After Tax Earnings	2000 Projected After Tax Earnings	2001 Projected After Tax Earnings	Total Cumulative After Tax Earnings
Project Tanya (1995)		$ 19,300			$ 65,800
Project Teresa (1997)	$26,000	21,200	$120,100	$ 10,000	257,100
Project Steele (1997) *	14,800	16,300	15,700	15,600	83,700
Project Renegade (1997) *	900				900
Project Tomas (1998) *	54,000	4,400	44,800		103,200
Project Cochise (1998) *		34,300	53,000	22,300	143,200
Project Apache (1998)		11,300	20,600	22,100	167,000
Project Condor (1999)		20,100	37,200	31,800	332,300
Project Valhalla (2000) *			7,500	13,000	65,000
Project Tammy (2000)				200,000	370,000
Total Projected Earnings	$95,700	$126,900	$298,900	$314,800	$1,588,200

* These projects contribute to EBIT.

Corporate Tax Planning

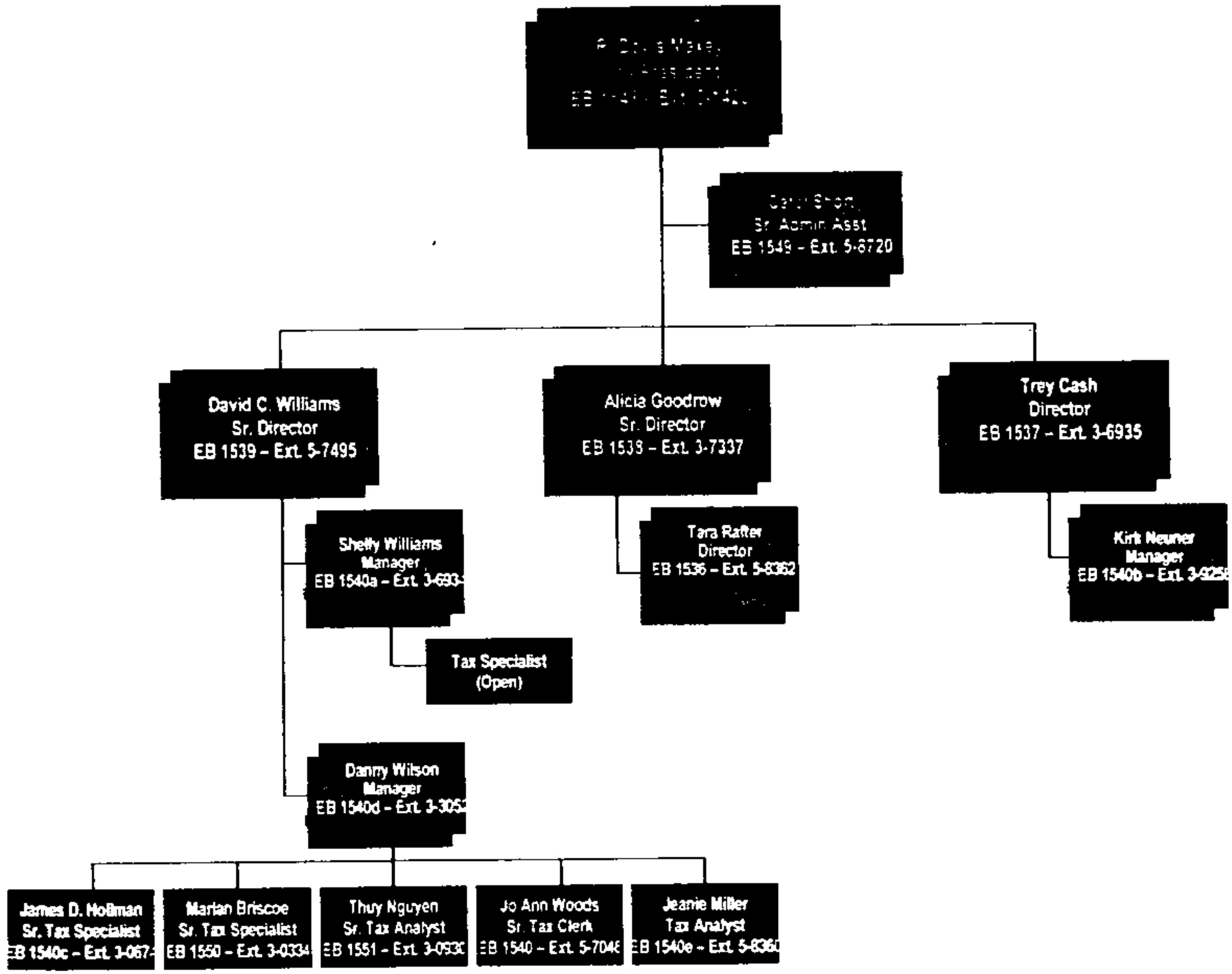
Cumulative Earnings by Year of Origination



Corporate Tax Planning
Work In Progress for 2001

Chase	Enter into foreign lease transaction involving a shift of about $1 billion of depreciable basis.
Deutsche Bank/Citibank	Generate EBIT by utilizing leased assets in a carry-over basis transaction.
EWS	Project Apache add-on for "venture capital" type investments.
EGF	Structure Enron common stock buy-back program to trigger Project Tammy benefits
Cross-border transactions	Evaluate several cross-border repurchase structures, including projects in Germany, Britain, France, and the Netherlands.
Donaldson, Lufken & Jenrette	Monetize Enron's accumulated net operating loss in an M&A transaction involving a publicly traded E&P company.

R. Davis Maxey
Enron Corp. - Structured Transactions



Enron Corp.

Tax Planning Group

December 13, 2000

EC2 000038405

Corporate Tax Planning

Structured Finance Earnings by Transaction
(000's)

	1998 After Tax Earnings	1999 After Tax Earnings	2000 Projected After Tax Earnings	2001 Projected After Tax Earnings	Total Cumulative After Tax Earnings
Project Tanya (1995)		$ 19,300			$ 65,800
Project Teresa (1997)	$26,000	21,200	$120,100	$ 10,000	257,100
Project Steele (1997) *	14,800	16,300	15,700	15,600	83,700
Project Renegade (1997) *	900				900
Project Tomas (1998) *	54,000	4,400	44,800		103,200
Project Cochise (1998) *		34,300	53,000	22,200	143,200
Project Apache (1998)		11,300	20,600	22,100	167,000
Project Condor (1999)		20,100	37,200	31,800	332,300
Project Valhalla (2000) *			7,500	13,000	65,000
Project Tammy (2000)				100,000	370,000
Total Projected Earnings	$95,700	$126,900	$298,900	$214,700	$1,588,200

* These projects contribute to EBIT.

ENRON

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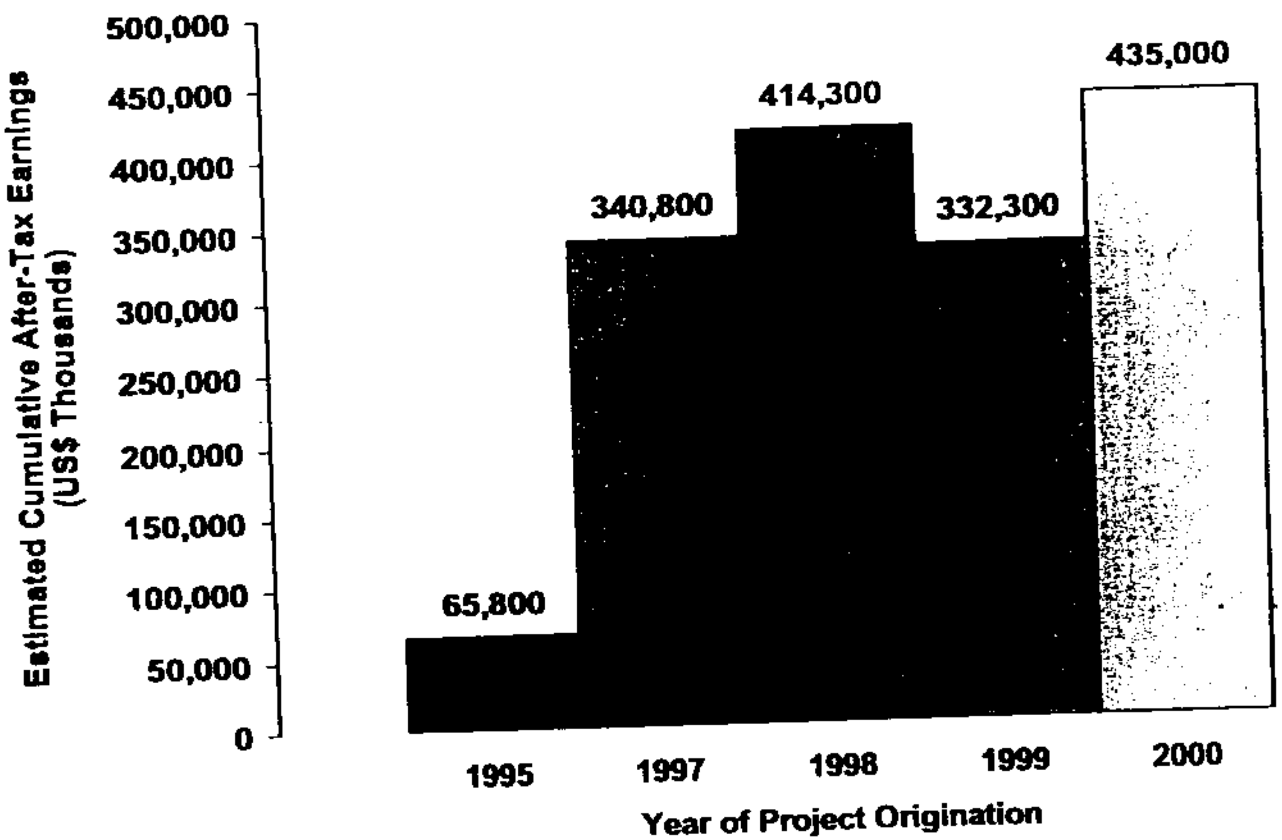
Corporate Tax Planning

Cumulative Earnings by Year of Origination



Corporate Tax Planning

Major Accomplishments in 2000

Project Valhalla	Put in place a $2 billion cross-border financing transaction with Deutsche Bank. Transaction should produce $65 million of earnings over the next 5 years.
Project Tammy	Created and executed an ownership structure for certain Enron assets ($2 billion value) which will provide a tax-advantaged $500 million minority-interest financing. Future earnings impact over the next few years should be about $350 million.
Project Tomas	Completed monetization of former PGH portfolio of leased assets through on-line bidding process. Transaction produced $41 million of earnings in 4Q 2000 (in addition to $64 million of earnings recognized in 1998).
Project Cochise	Partially wound-up the transaction by monetizing two commercial aircraft which Enron had invested in as part of the original transaction in January, 1999. Produced $23 million of earnings in 2Q 2000.

ENRON

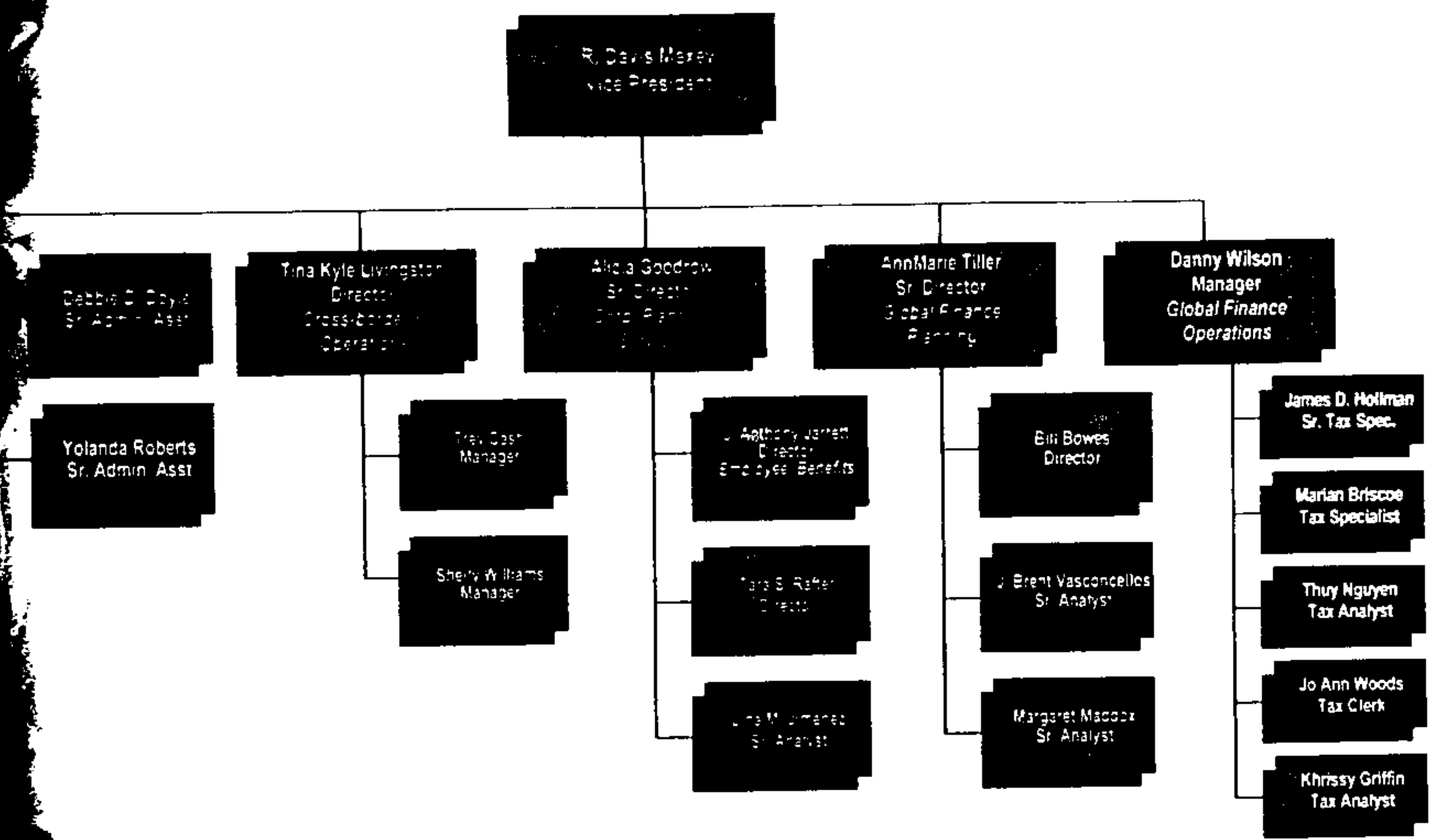
EC2 000038408

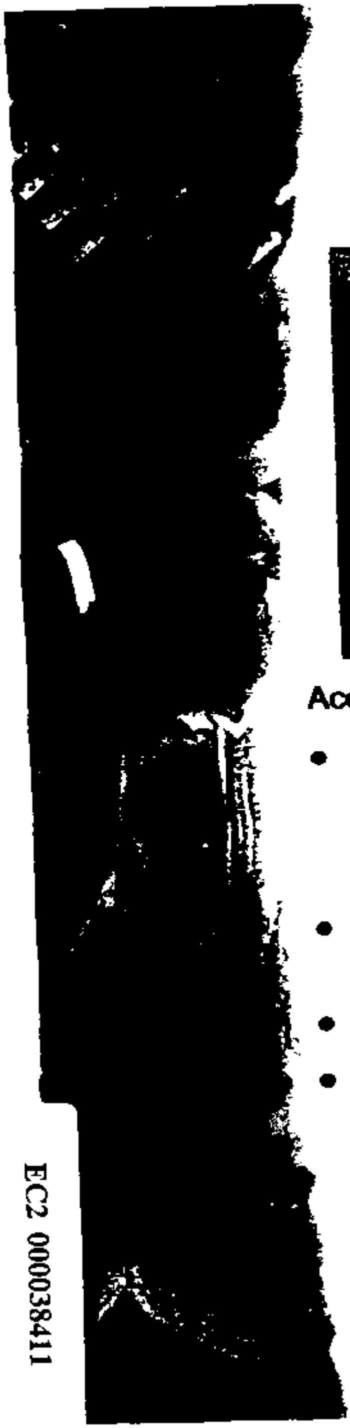
Corporate Tax Planning
Representative Potential Projects for 2001

Chase	Enter into foreign lease transaction involving a shift of about $800 million of depreciable basis.
Deutsche Bank	Generate EBIT by utilizing a leveraged lease in a carry-over basis transaction.
EBS	Provide a tax-advantaged funding vehicle for "venture capital" type investments.
Cross-border transactions	Evaluate several cross-border repurchase structures, including projects in Germany, Britain, France, and the Netherlands, with the intent to execute one or two such structures in 2001.
Donaldson, Lufken & Jenrette	Monetize Enron's accumulated net operating loss in an M&A transaction involving a publicly traded E&P company.
KPMG	Convert regulated operating pipelines from corporate to flow-through tax entities. Would provide earnings and profits necessary for Project Teresa.
Joint venture with Ernst & Young	Provide marketing and execution expertise for a structure enabling certain large multi-nationals to unlock benefit of currently unusable foreign tax credits. Enron would receive a fee for acting in a investment banking capacity.

ENRON

Corporate Tax Planning





Corporate Tax Planning

[redacted]

AnnMarie Tiller
Senior Director

Hire Date	July 1996
Education	University of Arkansas – BSBA Accounting (summa cum laude) 1983; JD 1986
Employment History	Deloitte & Touche American General Corporation
Professional Licenses	State Bar of Texas 1987

Accomplishments

- Project Condor. Oversaw current year operations of a structure that provided approximately $37M in earnings in 2000. Past year's Condor activities included an additional borrowing of $750M and £315 by Whitewing's outside investor; restructuring relating to the proposed sale of Houston Pipe Line Company; and a number of year-end sales of assets off Enron's balance sheet to Whitewing.
- Project Cochise. Worked on team that implemented current year activities of this structure, including the sale of leased aircraft. This project generated $53 million of earnings in 2000.
- Project Tammy. Structuring support for FAS 125 monetization of assets out of Enron Finance Partners.
- Global Finance. Managed the tax team responsible for structuring Global Finance transactions involving Enron Corp. including (1) the Raptor I, II, III, and IV transactions designed to allow Enron to lock in book gains on fair value investments; (2) a $500M offering of Enron Credit Linked Notes (Yosemite III) and a $200M financing (Yosemite II); and (3) the tax support for a number of year-end FAS 125 transactions.

Corporate Tax Planning

Tina Kyle Livingston

Director

Hire Date	September 1999
Education	University of Texas, JD (1993) Louisiana State University, BS – Accounting (1985)
Employment History	Vinson & Elkins Ernst & Young Arthur Andersen
Professional Licenses	State Bar of Texas (1993) CPA (Texas) (1987)

Accomplishments

- Project Valhalla. Executed and closed a cross-border structured transaction that will generate $100 million pretax income for Enron over five years, assuming a lead role in structuring, negotiating and closing the transaction. Maintaining the structure on an ongoing basis.
- Project Tammy. Assisted in the execution and closing of the minority interest financing, which raised $500 million of minority interest financing for Enron and will result in an earnings benefit of approximately $380 million.
- Project Tomas. Assisted in the windup of the project's investment in Seneca, which involved the valuation of a partnership interest through an online bidding process and produced $43 million of after-tax income for Enron.

ENRON

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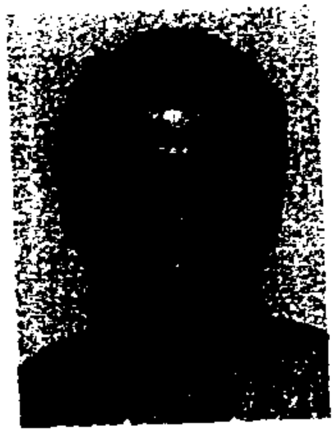
Corporate Tax Planning



Trey Cash

Manager

Hire Date	April 2000 (Tax) Started with Azurix May 1999
Education	Rice Univeristy, MBA (1997) University of Texas, JD (1989) University of Texas, BBA (1984)
Employment History	Compaq Computer Fizer Beck Webster & Bentley Mayor, Day, Caldwell & Keeton KPMG Peat Marwick
Professional Licenses	State Bar of Texas (1989) CPA (Texas) (1986)

Accomplishments

- Project Tomas. Led the effort to retire from Seneca Leasing Partners, producing $43 million of after-tax income for Enron. Ran an online bidding process (using DealBench) to solicit bids for partnership's 15 leased asset interests, which in turn determined the value of Enron's partnership interest upon retirement. The on-line bidding process valued the portfolio of leased assets at $238 million, gross, and generated 85 bids for the 15 asset pools.
- Project Cochise. Oversaw the sale of two aircraft held by Enron as part of the Cochise project. Sale produced $22.7 million of after-tax income, and $36.4 million of revenues.
- Project Valhalla. Worked with Treasury on the funding aspects of the transaction.
- Project Apache. Overseeing implementation of changes to (1) allow Enron Finance Partners (Project Tammy) to invest in FASIT vehicle, and (2) provide funding vehicle for "venture capital" type investments by EBS and perhaps other business units.

Enron Corp.
Tax Planning Group

Structured Finance Transactions

June 5, 2000

ENRON

Contents

ENRON

I. Executive Summary

- Since 1995, the corporate tax planning group at Enron has evolved into a small niche operating group responsible for the development of a portfolio of structured transactions.
- Many major financial institutions and a select group of large corporations have established similar structured transaction groups to execute transactions utilizing the enterprise's tax capacity.
- Structured transactions offer powerful earnings and cash generation potential through the creation of permanent tax benefits. The tax risks associated with the transactions can be mitigated but require careful management.
- Enron's corporate tax planning group consists of 14 professionals responsible for the execution or maintenance of the transactions in addition to providing tax support to various Enron operating groups. Over the last three years, the annual net income generated by this group has averaged $165 million.

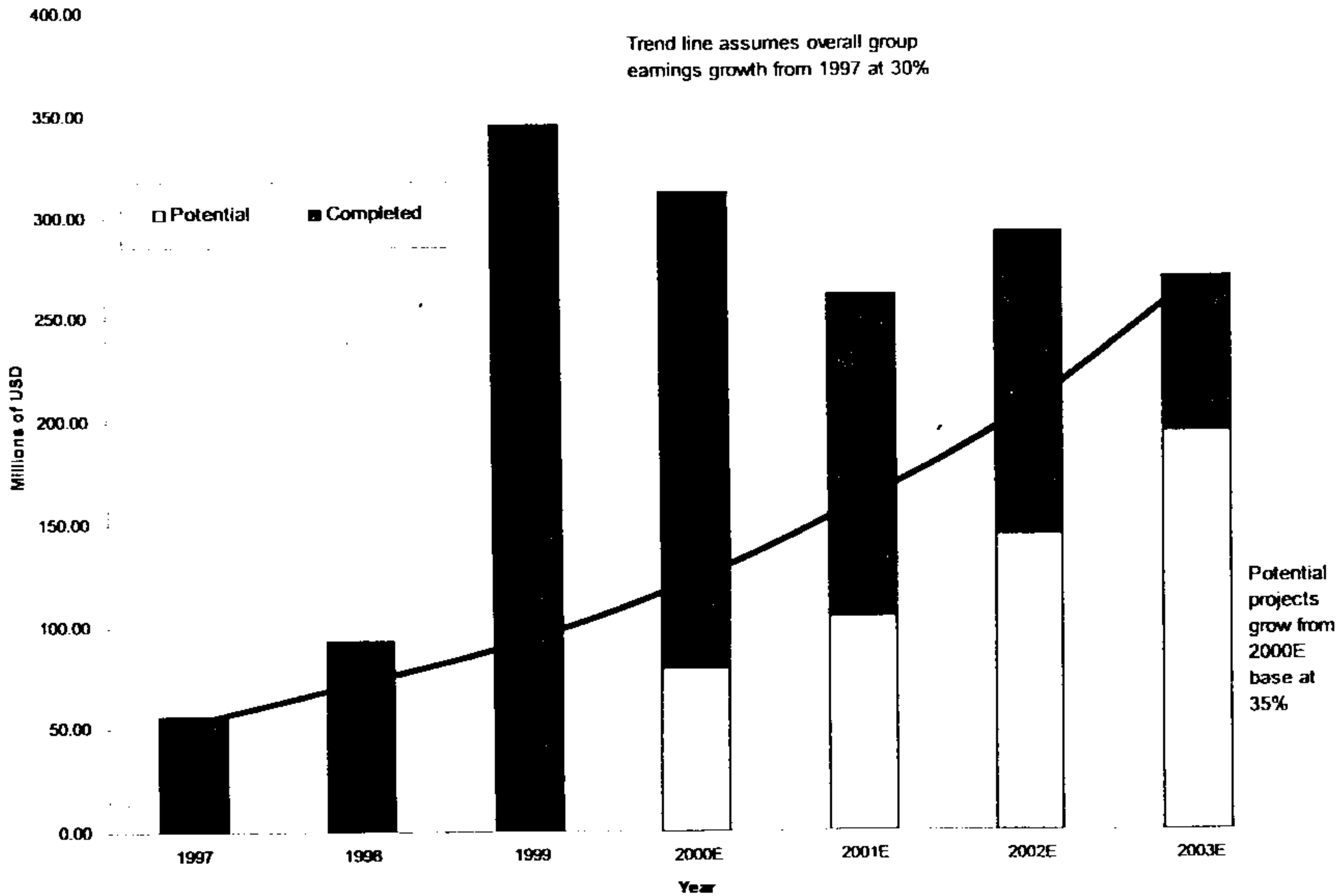
ENRON

II. Financial Results

- Benefits
  - Net income contribution
  - Low amounts of financial capital utilized
  - Potential for generation of fee income from third parties
- Earnings from portfolio of closed structured transactions
  - Year 2000 net income contribution — $ 312 million
  - Cumulative (1995 to end of life) — $1,519 billion
- Additional Earnings under development for 2000 — $ 436 million*
- Enron's average effective tax rate compared to others
  - (book tax expense / book net income before taxes) over 2 years
  - Enron – 15 percent
  - Enron's peers in the Fortune 500 – 38 percent

*Cumulative over life of transactions.

Corporate Tax Planning
Income From Completed and Potential Transactions



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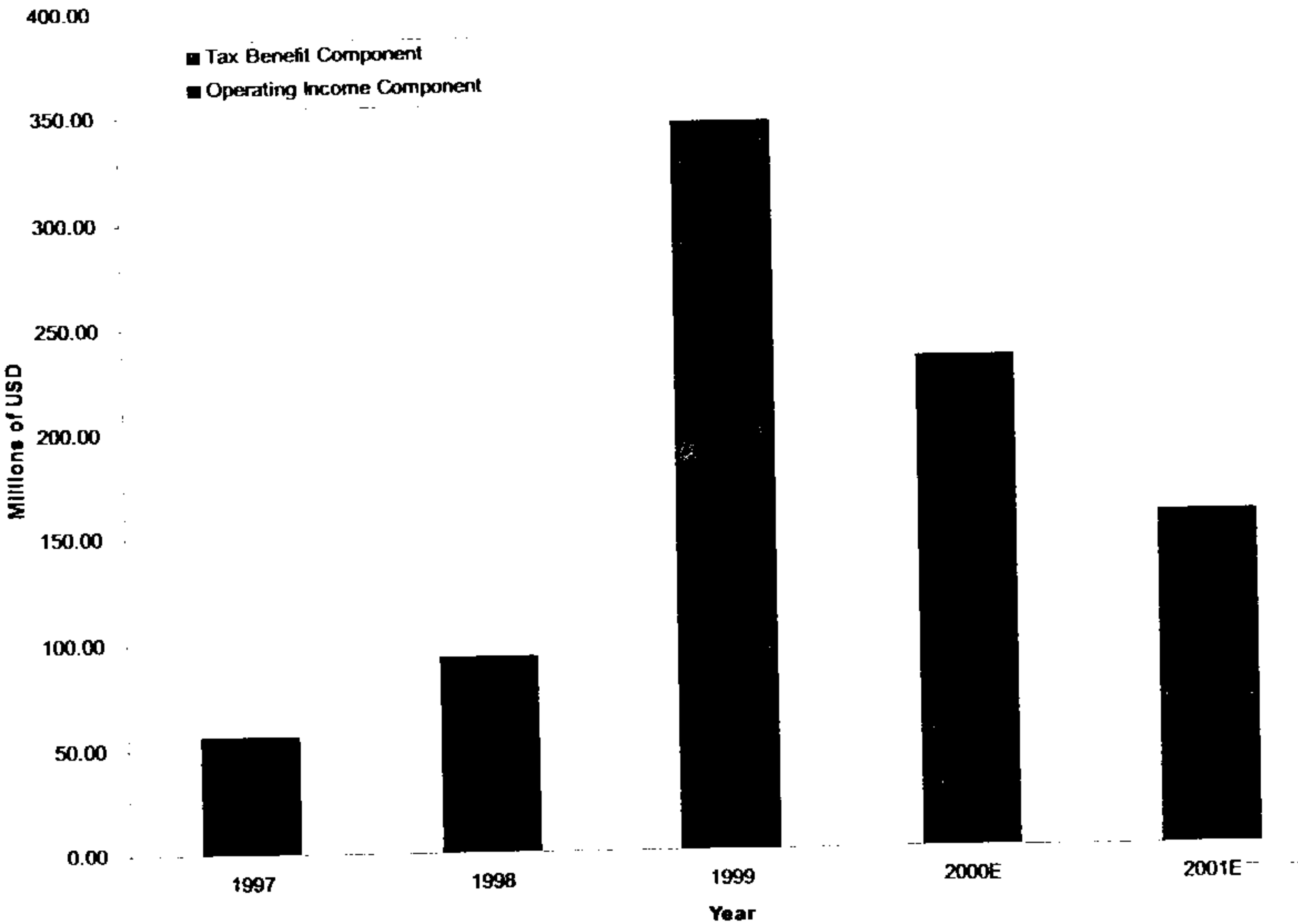
Corporate Tax Planning
Components of Income from Completed Transactions



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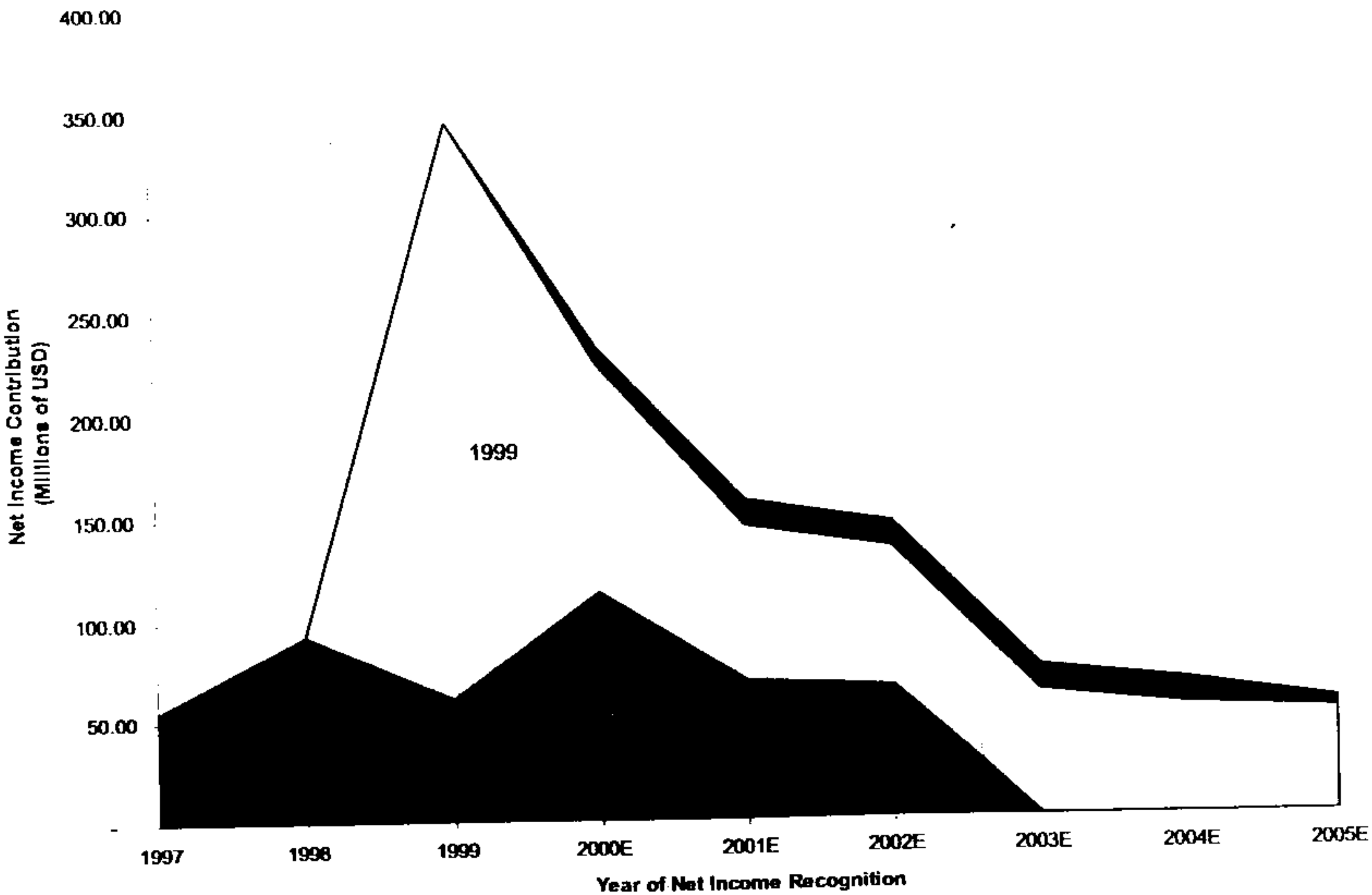
Corporate Tax Planning
Cumulative Net Income Contribution
(Projects Grouped by Year Closed)



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Corporate Tax Planning

Structured Finance Earnings by Transaction

(thousands of USD)

	1999 After Tax Earnings	2000 Projected After Tax Earnings	2001 Projected After Tax Earnings
Project Tanya (1995)	$ 19,300		
Project Teresa (1997)	21,20	$ 51,800	$ 52,800
Project Steele (1997)	16,300	15,700	15,600
Project Tomas (1998)	4,400	46,000	
Project Alpha (1999)	218,100		
Project Cochise (1999)	34,300	53,000	22,200
Project Apache (1999)	11,300	20,600	22,100
Project Condor (1999)	20,100	37,200	31,800
Project Valhalla (2000)		8,400	13,000
Currently pending projects		79,000	104,000
Total Projected Earnings	$345,000	$311,700	$261,500

EC2 000038421

Corporate Tax Planning
Transaction Metrics
(USD Millions)

Project	Cumulative Net Income	NPV @ 7%	Capital Commitment	After-tax IRR	Notional Tax Benefits
Tanya (1995)	$ 65.80	$ 65.80		N/A	$ 188.00
Valor (1996)	82.25	82.25		N/A	235.00
Teresa (1997)	257.10	12.80	$ 95.90	5.70%	980.00
Steele (1997)	83.68	32.00	57.60	22.50%	220.00
Tomas (1998)	103.30	64.80		282.10%	280.00
Renegade (1998)	0.90	0.90		N/A	1.30
Apache (1999)	167.00	193.69		181.00%	500.00
Cochise (1999)	143.20	49.90	71.50	28.65%	400.00
Condor (1999)	332.29	66.36		15.93%	900.00
Alpha (1999)	218.13	218.13		N/A	1,200.00
Valhalla (2000)	65.50	52.30		N/A	100.00
TOTALS	$1,519.15	$838.93	$225.00		$5,004.30

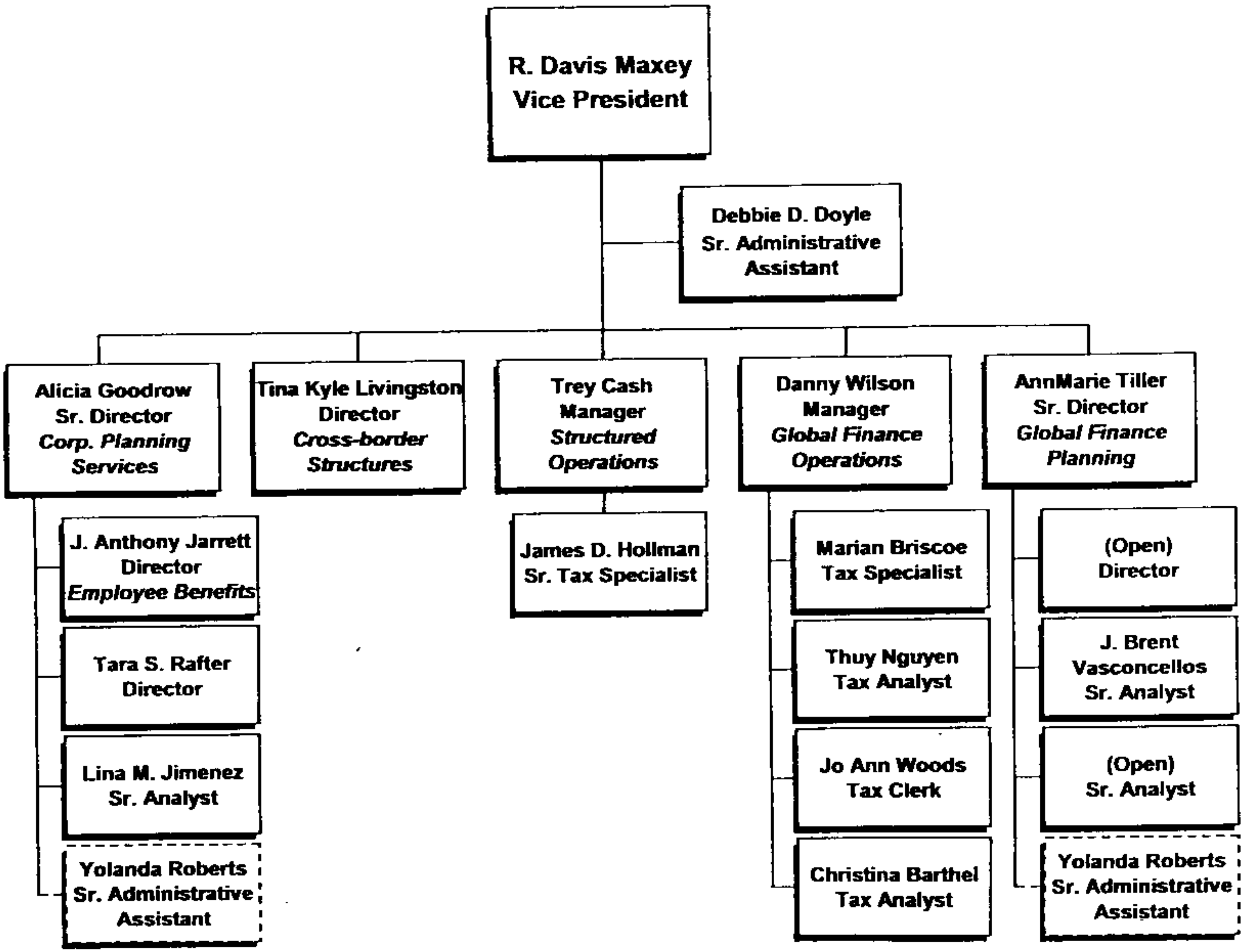
Note: Based on estimates at origination of transaction.

EC2 000038422

III. Structured Transaction Team

- Intellectual Capital Required
  - Research and development
  - Financial analysis
  - Due diligence
  - Document preparation
- Resources
  - Internal personnel
  - Outside consultants
  - Counter parties
- Team Credentials
  - 14 professionals with 13 advanced degrees
    - 9 attorneys
    - 7 certified public accountants
    - 4 MBA's and 1 LLM
  - Experience represented
    - Each of the Big 5 accounting firms
    - 5 Major law firms
    - Various corporations

Structured Transaction Team



EC2 000038424

IV. Transaction Overview

A. 2000 Business Plan

B. Transaction types

C. Risk & Mitigation

D. Stages of Project Implementation

E. Stages of Project Administration

ENRON®

2000 Business Plan

- New Transactions
  - Project Valhalla (2nd quarter)
  - Project Tammy (3rd quarter)
  - Project Avignon (4th quarter)
  - Project Stalker
  - Additional repo
- Operations and Maintenance
  - Project Teresa E&P enhancement (1st quarter)
- Unwind of Closed Structures
  - Project Cochise (2nd quarter)
  - Project Tomas (4th quarter)
  - Project Tanya (4th quarter)

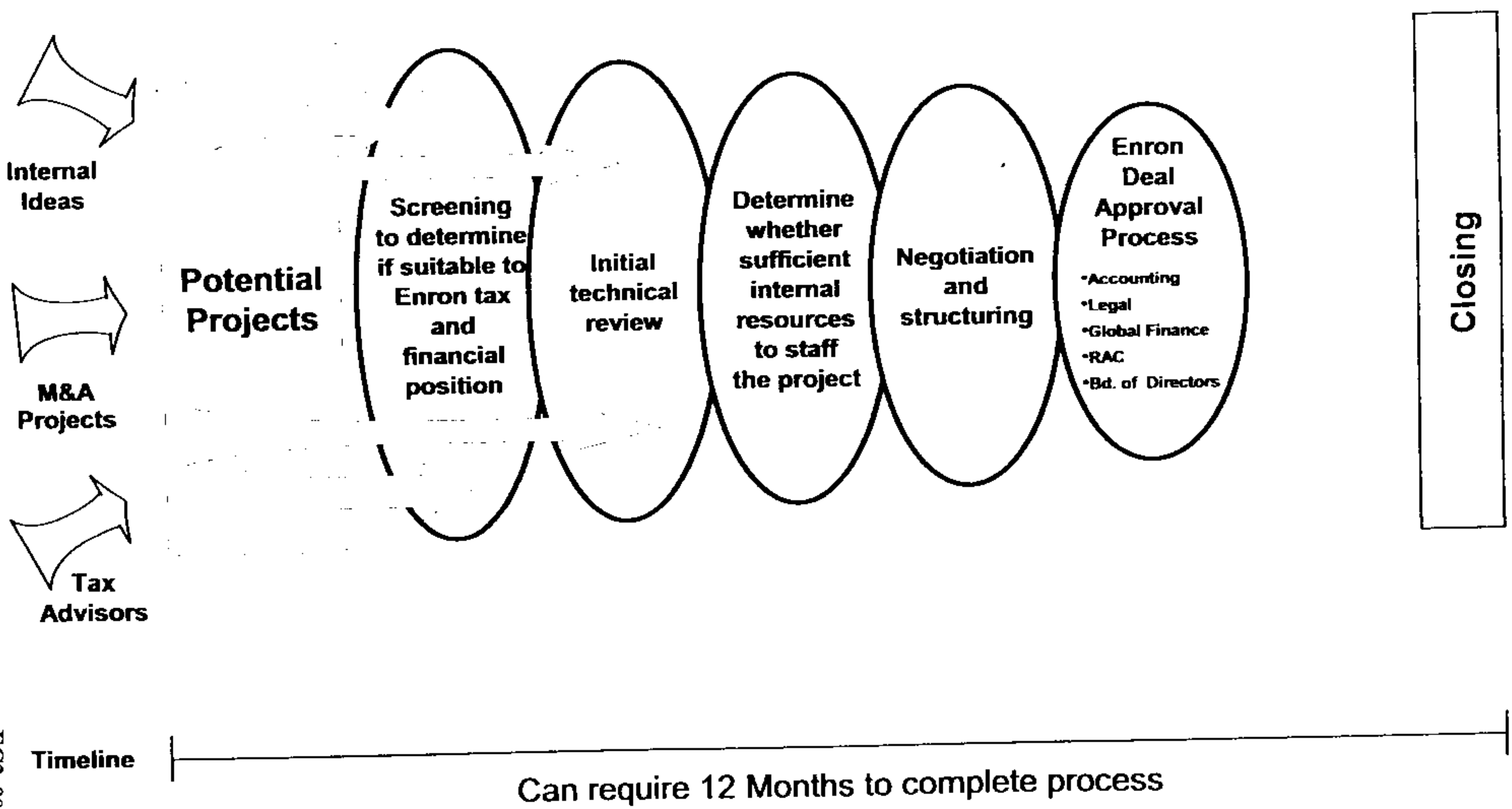
Transaction Types

- Originated within Corporate Tax Planning
  - Project Teresa
  - Project Tanya
    - No audit adjustments
- Identification of Underutilized Assets
  - Project Tomas
- Corporate Development
  - Originated in conjunction with mergers, acquisitions and dispositions
  - Project Alpha is an example

Risks and Mitigation

- Tax
  - "Should" level opinions obtained
  - Careful maintenance of structures
- Accounting
  - Arthur Andersen L.L.P. sign-off
- Transaction Specific
  - RAC review if:
    - Capital invested
    - Credit exposure

Stages of Project Implementation



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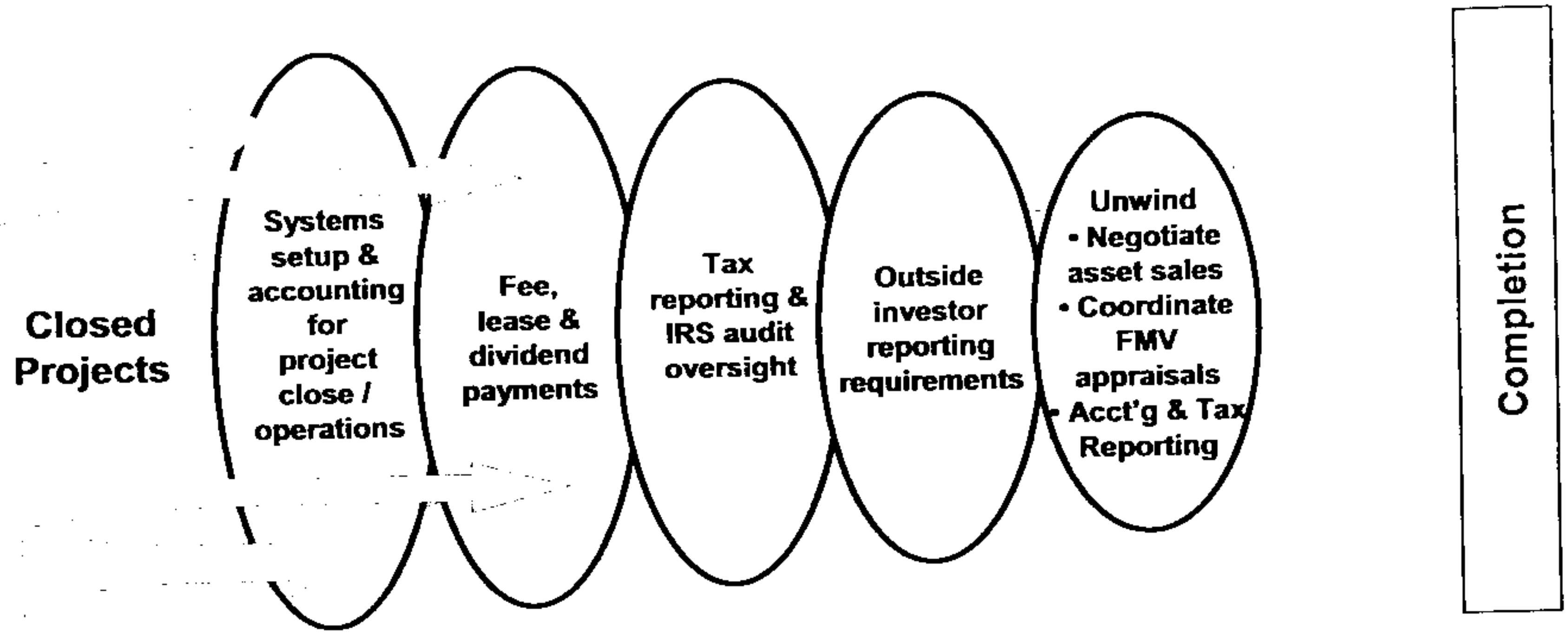
Stages of Project Administration



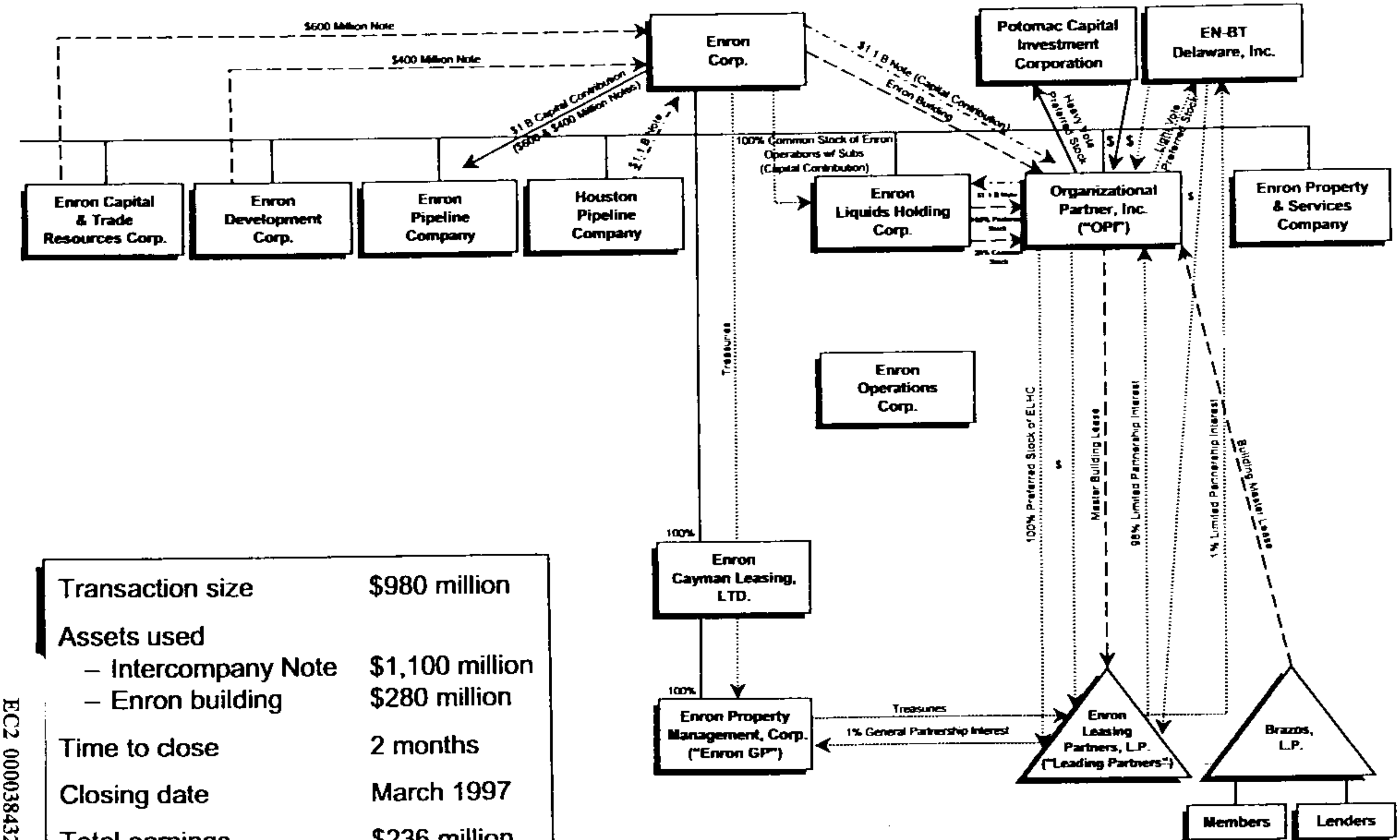
Timeline

Can require from 5 to 15 years to complete process

IV. Transaction Summaries

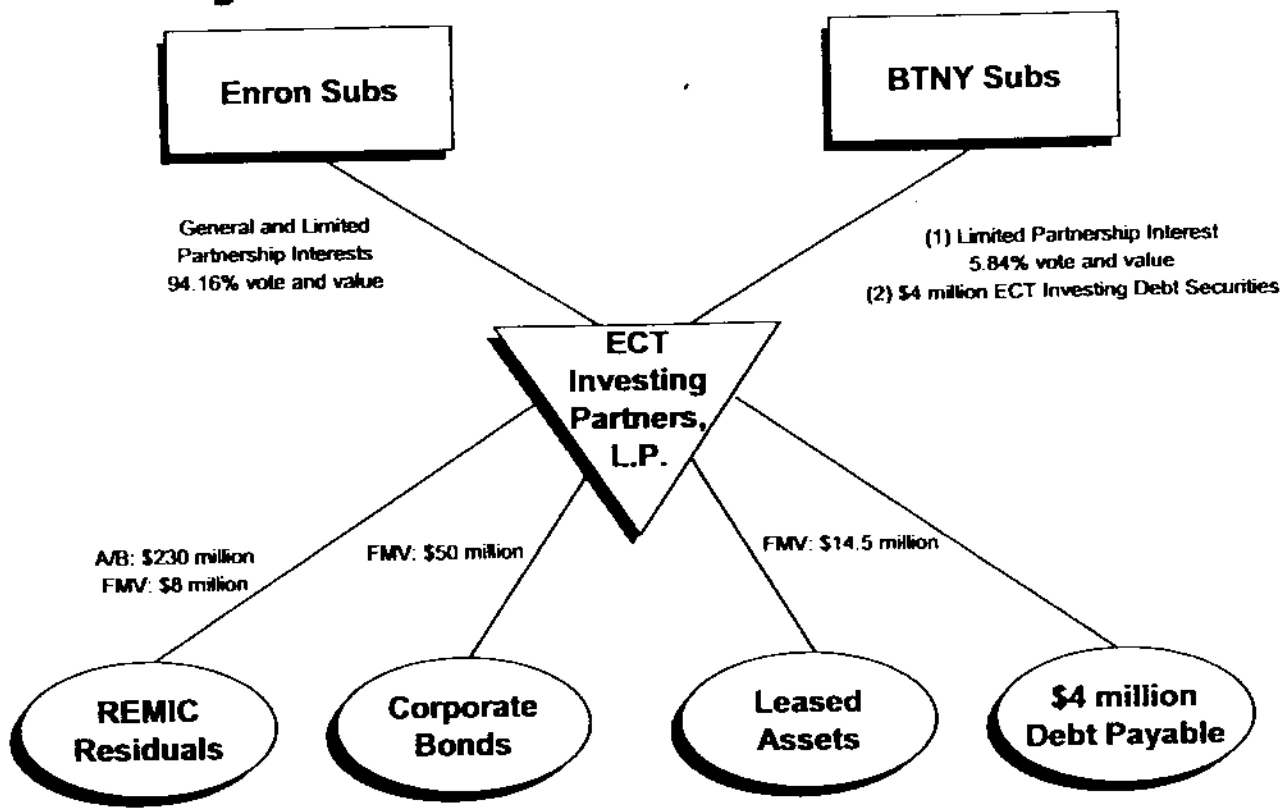
A. Project Tanya
B. Project Teresa
C. Project Steele
D. Project Tomas
E. Project Renegade
F. Project Cochise
G. Project Apache
H. Project Alpha
I. Project Condor
J. Project Valhalla
K. Project Tammy

Project Teresa



Transaction size	$980 million
Assets used	
– Intercompany Note	$1,100 million
– Enron building	$280 million
Time to close	2 months
Closing date	March 1997
Total earnings	$236 million

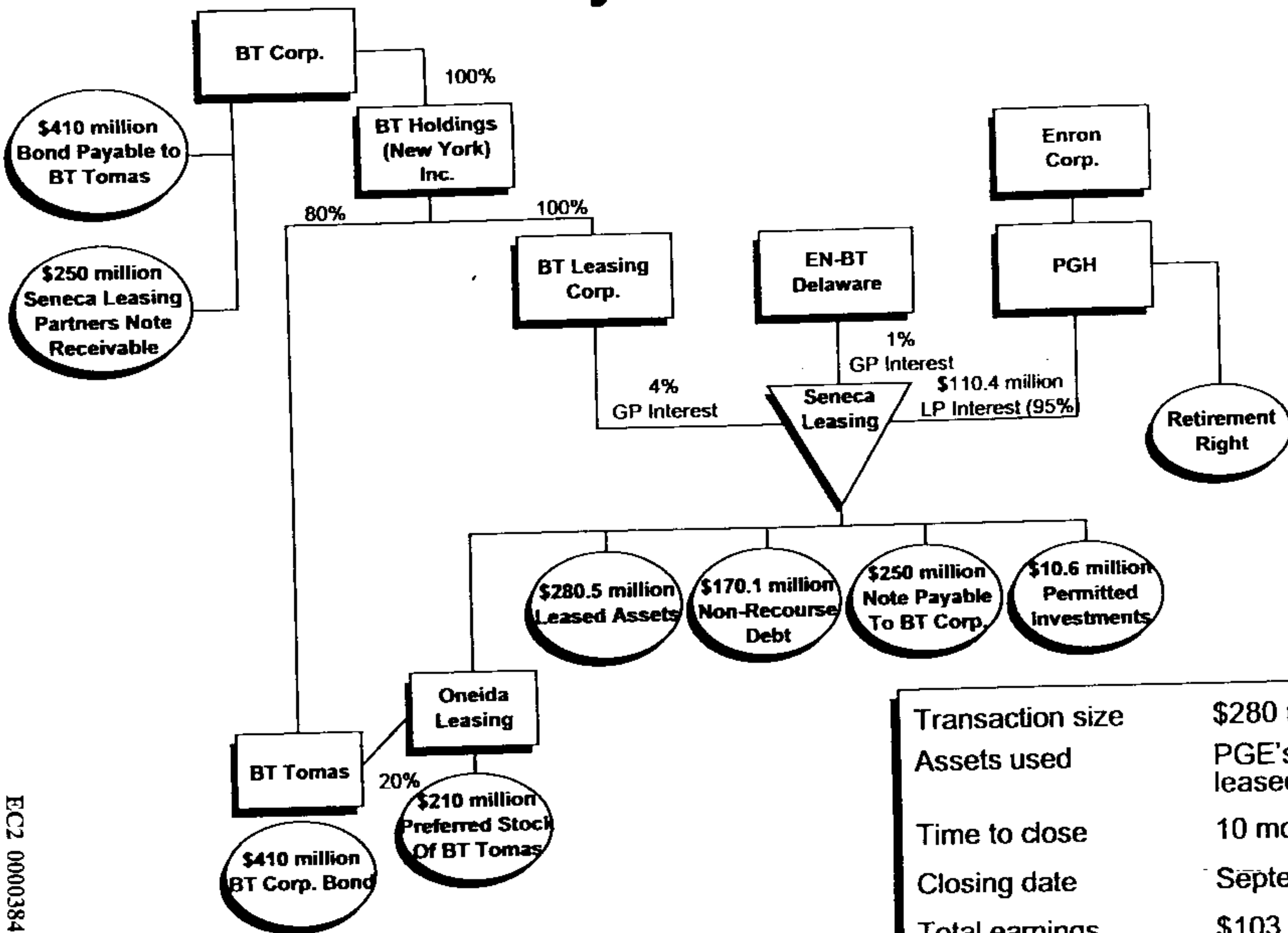
Project Steele



Transaction size	$220 million
Assets used	
– Cash	$50 million
– Corporate Aircraft	$42 million
Time to close	6 months
Closing date	October 1997
Total earnings	$84 million

EC2 000038433

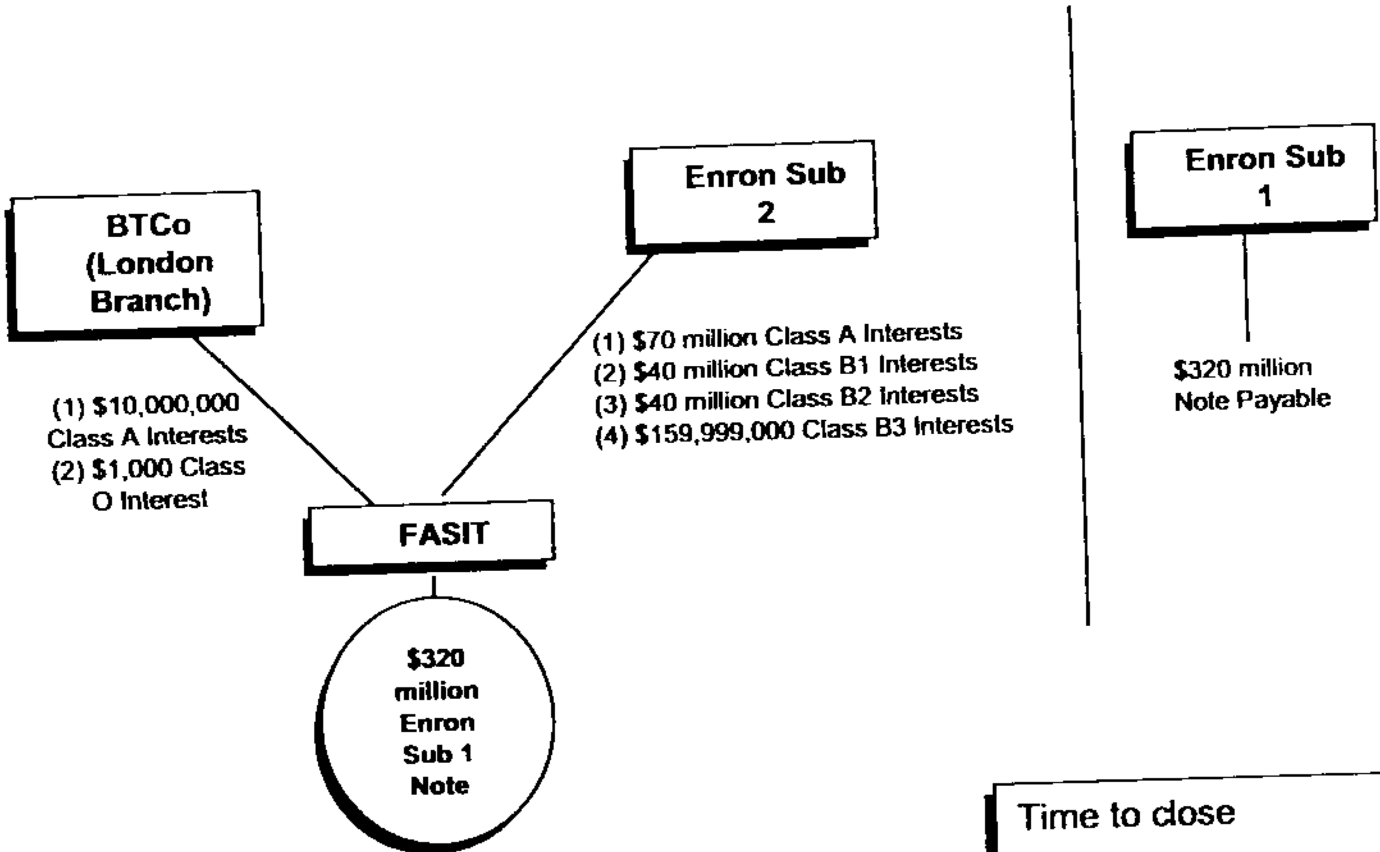
Project Tomas



Transaction size	$280 million
Assets used	PGE's portfolio of leased assets
Time to close	10 months
Closing date	September 1998
Total earnings	$103 million

EC2 000038434

Project Renegade

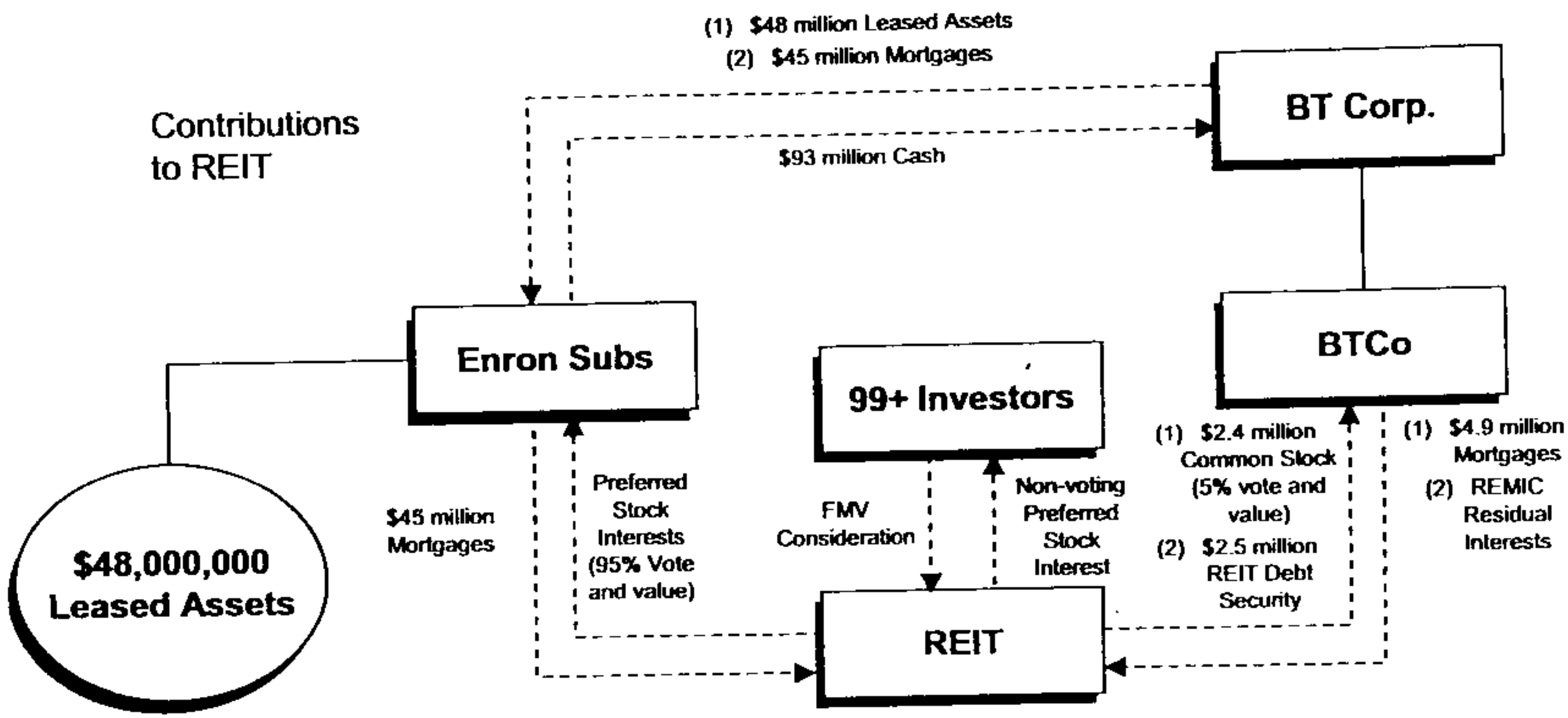


Time to close	1 month
Assets used	
– Intercompany Note	$320 million
Closing date	December 1998
Total earnings	$819,000

EC2 000038435

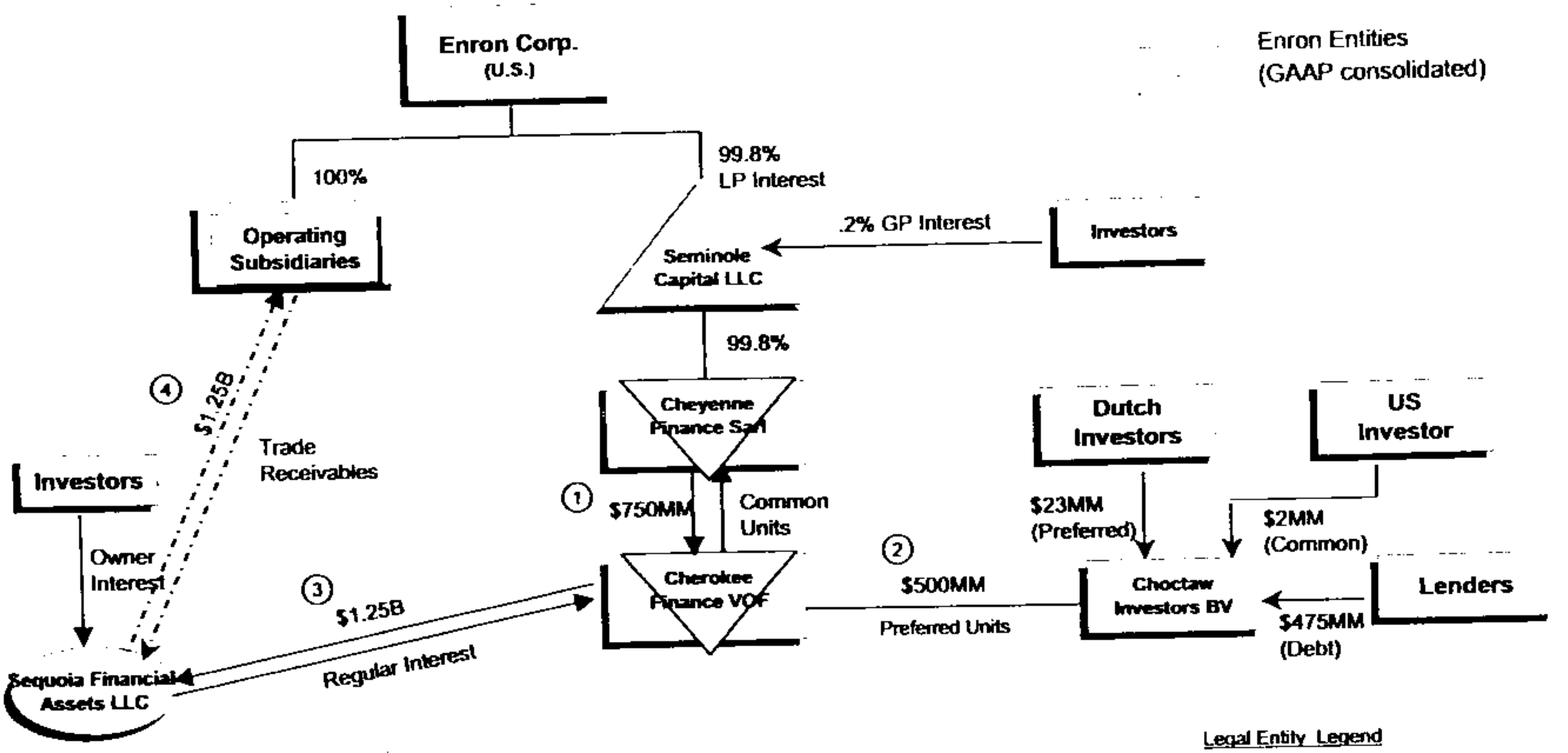
Project Cochise

Contributions to REIT



Transaction size	$400 million
Assets used	
– Commercial leased aircraft	$48 million
– REMIC residual interest	$25 million
Time to close	4 months
Closing date	January 1999
Total earnings	$143 million

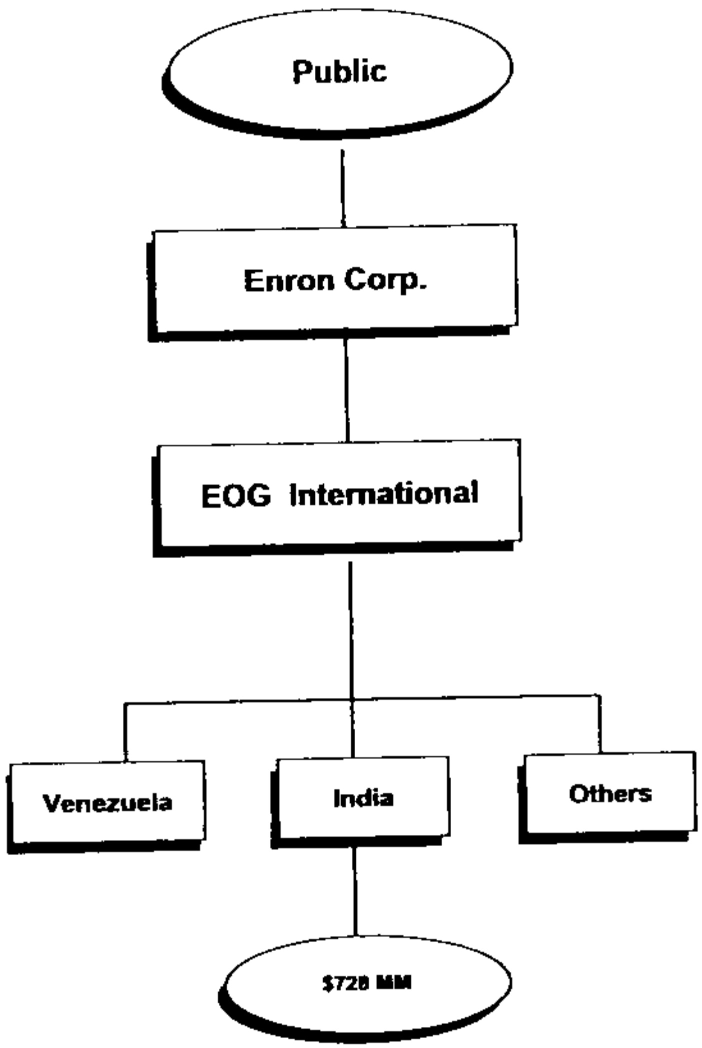
Project Apache

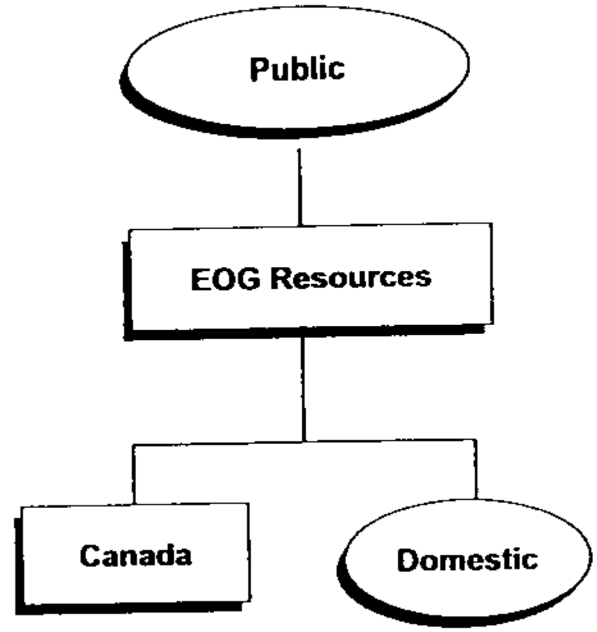


Transaction size	$500 million
Assets used	Portfolio of ENA trade receivables
Time to close	12 months
Closing date	May 1999
Total earnings	$167 million

EC2 000038437

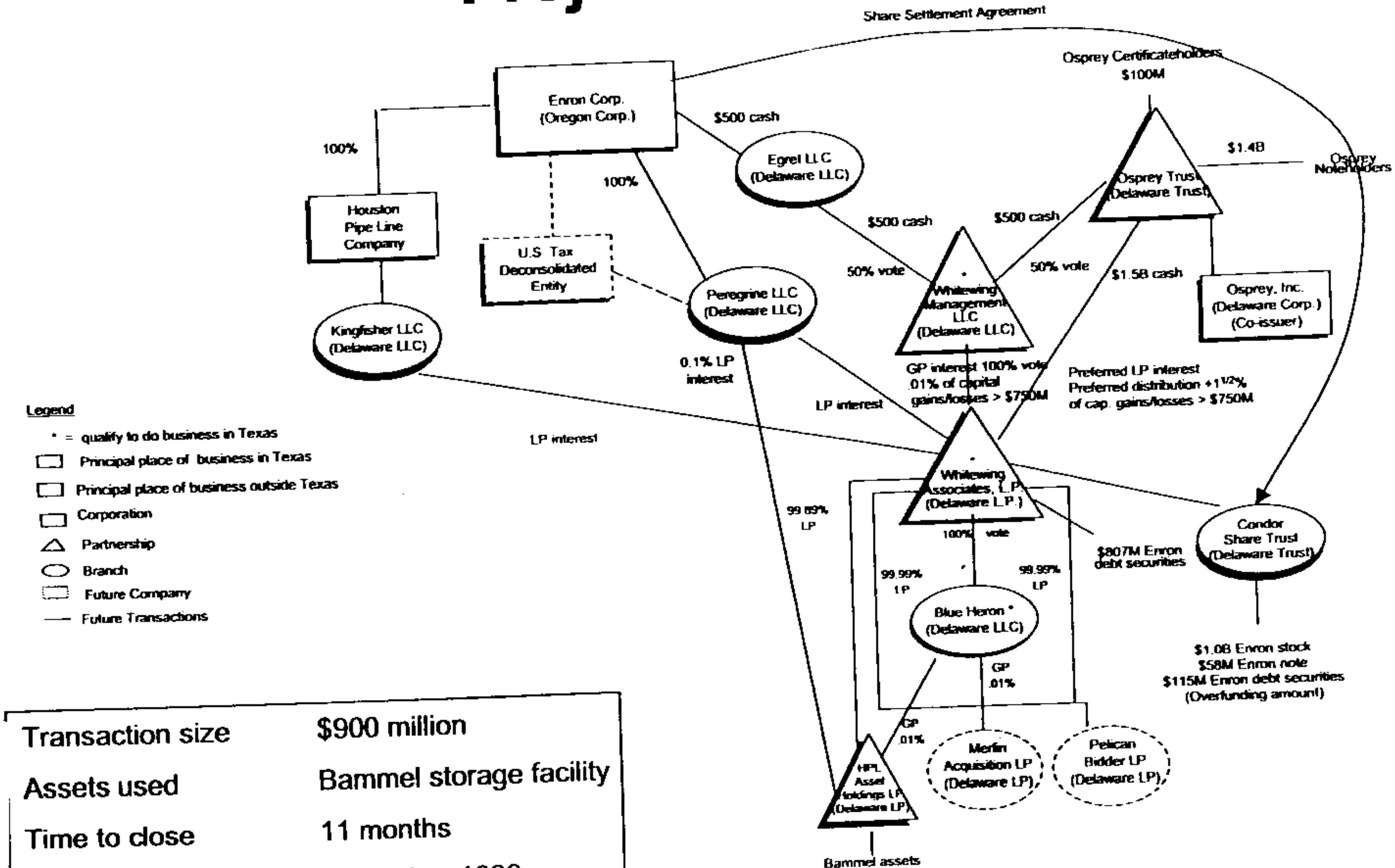
Project Alpha





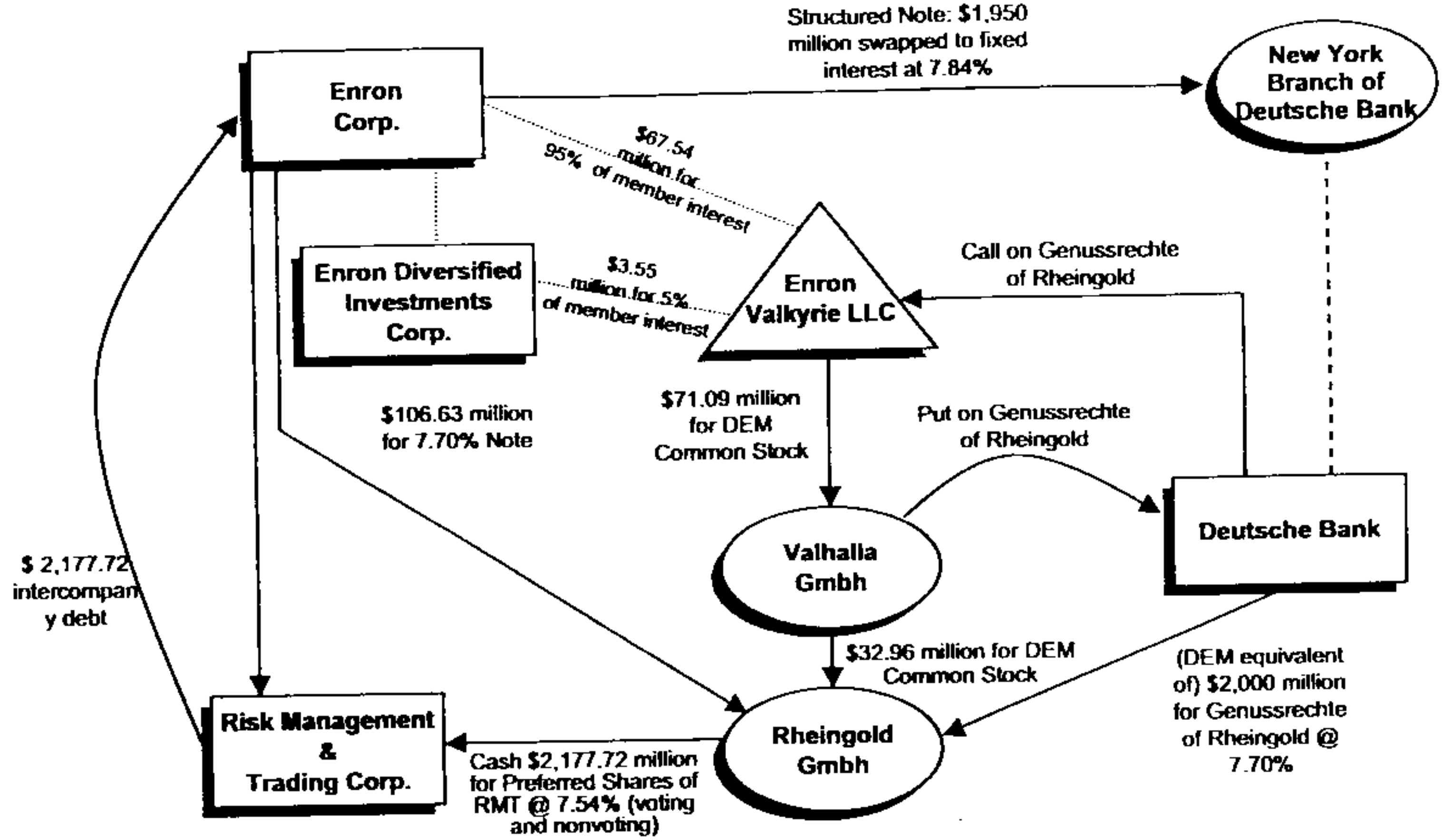
Transaction size	$1.12 billion
Assets used	EOG Common Stock
Time to close	10 months
Closing date	August 1999
Total earnings	$218 million

Project Condor



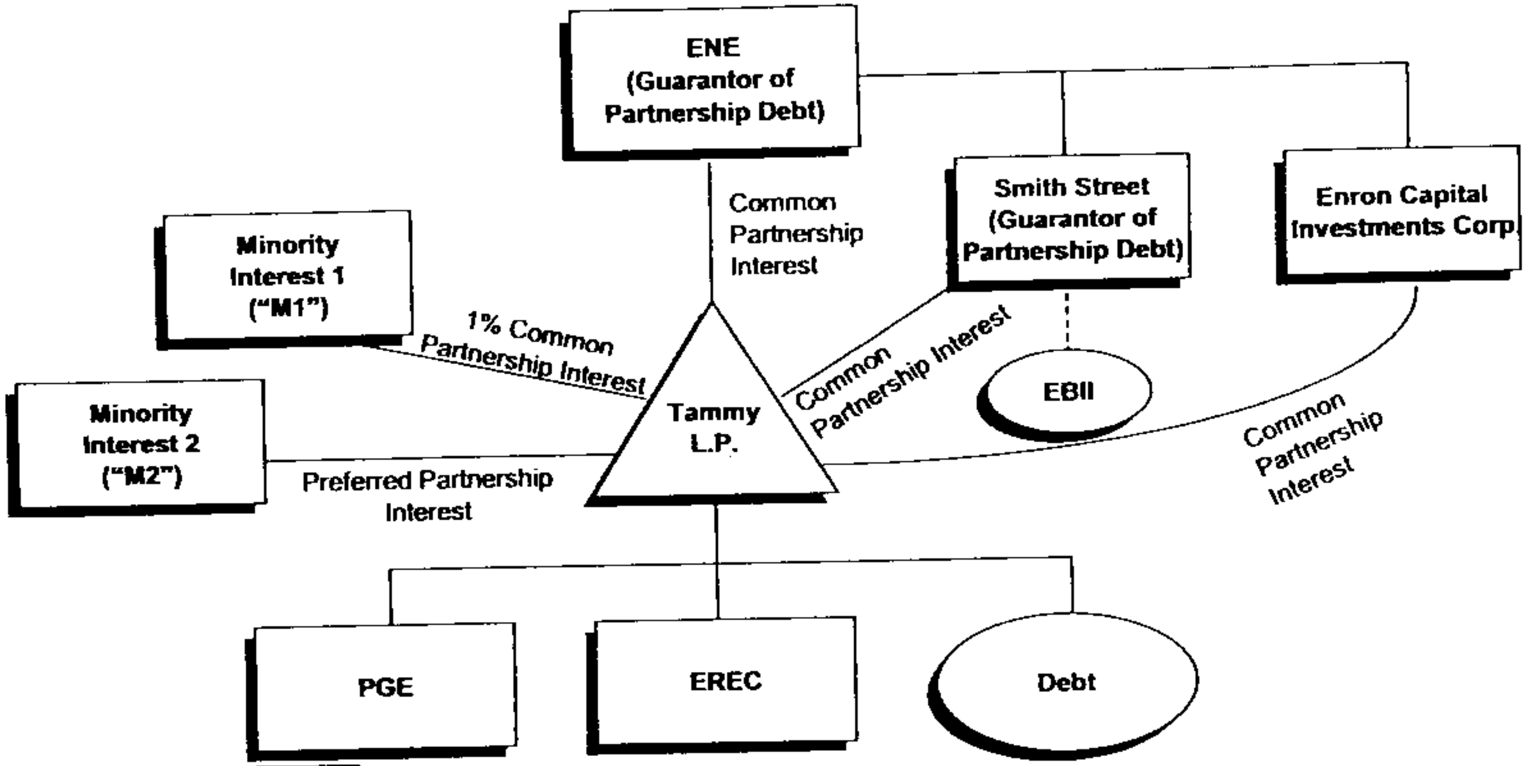
Transaction size	$900 million
Assets used	Bammel storage facility
Time to close	11 months
Closing date	November 1999
Total earnings	$332 million

Project Valhalla



Transaction size	$100 million
Assets used	None
Time to close	9 months
Closing date	May 2000
Total earnings	$66 million

Project Tammy



Transaction size	$1.2 billion
Assets used	
– PGE stock	$2.1 billion
– EREC stock	$550 million
– Enron building II	$250 million
Time to close	Pending
Projected closing date	July 2000
Projected total earnings	$476 million

Enron Corp.

Corporate Tax Research & Planning

"New Dimensions in Structured Finance"

November 17, 1998

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ENRON

Contents

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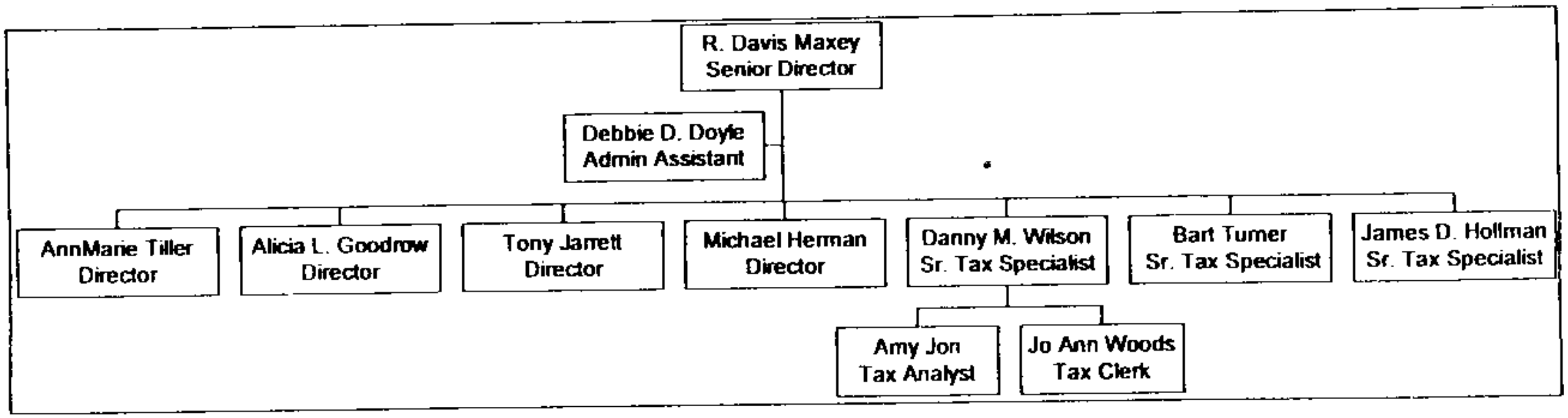
I.

INTRODUCTION

Staffing/Personnel

Corporate Tax
Research & Planning



Corporate Tax
Research & Planning

Debbie Doyle

- Joined Enron February 1998 as a Senior Administrative Assistant. Responsible for providing secretarial support to the Corporate Tax Research & Planning group.
- Prior to Enron she was an Administrative Assistant at Coopers & Lybrand, LLP to three Audit Partners - previously with Commonwealth Financial Group.
- Various accounting courses and computer courses at HCC - member of the American Business Women's Association.

Alicia Goodrow

- Joined Enron June 1997 in the position of Tax Director. Principal responsibility for domestic and international tax planning for the EREC consolidated group of entities - provides tax research and planning expertise to the Gas Pipeline Group and various financial transactions.
- Before joining Enron she was an associate attorney with Liddell, Sapp, Zivley, Hill and LaBoon, LLP.
- Received a B.A. in Economics and History with a minor in Spanish from the College of William and Mary and a J.D. from the University of Texas - is a member of the American, Texas and Houston Bar Associations.

ENRON

Corporate Tax
Research & Planning

Michael Herman

- Joined Enron September 1998 as a Director - provides support for capital markets and structured finance transactions.
- He previously was associated with Skadden, Arps, Slate, Meagher & Flom and White & Case in New York.
- Holds a B.A. in Philosophy from Columbia University (summa cum laude and phi beta kappa) and a J.D. from Harvard Law School (magna cum laude).

James Hollman

- Joined Enron July 1998 as a Senior Tax Specialist. Responsible for the administration of various structured finance transactions.
- Before joining Enron worked with Exxon Company, USA in a number of different positions within Controller's, Business Analysis, Operations, & Tax.
- Received a B.B.A. in accounting from the University of Texas at Austin - received a M.B.A. in finance from the University of Houston at Clear Lake - is a CPA and a member of both the Texas Society of CPAs and the Houston Chapter of the Texas Society of CPAs.

Corporate Tax
Research & Planning

Tony Jarrett

- Joined Enron November 1998 as a Director. Responsible for providing tax support to Enron's Human Resources Department for compensation and benefits matters, including ERISA and executive compensation issues.
- Prior to joining Enron, he was an associate attorney in the Atlanta office of Alston & Bird, LLP. During Law school, he was a summer associate with Alston & Bird and Vinson & Elkins.
- Received a B.S. in Accounting (magna cum laude) and a J.D. (magna cum laude) from Brigham Young University.

Amy Jon

- Joined Enron June 1998 as a Tax Analyst.
- Works on tax compliance and financial accounting matters for various structured finance projects.
- Received a B.B.A. in Accounting and Office Information Systems from Baylor University in May 1998.

ENRON

Corporate Tax
Research & Planning

R. Davis Maxey

- Joined Enron October 1995 and is currently Senior Director over the tax corporate planning group. Among other things, responsible for supporting Enron's M&A, capital markets and structured finance transactions.
- Prior to joining held positions with Transco Energy Company, Columbia Gas System and Coopers & Lybrand, LLP.
- Received a B.B.A. in Accounting from the University of Texas at Austin and M.S. in Accounting and a J.D. from the University of Houston - member of the American, Texas and Houston Bar Associations - member of the Texas Society of CPAs and the American Institute of CPAs.

AnnMarie Tiller

- Joined Enron July 1996 and currently holds the position of Director in the Tax Research & Planning Group. Provides planning support for Enron's capital markets and structured finance transactions.
- Prior to joining Enron, held positions with American General Corporation and Deloitte & Touche, LLP.
- Received a B.B.A. in Accounting (summa cum laude) from the University of Arkansas and a J.D. from the University of Arkansas School of Law. Member of the American, Texas, and Houston Bar Associations. Currently, a council member of the Houston Bar Association Section of Taxation.

ENRON

Corporate Tax
Research & Planning

Bart Turner

- Joined Enron May 1998 as a Senior Tax Specialist - primarily responsible for domestic tax planning.
- Received a L.L.M. in Taxation from the University of Miami, a J.D. from South Texas College of Law and a B.B.A. in Accounting from Texas A&M University.
- Member of the Texas Bar Association and the American Bar Association.

Danny M. Wilson

- Joined Enron September 1985 and currently holds the position of Senior Tax Specialist - responsible for the administration of all financial aspects of various structured finance transactions developed within the group.
- Has worked in the Enron Department for 13 years in Corporate, Tax Audits, ECT, Enron International, GPG and EOG.
- Received a B.B.A. in Accounting from Sam Houston State University at Huntsville.

Corporate Tax
Research & Planning

Jo-Ann Woods

- Joined Enron October 1998 as a Tax Clerk. Primarily responsible for administration of the REMIC portfolio acquired in Project Steele.
- Prior to joining Enron she was a Supervisor of the Reconcilement Department at Southwest Bank of Texas.
- She has twenty years experience in bank operations and has attended various courses in banking and computer operations.

Summary of 1998 Projects

Summary of 1998 Projects
Tax Research and Planning

		Commercial Relationship
Structured Transactions	Project Tomas	
	Project Apache	
	Project Teresa	
	Project Steele	
	Project Tanya	
	Project Cochise	
	Project Geronimo	
Enron Capital Mgmt.	Project Nighthawk	Ben Glisan
	Project Marlin	Phil Sisneros
	Project Firefly	Barry Schnapper
	Project Rawhide	Larry Lawyer
	Project Cornhusker	David Chang
	Project Churchill	Rodney Faldyn
	Project Shogun	Ben Glison
	Debt and Hybrid Debt Offerings	Phil Sisneros
	Risk Management/Hedging Program Issues	
	Project Firefly	Barry Schnapper
	Project Springroll (PINTS)	Phil Sisneros
	SAILS	Phil Sisneros
Human Resources	Enron Bonus Deferral Plans	Mary Joyce
	Enron ESOP	Mary Joyce
	Enron Executive Deferred Compensation	Phil Bazelides
	Executive Life Insurance Issues	Rocky Jones
	Enron Wind Corp. Executive	Pam Butler
	Deferred Compensation	Daryl Orban
	Northern Border Phantom Unit Plan	
	Enron Foundation Scholarship Program	Betty Wells/Cynthia Barrow
Corporate Development	Project Hubble	Lou Potempa
	Clean Fuels Restructuring	Lou Potempa
	Project Boomerang	Jere Overdyke

Summary of 1998 Projects
Tax Research and Planning

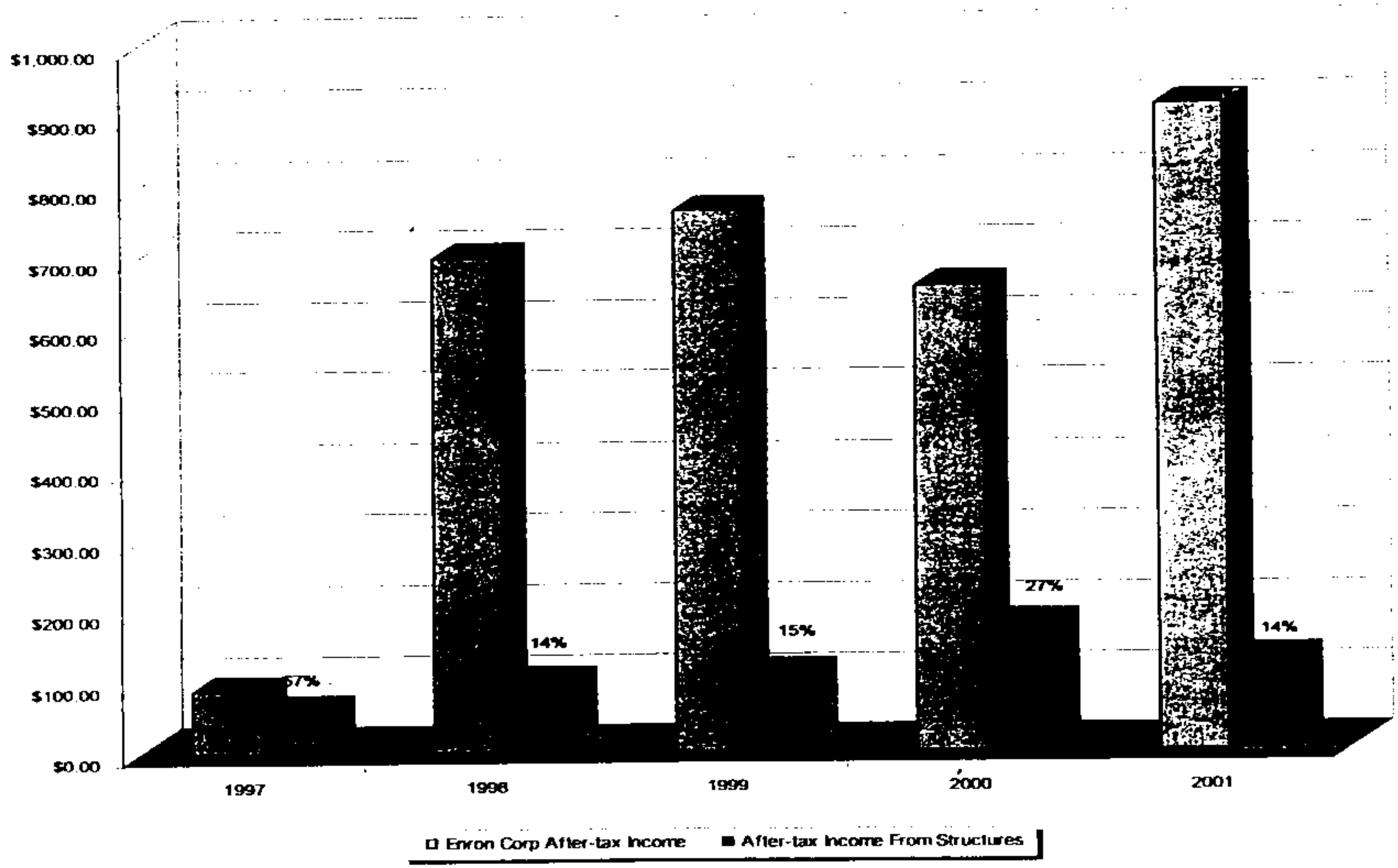
[illegible]	[illegible]	Commercial Relationship
Gas Pipeline Group	Project Sooner	George Fastica
	Project Wayne	David Rosenberg
	Sunrise Bankruptcy	Stacy Spalding
	NNG Sale of Transgulf Issues	Ann Ballard
	Illinois-Wisconsin Pipeline Joint Vent	Dorothy McCoppin/Robert Eikenroht
	Hedging Programs	Jeff Fawcett
	Treasury Lock	Bob Chandler
Enron Wind Corp.	Cabazon Project	Mike Westheld
	Lake Benton I	Bob Gates
	Lake Benton II	Mike Cutbirth
	StormLake I	John Lamb/Adam Umanoff
	Storm Lake II	Tony Schoen
	Tacke German Tax Planning	Philippa Godfriend
	Tacke Turbine Sales to India	Bruce Kern
	Enron Wind Overseas Development	Phil DiVirgilio
	-Compliance Issues	
	-Sale of Italian Wind Projects	
	-Sale of turbines in Sweden	
	Aeolos nd Megali Vrissi Wind Projects in Greece	
	Honduras Wind Project	
	Nicaragua Wind Project	
Corporate Marketing	Project Madison Avenue	Beth Tilney
	Project Bermuda	Marge Nadasky/Steve Kean
Corp Admin Services	Enron Building II	Bill Donovan
	Enron Aviation	Gary Fitch
	Sports Facilities, L.P.	Cindy Olson

II.

STRUCTURED FINANCE TRANSACTIONS

Overview

Structured Finance Transactions
Comparison To Enron Net Income
($000,000)



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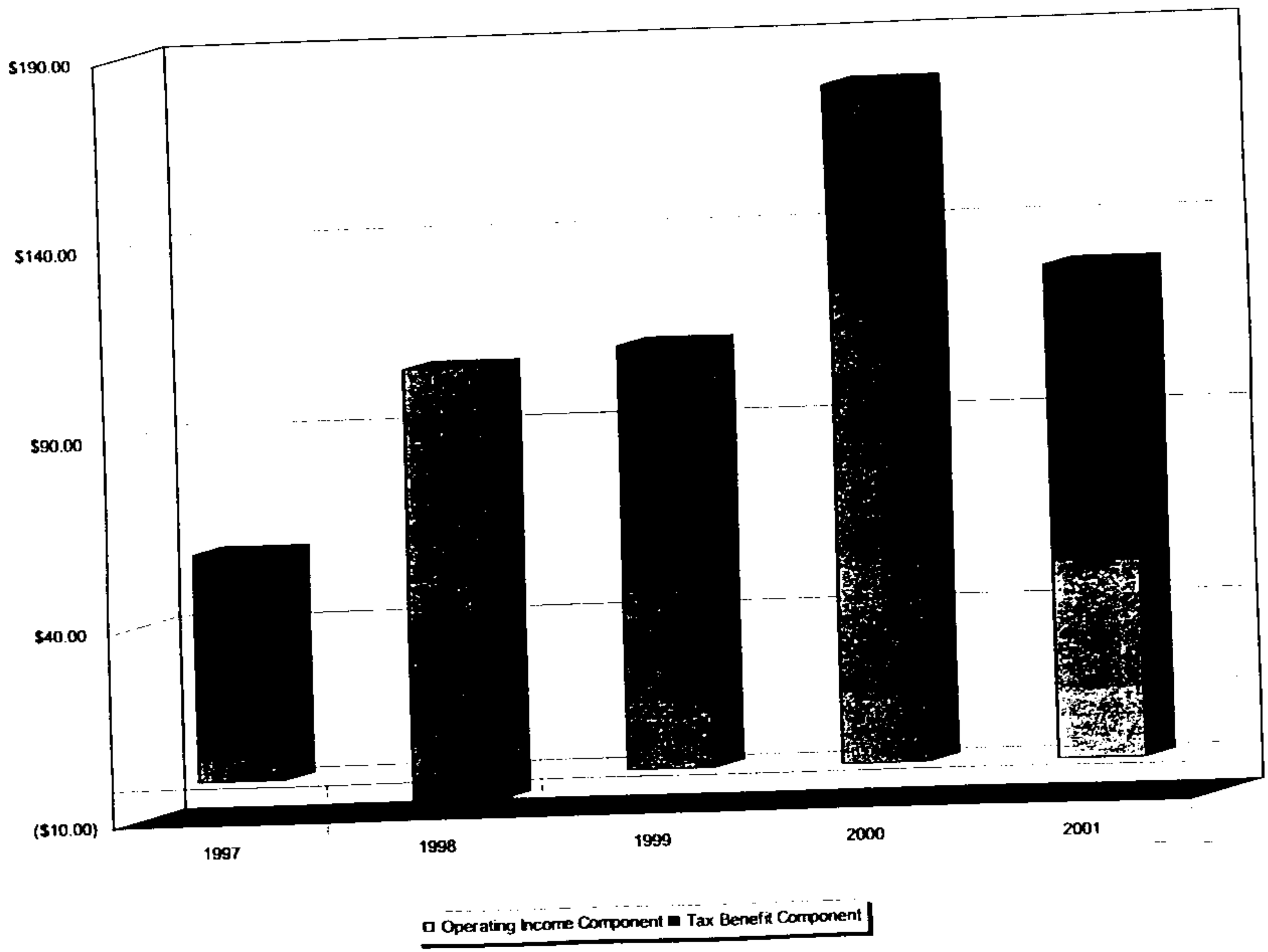
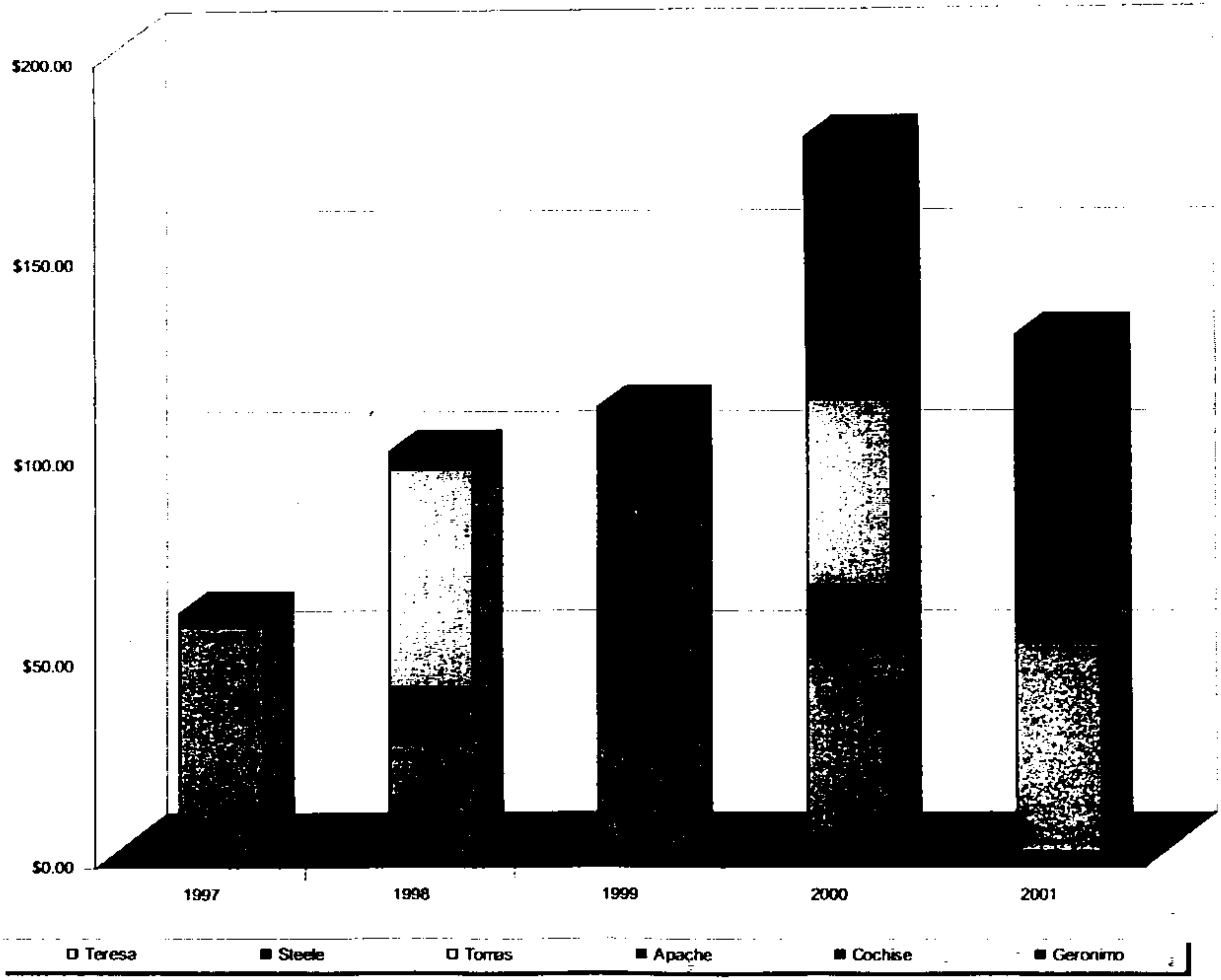
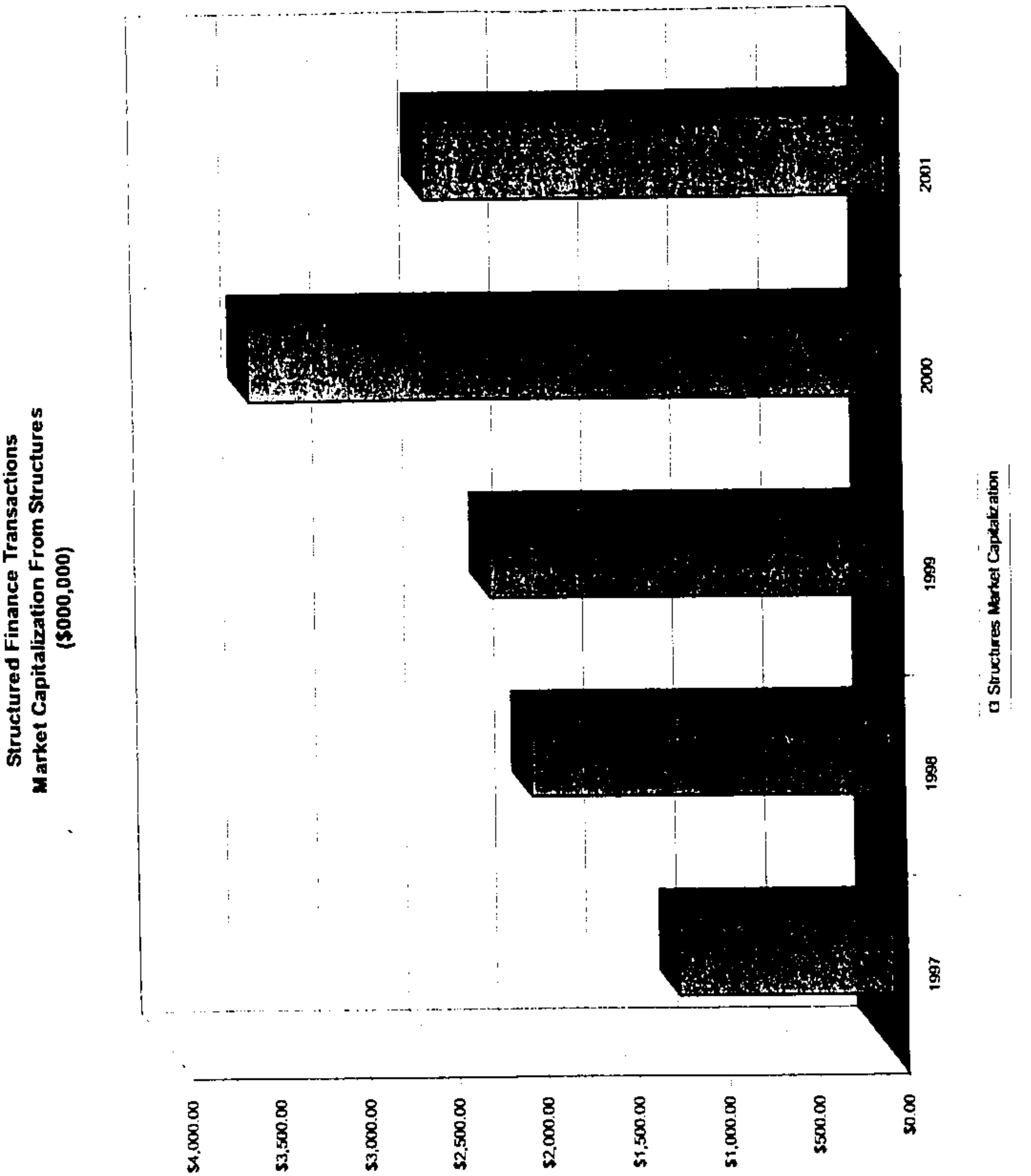
Structured Finance Transactions
Net Income From Structures
($000,000)

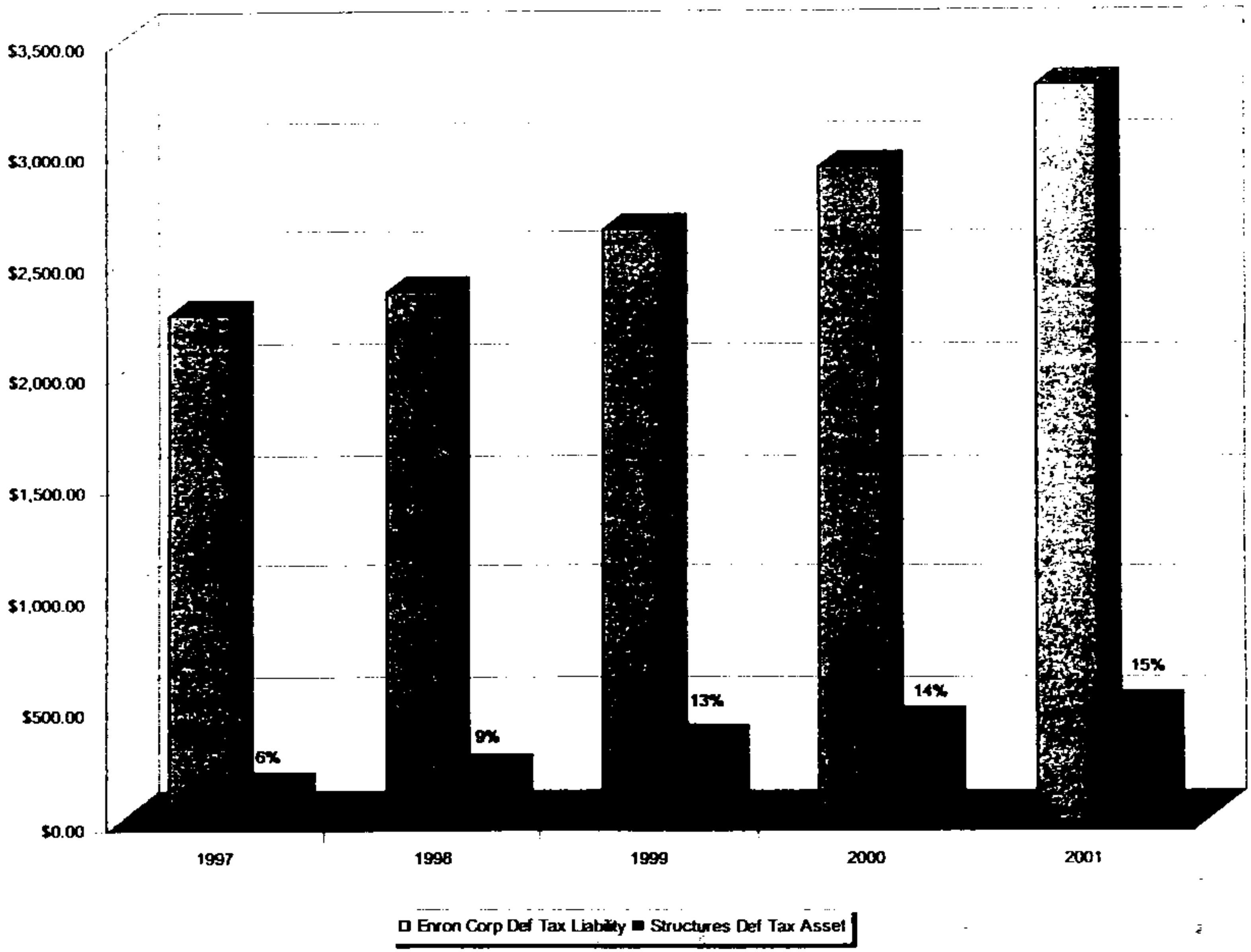


Structured Finance Transactions
Net Income By Transaction
($000,000)




Structured Finance Transactions
Market Capitalization From Structures
($000,000)
$4,000.00
$3,500.00
$3,000.00
$2,500.00
$2,000.00
$1,500.00
$1,000.00
$500.00
$0.00
1997
1998
1999
2000
2001
Structures Market Capitalization

Structured Finance Transactions
Analysis Of Deferred Tax Accounts
($000,000)



EC2 000038464

Executive Summary

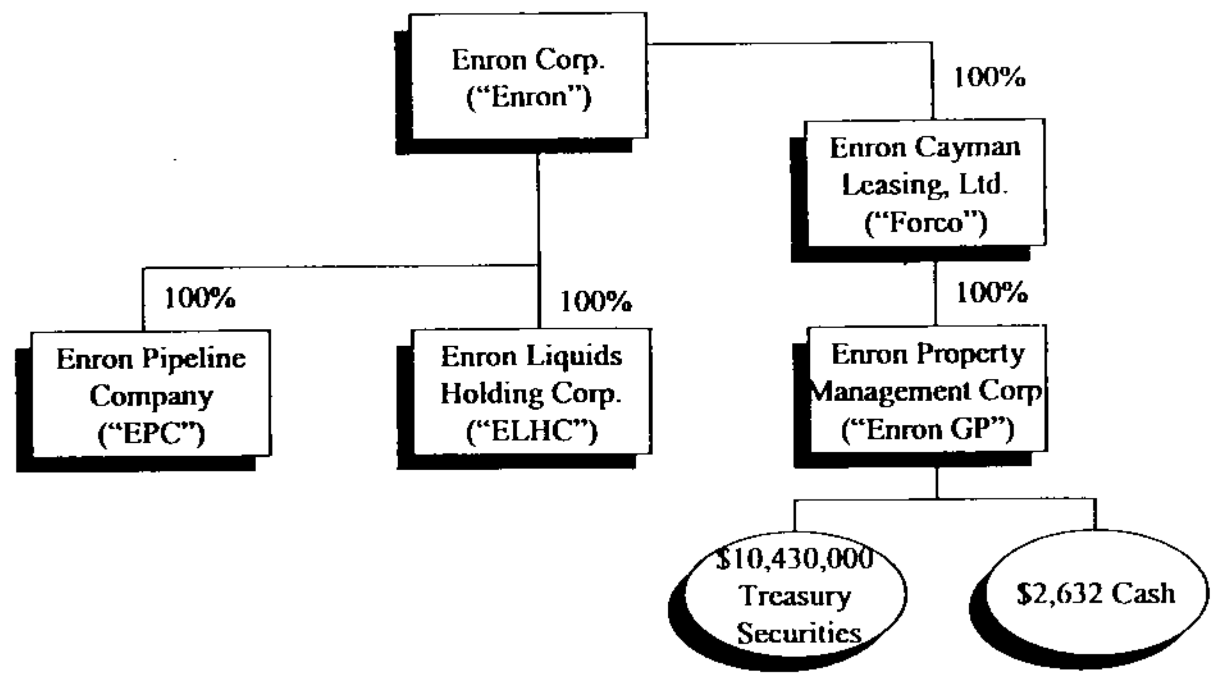
- Project Teresa involves the formation of Enron Leasing Partners, L.P. ("Leasing Partners") by Enron Corp. and Bankers Trust Company.
- Enron will hold a 98% L.P. interest in the partnership through a tax deconsolidated subsidiary, Organizational Partner, Inc. ("OPI"). Leasing Partners and OPI are consolidated with Enron for GAAP.
- Leasing Partner's investments include tax ownership of the Enron Building and one billion dollars worth preferred stock issued by Enron Liquids Holding Corp. ("ELHC").
- Periodically, Enron affiliates acquire or redeem the ELHC preferred stock from Leasing Partners.
- These stock transactions are reported as dividends by Leasing Partners, and thus, increase the outside tax basis of the partners.
- Through a 20% common stock interest in ELHC, OPI is able to claim a 80% dividends received deduction on its 98% distribution from Leasing Partners.
- Upon liquidation of Leasing Partners, under Section 732(b), OPI's outside tax basis in Leasing Partners will become its aggregate tax basis in the Enron Building. Ultimately, upon the reconsolidation of OPI, Enron will recover the tax basis through higher depreciation deduction.

Executive Summary

Project Teresa

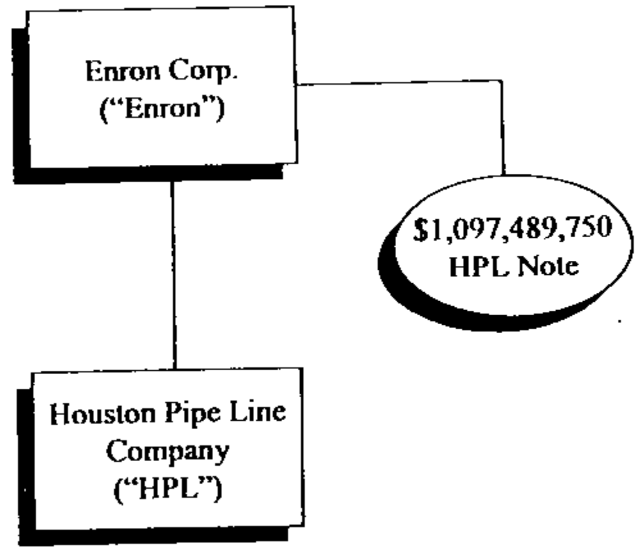
- The accretion of OPI's outside tax basis generates a differential in its book and tax basis in Leasing Partners. As OPI and Enron have in place a strategy to utilize the higher tax basis, a deferred tax asset can be recorded under SFAS 109.
- The transaction provides:
  - Annual income statement benefits ranging from $26 to $55 million.
  - $236 million of cumulative income statement benefits over six years.

Structure - Existing Corporate Structure



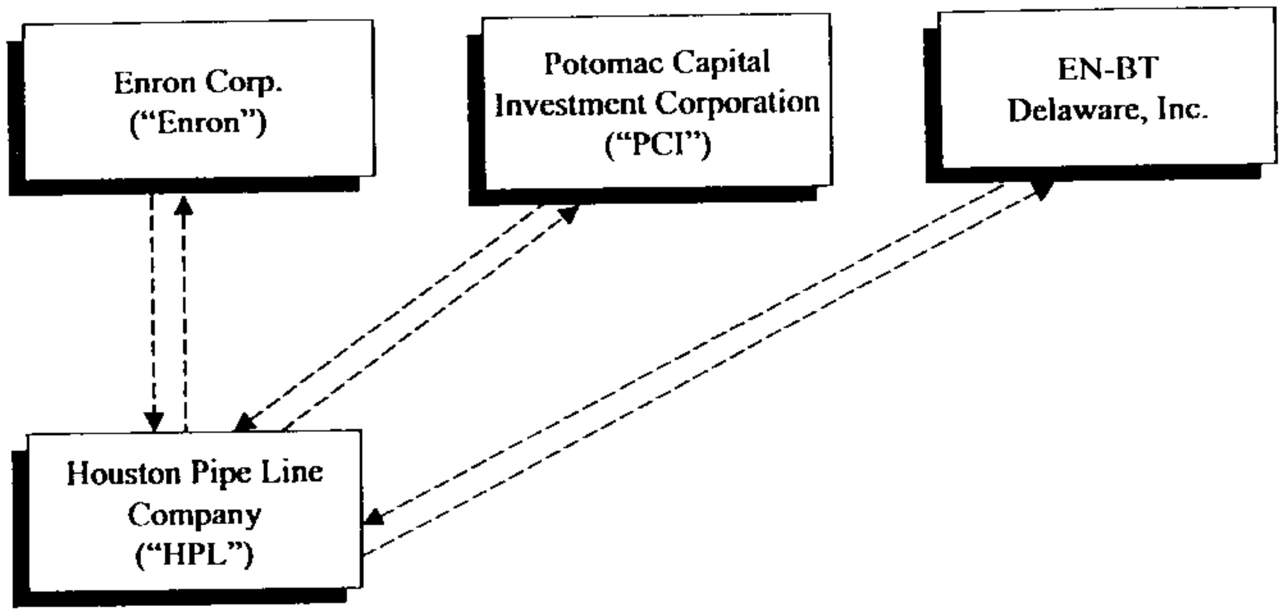
- EPC and ELHC are wholly-owned subsidiaries of Enron Corp.
- Enron Property Management Corp., a wholly-owned subsidiary of Enron Cayman Leasing, Ltd., owns treasury securities with a value of $10,430,000 and $2,632 in cash. Enron Cayman Leasing, Ltd. is a wholly-owned foreign subsidiary of Enron Corp.

Structure - Existing Corporate Structure



- HPL is a wholly-owned subsidiary of Enron Corp. Enron Corp. holds a note from HPL with a fair market value of $1,097,489,750.

Structure - Formation of Organizational Partner, Inc.



- Enron Corp. contributes the Lease with a FMV of $284,000,000 (subject to $284,500,000 of debt), the HPL Note with a FMV of $1,097,489,750 and $j10,250 in cash to OPI, and in return receives 98% of its outstanding stock which would carry 75% of its voting rights.
- PCI and EN-BT Delaware, Inc. through capital contributions would acquire .8929385% and 1.1070615% of the stock of Organizational Partner, Inc. for $10,000,000 and $12,397,959 in cash which would carry 23.775% and 1.225% of its voting rights, respectively.

Project Steele

- The transaction involves the utilization of a special purpose vehicle for subsidiaries of Enron Corp. ("Enron Subs") and subsidiaries of Bankers Trust Company to make a joint investment in various investment assets. The special purpose vehicle, ECT Investing Partners, L.P. ("Investing Partners"), will be treated as a limited partnership for legal purposes and will elect to be treated as a corporation for tax purposes.

- The Bankers Trust will transfer various investment securities (e.g., corporate bonds and REMIC Residual Interests) into ECT Investing in exchange for cash, limited partnership interests in ECT Investing, and ECT Investing debt securities. The Enron Subs will transfer cash and leased assets (such as gas pipeline compressors owned by the Enron Subs on long-term lease) in exchange for general and limited partnership interests in ECT Investing. After a five year period, any equity owner may compel ECT Investing to recapitalize BTNY Subs' stock and debt interests into new debt securities of ECT investing.

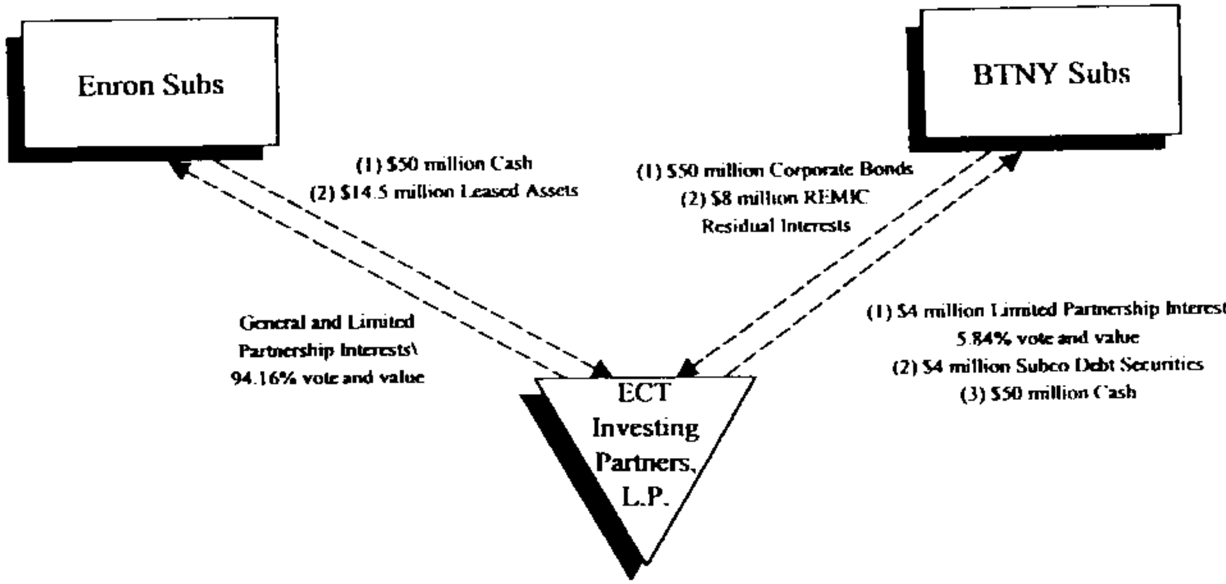
- The REMICs have a high tax basis, a low fair market value and were acquired in a carryover basis transaction.

- The acquisition of the REMICs and the corporate bond portfolio are account for under the purchase accounting rules of APB 16 and the income tax accounting principles of SFAS 109.

Executive Summary -C ont'd

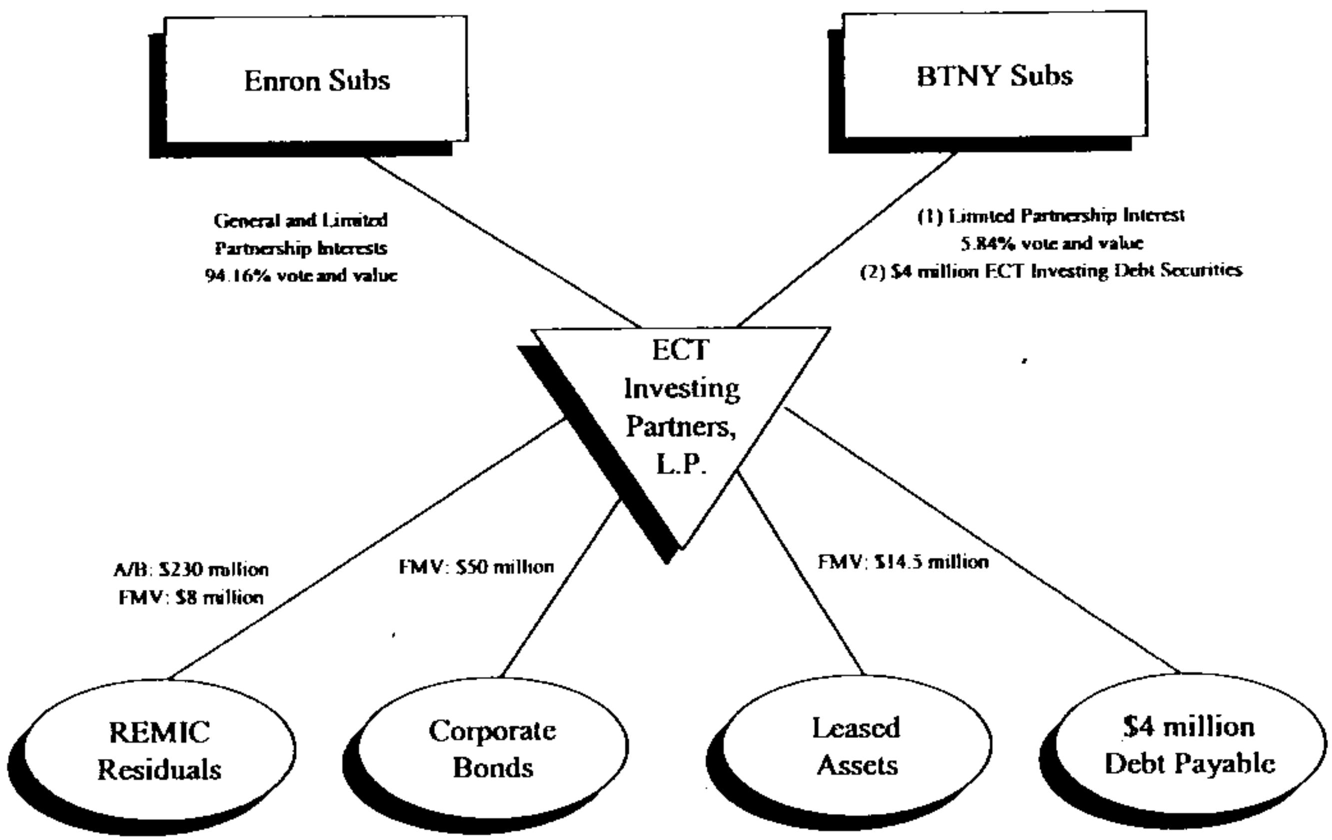
- Together these accounting pronouncements provide for the creation of a deferred tax asset and offsetting deferred credit for the book/tax basis differential in the REMIC.
- Finally, the transaction has been structured to allow the deferred credit to be amortized into pre-tax income over a relatively short time frame.
- This transaction provides;
  - Annual net income benefits of about $14 million.
  - $75 million ($123 million pre-tax) of cumulative net income.
  - 23% IRR.
  - NPV benefit at 7.0% of $32 million.
  - NPV benefit at 10.0% of $22 million.

Structure -S tep I - Capitalization of ECT Investing

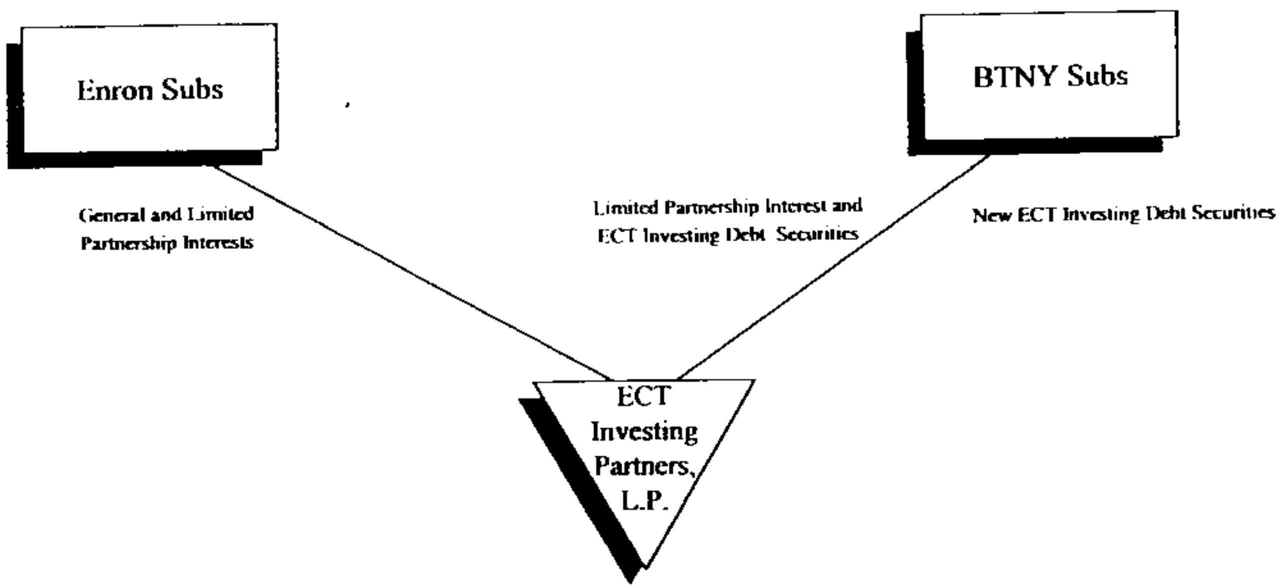


- ECT Investing will be a newly formed Delaware limited partnership which will elect to be treated as a corporation for tax purposes.
- The Enron Subs will contribute (1) $50 million cash and (2) $14.5 million of Leased Assets (such as gas pipeline compressors owned by the Enron Subs on long-term lease) to ECT Investing in return for both general and limited partnership interests representing approximately 94.16% of its vote and value after the Transaction.
- The BTNY Subs will contribute $50 million of 5 year corporate bonds (the "Corporate Bonds") as well as REMIC Residual Interests with a net present value of $8 million and a tax basis of approximately $230 million. In exchange, the BTNY Subs will receive (i) $50 million cash; (ii) a preferred limited partnership interest with a FMV of $4 million representing approximately 5.84% of ECT Investing's vote and value; and (iii) $4 million of ECT Investing zero-coupon Debt Securities with an 18 year term.

Structure - Post-Capitalization



Structure -S tep II - Recapitalization - Post Year 5



- The partnership agreement for ECT Investing will provide that any equity holder has the right to force ECT Investing to recapitalize the BTNY Subs' limited partnership interest and ECT Investing debt securities (the "Recapitalization") at any time subsequent to 5 years from the date of capitalization of ECT Investing into new ECT Investing debt securities (the "New Debt Securities") with a 10 year term and a current cash pay market rate of return.

Project Tomas

Transaction Overview

- Project Tomas utilizes a partnership structure to monetize a portfolio of leveraged leases owned by Portland General Holding, Inc.

- A post-acquisition analysis of the portfolio determined that the leases had a fair market value of about $290 million, were subject to non-recourse debt of about $180 million and had a negligible tax basis. Thus, it was concluded that the tax liability generated by a disposition of the leases would consume substantially all of the net equity in the leases.

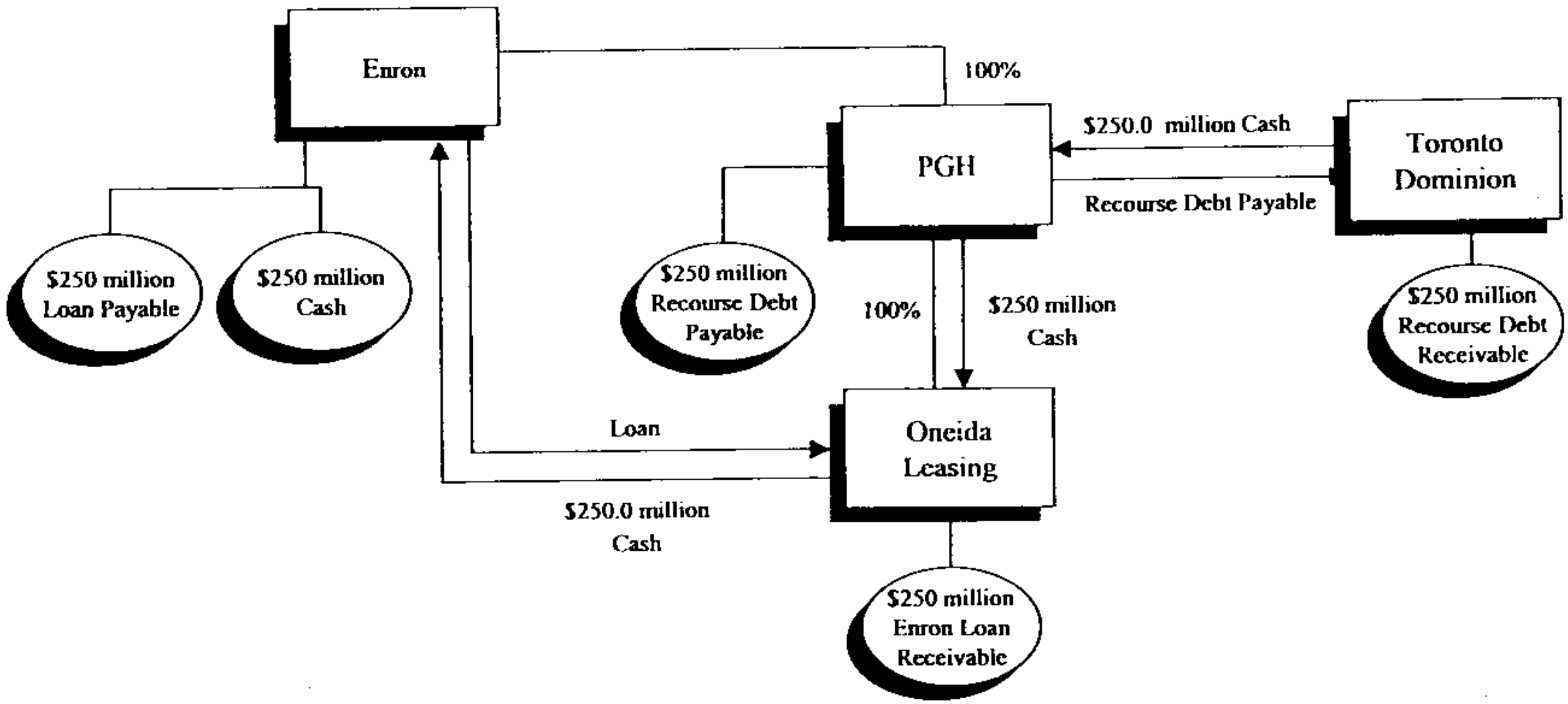
- For a 95% L.P. interest PGH contributed the leased assets (subject to the non-recourse debt), the common stock of Oneida Leasing, Inc. within a fair market value of $250 million and recourse debt of $250 million.

- The transaction operates to increase the tax basis in the leased assets upon the exit of PGH from the partnership after two years.

- The interplay of the purchase accounting rules (APB 16) and lease accounting principles allowed the transaction to be structured to generate pre-tax operating earnings.

- The transaction will provide:
  - Total income statement benefits of $49 million through 2000 on a pre-tax basis.
  - IRR of 282%.
  - NPV benefit at 7% of $64 million.
  - NPV benefit at 10% of $94 million.

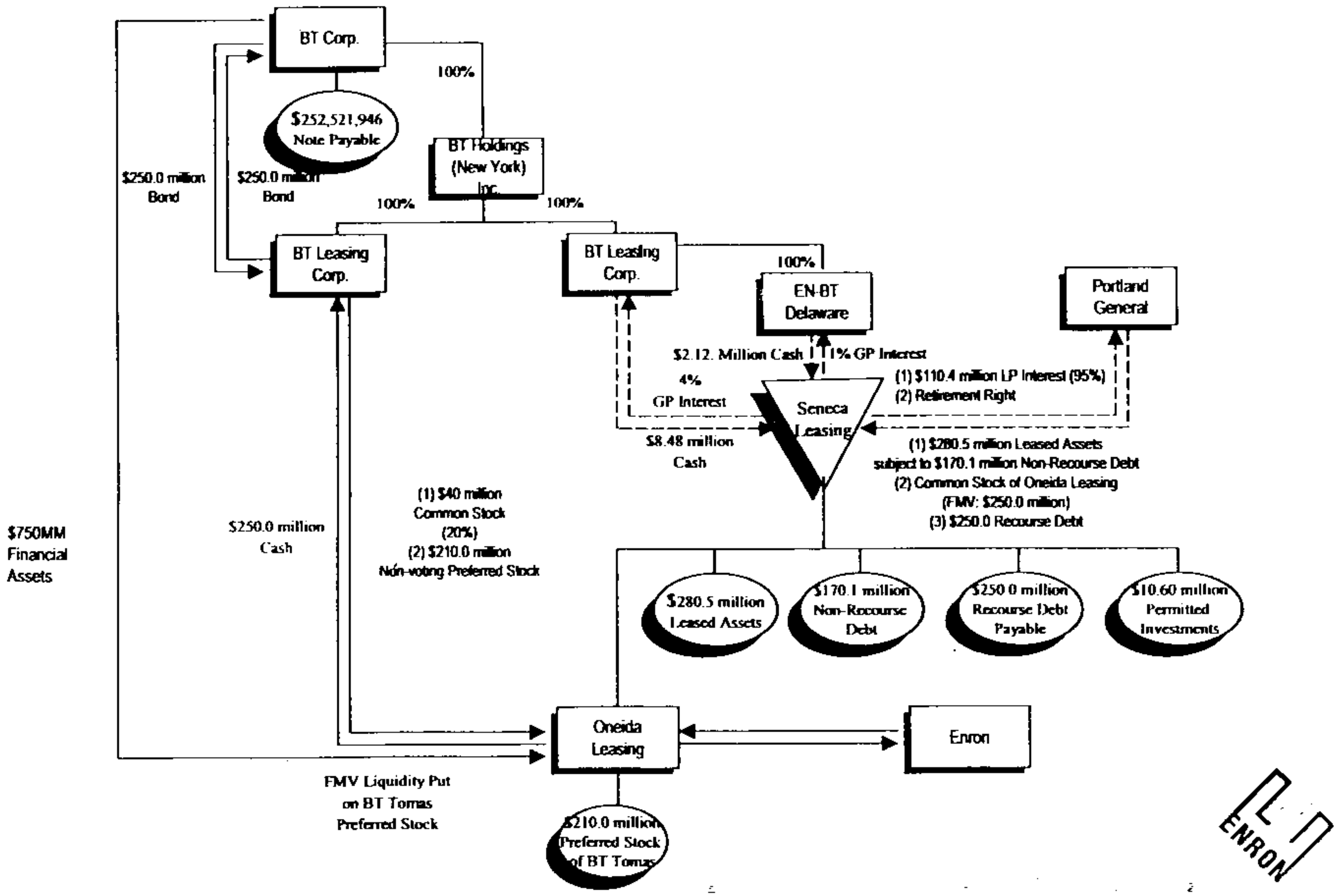
Step I -Bor rowing and Funding of Oneida Leasing



- PGH borrows $250 million from Toronto Dominion(Texas), Inc. ("Toronto Dominion") on a recourse basis (the "Recourse Debt"). Enron provides a guaranty on such debt.
- PGH contributes $250 million cash from the Recourse Debt to Oneida Leasing, Inc. ("Oneida Leasing"). The cash capital contribution is loaned to Enron.

Transaction Summary

Step I(a) -F unding of the Partnership



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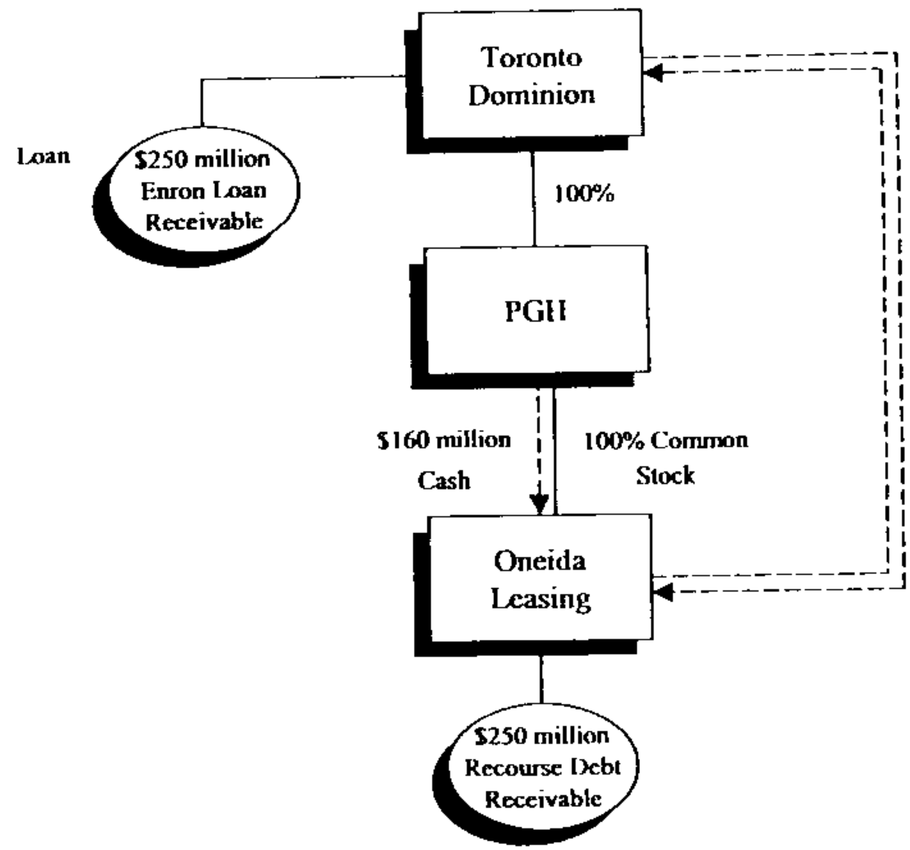
Step II -Cont ribution to BT Tomas



- BT Holdings (New York), Inc. transfers approximately $160 million cash to BT Tomas, Inc. ("BT Tomas"), a newly formed Delaware corporation.
- BT Tomas purchases a $160 million bond (the "BT Corp Bond") from BT Corp in exchange for $160 million in cash. The BT Corp Bond will have a fixed term of approximately 20 years. The BT Corp Bond will be redeemable at any time.

Step III(a) - Formation of the Partnership

- At least 45 days after Step I (the funding of Oneida Leasing), PGH contributes (1) appreciated leased assets (the "Leased Assets") with a gross FMV of approximately $280.5 million subject to approximately $170.1 million of non-recourse debt (the "Non-Recourse Debt") and (2) its 100% interest in the common stock of Oneida Leasing with a FMV of approximately $250 million to Seneca Leasing. In addition, Seneca Leasing Partners will assume the Recourse Debt payable by Portland General of approximately $250 million.

- In exchange for its contribution to Seneca Leasing, PGH receives a limited partnership interest with a value of approximately $110.4 million which will provide for a floating preferred return (the "Preferred Return") on $68.3 million of the partnership interest (payable to the extent of Seneca Leasing Partners' accumulated earnings), a liquidation preference for approximately $64.8 million and an initial 95% share in partnership net income and net losses computed after accounting for the Preferred Return.

- As part of the partnership agreement, Portland General also receives a right (the "Retirement Right") which will allow it to compel Seneca Leasing to liquidate its partnership interest in exchange for assets of Seneca Leasing at any time subsequent to two years from the contribution of Oneida Leasing to Seneca Leasing.

Transaction Summary

Step III(a) - Formation of the Partnership (Continued)

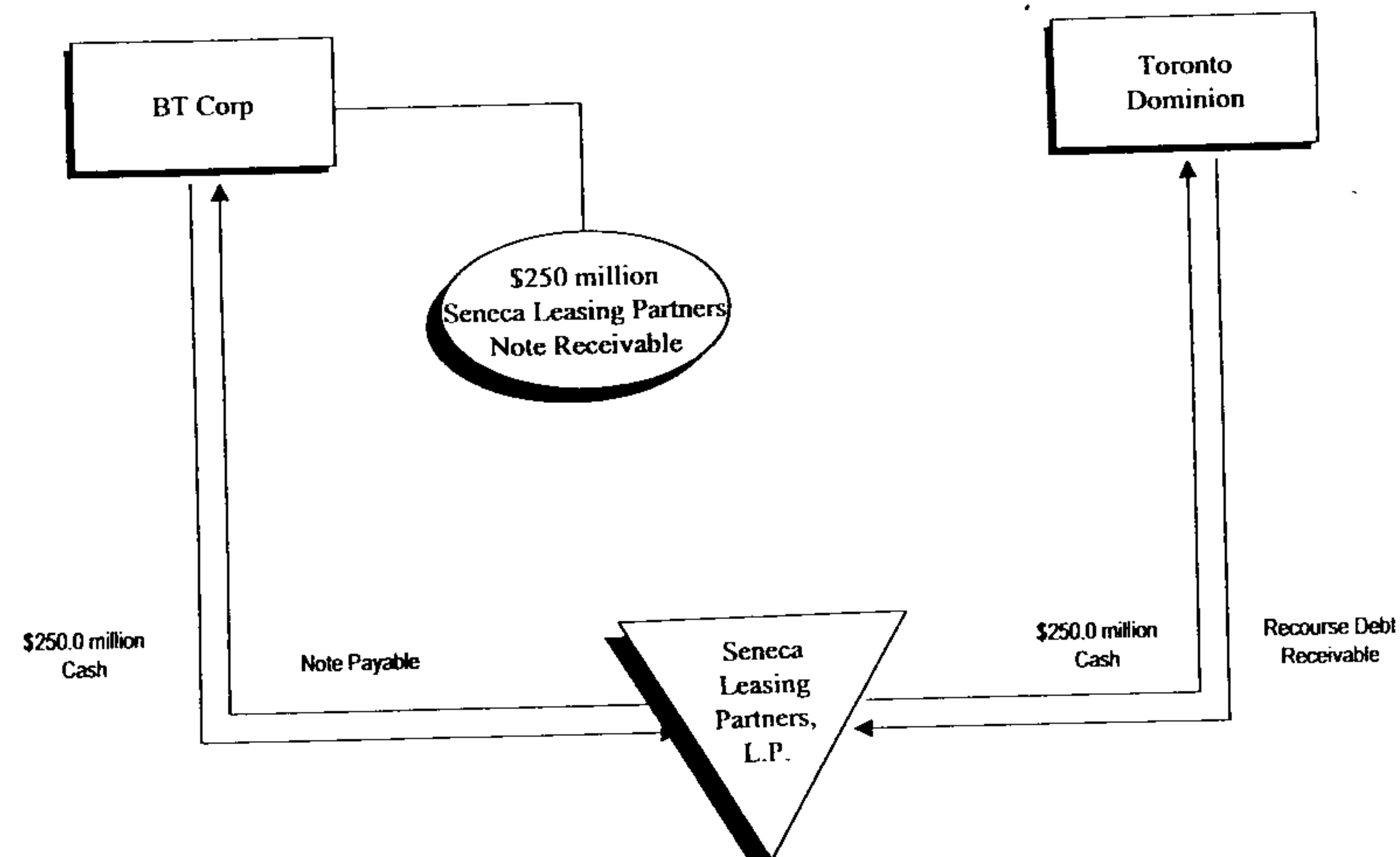
- BT Leasing Corp. and EN-BT Delaware make cash capital contributions of approximately $8.48 million and $2.12 million, respectively, to Seneca Leasing in return for approximately 4% general partnership interest and 1% general partnership interest, respectively. Seneca Leasing will invest the cash capital contributions from BT Leasing Corp. and EN-BT Delaware in permitted investments.

- The $250 million loan made to Enron by Oneida Leasing in Step I will be repaid upon contribution of Oneida Leasing to Seneca Leasing. After repayment of the $250 million loan by Enron, Oneida Leasing will transfer the $250.0 million cash to BT Tomas in exchange for (1) $40 million of common stock of BT Tomas representing 20% of the vote and (2) $210 million of non-voting preferred stock of BT Tomas. If Oneida Leasing determines that it has a need to monetize some of the stock in the future to support its leasing operations, it would sell some of the non-voting preferred stock to BT Corp for cash of equal fair market value pursuant to a fair market value liquidity put (the "Liquidity Put").

ENRON

Transaction Summary

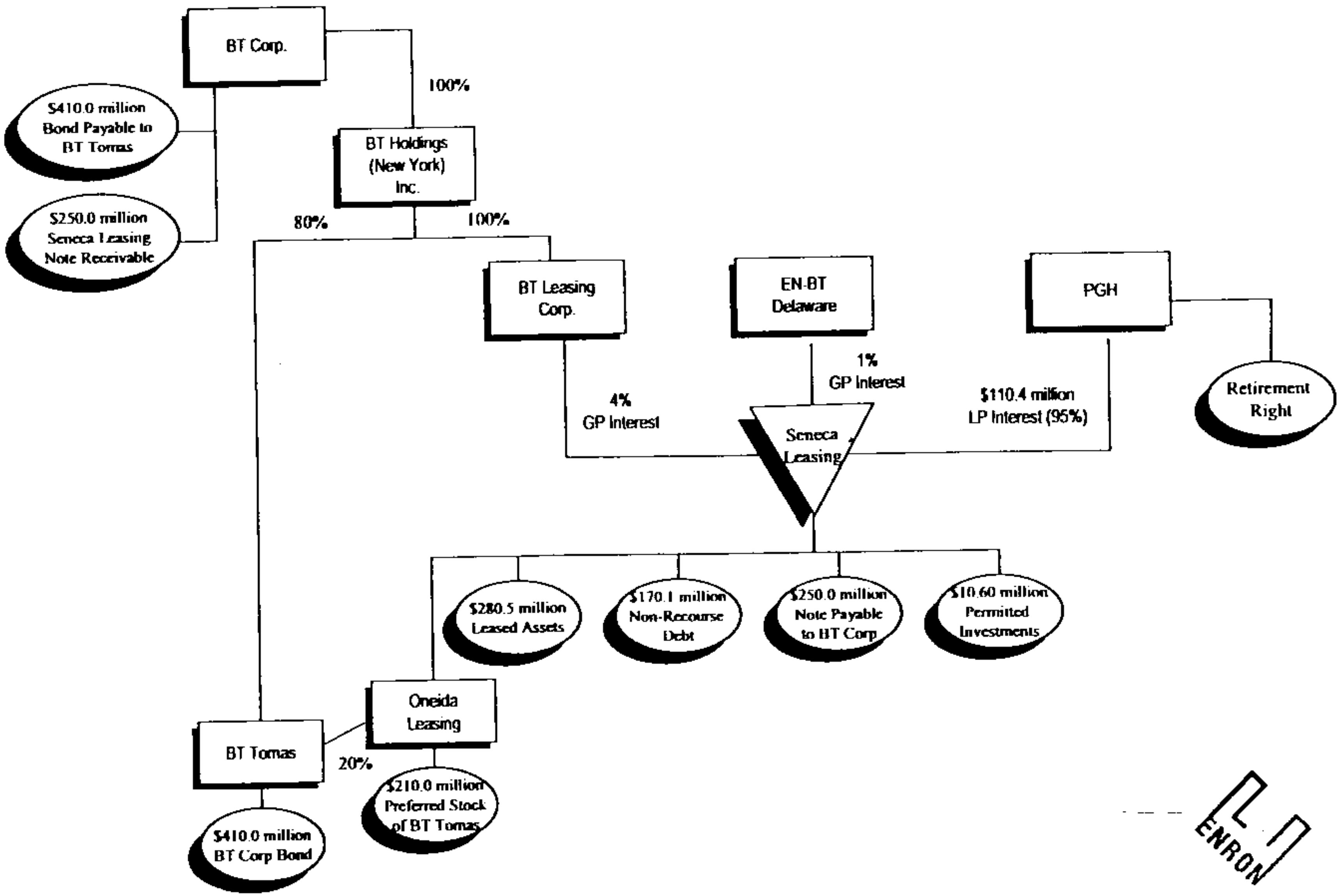
Step III(b) - Refinancing of Recourse Debt



- BT Corp will loan $250.0 million cash to Seneca Leasing on a recourse basis in exchange for a demand note of Seneca Leasing.
- Seneca Leasing will transfer the $250.0 million cash to Toronto Dominion in satisfaction of the Recourse Debt.

Transaction Summary

Structure after Step I(c)



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Project Apache

Executive Summary

- A newly formed Dutch subsidiary Cherokee Finance, V.O.F., will issue $500 million of a 10 year mandatorily redeemable preferred equity security.

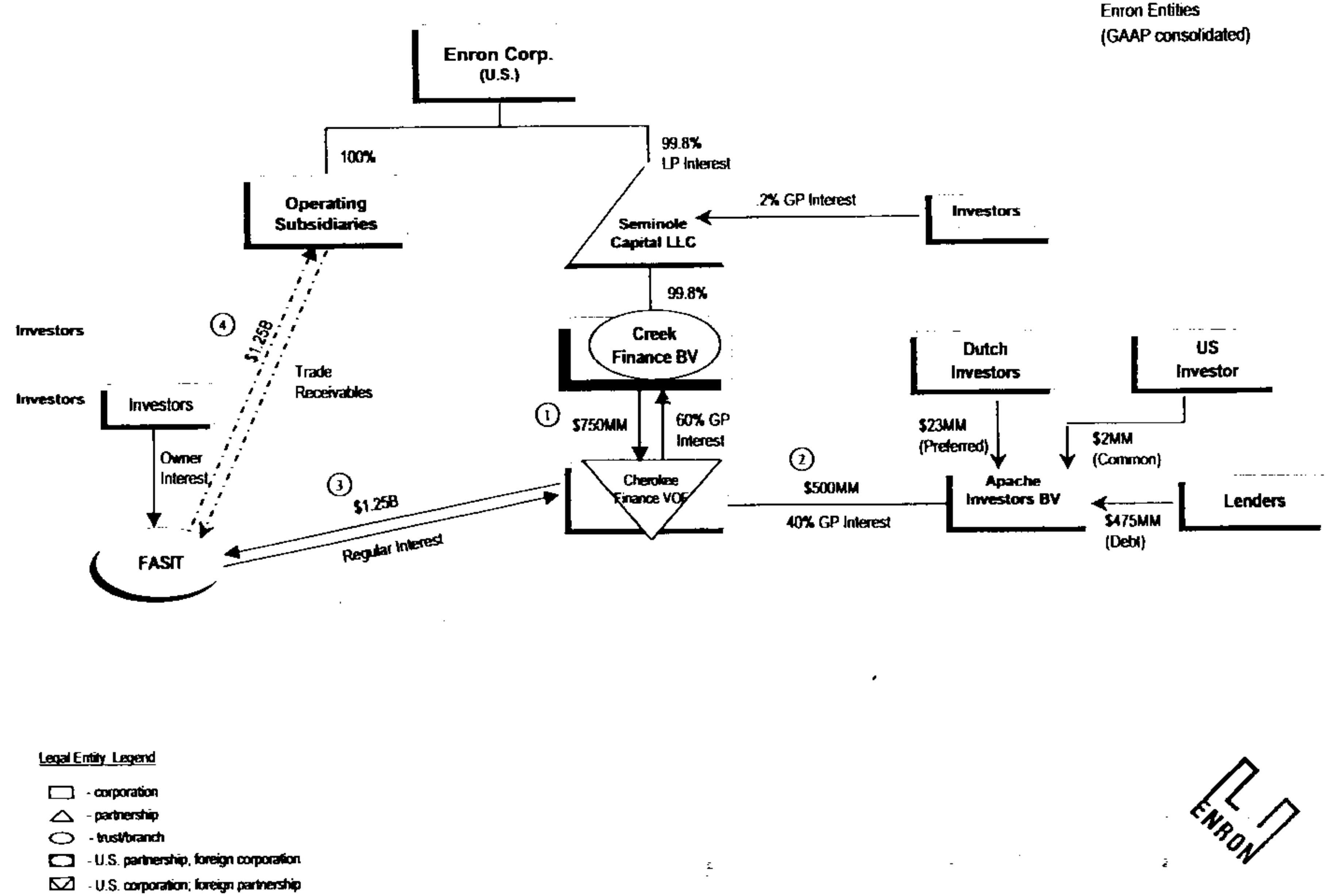
- The proceeds will be used to purchase securitized interests in Enron receivables through a special purpose entity (FASIT) and may also be loaned back to Enron Affiliates.

- Chase will arrange for a special purpose company financed primarily with bank debt, Apache Investors B.V., to purchase the preferred.

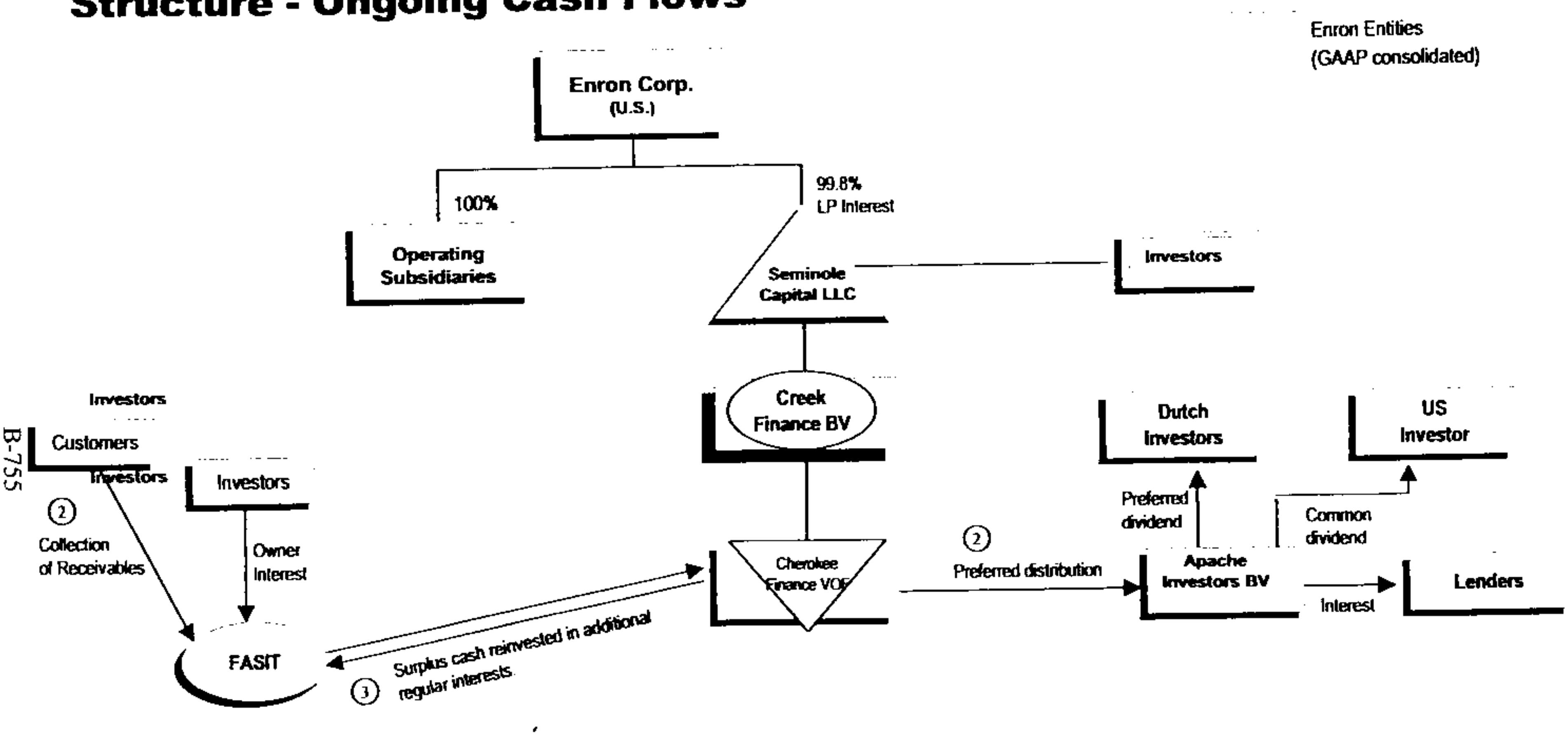
- The preferred will be classified as "minority interests" on the Enron consolidated financial statements similar to EOG.

- The transaction should provide:
  - annual income statement benefits ranging from $21 to 38 million.
  - $268 million of bottom line cumulative income statement benefit over 10 years.
  - 181% 10 year IRR.
  - NPV benefit at 7% of $194 million.
  - NPV benefit at 10% of $166 million.

Structure - Set Up



Structure - Ongoing Cash Flows



III.

LEVERAGED EQUITY FINANCING STRUCTURES

Project Marlin

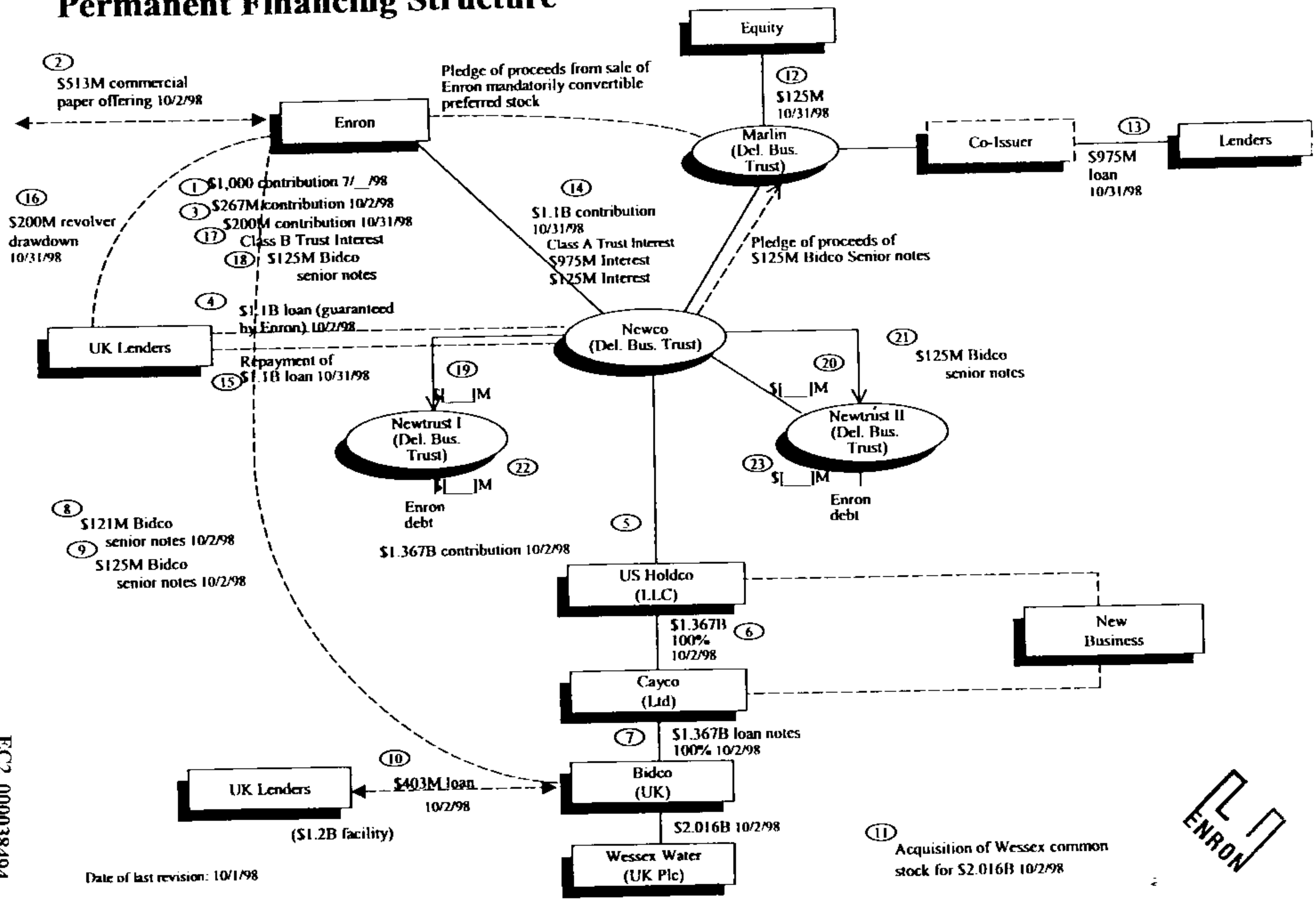
Enron/Marlin Equity Financing

- Private Financing - Closed December 30, 1998 - 2 year deal
- New $1.4B for Enron to refinance bridge financing on acquisition of Wessex Water Plc
- Expected Benefits
  - New capital $1.4B
  - Equity method treatment for financial accounting purposes.
  - High degree of equity credit from rating agencies expected
  - Tax deductibility of payments to private investors.
  - Flexibility for Azurix to pursue other water related investment by entities below the Newco level. Marlin's direct or indirect management rights do not extend to -
    - The expenditure by a lower tier entity of up to an aggregate of $2.4B of acquisitions and other capital expenditures, or
    - Equity offerings of any lower tier entities.
- Transaction Elements
  - Enron will contribute an aggregate amount of $[____]M to Newco for a [40]% interest with Marlin contributing $1.14B for a [over 50]% interest.
  - A portion of Marlin's contribution will remain at Newco (the Over funding Amount) to make yield payments to Marlin over the 2 year period.

Enron/Marlin Equity Financing

- Enron uses the new funds to repay bridge financing incurred on initial acquisition of Wessex.
- Entries to balance
  - Enron's investment in Newco (and its indirect interest in Wessex) will be shown as a single amount on the balance sheet and earnings and losses will be shown as a single amount in the income statement.
  - Net effect: Enron pays down $1.1B of debt and records an equity investment of $[___]M.
  - Enron controls the conversion o the preferred stock (into ___M shares of Enron common) except upon a "Debt Trigger Event".
- Tax Issues

Wessex Water Acquisition
Permanent Financing Structure

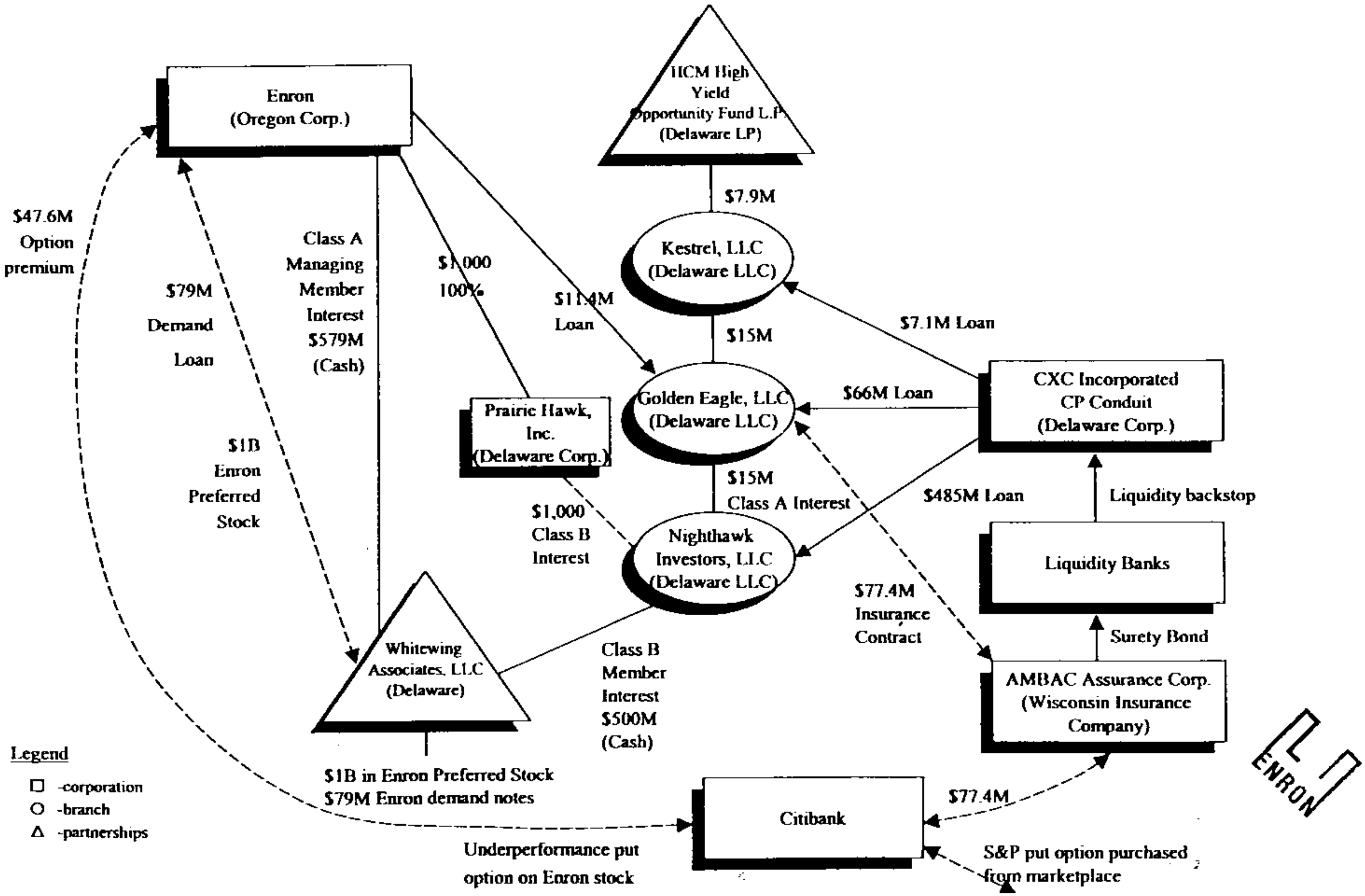


Project Nighthawk

Enron/Nighthawk Leveraged Equity Financing Transaction

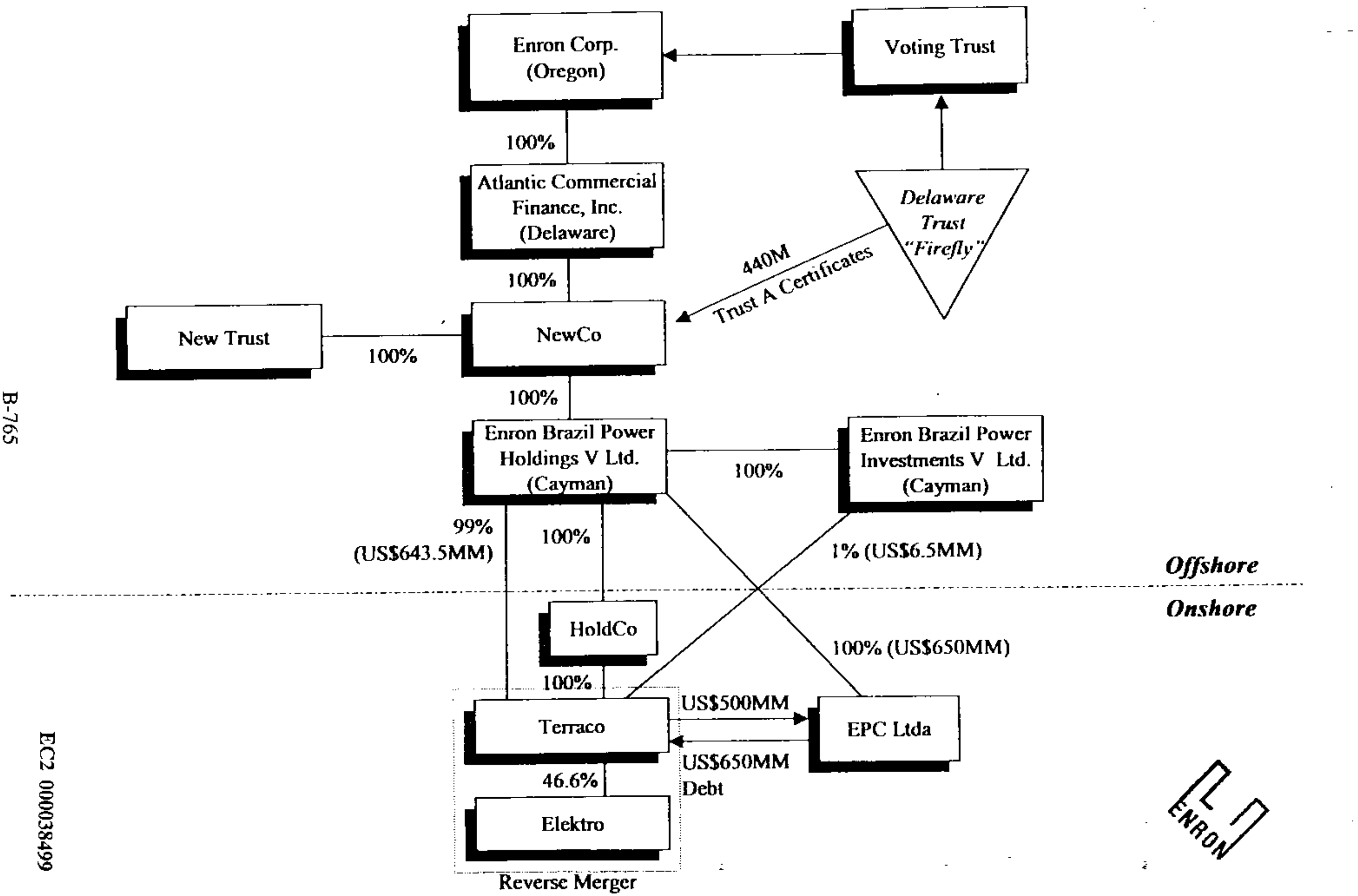
- Private Financing - Closed December 30, 1997 - 5 year deal
- Benefits
  - New capital of $500M to repay debt from issuance of a convertible preferred security
  - Anticipated high degree of equity credit from rating agencies (hasn't occurred to-date)
  - Tax deductibility of payments to private investors
  - No dilution of EPS/Enron retained upside and downside and control of Enron Corp. stock
- Transaction Elements:
  - The private investors contributed $500M to the JV for a guaranteed payment interest and a 1.5% common interest
    - Backleveraging of private investor interest
    - "True equity" of 3% ($15M) leveraged at Kestrel level
    - Leveraging at Golden Eagle level required to purchase insurance from surety
  - Enron contributed $579M to the JV for a floating rate priority return and a 98.5% common interest
  - The JV used $1B to purchase Enron convertible preferred stock and made a demand loan of $79M to Enron.
  - Entries to balance sheet
    - Sale of preferred stock to a consolidated affiliate gets eliminated
    - Net effect: Enron pays down $500M of debt and books minority interest of $500M
  - Derivative contracts
- Rating agency "fixes" currently being considered for prospective benefit
- Tax Issues

Enron/Nighthawk
Equity Financing Transaction
December 30, 1997



Project Firefly

Elektro Firefly Structure



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IV.

GPG PROJECTS

Project Sooner

Executive Summary

- Identify, classify and value assets constituting the pipeline to be transferred to the new Sooner LLC ("30" Pipeline") and assets which Sooner LLC will construct in exchange for the 30" Pipeline ("Exchange Assets").
- Form Delaware limited liability company with Equilon, a Texaco and Shell joint venture, as one 50% member and Sooner Corp., a Citrus subsidiary as the other 50% member. Fund the entity with approximately $800mm in cash.
- Enter into an exchange contract between Florida Gas & Transmission ("FGT") and Sooner LLC.
- Sooner LLC constructs the Exchange Assets then transfers them to FGT in exchange for the 30" Pipeline.
- Sooner LLC improves the 30" Pipeline and converts it into a liquids pipeline as the only on-shore fluids transport line of its kind along the Gulf Coast.

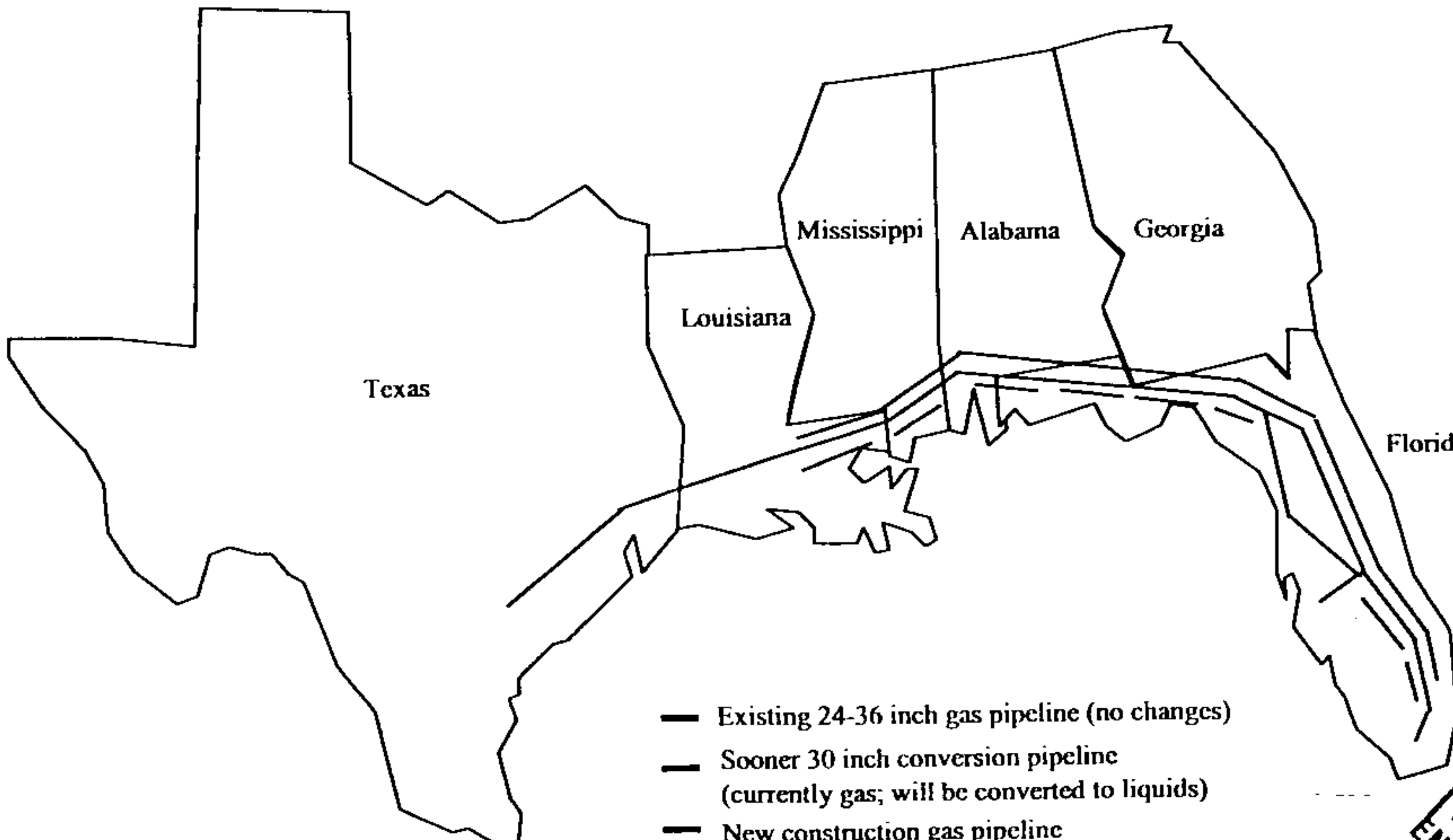
Tax Benefits:

Permanent deferral of approximately $240.5mm of tax liability from a deferred gain recognition of the 30" pipeline assets. This tax liability would not have been recoverable in the rates allowed by FERC and, if recognized would have increased the total cost of this project to approximately $1.04 billion.

Risks and Mitigating Factors

Specific Risks	Mitigating Factors
• 30" Pipeline is not deemed to be like-kind to the Exchange Assets.	• We are seeking a private letter ruling on the classification of assets in this transation as "like-kind." The principal legal issue involved is the existing tax law classifying pipelines as real estate for certain purposes under the Code. The like-kind exchange rules and related interpretive authority do not address whether pipelines are realty or personalty. The assets included in the exchange are a mix of pipe, compressor stations and related equipment. We will argue that pipelines constitute an integrated system of gas or fluid transport equipment and should not be bifurcated into realty and personalty.
• Sooner LLC is not deemed to be the "owner" of the Exchange Assets prior to the exchange.	• Sooner LLC will enter into all of the construction contracts, take title to the assets and pay for the assets prior to the exchange.

The Sooner Project



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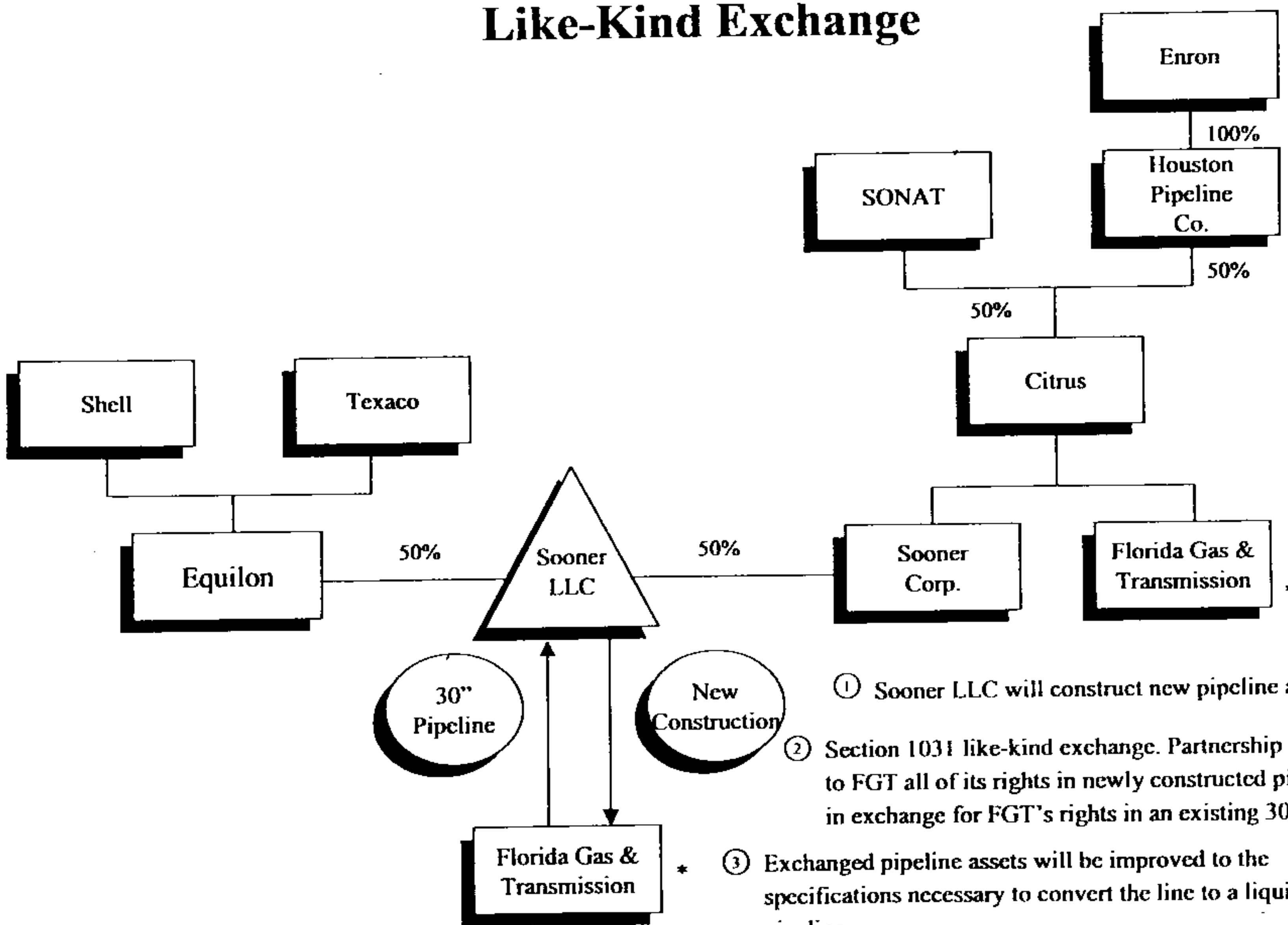
The Sooner Project

Like-Kind Exchange



1. Sooner LLC will construct new pipeline assets.
2. Section 1031 like-kind exchange. Partnership will transfer to FGT all of its rights in newly constructed pipeline assets in exchange for FGT's rights in an existing 30 inch pipeline.
3. Exchanged pipeline assets will be improved to the specifications necessary to convert the line to a liquid pipeline.

Black Marlin

Executive Summary

- Adopt a Plan of Liquidation for the deemed dissolution of Black Marlin, Inc. to distribute out the assets which will not be part of the sale of Black Marlin to Blue Dolphin Corp. (the "311 Assets") to Enron Pipeline Corp. ("EPC").
- Enter into a Purchase and Sale Agreement with Blue Dolphin for the sale of the stock of Black Marlin contingent upon obtaining FERC approval for the sale.
- Negotiate a contribution agreement between EPC and Northern Natural Gas ("Northern") for the transfer of the 311 Assets to Northern. EPC is not a regulated interstate pipeline and is not permitted to hold the 3411 Assets if they are being used for the interstate transport of gas
- Obtain FERC approval, implement the Plan of Liquidation, the Purchase and Sale Agreement and the contribution of the 311 Assets.
- Make a 338(h)(10) election with respect to the Black Marlin assets <u>other than</u> the 311 Assets distributed in liquidation.

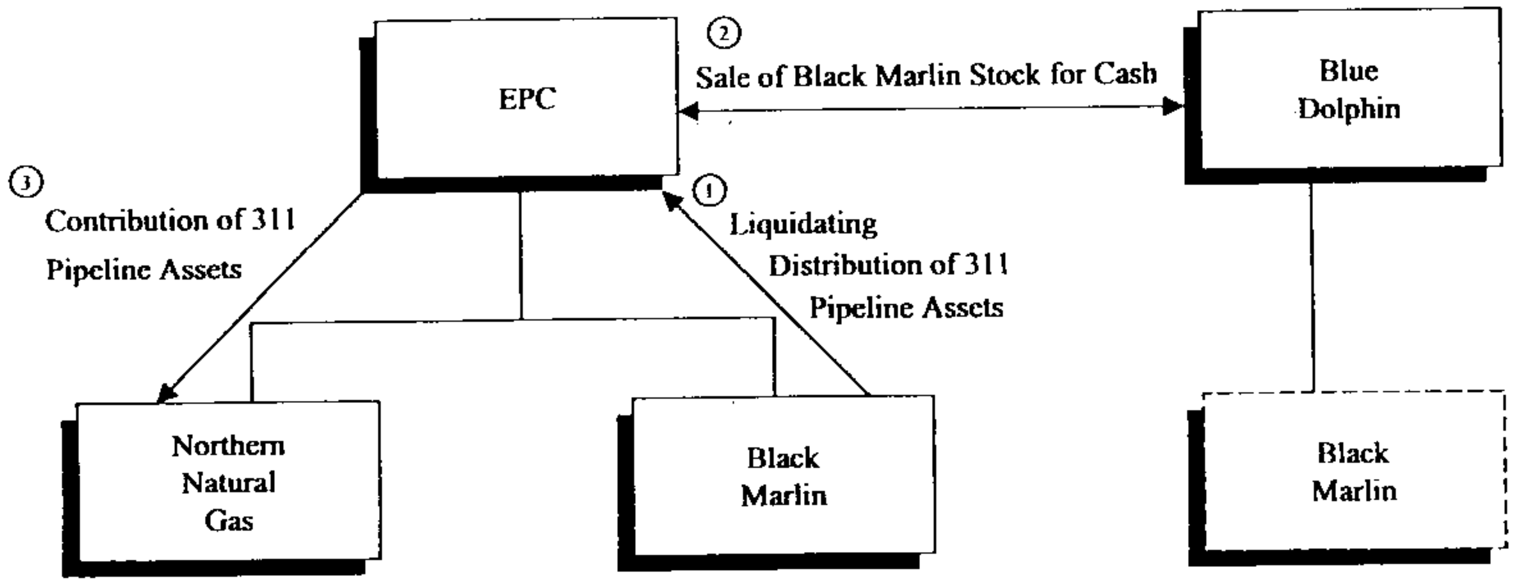
Tax Benefits:

Deferral of taxes on gain recognition from the transfer of the 311 Assets.

Risks and Mitigating Factors

Specific Risks	Mitigating Factors
• The transfer of the 311 Assets to Northern will "taint" the combined Plan of Liquidation and sale of the Black Marlin stock causing the Service to treat the stock sale as preceding the liquidating distribution of assets.	• Since we are making a 338(h)(10) election on the stock sale, the order of the transaction should not matter. We are already incurring the tax liability from the sale as if it were an asset sale.

Black Marlin Sale



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Hedging Projects

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Hedging Programs

Introduction:

- Effort by GPC to standardize hedging procedures and establish mechanisms to adhere to regulations under IRC.

Hedging Programs

Introduction:

- Effort by GPC to standardize hedging procedures and establish mechanisms to adhere to regulations under IRC.

Hedging Programs

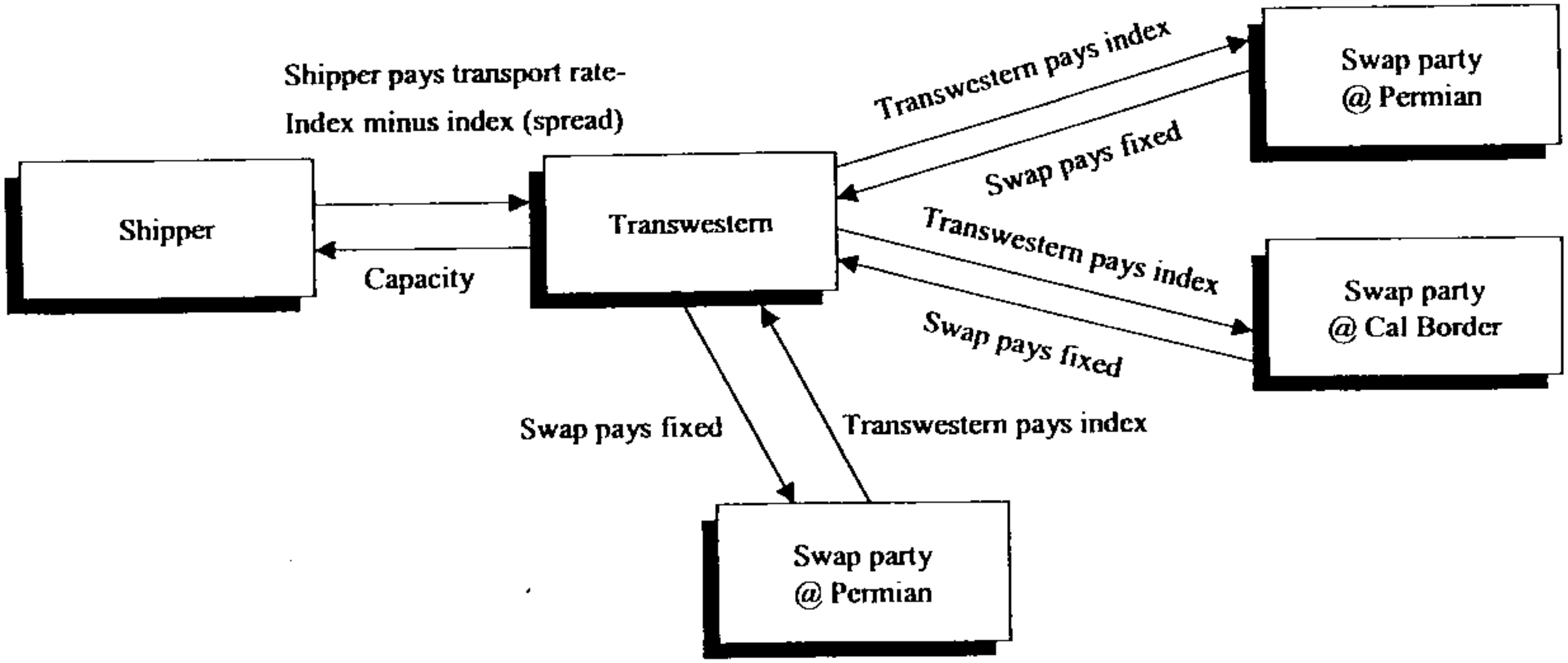
Tax Issues:

- Necessity of ordinary property or borrowing or ordinary obligation.
  - –Non-inventory supplies are ordinary property if sales only negligible.
- Hedges of aggregate risk vs. hedges of specific transactions.
- Clear reflection of income accounting methods under 446 regulations.
- Recordkeeping requirements under 446 and 1221 regulations.
  - –Contemporaneous documentation
  - –Identification of hedge and hedged transactions.
- Single-entity rule vs. separate entity election for consolidated group (intercompany hedging transactions).

ENRON

TRANSWESTERN PIPELINE COMPANY
Hedged Firm Transportation Deal Flow

Physical Transportation | **Transportation Hedge**



Fuel Hedge

V.

STRUCTURED FINANCE OPERATIONS

Structured Finance Operations

General Background

ENRON

EC2 000038516

1997 - Needs Identified for Structured Transactions

- Need for Accounting Services
  - Provide Closing Entries for Deals
  - Provide Ongoing Accounting Entries for Entities
- Need for Financial Management
  - Pre-Tax Forecasting and Planning Info
  - Cash Management & Custody of Certain Financial Assets
- Need for Overall Management of Business Activities on an Ongoing Basis
  - Coordinate Company Payments
  - Monitor Stock Redemptions and Dividend Declarations / Distributions

The Result...?

Structured Finance Operations

ENRON

EC2 000038518

Primary Functions

- Full Accounting, Finance & Tax
- Full Tax
- Accounting, Finance & Tax Overview

Full Acctg, Finance & Tax

Project Teresa

Cayman Leasing

OPI

Property Mgt

Leasing Partners

Liquids Holding

Hawker I Trust

Hawker II Trust

Acctg, Fin, Tax Overview
Project Teresa

HPL	ECT	Enron	
Enron Ops	Prop & Services	Cayman Leasing	OPI
EDC	Enron Pipeline	Property Mgt	Leasing Partners
	Liquids Holding	Hawker I Trust	Hawker II Trust

Full Acctg, Finance & Tax

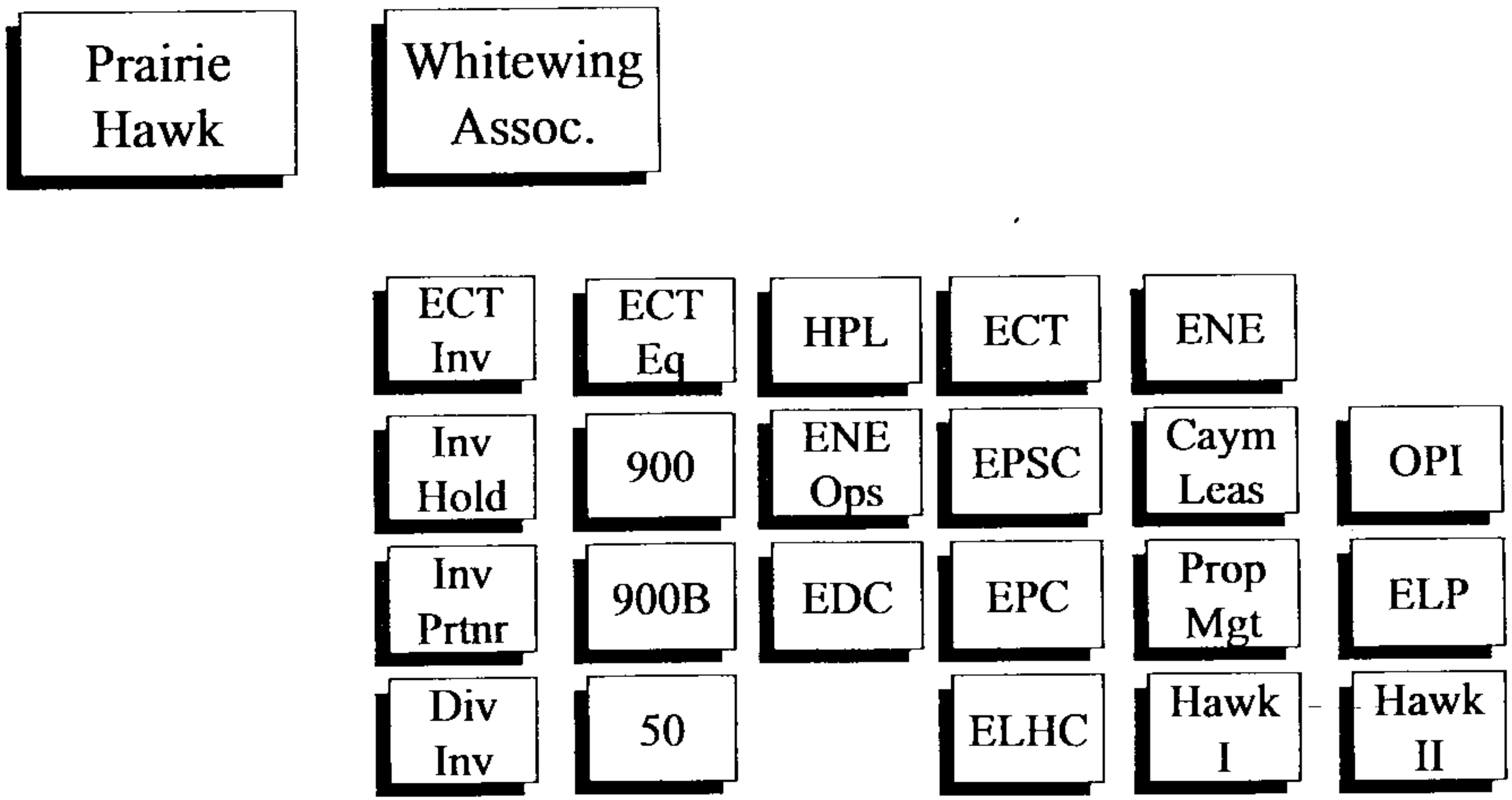
Project Steele

ECT Investing	ECT ECT Equity				
Investment Holding	Falcon 900 Trust	HPL	ECT	ENE	
Investing Partners	Falcon 900B Trust	ENE Ops	EPSC	Caym Leas	OPI
Diversified Invst	Falcon 50 Trust	EDC	EPC	Prop Mgt	ELP
			ELHC	Hawk I	Hawk II

Acctg, Fin, Tax Overview
Project Steele

ECT Investing					
Investmnt Holding	Falcon 900 Trust	HPL	ECT	ENE	
Investing Partners	Falcon 900B Trust	ENE Ops	EPSC	Caym Leas	OPI
Diversified Invst	Falcon 50 Trust	EDC	EPC	Prop Mgt	ELP
			ELHC	Hawk I	Hawk II

Full Tax
Project Nighthawk



Acctg, Fin, Tax Overview
Project Nighthawk

Prairie Hawk

Whitewing Assoc.

ECT Inv	ECT Eq	HPL	ECT	ENE	
Inv Hold	900	ENE Ops	EPSC	Caym Leas	OPI
Inv Prtnr	900B	EDC	EPC	Prop Mgt	ELP
Div Inv	50		ELHC	Hawk I	Hawk II

Acctg, Fin, Tax Overview
Project Tanya

Enron Mgt, Inc.

					P Hawk
ECT Inv	ECT Eq	HPL	ECT	ENE	WW
Inv Hold	900	ENE Ops	EPSC	Caym Leas	OPI
Inv Prtnr	900B	EDC	EPC	Prop Mgt	ELP
Div Inv	50		ELHC	Hawk I	Hawk II

Acctg, Fin, Tax Overview
Project Cornhusker

NIBL 1, LLC

NIBL 2 LLC

					P Hawk
ECT Inv	ECT Eq	HPL	ECT	ENE	WW
Inv Hold	900	ENE Ops	EPSC	Caym Leas	OPI
Inv Prtnr	900B	EDC	EPC	Prop Mgt	ELP
Div Inv	50	EMI	ELHC	Hawk I	Hawk II

Acctg, Fin, Tax Overview

Project Tomas

PGH	PGH LLC			NIBL I	NIBL 2	P Hawk
SENECA L.P.	ECT Inv	ECT Eq	HPL	ECT	ENE	WW
	Inv Hold	900	ENE Ops	EPSC	Caym Leas	OPI
	Inv Prtnr	900B	EDC	EPC	Prop Mgt	ELP
	Div Inv	50	EMI	ELHC	Hawk I	Hawk II

Full Acctg, Finance & Tax

All Projects

PGH	PGH L.L.C.	SENEC L.P.	NIBL I	NIBL 2	P Hawk
ECT Inv	ECT Eq	HPL	ECT	ENE	WW
Inv Hold	900	ENE Ops	EPSC	Caym Leas	OPI
Inv Prtnr	900B	EDC	EPC	Prop Mgt	ELP
Div Inv	50	EMI	ELHC	Hawk I	Hawk II

Full Tax
All Projects

PGH	PGH L.L.C.	SENEC L.P.	NIBL I	NIBL 2	P Hawk
ECT Inv	ECT Eq	HPL	ECT	ENE	WW
Inv Hold	900	ENE Ops	EPSC	Caym Leas	OPI
Inv Prtnr	900B	EDC	EPC	Prop Mgt	ELP
Div Inv	50	EMI	ELHC	Hawk I	Hawk II

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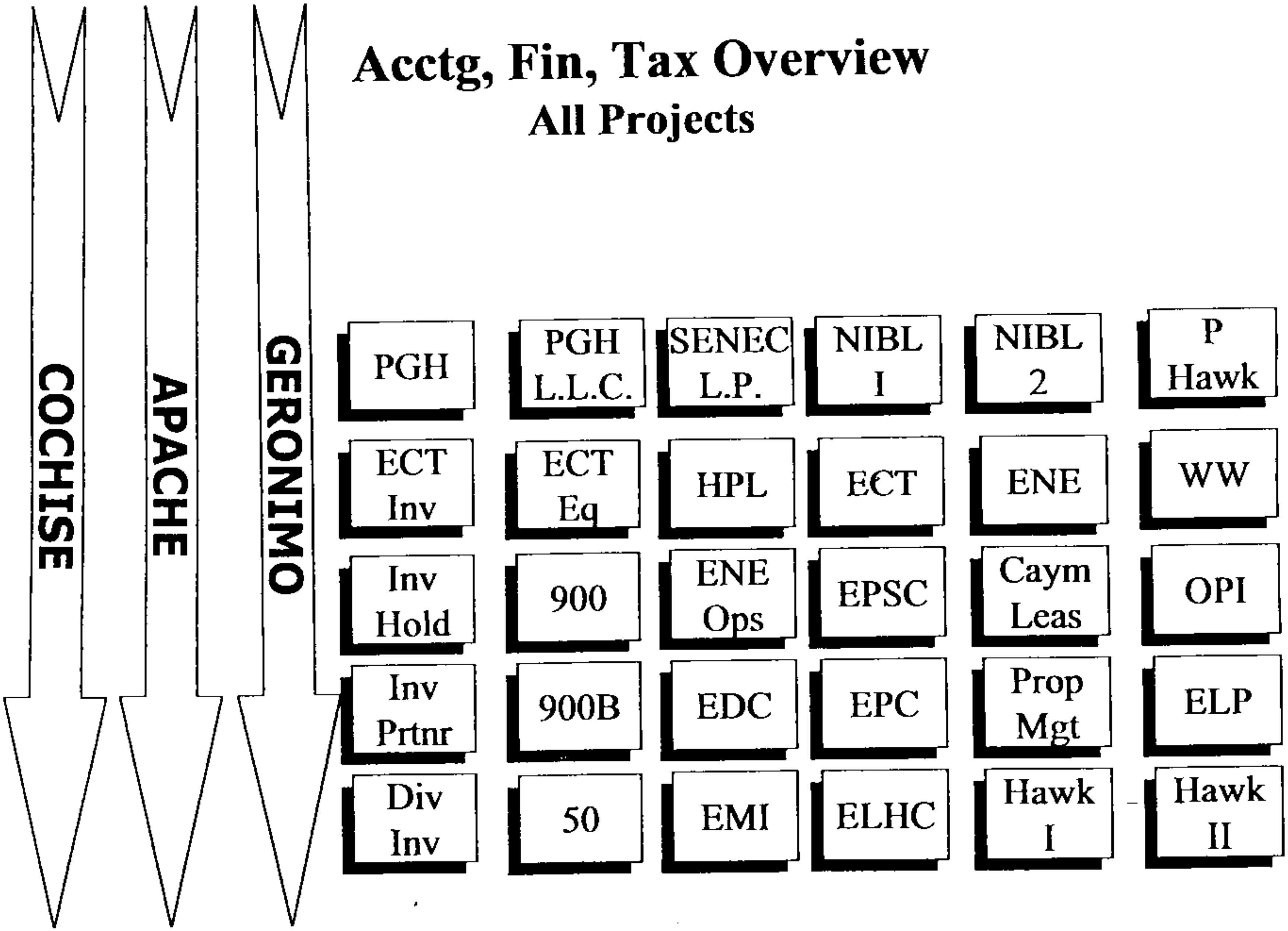
Acctg, Fin, Tax Overview
All Projects



Primary Advantages

- More control over accounting process.
- Less time spent locating accounting info for return preparation.
- Better safeguard for transactions since group monitors project assets and business transactions.
- Better understanding of business operations.

ENRON

Admin / Technical Issues

- Crossing Tax Department Boundaries
  - Company Responsibilities for ECM Split Between Corporate Tax and ECT Tax
- Crossing Operating Group Boundaries
- Adherence to Departmental Project File Guidelines

Project Teresa

Structured Finance Operations

Project Teresa

Overview & Benefits

Overview

- Purpose
  - Increase below the line after tax earnings
- How Accomplished
  - Created limited partnership holding preferred stock of Enron subsidiary (ELHC) and other leased assets
  - Quarterly pro rata redemptions of ELHC stock are treated as dividends
  - Redemptions create book/tax difference in basis of partnership interest
  - Upon liquidation distribute leased assets with high tax basis and low book basis

- ***Benefit Calculation Example***

Income Before Tax	0
Permanent Differences	
Total Stock Redemptions	100
X Dividends Received Deduction Rte	80%
Total Permanent Differences	(80)
Timing Differences	
Total Stock Redemptions	100
Total Timing Differences	100
Taxable Income	20
Current Tax Expense @ 35%	7
Deferred Tax Expense	(35)
Total Tax Effect	(28)
Book Income After Tax	28

ENRON

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Structured Finance Operations

Project Teresa

Overview & Benefits

Overview - Cont'd

- Actual Benefits

$000,000

By Year	Total	1997	1998	1999	2000	2001	2002
Total Stock Redemptions	343.00	68.60	37.40	42.50	69.50	69.50	55.50
Tax Effect	95.94	16.74	11.73	13.04	19.03	18.23	17.17
Gross After Tax Acct. Benefit	247.06	51.86	25.67	29.46	50.47	51.27	38.33

Quarterly ELHC Stock Redemption Activities

- Obtain and verify redemption calculation from Banker's Trust
- Obtain necessary signatures from appropriate personnel to document redemption
- Initiate and verify booking of redemptions

Accounting Activities

- Prepare both closing and monthly journal entries
  - Approximately 30 entries over 10 separate entities prepared monthly
    - Initiate and verify that dividend payments and fees are paid on time
    - Work with 3rd parties to verify that lease payments are paid on time
    - Verify amounts are in agreement with applicable agreements
  - Review monthly general ledgers

Structured Finance Operations

Project Teresa

Overview & Benefits

Overview - Cont'd

Accounting Activities - Cont'd

- Work with accounting groups to explain and verify accounting treatment of items
- Support all accounting groups by providing a central source of information
- Provide forecast information for operating plans and current estimate
- Provide partnership earnings forecasts to minority interest partners upon request

Tax Activities

- Prepare all federal and state corporate and partnership tax returns
- Quarterly tax payments
- Obtain transaction documentation for audit support
- Prepare monthly tax accrual
- Maintain deferred tax account balance
- Provide research assistance

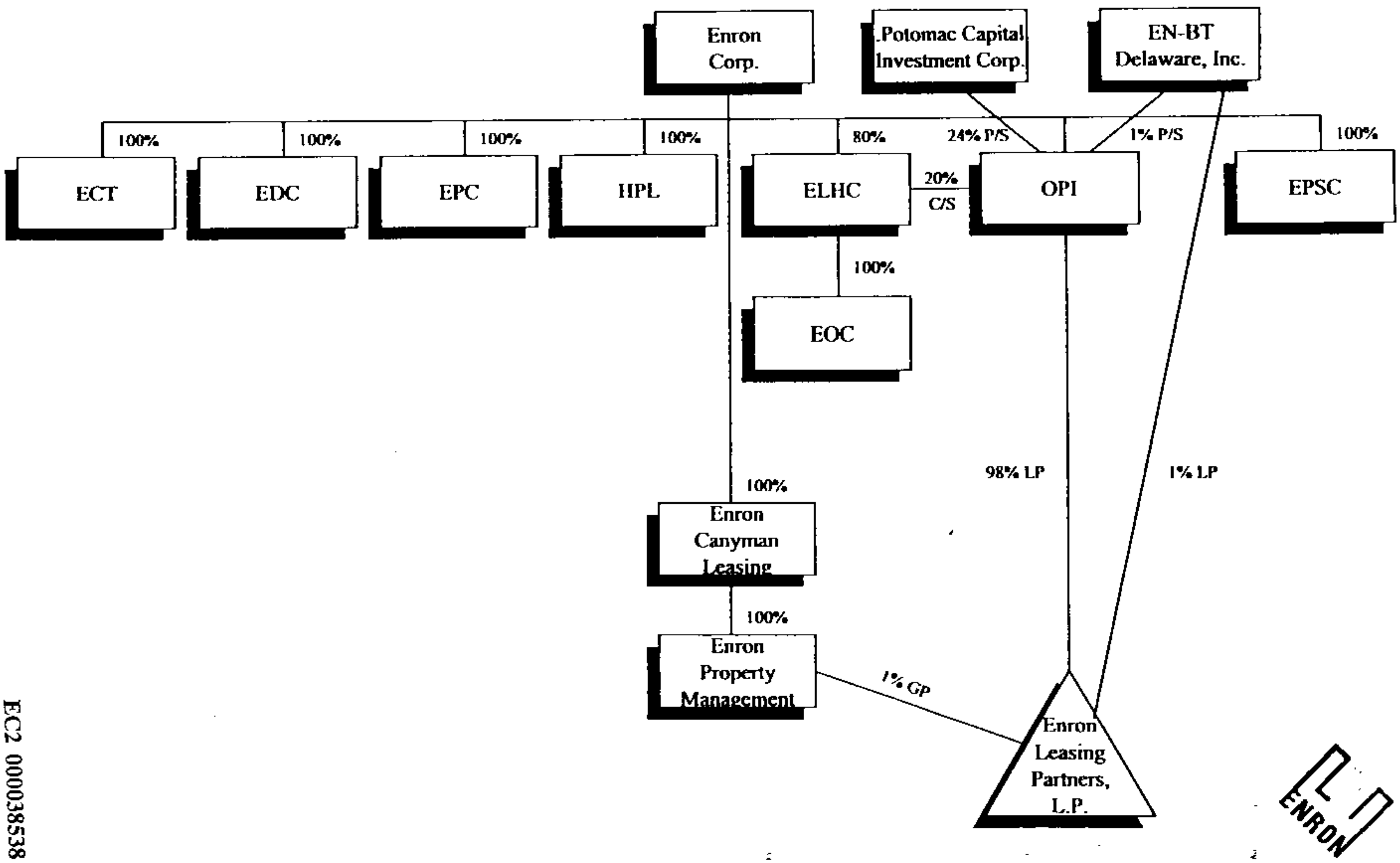
Other Activities

- Corporate data sheets updates
- Provide earnings and cash flow analysis

Structured Finance Administration

Project Teresa

Structure Chart



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Project Tomas

EC2 000038539

Structured Finance Operations

Project Tomas

Administrative Issues

Overview

- Obtain leveraged lease asset portfolio from PGE
  - Direct financing lease using substantial amount of non recourse debt
- Purchase accounting adjustment to portfolio resulted in removal of deferred tax liability
  - Substantially increased effective tax rate
- Formed limited partnership and contributed leveraged lease portfolio, stock, and recourse debt
  - Received 95% limited partnership interest and retirement right
  - Retirement right allows Enron to retire its interest in the partnership in 2 years
  - Equity investment for reporting purposes

Structured Finance Operations
Project Tomas
Administrative Issues

Overview - Cont'd

- Accounting gain recognized upon contribution:

Pre Tax Gain	$64.2M
Taxes	12.4M
After Tax Gain	51.8M

  - Gain recognition allowed since no future obligation to support partnership
  - Only book current deferred tax expense on partnership income timing differences.

Accounting Activities

- Prepare closing entries
- Prepare gain calculation
  - Obtain Arthur Andersen agreement
- Prepare internal models for:
  - Comparisons to 3rd party valuation models
  - Earnings and cash flow analysis
- Obtain final lease portfolio pricing runs for valuation of portfolio

Structured Finance Operations
Project Tomas
Administrative Issues

Accounting Activities - Cont'd.

- Coordinating monthly partnership earnings entries from Banker's Trust to PGE
  - Verifying calculation
  - Verifying bookings
- Obtaining and verifying earnings forecast
- Support accounting groups

Tax Activities

- Review partnership return
- Obtain transaction documentation for audit support
- Review monthly tax accrual
- Maintain deferred tax account balance
- Provide research assistance

Other Activities

- Portfolio management activities
- Corporate data sheet updates

Structured Finance Administration
Project Tomas
Administrative Issues

Tax

- Review and verify partnership return prepared by Banker's Trust
  - Verify earnings allocation
- Obtaining transaction documentation for audit support
- Review and verify monthly tax accrual calculation from Banker's Trust and ensure it is appropriately reflected
- Coordinate response to minor issues as they arise

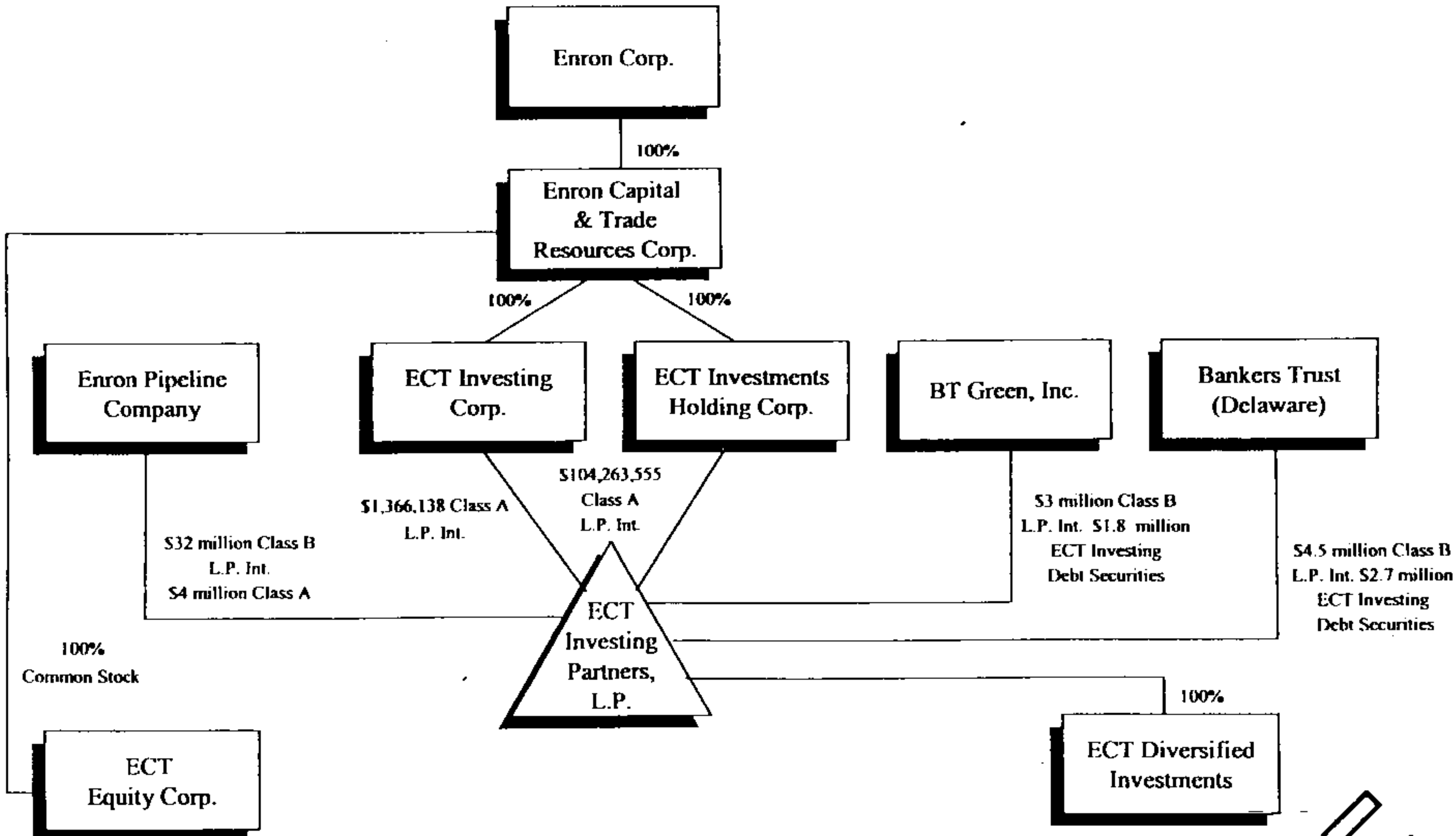
Other Items

- Review and provide updates to corporate data sheets where needed

ENRON

Project Steele

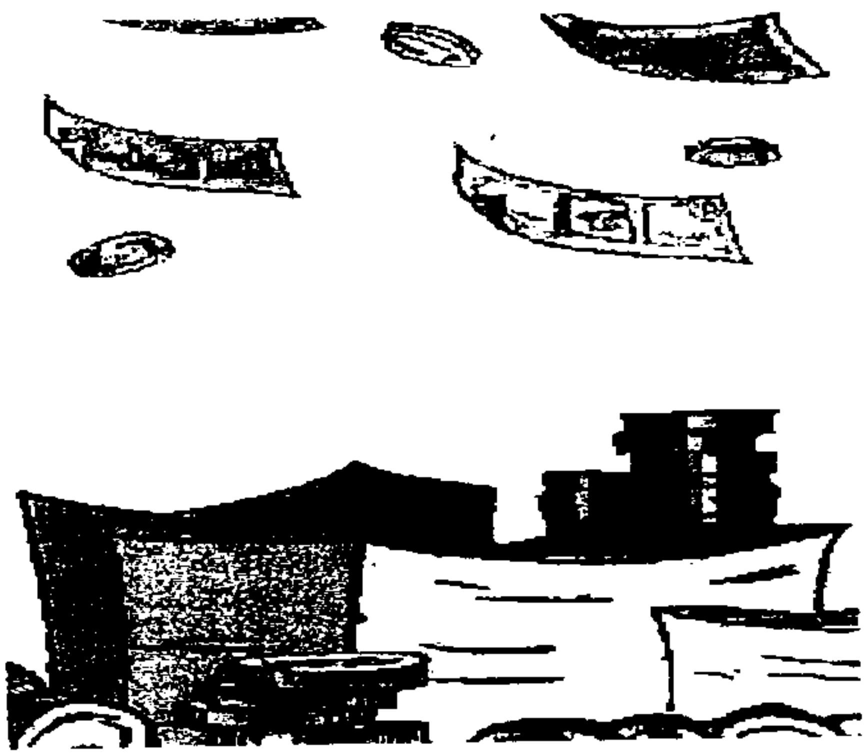
Structured Finance Operations
Project Steele



Show Me the Money!

Project Steele Earnings Benefits

(in millions)



1997	6.1
1998	23.4
1999	23.3
2000	24.7
2001	24.5
2002	18.6
2003-2024	12.2
Pre-Tax Operating Earnings	**132.8**

ENRON

How Does it Work?
Key Concepts

- High Tax Basis in REMICs
  - Phantom Income
    - Difference Between income received by REMICs from individual mortgages, and interest paid to residual interest holders.
  - Carryover Tax Basis
- Low Book Basis in REMIC's
  - Asset is Recorded at FMV

ENRON

Key Concepts

- Purchase Accounting
  - Goodwill recorded
  - Negative Goodwill if “Bargain Purchase” (i.e., FMV < Book Basis)
  - Deferred Credit for Financial Assets
    - Pre-Tax Operating Income Treatment
- Financial Assets Acquired By ECT Investing Partners, L.P.
  - Energy Bond Portfolio = 51 million
  - REMIC Portfolio (236) = 7.6 million

Deferred Credit Calculation

Tax Basis in REMICs	233.7
Book Basis in REMICs	7.6
Basis Difference	226.1
Tax Rate	37%
Deferred Tax on REMIC Basis Diff	83.7
Total Deferred Credit *	**132.8**

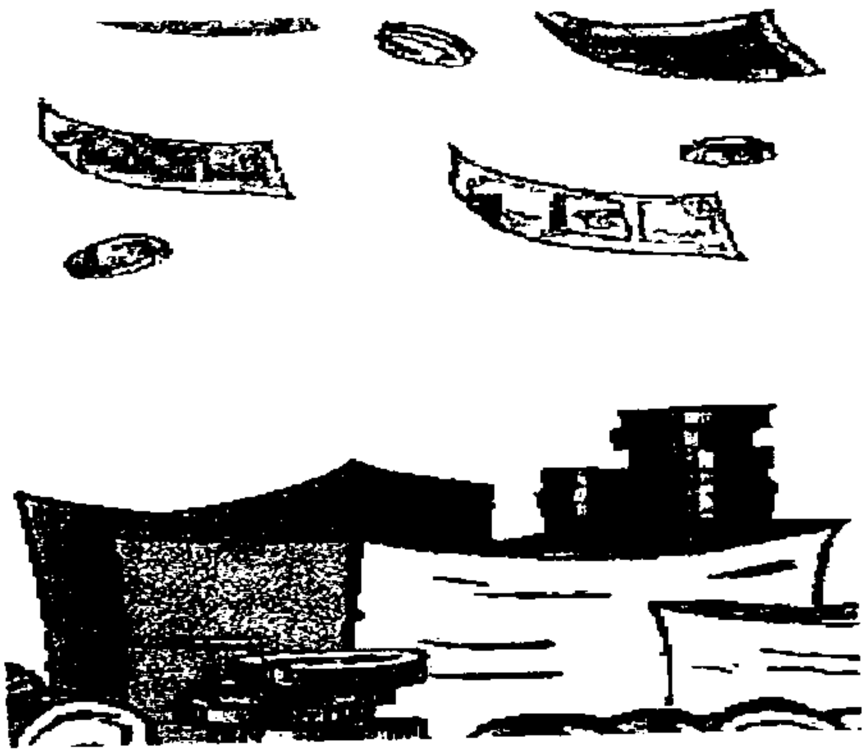
* *(Gross Up - Book Tax Diff for Deferred Credit)*
[Basis Difference x Tax Rate/(1-Tax Rate)]

Quick Amortization of Deferred Credit

- Based Life of Investments Owned by ECT Investing Partners
- Energy Bond Portfolio
  - Bond Life = 5 years
  - % Value of Bonds = 87%
- REMIC Portfolio
  - REMIC Lives = 30 years
  - % Value of REMICs = 13%

Project Steele Earnings Benefits

(in millions)



1997	*6.1*
1998	*23.4*
1999	*23.3*
2000	*24.7*
2001	*24.5*
2002	*18.6*
2003-2024	*12.2*
Pre-Tax Operating Earnings	***132.8***

ENRON

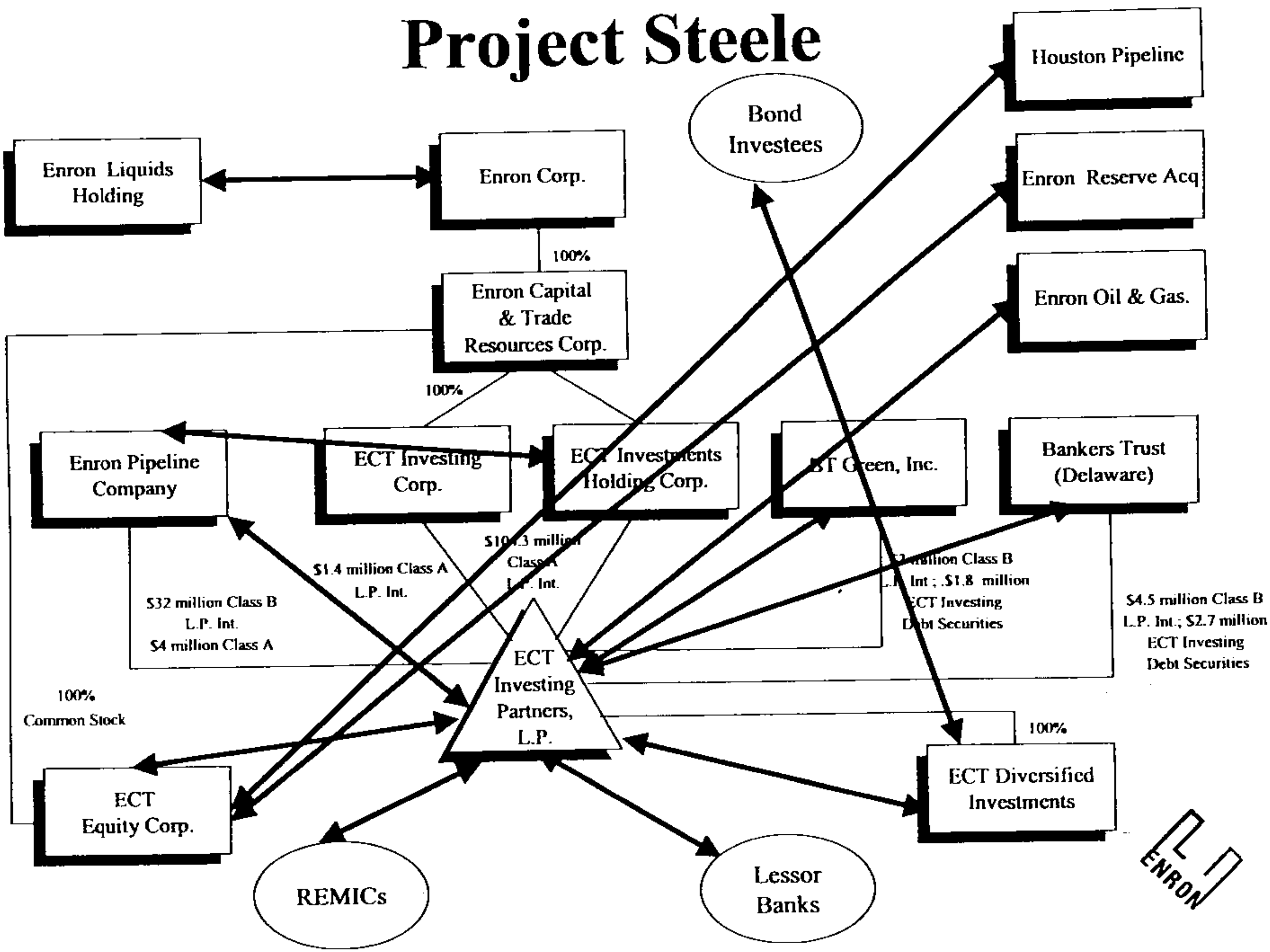
Primary Responsibilities

- Tax
  - Federal & State Tax Compliance
  - Tax Accruals
  - Operating Plan
  - Current Estimate
  - Tax Research

Added Responsibilities

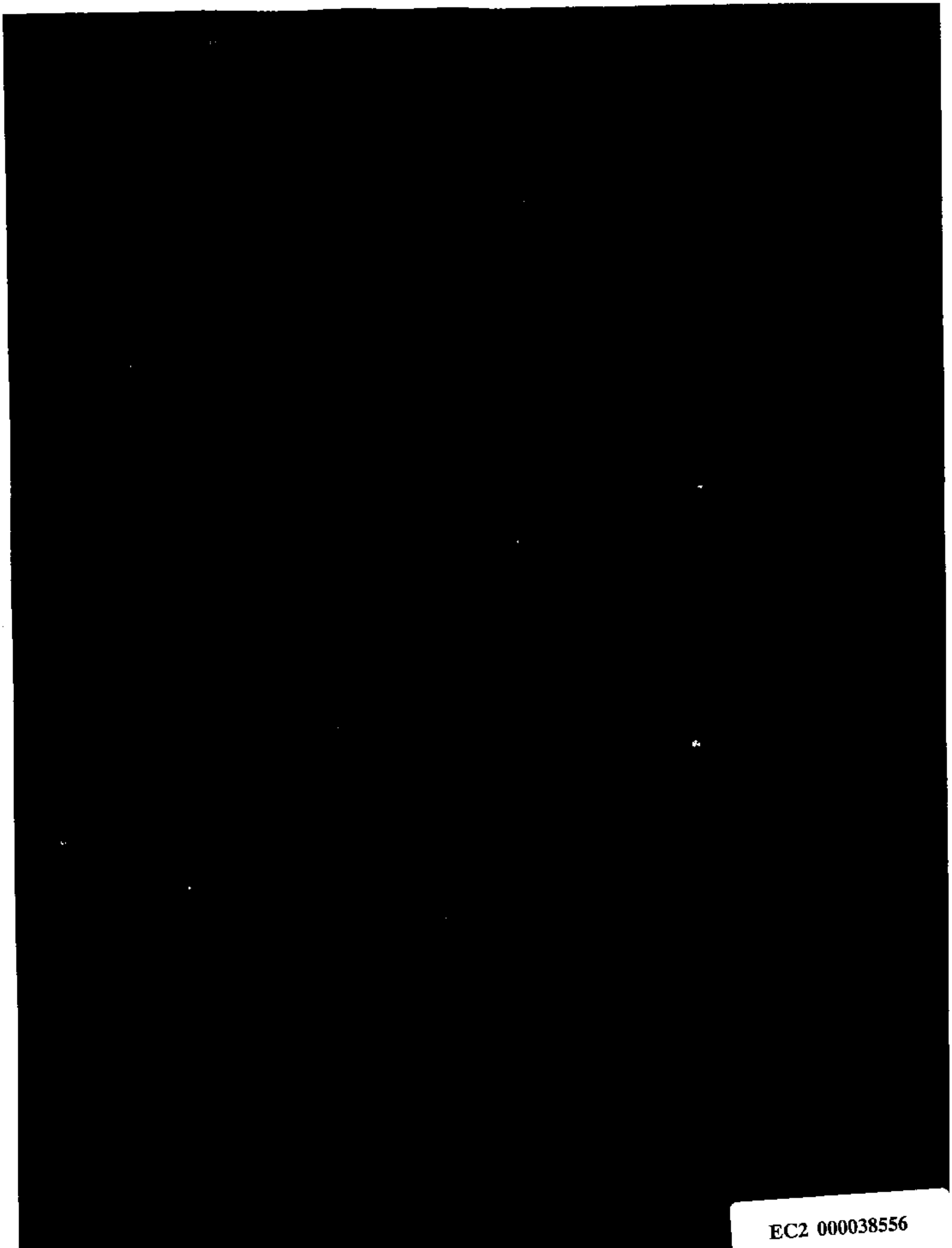
- Monthly Accounting Journal Entries
  - Review All Closing Documents
  - Determine Relationships Between All Entities
  - Calculate All Accruals and Payments Required
  - Coordination Between Various Accounting Close Schedules
    - 3rd, 5th and 12th Workday Close
  - Coordination of Cross Charges Between Accounting Systems
  - 30 - 40 Entries Per Month

Project Steele



What Else?

- Investment Management
  - Energy Bond Portfolio
    - Reconcile Bond Interest Income to Accrual
  - REMICs
    - Custody
    - Account For and Reconcile Distributions
    - Update Tax Basis in REMIC Residual Interest



EC2 000038556

- Cash Management
  - Banking
  - Accounts Payable
    - Ensure Payment of all invoices
      - Legal, Investment Banking Fees, Lease Payments

- Legal / Administrative
  - Ensure Proper Declaration of Dividends
  - Update Corporate Data Sheets
  - Monitor Adherence to all Reps & Warranties
  - Develop Comprehensive Calendar For Project Events / Transactions

VI.

WIND CREDIT MONETIZATION STRUCTURES

Lake Benton I

Executive Summary

- Form a new Delaware limited liability company with two Enron Wind Corp. subsidiary owners ("Holdco").
- Cause Holdco to purchase the current equity interest held by an Enron Wind Corp. subsidiary in Lake Benton Power Partners I, LLC ("Project Company") in exchange for a purchase money note in the approximate amount of $2.5mm and the settlement of intercompany payables in the approximate amount of $15.5mm.
- Sell a 99% interest in Holdco to a subsidiary of General Electric Capital Corp. ("GECC") for a minimal amount.
- GECC and the Enron Wind Corp. member of Holdco each contribute 99% and 1% respectively of approximately $58mm in cash for their equity interests. In addition, GECC lends Holdco $4.5mm and takes a subordinated note in exchange.
- Holdco uses its funds to fund the Project Company in the approximate amount of $58.5mm.
- Project Company borrows approximately $75.8mm in senior and junior debt from a consortium of banks led by Mees Pierson. These funds and the cash provided by Holdco are used to repay a construction bridge loan from ECM in approximate amount of $135mm.

Executive Summary

- The closing of the permanent debt facilities and the equity funding complete the sale of a 107 megawatt wind project constructed by Enron Wind Construction Company with turbines built by Zond Energy Systems. The gross purchase paid to these two companies under the Engineering, Procurement and Construction Contract is approximately $143.5mm.

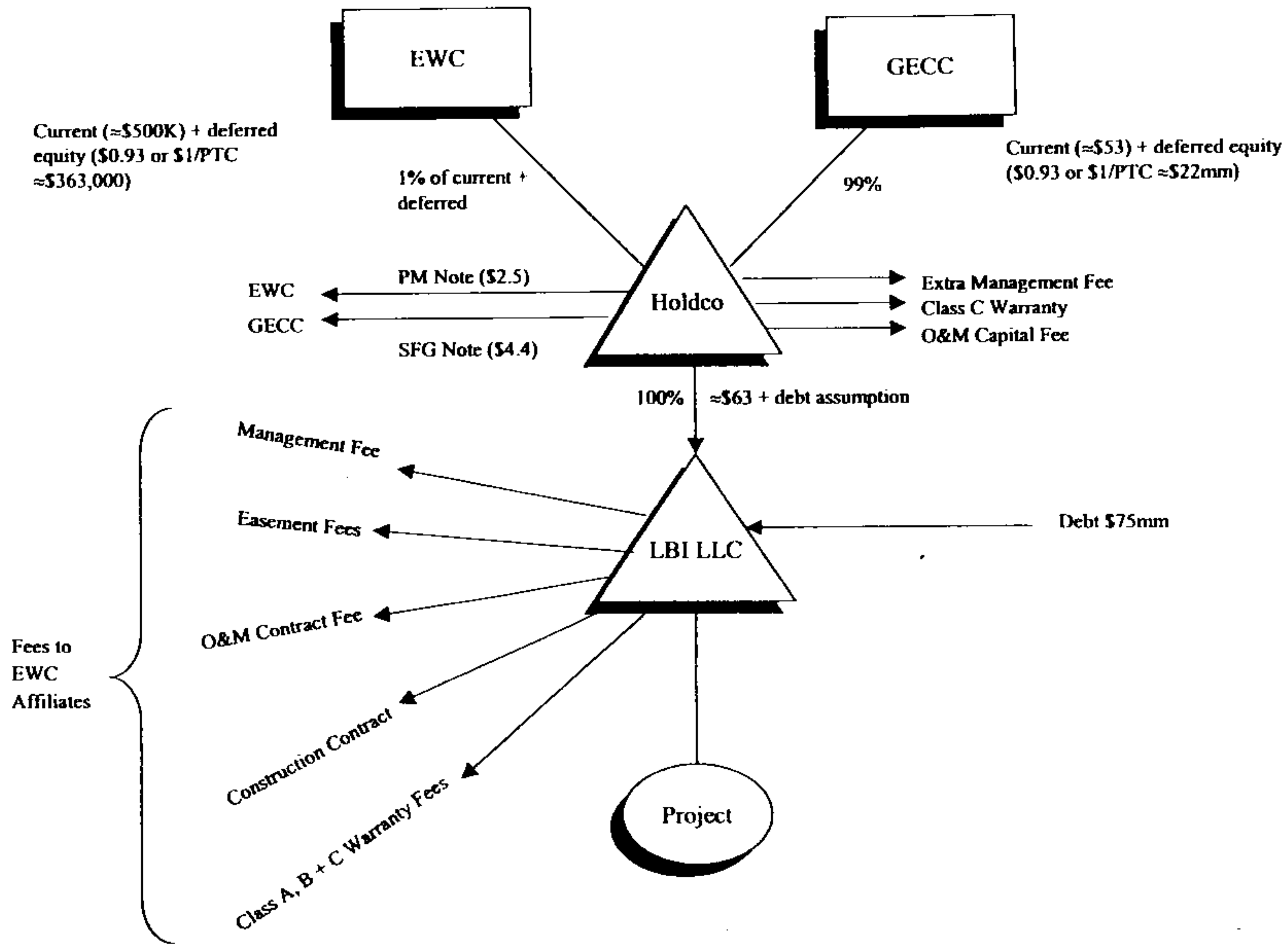
The transaction should provide:

- 1998 net accounting income before taxes of approximately $22mm.
- Future gross income from fees of approximately $4.9mm.
- Wind tax credits of $593,000 over 10 years.
- Depreciation Deductions of $1.5mm over 10 years.

Additional Benefits provided by tax structuring:

- The net profit from the sale of this project in a structure which did not effectively monetize the tax credits and the MACRS depreciation deductions was approximately $15.2mm. The net profit under the monetization structure is approximately $22mm. The added value in the current year from the tax planning is approximately $6.8mm.

LAKE BENTON I



Cabazon

Executive Summary

- Sell a 99% interest in Enron Wind Cabazon LLC ("Cabazon LLC") to a subsidiary of First National Bank of Chicago Leasing Corp. ("FNBC") for a minimal amount.
- FNBC and the Enron Wind Corp. member of Cabazon LLC each contribute 99% and 1% respectively of approximately $25mm in cash for their equity interests.
- Cabazon LLC uses its funds plus approximately $37mm in senior and junior debt financing to complete the purchase of the Wind Project for an approximate amount of $61.5mm cash and a $2.7mm subordinated note payable to Enron Wind Constructors, Inc.
- The closing of the permanent debt facilities and the equity funding complete the sale of a 40 megawatt wind project constructed by Enron Wind Construction Company with turbines built by Zond Energy Systems.

Executive Summary

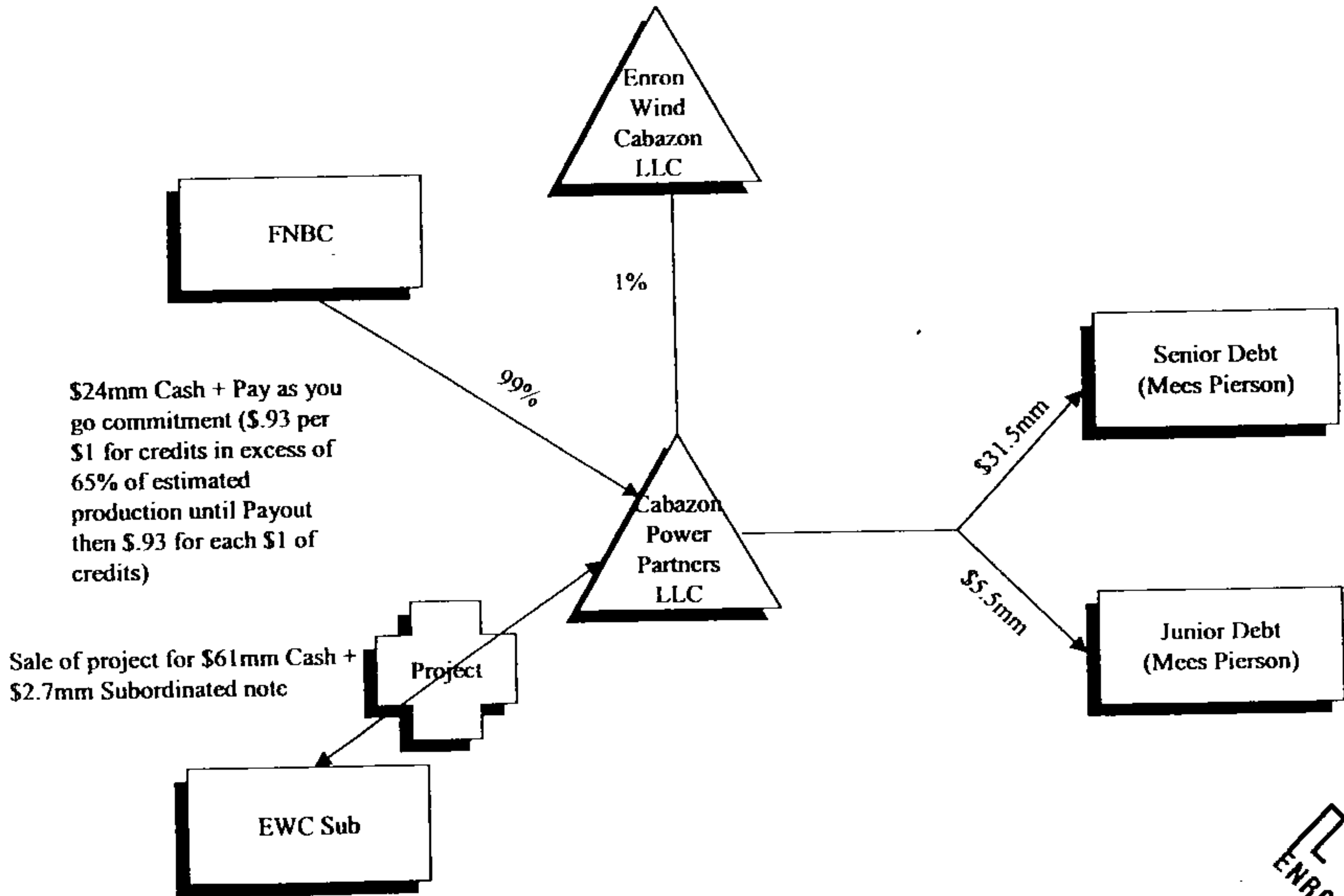
The transaction should provide:

- 1998 net accounting income before taxes of approximately $5.5mm.
- Future gross income from fees of approximately $6.9mm.
- Wind tax credits of $258,870 over 10 years.
- Depreciation Deductions of $626,000 over 10 years.

Additional Benefits provided by tax structuring:

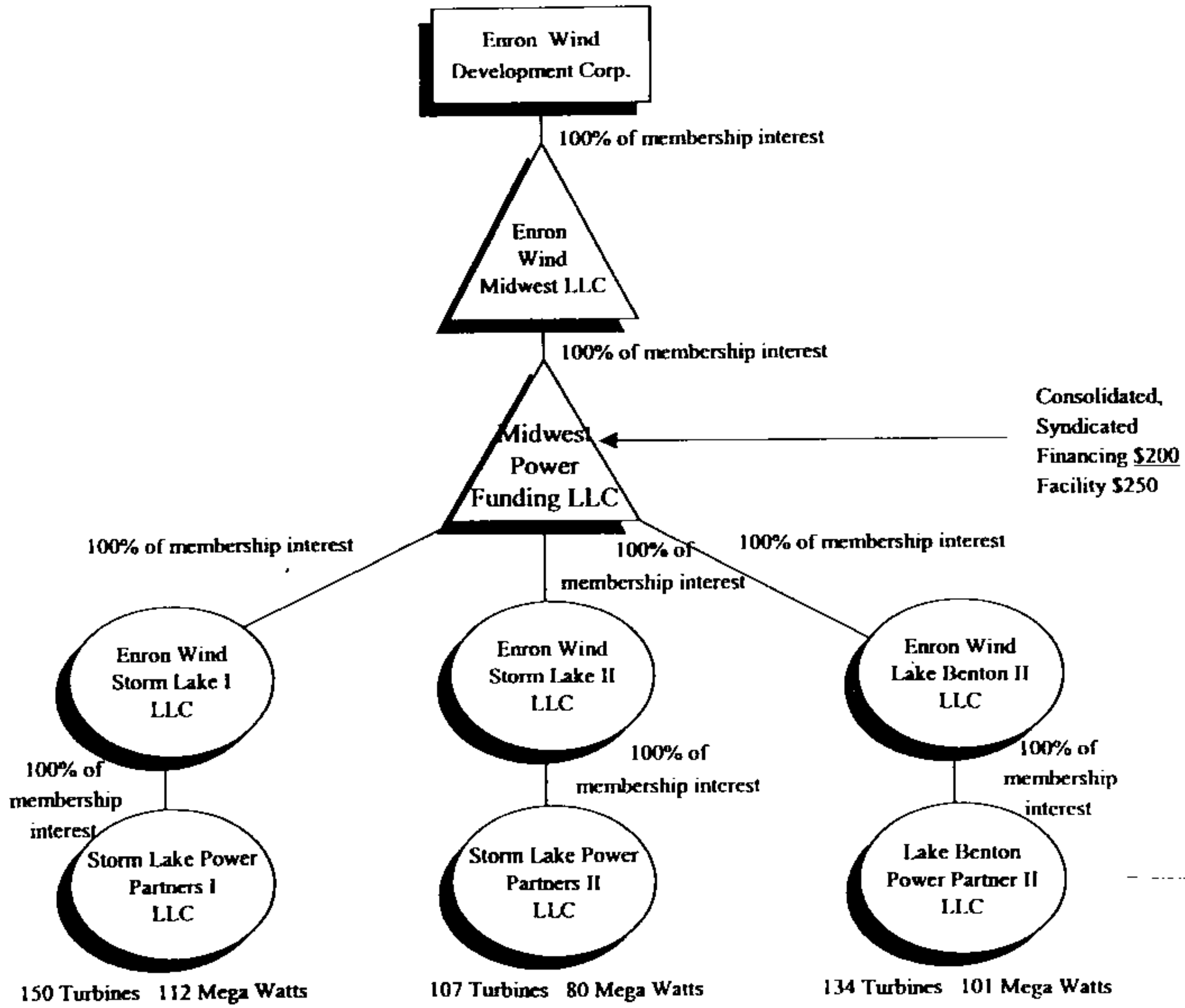
- This transaction has many legal and regulatory complexities which make it unattractive as an equity investment to investors who cannot use the wind tax credits and depreciation deductions. Unless the credits are monetized, this project is essentially unsellable.

Cabazon Power Partners
(40 MW Wind Project in Minnesota)



Future Midwest Wind Projects

Ownership After Transaction



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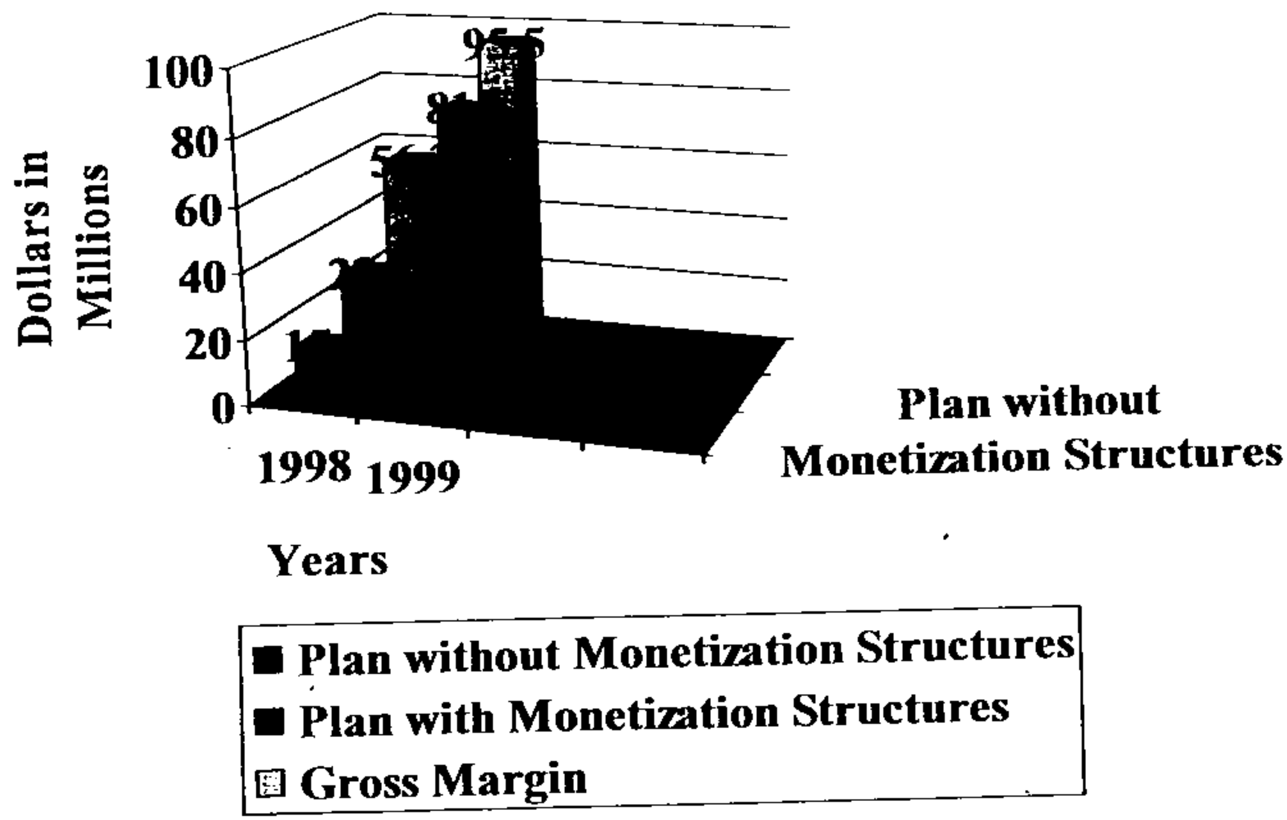
Future Midwest Projects

EC2 000038569

Value Added From Tax Planning for Wind Projects



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VII.

SFAS 125 MONETIZATIONS

SFAS 125 Transaction

A **securitization of financial assets** is **accounted for as a sale** only if all of the following conditions are satisfied:

- The transferor of the financial assets **receives consideration**
- The transferor **surrenders financial control** over the assets, generally requiring the following showing -
  - **Isolation.**
  - **Pledge or exchange.**
  - **Control.**

1996 and 1997 Transactions Financial Summary

Project Name	Pre-Tax Earnings	After-Tax Earnings	Cash
EOG	$179.3M	$	$203.58M
EPP I	$____M	$	$33M
EPP II	$____M	$	$33.2M

1998 Transactions Financial Summary

Project Name	Pre-Tax Earnings	After-Tax Earnings	Cash
Project Cornhusker	$54.992M	$25M	$99.16M
Project Churchill	$168M	$168M	$200M
Project Shogun	$21	$12.8M	$49
TOTALS	$243.9M	$205.88M	

ENRON

EC2 000038573

SFAS 125 Transaction
(Continued)

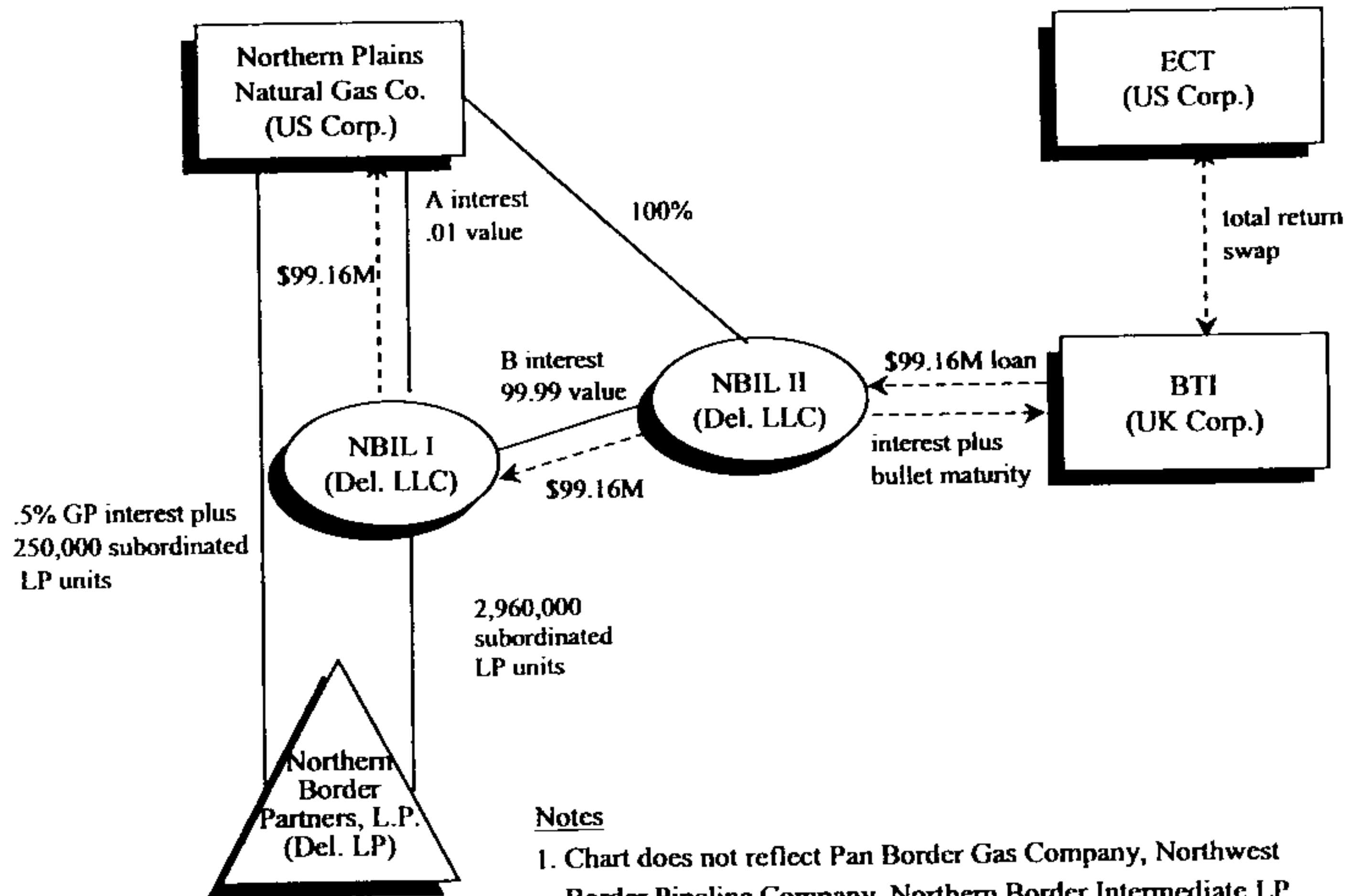
- A **QSPE** is said to be **"brain dead"** or on **"automatic pilot"** and that **"is not allowed to think"**.
- An entity with legal standing distinct from the transferor;
- Whose activities are permanently limited by its legal documents

All 1998 transactions were characterized as debt or financing transactions of the transferor of the assets

1996/1997 transactions SFAS 125 transactions were treated as sales for tax as well as for accounting purposes because they relied on a different, less flexible, structure.

The **FASB recently acted to preclude the use of SFAS 125** transactions for entities which hold nothing but real estate (including pipelines and power stations) which will limit the investments for which we can continue to use this tool in the future. Other recent FASB action will required better disclosures of cash flows resulting from securitization transactions, categorized by major securitization types, effective for transactions occurring after 1/1/99.

Northern Plains Natural Gas Company
Bank Loan Funding
March 24, 1998



Legend

□ -corporation

○ -branch

△ -partnership

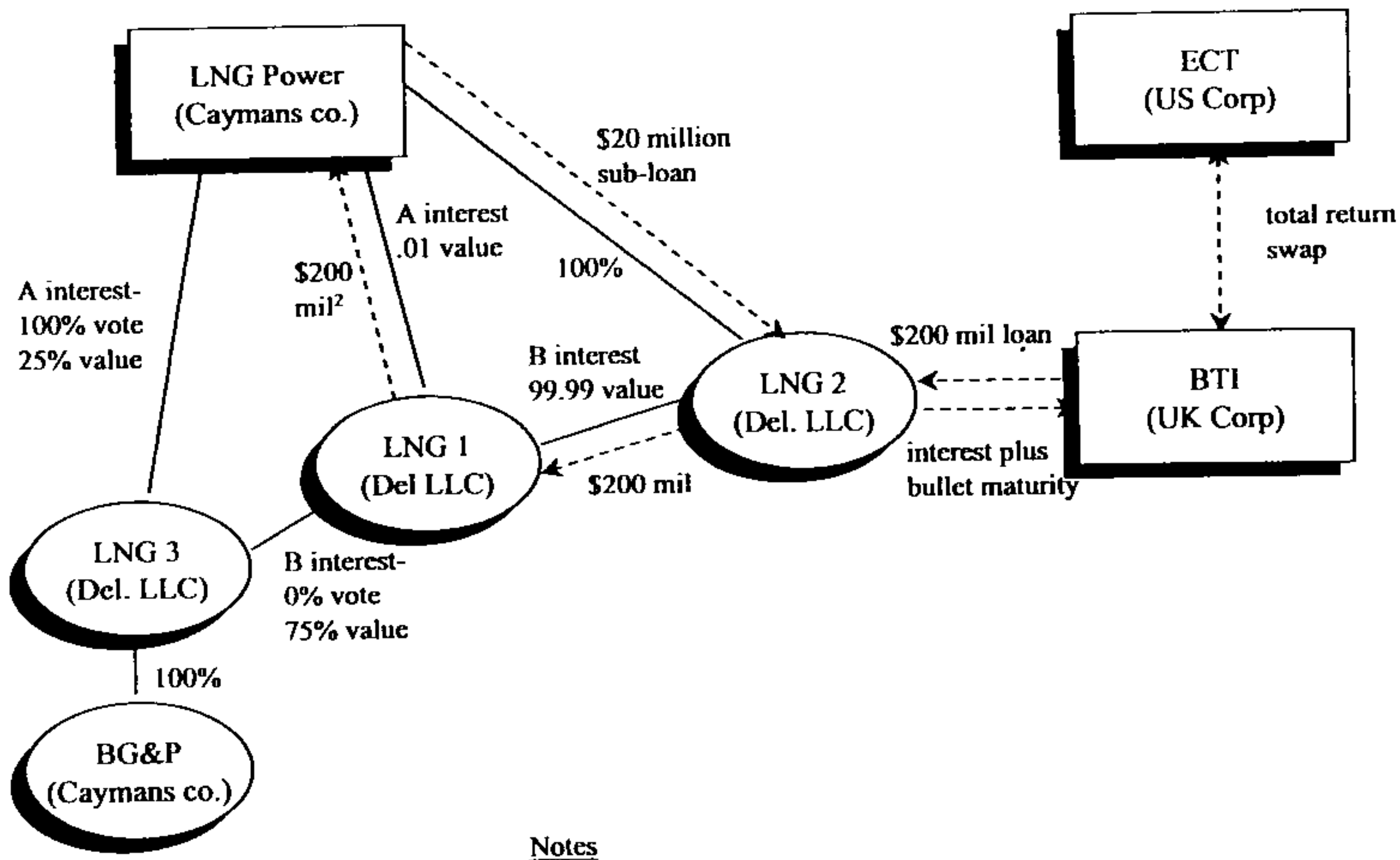
Notes

1. Chart does not reflect Pan Border Gas Company, Northwest Border Pipeline Company, Northern Border Intermediate LP, and Northern Border Pipeline Company.
2. For accounting reasons, $49.58M distributed March 27, 1998 and $49.58M distributed April 2,1998.

ENRON

EC2 000038575

LNG Power Group[1] - US Tax Characterization
Bank Loan Funding - June 29, 1998



Legend

□ -corporation

○ -branch

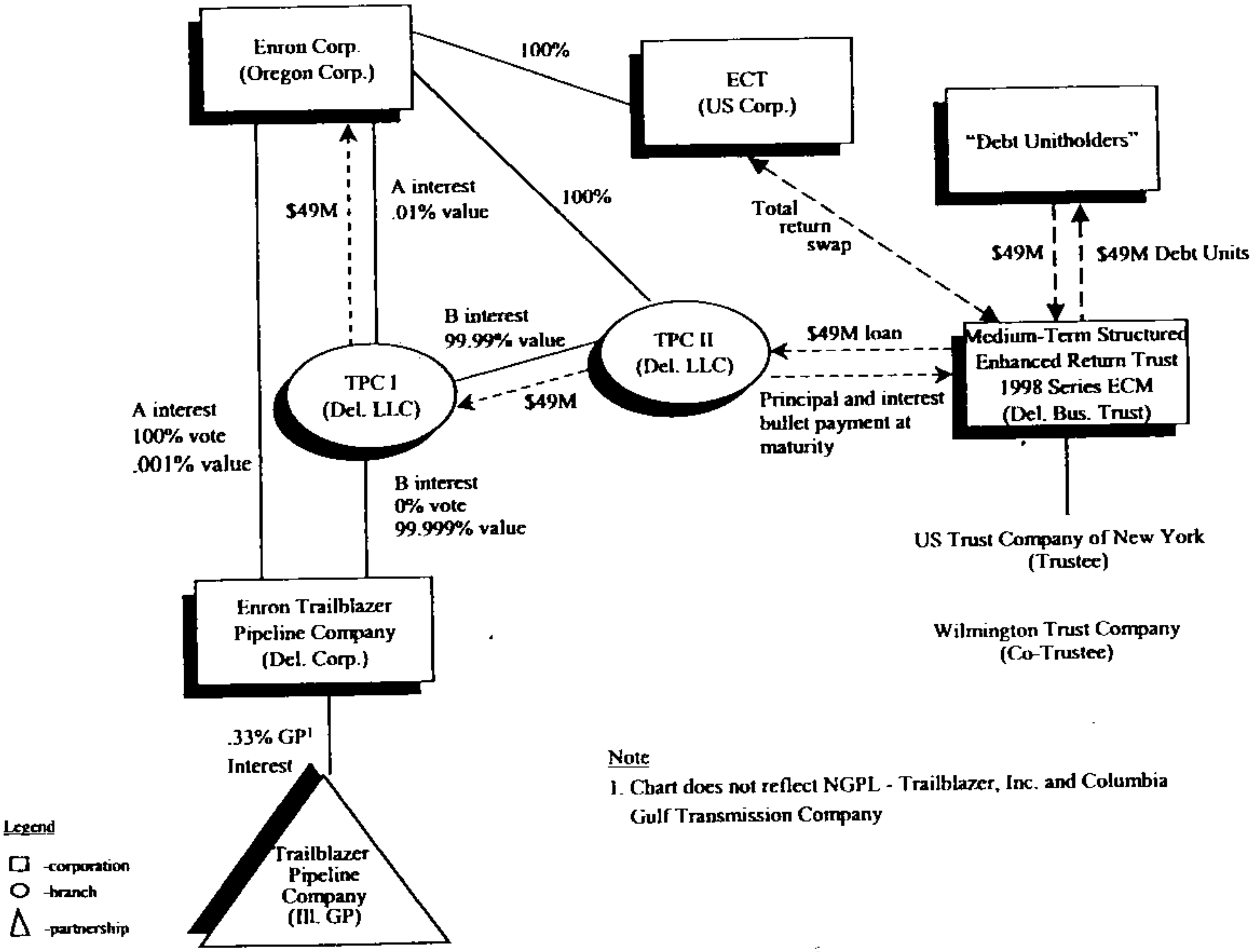
Notes

1. Chart does not reflect BEPR, EHL, EL or ELP.
2. For accounting reasons, $100 million distributed June 29, 1998 and $100 million distributed July 2,1998.

Enron Trailblazer Pipeline Company

Bank Loan Funding

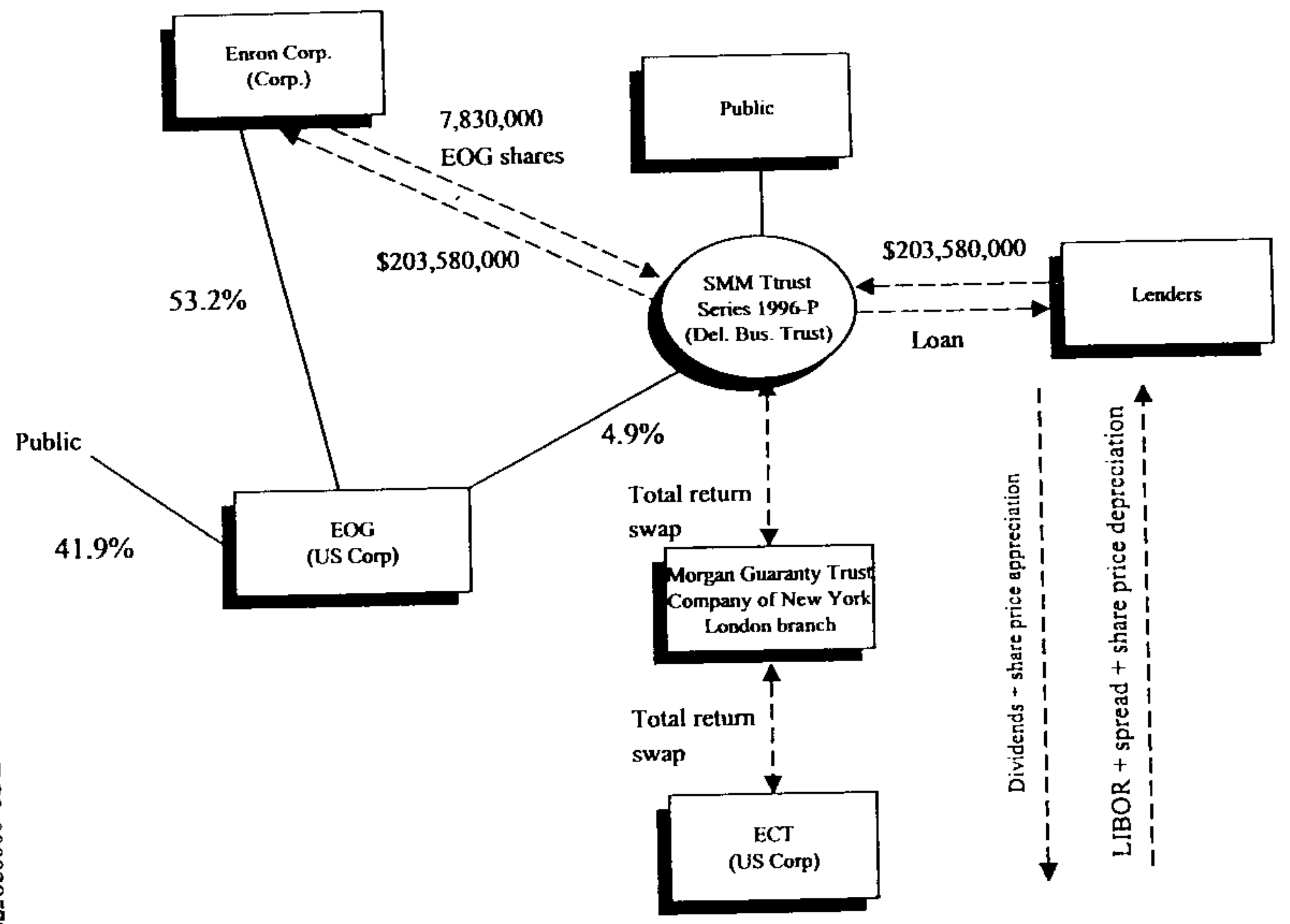
November 12, 1998



Note

1. Chart does not reflect NGPL - Trailblazer, Inc. and Columbia Gulf Transmission Company

Enron Corp's Sale of EOG Shares to SMM Entity
December 16, 1996



VIII.

CAPITAL MARKETS PRODUCTS

ENRON

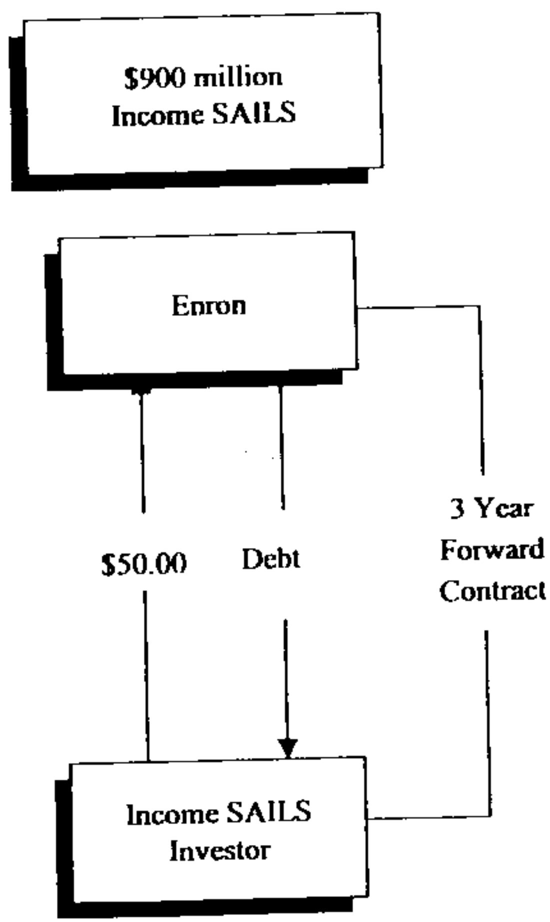
SAILS

Capital Markets Products
SAILS

	\$70 million Enron Note	\$630 million Income SAILS	\$70 million (face value) Growth SAILS	Proceeds to Issuer
5-Year Enron Note	\$70 million	\$630 million		\$1,000 million proceeds to Enron today in exchange for Enron Note
3-Year Forward Contract (face value)		\$630 million	\$70 million	\$1,000 million proceeds to Enron in 3 years in exchange for common stock
3-Year Treasury Zero (face value)			\$70 million	\$0

EC2 000038581

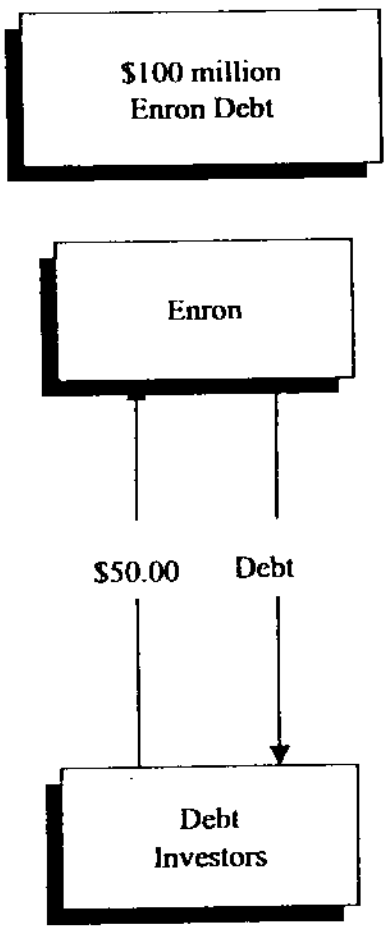
Capital Markets Products
SAILS



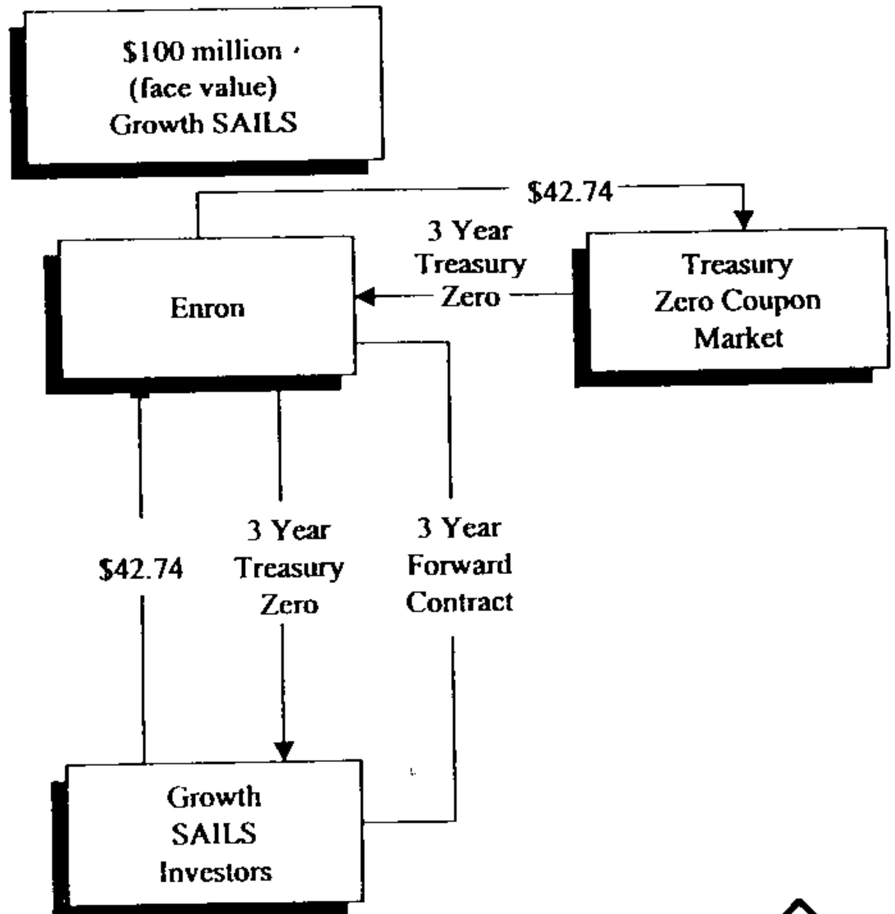
- Income SAILS are Forward Contracts collatcralized by Enron Note
- Enron Note with coupon at 6.40%
- Adjustment payments of 1.10% on total value of Forward Contract

EC2 000038582

Capital Markets Products
SAILS



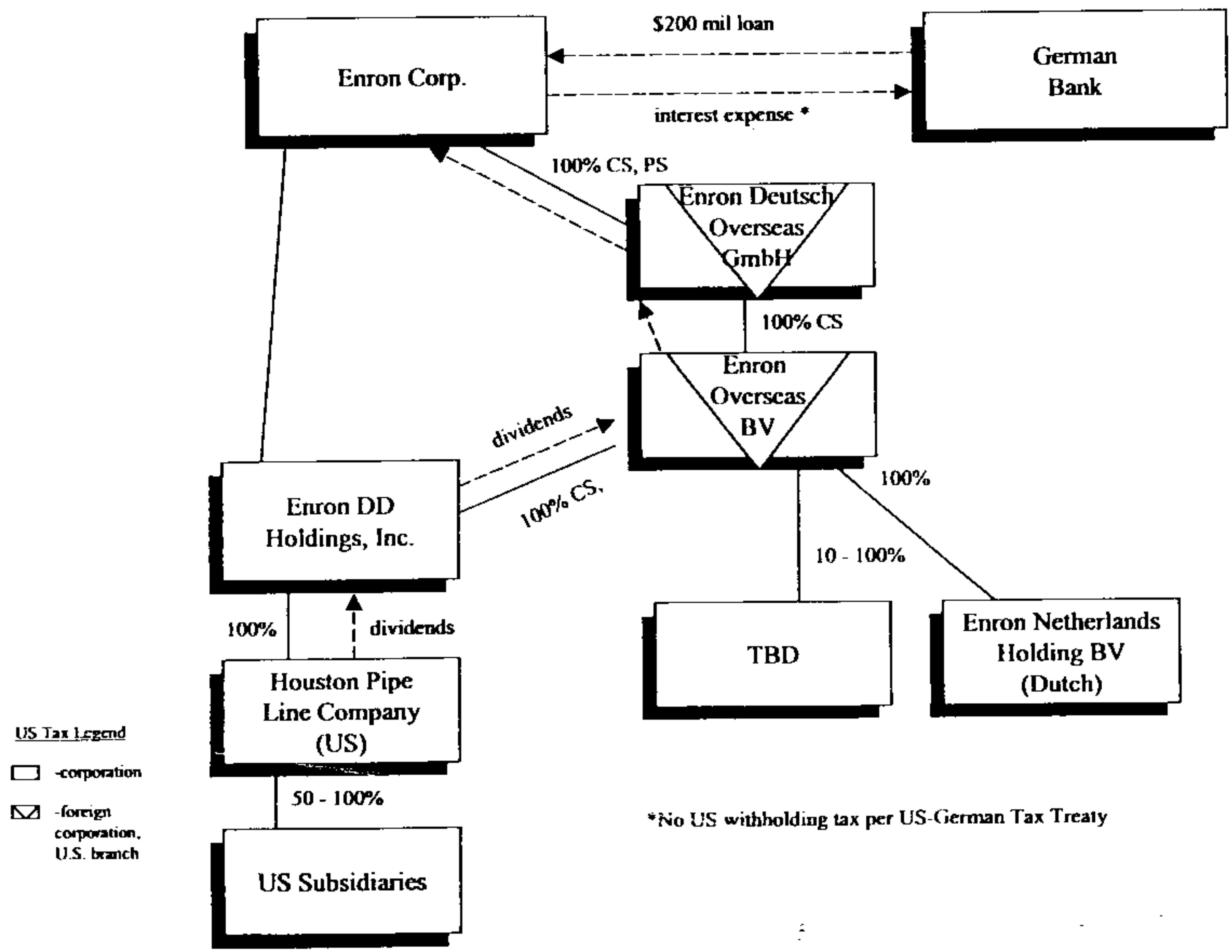
- Growth SAILS are Forward Contracts collateralized by zero coupon Treasuries
- Debt coupon at 6.40%
- Adjustment payments of 1.35% on Forward Contracts



EC2 000038583

German PINTS

Capital Markets Products
PINTS Financing
US Tax Characterization

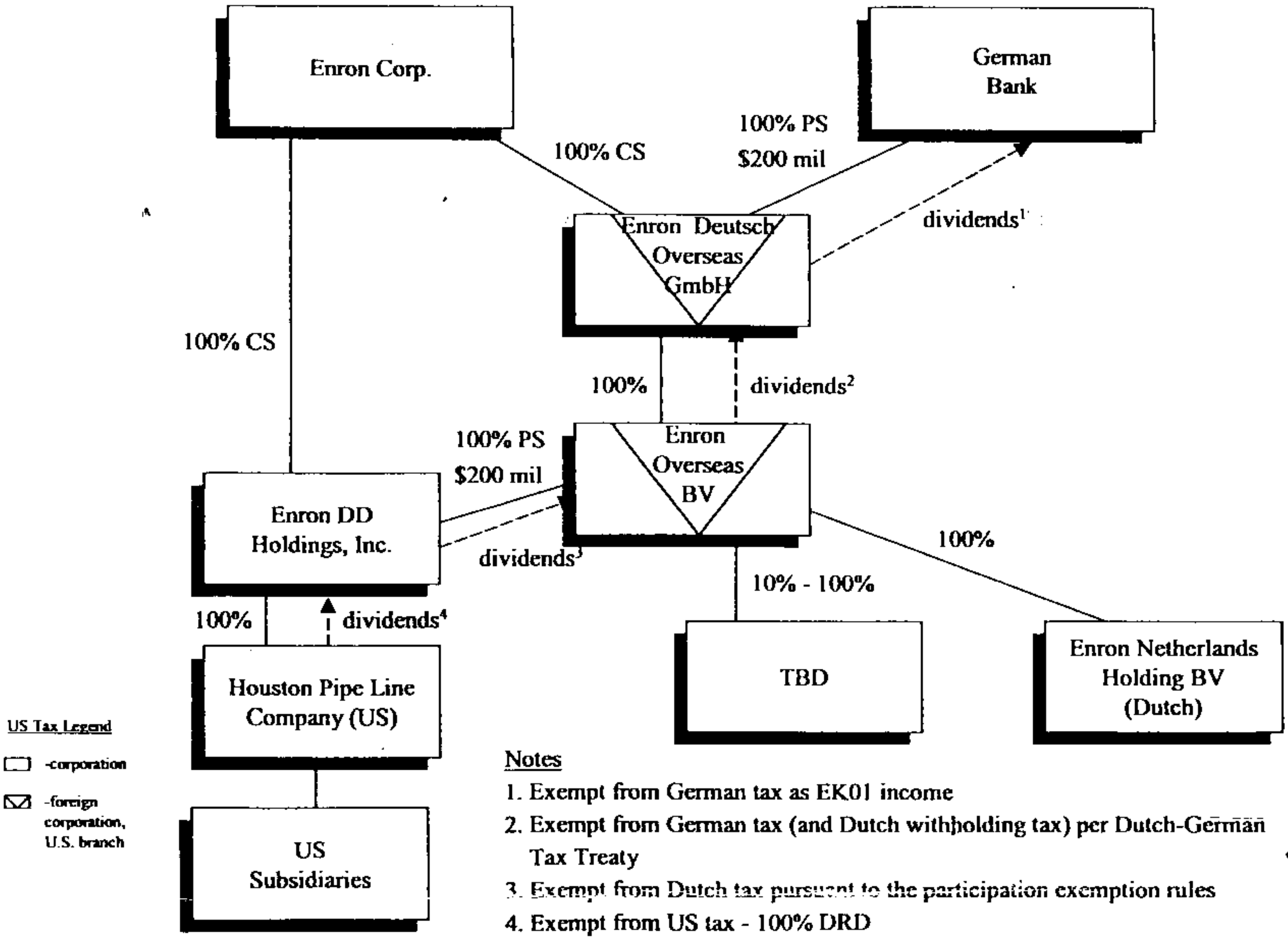


*No US withholding tax per US-German Tax Treaty

Capital Markets Products

PINTS Financing

German/Dutch Tax Characterization



Notes

1. Exempt from German tax as EK01 income
2. Exempt from German tax (and Dutch withholding tax) per Dutch-German Tax Treaty
3. Exempt from Dutch tax pursuant to the participation exemption rules
4. Exempt from US tax - 100% DRD