Vasconcellos, Brent

From: Tiller, AnnMarie
Sent: Tuesday, March 27, 2001 8:55 PM
To: Siurek, Ryan
Cc: Vasconcellos, Brent; Bowes, Bill; Williams, David C.; Wilson, Danny; Sandt, Jim
Subject: Yosemite III prepay

Ryan,

Please let me know if we could meet for a short time around, say, 3:00 p.m. tomorrow to discuss the Yosemite prepay. I've included below the draft summary I have prepared to discuss this portion of the transaction in the deal memo I am preparing for our tax files, but I am confused about how the thing is supposed to work and how it accomplishes your book accounting objective. If 3:00 p.m. doesn't work for you, please don't hesitate to throw out another suggested time. Thanks.

AnnMarie

References herein to the prepaid swap or the "Swap" are actually references to the combination of two contemporaneous cash-settled commodity swaps. The first such swap between Enron and Citibank is a cash-settled commodity swap on 22,238,748 barrels of crude oil. In return for an up-front payment of $439,677,103 from Citibank, Enron is obligated to make (1) floating payments to Citibank each January 14 and July 14 based on the NYMEX spot price for 568,024 barrels of crude at the closing price three commodity business days prior to the payment date; (2) one up-front floating payment to Citibank based on the NYMEX spot price for 533,312 barrels of crude at the closing price three commodity business days prior to the payment date; and (3) on the final floating payment date, a floating payment to Citibank equal to $475,000,000 or, if less, the NYMEX spot price for 23,238,748 barrels of crude at the closing price three commodity business days prior to the payment date.

The second cash-settled commodity swap runs between Enron and Delta Energy Corp., a Cayman Islands exempt LLC ("Delta") under which Enron will receive an up-front payment of $35,317,897 from Delta. Additionally, over the term of the swap, Delta is obligated to make (1) floating payments to Enron each January 14 and July 14 based on the NYMEX spot price for 568,024 barrels of crude at the closing price three commodity days prior to the payment date; and (2) one up-front floating payment to Enron based on the NYMEX spot price for 533,312 barrels of crude at the closing price three commodity business days prior to the payment date.

In consideration for these payments under the second swap, Enron is obligated to make (1) an up-front payment to Delta of $16,665,982; (2) floating payments on each January 14 and July 14 based on the NYMEX spot price for 568,024 barrels of crude at the closing price three commodity business days prior to the payment date; and (3) on the final payment date, a payment in the amount of $17,750,750.

Contemporaneously, Enron borrowed $25M from Citibank in return for a Debt Security calling for semi-annual interest payments payable in arrears with an interest rate of 24.83% from August 25, 2000 to January 14, 2001 and an interest rate of 23.994% thereafter. The Debt Security has a maturity date of July 14, 2005.

[The result of the combination of the two swaps and the direct loan is that Enron will receive a net up-front payment under both swaps and the direct loan of $483,329,018; (2) Enron will have to make floating payments to Delta on January 14 and July 14 based on the NYMEX spot price for 568,024 barrels of crude oil at the closing price three commodity days prior to the payment date; and (3) Enron will be obligated to make a net payment of no less than [$492,750,750 + $25M] at the end of the transaction]

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