

Project Tammy I

Deal Basics

Business Purpose – Raise \$500 million of minority interest equity for general Enron purposes. The structure also permitted the recognition of certain financial accounting benefits partially based on tax planning strategies.

Primary Entities – Enron Corp.; Enron Finance Partners, LLC.; Enron Intermediate Holdings LLC; Enron Finance Management LLC; Enron Capital Investment Corp.; Enron Asset Holdings, LLC; Smith Street Land Company; Enron Global Exploration & Production, Inc.; Boreas Holdings Corp.; Enron Caribbean Basin LLC.

Dates Closed – May through December 2000

Principal Assets – Current assets include EOGR shares (proceeds from monetization); EREC; EOGIL; East Coast Power (proceeds from monetization); Ecoelectrica; various intercompany obligations

Transaction Size – \$2 billion in assets contributed and \$1.9 billion of related debt; anticipated earnings of up to \$400 million over the life of the structure

Net Income Impact – No *direct* book earnings have been recorded for this structure. However, Enron's use of the structure indirectly supported the Company's reported tax rate for the 2001 interim periods (approximately \$200 million net income effect). Minority interest treatment characterization in the Enron financial statements.

Primary Tax Return Effect – The deconsolidation of EREC. Forgone interest expense deductions on \$500 million of minority interest equity. Capital gains on asset dispositions are reported in the EFP partnership but would have been reported by Enron absent Tammy.

Current Status – In litigation/settlement discussions with Zephyrus over defaults in payment related to minority interest investment. Multiple groups are actively scrutinizing the project in connection with certain EAH asset sales. Issues are to be presented to the Creditor Committee in the near future.

Counterparties

Counterparty – Zephyrus Investments, LLC

Size of Investment – \$500 million

Litigation Status – In litigation

Control Rights – Right to take over management of EFP

Indemnities – Various

Advisory History

Principal Advisors

- Akin, Gump – Tax counsel
- Vinson & Elkins – Corporate and tax counsel
- Deloitte & Touche – Tax structuring assistance
- Arthur Andersen – Accounting and financial statement issues

Primary Opinions

- Tax opinion on partnership formation, funding and operational issues – V&E
- SAS 50 letter by AA addressed to Enron Corp.

Confidentiality Agreement – No

Widely Marketed Deal – No

Financial Model and Deal Memo – Model created internally; V&E support memo

Current Counsel – None (V&E was counsel until 2-7-02)