Project Tammy II

Deal Basics

Business Purpose – Intended to raise $500 million of minority interest equity for general Enron purposes, but the interests were never placed. The structure also permitted the recognition of certain financial accounting benefits partially based on tax planning strategies.

Primary Entities – Enron Corp. (bankruptcy filer); Enron Finance Management, LLC; Enron Property & Services Corp. (probable bankruptcy filer); Enron Northwest Finance, LLC; Enron Northwest Intermediate, LLC; Enron Northwest Assets, LLC.

Date Closed – May 2001

Principal Assets – Option to purchase PGE stock; EOTT stock; derivative interest in Hanover Compressor stock.

Transaction Size - $2.1 billion asset value on contribution and $1.9 billion of debt. Anticipated earnings of up to $350 million over the life of the structures (following sale of principal asset and placement of minority interest equity).

Net Income Impact – No current or prior earnings recorded for Tammy II (and no other financial statement impact).

Tax Return Effect – This structure has not altered any prior Enron tax returns; however, it has resulted in the deconsolidation of PGE.

Current Status – Actively scrutinized and under examination by multiple groups retained by Enron in connection with the sale of PGE and management of Enron Corp.'s debt position.

Counterparties

Counterparty – None

Advisory History

Principal Advisors

- Vinson & Elkins – Corporate and tax counsel
- Deloitte Touche – Tax structuring and related consultation

Primary Opinions – None

Confidentiality Agreement – No

Widely Marketed Deal – No

Financial Model and Deal Memo – Internal model created

Current Counsel – Vinson & Elkins (until their effective resignation last week)

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