AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

DISCUSSION MATERIAL FOR

Project Renegade

December 17, 1998

December 17, 1998

EC2 000037527

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Bankers Trust makes no representation as to the legal, tax, or accounting consequences of this discussion material. All parties should rely on their own counsel, accountants, and other similar advisors for legal, tax, accounting and other similar advice.

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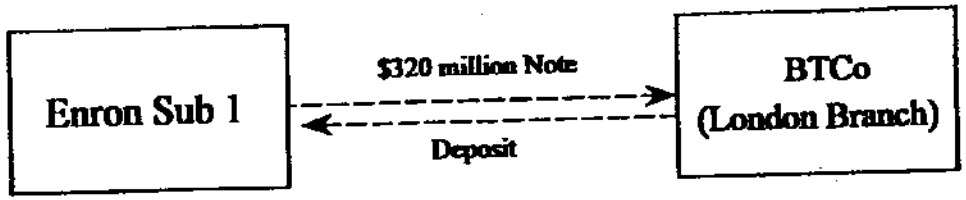
EC2 000037528

I. Executive Summary

The transaction (the "Transaction") involves the use of a special purpose vehicle owned by Enron Corp. ("Enron") and Bankers Trust Company ("BTCo") for the purpose of raising capital for Enron.

II. Transaction Structure

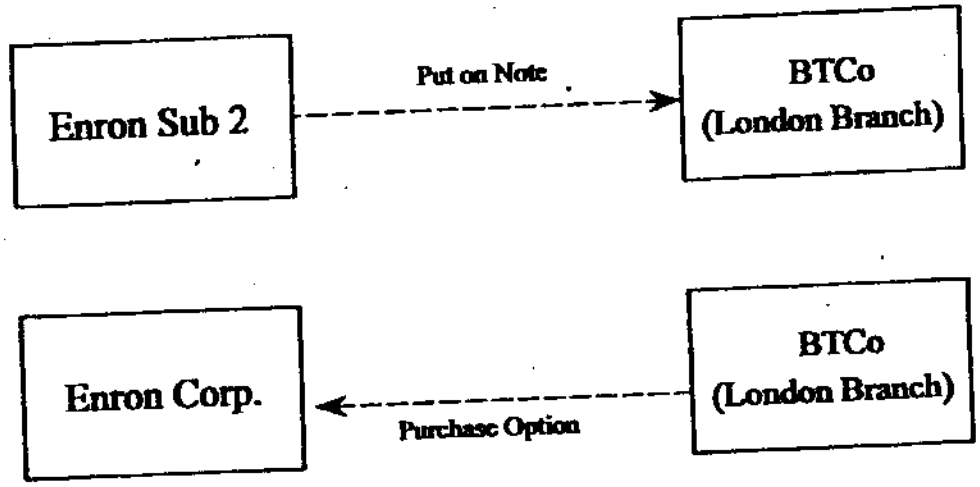
Dec. 23, 1998 - Step 1: Creation of Note



- BTCo (London Branch) loans $320 million to a wholly-owned subsidiary of Enron ("Enron Sub 1") in exchange for a note of Enron Sub 1 (the "Note"). The Note will be a 25 year $320 million bullet payment note that is entitled to cash flows which provide a [7.190%] yield payable semi-annually. Payments under the Note will be guaranteed by Enron. The Note will be specifically assignable to a special purpose limited liability company which elects to be treated as a financial asset securitization investment trust (the "FASIT") subject to the written consent of Enron Sub 1.
- Enron Sub 1 puts the $320 million Note proceeds on deposit with BTCo (London Branch). The deposit matures at close of business on December 31, 1998 and is not subject to withdrawal prior to the maturity date except for a transfer of funds to another Deposit Account for the benefit of another wholly-owned subsidiary of Enron ("Enron Sub 2"). Enron Sub 1 delivers instructions to BTCo (London Branch) instructing it to transfer approximately $320,000,000 to a Deposit Account in the name of Enron Sub 2 on December 30, 1998.

II. Transaction Structure

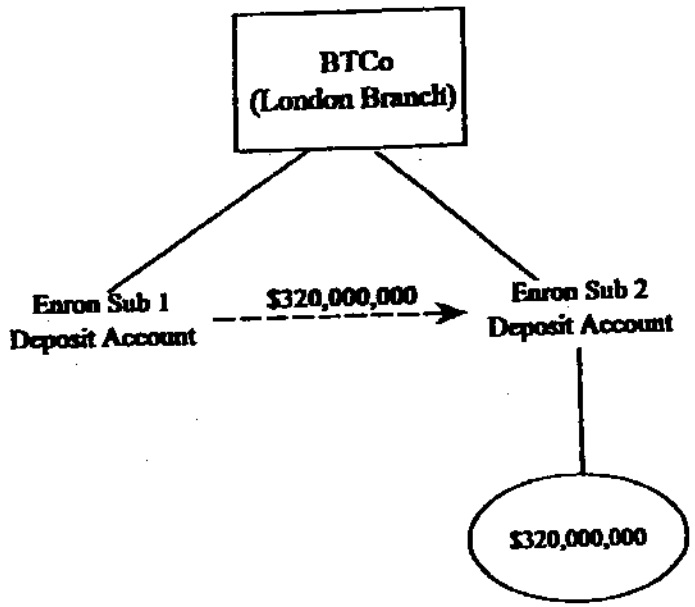
Dec. 23, 1998 - Step 2: Issuance of Put and Purchase Option

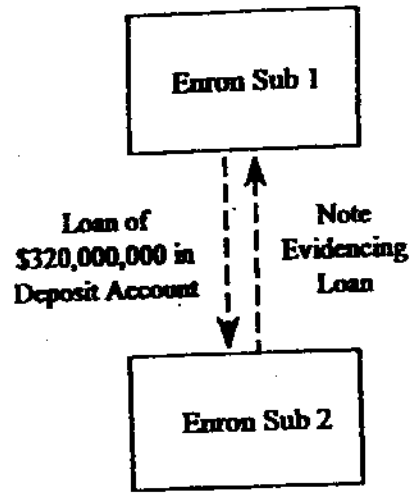


- Enron Sub 2 issues a put right (the "Put") to BTCo (London Branch) to put the Note to Enron Sub 2 on December 31, 1998 for cash equal to its principal amount plus accrued interest if such Note has not been assigned to the FASIT as of close of business on December 30, 1998.
- BTCo (London Branch) issues an option to purchase the Note (the "Purchase Option") to Enron Corp. which would require BTCo (London Branch) to sell the Note to Enron Corp. on December 31, 1998 for principal plus accrued interest if the Note has not been assigned to the FASIT as of close of business on December 30, 1998.

II. Transaction Structure

Dec. 30, 1998 - Step 1: Transfer of Funds between Enron Deposit Accounts

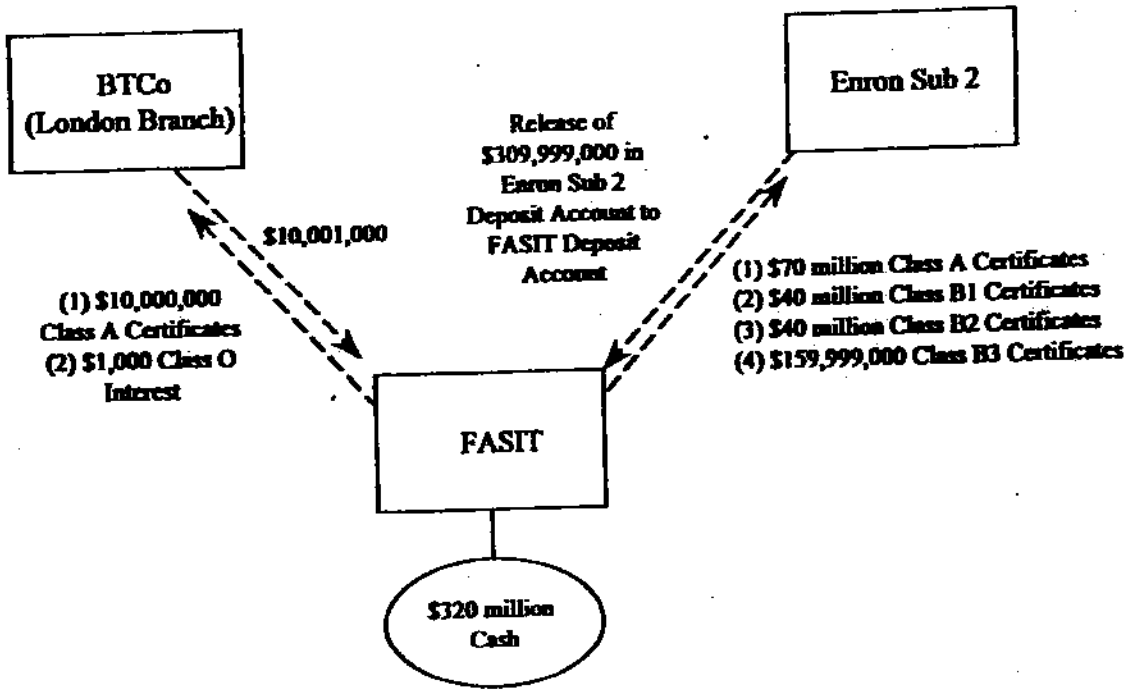




- BTCo (London Branch), pursuant to certain instructions delivered on Dec. 23, 1998, transfers $320,000,000 from the Enron Sub 1 Deposit Account to the Enron Sub 2 Deposit Account. Enron Sub 1 and Enron Sub 2 enter into a loan arrangement with respect to this transfer of funds between deposit accounts.

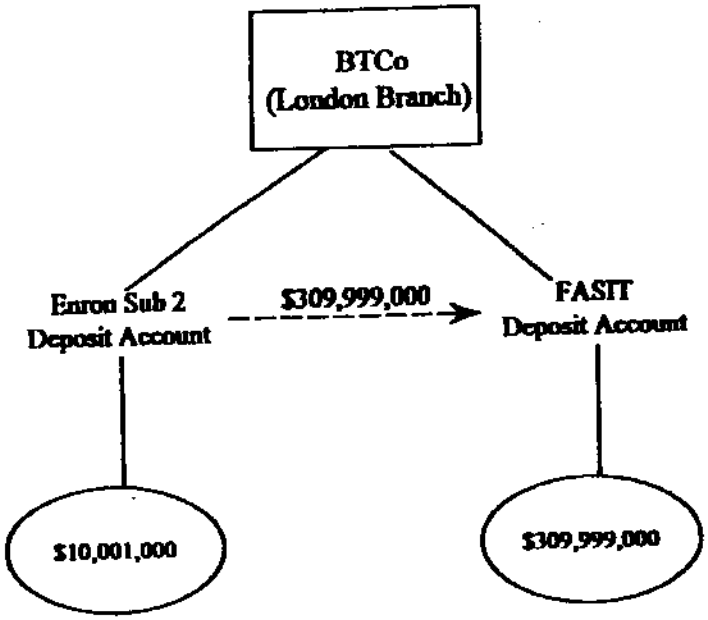
II. Transaction Structure

Dec. 30, 1998 - Step 2(a): Acquisition of FASIT Interests



- BTCo (London Branch) transfers $10,001,000 cash to the FASIT in exchange for (1) $10 million of Class A Certificates and a (2) $1,000 Class O Ownership Interest. Enron Sub 2 instructs BTCo (London Branch) to transfer $309,999,000 out of its Deposit Account to a Deposit Account of the FASIT in exchange for the transfer to Enron Sub 2 of (1) $70 million of Class A Certificates, (2) $40 million of Class B1 Certificates, (3) $40 million of Class B2 Certificates and (4) $159,999,000 of Class B3 Certificates.
- Enron Sub 2 also instructs BTCo (London Branch) to pay the remaining $10,001,000 cash in its Deposit Account back to Enron Sub 2 on December 31, 1998 (See page [11] below).

Dec. 30, 1998 - Step 2(a) Continued: Acquisition of FASIT Interests

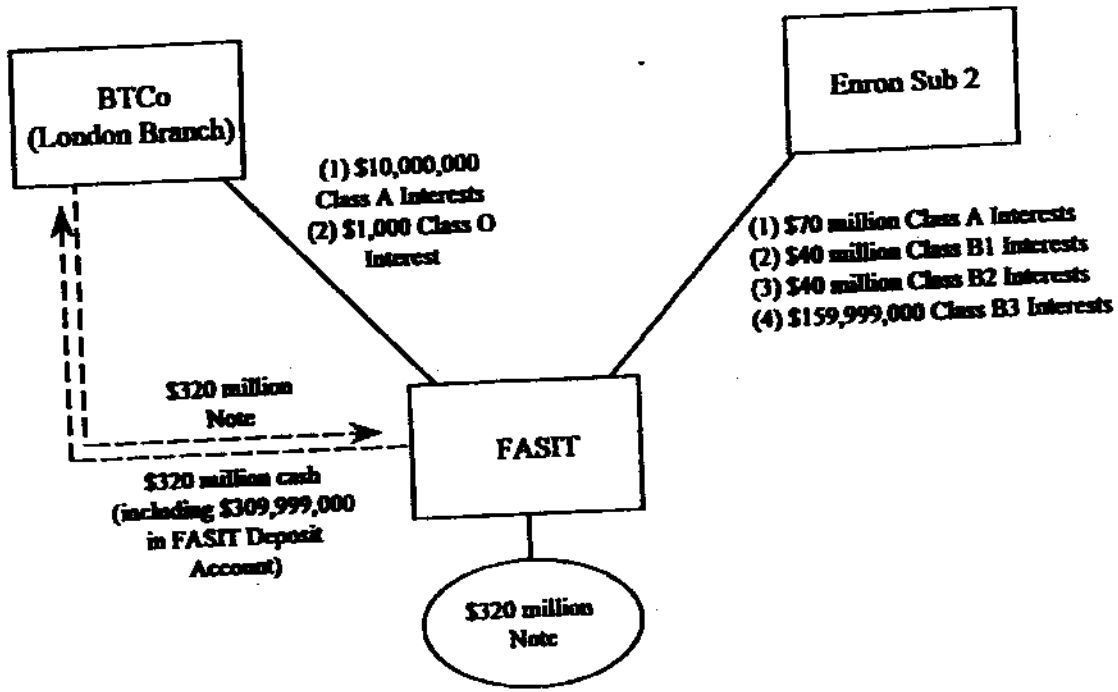


Dec. 30, 1998 - Step 2(a) Continued: Acquisition of FASIT Interests

- The Class A Certificates are entitled to cash flows which provide a __% yield based upon an $80 million fair market value (the "Class A Interest"). The Class A Interest is a "fast pay," self amortizing instrument;
- The Class B1 Certificates are entitled to cash flows which provide a __% yield based upon a $40 million fair market value (the "Class B1 Interest");
- The Class B2 Certificates are entitled to cash flows which provide a __% yield based upon a $40 million fair market value (the "Class B2 Interest");
- The Class B3 Certificates are entitled to cash flows which provide a __% yield based upon a $159,999,000 fair market value (the "Class B3 Interest"); [Note: During the period the Class A Interest is outstanding, there will be no interest or principal payments made on any other Certificate Interests. After all the Class A Interests are fully amortized, the Class B1, B2 and B3 Interests will be current coupon interests and have priority as described on page [15] below]; and
- The Class O Certificate with a fair market value of $1,000 is entitled to the residual cash flows of the LLC (the "Class O Interest").
- The Class B3 Interest holds the entire voting rights of the LLC.
- The FASIT may only hold assets and can only engage in activities which are "bank eligible" for purposes of bank regulatory requirements.

II. Transaction Structure

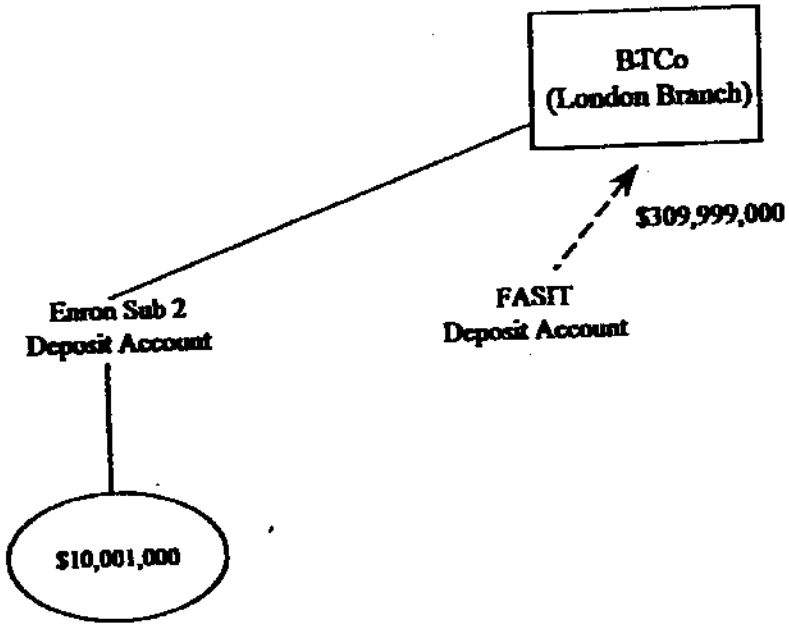
Dec. 30, 1998 - Step 2(b): Transfer of Note to FASIT



- BTCo (London Branch) transfers the $320 million Note to the FASIT in exchange for $320 million cash.

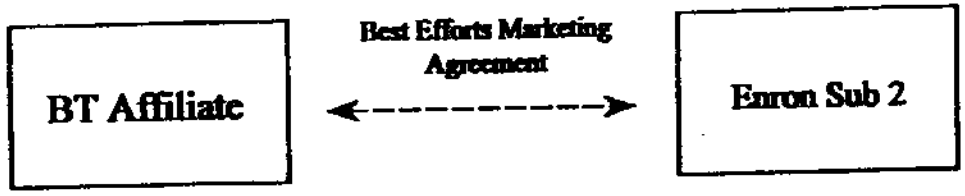
II. Transaction Structure

Dec. 30, 1998 - Step 2(b) (Continued): Transfer of Note to FASIT



II. Transaction Structure

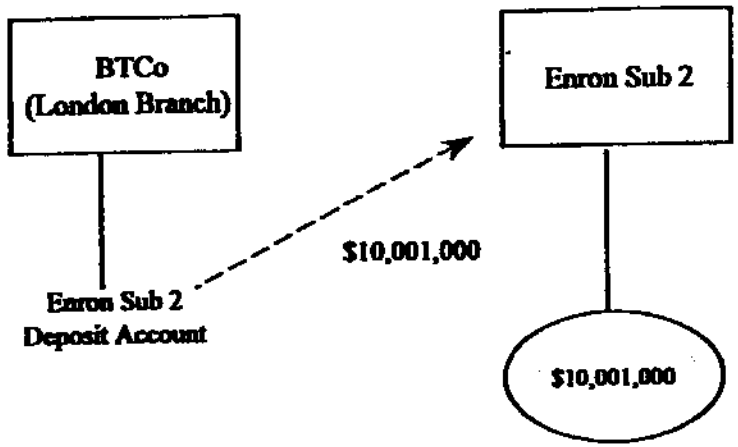
Dec. 30, 1998 - Step 3: Best Efforts Agreement



- An affiliate of BTCo (London Branch) will enter into a best efforts marketing agreement with Enron Sub 2 to attempt to sell the Class A Certificates in the market on behalf of Enron Sub 2. Such an agreement will have a 3 month effective period.

II. Transaction Structure

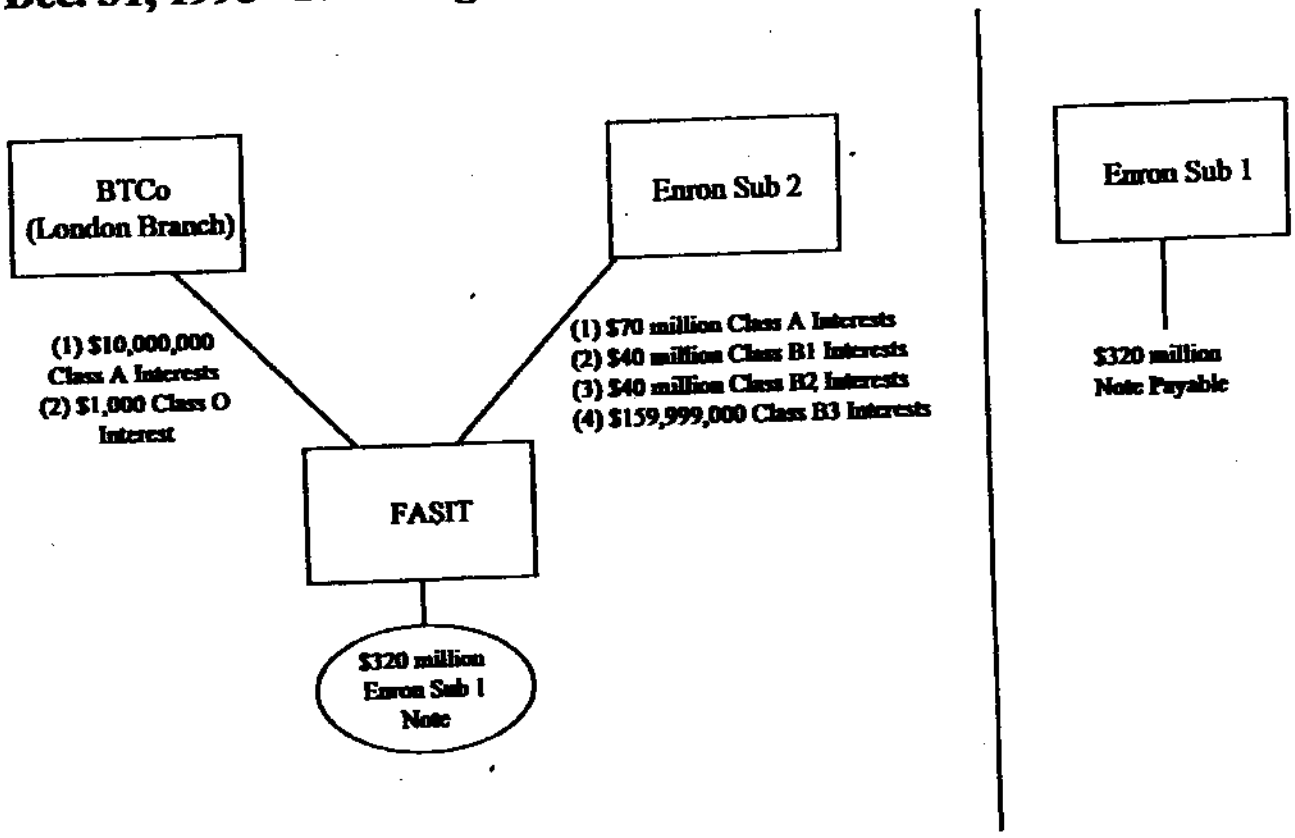
Dec. 31, 1998: Transfer of Enron Sub 2 Deposit Account



•BTCo (London Branch) transfers the remaining balance of approximately $10,001,000 in the Enron Sub 2 Deposit Account out to Enron Sub 2.

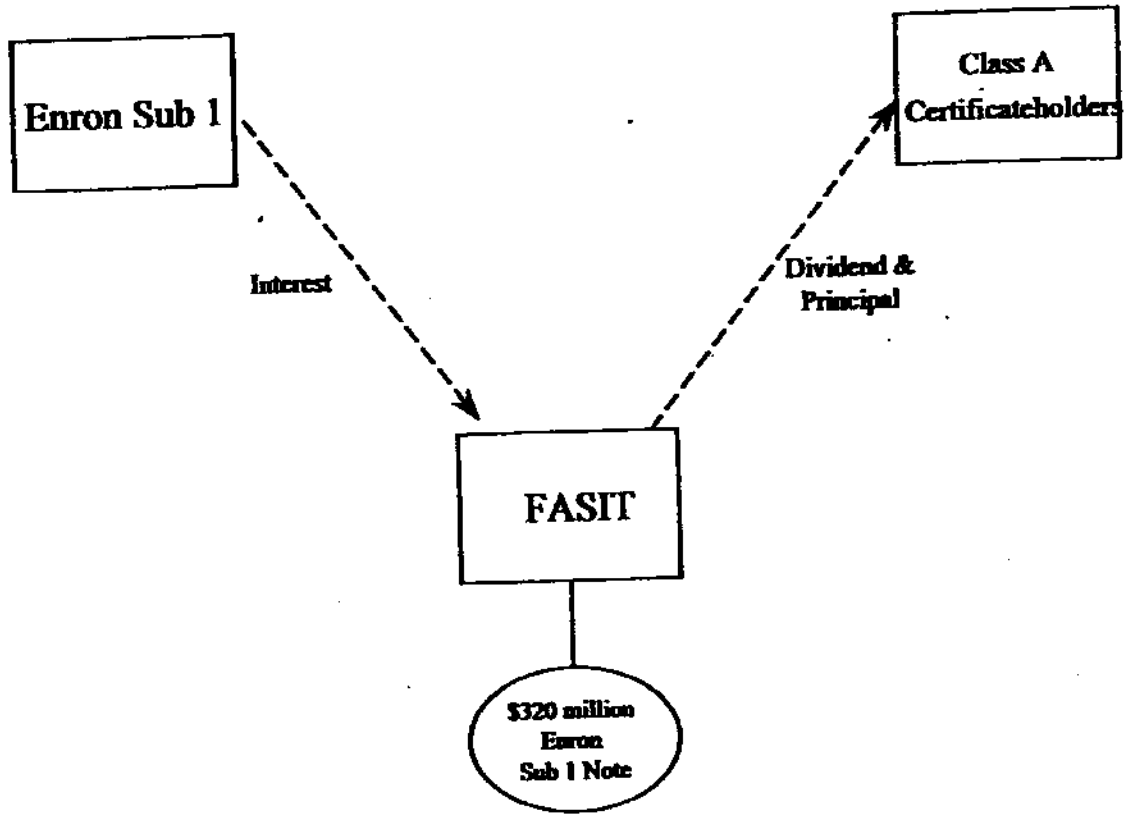
II. Transaction Structure

Dec. 31, 1998 - Resulting Structure



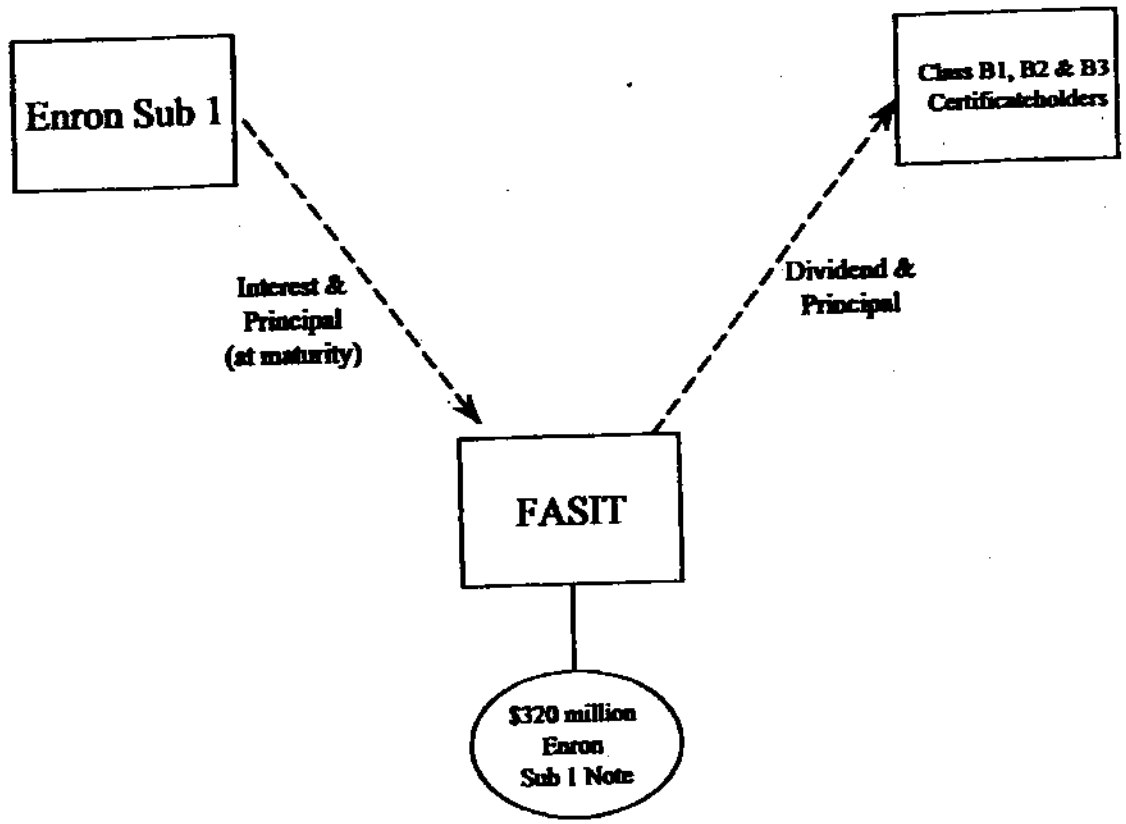
II. Transaction Structure

Operation of FASIT - During Existence of Class A Certificateholders



II. Transaction Structure

Operation of FASIT (Continued) - After all Class A Certificateholders are Fully Amortized



Operation of FASIT (continued)

- The cash flow generated by the FASIT from the interest on the Note during a semi-annual period and principal received at maturity will be used by the FASIT to fund the Certificate Interest Distribution Account of the Class A, B1, B2, B3 and O Interests in the following order:

  1) the Current Yield on the Class A Interests;
  2) the Principal Balance on the Class A Interests;
  3) the Current Yield on the Class B1 Interests;
  4) the Current Yield on the Class B2 Interests;
  5) the Current Yield on the Class B3 Interests;
  6) the Principal Balance on the Class B1 Interests;
  7) the Principal Balance on the Class B2 Interests;
  8) the Principal Balance on the Class B3 Interests; and
  9) the Class O Interest
- The Current Yield for a semi-annual period is the Principal Balance multiplied by [ ]%. In determining the Principal Balance for a semi-annual period for a particular class of Certificate Interests, the original principal amount is increased by the aggregate Yield in prior periods and decreased by any payments on such Certificate Interests in prior periods.
- The holder of the Class O Interest may not dispose of its interest if it has a material adverse affect on the then outstanding Class A and B Certificate holders without unanimous written consent of each Certificate holder who is materially affected. The Class B3 Certificate holder has a right of first refusal on any dispositions of the Class O Interest.

III. Closing Cash Flows

	BTCo (LB)	FASIT (Combined) FASIT (Direct)	FASIT Deposit Account	Enron Sub 1 (Combined) Enron Sub 1 (Direct)	Enron Sub 1 Deposit Account	Enron Sub 2 (Combined) Enron Sub 2 (Direct)	Enron Sub 2 Deposit Account	Total
12/23 - Step 1 Transfer into Enron Sub Deposit Account	(320,000,000)				320,000,000			0
12/30 - Step 1 Transfer between Enron Sub 1 to Enron Sub 2 Deposit Accounts					(320,000,000)		320,000,000	0
12/30 - Step 2(a) Transfer into FASIT Deposit Account from Enron Sub 2 Account and Purchase of Class A and Class O Interests by BTCo (LB)	(10,001,000)	10,001,000	309,999,000				(309,999,000)	0
12/30 - Step 2(b) Transfer of Enron Sub 1 Note to FASIT by BTCo (LB)	320,000,000	(10,001,000)	(309,999,000)					0
12/31 Transfer from Enron Sub 2 Deposit Account to Enron Sub 2						10,001,000	(10,001,000)	0
Total	(10,001,000)	0	0	0	0	10,001,0000	0	0