Project Teresa

Deal Basics

Business Purpose – To raise third party capital. To create a leasing company to manage a portfolio of leased assets. To achieve certain financial accounting benefits arising from basis increases in stock and partnership interests.

Primary Entities – Enron Corp. (bankruptcy filer); Enron Leasing Partners, L.P.; Organizational Partners, Inc.; Enron Pipeline Holding Company (EPHC)

Date Closed – March 1997

Principal Assets – Current assets include the Enron Center North Building; corporate aircraft; HPL note receivable; preferred stock in EPHC; potential IRS refund claims

Transaction Size – $1.2 billion in contributed assets (EPHC stock, building); anticipated earnings of up to $300 million from the structure

Net Income Impact – $225 million in earnings recorded through the 3rd quarter of 2001

Primary Tax Return Effect – Deconsolidation of OPI and EPMC; these entities paid $130 million in cash taxes for 1997-2000 ($25 million in estimated tax payments for 2001). These taxes were attributable to lease payments, interest, etc.

Current Status – A standstill agreement is under negotiation with Chase following default on synthetic lease financing of Building (immediate foreclosure possible absent such an agreement). Information demands received from Chase, DB and Potomac. No Enron officers or directors at OPI. Possible franchise tax, pipeline and building issues are on the horizon.

Counterparties

Counterparty – Bankers Trust (BT) & Potomac Capital as shareholders and lenders in OPI and BT as a limited partner in ELP.

Size of Investment – Approximately $30million aggregate equity and debt investments.

Litigation Status – None currently; default in OPI loan payments, action by DB possible.

Control Rights – Over major events of OPI & ELP including liquidation and bankruptcy.

Indemnities – Numerous

Advisory History

Principal Advisors

- King & Spalding – Tax and corporate counsel for initial structuring
- Ernst & Young – Tax services on restructuring
- Locke, Liddell – Corporate for restructuring
- Vinson & Elkins – Tax and corporate/real estate counsel for initial structuring

Primary Opinions

- ELP formation memo – K&S
- Business purpose opinion – K&S
- Stock purchase opinion – K&S
- Stock redemption opinion – K&S
- Building ownership opinion – V&E
- Restructuring Memo – E&Y
- SAS 50 Letter issued to BT from Arthur Andersen

Confidentiality Agreement – No

Widely Marketed Deal – No

Financial Model and Deal Memo – Financial model utilized; no deal memo

Current Counsel – Weil on certain building-related matters. No representation on structural or tax matters, but DB has requested that external counsel be engaged.

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