McInerney, Roberta

From:

McGivern, Tom

Sent:

Wednesday, October 31, 2001 9:20 AM

To:

Ellis, Dina; Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; DeMarco, Edward; Ellett. Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McInerney, Roberta;

Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy;

Sutton, Gary; Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen

Subject:

RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

[(b)(5)]

----Original Message----From: Ellis, Dina

Sent:

Tuesday, October 30, 2001 3:02 PM

To:

Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross,

Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne;

Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian

Subject:

RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

I have spoken to a variety of people on possible movement of the bankruptcy bill. There is a slight chance that there will be a conference meeting next week but I don't see fasat movement on the bill.

-----Original Message--

From: Carleton, Norman

Sent:

Tuesday, October 30, 2001 2:46 PM

To:

Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Ellis, Dina; Gabilondo, Jose; Gross, Jared;

Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne;

Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian.

Subject: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

<< File: Netting letter.doc >>

[(b)(5)]

Norman Carleton

Bankruptcy Conference May Resume As Netting Bill Considered

The House Judiciary Committee will be turning its attention to other matters in the weeks remaining before adjournment - possibly including a conference on bankruptcy. CongressDaily reported. Further work on the legislation had been postponed after the Sept. 11 attacks occurred. The House and Senate conferees had been poised to meet Sept. 12. A spokesman for the committee yesterday said that no new conference date has been set, but staff members in recent weeks have continued to work on technical aspects of the bankruptcy measure. Judiciary Committee Chairman James Sensenbrenner (R-Wis.), who is chairing the conference committee, is determined to make a go of it before members leave town for the year, according to sources. While noting that the committee's agenda had not yet been

formulated, his spokesman did not rule out the prospect. "It's definitely a possibility," he said.

Moreover, members of the House Financial Services Committee are trying to move a provision of the bankruptcy legislation pertaining to financial netting-perhaps as part of the economic stimulus package-in the event the underlying bill remains stalled.

That provision is designed to strengthen and update current statutory protections for netting financial market contracts if a party defaults. The netting language of the bill was one of the few consensus items included in the bankruptcy legislation. The economic downturn and the widening number of commercial bankruptcies could help create even stronger impetus for the provision to move separately, sources said.

House Financial Services Committee ranking member John LaFalce (D-N.Y.) urged shortly after the Sept. 11 terrorist attacks that the netting language be moved "expeditiously." In response, Treasury Secretary Paul O'Neill and Federal Reserve Chairman Alan Greenspan agreed "whether as part of comprehensive bankruptcy reform legislation or as a stand-alone bill, Congress should not fail to enact netting legislation this year." The Financial Services Committee had considered placing netting legislation on the schedule for markup this Wednesday, when it takes up a host of other bills. Committee leaders decided against such action, however. A spokeswoman for House Financial Services Committee Chairman Michael Oxley (R-Ohio) said he remained hopeful that the underlying bankruptcy bill could move intact.

McInerney, Roberta

From:

Ellis, Dina

Sent:

Wednesday, October 31, 2001 9:42 AM

To:

McGivern, Tom; Carleton, Norman; Bitsberger, Timothy; Bair, Shella; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith,

Amy; Sutton, Gary; Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen

Subject:

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Huffman, Lucy; Hughes, Gerry; McInemey, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne;

Smith, Amy; Sutton, Gary; Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen

Subject:

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[(b)(5)]

----Original Message-----

From: Sent:

Ellis, Dina

Jene.

Tuesday, October 30, 2001 3:02 PM

To:

Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jaroel: Huffman, Lucys M. Garne, McGurne, Tone, McGurne, Roberto, Nickeloff, Babon, Bacabon, Brian, Sallindo, Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jaroel: Huffman, Lucys McGurne, Tone, McGurne, Tone, McGurne, Behavior, Behavio

Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin,

Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian

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Sent: Tuesday, October 30, 2001 2:46 PM

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Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian

Subject:

Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

<< File: Netting letter.doc >>

[(b)(5)]

Norman Carleton

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McInerney, Roberta

From:

Sent:

Gabilondo, Jose Wednesday, October 31, 2001 3:57 PM

To:

Aufhauser, David

Cc:

Subject:

McInerney, Roberta; Bieger, Peter SEC comment: Enron's cash-financed equity buyback

[(b)(5)]

José

McInerney, Roberta

From:

Gabilondo, Jose

Sent:

Thursday, November 01, 2001 1:49 PM

To:

McInerney, Roberta; Bieger, Peter

Subject:

FW: SEC comment: Enron's cash-financed equity buyback

Roberta/Peter -

David asked me to set up a meeting to discuss Enron. I wanted to check with you before scheduling anything.

José

--Original Message-----

From:

Aufhauser, David

Sent:

Thursday, November 01, 2001 12:43 PM

To:

Gabillondo, Jose

Subject:

RE: SEC comment: Enron's cash-financed equity buyback

meet on this tomorrow -- set it up with ronnie

-----Original Message-----

From:

Gabilondo, Jose

Senta

Thursday, November 01, 2001 9:03 AM

To:

Aufhauser, David

Subject:

RE: SEC comment: Enron's cash-financed equity buyback

[OUTSIDE SCOPE]

-----Original Message-----

From: Aufhauser, David

Sent: Wednesday, October 31, 2001 9:55 PM

To: Gabilondo, Jose

Subject: RE: SEC comment: Enron's cash-financed equity buyback

[OUTSIDE SCOPE]

-----Original Message-----

From:

Gabilondo, Jose

Sent:

Wednesday October 31, 2001 3:57 PM

To: Aufhauser, David

Cc: McInemey, Roberta; Bieger, Peter

Subject:

SEC comment: Enron's cash-financed equity buyback

[(b)(5); (b)(7)]

[(b)(5)]

José

2

McInerney, Roberta

From:

Gabilondo, Jose

Sent: To: Subject: Thursday, November 01, 2001 3:48 PM McInerney, Roberta; Bieger, Peter

Enron meeting - 4:00 pm Friday

Roberta.

When I got back to my office, I got your message and one from Betty asking if I could attend a 4:00 meeting tomorrow with David and Peter Fisher on Enron. I checked with Martha (who put it on your calendar - Yvette was not around), looked for Peter, and then called Betty back to say that we would attend tomorrow. I hope that's OK. Just so that you know, I hadn't exchanged a word with David since we worked on the Argentina deal, i.e. I didn't solicit this assignment from anyone.

On Tuesday when he called me into his office to discuss Enron, David told me that he wanted to meet that day or the following after I'd done some research. By noon yesterday, I'd learned some things and made some notes that I wanted to pass on before the meeting, because I wanted to be responsive to his urgency. Of course I wanted to clear them with you but you were on the hill, Peter was busy, and after waiting a while I decided to leave a draft in his box upstairs with a note saying that neither you nor Peter had vetted the document but that I wanted him to see a rough draft because it had seemed like a fairly urgent priority when we talked. They are background rather than legal notes (copy below), so — although I hesitated at length before sending them — it seemed OK.

José



en westienne einer

McInerney, Roberta

From: Gabilondo, Jose

Sent:

To:

Cc:

Friday, November 02, 2001 2:29 PM Aufhauser, David Bieger, Peter; McInerney, Roberta Enron: energy trading market structure and financing Subject:





IssueAlerts email Page 1 of 5

Subject: FW: Enron Update: Sagging Stock Price, Increased Earnings Continue to Fuel Takeover Speculation



In-depth news and analysis from the consulting firm that understands energy.

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November 2, 2001

Enron Update: Sagging Stock Price, Increased Earnings Continue to Fuel Takeover Speculation



By Will McNamara Director, Electric Industry Analysis

[News item from Associated Press] Troubled Enron Corp. (NYSE: ENE) said it has secured \$1 billion in new financing, using its natural-gas and pipeline assets as collateral. But its stock price took another dive after rising a day earlier on takeover speculation. In afternoon trading Nov. 1 on the New York Stock Exchange, Enron shares were down 9.3 percent, or \$1.29 a share, at \$12.61.

Analysis: Like many following this ongoing story, I have been closely tracking the plummet of Enron's stock since the Oct. 16 release of the company's 3Q financial report, in which a \$638-million loss was identified. Since that time, Enron's stature on Wall Street has literally fluctuated by the hour, bumping up or down depending on the latest news report or rumor circulating across the Web. The company's financial problems have been well documented, along with the new Securities and Exchange Commission (SEC) probe into Enron's financial deals involving its just-dismissed chief





financial officer. For background information on this case and the factors that led to Enron's current maladies, please review my 10/22/01 IssueAlert, available at www.scientech.com/rci. In this article, I will focus exclusively on the new reports that put Enron in the unprecedented spot of being a possible takeover target. Ironically, the very mention of Enron as a takeover target would have seemed ludicrous last year at this time, when the company's stock had just passed a 52-week peak of nearly \$90 in August 2001. As of early morning trading on Nov. 2, Enron shares were priced at \$11.05, illustrating just how low the company has

IssueAlerts email Page 2 of 5

sunk over the last year and how quickly the positions along the energy industry's playing field can change.

There are three factors that, when taken together, put Enron in a vulnerable position for takeover efforts. These three factors are a sagging stock price, comparatively solid revenue streams and a solid position in the energy trading space. The first point is obvious; as Enron's share price has hit a nine-year low and dropped by half in just one week, it is natural that other companies on the prowl for lucrative acquisitions would begin to hover around the company. Enron shares have dropped dramatically, and the company's stock is now trading at close to value. The other two factors I mentioned may need some further elaboration. Despite the \$638-million loss in the third quarter from businesses such as broadband and water, Enron's core energy trading business posted a 26-percent increase in recurring earnings in the same quarter. Thus, the core trading business is basically in good shape and remains a strong cash generator. In addition, despite the recent turmoil, Enron remains the largest natural-gas and power trader in the United States, and thus is an attractive target for other companies operating in the same space. Further supporting this point, most reports indicate that Enron is a principal in one-quarter of all electricity and natural-gas trades in the United

There are three companies that keep appearing on a short list of potential buyers in an Enron takeover. I think it is important to discuss the individual objectives of these companies and the factors that may lead them to pursue a purchase of Enron. The three companies most often mentioned are Royal Dutch Shell, Berkshire Hathaway and GE Capital. In addition, a small number of European companies such as Germany's E.ON and England's Powergen have also been mentioned. At present, all the companies named have neither denied nor confirmed their involvement in a possible Enron takeover.

Of all these names, Royal Dutch Shell, the number two energy firm in the world, has been perceived as the top contender. The potential connection may have some legitimacy. First, Royal Dutch Shell is the parent company to wholly owned subsidiary Shell Oil, under which Shell Energy Services is a wholesale and retail marketing subsidiary. Shell Energy Services, which is based in Houston, had made previous penetrations into the retail electricity markets of Texas and Ohio, but recently withdrew from both states to focus more exclusively on wholesale power transactions. Thus, Shell's focus on the wholesale market through Shell Energy Services would make for a nice synergy with Enron's prominent position in the wholesale trading space. Further, Shell had unsuccessfully tried on its own to be involved in the merchant energy business, and thus an acquisition of Enron, the dominant player in the energy trading space and an established energy franchise. would be on par with the company's strategy. Other reports have indicated that Shell had previously looked at a possible Enron buy, even before the company began to experience financial instability. Financing the deal would not be a problem for Shell, as Enron's current market capitalization is around \$11 billion and Shell would probably not have to offer a huge premium for the company.

Berkshire Hathaway, founded by multi-billionaire Warren Buffett, is another company with deep pockets and a potential synergy with Enron. Berkshire Hathaway penetrated the energy industry with a \$9-billion purchase of Des Moines, Iowa-based MidAmerican Energy Company, giving the company a 75-percent ownership in the largest utility in Iowa, which is strategically located in the middle of several major markets in the Midwest. Buffett, who previously invested in non-energy companies such as American Express and Coca-Cola, has been drawn to the energy space due to deregulation opportunities. Berkshire Hathaway's acquisitions

fit a pattern that Buffett created: They are well-managed companies that sell a tangible product and have strong growth potential over the long term. MidAmerican Energy arguably fit that template due to its history as an integrated utility. Enron, which is far more difficult to define, may ultimately prove to be too abstract a company for Berkshire Hathaway's tastes.

As discussed in yesterday's IssueAlert, GE Capital has been increasing its holdings in the energy landscape lately due to its affiliation with Trans-Elect, a private company that is actively pursuing the transmission assets sold by utilities. Trans-Elect and GE Capital are in the process of purchasing the transmission assets of CMS Energy Corp. GE's role in the CMS deal is not entirely clear, but it appears that the company is participating mostly as a financial backer. Although they have downplayed the significance of their relationship, Trans-Elect has clearly received financial backing from GE. In fact, the Structured Finance Group of GE Capital Services owns a minority interest in Trans-Elect (the size of the investment has not been disclosed). Note that GE Structured Finance Group has many investments in other energy companies, including The New Power Company, Enermetrix, Beacon Power, and Plug Power (to name just a few). I don't see the synergies between GE Capital and Enron as much as with Shell or Berkshire Hathaway. However, if GE Capital is attempting to simply increase its investments in the lucrative energy business without any involvement in the operational aspects of the business, then this partnership could be considered viable. GE's own microturbine business has slowed somewhat, so the advantage of gaining Enron's wholesale business from a marketing perspective may also be a driver in this possible play. In addition, a recent report in Business Standard indicated that General Electric plans to increase its investment in India to about \$800 million over the next three years with increased investments in the infotech sector and GE Capital Services. Of course, Enron is still involved in the India energy market due to its troubled Dabhol Power. which oversees a power contract in India.

The European companies such as Enel and E.ON may turn out to be credible prospects, as companies across the Continent continue to seek merger and acquisition opportunities in the United States, across generation and transmission sectors in particular. E.ON is still in the process of purchasing the United Kingdom's Powergen, so it may be tied up in regulatory proceedings that would preclude an additional acquisition. No word has emerged that may support or refute rumors about a takeover from Enel.

Enron's stock price has oscillated wildly since its 3Q financial report was released in mid-October. The allegedly non-recurring losses in non-core businesses, and their potential impact on the basically strong core business of natural-gas and power trading, coalesced with previous concerns about the departure of Jeffrey Skilling as Enron's CEO and sent the company's stock on a downward spiral (falling an approximate 54 percent in just seven days). Enron shares hit a nine-year low on Oct. 30 and then bounced up about 25 percent on the following day. The surprising upswing occurred when Enron announced that it had secured \$1 billion in fresh credit lines from investors such as J.P. Morgan Chase & Co. and Salomon Smith Barney, Inc. that it planned to use partly to supplement short-term liquidity and refinance maturing obligations. However, at the same time, what had started as an informal inquiry by the SEC officially became a full-scale investigation, which thus far has served as a brick wall against any further increases in Enron's stock price. The identification of the SEC probe as a full-scale investigation is significant because it gives regulators the right to subpoena Enron company documents, which has been a point of contention for some time among investors who claim that Enron has not been completely forthcoming about its practices.

The Enron questions of the moment are: How much further can the company's stock fall before Enron's business model is significantly restructured? Will Enron incur additional losses beyond the allegedly non-recurring losses it claimed in the third quarter? Will Enron remain a takeover target, and if so which company would be likely to make a bid for the company? What will be the outcome of the SEC investigation and potential credit downgrades from agencies such as Moody's?

Some of these questions are impossible to answer at this juncture, without the benefit of a crystal ball. Clearly, the sudden lack of investor confidence in Enron has rattled the company's executives, which undoubtedly prompted the ousting of its former CFO. I would think that this lack of confidence would also lead Enron to consider fundamental changes in its business model. However, it may be too late to avert additional losses in non-core businesses such as broadband, water and retail, into which Enron sunk large sums of capital but which have yet to produce measurable returns.

If Enron's stock remains in the basement, takeover rumors will undoubtedly continue. However, Enron is challenged at this point to undertake a substantial modification of its business model, which may include the complete divestiture of all of its non-core businesses outside of the energy trading core. If a takeover were to take place, it would probably occur soon (while Enron's stock remains low and its core business remains strong) and with a buyer that seeks a large trading operation and experience in risk management. None of the companies mentioned as possible buyers at this time completely fall under this description, but given Shell's strong interest in wholesale markets I would contend that this potential partnership makes the most sense. However, any company that makes a serious bid for Enron would have to be very risk tolerant, considering the ongoing uncertainty surrounding the company with regard to pending lawsuits and the SEC investigation.

In addition, it is significant that Enron is pursuing additional financing, which indicates that the company intends to bolster its financial position and avoid any takeover attempts. Nevertheless, various credit rating agencies such as Moody's are in the process of evaluating the company for potential credit downgrades. A credit rating downgrade would raise Enron's cost of borrowing, which in turn could cut into the profitability of the company's business as a whole. The end result is that, if Enron's financial position does not improve substantially in the near term, it will remain in a very vulnerable position and a very real target for various takeover measures.

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Our staff is comprised of leading energy experts with diverse backgrounds in utility generation, transmission & distribution, retail markets, new technologies, I/T, renewable energy, regulatory affairs, community relations and international issues. Contact consulting@scientech.com or call **Nancy Spring** at 505.244.7613.

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Subject: FW: Enron's Departure from Core Business Takes a Toll on Performance

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October 22, 2001

Enron's Departure from Core Business Takes a Toll on Performance

By Will McNamara Director, Electric Industry Analysis



[News item from Reuters] Enron Corp. (NYSE: ENE) stock sustained further heavy losses on October 19 as investor confidence in the former Wall Street favorite

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remained at a low ebb after it reported its first quarterly loss in over four years. The energy giant's stock was off \$3.32 or 11.45 percent at \$25.68 per share at mid-day trade on Oct. 19, making a cumulative loss of 28 percent for a week in which it reported a third-quarter loss of \$638 million. As of early morning trading on Oct. 22, Enron shares were priced at \$21.99, a reflection of new developments (including a new Securities and Exchange inquiry) that have caused uncertainty about the company among investors.

Analysis: Enron's first financial report since the departure of former CEO Jeffrey Skilling in August has not done much to once again instill investor confidence in the company, which has experienced one of its most turbulent years in recent memory. While Skilling cited personal reasons for his departure, many analysts suspected that a significant drop in Enron's share price and financial losses in its diversified businesses also played a role. At the time of Skilling's departure, Enron's stock had tumbled to a 52-week low. However, based on the new 3Q report, it now appears that Enron's downward turn may be continuing despite the return of Kenneth Lay to the company's top spot. In essence, Enron's financial problems have been caused by businesses that the company has established as a way to diversify from its core focus on wholesale power sales. It appears that Enron is learning a costly lesson—namely that investors are not responding favorably to the company's innovation, especially if bottom line performance is in any way compromised. The road ahead may remain uncertain for Enron, as a good number of unresolved issues and a new Securities and Exchange Commission (SEC) inquiry into financial dealings of its chief financial officer continue to overshadow the company.

Let's first establish the financial losses that Enron has reported in the third quarter. As noted, as a whole the company reported \$638 million in losses, after taking \$1.01 billion in charges associated with several of its non-core businesses. When we break down the losses, it becomes clear that Enron is struggling with its operations in three businesses: water, broadband and the retail power market. Specifically, Enron reported \$287 million in charges from Azurix, its water and wastewater business; \$180 million in charges related to the downsizing of its broadband operations (including severance costs and losses on inventory sales and customer contracts); and \$544 million in what the company is calling "investment losses." Evidently, about half of the \$544-million figure is related to Enron's investment in NewPower Company, the retail electricity and natural-gas provider that Enron launched about two years ago with partners America Online and IBM. Enron owns 45 percent of NewPower. In addition, Enron's debt to total capitalization ratio reportedly will increase to about 50 percent, although Lay says that pending asset sales may reduce that amount to 40 percent by the end of 2002. However, it is important to note that Enron's 3Q recurring net income (before the write-offs) did increase 35 percent to \$393 million, or 43 cents a diluted share, and revenue in the quarter rose to \$47.6 billion from \$30 billion in 3Q 2000.

The losses associated with NewPower are particularly interesting. As one of the leading investors in the company, Enron drove NewPower's aggressive business focus on retail residential power sales, despite ongoing concerns about the development of retail competition across the United States. NewPower went public last year at an opening price of \$21, and in the early days of its initial public offering was trading above that price. However, the company's stock has experienced a devastating drop in value, and is currently priced at \$1.25. NewPower is not scheduled to release its own 3Q financial statement until early November, but it is expected that the company will continue to incur significant losses for the foreseeable future. Specifically, NewPower recently reiterated its earlier expectations of a 3Q loss of \$65 million to \$70 million, or \$1.12 to \$1.20 a share. Third-quarter revenue reportedly will be slightly lower than the \$60 million to \$65 million that the company had forecast in August.

In analyzing NewPower's 2Q financial losses (see **IssueAlert** from 8/8/01 at www.scientech.com/rci), I argued that the company is really struggling from a mix of positive and negative factors in its efforts to become the leading retail energy provider in residential and small business markets in the United States. On the positive side, NewPower has recently secured a large number of new customer accounts, most significantly from its purchase of customers and related

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assets from AES Corp. and DTE Energy. These purchases prompted an impressive growth spurt for NewPower, and the company reportedly now has a customer base in 22 markets in 10 states. However, the bad news for NewPower is that its losses continue to widen, apparently resulting a combination of weather factors and financial hits absorbed in several of the states in which the company operates. This dichotomy does not appear to be getting any better, and the company's stock has continued to drop as a result.

In an effort to alleviate some of its financial woes, NewPower recently revised an existing master netting agreement with Enron Corp. and several of its subsidiaries. The revised agreement essentially lowers the amount of cash collateral that NewPower is required to post to the Enron subsidiaries through Jan. 4, 2002. With the lowered financial obligations that it must make to Enron, NewPower believes that it will have sufficient financial resources to conduct its business in the near term until it secures ongoing asset-based financing.

However, from Enron's perspective, the losses associated with NewPower (and, by the same token, the losses in water and broadband) have contributed to a steady drop in its own stock price. The message is clear: The businesses that Enron plunged into as a way to diversify have tainted the company as a whole. Further, what some analysts perceived as brash hubris on Enron's part has not translated into measurable profits, and consequently Wall Street has reacted by sending Enron's stock to a level that is about half of where it was a year ago. The individual sectors that Enron has pursued are all unique, but they share the common denominator of taking Enron away from what was a successful core business. Further, they are similar in that Enron aggressively sunk large sums of capital into new business lines for which it arguably had unrealistic expectations for growth. The problem with Enron's bandwidth unit is that the company has faced an unanticipated excess of fiber-optic lines, which has prevented the demand for the division's services from materializing as anticipated. The problem with Azurix, which has been losing money since its formation in 1998, is that privatization of the water sector has not materialized as quickly as Enron and other companies anticipated. In addition to these problem areas, Enron also faces challenges related to its investments in India (where it is locked into a legal battle with the state government) and California (from which Enron has yet to receive full payment for previous power sales).

In addition to the losses outlined in the 3Q report, there are new issues that are brewing at the start of this week. First, the SEC has requested that Enron provide information regarding "certain related party transactions." Not much additional information is presently available about this inquiry. However, it is probably connected to earlier reports about concerns related to the dealings of Enron's Chief Financial Officer Andrew Fastow, who up until very recently had run a limited partnership that bought assets from Enron. Ken Lay has said that Enron will cooperate fully with the SEC's request. In a separate development, several mutual funds (including AIM Constellation that once held large positions in Enron) have either liquidated or reduced their holdings in the company, which has further weakened Enron's stock value. Portfolio managers of the mutual funds have cited concerns about Enron's ability to balance its new businesses with its core strength as an energy trader.

The present challenge for Enron is to convince investors that the company remains on solid ground despite the losses. Thus, Lay has been quick to reiterate that earnings from the company's energy and gas-pipeline business are still strong. Further, Lay says that the charges reported in the third quarter should be seen as a way to "clear away issues that have clouded the performance and earnings potential of our core energy businesses." Nevertheless, the fact remains that Enron has invested huge amounts of money toward its diversification effort, and in addition to water and broadband the company has invested into the steel and pulp and paper sectors as well. Thus, several questions remain at this juncture. Are the losses reported in the third quarter only a temporary setback for Enron that will clear the way for the company to return to a primary focus on its core business of energy trading? Or, will the losses continue into the fourth quarter and 2002? Moving forward, will Enron once again reshape its business model and eliminate the various businesses to which investors have reacted less than favorably? Only time will tell as the industry

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IssueAlerts email Page 4 of 4

continues to watch the developments at Enron, which is clearly a company in the midst of another wave of change.

An archive list of previous IssueAlerts is available at www.scientech.com

We encourage our readers to contact us with their comments. We look forward to hearing from you. Nancy Spring

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McInerney, Roberta

From:

Carleton, Norman

Sent:

Wednesday, December 19, 2001 3:43 PM

To:

Wiedman, Mark; Bair, Sheila; Bieger, Peter; Bitsberger, Timothy; DeMarco, Edward; Dorsey, Karen; Ellett, Martha; Ellis, Dina; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne;

Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian

Subject:

Converation with Frank Hampton and ABI Website: House Leaders Continue to Push Netting

Provisions

According to Frank Hampton of TBMA, Dick Armey is also pushing the netting legislation. However, Sensenbrenner hopes to acheive a compromise on the larger bankruptcy legislation by February and is opposed to passing the netting legislation separately. In the Senate, Grassley is also opposed to a separate netting bill and is reportedly avoiding a meeting with Greenspan to discuss this.

Norman Carleton

ABI Website news:

December 19, 2001

House Leaders Continue to Push Netting Provisions

House leaders are trying to nudge forward legislation that seeks to prevent systemic financial crises by allowing creditors to "net out" their derivatives losses with major counter parties that have filed for bankruptcy, The American Banker reported. It is still unclear, however, whether even they will be successful in overcoming the political obstacles that have stalled it for more than a year - especially considering that Congress is expected to adjourn for the year as early as this week. Majority Whip Tom DeLay (R-Texas) "believes that it's important to get the netting provisions done, either within the context of bankruptcy reform or elsewhere," a spokesman said.

Such highly technical bills rarely attract the attention of top House or Senate leaders, but the recent collapse of Enron Inc. has given the netting legislation newfound relevance. Federal Reserve Board Chairman Alan Greenspan and Treasury Secretary Paul O'Neill say markets are at risk until a law is enacted that allows contracts to be quickly and easily netted out without the approval of slow-moving bankruptcy courts. Holding it up, however, is House Judiciary Committee Chairman James Sensenbrenner (R-Wis.), who heads the House-Senate bankruptcy legislation conference committee. The netting legislation is a part of the bankruptcy reform legislation. Sensenbrenner and some Senate Judiciary Committee members, including bill sponsor Charles Grassley (R-Iowa), oppose passing the netting authority separately because they still hope that the relatively uncontroversial provisions will propel the bankruptcy package.

Though industry sources said they have received commitments from House leaders that netting will be enacted by year-end or soon thereafter, they are not expected to force a vote without the support of Sensenbrenner. Even after a meeting last week with Greenspan, Sensenbrenner maintained that he was "going to try to keep it in the bankruptcy package," his spokesman said.

Sutton, Gary

From:

Ellis, Dina

Sent:

Wednesday, October 31, 2001 9:42 AM

To:

McGivern, Tom; Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; DeMarco, Edward;

Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy, Hughes, Gerry; McInemey, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith,

Amy; Sutton, Gary; Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen

Subject:

RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

also...it will have to be recleared through all of the agencies if we rewrite the sentence. I spoke with Pat at the Fed. -- I think the main thing is the timing of when we send the letter. As long as we don't send it the day of the meeting of the conferees, I think we will be ok and not anger anyone too much.

----Original Message-----From:

McGivern, Tom

Sent:

Wednesday, October 31, 2001 9:20 AM

To:

Elis, Dina; Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne;

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I agree with Dina that it's not a foregone conclusion that the larger bankruptcy bill will get to the President's desk this session. In light of the weakening in the economy, concerns about Enron, etc., I recommend that the letter should go as drafted.

----Original Message--

From:

Elis, Dina

Sent: To:

Tuesday, October 30, 2001 3:02 PM Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross,

Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin,

Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian

Subject: RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

I have spoken to a variety of people on possible movement of the bankruptcy bill. There is a slight chance that there will be a conference meeting next week but I don't see fasat movement on the bill.

----Original Message----

From:

Carleton, Norman

Sent:

Tuesday, October 30, 2001 2:46 PM

To: Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Ellis, Dina; Gabilondo, Jose; Gross, Jared;

Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin,

Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian

Subject:

Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

<< File: Netting letter.doc >>

Attached is the proposed netting letter from the Federal Reserve. (It has merge mail features that you will have to delete in order to read it. Alternatively, you can use the quick view program to access the document.) It is awaiting approval from SEC Chairman Pitt. Below is an article I sent around earlier today indicating that some are trying to revive the Bankruptcy bill.

Sheila -- Given the apparent attempt to revive the Bankruptcy bill, do you still want the last sentence of the letter to read: "With the final days of this session of Congress approaching, we urge you to remove the netting legislation from the broader legislation and enact it separately"?

Norman Carleton

Bankruptcy Conference May Resume As Netting Bill Considered

The House Judiciary Committee will be turning its attention to other matters in the weeks remaining before adjournment - possibly including a conference on bankruptcy, CongressDaily reported. Further work on the legislation had been postponed after the Sept. 11 attacks occurred. The House and Senate conferees had been poised to meet Sept. 12. A spokesman for the committee yesterday said that no new conference date has been set, but staff members in recent weeks have continued to work on technical aspects of the bankruptcy measure. Judiciary Committee Chairman James Sensenbrenner (R-Wis.), who is chairing the conference committee, is determined to make a go of it before members leave town for the year, according to sources. While noting that the committee's agenda had not yet been formulated, his spokesman did not rule out the prospect. "It's definitely a possibility," he said.

Moreover, members of the House Financial Services Committee are trying to move a provision of the bankruptcy legislation pertaining to financial netting-perhaps as part of the economic stimulus package-in the event the underlying bill remains stalled.

That provision is designed to strengthen and update current statutory protections for netting financial market contracts if a party defaults. The netting language of the bill was one of the few consensus items included in the bankruptcy legislation. The economic downturn and the widening number of commercial bankruptcies could help create even stronger impetus for the provision to move separately, sources said.

House Financial Services Committee ranking member John LaFalce (D-N.Y.) urged shortly after the Sept. 11 terrorist attacks that the netting language be moved "expeditiously." In response, Treasury Secretary Paul O'Neill and Federal Reserve Chairman Alan Greenspan agreed "whether as part of comprehensive bankruptcy reform legislation or as a stand-alone bill, Congress should not fail to enact netting legislation this year." The Financial Services Committee had considered placing netting legislation on the schedule for markup this Wednesday, when it takes up a host of other bills. Committee leaders decided against such action, however. A spokeswoman for House Financial Services Committee Chairman Michael Oxley (R-Ohio) said he remained hopeful that the underlying bankruptcy bill could move intact.

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Sutton, Gary, Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen

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Carleton, Norman

Sent:

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Gerry, McGivern, Torn; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne;

Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian

Converation with Frank Hampton and ABI Website: House Leaders Continue to Push Netting

Provisions

[(b)(5)]

Subject:

Norman Carleton

ABI Website news:

December 19, 2001

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Power Marketers

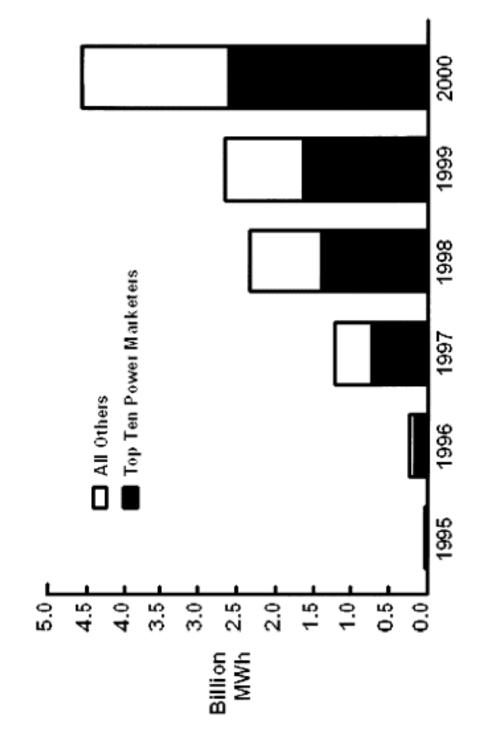
November 2, 2001

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Sales by Power Marketers



Source: Cambridge Energy Research Associates. 10708-6



Top Twenty Power Marketers, Ranked by Sales for 2000

Company	Sales (MWh)	Percent of Total
American Electric Power Service Corp.	401,303,435	8.82
PG&E Energy and affiliates	282,647,042	6.21
Duke Energy and affiliates	276,239,139	6.07
Reliant Energy and affiliates	204,312,370	4.49
Southern Company Energy and affiliates	202,627,106	4.45
Aquila Energy Marketing Corp.	186,737,141	4.10
Cinergy Operating Companies	166,425,713	3.66
Constellation Power Source, Inc.	162,349,998	3.57
Williams Energy and affiliates	138,398,312	3.04
Dynegy Power Marketing and affiliates	137,700,000	3.03
Edison Mission and affiliates	136,872,068	3.01
El Paso Merchant Energy and affiliates	115,282,403	2.53
Avista Energy and affiliates	106,872,806	2.35
PSEG Power	100,702,555	2.21
PECO Energy Co.	85,310,000	1.87
Koch Energy Trading, Inc.	76,311,750	1.68
Morgan Stanley Capital Group, Inc.	63, 164, 521	1.39
Entergy Power Marketing Corp.	63,149,441	1.39
Allegheny Energy and affiliates	61,886,191	1.36
All other marketers	991,961,173	21.80
Total	4,550,456,704	100.00



Source: Cambridge Energy Research Associates.

Domestic woes plague Africa

This year's rally in emerging stock markets has bypassed many sub-Saharan African centres as international investors were deterred by the problems of investing in the region's markets.

Kenya, Nigeria, Ghana, Mauritius, Namibia and the regional exchange in Ivory Coast fell between January and July, although South Africa's Johannesburg stock exchange, the continent's biggest market, Zimbabwe and Botswana rose.

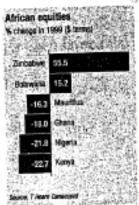
Jenni Chamberlain at HSBC said the markets in the region have been suffering from a general lack of interest from foreign investors. "These markets are plagued by liquidity problems, so realising gains becomes difficult, let alone accumulating a large enough position to make the investment worth the effort."

In Kenya, the Nairobi stock exchange index fell by 22.7 per cent in the first half. Analysts blamed the country's dispute with the international Monetary Fund, problems in the local banking sector and lower returns from tea and coffee exports due to bad weather.

However, recent government moves to tackle corruption may help improve sentiment, particularly from the international donor community. Also, local institutions are considering making bigger investments in the stock market as interest rates decline.

Many had expected the equity market in Nigeria to move strongly shead as investors refocused on a country which returned to civilian rule in May.

Yet violent protests in the oil-rich Niger delta and the government's ruling-out of British proposals that IMF officials monitor the handling of the country's finances from within the central bank have hurt sentiment. Corporate results have also been poor, contributing to a 21.8 per cent decline in



the stock market index in the January to July period.

In Ghana, one of the best performing emerging markets last year, the market has eased by 18 per cent, and according to HSBC at one point sales orders outnumbered buy orders by 14 to one as international prices for gold and cocoa, its two primary exports. Ashanti Goldfields, the biggest stock on the exchange, declined substantially this year alone as the price of gold tumbled.

However, analysts are still hoping new rules that will strengthen the powers of the market's regulator, allow the development of new financial products and the introduction of mutual funds will bring a recovery later in the year.

Christopher Hartland-Peel at T. Hoare Canacoord said: "Investors have started refocusing on the key issues of good politics, privatisations and growth. Valuations are looking attractive but investors are likely to sit on their hands until the issues that concern them are addressed."

Although an advance was recorded in Botswana, it is Zimbabwe that has brought a cheer to the region. The leading index on that market rose 55.5 per cent in US dollar terms to the end of July.

Joel Kibazo

HOMEPAGE | SITEMAP | SCHEDULES | BBC INFORMATION | BI

World: Africa IMF praise and caution for Ethiopia

The International Monetary Fund IMF has praised Ethiopia for its recent economic progress, but cautioned that the country must not risk letting its national expenditure get out of control.

The IMF said Ethlopia's economic progress over the past two years had been remarkable, especially in light of trade losses, bad weather conditions and the cost of the war with Eritrea.

But an IMF statement said it was concerned about the expected widening trade gap caused by a global fall in the price of coffee, Ethiopia's key export.

And it called on Ethiopia to improve the collection of taxes, encourage competition, and to consider allowing foreign banks to operate. The IMF said it regretted the heavy human and economic costs brought about by the conflict with Eritrea and said it hoped for a prompt settlement.

Rome

PRIVATISATION PROGRAMME

Nigeria's plans to deregulate power generation came closer to reality during a weekend visit to the country bill Richardson, US energy secretary. US company Enrhas signed a deal with Lagos, Nigeria's largest city, to build and operate a 560 MW power plant for an estimal

the government's power privatisa government would provide ಡ as deal with Enron climate. the Mr Richardson said the US hailed investment assistance to and ion programme improved echnical \$800m.

CONFIDENTIAL



DEPARTMENT OF THE TREASURY WASHINGTON, D.C. February 18, 2000

INFORMATION

MEMORANDUM FOR:

SECRETARY SUMMERS

DEPUTY SECRETARY EIZENSTAT

UNDER SECRETARY GEITHNER

FROM:

Assistant Secretary Truman (International Affairs)

SUBJECT:

Requested Embassy Cable on Structural Reform in Nigeria

DATE:

Friday, February 18, 2000

BACKGROUND:

[(b)(5)]

KEY POINTS:

From: To: Date: Subject: Joe Eichenberger StewartEK 3/2/00 9:59am [(b)(5)] Confidential Contraction Notice

From: To: Date: Joe Eichenberger GottliebG 3/2/00 9:58am Nigeria Cable

Subject:

[(b)(5)]

CC:

KuhlowM, BarberE, StewartEK

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INTER-AMERICAN DEVELOPMENT BANK

Washington, D.C. 20577



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From	: Horley	
Fax Tel	: (202) 623-3612 : (202) 623-1031	
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	sec attacks 9	t call me pl

→ JHURLEY

MAY 31, 1999

09:00 FAX 202 623 3612

STATEMENT OF APPROVED LOANS

ORDINARY CAPITAL



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- · President
- · Vise-President
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Inter-American Development Bank

Banco Interamericano de Desarrollo

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Approved Project Documents--Dominican Republic

* Summary only.

Private sector project.

Copies of IDB Loan Proposals and TC Plans of Operations are available at a cost of \$10. Nationals of the borrowing member country may obtain one copy free of charge.

Last update: March 17, 1999

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Loan/TC Number	Project Name
773/OC-DR	Financial Sector Reform Program*
825/OC-DR 930/SF-DR	Community Action Development Program*
897/OC-DR	Basic Education Improvement Program, Stage II
903/SF-DR	Agricultural Development in San Juan de la Maguana*
905/OC-DR	Program for Self-Management of Irrigation Systems
1047/OC-DR	Health Sector Modernization and Restructuring
1079/OC-DR	Real Property Adjudication
1093/OC-DR ATN/JF-5893/DR	Integrated Financial Management Program
1114/OC-DR	Local Road Maintenance and Rehabilitation Program
1124/OC-DR	Program to Strengthen the Provinces in the Northeast Region
1152/OC-DR	Reconstruction and Improvement in the Wake of Hurricane Georges
1176/OC-DR	Modernization of the Executive Branch
ATN/II-4677-DR ATN/SC-4678-DR	Rehabilitation of Puerto Haina and Puerto Plata*
ATN/SF-4706-DR	Modernization of Tax Administration*
ATN/PT-4818-DR	Support for the Organization Plan for Tourist Areas
ATN/CI-5011-DR	Health Reform Support Program
ATN/MT-5075- DR ATN/ME-5076- DR	Strengthening of Small Business and Microenterprise in Rural Areas
ATN/ME-5129- DR	Program to Raise Agricultural Competitiveness
ATN/SF-5313-DR	Support for Modernization of the Congreso Nacional

Inter-American Development Bank Approved Project Documents - Dominican Republic

ATN/MH-5521- DR	Labor Mediation Training
ATN/MT-5522- DR	Energy Sector Restructuring and Reform
DR	Support for the Public Enterprise Reform Program
ATN/JF-5961-DR	Consolidation of Water and Sanitation Reform
ATN/SI-5962-DR	Modernization of the Potable Water and Sewerage Sector

Holahan, Betsy

From: Sent: Schlesinger, Jacob [Jacob.Schlesinger@wsj.com]

Wednesday, January 16, 2002 5:21 PM

To:

"Betsy.Holahan@do.treas.gov"

Betsy:
Many thanks for getting Peter on the phone. He was very helpful.
I don't know if he has mentioned this to you yet, but I told him that we are interested in doing a profile of him and I'd love to set up an interview for that as soon as possible. I should stress this isn't a story focused on who made what Enron calls to whom. It's a broader piece about him as an official in the middle of a lot of important issues, from airlines and terror insurance to debt management and making sure financial markets are working properly at a time of stress.
I don't have a specific deadline (yet) but the sconer the better. Maybe it would be possible to meet over lunch next week? I am well aware that there are sensitive areas he won't want to talk about -- at least on the record -- so I'm happy to work with you to do this in a way he's comfortable.

Please let me know at your sconest convenience.

Jake

Jake Schlesinger Office: 202-862-6658 Cell: 202-669-1349

27

Holahan, Betsy

From:

Holahan, Betsy

Sent:

Thursday, January 10, 2002 2:39 PM

To:

Davis, Michele

Subject:

RE: Press Guidance on POTUS announcement this morning re: pensions

I have an e-mail in to Peter in NYC. He is in a meeting and his cell phone is turned off...will keep you posted.

-----Original Message-----

From:

Davis, Michele

Sent:

Thursday, January 10, 2002 10:20 AM

To:

Holahan, Betsy

Cc:

Nichols, Robert

Subject:

Press Guidance on POTUS announcement this morning re: pensions

The President announced that the Secretary of the Treasury will convene two groups:

analyze pension rules and regulations

recommend how to reform system to protect employees

Second group

analyze corporate disclosure rules

do stockholders have the knowledge they need

Relation to Enron:

The Justice Department and the SEC are handling the criminal investigation. If Enron broke the rules, they will be punished. The Enron bankruptcy prompts a review of the regulations to make sure that employees' pensions are protected and stockholders have access to the information they need to make sound investment decisions.

Holahan, Betsy

From:

11

Holahan, Betsy Friday, January 11, 2002 1:21 PM Davis, Michele Enron CNBC requests

Sent: To: Subject:

Importance:

High

CNBC Business Center (after 6 pm) and Market Wrap (4:30 pm) programs both want Peter today. I will call to decline unless there is someone else you want to send in his place...

From:

Sweetnam, Bill Jr

Sent:

Monday, January 14, 2002 5:56 PM

To:

Bradshaw, Tara

Cc: Subject: Reeder, W Thomas; Walker, Deborah RE: Enron, retirement plan rules

[(b)(5)]

----Original Message----

From: Bradshaw, Tara

Sent: Monday, January 14, 2002 5:37 PM

To: Sweetnam, Bill Jr

Subject: FW: Enron, retirement plan rules

fyi

----Original Message-----

From: Press_Office@finance-rep.senate.gov [mailto:Press_Office@finance-rep.senate.gov]

Sent: Monday, January 14, 2002 5:18 PM To: Jill_Gerber@finance-rep.senate.gov Subject: Enron, retirement plan rules

For Immediate Release Monday, Jan. 14, 2002

Grassley Explores New Protections for Retirement Plan Participants

WASHINGTON - Sen. Chuck Grassley, ranking member of the Committee on Finance, is pursuing whether Congress should tighten up protections for retirement plan participants in light of Enron's collapse.

"Millions of Americans have hundreds of billions of dollars invested in employer-sponsored retirement plans," Grassley said. "These plans receive favored treatment under the federal tax code. The Committee on Finance has the primary responsibility, under its jurisdiction, for making sure retirement plans comply with the tax code and other laws. Our committee also has the responsibility to fix any weaknesses that might leave retirement plan participants in trouble if their employer goes under."

Grassley said the details of the Enron retirement plans are still forthcoming. However, he said, some areas already are emerging as targets for scrutiny. Specific areas Grassley is looking into are:

Company stock. Under current rules, a company can restrict a retirement plan participant from selling the match received in company stock through an employee stock ownership plan. (Enron employees' company stock matches were restricted.) Grassley is researching whether employees should be able to change this investment choice prior to an arbitrary age.

Mandated purchases of company stock. Current law allows a plan sponsor to compel employees to purchase up to 10 percent of employer stock as a condition of participating in a 401(k) plan. Grassley said he thinks this rule should be eliminated.

Fiduciary rules. These rules ensure that companies properly invest and handle retirement plan money, including spending the money for the exclusive benefit of their employees. Retirement plans are tax-favored vehicles, authorized under the Internal Revenue Code. Grassley said he wants to learn whether Enron officials violated their fiduciary duties and in general, whether Congress should change the existing rules.

Black-outs. A "black-out" or "lockdown" occurs when a plan is shut down for a period of time to allow, for example, change to another plan administrator. Enron had such a "black-out," though the length of time is disputed. Grassley said he wants to get the facts on this event because it may coincide with the decline in the company's stock value.

Mandated diversification of stocks in retirement plans. Some legislation has been introduced that mandates employees hold no more than a certain percentage of stock in their 401(k) plan. Diversification in one part of the plan should indicate that all investments should be mandated. Grassley said he has an open mind, but thinks mandates are not desirable nor particularly feasible.

Grassley said he is pursuing these ideas with experts from outside groups and agencies such as the Treasury Department, the Labor Department and the Pension Benefit Guaranty Corporation.

"The tax code smiles on retirement plans, for good reason," Grassley said.
"Tax breaks encourage employers to set up retirement plans and employees to take part in those plans. If employers find it easy to break the rules, then Congress has to re-write the rule book. Otherwise, employees counting on a secure retirement might be left out in cold."

In addition to the retirement plan track, Grassley said he is part of an effort to look into whether Enron used certain tax vehicles that might have masked the company's financial condition.

-30-

From:

Davis, Michele

Sent:

Thursday, January 10, 2002 2:21 PM

To: Cc: Bradshaw, Tara; Weinberger, Mark

Subject:

Sweetnam, Bill Jr RE: URGENT!

[(b)(5)]

-----Original Message-----From:

Bradshaw, Tara

Sent: To:

Thursday, January 10, 2002 2:12 PM Davis, Michele; Weinberger, Mark

Cc:

Sweetnam, Bill Jr.

Subject:

RE: URGENT!

Importance: High

[(b)(5)]

-----Original Message-----

From: Davis, Michele Sent: Thursday, January 10, 2002 2:09 PM Bradshaw, Tara; Weinberger, Mark

Subject: RE: URGENT!

[(b)(5)]

-----Original Message-----

From:

Bradshaw, Tara

Sent:

Thursday, January 10, 2002 1:53 PM

To: Davis, Michele; Weinberger, Mark

Subject:

URGENT! Importance: High

The President announced that Terasury and Labor will be doing a joint review of pension and retirement rules with regard to Enron. I have received 3 calls on this (all tax pubs). Bill Sweetnam, our Benefits Tax Counsel in OTP, had not been alerted to the decision for the review. [(b)(5)]

Thanks.

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Thanks.

Tara

From:

Angus, Barbara

Sent:

Tuesday, January 08, 2002 3:55 PM

To:

Bradshaw, Tara; Olson, Pam; Weinberger, Mark

Subject:

RE: Tax havens & Enron!

[(b)(5)]

----Original Message----

From: Bradshaw, Tara

Sent: Tuesday January 08, 2002 11:54 AM

To: Olson, Pam; Weinberger, Mark; Angus, Barbara

Subject: RE: Tax havens & Enron!

I talked to the reporter, gave her the answers. I also asked her why she was trying to link Enron with our tax haven policy. She says that Enron has 874 subsidiaries -- all in listed tax haven countries. (More than any other company)

----Original Message-----

From: Olson, Pam

Sent: Monday, January 07, 2002 4:26 PM

To: Bradshaw, Tara

Subject: RE: Tax havens & Enron!

[(b)(5)]

----Original Message----

From: Bradshaw, Tara

Sent: Monday, January 07, 2002 4:06 PM

To: Weinberger, Mark; Angus, Barbara; Olson, Pam

Subject: FW: Tax havens & Enron!

Please see the initial message from a bloomberg reporter thanks

----Original Message----

From: Davis, Michele

Sent: Monday, January 07, 2002 4:04 PM

To: Bradshaw, Tara; Fratto, Tony

Subject: RE: Tax havens & Enron! this will be fun

[(b)(5)]

----Original Message----

From: Bradshaw, Tara

Sent: Monday, January 07, 2002 3:31 PM

To: Fratto, Tony; Davis, Michele

Subject: Tax havens & Enron! this will be fun

Importance: High

FYI

----Original Message-----

From: HEIDI PRZYBYLA, BLOOMBERG/ WASHINGTO

[mailto:HPRZYBYLA@bloomberg.net]

Sent: Monday, January 07, 2002 3:23 PM

To: Tara.Bradshaw@do.treas.gov

Subject: Re:

hey Tara. Thanks for the quick response. These are the questions we need answered from Treasury: 1) Has there been any contact between the administration and Enron whatsoever on the issue of tax havens 2) What if any was Enron's role in the Bush administration's position on the OECD initiative and 3) Will Treasury investigate Enron's use of offshore subsidiaries. thanks for your help. Also Tony returned my call while we were on the phone so can you pls. forward this to him?

From:

Olson, Pam

Sent:

Tuesday, January 08, 2002 12:01 PM

To:

Bradshaw, Tara

Subject:

RE: Tax havens & Enron!

[(b)(5)]

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----Original Message-----

From: Bradshaw, Tara <Tara.Bradshaw@do.treas.gov>

To: Olson, Pam <Pam.Olson@do.treas.gov>; Weinberger, Mark <Mark.Weinberger@do.treas.gov>;

Angus, Barbara <Barbara.Angus@do.treas.gov>

Sent: Tue Jan 08 11:54:09 2002 Subject: RE: Tax havens & Enron!

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Sent:

Thursday, January 10, 2002 2:12 PM

To:

Davis, Michele; Weinberger, Mark

Cc: Subject:

Sweetnam, Bill Jr RE: URGENT!

Importance:

High

Former Benefits Tax Counsel, Mark lwry, just called me. He said he has gotten a call from the NYT asking about this issue, and a call from CNBC to appear on the Capital Report. He wants to know if there is anything he can say that will be helpful

----Original Message-----

From:

Davis, Michele

Sent: To: Thursday, January 10, 2002 2:09 PM Bradshaw, Tara; Weinberger, Mark

Subject:

RE: URGENT!

[(b)(5)]

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Thanks.

Tara

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Subject:

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From: Sent: Bradshaw, Tara

Sent: To: Monday, January 07, 2002 4:05 PM

Davis, Michele; Fratto, Tony

Subject:

RE: Tax havens & Enron|this will be fun

I'll find out

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To: Bradshaw, Tara; Fratto, Tony

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DEPARTMENT OF TREASURY GENERAL COUNSEL CORRESPONDENCE TRACKING SYSTEM

LOG NUMBER: OGC940302003

DUE DATE: 94/03/09

RECEIVED DATE: 94/03/02

OTHER LOG NUMBER : 94-131267

CORRESPONDENCE DATE: 94/02/28

FROM : Kenneth Lay, Enron Corporation

TO : Secretary Lloyd M. Bentsen

SUBJECT : Press Release on Enron Oil and Gas Company

OFFICE ASSIGNED FOR ACTION :

TASKING: OASIA action, to be cleared w/GC.

CLEARANCE INFORMATION LEGAL POLICY Munk Hanson Bowman Foreman Gross

EXECUTIVE SECRETARIAT CORRESPONDENCE PROFILE

PROFILE #: 94-131267 CREATE DATE: 03/01/94

ADDRESSEE: Bentsen, Lloyd M. AUTHOR: Lay, Kenneth

Secretary

Enron Corporation

SUBJECT: Press Release On Enron Oil And Gas Company

ABSTRACT: Urges the administration to support Indian Government in its

effort to privatize and liberalize their economy.

ASSIGNED TO: JEFFREY SHAFER

DUE DATE: 03/09/94

OASIA

ACTION REQUIRED: Letter

TASK: Please prepare a response for the signature of the Secretary and

clear with General Counsel.

PUBLIC LIAISON DISTRIBUTION: GENERAL COUNSEL

ECONOMIC POLICY EXEC SEC



Kenneth L. Lay
Chairman and
Chief Executive Officer

P. O. Box 1168 Houston, Texas 77251-1168 (713) 853-6773

February 28, 1994

The Honorable Lloyd Bentsen Secretary of the Treasury Department of the Treasury 1500 Pennsylvania Avenue, NW Room 3330 Washington, DC 20220

Dear Lloyd:

As indicated in the attached press release, Enron Oil and Gas Company and its Indian partner, Reliance Industries, have been awarded the rights to develop and operate the Tapti, Panna, and Mukta fields off the Western coast of India. The strong support for our efforts on this matter from you and others in the Clinton Administration were very instrumental to this outcome.

In his remarks to the Business Council last Wednesday evening, President Clinton made the point that his Administration was committed to promoting U. S. business interests abroad. I believe our success in India is tangible evidence of the results of this policy.

At the same time, I remain concerned that the current relationship between the U.S. and India governments is not as positive as it probably should be. The attached copy of an article from the February 24 Washington Post articulates this concern better than I could. I would hope the Administration would take affirmative steps to put these relations between the worlds two largest democracies on a better footing.

I want to again express my appreciation to you and others in the Clinton Administration for supporting our activity in India. We firmly believe the success of this The Honorable Lloyd Bentsen February 28, 1994 Page Two

activity will result in significant exports from the United States as well as assist the Indian Government in its efforts to privatize and liberalize their economy. This is clearly a win-win proposition for both countries.

Sincerely,

rtf30

Attachments

c: The Honorable Warren Christopher, Secretary of State The Honorable Ronald H. Brown, Secretary of Commerce The Honorable Thomas F. McLarty, Chief of Staff The Honorable Robert E. Rubin, Chairman - National Economic Council

ENRON Oil & Gas Company

NewsRelease

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INDIAN GOVERNMENT INDICATES AWARDING OF DEVELOPMENT RIGHTS FOR OIL AND GAS FIELDS OFFSHORE INDIA TO ENRON OIL & GAS/RELIANCE INDUSTRIES JOINT VENTURE

FOR IMMEDIATE RELEASE: Friday, February 25, 1994

HOUSTON -- Enron Oil & Gas Company (EOG) and Reliance Industries Limited (RIL), India's largest private sector corporation, today confirmed that a Government of India background paper indicated the awarding of offshore development and operating rights for the Tapti, Panna and Mukta fields off the western coast of India to their joint venture consortium that also includes the Oil and Natural Gas Commission (ONGC) of India.

EOG expects to own its interest in the joint venture through a yet to be formed subsidiary of its wholly owned subsidiary, Enron Exploration Company. Panna and Mukta are oil fields with current production and Tapti is a large undeveloped natural gas field.

Upon receiving official confirmation within a week, EOG and RIL plan to expedite with the Indian government final negotiation of the production sharing contract, operating agreements and natural gas sales contracts. EOG, whose working interest ownership is expected to be approximately 30 percent, will be operator of this joint venture development project.

"We are very pleased that the Indian government appears to have given us the opportunity to contribute to the further development of its hydrocarbon reserves and to its

privatization efforts," said Forrest E. Hoglund, chairman, president and chief executive officer of EOG. "As a low-cost operator with a proven record in offshore oil and gas development of this type, we feel EOG has the capabilities to add significant value to India's assets in a timely fashion."

EOG, with natural gas equivalent reserves of 1.9 trillion cubic feet and 1993 production of 709 MMcf/d, has experience in the Gulf of Mexico offshore Texas and in the Caribbean Sea offshore Trinidad. The company operates 15 platforms currently producing 85 million cubic feet per day (MMcf/d) of natural gas in U.S. waters. It also operates the Kiskadee platform offshore Trinidad which is producing 50 MMcf/d from two wells. Additional Kiskadee wells are being drilled, and an additional platform is being constructed to develop the Ibis field upon conclusion of the Kiskadee development.

"We are particularly proud of our track record in Trinidad where it took us less than one year to have natural gas flowing to the Trinidadian marketplace after signing the original contract with the government of Trinidad and Tobago in November, 1992," Hoglund said. "We anticipate using this same philosophy in India to accelerate the flow of crude oil and natural gas supplies, which should benefit India's rapidly developing economy."

Prior to final negotiation of a production sharing contract with the government, EOG and RIL anticipate cooperating with ONGC immediately to coordinate transfer of operations in the currently producing Panna and Mukta fields. Major commitments for drilling and platform construction will be finalized after the agreement negotiations are completed in the next few months.

Enron Oil & Gas Company is one of the largest independent (non-integrated) oil and gas companies in the United States in terms of domestic proved reserves. The company's reserve base is 85 percent domestic and 93 percent natural gas. EOG is listed on the New York Stock Exchange and is traded under the ticker symbol, "EOG."

Rhetoric Fuels U.S.-India Rift

Perception of Washington Vendetta Threatens Improved Business, Military Ties

By Molly Moore and John Ward Anderson Washington Post Foreign Service

NEW DELHI—In a war of words that has alarmed U.S. officials here and in Washington, Indian authorities say relations between the two countries have reached their lowest point in two decades, threatening blossoming economic ties and American efforts to control nuclear proliferation in the region.

Headlines in the Indian press have grown increasingly vitriolic over the past several weeks, accusing the Clinton administration of unfairly attacking India on human rights issues and its handling of a civil war in the Himalayan region of Jammu and Kashmir, and taking sides with India's neighbor and arch enemy, Pakistan.

Anti-American sentiment has become so strong that the acting U.S. ambassador felt compelled to answer the charges in a statement carried on the editorial pages of one of the country's most prominent newspapers.

U.S. officials have said Indian authorities are overreacting to relatively trivial comments made by President Clinton and others in his administration. But they concede that the misunderstandings could affect U.S. credibility on nuclear proliferation and political stability in this region, considered a potential flashpout for nuclear war between India and Pakistan.

"It's become something we have to take very seriously," a Same Department official said.

The barbed political rhetoric comes after a period of steady improvement in economic and military relations between the two countries. With the dissolution of the Soviet Union, India is so longer flirting with the communist bloc and the United States has curtailed weapons makes to Pakistan. A new program of economic liberalization launched about two years are by the government of Prime Minister P.V. Narasumha Rao has attracted hundrells of U.S. businesses to India and strengthened economic ties between the two countries.

American business consider India—with a ballooming middle class almost as large as the population of the United States—potentiallyone of the greatest new consumer machinistiche world. The United States already in Bulia's largest trading partner, a position IES, business leaders do not want to me constaken by rapidly expanding Indian units relations with Southeast Asian nations.

However, some diplomatic blunders and cultural missteps by U.S. officials, and the heated reaction by the Indians, highlight the fragility of the udulinship between the two nations.

U.S. officials said they are worried by

Indian newspapers that pose questions like this one published last week: "What makes Bill Clinton seem to enjoy wounding Indian sensibilities?"

What India sees as the biggest insult by Washington is the absence of a U.S. ambassador here, which Indians see as a symbol of Washington's indifference to their country. U.S. officials also say that having an ambassador in Delhi might have prevented some minor differences from being blown out of proportion. Controversy over the possible selection of former U.S. representative Steven Solarz (D-N.Y.) to fill the job has been one of the delaying factors.

"It may be a case of bureaucratic delay but also contains a message of indifference," columnist K.K. Katyal recently wrote in the daily newspaper, the Hindu.

Major policy differences also exist between the world's two largest democracies. The Clinton administration is unhappy with India's human rights record—especially in Kashmir, where Indian security forces have been accused of killing, raping and torturing annocent civilians—and with its refusal to sign the nuclear Non-Proliferation Treaty. India accuses the United States of tilting toward Pakistan in its South Asia policies and of meddling in its internal affairs.

Nonetheless, after years of pressure by the United States and other countries and private organizations, India appears to be considering allowing international groups such as the International Committee of the Red Cross and Amnesty International to visit Kashmir and other areas to monitor allegations of human rights violations.

In recent weeks, India has lodged strong protests about U.S. comments on Kashmir and Punjah, two regions of northwestern India where successionist insurgents are fighting government troops.

On Feb. 14, in a speech welcoming Pakistan's new ambassador to Washington, Clinton said, "We share Pakistan's concerns about human rights abuses in Kashmir." Indians also objected to a recent remark by a State Department official comparing Kashmir to war-torn Afghanistan.

In January, Indians were irked by a letter from Clinton to a member of Congress referring to "Sikh rights" in Punjab and another letter from Clinton to the director of a Washington-based Kashmir successionist group saying, "I look forward to working with you and others to help bring peace to Kashmir." Both letters were replies to letters written to Clinton.

While the letters would appear, to be standard courtesy replies, U.S. officials issued clarifications saying they were penned by White House letter-writers unfamiliar with the nuances of South Asian policies, lending a sort of faux pas-of-the-week quality to U.S. pronouncements.

India's agitation with the United States parallels the escalation of a war of words between India and Pakistan that has reached the highest levels in almost three years, alarming U.S. and other officials. The two countries already have folight two wars over their borders and again came perilously close in 1990, when the United States played a pivotal role in averting a conflict.

Much of the histrionics has been brought on by internal political pressures in the two countries. Pakistani Prime Minister Benazir Bhutto, who is newly elected and holds a tenuous majority in her country's parliment, has been criticized by her opponents as too soft on the Kashmir issue. On the other side of the border, Indian Prime Minister Rao, who has struggled to remain in office, has come under fire from India's right-wing, anti-Muslim political factions.

Adding pressure on both sides are the Indian and Pakistani militaries, whose political clout, budgets and nuclear programs are highly dependent on continued friction over Kashmir.

For both India and Pakistan, any statement or political move made by the United States benefits one of the enemies to the detriment of the other. As a result, India is now even more sensitive about any overtures made by the United States to improve its relations with its once-close ally, Pakistan.

Despite the daily headlines in India's newspapers accusing Clinton of a vendetta, American officials here and in Washington concede that the comment by Sumit Ganguly, a fellow at the Woodrow Wilson International Center for Scholars in Washington in Saturday's editions of the Pioneer newspaper, is perhaps the most apt.

"In actuality," wrote Ganguly, "the series of gaffes and the failure to appoint an ambassador only reflected the low priority the Clinton administration has accorded to India."





DEPARTMENT OF THE TREASURY WASHINGTON

MEMORANDUM FOR JEAN HANSON

FROM:

DENNIS I. FOREMAN

DEPUTY GENERAL COUNSEL AND

DESIGNATED AGENCY ETHICS OFFICAL

SUBJECT:

The Secretary's letter re Enron Corp.

SUMMARY

[(b)(5)]

DISCUSSION

From:

To:

Date: Subject:

Greg Christopulos CLAPPG 11/18/99 5:36pm Update on IPP disputes in the DR

[(b)(5)]

CC:

EX.MAIL."brucej@iadb.org", ex.mail."Tcraford@wb.or...