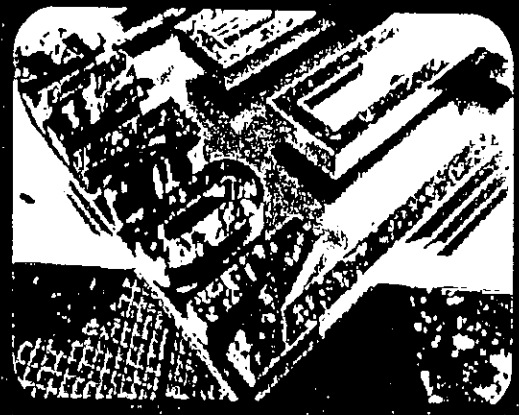
Raptor
Hedging Strategy Analysis

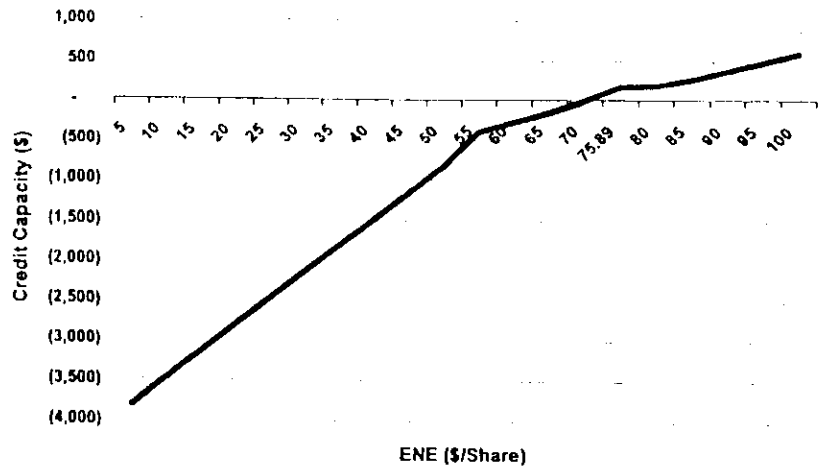


risk assessment & control

Raptor Credit Capacity Before & After Restructuring

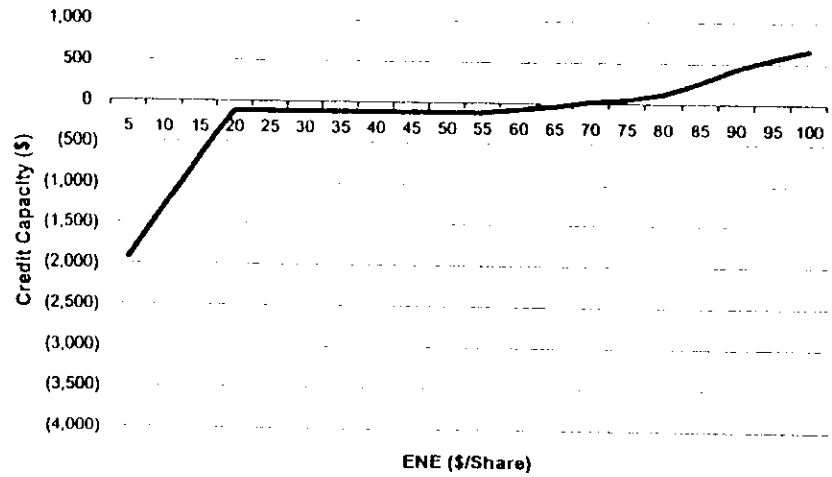
Original Raptor Structure:

- *Shortfall of restricted shares* Breakeven point is at $75.89/share.
- *Significant drop in value of NPW warrants* NPW price changed from $21/share at Raptor inception to current $6/share.
- *Significant drop in value of Raptor hedge*
- *Collars on ENE shares structured with Enron Corp*



New Raptor Structure:

- *Added ENE shares from JEDI to Raptor II & IV at 23% discount*
- *Placed Collar on Raptor II & IV*
- *Monetized Tahiti Note*



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Lessons Learned

- Recognize the effect of accounting hedge vs. economic hedge
- Corp. should consider hedging assets in Raptor to minimize credit capacity volatility
- The new Raptor structure transferred risk in the form of stock dilution

But Corp isn't RAPTOR! Why should "Corp" consider anything at Raptor.

There it is! That is the smoking gun. You cannot do this!

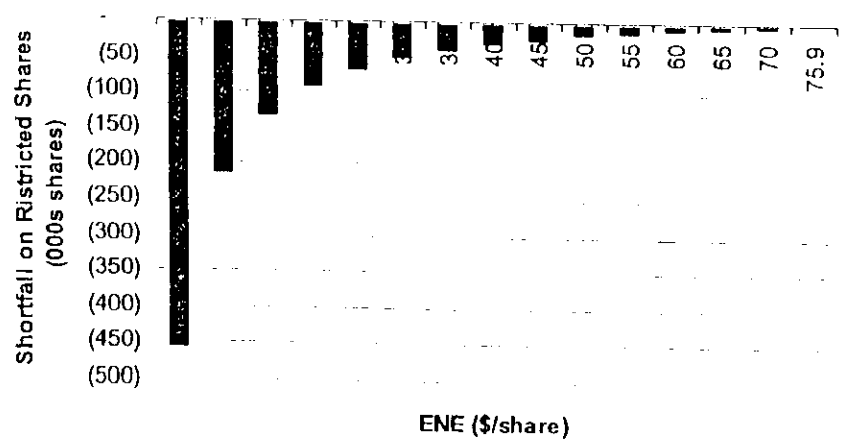
Appendix I

Raptor Credit Capacity: (ENE: $60/share, NPW: $6/share)*

	Initial Credit Capacity	LJM Distribution	Credit Capacity Aft. LJM Distribution	Raptor Hedge Net Gain/(Loss)	Change in Contributed Stock	Other Income/(Loss)	Current Credit Capacity
Raptor I	$ 222,923,065	$ (41,000,000)	$ 181,923,065	$ (421,872,987)	$ 79,967,265	$ 24,127,011	$(135,855,646)
Raptor II	218,023,063	(41,000,000)	177,023,063	(23,229,378)	18,717,086	19,209,840	191,720,611
Raptor IV	216,923,069	(40,469,684)	176,453,385	-	(391,455,665)	24,622,723	(190,379,557)
Raptor III	536,473,800	(39,500,000)	496,973,800	(247,363,899)	(361,767,000)	(1,407,100)	(113,564,199)
Total	**1,194,342,997**	**(161,969,684)**	**1,032,373,313**	**(692,466,264)**	**(654,538,313)**	**66,552,473**	**(248,078,791)**

Shortfall on ENE Common stock Forwards:

	ENE Shares Forward Sales from Whitewing	Forward Sales Shares Shortfalls	TNPC Shares
Raptor I	3,876,755	-	
Raptor II	7,809,790	(2,144,878)	
Raptor IV	6,326,045	(6,326,045)	
Raptor III	-		24,117,800
Total	**18,012,590**	**(8,470,923)**	**24,117,800**



How did we fix this Q1?

*e: Used the hedging asset value on 3/7/01.

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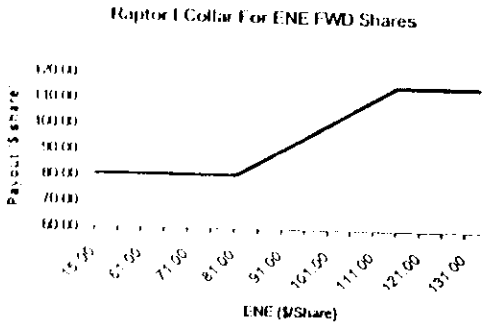
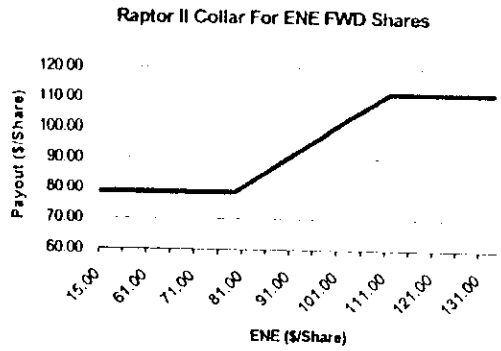
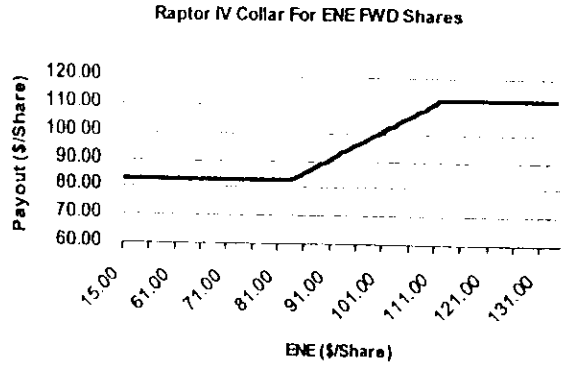
Appendix II: Collars in Raptor Structures

Collars in Original Raptor Structures

- Raptor I: Long put @81.00, short call @116.00, 3,876,755 shares
- Raptor II: Long put @78.88, short call @111.86, 7,809,790 shares
- Raptor IV: Long put @83.00, short call @112.42, 6,326,045 shares

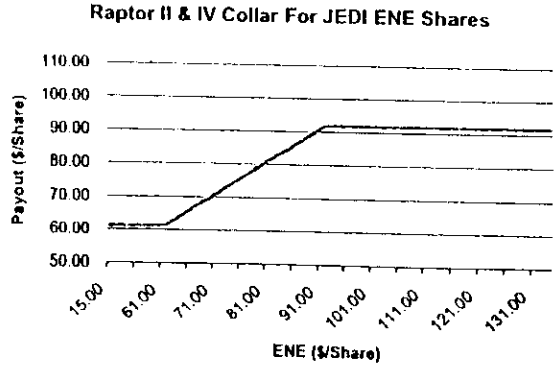






Collars in New Raptor Structure

- Both Raptor II and IV have same collar structure.
- Raptor II: Long put @$61.48, short call @$91.04, 7,919,393 shares
- Raptor IV: Long put @$61.48, short call @$91.04, 4,080,607 shares



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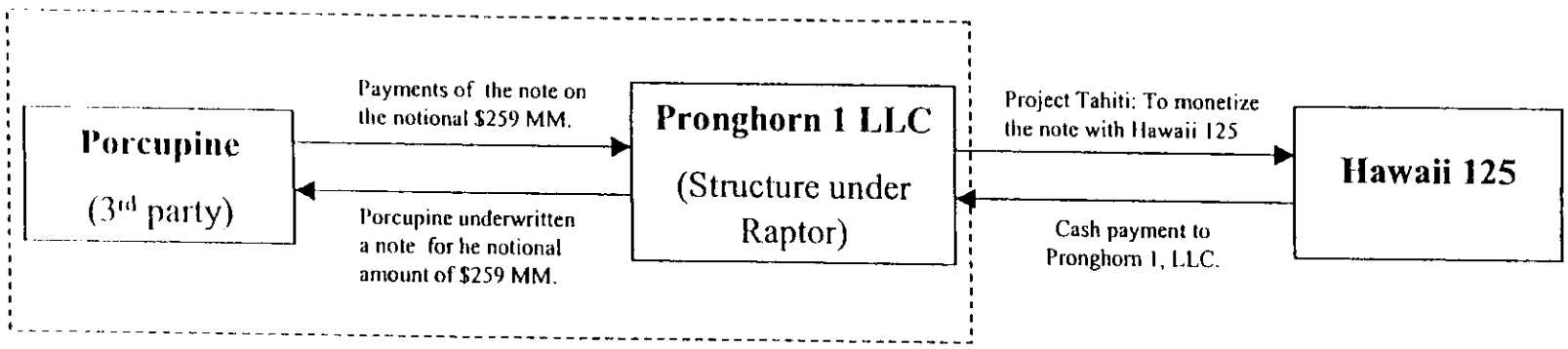
Appendix III: Project Tahiti

- Porcupine, a third party, is making payments to Pronghorn 1 LLC, on a $259MM notional note.
- The note is due on April, 2005.
- Pronghorn 1 – LLC, is a sub-structure of Raptor.
- Pronghorn monetized the note with Hawaii 125, another ENE off-balance sheet structure.
- Currently, $30 MM of the note has been monetized with no discount
- By 2001 end of year, another $50 MM with be monitized with no discount.
- The remaining $179 MM note will be monetized in the next few years.