

To: David B. Duncan @ ANDERSEN WO
CC:
BCC:
Date: 10/15/2001 04:29 PM
From: Rodney Faldyn @ enron.com
Subject: FW: re: Loan impairment issues
Attachments: Loan_Impairment.doc

Dave,

I just wanted to make sure you got another chance to review our original position on credit impairment

Rodney

> -----Original Message-----

> From: Siurek, Ryan

> Sent: Monday, October 15, 2001 11:41 AM

> To: Faldyn, Rodney

> Subject: re: Loan impairment issues

>

>

> Rodney,

>

> Here is a memo that I put together back in March 2000 regarding
> impairment assessments on loan receivables. Our conclusion was that
> this should be a probability based approach (ie. Monte Carlo although
> that specific approach was not mentioned) and not a "closing price at
> the end of each measurement date" approach. This memo was the based
> used by Enron to discuss impairment methodology with AA as it pertains
> to the Rhythms transaction, the predecessor to the Raptor transactions.
> Rick and I discussed this issue at length with Dave and Deb; however,
> their conclusion was that the probability approach was not
> appropriate for this type of a transaction. Rick further discussed
> this issue with John Stewart but was unable convince him that our
> approach was appropriate. I find it intriguing that we are falling
> back to a position that we were told we could not use.

>

> Feel free to forward this on to Rick as evidence of our initial
> discussions with AA.

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> <<Loan_Impairment.doc>>

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> Regards,

>

> Ryan

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***** - Loan_Impairment.doc