

**MINUTES  
MEETING OF THE FINANCE COMMITTEE  
OF THE BOARD OF DIRECTORS  
ENRON CORP.  
MAY 1, 2000**

Minutes of a meeting of the Finance Committee ("Committee") of the Board of Directors of Enron Corp. ("Company"), noticed to begin at 4:00 p.m., C.D.T., but actually begun at 4:10 p.m., C.D.T., on May 1, 2000 at the Enron Building in Houston, Texas.

The following Committee members were present:

Mr. Herbert S. Winokur, Jr., Chairman  
Mr. Robert A. Belfer  
Mr. Norman P. Blake, Jr.  
Mr. Frank Savage

Committee members Ronnie C. Chan, Jerome J. Meyer, Paulo V. Ferraz Pereira, and John A. Urquhart were absent from the meeting. Directors John H. Duncan, Ken L. Harrison, Kenneth L. Lay, and Jeffrey K. Skilling, Messrs. Richard B. Buy, Richard A. Causey, Andrew S. Fastow, Ben F. Glisan, Jr., David B. Gorte, Mark E. Koenig, Jeffrey McMahon, Theodore R. Murphy, and Joseph W. Sutton, and Ms. Rebecca C. Carter, all of the Company or affiliates thereof, also attended the meeting.

The Chairman, Mr. Winokur, presided at the meeting, and the Secretary, Ms. Carter, recorded the proceedings.

Mr. Winokur called the meeting to order and called for a revised agenda to begin with the Treasurer's report. He called upon Mr. McMahon to begin the presentation, a copy of which is filed with the records of the meeting. Mr. McMahon reviewed the liquidity report as of March 31, 2000 and noted that the Company's total liquidity was over \$8 billion. He reviewed year-to-date investments and proceeds on sales of assets and stated that the Company still planned to monetize over \$1 billion in investments before the end of the year. He discussed the status of capital commitments by business unit and active letters of credit. He reviewed the guarantee portfolio and commented that the portfolio was expected to increase with the growth in certain businesses. He reviewed the Company's rating by each rating agency and noted that Moody's Investor Services had recently upgraded the Company to Baa1 and, therefore, the Company no

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longer had a split rating between the two largest rating agencies. He also noted that Standard & Poors Corporation was currently performing its annual analysis of the Company and that Duff & Phelps Credit Rating Co. had recently acquired Fitch IBCA.

Mr. McMahon then discussed the Company's need for additional borrowing flexibility and a proposed authorization for additional debt securities to include the issuance and sale of incremental, unsecured senior debt securities in an amount not to exceed \$1 billion. Upon motion duly made by Mr. Blake, seconded by Mr. Savage, and carried, the proposed issuance and sale of incremental, unsecured senior debt securities in an amount not to exceed \$1 billion was approved for recommendation to the Board.

Mr. Winokur then noted that a draft of minutes of the meeting of the Committee held on February 7, 2000 had been distributed to the Committee members and called for any corrections or additions. There being none, upon motion duly made by Mr. Blake, seconded by Mr. Belfer, and carried, the minutes of the meeting of the Committee held on February 7, 2000 were approved as distributed.

Mr. Winokur called upon Mr. Fastow to present the Chief Financial Officer's report, a copy of which is filed with the records of the meeting. Mr. Fastow began his presentation by introducing Mr. Glisan and stating that the Company was proposing that Mr. Glisan replace Mr. McMahon as the Company's Treasurer. He discussed Mr. Glisan's background along with backgrounds of Barry J. Schnapper and Timothy A. DeSpain, two individuals that the Company was proposing be elected Deputy Treasurers of the Company. Upon motion duly made by Mr. Blake, seconded by Mr. Belfer, and carried, the proposed officer elections were approved for recommendation to the Board.

Mr. Fastow then discussed the Company's current and projected key financial ratios and stated the ratios were based on the assumption that the proceeds from the sale of Portland General Electric Company were reinvested in the Company's other businesses. He reviewed the stock trading portfolio and the Company's cost of capital, stating that all of the transactions in the portfolio were accomplished utilizing swaps and that the increase in the cost of capital was due to the increase in the Company's stock price. He commented on the Company's increased borrowing spreads, noted that other companies have also experienced increased borrowing spreads, and stated that the offsetting decline in the yield curve has led to borrowing costs comparable to year end costs. He compared the Company's five-year borrowing spread to the BBB and A indices and stated that

the Company's borrowing spread was more favorable than its rating would suggest.

Mr. Fastow then gave the Committee an update on LJM2 transactions with the Company including the level of capital commitments, number of investors, number and dollar value of investments already completed, and the Company's business units that had transacted with LJM2. He commented on the direct and indirect impact of LJM1 and LJM2 ("the investment vehicles") on the Company's earnings and funds flow. He stated that he had hired individuals to manage the investment vehicles and that he personally was devoting approximately three hours a week to the investment vehicles. He then called upon Mr. Glisan to discuss Project Raptor.

Mr. Glisan stated that Project Raptor involved establishing a risk management program to enable the Company to hedge the profit and loss volatility of the Company's investments. He discussed the highlights of Project Raptor including the establishment of a non-affiliated vehicle ("Talon") as a hedge counterparty to selected investments, the mechanism for funding Talon, and the level of hedging protection Talon could initially provide the Company. He reviewed the structure of Talon and the amount of capital that would be contributed by LJM2. Mr. Causey joined the discussion and stated that Arthur Andersen LLP had spent considerable time analyzing the Talon structure and the governance structure of LJM2 and was comfortable with the proposed transaction. Mr. Glisan then discussed Project Raptor's risk and potential mitigants to those risks. Following a discussion, upon motion duly made by Mr. Blake, seconded by Mr. Savage, and carried, Project Raptor was approved for recommendation to the Board.

Mr. Winokur called upon Mr. Buy to present the Chief Risk Officer's report, a copy of which is filed with the records of the meeting. Mr. Buy reviewed the current Transaction Approval Process ("TAP") and noted that certain revisions were proposed to reflect recent organizational changes at the Company. The Committee then discussed the TAP for divestitures, currently requiring Board approval for divestitures exceeding \$500 million. Following a discussion, the Committee recommended that the TAP be modified such that divestitures be classified as either strategic assets or merchant assets and that the threshold for requiring Board approval would be \$200 million for strategic assets and would remain at \$500 million for merchant assets. Mr. Buy then answered questions from the Committee regarding the Risk Assessment and Control Group's ("RAC's") analysis of proposed transactions that require additional investments in the future and that involve obtaining toehold positions in publicly traded companies. Following a discussion, the Committee agreed that toehold positions

in publicly traded companies should be considered non-conforming transactions per the TAP. Upon motion duly made by Mr. Blake, seconded by Mr. Belfer, and carried, the proposed revisions to the Enron Corp. Transaction Approval Process presented and discussed at the meeting were approved for recommendation to the Board.

Mr. Buy then discussed proposed changes to the Enron Corp. Risk Management Policy ("the Policy"). He stated that the Company was recommending that the Policy be amended to include Japanese Electricity as a new commodity group and noted that the individuals currently analyzing the business opportunities in Japan were the same individuals that had set up the Company's operations in Australia. He then discussed certain proposed limit increases to existing commodity groups within the Policy, including Australian Electricity, Pulp & Paper, and Equity Trading, and certain permanent limit structures and limit increases for commodity groups currently covered under the Interim Policy, including Southern Cone Electricity and Gas. He also noted that there was a proposal to change the wording of the Policy to clarify the difference between position limit violations and loss notification requirements. Upon motion duly made by Mr. Blake, seconded by Mr. Belfer, and carried, the proposed revisions to the Policy were approved for recommendation to the Board.

Mr. Buy then discussed the composition of the Company's merchant portfolio as of December 31, 1999 and any significant changes since the December Board meeting. He commented on the Company's credit exposure to TXU Europe Energy Trading Ltd. ("TXU"), formerly known as Eastern Energy & Power Trading Ltd., noted that the exposure was associated with long term transactions with TXU, and stated that the Company was actively pursuing credit risk mitigation opportunities. He reviewed a detail of non-performing assets, the overall credit reserve, and the Company's equity investments.

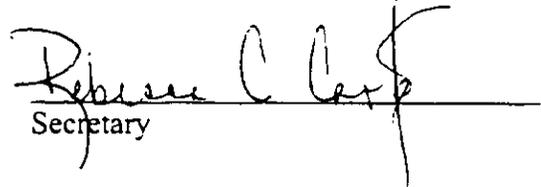
Mr. Buy then presented RAC's review of certain Enron Energy Services, LLC ("EES") transactions to ascertain the reasons why RAC and EES have calculated different expected values for proposed transactions. He noted that RAC models the EES base case and does not incorporate certain potential upsides, such as the potential for additional services, into its valuation. He stated that RAC would be incorporating methodologies to enable it to perform a consistent appraisal of the potential upside in EES transactions. He then presented a summary of EES's total commodity portfolio and discussed the two components, wholesale and regulated. He noted that the wholesale portion was incorporated into the North American limits of the Policy and that the regulated portion related to expectations regarding the timing of deregulation and the extent of declines in tariff prices. He then discussed the credit quality of EES's counterparties and

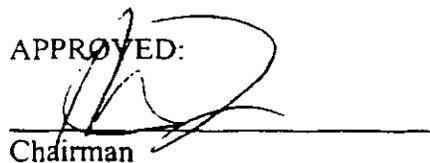
noted that 80% were investment grade and that the overall credit quality was very strong. Messrs. Skilling and Sutton joined Mr. Buy in answering questions from the Committee on the EES portfolio and RAC's review of EES.

Mr. Buy then updated the Committee on RAC's Foreign Exchange Project ("the FX Project") that was previously discussed with the Board at the February Committee meeting. He stated that the objective of the project was to identify, measure, and report on foreign currency economic exposure for the Company's worldwide merchant and strategic asset activities. He discussed the FX Project timeline for the Company's overseas regions and the targeted completion dates. He presented an overview of the methodology used in the FX Project including how the exposure would be identified, the data collection tool and the foreign exchange reporting model that RAC had developed, and the overall reporting. He stated that RAC had completed the analysis of Enron South America and he discussed the net notional position by asset and by position type, noting that the majority of the Company's exposure was related to Elektro and was considered a currency translation adjustment exposure. He reviewed the market data on the Brazilian currency, the reais, and noted when the Company had made its major investments in the country and its sensitivity to devaluation of the currency.

Mr. Buy then presented the Market Risk Update and discussed the returns each commodity group had earned compared to the Value-at-Risk ("VAR") it had taken. He gave an overview of the VAR backtesting, stress testing, and the Company's exposure under a "worst case" scenario of 5%-25% shifts in commodity prices. He reviewed limit violations during the first quarter of 2000, noted that the majority of the violations had occurred in the equity portfolio, and discussed the reasons for the violations. He presented two charts displaying VAR as a percentage of market capitalization and of net income for the Company, financial institutions, and other energy companies and commented on how the Company's risk profile impacted the comparisons.

There being no further business to come before the Committee, the meeting was adjourned at 5:40 p.m., C.D.T.

  
Secretary

APPROVED:  
  
Chairman

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Endless possibilities.™

## Finance Committee Meeting

May 1, 200

### | Committee Members |

- Mr. Herbert S. Winokur, Jr., Chairman
- Mr. Robert A. Belfer
- Mr. Norman P. Blake, Jr.
- Mr. Ronnie C. Chan
- Mr. Jerome J. Meyer
- Mr. Paulo V. Ferraz Pereira
- Mr. Frank Savage
- Mr. John A. Urquhart

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# LJM2 Update

- ✓ \$386 million of capital commitments
- ✓ 33 investors including pension funds, insurance companies, banks, private funds, individuals
- ✓ 7 investments to date 5 different business units
  - \$139 million
  - All purchased from Enron
  - Projected IRR of investments = 17.95% - not leveraged
  - 5 different business units

*Provide capital very quickly b/c of prior knowledge of the investment team*

## Direct and indirect LJM impact (including LJM1)

- Earnings = \$229.5 million
- Funds flow = \$2,077.4 million
- Fee savings = \$2.3 million
- LJM2 provided marketing "backstop" on 3 occasions
- Q4 1999: 8 days/6 deals/\$125 million

*Andel discussed his future commitment approx. 3 hrs a week*  
*Spiff*

Agenda Item 2a

# Project Raptor

## Hedging Program for Enron Assets

EC 000025081



*Glisan*

# Purpose

Establish a risk management program in order to hedge the Profit & Loss volatility of Enron investments

Original transaction had year. ISM has hedge on market of the company  
1999  
1999 P & L transaction from 1999

# Structural Highlights

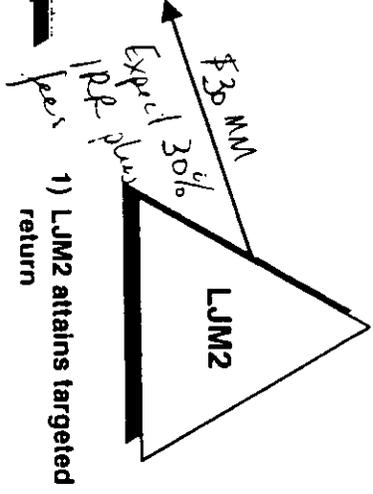
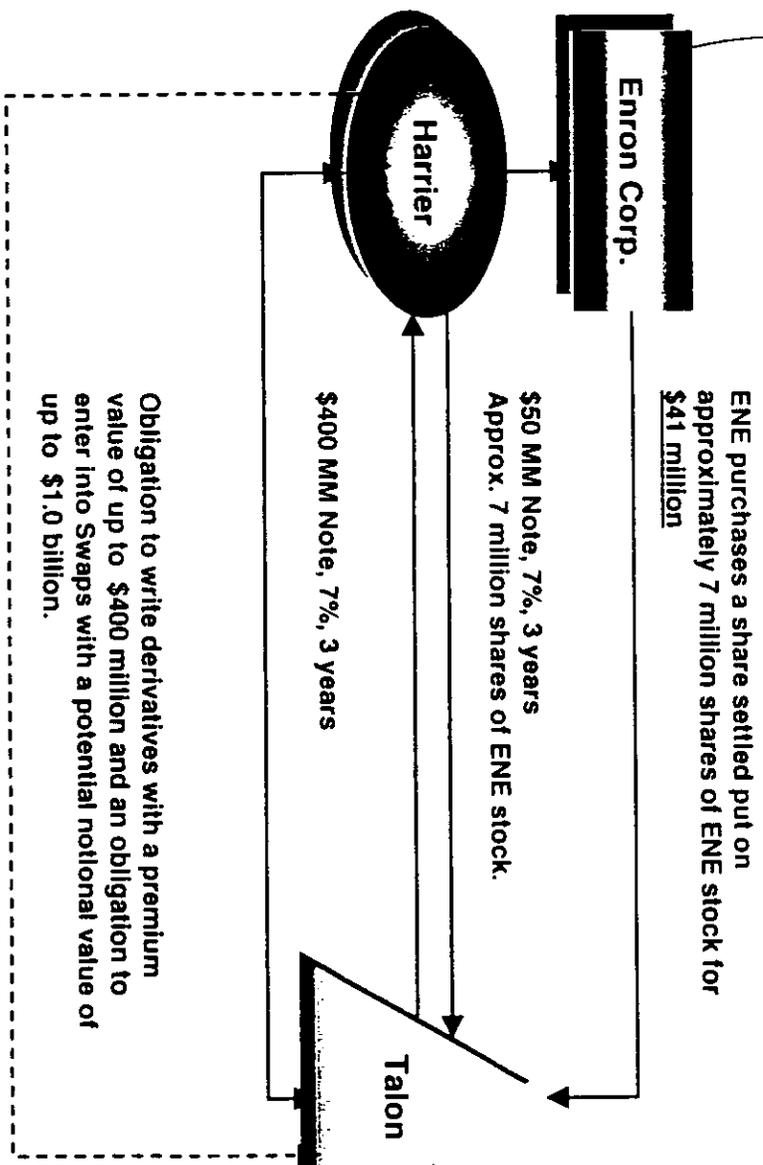
- ENE will help establish a non-affiliated vehicle ("Talon") as a hedge counterparty to selected investments.
- Excess stock from existing structured finance vehicles will be utilized to seed approximately \$400 million of capital to Talon. *(ie US\$ forward position)  
As our structure has a limited amount of capacity (currently held in SPV)*
- Initially, vehicle can provide approximately \$200 million of P & L protection to ENE. As ENE stock price increases, the vehicle's P & L protection capacity increases as well.
- LJM2 will provide non-ENE equity and will be entitled to a 30% annualized return plus fees.
- ENE will be entitled to 100% of the upside beyond LJM2's return hurdle.

*Does not transfer economic risk but transfer P&L volatility*



# Vehicle Structure

*Handwritten notes:*  
 Done... LJM2 & Harrier  
 30% per year  
 11% per year



2) Enron receives 100% of the economics from this point forward

O Talon also owns approx. \$400 million of ENE stock which is subject to a 3 year stock restriction agreement - Talon cannot sell or hedge the stock.

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*Handwritten notes:*  
 Russell - AA has special considerations  
 Also looking at LJM2's performance 24

# Project Raptor

## Risks

- Accounting scrutiny
- Substantial decline in the price of ENE stock
  - Program terminates early
  - Increases credit risk
- Counterparty credit

## Mitigants

- Transaction reviewed by CAO and Arthur Anderson
- Negotiation of early termination with LJM2
- Assets of vehicle subject to a master netting agreement

**RESOLUTIONS OF THE BOARD OF DIRECTORS OF  
ENRON CORP.**

**May 2, 2000**

**WHEREAS**, Enron Corp. (the "Company") desires to consummate a series of risk management transactions involving (1) the issuance by a newly organized subsidiary entity of the Company to be named Harrier or a similar name ("Harrier") of a debt security (the "Harrier Note") in consideration of (a) the execution and delivery of the Master Agreement described below and the Security Agreement described below, and (b) the contemporaneous issuance to Harrier by a newly formed entity ("Talon") to be owned indirectly by LJM2 Co-Investment, L. P. (together with its subsidiaries and affiliates, "LJM2") and Harrier of (i) an equity interest in Talon, and (ii) a debt security having a like tenor to the Harrier Note (the "Talon Note") to Talon, (2) the guarantee by the Company of the indebtedness of Harrier under the Harrier Note and the performance of the obligations of Harrier under the Talon Derivatives described below and of any affiliate of the Company under the Securities Agreement described below, (3) the entry by the Company or such subsidiary of a series of agreements with Talon providing for the risk management by the Company against (a) fluctuations in value of, or returns receivable in respect of, equity securities (and derivatives with respect thereto) designated by the Company or its subsidiaries and affiliates, including, without limitation, equity securities acquired or to be acquired by the Company in connection with its broadband activities and merchant assets generated in the Company's wholesale business, and (b) fluctuations in value of a number of shares of Common Stock of the Company to be agreed between the Company and LJM2 from a price to be established by agreement between the Company and LJM2 (the "ENE Derivative"), through the execution of a master agreement and related derivative securities and risk management transactions under the terms agreed in the documents to be executed in connection with the transaction, (4) as partial consideration for the issuance of the Talon Note and equity interest in Talon, the entry by an affiliate of the Company and Talon of an agreement (the "Securities Agreement") granting Talon the right to acquire an agreed number of shares of Common Stock of the Company in which such subsidiary presently owns an indirect beneficial interest, and (v) as partial consideration for the issuance of the Talon Note and equity interest in Talon, the assignment by the Company or an affiliate to Talon of rights to acquire shares of Common Stock of the Company (or equivalent value) (the "UBS Transaction") arising from amendment of certain existing agreements between the Company and an international banking institution (collectively referred to herein as the "Transactions");

**NOW, THEREFORE, IT IS RESOLVED**, that the Transactions, including without limitation, the execution and delivery by Harrier to Talon of the ENE Derivative and the acquisition by Talon of shares of Company Common Stock, if any, issued in settlement of the ENE Derivative and the Securities Agreement, are hereby authorized and approved, that any actions taken by officers and officials of the Company prior to the date hereof with respect to the Transactions are hereby ratified, and that the Company shall proceed with the consummation of the Transactions in accordance with the resolutions hereby adopted;

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Finance Committee Meeting  
04/00

**RESOLVED FURTHER**, that the Transactions shall be subject to the following terms and conditions (the "Board Conditions"):

- (i) the definitive contracts and agreements relating to the Transactions shall have such terms and conditions as are negotiated and approved by an officer of the Company or other person authorized and empowered to act pursuant to these resolutions, the execution of which by any such officer or person, in the name and on behalf of the Company, to be conclusive evidence of the approval by such officers or person of the contents thereof;
- (ii) the maximum aggregate principal amount of the Harrier Note to be issued by Harrier to Talon in connection with the Transactions shall not exceed \$50 Million and the interest rate payable thereon shall not exceed 7%; and
- (iii) the maximum number of shares of Company Common Stock (i) subject to the ENE Derivative shall not exceed 7.5 million shares, and the ENE Derivative shall provide that any payment required to be made by Harrier or the Company thereunder may be made in either cash or shares of the Company's Common Stock, at the Company's sole option, and (ii) issuable under the Securities Agreement shall not exceed 4.2 million shares.

**RESOLVED FURTHER**, that each of the Chairman and Chief Executive Officer, the President and Chief Operating Officer, any Vice Chairman or any Vice President is hereby authorized, empowered and directed, with the power and authority of the full Board of Directors to the fullest extent permitted by law, to authorize and approve (or ratify if already executed or taken) all agreements, instruments, and documents, and the taking of all actions, as any such officer may deem necessary, advisable, convenient or proper to consummate the Transactions (subject, however, in all respects, to the Board Conditions), including, without limitation:

- (i) all matters insofar as they affect the Company or any of its subsidiaries or affiliates associated with the formation of Talon and the acquisition by Harrier of an equity interest therein, including, without limitation, the execution and delivery of constituent agreements establishing Talon and the terms thereof and the establishment of the amount and form of any capital contribution to be made to Talon in respect of Harrier's equity interest therein);
- (ii) the authorization, execution and delivery of a guarantee agreement whereby the Company guarantees the indebtedness under the Harrier Note and the performance of the obligations of Harrier under the Talon Derivatives and of any affiliate of the Company under the Securities Agreement;
- (iii) the authorization, execution and delivery of a master agreement (the "Master Agreement") providing for the general terms and conditions upon which the risk management activities contemplated by the Transactions will take place, the related form of the 1992 ISDA Master Agreement (Multicurrency-Cross Border), as



modified by agreements of the parties and individual confirmations relating to particular transactions (collectively, the "Talon Derivatives"), and the security agreement granting the Company a security agreement in amounts received by Talon in order to secure Talon's obligations under the Talon Note, the Talon Derivatives and the ENE Swap (the "Security Agreement"), in each case having such terms and conditions (including pricing terms) as such officer shall approve:

(iv) the authorization, execution and delivery of the Harrier Note with such terms and conditions (including pricing terms) as such officer shall approve;

(v) the approval insofar as they affect the Company or any of its subsidiaries or affiliates of a form of note representing the Talon Note and the issuance by Talon of such Talon Note;

(vi) the authorization, execution and delivery of a registration rights agreement among the Company and Talon providing for, among other things, the registration of any shares of Common Stock of the Company that may be delivered by the Company or its affiliates in performance of the ENE Derivative and the Securities Agreement, with such terms and conditions as such officer shall approve; and

(vii) the negotiation, authorization, execution, and delivery of such other agreements, instruments and documents relating to the Transactions, including, but not limited to, agreements affecting the UBS Transaction and agreements, instruments, and documents that provide, among other things, for the indemnification of third parties, and the payment of fees and expenses of third parties as such officer may deem necessary, advisable, convenient or proper in connection with the Transactions or any other matters addressed by these resolutions;

**RESOLVED FURTHER**, that in addition to the officers appointed above, Ben F. Glisan is hereby appointed as agent and attorney-in-fact of the Company and is authorized, empowered and directed, with the power of the full Board of Directors, subject to control and direction by the Company, to the fullest extent permitted by law, to authorize and approve (or ratify if already executed or taken) all agreements, instruments, and documents, and the taking of all actions as such agent and attorney-in-fact may deem necessary or desirable and shall have all the powers of an officer of the Company with respect to these resolutions (subject, however, in all respects, to the Board Conditions) solely for the purpose of consummating the Transactions; it is the intent of the Board of Directors that Mr. Glisan, in his capacity as agent and attorney-in-fact of the Company, shall have all the duties, obligations and responsibilities of an officer of the Company for purposes of the Transactions, as if he were an officer of the Company;

**RESOLVED FURTHER**, that an aggregate of 7.5 million shares of Common Stock are hereby reserved for issuance in settlement of the ENE Derivative referred to above in the event the Company elects to make settlement thereunder in shares of Company Common Stock;

**RESOLVED FURTHER**, that the Company is authorized to issue such shares of Common Stock of the Company in settlement of the ENE Derivative, and to offer and sell any such shares delivered in settlement of the Securities Agreement and that upon any such issuance in accordance with the terms of the ENE Derivative and Securities Agreement, such shares of Common Stock shall be validly issued, fully paid and non-assessable;

**RESOLVED FURTHER**, that if it is deemed necessary or advisable by the officers of the Company that the Common Stock issuable upon settlement of the ENE Derivative or the Securities Agreement be qualified or registered for sale under the applicable Blue Sky Laws or securities acts of any jurisdiction, or that a filing be made in any jurisdiction to secure or obtain an exemption from qualification or registration, the officers of the Company are each authorized to perform on behalf of the Company any and all such acts as any one or more of them may deem necessary or advisable in order to comply with such laws of such jurisdiction, and in connection therewith, to execute and file all requisite papers and instruments and to make any and all payments of filing, registration or other fees, costs and expenses, and to take any and all further action in connection with the foregoing which any one or more of them shall deem necessary or advisable;

**RESOLVED FURTHER**, that if the officers of the Company determine that it is desirable for the Company to do so, the Company may make application to the New York Stock Exchange, Inc. and one or more other national securities exchanges for listing of the Enron Common Stock to be issued in the Transactions; that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be, and they hereby are, authorized and directed to execute and deliver any applications, documents, or agreements, to take any and all actions, to appear before such exchanges if necessary, to appoint any banking or other institution as an agent of the Company for any purpose, and to do so or cause to be done any and all things as may appear to them to be necessary or desirable in order to effect such listing;

**RESOLVED FURTHER**, that the execution by any officer of the Company of any papers and instruments or the performance by any one or more of them of any act in connection with the foregoing resolutions shall conclusively establish their authority therefor from the Company and the approval and ratification by the Company of the papers and instruments so executed and the actions so taken;

**RESOLVED FURTHER**, that the actions of the officers and employees of the Company acting under the supervision of the officers heretofore taken on behalf of the Company in connection with the above resolutions and the actions contemplated thereby, are, in all respects, confirmed and ratified, and the officers of the Company, together or individually, may take any and all action and do any and all things, or direct the taking of such action or the doing of such things by employees of the Company acting under the supervision of the officer(s) as may be deemed by any of them to be necessary or advisable to effectuate the Transactions, and the taking of any and all such actions and the performance of any and all such things in connection with the foregoing shall conclusively establish their authority from the Company and the approval and ratification by the Company.

