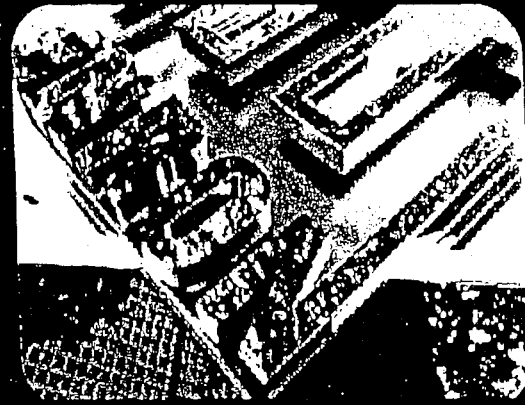


# **Raptor**

## ***Hedging Strategy Analysis***

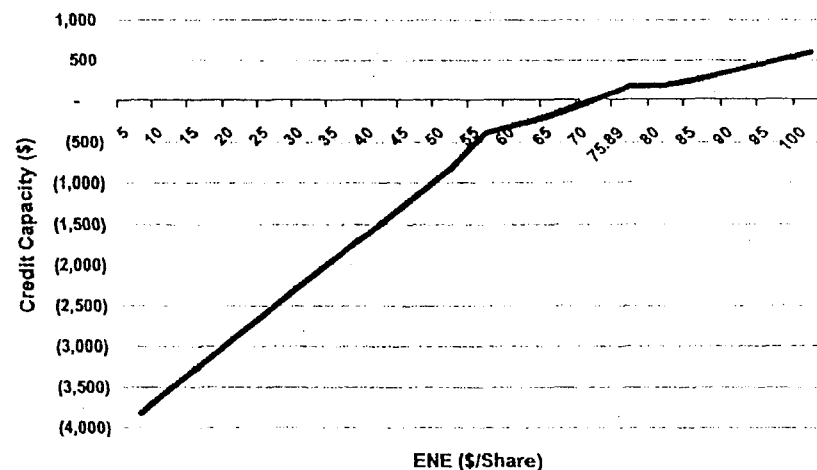


**risk assessment & control**

## Raptor Credit Capacity Before & After Restructuring

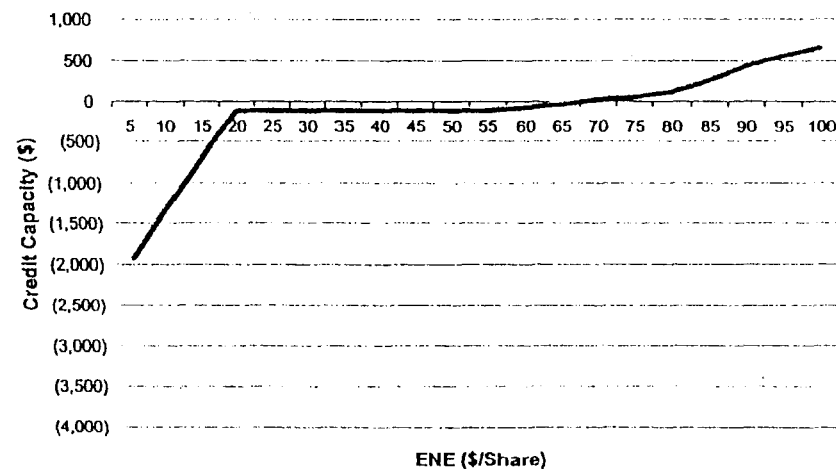
### Original Raptor Structure:

- *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*



## 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

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

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

# Appendix I

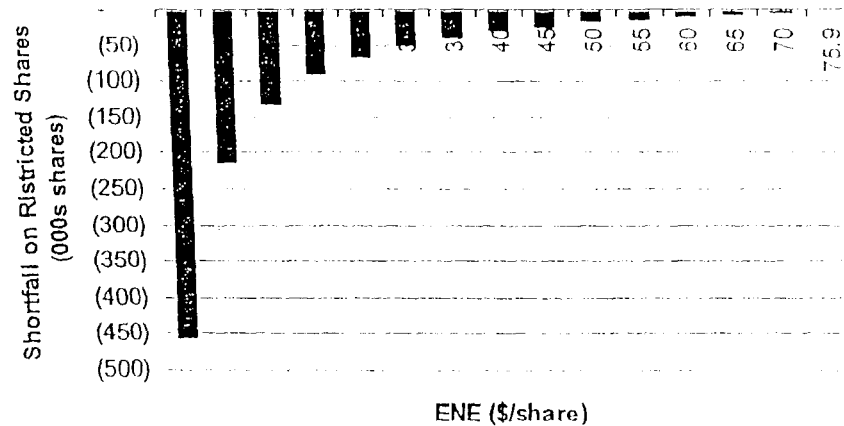
*AT # 36 ENE  
Whet's  
the issue 2  
Ann #3*

## 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)
<b>Total</b>	<b>1,194,342,997</b>	<b>(161,969,684)</b>	<b>1,032,373,313</b>	<b>(692,466,264)</b>	<b>(654,538,313)</b>	<b>66,552,473</b>	<b>(248,078,791)</b>

## 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
<b>Total</b>	<b>18,012,590</b>	<b>(8,470,923)</b>	<b>24,117,800</b>



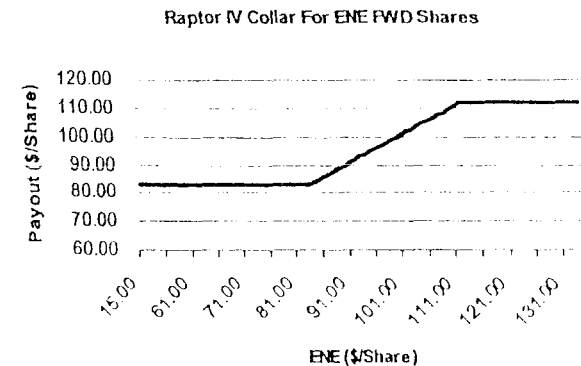
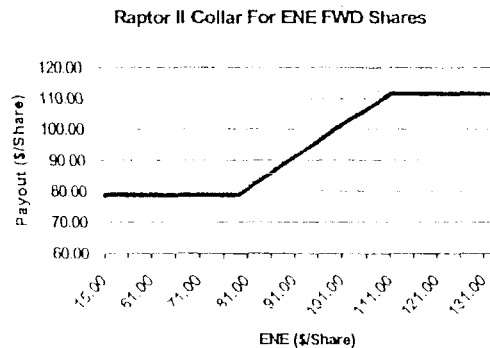
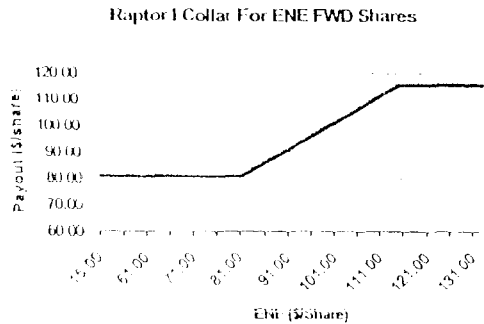
*How did we fix this Q1?*

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

## Appendix II: Collars in Raptor Structures

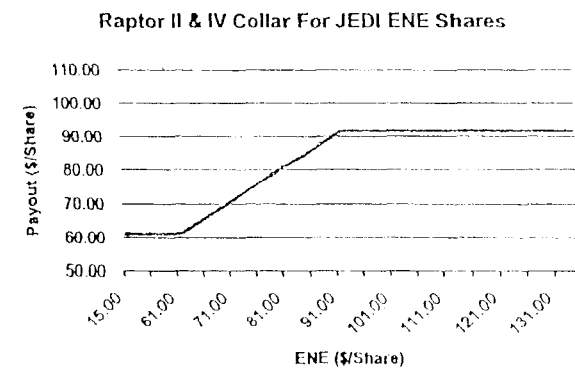
### Collars in Original Raptor Structures

- 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



## 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 will be monetized with no discount.
- The remaining \$179 MM note will be monetized in the next few years.

