

BENEFITS TO ENRON SUMMARY

Deal Name: ENA CLO (Merlin) Dollar Amount: \$32.5 million

Date Completed: 12/27/99

Description of Transaction: Purchase of 48% of the BB notes and 100% of the equity tranche in a CLO structured from \$300 million of ENA assets (primarily loans to energy companies)

Enron Business Unit Benefited: ENA

Did the deal result in a direct or indirect benefit to Enron: **Direct and Indirect**

Primary Benefit: **Funds Flow, Earnings**

Funds Flow Direct: \$17.5 million Funds Flow Indirect: \$156.7 million

Earnings Direct: Earnings Indirect: \$19 million

Fees Saved : \$650,000

Other equity investors bidding on the transaction :

1. **None**
- 2.
- 3.

Did the deal close with LJM? **yes**

If not, why?

Other benefits to Enron :

- This was a year-end transaction to deconsolidate \$300 million of ENA assets
- As of 12/22/99, ENA had only sold a portion of the BB notes; LJM stepped in and agreed to purchase the remainder by year-end
- LJM provided liquidity in a non-liquid market for the CLO equity
- LJM shared the upside beyond a 30% return, if any, on the equity tranche with ENA
- Sharing the upside on the equity allowed ENA to avoid an earnings loss on the transaction
- In January 2001, due to excessive defaults in the portfolio, all the tranches of debt were under ratings pressure and LJM agreed to subordinate further its position with respect to the BB notes in the waterfall to make it more equity-like. This freed up the ratings pressure but also basically ensured LJM would receive no cashflow in the near-term

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**GOVERNMENT
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1307**

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