

John
Enron. Is Halling

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FILE NO.=053

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John L. Garrison
President and
Chief Executive Officer

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Houston, TX 77002-7261
713-666-6421
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jgarrison@azurix.com

*For file
GG
copy for GG*

January 3, 2002

Ms. Gay Hartwell Sills
Director
Office of International Investment
Department of Treasury
Washington, DC

Via Fax: (202) 622-0391

Dear Gay:

[(b)(4)]

Looking forward to hearing from you, with best personal regards

Very truly yours,

GLOBAL WATER SOLUTIONS



John L. Garrison
President and
Chief Executive Officer

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333 Clay Street, Suite 1000
Houston, TX 77002-7361
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Fax 713-646-9577
jgarr@azurix.com

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copy for GG*

January 3, 2002

Ms. Gay Hartwell Sills
Director
Office of International Investment
Department of Treasury
Washington, DC

Via Fax: (202) 622-0391

Dear Gay:

[(b)(4)]

Looking forward to hearing from you, with best personal regards,

Very truly yours,

GLOBAL WATER SOLUTIONS

Conley, Robert

From: Demopulos, Abigail
Sent: Tuesday, September 25, 2001 5:00 PM
To: Conley, Robert; Crawford, Todd
Cc: Budington, Michele; Paulson, Sara; 'cbrookins@worldbank.org'; Tran, Luyen; Altheim, Stephen
Subject: RE: Enron IFC energy project in Dominican Rep



IFC Dominican
Republic.xls

[(b)(5)]

Thanks,

Abby Demopulos

-----Original Message-----

From: Conley, Robert
Sent: Tuesday, September 25, 2001 3:13 PM
To: Tran, Luyen; Altheim, Stephen; Demopulos, Abigail
Cc: Crawford, Todd; Budington, Michele; Paulson, Sara; 'cbrookins@worldbank.org'
Subject: Enron IFC energy project in Dominican Rep

[(b)(5)]

message left on T. voice message system 2-1267.

⇒ || John Hardy, Enron
844 Am Wed January 9, 2002

744-0060 ~~cell~~
~~744-0060~~
466-9156 ~~phone~~

B. target project in Phil's — AOB + OPIC

[(b)(5)]

⇒ ① R. Munk ② Sara Paulson ③ Bill Schmeck ④ Linda Ueberlein ⁰¹²¹⁴⁵²
0050000000840

MDB Loans to the Philippines
(December 1992 - June 1993)

| | | | |
|--------------------------------------|------|----------|-----|
| Power Transmission & Rehabilitation | IBRD | 06/23/93 | Yes |
| Urban Health & Nutrition | IDA | 06/08/93 | Yes |
| Second Irrigation Operations Support | IBRD | 05/20/93 | Yes |
| Hopewell Power | ADB | 05/18/93 | Abs |
| Batangas Power | ADB | 05/18/93 | Yes |
| Tax Computerization | IBRD | 05/11/93 | Yes |
| N. Mindinao Power Corp. | IFC | 01/14/93 | Yes |
| Hopewell Power | IFC | 01/04/93 | No |
| Small Farmers Credit | ADB | 12/22/92 | Abs |
| Umigray-Angat Transbasin TA | ADB | 12/22/92 | Yes |
| Meralco Distribution | ADB | 12/10/92 | No |
| Economic Integration Program | IBRD | 12/08/92 | Abs |

John Hardy Enron briefing

?? NO date ??
1999 ??

+ 1 meeting on Western Brazil/Belvia

gas pipeline issues —

{ Rr. w/ Bolivia
Power plants in W Brazil —
not connected to grid
maps provided etc —

No file found
for this meeting:
no action after meeting.

Gene Clapp & I both
recall this meeting —
but neither can
find any papers on
site —

attendees:

State EB? H. Ramos;

Gene Clapp

Elizabeth Stewart

?? ?? Greg Christopolis

?? at IDB USEP'S
office

?? on 3rd floor

1440 NY Ave.

Conf room

[(b)(5)]

2-9-00
John Hardy = 331-4717
2-24-00

Janni 2/20/00

Euron

r

[(b)(5)]

Bangladesh -

Misp
text.

Kent Constant
Sami

/OCS

7-29-99

THE WORLD BANK

1818 H Street, N.W.
Washington, DC 20433 U.S.A.

Alastair J. McKechnie

MANAGER
Energy Sector Unit
South Asia Region

7/29/99

Tel: 202-473-3047
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X.400: C=US, A=MCI, P=WORLD BANK
S=McKechnie, G=Alastair J.
Internet: amckechnie@worldbank.org

■ .
1)
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0050000000936



June 21, 1999

Deputy Assistant Secretary William Schuerch (c/o Phyllis)
U.S. Department of Treasury
Washington, D.C.

*Next Tuesday?
Next Monday?
ck w/ Helen
10:00 AM
June 29*

Scott D. Reblitz
General Manager
Project Finance

Enron International
1775 Eye Street, N.W., Suite 800
Washington, DC 20006
(202) 466-9152
Fax (202) 331-4717
sreblit@ei.enron.com

*Yes X
no
other*

Via Facsimile: (202)622-2536

*F Asia office R
F MOB office
not more
2
USED off
1*

Subject: Enron project efforts in Bangladesh and discussions with World Bank

Dear Deputy Assistant Secretary Schuerch:

Following John Hardy's call to your office today, we are looking forward to meeting you this Wednesday afternoon (time to be determined). In advance of that meeting, please find a brief summary of Enron's current efforts regarding [(b)(5)] and concerns related to recent discussions with the World Bank.

Enron is proposing a short-term power project (150 megawatts, natural gas for fuel, 5-year duration) to alleviate the critical power shortages Bangladesh faces over the next 3-5 years. Our efforts, going back some 12-18 months, advanced to the point of contract discussions with the Bangladesh Power Development Board—discussions which were halted when, in May, the World Bank issued a letter, urging the Bangladeshi's to reject short-term, emergency power projects such as Enron's. At its core, the World Bank argument against such projects is based on two premises: 1) the Bangladeshi's cannot afford the power being offered under short term contracts; and 2) efforts aimed at curing the short-term power supply problems distract the Bangladeshi's from implementing the longer-term sectoral reforms which the World Bank advocates.

While Enron is actually a strong supporter of the reforms the Bank is seeking, we do not look at those reforms as being mutually exclusive with our proposal. To date, our efforts to engage the Bank on potential solutions have achieved little—a status which is of growing concern as we see real economic and development impacts associated with our project. Furthermore, we see the power supply/demand imbalance continuing, even if events of the next 3-5 years aimed at increasing power capacity unfold precisely as planned.

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at the World Bank, we are now seeking to elevate the discussion and to voice our concerns in the hopes of moving the issue closer to a mutually agreeable solution. Again, we look forward to visiting with you Wednesday. Should you have any questions or need additional information in advance, feel free to contact me.

Sincerely,
Scott D. Reblitz
Scott D. Reblitz

Natural gas. Electricity. Endless possibilities.™

TOTAL P.81

00500000000947

Bangladesh Emergency Electric Power Project



Enron International
June 1999



Bangladesh - The Issues

- World Bank primary concerns:
 - Reform
 - Contingent liability/ability to pay
- Bangladesh needs power immediately:
 - Dhaka loadshedding
 - Up to 500 MW/day
 - Civil discomfort/unrest
 - Electric Generation Master Plan delayed - 200 to 400 MW GAP
- Commercial/Industrial 70% of demand \approx 2100 MW
 - Export
 - Jobs

Enron International
June 1999



Bangladesh - Economic Necessity

- Opportunity cost: Loss of GDP & FOREX = 25 Taka (50 cents) per Kwh not delivered
 - Export businesses
 - Garments
 - Agriculture/Seafood
 - Jobs
 - Commercial/Industrial tariffs at Peak = 9.5 to 11 cents/Kwh
- Substitution: Liquid fueled plants in Western Region
 - Approximately 265 MW of HSD/NAPTHA - installed
 - Dispatch ≈ 190 MW
 - Fuel Cost ≈ 5 Taka (10 cents) per Kwh
- Enron Plant
 - Total cost about 5.5 cents Kwh
 - Displaces FOREX for imported oil in Western Region
 - Provides peak power for industry in Greater Dhaka

Enron International
June 1999



Bangladesh - Project Description

- Enron Gas Turbine 150 MW Power Plant
 - Haripur - can provide power to Greater Dhaka
 - Western Region - East-West interconnect 180 MW
 - Can rectify low voltage problem in Dhaka
 - Reduces transmission overload
 - Improves amount of power delivered
 - Installation in six months - for next peak season
- Enron Operation
 - Experience
 - Own equipment and understand power grid
 - 5 Year contract - no obligation for long-term
- Bangladesh cannot afford **not** to proceed

Enron International
June 1999



Bangladesh - Recommendation

- World Bank change its position regarding this power plant
 - Does not adversely affect FOREX
 - Improves foreign earnings & GDP
 - Improves quality of life and political stability
 - Use as incentive for reform

Enron International
June 1999



Enron - Don Keys

J. Hardy + B Schmale.

[(b)(5)]

A+
B. Com / IFC

6-17-98.

tel-466-9156
John Hardy

[(b)(5)]

6-17-98 (2)

| | | |
|-------------------------------|-------|--------|
| Number of full-time employees | 370 | 2,425 |
| Number of non-affiliates | 1,322 | 21,280 |

CONSOLIDATED BALANCE SHEET, AS OF Dec. 31/1996:

| | 1996 | 1995 |
|---|---------------|---------------|
| Assets: | | |
| Cash | 214 | 501 |
| Accounts receivable, gross | 14,371 | 13,020 |
| Allowance for doubtful | | |
| accounts | 1,086 | 12,083 |
| receivable, net | 13,285 | 48,225 |
| Inventories | 43,193 | 597 |
| Prepaid expenses | 426 | 1,782 |
| Deferred income taxes | 2,038 | |
| Income tax refunds receivable | 883 | 285 |
| Total current assets | 60,039 | 63,473 |
| Property, plant & equipment, net | 5,355 | 6,133 |
| Investments in affiliates | 12,458 | 10,891 |
| Cost in excess of assets of acq bus. | 9,048 | 9,447 |
| Non-competition agreements | 35 | 584 |
| Other assets | 1,507 | 1,808 |
| Total other assets | 23,048 | 22,530 |
| Total assets | 88,442 | 92,136 |
| Liabilities: | | |
| Accounts payable | 7,322 | 7,376 |
| Accrued liabilities | 1,911 | 2,005 |
| Notes payable | 1,500 | 1,500 |
| Current maturities of lg tm oblig. | 3,667 | 2,588 |
| Total current liabilities | 14,400 | 13,469 |
| Long-term obligations | 33,771 | 38,376 |
| Deferred income taxes | 348 | 315 |
| Retainable pfd stk of sub. | 473 | 584 |
| Common stock | 2,194,440 | 2,119,130 |
| Cumulative transd adj. | 11 | 975 |
| Retained earnings | 20,021 | 20,162 |
| Shareholders' equity | 39,450 | 39,392 |
| Total liabilities & shareholders eq. | 88,442 | 92,136 |

(\$ in millions; note: Authorized shares: 1996 10,000,000.

Long Term Debt: Dec. 31, 1996, \$37,438,000 comprised of:

| | 1996 | 1995 |
|---|----------|----------|
| December 31: (dollars in thousands) | | |
| Secured note payable to bank | \$27,956 | \$29,024 |
| 11.2% senior subordinated secured notes-due June 1, 1999 | 7,001 | 9,334 |
| 11.25% note collateralized by a deed of trust on land and building, due in monthly installments of \$7, remaining principal due in November 1997 | 602 | 615 |
| 11.625% note collateralized by a deed of trust on land and building, due in monthly installments of \$5, remaining principal due in November 1997 | 433 | 441 |
| 10% note collateralized by a deed of trust on land and building, due in monthly installments of \$11, final payment due in September 2004 | 728 | 788 |
| Other note payable | 183 | 237 |
| Capital lease obligations | 535 | 525 |
| | 37,438 | 40,964 |
| Current portion | 3,667 | 2,588 |
| | \$33,771 | \$38,376 |

Line of Credit: The secured note payable to bank represents a revolving credit agreement, collateralized by substantially all assets of the Company. The Company may borrow up to the lesser of (i) \$50,000,000 or (ii) an amount equal to 80% of the value of their eligible accounts receivable and 50% of the value of their eligible inventory. Interest is payable at LIBOR, (5.65625% at December 31, 1996) plus 200 basis points.

The notes are collateralized by substantially all of the assets of the Company and bear interest at 11.2%. The notes require semiannual interest payments on June 1 and December 1 of each year. Annual principal payments of \$2,333,000 commenced June 1, 1994 and continue through June 1, 1999.

The note agreements relating to the secured note payable to bank and to the 11.2% senior subordinated secured notes contain certain restrictive covenants. Included are covenants regarding profitability, minimum liquidity ratios, restrictions on investments, and limitations on indebtedness, payment of dividends, long-term leases, and mergers and consolidations.

The Company is in compliance with all the covenants.

Capital Stock: 1. Coast Distribution System common

AUTH - 10,000,000 Shs.
OUTSTG - Dec. 31, 1996, 5,210,723 Shs.; no par
STOCK SPLITS - Co. effected a 1,460-for-1 stock split effected in August 1983, and a 4-for-5 reverse stock split effected in Dec. 1983 authorizing the increase in the

VOTING RIGHTS - Entitled to one vote per share with cumulative voting for directors.
OPTIONS - As of Dec. 31, 1996, the activity under the Company's stock option plans was as follows:

| | 1996 | 1995 | 1994 |
|----------------------------------|----------|-----------|----------|
| Outstanding at beginning of year | 198,250 | 432,709 | 238,576 |
| Granted | 10,000 | 97,500 | 209,500 |
| Exercised | (24,675) | (151,604) | (11,442) |
| Forfeited | (375) | (180,925) | (4,032) |
| Outstanding at end of year | 183,200 | 198,250 | 432,709 |

The Company has in effect an Employee Stock Purchase Plan under which 450,000 shares of the Company's common stock are reserved for issuance to all permanent employees who have met minimum employment criteria. During the years ended December 31, 1996 and 1995, 30,619 and 26,013 shares, respectively, of common stock were issued under the Employee Stock Purchase Plan. As of December 31, 1996, 201,335 shares remain available for issuance in future offering periods.

COASTAL CORP.

History: Incorporated in Del. on Sept. 7, 1972 as Coastal Gas Corp., to become successor parent, through a corporate restructuring, of a corporate enterprise founded in 1955. The present name was adopted on Jan. 1, 1980. On Dec. 20, 1972, stockholders of Coastal States Gas Producing Co. and Colorado Interstate Gas Co. approved a plan for the combination of the two companies effective as of Jan. 2, 1973. In connection therewith, Company became parent of the combined companies.

On May 31, 1962, Co. purchased 29,500 barrel per day refinery at Corpus Christi (now 95,000 barrel per day) and 798 miles of oil and gas pipeline from Sinclair Oil Corp.

On July 1, 1968, Co. acquired Rio Grande Valley Gas Co. in exchange for 672,459 shares of com. conv. pfd. stk., Series A, callable since June 1973 at \$33 per sh. Rio Grande operated 1,377 miles of gas distribution and gathering lines in south Texas.

In 1973, acquired Belcher New England, Inc. (formerly Union Petroleum Corp.), Revett, Mass. and coal mining operations of Southern Utah Fuel Co. near Salina, Utah.

In Apr. 1976, Co. purchased a 28,000 bbl. per day (now increased to 50,000) refinery near San Francisco, Cal.

In Feb. 1977 Co. acquired for approx. \$90,000,000 Belcher Oil Co. a marketer of fuel oil and other petroleum products operating primarily in Fla. also is actively engaged in barge transportation of petroleum products and operation of tug boats.

In June 1978, Co. purchased the assets of Howard Oil Company, Inc. which operated fuel oil terminal facilities and marketed fuel oil in the New York metropolitan area, for \$43,000,000 in cash and five-year warrants to area, for 443,000 shares of Co. common stock at \$50 per share. The assets were subsequently transferred to the Belcher Co. of New York, Inc. (now Coastal Oil New York Inc.), a wholly-owned indirect subsidiary.

In Mar. 1979, Coastal States Energy Co., subsidiary, signed agreements with a subsidiary of Getty Oil Co. for joint venture development of two underground coal mines in central Utah near the town of Scofield on 6,400 acres of coal leases. In Oct. 1985 Co. acquired remaining 50% interest of Getty in the project. Development costs are estimated at about \$125,000,000 over a ten year period. Co.'s Utah Fuel Company unit will operate the properties to be known as the Skyline Mines. The first of the mines opened in Dec. 1981. Project now consists of three underground mines in separate coal seams.

On Dec. 31, 1979, the Company spun-off to holders of its common stock its intra-state Texas gas pipeline system, which had daily sales averaging 1.43 billion CF in 1979, and all related operations including 7 gas processing plants, under terms of a settlement that resolved disputes involving a former subsidiary, Lovaca Gathering Co. and customers of Lovaca. These operations are now part of Valero Energy Corp.

The settlement agreement included the establishment of a Texas Gas Search Program which required a 15 expenditure of \$180,000,000 to \$230 billion CF of gas years to find and develop at least 350 billion CF of gas reserves to be offered to Valero at discounted prices. In Jan. 1987 a settlement was concluded between the Co., Valero and the Trustee acting on behalf of Valero customers which provided for the termination of the Texas Gas Search Program.

On Oct. 31, 1980, Co. distributed to its shareholders in Coastal International Ltd., incorporated in Bermuda and operated under independent management. Co. shareholders approved the plan on Sept. 12, 1980. Shareholders received one share of Coastal International stock for each 10 Co. shs.

In May 1985, acquired American Natural Resources Co. through a subsidiary, acquired over 90% of the

outstanding American Natural Resources com. shs. pursuant to a cash tender offer of \$65 a sh. which expired on Apr. 2, 1985.

In Dec. 1985, formed Coastal States Gas Transmission Co. a new subsidiary engaged in interstate natural gas transmission.

In Mar. 1988 Co.'s subsidiary, Coastal Mart, Inc. signed an agreement to acquire 26 retail gasoline outlets located in southern New Jersey.

In 1988, Co.'s subsidiary Enterprise Coal Co. acquired the assets of Lake Coal Co. a subsidiary of Howell Corp. for \$6,750,000.

In January 1989, Co.'s subsidiary Coastal Utilities, Inc. acquired the assets of GRC Co. and two affiliated companies, GRC Industries Inc. and Terra-Penn Oil Co.

In Oct. 1989, Coastal Refining and Marketing, a subsidiary of Co., purchased the assets of Texas Detasoft Corp., a San Antonio-based operator of automated commercial fuel stations for car and truck fleets.

In 1989, Co.'s newly formed subsidiary, Coastal Property Services, Inc. has acquired the assets of Marimar Management, Inc., a New York State real estate management firm.

In Nov. 1990, Co. formed a new subsidiary, Coastal Multi-Pools, Inc.

In June 1992, Co. formed a new subsidiary, Coastal Petroleum N.V.

In Jan. 1993, Co. planned the formation of its new wholly-owned subsidiary, Coastal Gas Services Company.

In Sept. 1993, Co. thru its wholly-owned subsidiary, Coastal States Energy Co., acquired Soldier Creek Coal Co. and its parent, Sage Point Coal Co., both of which are subsidiaries of Sun Co., Inc.

On Nov. 1, 1994, Co.'s independent power production unit, CMS Generation Co., announced it has acquired with an Argentine partner the Lajas de Cuyo electric generating plant in western Argentina's Mendoza Province. CMS Generation is the lead developer and will become the plant operator.

On Feb. 7, 1995, Co.'s exploration and production subsidiary, Coastal Oil & Gas Corp., completed a transaction with Koch Hydrocarbons, Inc. to acquire 100% working interest in three currently producing fields in U.S. waters off Louisiana.

On Feb. 8, 1995, Co.'s exploration and production subsidiary, ANR Production Company, acquired from Snyder Oil Corporation working interests in 24 wells in Utah's Altamont/Bluebell Field.

On Sept. 22, 1995, Co.'s subsidiary, Coastal Araba Refining Company, N.V., purchased the marketing assets of Esso Petroleum, S.A., the Arabian subsidiary of Exxon Corporation.

Limited Partnership Formed: On July 13, 1995, Co.'s subsidiary Coastal States Crude Gathering Company's liquids pipeline assets have been placed in a limited partnership with three institutional investors, which invested a total of \$45 million used for the purchase of a portion of these assets. The investors hold the limited partnership interests totaling 65 percent of the equity of the partnership, with the remaining 35 percent held by Coastal affiliates.

The partnership, Coastal Liquids Partners, L.P., includes as limited partners Pacific Mutual Life Insurance Company of Newport Beach, Calif.; Travelers Life Insurance Company of Hartford, Conn.; and Stoneham Capital Inc. of Rochester, N.Y. Coastal States Crude Gathering Company will manage and operate the partnership's assets on behalf of the partnership, and a Coastal affiliate will serve as the general partner.

In addition, Citibank, N.A., acting as placement agent, has assembled a group of four banks, including itself, under a credit agreement for a term loan of \$38 million and a revolving loan of \$5 million. The term loan proceeds were used in conjunction with the acquisition of partnership assets from Coastal affiliates. Lending of partnership assets from Coastal affiliates, including Citibank were Bank of Montreal, Christiania Bank of Norway, and The First National Bank of Boston.

Proposed Acquisitions: On Oct. 11, 1995, Co.'s subsidiary Coastal Refining & Marketing, Inc. entered into negotiations with Chevron Chemical Company to purchase Chevron's chemical production facilities. The sale is expected to close in early 1996.

On Oct. 26, 1995, Co.'s subsidiary, Coastal Mart, Inc., agreed to purchase 27 of Costco's retail outlets in Florida. The outlets bear the "Jet" brand and are located generally in Orlando, Jacksonville, Stuart, and Tampa. The sale is expected to close in early Dec. 1995.

Merger Developments: On Aug. 4, 1995, Co.'s trucking subsidiary, ANR Freight System, Inc., and the Millwake-based Advance Transportation Company signed a letter of intent to combine operations and merge into a new company to be called ANR Advance Transportation Company.

Interest Sale Developments: On Oct. 26, 1995, Coastal Mart, Inc., a subsidiary of Co., arranged to sell to Costco 20 Coastal Mart locations in the Topolis and Kansas City metro areas.

On Feb. 28, 1996, Co. announced the proposed sale of coal operations. The proceeds from the proposed sale which Co. plans to complete in 1996, are expected to be used for repayment of high-cost debt and other obligations, and to provide improved financial flexibility to pursue opportunities in the Company's other lines of business.

On October 24, 1996, the Company announced it will sell its coal mining operations in the western United

ies for \$615 million in cash, retaining its coal properties in the eastern United States. The sale of the western properties is expected to close by year-end, contingent on receipt of any required regulatory approvals. Proceeds from the sale will enable the Company to pay a significant amount of high-cost financial obligations and provide enhanced financial flexibility to take advantage of higher-growth opportunities. The Company will continue to operate its coal properties in the eastern United States.

Business: Coastal, acting through its subsidiaries, is a diversified energy holding company with subsidiary operations in natural gas marketing, processing, storage, transmission, petroleum refining, marketing and distribution and chemicals; gas and oil exploration and production; coal mining; and power. Natural gas operations involve the production, purchase, gathering, processing, transportation, balancing, storage and sale of natural gas to end for utilities, industrial customers, distributors, other pipeline companies and end users.

ANR Pipeline is involved in the transportation, storage, gathering and balancing of natural gas. ANR Pipeline provides these services for various customers through its facilities located in Arkansas, Illinois, Indiana, Kansas, Kentucky, Louisiana, Michigan, Missouri, Nebraska, New Jersey, Ohio, Illinois, Tennessee, Texas, Wisconsin, Wyoming and shore in federal waters. Prior to November 1, 1993, ANR Pipeline was also engaged in the sale for resale of natural gas. With ANR Pipeline's implementation of its 636 effective November 1, 1993, ANR Pipeline provides merchant services. However, former sales customers of ANR Pipeline have largely been previously included in their "bundled" gas sales. ANR Pipeline auctions gas on the open market bidding areas to handle a residual quantity of gas under certain existing gas purchase contracts pending renegotiation or expiration of such contracts. ANR Pipeline operates two offshore gas pipeline systems in the Gulf of Mexico which are owned by UTOS and UTOS, general partnerships composed of ANR Pipeline subsidiaries and subsidiaries of other pipeline companies. ANR Pipeline also operates an intrastate pipeline extending from Niagara to Syracuse, New York, in which an affiliate of ANR Pipeline has a 45% interest.

Colorado is involved in the production, gathering, processing, transportation, storage and sale of natural gas. Colorado purchases and produces natural gas and the sales of such gas at the wellhead principally to gas distribution companies for resale. Separately, trade contracts to gather, process, transport and sell natural gas owned by third parties.

Colorado is involved in the production, gathering, processing, transportation, storage and sale of natural gas. Colorado purchases and produces natural gas and the sales of such gas at the wellhead principally to gas distribution companies for resale. Separately, trade contracts to gather, process, transport and sell natural gas owned by third parties.

Property: The real property owned by the Company in regard to its subsidiary pipelines is owned in fee consists principally of sites for compressor and mixing stations and microwave and terminal facilities. In respect to the subsidiary-owned storage fields, the Company holds title to gas storage rights representing either of, or has long-term leases on, various subsurface strata and surface rights and also holds certain mineral rights. Under the NGA, the Company's pipeline subsidiaries may acquire by the exercise of eminent domain, through proceedings in Federal District Courts or in state courts, necessary rights-of-way to construct, operate and maintain lines and necessary land or other property for compressor and other stations and equipment necessary to operation of pipelines.

Joint Ventures: In Aug. 1988 Co. and China National Chemicals Import/Export Corp., announced plans to form a joint venture for ownership and operation of a West Coast refining and marketing properties. National Chemicals is a state owned, international business corporation the People's Republic of China in Beijing.

Memorandum of agreement provides for China National Chemicals to acquire for an undisclosed amount of cash a 50% interest in the joint venture which include a refinery at Hercules, Cal.; fuel oil sales at Los Angeles and Coos Bay, Ore., and marketing operations at San Francisco, San Pedro and Long Beach, Cal., and Portland, Ore.

Memorandum agreement includes plans for capital expenditures to upgrade the Hercules refinery for the production of higher octane gasoline and other petroleum fuels. A crude oil supply agreement will be negotiated between China National Chemicals and the joint venture company.

In January 1989, Co. and Union Enterprises Ltd. entered into an agreement with Kamin Engineering & Mechanical Contracting Co. and Besicorp Group, Inc., which are jointly developing several cogeneration projects in New York State, have agreed to transport 66,000,000 cubic feet of natural gas per day on the Empire State Pipeline, designed to transport an average daily volume of 100,000 cubic feet of gas per day. Empire is a venture of units of Co. and Union Enterprises. The pipeline, to be built at a cost of \$82,500,000, runs between Niagara Falls and Syracuse, New

York. A request for certification to construct and operate the new pipeline is pending before the New York Public Service Commission.

Kamin and Besicorp will build the cogeneration plant with 260 megawatts of generating capacity, to be served by Empire in Carthage, Syracuse, South Glens Falls and Beaver Falls, New York. The agreements with Empire call for deliveries of natural gas to begin in late 1990 or early 1991.

Kamin and Besicorp are negotiating with Niagara Mohawk Corp. to facilitate deliveries from Empire to the cogeneration plants. Contracts for the sale of electricity produced by three of the four new cogeneration facilities by Niagara Mohawk Corp. have already been approved by the New York Public Service Commission. In Sept. 1991, Co.'s subsidiary, ANR Pipeline Company, entered into a letter of intent with Interprovincial Pipe Line Inc. to establish a new natural gas transportation system. Subject to receiving regulatory approvals in both Canada and the United States, the proposed system will be known as InterCoastal Pipeline.

In Dec. 1991, United Gas Pipe Line Company and ANR Pipeline Company, a subsidiary of Co., agreed to enter into a joint venture to build the SunCoast Pipeline, a 560 mile line that will expand natural gas transmission, sales and storage services to the state of Florida.

On May 9, 1992, Co.'s power-generation subsidiary, Coastal Power Production Company, formed a joint venture to build and operate a power plant of up to 120 megawatts in the industrial center of Wuxi City in the People's Republic of China.

In a first phase of the project, the joint venture would build and operate a simple-cycle, diesel-fired, LM combustion-turbine peaking plant to provide 40 to 48 megawatts of electricity. The first phase is estimated to cost between \$25 and \$30 million. Co. would bear 60% of the cost, while the remaining cost would be born by a partnership between the Wuxi New Energy Investment Company, a subsidiary of the local power bureau, and China National Aero-Engine Corp., a subsidiary of Aviation Industries of China.

On Oct. 23, 1992, Co. and its power subsidiary, Coastal Power Company, signed a joint-venture contract to build and operate a 38-megawatt power plant in the industrial city of Suzhou in the People's Republic of China.

Coastal Power is nearing completion of its first joint-venture power project in China, a 40-megawatt plant in Wuxi City, 30 miles northwest of Suzhou. The Wuxi plant is scheduled to begin producing electricity in mid-November.

The Suzhou joint venture would build, own, and operate a simple-cycle, gas-turbine plant to provide 38 megawatts of electricity. Construction could begin in December 1992, with production of electricity starting in July 1996.

The Suzhou project is estimated to cost approximately \$29 million. Coastal would bear 60 percent of the cost, while the remaining cost would be born by a consortium consisting of affiliates of the Suzhou municipal government. In addition to the joint-venture contract, Coastal and its Chinese partners also signed articles of incorporation for the joint-venture entity and a power purchase agreement.

In Dec. 1992, Coastal Nanjing Power Ltd., a subsidiary of Coastal Power, together with two Chinese partners, formed a Sino-foreign joint venture to develop, construct, own and operate an independent power project. The project, when completed, will have a capacity of approximately 72 megawatts and will be located in Nanjing City, Jiangsu Province, The People's Republic of China. Coastal Nanjing Power Ltd. owns an 80% equity interest in the joint venture. The project is scheduled to commence operations by the end of 1996 and plans to sell power to the local utility under a long-term contract, which is presently under negotiation.

Investments: Co. has interests in corporations and partnerships which are accounted for on an equity basis. These investments include Great Lakes Gas Transmission Limited Partnership (50% interest), which operates an intrastate pipeline system; Pacific Refining Company (50% interest), which operates a refinery and terminal facilities in California; Javelina Company (40% interest), which operates a gas processing plant in Corpus Christi, Tex.; Eagle Point Cogeneration Partnership (50% interest), which operates a cogeneration facility in New Jersey; corporate joint ventures (50% interest), which have developed gas and oil properties in Argentina; and several pipeline and other ventures.

On June 7, 1992, The Coastal Corporation announced Wednesday that its 50-percent joint venture with its partner, Sinochem, will suspend the processing operations of Pacific Refining Company at its Hercules, Calif., refinery and cease operations of Western Fuel Oil Company, a Pacific subsidiary, within 60 days.

Coastal has previously made provisions related to its investment in Pacific and expects that any additional provisions in the current quarter will be offset by gains realized on the sale of certain other non-core refining and marketing assets.

Subsidiaries

Coastal Capital Corporation
Coastal Finance Corporation
Coastal Financial B.V.
Coastal Financial Antilles N.V.
Coastal Netherlands Financial B.V.
Coastal Offshore Insurance Ltd.
Coastal Coal, Inc.

Coastal Gas Services Company
ANR Gas Supply Company
ANR Transportation Services Company
Coastal Electric Services Company
Coastal Field Services Company
Coastal Gas Gathering and Processing Company
Blacks Fork Gas Processing Company
Coastal Gas International Ltd.
Coastal Gas Australia Proprietary Ltd.
Coastal Gas International Ventures, Inc.
Coastal Gas Marketing Company
Coastal Halcon Pipeline I Ltd.
Coastal Halcon Pipeline II Ltd.
Coastal Gas de Mexico S de R.L. de C.V.
Coastal Hornham Pipeline I Ltd.
Coastal Hornham Pipeline II Ltd.
Coastal Gas Pipeline Victoria, L.L.C.
Coastal Multi-Puels, Inc.
Coastal Pan American Corporation
Coastal Cape Horn Ltd.
Coastal Latin America Ltd.
Coastal Southern Pipeline Company
Coastal States Gas Transmission Company
Starr-Zapata Pipe Line
Engage Energy U.S., L.P.
Coastal Health Management Corporation
Coastal Holding Corporation
CIC Industries, Inc.
Coastal Chem, Inc.
Coastal Crude Pipeline Corporation
Coastal Transportation Investors, L.P.
Coastal Pipeline Company
Coastal Refining & Marketing, Inc.
Coastal Refined Products Corporation
Coastal States Crude Gathering Company
Coastal Liquids Partners, L.P.
Distribuidora Coastal, S.A. de C.V.
Coastal Catalyst Technology, Inc.
Coastal Cat Process Marketing, Inc.
BAR-Co Processes Joint Venture
Coastal Eagle Point Oil Company
Coastal Energy Corporation
Coastal Mobile Refining Company
Coastal Petrochemical International A.V.V.
Coastal Petrochemical International (L) Limited
Coastal West Ventures, Inc.
Coastal Limited Ventures, Inc.
Coastal 1987 Drilling Program, Ltd.
Coastal Mart, Inc.
Coastal Markets Ltd.
Coastal Mart Holdings, Inc.
TND Beverage Corporation
Coastal Midland, Inc.
Coastal Natural Gas Company
American Natural Resources Company
ANR Coal Company
ANR Western Coal Development Company
Birmingham Coal Company
Brooks Run Coal Company
Cat Run Coal Company
Coastal Coal Sales, Inc.
Enterprise Coal Company
Greenbrier Coal Company
Kingwood Coal Company
Virginia City Coal Company
Virginia Iron, Coal and Coke Company
ANR Credit Corporation
ANR Development Corporation
ANRFS Holdings, Inc.
ANR Advance Holdings, Inc.
ANR Intrastate Gas Company, Inc.
ANR One Woodward Corp.
ANR Pipeline Company
ANR Atlantic Pipeline Company
ANR Energy Conversion Company
ANR Field Services Company
ANR Iroquois, Inc.
ANR Mayflower Company
ANR Southern Pipeline Company
American Natural Offshore Company
ANR Production Company
ANRPC Holdings, Inc.
Coastal Shuttle Corporation
ANR Ren-Cen, Inc.
ANR Storage Company
ANR Blue Lake Company
ANR Cold Springs Company
ANR Eaton Company
ANR Jackson Company
ANR Northeastern Gas Storage Company
ANR Washington 10 Company, Inc.
ANR Western Storage Company
ANR Venture Eagle Point Company
Eagle Point Cogeneration Partnership
ANR Venture Fulton Company
Fulton Cogeneration Associates
ANR Venture Management Company
Capitol District Energy Center Cogeneration Associates
Coastal Great Lakes, Inc.
Great Lakes Gas Transmission Limited Partnership
Empire State Pipeline Company, Inc.
Mid-Michigan Gas Storage Company
CIC Stock Corporation
CIG Gas Storage Company
CIG Resources Company
CIG-Nitroac Joint Venture
CIG Production Company, L.P.

Johnstown Cogeneration Company, LLC
 Keyes Helium Company LLC
 Colorado Solar-Tech, Inc.
 CIO-Canyon Compression Company
 CIO Gas Supply Company
 Wyoming Interstate Company, Ltd.
 CIO Overtrust, Inc.
 Colorado Interstate Gas Company
 CIO Exploration, Inc.
 CIO Field Services Company
 Colorado Water Supply Company
 Colorado Interstate Production Company
 Great Lakes Gas Transmission Company
 Wyoming Gas Supply, Inc.
 Coastal Oil Chelsea, Inc.
 Coastal Oil & Gas Corporation
 COGC Resale Company
 Coastal China Ltd.
 Coastal Colombia Ltd.
 CoastalDrill, Inc.
 Coastal Javelina, Inc.
 Coastal Indonesia Bangkok Ltd.
 Coastal Hangary Ltd.
 Coastal Oil & Gas Holdings, Inc.
 Coastal Oil & Gas U.S.A., L.P.
 Coastal Peru Ltd.
 Coastal Vietnam Ltd.
 Coastal Vietnam Company
 Coastal Clark Investor Ltd.
 Coastal Clark Manager Ltd.
 Coastal Nanjing Investor Ltd.
 Coastal Nanjing Power Ltd.
 Nanjing Coastal Xingang Cogeneration Power Plant
 Coastal Nanjing Manager Ltd.
 Coastal Peony Investor Ltd.
 Coastal Peony Manager
 Coastal Power Guatemala Ltd.
 Coastal Power International Ltd.
 Coastal Power International II Ltd.
 Quetta Power Holding Company I Ltd.
 Quetta Power Holding Company II Ltd.
 Habibullah Coastal Power (Private) Company
 Coastal Peony Investor Ltd.
 Coastal Power Peony Ltd.
 Coastal Peony Manager Ltd.
 Coastal Salvadoran Power Ltd.
 Coastal Nejapa Ltd.
 Coastal Suzhou Investor Ltd.
 Coastal Suzhou Power Ltd.
 Suzhou New District Cogeneration Company
 Coastal Suzhou Manager Ltd.
 Coastal Wuxi Investor Ltd.
 Coastal Wuxi Manager Ltd.
 Coastal Wuxi New District Ltd.
 Coastal Wuxi Power Ltd.
 Wuxi Heada Gas Turbine Electric Power Company
 Coastal States Energy Company
 Coastal Development Company
 Cravatt Coal Export Company, Inc.
 Sage Point Coal Company
 Soldier Creek Coal Company
 Skyline Coal Company
 Southern Utah Fuel Company
 Unique Mining Systems, Inc.
 Utah Fuel Company
 Coastal States Management Corporation
 ABCO Aviation, Inc.
 ABCO Leasing, Inc.
 ANR Media Company
 Coastal Travel Mart, Inc.
 Coastal States Trading, Inc.
 Coastal Technology, Inc.
 Coastal Technology Dominicana S.A.
 Coastal Technology Ltd.
 Coastal Technology Salvador, S.A. de C.V.
 Coastal Utilube, Inc.
 Coastal Utilube of Iowa L.C.
 Coastal Petroleum Corporation
 Coastal Canada Petroleum, Inc.
 Coastal Fuels Marketing, Inc.
 Coastal Fuels of Puerto Rico, Inc.
 Coastal Offshore Fuels, Inc.
 Coastal Terminals, Inc.
 Coastal Tug and Barge, Inc.
 Manatee Towing Company
 Coastal Oil New England, Inc.
 Coastal Oil New York, Inc.
 Concol Petroleum Corporation
 Coastal CPC Ltd.
 Coastal Baltics Holding Company Ltd.
 EOS Limited
 Coastal Baltics Marketing Company Ltd.
 Coastal Coker Corporation Aruba N.V.
 Coastal Securities Company Limited
 Coastal Aruba Holding Company N.V.
 Coastal Aruba Fuels Company N.V.
 Coastal Aruba Maintenance/Operations Company N.V.
 Coastal Aruba Refining Company N.V.
 Coastal Petroleum Argentina, S.A.
 Coastal Petroleum N.V. Chile Limitada
 Coastal Belcher Petroleum Pte. Ltd.
 Coastal (Berzema) Petroleum Limited
 Coastal Management Services (Singapore) Pte.

Coastal Subic Bay Terminal, Inc.
 Coastal Stock Company Limited
 Coastal Europe Limited
 Coastal States Petroleum (U.K.) Limited
 Coastal States Tankers (U.K.) Limited
 Colbourne Leasing Company Limited
 Coastal Tankships U.S.A., Inc.
 Concol Marine Corporation
 Coastal Mart of Oklahoma, Inc.
 Coastal Interstate Corporation
 Golden Carriers Corporation
 Holborn Oil Trading Limited
 Jade Carriers Corporation
 Texas Tank Ship Agency, Inc.

Officers

Oscar S. Wyatt, Jr., Chmn.
 R. K. Farmer, Pres., C.O.O.
 Harold Burrow, Vice-Chmn.
 David A. Arledge, Pres., C.E.O., C.F.O.
 Coby C. Hesse, Exec. V.P.
 James A. King, Exec. V.P., Refining & Engrg.
 Ronald D. Matthews, Treas.
 Coby C. Hess, Chief Acct. Officer
 Carl A. Carrillo, Sr. V.P., Gen. Couns.
 Donald H. Gullquist, Sr. V.P., Fin.
 Jerry D. Bullock, Sr. V.P.
 Jeffrey A. Connolly, Sr. V.P.
 Kenneth O. Johnson, Sr. V.P.
 Dan J. Hill, Sr. V.P.
 Austin M. O'Toole, Sr. V.P., Sec.
 Jack C. Preiser, Sr. V.P.
 James L. Van Lanen, Sr. V.P.

Vice Presidents

M. T. Arnold
 Robert C. Hart
 Jeffrey B. Lewis
 Edward A. Moss
 Keith O. Raine
 Daniel P. Colliza
 Thomas E. Jackson
 John I. Lipinski
 M. F. Powell
 Thomas M. Wade

Directors

Oscar S. Wyatt, Jr.
 David A. Arledge
 George L. Bramlett, Jr.
 James F. Cordes
 Kenneth O. Johnson
 Thomas R. McDale
 Harold Burrow
 John M. Bissell
 Roy D. Chapin, Jr.
 Roy L. Gates
 Jerome S. Katzin
 L. D. Woodly, Jr.

Auditors: Deloitte & Touche L.L.P.

Annual Meeting: in May.

Shareholder Relations: Cathy B. Casella, Manager-
Investor Relations Tel: 713-877-6924.

No. of Stockholders: Mar. 12, 1997, 120700 (approx.).

Address: Coastal Twr, Houston TX 77046 Tel:
(713)877-1400.CONSOLIDATED INCOME ACCOUNT, YEARS
ENDED Dec. 31 (\$000):

| | 1996 | 1995 | 1994 |
|--|------------|------------|------------|
| Operating revs | 12,166,900 | 10,457,600 | 10,215,300 |
| Purchases | 8,979,800 | 7,554,200 | 7,340,500 |
| Operating exps | 1,722,000 | 1,773,900 | 1,738,000 |
| Depreciation, depl & amort | 453,600 | 378,500 | 363,200 |
| Total oper costs & exps | 11,155,400 | 9,706,600 | 9,441,700 |
| Operating profit | 1,011,500 | 731,000 | 733,600 |
| Other income-net | 85,000 | 51,600 | 61,200 |
| General & admin | 64,900 | 64,700 | 62,100 |
| Interest & debt chg | 368,300 | 415,400 | 407,800 |
| Taxes (benefits) on inc | 163,100 | 52,100 | 92,300 |
| Total other exps | 596,300 | 537,200 | 562,300 |
| Earnings to contin opers | 500,200 | | |
| Income (loss) bef extrord item | 506,200 | 270,400 | 232,600 |
| Extrord item- loss on early extinguish- debt | 697,600 | | 232,600 |
| Net earn (loss) | 402,600 | 270,400 | 232,600 |
| Dividends on pfd stk | 17,400 | 17,400 | 17,400 |
| Net earn (loss) aval to stkholders | 385,200 | 253,000 | 215,200 |
| Common shares (000): Weighted avg shares outg | 105,445 | 105,435 | 105,207 |
| Weighted avg shares-fully diland | 106,380 | 106,206 | 105,779 |
| Year end shares outg | 109,256 | 105,177 | 104,331 |
| Earnings (loss) per share- containing opers | \$4.54 | \$2.40 | \$2.05 |
| Earnings (loss) per share- extraordinary item | 45.92 | | |
| Net earn (loss) per com sh | \$3.62 | \$2.40 | \$2.05 |

| Net earn (loss) per share-net inc | 1996 | 1995 | 1994 |
|---|---------|---------|---------|
| Dividends per sh | \$4.00 | \$4.00 | \$4.00 |
| Total no of employees | 115,500 | | |
| Number of com stkholders | 8,850 | 128,894 | |
| Number of Class A com stkholders | 3,220 | 113,458 | |
| Total no of stkholders | 12,070 | 112,352 | |
| Depreciation, depl & amort | 453,700 | 382,000 | 370,200 |

Reclassified to conform with current presentation As is
 Unit of production: Straight-line Straight line

CONSOLIDATED BALANCE SHEET, AS OF Dec.
31 (\$000):

| | 1996 | 1995 |
|---|------------|------------|
| Assets: | | |
| Cash & cash equivs | 106,300 | 58,400 |
| Receivables, gross | 1,824,400 | 1,213,700 |
| Allowance for doubtful accs | 23,400 | 21,400 |
| Receivables, net | 1,801,000 | 1,192,300 |
| Inventories | 1,143,900 | 1,071,100 |
| Prepaid exps & other | 145,200 | 218,300 |
| Total current assets | 3,196,400 | 2,250,100 |
| Property, pl & equipment-at cost | 9,961,500 | 10,018,000 |
| Accum depreciation, depl & amort | 3,306,600 | 3,556,100 |
| Property, pl & equipment, net | 6,654,900 | 6,461,900 |
| Goodwill | 508,900 | 525,700 |
| Investments-equity meth | 589,100 | 447,400 |
| Other | 663,800 | 973,700 |
| Total other assets | 1,761,800 | 1,946,800 |
| Total assets | 11,613,100 | 10,658,800 |
| Liabilities: | | |
| Notes payable | 105,000 | 123,200 |
| Accounts payable | 2,425,900 | 1,630,200 |
| Accrued expenses | 408,300 | 325,400 |
| Current matur on lg tm debt | 8,000 | 128,500 |
| Total current liabilities | 2,947,200 | 2,207,300 |
| Total debt | 2,526,100 | 3,663,700 |
| Deferred income taxes | 1,404,800 | 1,473,800 |
| Other deferred credits | 598,500 | 636,600 |
| Total defer credits & other | 2,003,300 | 2,110,400 |
| Mandatory redemp pfd stock-issued by sub | 100,000 | 100,000 |
| Convertible pfd stk | 107,600 | 107,900 |
| Class A com stk | 10,100 | 10,100 |
| Common stock | 1,239,600 | 1,225,000 |
| Additional paid-in cap | 1,890,100 | 1,547,100 |
| Retained earnings | 3,169,000 | 2,811,300 |
| Total | 11,613,100 | 10,658,800 |
| Less com stk in treasury- at cost | 112,500 | 132,500 |
| Total liabilities & stkholders eq | 3,036,500 | 2,679,900 |
| Pl & m, first out or market; Rate making and in reporting PERC: Last in, first out; Average cost, or market (Shares: 19 6,000; Aggregate liquidation preference: 1996 \$208,900.00 Classed shares: 1996 182,449; (P/w value: \$ 33 1/2; Authori- zation: 1995 2,700,000; (P/w value: \$33.33; Authorized share 1996 50,000,000; (P/w value: \$ 33 1/2; Authorized shares: 19 250,000,000; (P/w value: 1995 109,168,216; (P/w value: 19 4,395,405. | | |
| Long Term Debt: Dec. 31, 1996, \$3,534,100.00 (including issues listed below) comprised of: | | |
| The Coastal Corporation: | | |
| Senior notes: | | |
| 10-3/8%, due 2000 | 240 | 240 |
| 10%, due 2001 | 150 | 150 |
| 8-3/4%, due 1999 | 240 | 240 |
| 8-1/8%, due 2002 | 240 | 240 |
| Senior debentures: | | |
| 10-1/4%, due 2004 | 150 | 150 |
| 10-3/4%, due 2010 | 240 | 240 |
| 9-3/4%, due 2003 | 140 | 140 |
| 9-5/8%, due 2012 | 140 | 140 |
| 7-3/4%, due 2035 | 140 | 140 |
| Other: | | |
| Subsidiary Companies: | | |
| Notes payable (term credit facilities) | 378 | 378 |
| Notes payable (revolving credit agreements) | 510 | 510 |
| Notes payable (project financing), due 1998 | 18 | 18 |
| Debentures, 7% to 10%, due 2005-2025 | 67 | 67 |
| Other, due 2000-2007 | 54 | 54 |
| | 1,037 | 1,037 |
| Total Long-Term Debt | 3,534 | 3,534 |
| Less Current Maturities | 83 | 83 |
| | 3,451 | 3,451 |
| At December 31, 1995, long-term credit agreements with banks totaled \$1,173.2 million, including \$727 million available to The Coastal Corporation. Less under these agreements bear interest at money market related rates (weighted average 6.64% at December 1995). Annual commitment fees range up to 1/2% per annum on the unused portion of the applicable facility. December 31, 1995, \$284.7 million was outstanding. December 31, 1995, \$235.0 million of the unused amount is dedicated specific use. Notes payable of \$200.0 million are other | | |

**SMITH/ENRON COGENERATION L.P.
PPA DISPUTES – SETTLEMENT DISCUSSION
1997 EVENT SUMMARY**

- FEB 97 MEETINGS BETWEEN SECLP PARTNERS AND CDE BOARD RESULTED IN TWO INITIATIVES:
(a) Advance Agreement, and (b) Settlement Discussions
- APR 97 SECLP AND CDE APPOINT WORKING COMMITTEES TO MEET TO DISCUSS POSSIBLE SETTLEMENT OF THE DISPUTED ISSUES BEING ARBITRATED BY THE ICC.
- WORKING COMMITTEES MEET ON TWO OCCASIONS, THE WEEK OF APRIL 22-25 AND MAY 17-18. These meetings resulted in a clear definition of the issues in the contract, and contract modifications were exchanged.
- THE NEXT ROUND OF MEETINGS TOOK PLACE BETWEEN THE SECLP PARTNERS AND THE CDE BOARD COMMITTEE AND OCCURRED ON TWO OCCASIONS, JULY 14-15 AND AUGUST 25-26. These meetings resulted in a refinement of the contract modifications and the settlement amounts on past disputed invoices. The understandings were sent by SECLP in a proposal dated September 8.
- ONE MORE ROUND BETWEEN THE SECLP PARTNERS AND THE CDE BOARD COMMITTEE MET ON SEPTEMBER 19-20. During this session, the parties reviewed the September 8 summary proposal and exchanged MOUs.
- IN OCTOBER, THE WORKING COMMITTEES APPOINTED BY CDE AND SECLP MET AGAIN TO NARROW THE GAP IN THE TWO MOUS.
- IN DECEMBER, THE WORKING COMMITTEES AGAIN MET AND SUCCEEDED IN NARROWING THE GAP IN THE MOUS. THE CDE REPRESENTATIVES INDICATED THEY WOULD PRESENT THE MOUS (VERSION 3, DATED DECEMBER 24) TO THE CDE BOARD FOR APPROVAL. THIS WAS THE LAST SETTLEMENT DISCUSSION IN 1997. NO RESPONSE RECEIVED FROM THE CDE BOARD.

PPA DISPUTES – SETTLEMENT DISCUSSION 1998 EVENTS SUMMARY

- MEETING IN WASHINGTON, D.C. ON APRIL 2ND BETWEEN CDE AND SECLP:
The CDE contingent, headed by the recently appointed (March 1ST), did not come prepared to negotiate.
- CDE COUNTERPROPOSAL SENT TO SECLP ON 04/09:
CDE Proposal goes beyond the matters of contractual dispute and interpretation and seeks to modify the power price.
Matters of contractual dispute were not discussed.
- SECLP RESPONDED TO THE DOCUMENT ON 04/15 EXPRESSING WILLINGNESS TO CONTINUE WITH THE DISCUSSIONS
BASED ON THE AGREEMENTS REACHED IN DECEMBER.
- ONLY ONE MEMBER OF THE CURRENT CDE NEGOTIATING COMMISSION HAS BEEN INVOLVED IN THE PREVIOUS
NEGOTIATIONS.

OTHER EVENTS

- NO PAYMENT HAS BEEN MADE TO SECLP DUE TO THE EMBARGO ON THE ACCOUNTS BY THE MONTECRISTI
CORPORATION:
CDE maintains it must respect (embargo) under Dominican law. As a public service company, CDE does not have to recognize embargoes and it has been their practice not to do so.
- PRESIDENT FERNANDEZ NAMED FIVE NEW MEMBERS TO THE CDE BOARD ON 04/08.

AGREEMENTS RECORDED PREVIOUSLY

AMENDMENTS TO THE PPA:

- (a) Force Majeure – SECLP agrees to assume from CDE the risk of defects and failures due to design and construction defects
- (b) Capacity Payment – SECLP agrees to replace annual fixed amount with a 6-month rolling capacity factor. (the numerator and denominator of the factor were not yet agreed at this point)
- (c) Fixed O&M Payment – will be a fixed amount, and not be adjusted based on capacity factor
- (d) Variable O&M – will remain unchanged
- (e) Payment for Energy – SECLP agrees to use a heat rate matrix to determine volume; to re-bid the fuel supply contract with CDE approval; and retain the 10% fuel fee.
- (f) Disputed Amounts by CDE – will be backed by a letter of credit, subject to dispute resolution. And for any unpaid undisputed amounts, SECLP would have the right to discontinue supply of energy.

SETTLEMENT OF PAST DISPUTED AMOUNTS (as of July 5, 1997, \$29.1mm):

- (a) CDE to waive repayment of advances made pursuant to February 6 agreement.
- (b) CDE to pay an additional US\$0.075 per kWh for capacity over 50%, and US\$0.15 per kWh over for capacity over 70%
- (c) Total value of settlement is US \$18.8mm, if SECLP performs at 90% capacity factor

PAYMENTS OF CURRENT AMOUNTS:

- (a) Reimburse previous withholdings of "unavailability funds"
- (b) Reimburse, following CDE audit, of excess Electrical Interconnection Costs
- (c) Payment of interest due on late payments

TRANSITION PERIOD: Pending approval of Lenders and Government of revised PPA:

- (a) Timely payments
- (b) Fuel measurement protocol
- (c) Appointment of technical inspector to review invoices
- (d) After transition period, when revised PPA is approved, final reconciliation of invoices and payments during the transition

Emerson
1/24/01

[(b)(5)]

①

Hardy

[(b)(5)]

3

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MEMORANDUM

TO: Matthew Eichner
David Joulfaian
James Mackie
Scott Jaquette
Matthew Knittel
John McClelland

CC: Joel Platt

FROM: Karl Russo

RE: Stock Option Research Update

DATE: August 14, 2000

[(b)(5)]

FIRE: Depository Institutions (Chase Manhattan, Bank One) garnered 43% of the sector's benefits, though one Non-depository Credit Institution (Citigroup) captured 20% of the total as well.

[(b)(5)]

MEMORANDUM

TO: Robert Carroll
Matthew Eichner
Warren Hrung
Scott Jaquette
David Joulfaian
Matthew Knittel
James Mackie
John McClelland

CC: Joel Platt
Len Burman

FROM: Karl Russo

RE: Stock Option Research Update

DATE: September 8, 2000

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0100000000948

Emerson mtg. 12/12
Met w/ Kent Thubler, Jacob Cogan at State, TVSTR, NSC -

[(b)(5)]

Enron mtg. 2/18/00

[(b)(5)]



2/11 Emerson mtg (1/11/10) -

[(b)(5)]

6/21 NSC India/Emson mtg. ^{1/0 PIC, State,}
Charbonnet & Thomas, et al.
& Lowery

[(b)(5)]

2

[(b)(5)]