



January 22, 2001

The Honorable Paul O'Neill  
Secretary  
US Department of Treasury  
1500 Pennsylvania Avenue, NW  
Room 3330  
Washington, DC 20220

**Kenneth L. Lay**  
*Chairman and  
Chief Executive Officer*

**Enron Corp.**  
P. O. Box 1188  
Houston, TX 77251-1188  
(713) 853-6773  
Fax (713) 853-5313  
[klay@enron.com](mailto:klay@enron.com)

Dear Paul:

In my capacity as Vice Chairman of the Business Council, I am writing to invite you to address the morning session of our winter meeting at the Park Hyatt Hotel in Washington, DC on February 22, 2001. If you are able to join us, which we very much hope you are, we will work with your staff to determine the most convenient time for you to speak. We envisage about a 20-minute speech with 10 to 15 minutes with our members.

The Council, formed in 1933, is a voluntary association of America's top 100 or so business leaders dedicated to service in the national interest. As a gathering of current and former Chief Executive Officers from virtually every major industry, the Council is entirely an educational and deliberative forum. The Council does not take positions as an organization; instead, it provides a forum for exchange between the leaders of the US business and government communities in an effort to achieve greater understanding and consensus on the important issues facing our country.

Our winter meeting is held in Washington, DC in order to facilitate broad participation by our nation's top political leaders including the President, Cabinet officers and Congressional majority and minority leaders. We would be delighted to have your participation at this winter's event.

Please feel free to call me directly, or have someone on your staff contact Philip Cassidy (Business Council) at 202-298-7650 or Linda Robertson (Enron) at 202-466-9159.

Sincerely,

A handwritten signature in black ink that reads "Ken".

Natural gas. Electricity. Endless possibilities.™

1775 Eye Street, NW, Suite 800  
Washington, DC 20006



The Honorable Paul O'Neill  
Secretary  
US Department of Treasury  
1500 Pennsylvania Avenue, NW  
Room 3330  
Washington, DC 20220

## Christopoulos, Greg

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**From:** Grewe, Maureen  
**Sent:** Tuesday, January 23, 2001 8:55 AM  
**To:** Rao, Geetha; Mills, Marshall; Sampliner, Gary; Christopoulos, Greg; Clapp, Gene  
**Cc:** Radelet, Steve  
**Subject:** RE: India/Dabhol Meeting

Please note the following article from this morning's press summary:

### US Envoy: India's Enron Project Key To Foreign Investment

BOMBAY (AP)--U.S. Ambassador to India Richard Celeste warned Monday that foreign investment in India would falter because of political pressures that threatened to derail the \$3 billion Enron Corp. (ENE) power project.

"It regrettably feeds the concern among American and other foreign investors that India remains a less-than-reliable destination for their investment dollars," Celeste told an audience of business leaders, politicians and nongovernment agencies in Bombay, India's financial hub.

India's largest-ever foreign investment has been in trouble since December after the government of Maharashtra state, in which Bombay is situated, said it would review a power-purchase agreement with U.S. energy giant Enron Corp. Maharashtra considers the power rates being charged are exorbitant.

The agreement signed in 1995 details the rate at which Enron's Indian subsidiary, the Dabhol Power Co., will sell electricity to the state.

The project's first phase, a power plant of 740 megawatts, already has been commissioned, while the second phase of 1,444 megawatts is scheduled for completion by end 2001.

Depreciation of the Indian rupee and high cost of naphtha used to generate electricity caused the power generated by the Enron project to touch 7 rupees a unit as against INR1.80 agreed on when the deal was signed six years ago (\$1=INR46.375).

Enron has said it saw no current need to renegotiate the tariff and maintained that a transition from naphtha to liquefied natural gas would reduce the tariff.

Celeste, an appointee of former U.S. President Bill Clinton, said he hoped both sides would find a solution in ongoing discussions, but cautioned that "perceptions among American and other foreign investors will be affected by the challenge to Dabhol and how it is resolved."

He said despite partnerships in software and information technology, U.S. investors were wary of India because of political pressures at the federal and state level that had slowed the economic-reform agenda.

Stressing the need to strengthen business ties with India, Celeste focused on the Enron project and asked that "The Dabhol power plant remain a symbol of successful American investment in India and not a symbol of the impediments that still hinder even greater foreign direct investment."

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Received by NewsEDGE/LAN: 1/22/01 7:23 PM

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

**From:** Rao, Geetha  
**Sent:** Monday, January 22, 2001 3:01 PM  
**To:** Grewe, Maureen; Mills, Marshall; Sampliner, Gary; Christopoulos, Greg; Clapp, Gene  
**Cc:** Radelet, Steve  
**Subject:** FW: India/Dabhol Meeting

Attached is background material for the Enron meeting on Wednesday. Pls. note Mr. John Hardy will also be attending.

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

**From:** Tom.Briggs@enron.com [mailto:Tom.Briggs@enron.com]

**Christopulos, Greg**

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**From:** Sills, Gay  
**Sent:** Friday, November 30, 2001 3:04 PM  
**To:** Christopulos, Greg; Resnick, Bonnie; Epstein, Natan; Sampliner, Gary; Wallace, James  
**Subject:** RE: Request for Meeting re. Azurix Corp Dispute with the Province of BA in Argentina

Bonnie: I will do the meeting. Set it up please. You can look at my calendar for a time or talk to dee if you can't get in my calendar. Let's do in the morning.

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

**From:** Christopulos, Greg  
**Sent:** Friday, November 30, 2001 12:23 PM  
**To:** Resnick, Bonnie; Epstein, Natan; Sampliner, Gary; Sills, Gay; Wallace, James  
**Subject:** FW: Request for Meeting re. Azurix Corp Dispute with the Province of BA in Argentina

<< File: AzurixBriefingPaperRevisedNov19.doc >> Bonnie -- As they say in NY: da ball z in ur court.

Tanks.

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

**From:** Miceli, Keith [mailto:Keith.Miceli@enron.com]  
**Sent:** Friday, November 30, 2001 12:02 PM  
**To:** greg.christopulos@do.treas.gov  
**Subject:** Request for Meeting re. Azurix Corp Dispute with the Province of BA in Argentina

November 30, 2001

Greg Christopolus  
International Economist  
International Affairs  
Treasury Department  
Washington, D.C.

Dear Greg:

Thanks for offering to arrange a meeting with John Garrison, President and CEO of the Azurix Corp. and myself. The purpose of the meeting to provide a briefing on the status of a half a billion dollar investment dispute that the Azurix Corp. has with the Province of Buenos Aires. Attached is a confidential briefing paper that provides a history of the dispute; our efforts to resolve it amicably; the lack of good will on the part of the Provincial authorities to find a resolution, and some suggestions to break the impasse to the benefit of all parties concerned.

I understand that you will be on travel for those dates, and that you will speak with Bonnie Resnick about meeting with us. I can be contacted at (713) 345-5956 or keith.miceli@enron.com to finalize arrangements. Many thanks,

Sincerely,

Keith L. Miceli

Senior Director  
International Public Relations

<<AzurixBriefingPaperRevisedNov19.doc>>

.....  
This e-mail is the property of Enron Corp. and/or its relevant affiliate and may contain confidential and privileged material for the sole use of the intended recipient (s). Any review, use, distribution or disclosure by others is strictly prohibited. If you are not the intended recipient (or authorized to receive for the recipient), please contact the sender or reply to Enron Corp. at enron.messaging.administration@enron.com and delete all copies of the message. This e-mail (and any attachments hereto) are not intended to be an offer (or an acceptance) and do not create or evidence a binding and enforceable contract between Enron Corp. (or any of its affiliates) and the intended recipient or any other party, and may not be relied on by anyone as the basis of a contract by estoppel or otherwise. Thank you.  
.....

## Christopulos, Greg

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From: Sills, Gay  
Sent: Friday, November 30, 2001 3:02 PM  
To: Christopulos, Greg  
Subject: RE: Enron Request Follow-up

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

From: Christopulos, Greg  
Sent: Friday, November 30, 2001 12:20 PM  
To: Sampliner, Gary; Resnick, Bonnie; Wallace, James; Sills, Gay; Epstein, Natan  
Subject: RE: Enron Request Follow-up

I hear the wine and the beer are fine.

He wants to meet on the 10th or the 11th.

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

From: Sampliner, Gary  
Sent: Friday, November 30, 2001 11:56 AM  
To: Christopulos, Greg; Resnick, Bonnie; Wallace, James; Sills, Gay; Epstein, Natan  
Subject: RE: Enron Request Follow-up

I'll be just getting back from Buenos Aires by then, and should be around -- the question I'd like to ask is whether I will live if I drink the water while I'm there.

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

From: Christopulos, Greg  
Sent: Friday, November 30, 2001 11:54 AM  
To: Sampliner, Gary; Resnick, Bonnie; Wallace, James; Sills, Gay; Epstein, Natan  
Subject: FW: Enron Request Follow-up  
Importance: High

Enron -- or what's left of it -- wants to come in and talk to us about this dispute on Dec 10 or 11 while I'm out of town.

He called this morning but he was not in when I called him back.

They have filed a claim with ICSID, but prefers a negotiated solution. I will be sending another e-mail shortly/

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

From: David Katz [mailto:DKATZ@ustr.gov]  
Sent: Wednesday, November 28, 2001 7:26 PM  
To: greg.christopulos@do.treas.gov; R Federal Record  
Subject: Enron Request Follow-up

Greg,

After internal discussion here at USTR, we have decided that **[(b)(5)]**

They are already going over to State, and they also plan to meet the Argentine Ambassador. I know that they are interested in meeting with Treasury. Keith Miceli from Enron has asked for a contact at Treasury. Any objection to my giving him your email and/or number? Alternatively, you can contact him per the information below.

Keith L. Miceli  
Senior Director  
International Public Relations  
Enron Corp.  
(713) 345-5956 - voice  
(713) 646-7078 - fax  
Email - keith.miceli@enron.com

-David

## Christopoulos, Greg

---

**From:** Christopoulos, Greg  
**Sent:** Thursday, November 29, 2001 12:56 PM  
**To:** Sampliner, Gary; Allmond, Gary  
**Subject:** FW: Enron nears final collapse

fyi

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

**From:** Rao, Geetha  
**Sent:** Thursday, November 29, 2001 12:41 PM  
**To:** Kifayat, Adnan; McDonald, Larry; Mills, Marshall  
**Cc:** Christopoulos, Greg  
**Subject:** RE: Enron nears final collapse

Yup - down from \$80 a share in February...

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

**From:** Kifayat, Adnan  
**Sent:** Thursday, November 29, 2001 12:35 PM  
**To:** Rao, Geetha; McDonald, Larry; Mills, Marshall  
**Cc:** Christopoulos, Greg  
**Subject:** RE: Enron nears final collapse

i heard their stock was "trading" at 65 cents a share yesterday!!!!

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

**From:** Rao, Geetha  
**Sent:** Thursday, November 29, 2001 9:29 AM  
**To:** McDonald, Larry; Mills, Marshall; Kifayat, Adnan  
**Cc:** Christopoulos, Greg  
**Subject:** Enron nears final collapse

Implications for Dabhol? looks like any resolution of Dabhol project will be further delayed. Enron was in the middle of negotiations with Tata Power and BSES to sell its stake but given all that has happened in the last few weeks, Enron probably won't have time to continue those negotiations.

## Enron nears final collapse

**End of merger talks, debt downgrade all but seal the company's fate, analysts say**

Nov. 28 - The collapse of Enron Corp. - which rose during the 1990s from a sleepy natural gas distribution company to become one of the largest U.S. corporations - picked up speed Wednesday as merger talks broke off with rival Dynegy Corp. and its debt was downgraded by another rating agency. As its energy trading customers fled and its cash problems mushroomed, analysts said the company's options were fast running out.

AS RECENTLY as February, Enron's energy trading business - and its stock price - were riding high as the company rapidly expanded, buoyed by the volatility in natural gas prices and the deregulation of the electricity industry. Encouraged by glowing Wall Street reports on the company's cutting-edge business



model, Enron's stock traded earlier this year above \$80 a share. It was recently ranked seventh on the Fortune 500 list of the biggest U.S. companies.

But in a stunning reversal, Enron's commanding share of U.S. energy trading has all but evaporated. Following the collapse Wednesday of merger talks with Dynegy, Enron's shares closed Wednesday at 61 cents, wiping out virtually all of the \$80 billion in value its stock investors held less than a year ago.

Though analysts say it is all but certain the company will seek bankruptcy protection, the company faces a huge mountain of debt - the size of which is not fully known. And many of Enron's most attractive assets have already been pledged as collateral for a series of loans the company sought to stay afloat. "All the debt is in question," said Jon Cartwright, a senior energy analyst at Raymond James & Associates Inc., after the downgrade by Standard & Poor's, one of the agencies. "It is inconceivable that Enron can continue as a going concern." In response to the credit rating downgrade and Dynegy's announcement that it was ending merger talks, Enron said it will temporarily suspend all payments other than those necessary to maintain its core operations.

Kenneth L. Lay, Enron's chairman and chief executive, said the company was evaluating and exploring other options to protect its core energy businesses.

But analysts said there was little in the way of a viable business left to protect.

"I don't think there's too much to break up anymore," according to A.G. Edward analyst Mike Heim. "What you're left with is people and outdated computers."

The company also faces a blizzard of lawsuits from those Enron workers, whose jobs are now at risk. Many have lost hundreds of thousands of dollars on Enron stock held in retirement accounts, wrecking dreams of a comfortable retirement for some. It's been a painful experience for people like Enron employee Roy Rinard, who was invested heavily in Enron stock.

"I'm basically wiped out," said the 54-year-old Rinard, who lost more than \$400,000 as a result of investing all of the funds in his 401(k) retirement account in Enron stock.

#### **SWIFT SLIDE**

Enron's collapse began earlier this year but picked up speed six weeks ago with the announcement of a \$638 million quarterly loss. Investor and customer confidence eroded further after the company admitted it had overstated earnings by almost \$600 million since 1997.

The disclosure of the company's so-called "off-balance sheet" debts - those not carried on its books nor disclosed to investors - heightened concerns about its financial health. Those debts were hidden in a series of partnerships which included top Enron executives, including its now-ousted chief financial officer Andrew Fastow. The deals, in which Fastow earned about \$30 million in management fees, are the subject of a Securities & Exchange Commission investigation.

The final blow came when Dynegy on Wednesday accused Enron of breaching a takeover agreement negotiated on Nov. 9, and invoked an escape clause that let it pull out of the all-stock deal valued at about \$9 billion at the time.

In a terse conference call with Wall Street analysts, investors and reporters, Dynegy Chairman and CEO Chuck Watson said early Wednesday afternoon that merger talks had broken down because Enron had breached the original merger agreement, "including the material adverse change provision."

Watson said the merger was off because the company didn't want to risk its "franchise, credit or credibility."

"We weren't going to do anything to jeopardize our stakeholders," he said. "Sometimes a company's best deals are the very ones they did not do."

#### **DEBT AVALANCHE**

In calling off the merger, Dynegy was fleeing an impending avalanche of debt. All three major credit rating agencies had downgraded Enron's bonds to junk status by the time Dynegy called off merger talks. That lit the fuse on a debt bomb that Enron is unlikely to be able to defuse. The loss of Enron's

investment-grade credit rating forces some \$3.9 billion in debts to come due immediately, a major problem for a company that has spent most of the \$5.5 billion it sought in recent weeks to stay afloat. Enron said in a recent regulatory filing that it was unlikely to "continue as a going concern" were its credit rating to be slashed to junk status.

Analysts say it's still not clear just how much debt is out there. Prudential Securities energy analyst Carol Coale estimates the total - both on and off the books - at about \$23 billion. How could the company hide so much debt from analysts and investors? Part of the reason stems from the company's insistence that its business model relied on proprietary trading strategies that it could not disclose to its competitors, Coale said. The lesson learned is that managements do lie," she said. "And analysts need to be less trusting of management when they have poor financial disclosure."

Enron's customers have been scrambling to find other energy companies to trade with. Dynegy CEO Watson said Wednesday there was a "a clear flight to quality" underway in the energy markets, and that Dynegy was in a position to pick up a piece of that business "with virtually no incremental cost to us." Dynegy has about \$75 million in exposure to possible trading losses with Enron, he said. Watson also said Wednesday that Dynegy has exercised an option to buy Northern Natural Gas - Enron's largest interstate distribution system with some 17,000 miles of pipeline that stretches from the Permian Basin of Texas to the Great Lakes. ChevronTexaco Corp., which owns 26 percent of Dynegy's stock, contributed \$1.5 billion to Dynegy as part of the transaction.

#### **INVESTOR PAIN**

Watson insisted the business model that Enron had pioneered remains sound, but stocks in other companies with energy trading operations moved lower. But whatever the long-term impact on the rest of the energy industry, Enron's legacy will almost surely be the wide swath it cut through its investors' portfolios.

"They [Enron] entrapped the sophisticates," said Robert Stovall, senior strategist at Prudential Securities, referring to what was once an almost fawning admiration for Enron by institutional investors. "I think this is going to become a classic case."

Stovall, with nearly 50 years of Wall Street experience, said he could not recall any previous corporate unraveling that matches that of Enron.

"You would have to go to pre-SEC days for that," he said, referring to the creation of the SEC in the aftermath of the stock market crash of 1929.

Enron has also left its financial backers with egg on their faces. J.P. Morgan Chase and Citigroup, who were advising the company in merger talks, have already contributed an estimated \$1 billion to the deal - much of it unsecured, according to analysts. Citigroup shares were off \$2.30, or 4.55 percent, at \$48.25 on the New York Stock Exchange, while J.P. Morgan shares were off \$2.37, or nearly 6 percent, at \$37.43.

Enron's collapse will be felt around the world, especially in Europe where the company had expanded into in most major cities. Until recently, Enron had accounted for about 30 percent of German wholesale power trading. It was also a major player in U.K. gas and electricity, and Nordic power, and was driving forward a fledgling French power market.

## Christopoulos, Greg

---

From: Christopoulos, Greg  
Sent: Friday, November 30, 2001 11:54 AM  
To: Sampliner, Gary; Resnick, Bonnie; Wallace, James; Sills, Gay; Epstein, Natan  
Subject: FW: Enron Request Follow-up

Importance: High

Enron -- or what's left of it -- wants to come in and talk to us about this dispute on Dec 10 or 11 while I'm out of town.

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

From: David Katz [mailto:DKATZ@ustr.gov]  
Sent: Wednesday, November 28, 2001 7:26 PM  
To: greg.christopoulos@do.treas.gov; R Federal Record  
Subject: Enron Request Follow-up

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Senior Director  
International Public Relations  
Enron Corp.  
(713) 345-5956 - voice  
(713) 646-7078 - fax  
Email - keith.miceli@enron.com

-David

**Christopulos, Greg**

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Senior Director  
International Public Relations  
Enron Corp.  
(713) 345-5956 - voice  
(713) 646-7078 - fax  
Email - keith.miceli@enron.com

## Christopoulos, Greg

---

**From:** Christopoulos, Greg  
**Sent:** Thursday, December 13, 2001 2:21 PM  
**To:** Epstein, Natan; Sills, Gay; Sampliner, Gary; Resnick, Bonnie; Demopoulos, Abigail; Sloniewsky, Katerina; BruceJ@IADB.org; TCrawford@WorldBank.org  
**Cc:** Neil Efirid (E-mail); 'ThompsonSH@Satate.gov'  
**Subject:** Enron Investment Dispute in Argentina

Below is the ITI write up of an ongoing investment dispute in Argentina for the weekly. [(b)(5)]  
Since this dispute is being submitted to ICSID for resolution through intl arbitration, it currently does not raise issues under the Helms Amendment.

[(b)(5)]

Thanks

### ENRON INVESTMENT DISPUTE IN ARGENTINA

- On Dec. 12, the Azurix President and CEO briefed Investment Office and General Counsel representatives on the status of Azurix's problems in Argentina. Azurix is an Enron subsidiary that operates water works companies. The meeting focused on the half billion dollar investment dispute that Azurix has with the Province of Buenos Aires regarding the company's concession to provide potable water and wastewater services.
- According to Azurix, the Province has failed to fulfill several of its obligations and, in particular, Buenos Aires has failed to deliver infrastructure works such as algae removal, and has not allowed the company to charge at the rates provided in the contract. On Jan. 11, 2001 Azurix Corp. delivered a notice of dispute to Governor Ruckauf as well as to the federal government regarding breaches of contractual obligations and filed for arbitration with ICSID (the International Centre for the Settlement of Investment Disputes). An arbitration panel is now being selected.
- Azurix also requested consultations as provided for under the GOA-USG Bilateral Investment Treaty (BIT). However, no progress has been made and Azurix is proceeding with termination of the contract by January 2, 2002. Azurix wants to work with the Province of Buenos Aires so that there will be a smooth transition to address any public health concerns. The Province recently notified Azurix that it does not recognize the termination notification.
- Azurix alleges that its expenses exceed the revenues it collects from customers by \$1-2 million per month, that it is caught between the federal and provincial governments, and that the GOA is stalling due to Enron's announced bankruptcy. However, Azurix assures us that it is not covered by the bankruptcy and even if it were, the GOA and the Province of Buenos Aires would still have a responsibility to fulfill their obligations under the Azurix contract and the BIT.
- Azurix wants the USG to facilitate meetings with Provincial Governor Ruckauf and to support the U.S.

Embassy's efforts to increase GOA awareness as to the urgency of this matter. Azurix also wants the USEDs at the World Bank and IDB to make the GOA and IFI staffs aware of the urgency in resolving this dispute. We advised Azurix that Treasury would work with State and Commerce on this dispute and will review any upcoming Argentina loans to determine if this dispute raises issues that should be factored into the loan review process.



Tues -  
14th  
d:30  
RM3225

To: Greg Christopulos  
Company:  
Phone:  
Fax: (202) 622-0391  
From: Keith Miceli  
Company: Azurix Corp  
Phone: 713 345 5956  
Fax:

Date: January 8, 2002  
Pages Including this cover page: 2

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Comments:

Chris: Attached is the letter that John Garrison, the President and CEO of the Azurix Corp sent to Gay re. the half a billion investment dispute in Argentina. As you will read, Garrison and I would like to meet with her, as well as you and Gary next Monday or Tuesday. Please advise how to best proceed to arrange such an appointment. Regards, Keith





**John L. Garrison**  
President and  
Chief Executive Officer

**Azurix**  
333 Clay Street, Suite 1000  
Houston, TX 77002-7361  
713-646-6121  
Fax 713-646-9577  
jgarriso@azurix.com

January 7, 2002

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

**Via Fax: (202) 622-0391**

Dear Gay:

The purpose of this letter is to request an appointment with you on either January 14 or 15 to brief you on fast-breaking developments in Azurix's half a billion dollar investment dispute with the Republic of Argentina, arising out of our concession with the Province of Buenos Aires. I plan to be in Buenos Aires later this week to pursue the matters that I shared with you in my letter of January 3. Keith Miceli will call your office to see if there is a convenient time in your hectic schedule for a brief meeting.

Hoping to see you next week, with best personal regards,

Very truly yours,

GLOBAL WATER SOLUTIONS





**John L. Garrison**  
*President and  
Chief Executive Officer*

**Azurix**  
333 Clay Street, Suite 1000  
Houston, TX 77002-7361  
713-646-6421  
Fax 713-646-9577  
jgarriso@azurix.com

January 7, 2002

GHS  
GC

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

**Via Fax: (202) 622-0391**

Dear Gay:

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Hoping to see you next week, with best personal regards,

Very truly yours,

A handwritten signature in black ink, appearing to be "John L. Garrison", written over a horizontal line.

GLOBAL WATER SOLUTIONS

\*\*\* TOTAL PAGE.01 \*\*\*

0050000000107

Argentina Operations (Dec 12)

John Gaiser  
Keith Macell

Strubel - DAS - for S. American

Steve Jackson

July '99 - Buenos Aires Prod \$400+ mil  
\$540 mil total

stunt flows in working  
problem w tariff rates -

- control tariffs  
current property values  
+ adjustment

neg cash flow

- Prod gov failed to do its investment  
in

breaches existed since ~~got~~ June 20.  
Jan 11<sup>th</sup> filed w. JCSID.

Enron going to cancel contract.

Now selecting panel.

Oct 5<sup>th</sup> 90 day transition to terminal  
BA we don't want to see transition

~~Not taking to ease~~

sent \$4 mil to ease transition by  
June 2<sup>nd</sup>.

This is a health issue if U.S.  
in works.

BA - uses  
company took  
so many  
out of  
contract.

wants GOB/BA to take over  
proj on ~~July~~ <sup>June</sup> 2<sup>nd</sup>.

claim total \$600 million

2 ranches has 2 projects.

'selling assets in Arg, Mex, + UK.

Need money for cheap power, + people.

{ gun deal - no model  
equity going in. Want  
to avoid charge of abandonment.

[ "Thompson sh @ state gov." ]

Att

[ 5411 - 57 - 774609 ]

[ cable asking for guidance ]

**Azurix**

**Azurix**

333 Clay Street, Suite 1000  
Houston, TX 77002-7361  
713-646-6421

**John L. Garrison**  
President and  
Chief Executive Officer

P. O. Box 1188  
Houston, TX 77251-1188  
Fax 713-646-9577  
Cellular 713-503-4592  
jgarris2@azurix.com



**John L. Garrison**  
*President and  
Chief Executive Officer*

GHS  
GC

**Azurix**  
333 Clay Street, Suite 1000  
Houston, TX 77002-7361  
713-646-6421  
Fax 713-646-9577  
jgarric2@azurix.com

December 14, 2001

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

Fax: (202) 622-0391

Dear Gay:

I want to thank you and the other Treasury officials for taking time from your hectic schedules to meet with us to learn first-hand about the status of the \$540 million investment dispute that the Azurix Corp. has with the Province of Buenos Aires. It's my understanding that Greg Christopolous emailed members of the Expropriation Committee about the dispute, as well as the offices of the U.S. Executive Directors to the World Bank and Inter-American Development Bank. I will follow up directly with the Executive Directors and hope to visit them shortly.

I'm attaching a longer version of the briefing paper for you to share with with your colleagues at Treasury and Expropriation Committee. Meanwhile, I would appreciate learning about any new developments on your end that might impact on the dispute.

With best personal regards,

Very truly yours,

Attachment

GLOBAL WATER SOLUTIONS

MODE = MEMORY TRANSMISSION START=JAN-08 16:26 END=JAN-08 16:27  
FILE NO. 4008

STN NO. COMM. ABRB NO. STATION NAME/TEL NO. PAGES DURATION  
001 OK <16> ENGELHARD 001/001 08:03:19

GC

-ORIGIA ITI



John L. Garlton  
President and  
Chief Executive Officer

Azurix  
225 Clay Street, Suite 1000  
Houston, TX 77002-7361  
713-646-6431  
Fax 713-646-9577  
jgarlton@azurix.com

January 7, 2002

Joe / Shree  
Tuesday  
Jan 15  
9:30 AM  
Joe's office  
w/ Joe

GHS  
de

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

Via Fax: (202) 622-0391

OK?  
yes  
no

Dear Gay:

The purpose of this letter is to request an appointment with you on either January 14 or 15 to brief you on fast-breaking developments in Azurix's half a billion dollar investment dispute with the Republic of Argentina, arising out of our concession with the Province of Buenos Aires. I plan to be in Buenos Aires later this week to pursue the matters that I shared with you in my letter of January 3. Keith Miceli will call your office to see if there is a convenient time in your hectic schedule for a brief meeting.

Hoping to see you next week, with best personal regards,

Very truly yours,



I will set it up - Jay

GLOBAL WATER SOLUTIONS

a/25/01 w WES

# Smith Enron Cogeneration LP Dominican Republic

## Situation Update September 2001



**David W. Shields**  
Managing Director - Caribbean Region  
Caribbean - Central America - Colombia - Venezuela

P.O. Box 1188  
Houston, TX 77251-1188  
Fax 713-666-7788  
Cellular 713-863-6064  
David.Shields@enron.com

**Enron Caribbean Basin**  
333 Clay Street, Suite 1700  
Houston, TX 77002-7361  
713-644-6528



**John Hardy, Jr.**  
Vice President, Global Finance

**Enron Corp.**  
1775 Eye Street, N.W.  
Suite 800  
Washington, DC 20006  
202-466-9156

Fax 202-331-4717  
John.Hardy@enron.com

# Agenda

- ◆ Background
- ◆ Chronology of Recent Developments
- ◆ Present Situation
- ◆ Present Strategy – Short/Medium/Long
- ◆ Short Term Negotiations with CDE
- ◆ Long Term Solution



[(b)(4)]

0050000000443

[(b)(4)]

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[(b)(4)]

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[(b)(4)]

00500000000446

[(b)(4)]

0050000000447

[(b)(4)]

00500000000448

[(b)(4)]

0050000000449

[(b)(4)]

00500000000450



[(b)(4)]

0050000000451

**Jaskowiak, Mark**

**From:** Robertson, Linda [Linda.Robertson@enron.com]  
**Sent:** Monday, December 17, 2001 4:43 PM  
**To:** Mark.Jaskowiak@do.treas.gov  
**Subject:** RE: Enron admits..

Very funny. I had not seen it. But I cannot wait to see all my buddies on Thursday. XOXOXO Linda

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

**From:** Mark.Jaskowiak@do.treas.gov [mailto:Mark.Jaskowiak@do.treas.gov]  
**Sent:** Monday, December 17, 2001 4:36 PM  
**To:** Robertson, Linda  
**Subject:** FW: Enron admits..

With sincere apologies if this is exactly what you don't need right now, some comic relief if it helps at all and you haven't seen yet.

See you Thursday?

ENRON ADMITS IT'S REALLY ARGENTINA  
 Now Massive Ineptitude, Corruption Make More Sense,  
 Analysts Say  
 Houston, Texas (SatireWire.com) - Collapsed due to  
 gross  
 mismanagement and insurmountable debt, energy company Enron today  
 confessed  
 to what many observers had long suspected: it is actually Argentina.

note the o  
 <<http://www.satirewire.com/news/0111/images/enron.gif>  
 <<http://www.satirewire.com/news/0111/images/enron.gif>> >

Congressional leaders, who have called for an  
 investigation into the  
 biggest corporate failure in U.S. history  
 <[http://dailynews.yahoo.com/h/ap/20011130/bs/enron\\_44.html](http://dailynews.yahoo.com/h/ap/20011130/bs/enron_44.html)  
 <[http://dailynews.yahoo.com/h/ap/20011130/bs/enron\\_44.html](http://dailynews.yahoo.com/h/ap/20011130/bs/enron_44.html)> >,  
 immediately  
 dismissed Enron's claim, but Argentinians weren't so sure. "The shady  
 deals.  
 The crazy debt. I knew there was something familiar about those guys,"  
 said  
 Banco del Argentina director Ernesto Caballo.

Enron chairman and CEO Kenneth Lay, speaking through an  
 interpreter  
 via phone from Buenos Aires, apologized for any confusion the  
 subterfuge may  
 have caused, and noted that as a sovereign nation, the company was  
 immune  
 from U.S. prosecution. Lay also insisted that he had not "fled" to  
 Argentina, but had returned home to the capital to visit "mi familia."

01/22/2002

0050000000516

While not directly stating it, Lay also hinted that he might in fact be Argentinian President Fernando de la Rúa. Reached in Buenos Aires, de la Rúa admitted he couldn't rule that out. "Things are pretty crazy around here  
<[http://dailynews.yahoo.com/h/ap/20011130/bs/argentina\\_economy\\_1.html](http://dailynews.yahoo.com/h/ap/20011130/bs/argentina_economy_1.html)  
<[http://dailynews.yahoo.com/h/ap/20011130/bs/argentina\\_economy\\_1.html](http://dailynews.yahoo.com/h/ap/20011130/bs/argentina_economy_1.html)>  
>  
Who can say?"

But Enron creditors, clients, and shareholders, who stand to lose billions over their exposure to the company, weren't buying any of it. "While they may act like it, they are not a South American country, and Ken Lay is not the President of Argentina," declared J.P. Morgan Chase spokesman Alex Firtilly. "They are a malfeasant U.S. corporation that has potentially caused us to lose \$500 million. And Ken Lay is from Missouri."

"¿Como?," Lay replied. "No hablo Ingles."

he really sat on the bench  
<<http://www.satirewire.com/news/0111/images/argentina78.jpg>  
<<http://www.satirewire.com/news/0111/images/argentina78.jpg>> >

As proof of his Argentinian roots, Enron CEO Ken Lay faxed this image showing him as a member of the 1978 World Cup champions.

Recently ranked as high as No. 7 on the Fortune 500 list of the largest U.S. companies, Enron literally ran itself into the ground  
<[http://news.bbc.co.uk/1/hi/english/business/newsid\\_1681000/1681758.stm](http://news.bbc.co.uk/1/hi/english/business/newsid_1681000/1681758.stm)  
<[http://news.bbc.co.uk/1/hi/english/business/newsid\\_1681000/1681758.stm](http://news.bbc.co.uk/1/hi/english/business/newsid_1681000/1681758.stm)>  
> by fudging its books, making secretive deals that enriched company insiders, and relying too heavily on debt. Though it was formed in 1986 with the merger of Houston Natural Gas and InterNorth, Enron became Argentina only recently, said Lay, "on the advice of our attorneys."

That counsel came none too soon. As a South American state, all pending U.S. and European lawsuits are rendered harmless. And the company escapes what had been a daily fusillade of scorn from its former home.

Indeed, much as the French were baffled by America's obsession with President Clinton's sexual affairs, many South Americans say they don't understand why Enron and its leaders have been vilified. As former Colombian President Ernesto Samper explained: "In the United States, you look at corruption as an abomination We look at it as an art."

EXTRADITION DENIED

01/22/2002

0050000000517

The U.S. State Department has refused to recognize Enron as Argentina, and a spokesman said the Bush administration has officially requested the extradition of Lay and the officers who allegedly fled with him. Argentina, however, denied the request, explaining that an entire country cannot be extradited. And besides, they added, Lay had pledged to help pay off the nation's \$132 billion debt.

Asked where the bankrupt Enron got such a sum, Lay explained that after proclaiming its nationhood status, the company had received an emergency IMF loan. An IMF spokesman later confirmed the payment.

"From what we knew of their fiduciary practices, Enron appeared to have all the hallmarks of a typical IMF fundee," said IMF communications director Nestor Svingen. "At first, we did balk when they asked for \$232 billion, but when they explained that some of the money would go to repay overdue IMF loans, we thought, 'Oh, that's all right then.'"

"Not that we actually expect to see any money from anyone," Svingen added. "It's just this little game we all play. Great fun if you like numbers. Do you enjoy quadratic equations? I could do them all day."

Asked what Enron/Argentina had pledged to do with the extra \$100 billion it requested, Svingen said the application had specified funding for "civic infrastructure improvements."

"That usually means the president is going to build a palace," Svingen explained.

\*\*\*\*\*  
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\*\*\*\*\*



01/22/2002

0050000000519



1 July, 1999

**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@enron.com

Elizabeth Kirk Stewart  
Office of the Assistant Secretary for International Affairs  
U.S. Department of the Treasury  
Office of Multilateral Development Banks  
Washington, D.C. 20220

*Via facsimile: 202-622-1228*

Dear Elizabeth:

As a follow up to our meetings held earlier this week Deputy Secretary Schuerch and yourself, I am enclosing the names of companies selected by the Bangladesh Power Development Board to submit proposals for short-term, emergency power projects:

Enron International  
Ogden (partnered with local firm Unique Group)  
Cambridge Bangladesh Limited  
United Summit Power Company Ltd.  
SAR consultants International  
R. Industries Limited (w/ Zenco)

David Howe, who spoke at the meeting and who is the Enron point person for projects in Bangladesh, commented that, with the exception of Ogden, the firms were little known, with most having little substance behind them; thus, they would need to find credible companies to partner with in order to execute.

Should you have any further questions, feel free to call. I will plan to call you on Thursday, July 8 to get an update on what, if anything, has occurred as a result of our meetings. Thank you again for your participation with this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Reblitz", written over a white background.

Scott Reblitz

**Natural gas. Electricity. Endless possibilities.™**

TOTAL P.01

00500000000937

From: Earline Hoffman  
To: EICHENBERGERJ  
Date: 6/22/99 10:04am  
Caller: Scot Reblitz  
Company: Enron Company  
Phone: 202 466-9152

|   |   |
|---|---|
| <input type="checkbox"/> Telephoned       | <input checked="" type="checkbox"/> Please call |
| <input type="checkbox"/> Will call again  | <input type="checkbox"/> Returned your call     |
| <input type="checkbox"/> Wants to see you | <input type="checkbox"/> Came to see you        |
| <input type="checkbox"/> Urgent           |   |

Representative of the Enron Co. will be meeting with DAS Bill Schuerch Wednesday afternoon would you like to attend or could we brief you before the meeting. Subject: Power Plant in Bangladesh./ Also Jan Piercy called.

0050000000994



June 21, 1999

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

**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 a power project in Bangladesh 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.

Following recent meetings with personnel in the U.S. Executive Director's Office 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.01

0050000000997

*Next Tuesday?  
Next Monday?  
ck w/ Helen  
10:00 PM  
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  
sreblitz@enr.com

*yes X  
no  
other*

*Asia office Rep.  
MDB office  
not more than 2  
USED office*

Via Facsimile: (202)622-2536

*?*

*who?  
what result?*



From: ex.mail."Scott\_Reblitz@ei.enron.com"  
To: ex.mail("phyllis.coffman"),Dom13.DOPO8(COFFMANP)  
Date: 6/23/99 10:28am  
Subject: Mtg's re Bangladesh next Tues

Phyllis:

For next Tuesday's meetings, two Enron people will definitely attend:

David Howe  
Vice President  
Enron International  
Project Development - Bangladesh

Scott Reblitz  
General Manager  
Enron International  
Project Finance

There is chance that one or both of the following will also attend:

John Hardy  
Vice President  
Enron International  
Project Finance



David Merrill  
Vice President  
Enron International  
International Government Affairs

Thank you for your assistance,  
Scott

0050000000998

**Stewart, Elizabeth K.**

---

**From:** Stewart, Elizabeth K.  
**Sent:** Tuesday, January 23, 2001 10:40 AM  
**To:** Rao, Geetha  
**Subject:** RE: India/Dabhol Meeting

Yes, I have the backgrounders. Thanks.

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

**From:** Rao, Geetha  
**Sent:** Tuesday, January 23, 2001 10:31 AM  
**To:** Stewart, Elizabeth K.  
**Subject:** RE: India/Dabhol Meeting

Sure not a problem - Have you received any of the background material from Gene? If not, I can forward these to you.

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

**From:** Stewart, Elizabeth K.  
**Sent:** Tuesday, January 23, 2001 10:29 AM  
**To:** Rao, Geetha  
**Subject:** India/Dabhol Meeting

Geetha - Gene suggested that I join this meeting. I have been involved in other Enron power concession issues. Hope this will be ok. Thanks.

**Stewart, Elizabeth K.**

---

**From:** Rao, Geetha  
**Sent:** Tuesday, January 23, 2001 10:31 AM  
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**Subject:** India/Dabhol Meeting

Geetha - Gene suggested that I join this meeting. I have been involved in other Enron power concession issues. Hope this will be ok. Thanks.

**FAX TO:**  
Robin

Layen  
Elizabeth

Bot  
Helen

# FAX COVER SHEET

**ENRON, WASHINGTON**  
1775 Eye Street Street, N.W.  
Washington, DC 20006  
202-828-3360  
202-828-3372 (fax)

Phyllis

copies also to:

- IMF office - London
- Regional office - ISM
- Gene Clapp

**TO:** William Schuerch

**FROM:** Tom Briggs

**FAX #:** 202-~~622~~-2536

**RE:** Turkish Energy Sector

**DATE:** 27 January

Schedule meeting  
after Gene has  
chance to dig up  
some facts on  
-- probably Friday  
Monday next.

Number of pages including cover sheet:

3

**Message:**

1-23-01 B.  
Fri 1/26  
3pm  
not scheduled

---



---



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22 January 2001

The Honorable William Schuerch  
Deputy Assistant Secretary  
For International Development,  
Debt and Environmental Policy  
U.S. Department of Treasury  
1500 Pennsylvania Ave., N.W.  
Washington, D.C. 20220

Hon. W. Schuerch,

I am writing on behalf of the American Turkish Council and its Energy Committee to request your support in a matter that is of great importance to American developers of power projects in Turkey and to the Turkish economy. In brief, we ask that you exercise the influence of the United States in the World Bank to moderate the Bank's insistence that Turkish Treasury guarantees for 29 projects be conditioned on entry into service of the power plants by the end of 2002. These 29 projects already have been approved and, in many cases, substantial sums of money have been expended in reliance on the availability of Turkish Treasury guarantees that are now threatened by the World Bank's new policy. Moreover, termination of these projects will engender an unacceptable risk of power shortfalls in Turkey that will threaten economic growth, as well as consumer well being.

The proposed, fast track energy legislation for deregulation of the energy sector in Turkey is currently being debated in the Turkish Parliament and is expected to come up for a vote within a week. One provision of this proposed legislation concerns a deadline of 2002 during which 29 approved build-operate-transfer (BOT) projects would have to reach commercial operation in order to qualify for Turkish Treasury guarantees. World Bank and the IMF are advocates of such a deadline, questioning the need for additional BOT projects claiming that Turkey will have an energy surplus in 2003. Two of these BOT projects are being co-developed by American companies.

The Energy Committee of the American Turkish Council has long advocated appropriate deregulation of the Turkish energy sector and we support the goal of eliminating the need for Turkish Treasury Guarantees. However, the ATC recognizes that a delicate balance must be struck between eliminating Treasury Guarantees and continuing to provide the Turkish energy sector with much needed investment. In this instance the ATC strongly believes that the arbitrary 2002 deadline is bad policy for American developers and for the Government of Turkey for the following reasons:

Endless possibilities.™

**Thomas C. Briggs**  
Vice President  
Government Affairs

**Enron Corp.**  
1775 Eye Street, NW, Suite 600  
Washington, DC 20006  
202-666-9169  
Fax 202-626-1172  
tom.briggs@enron.com

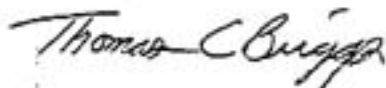
0050000001791

- Because power plants typically require a minimum twenty-four month construction period, imposition of a 2002 deadline will, *in effect*, terminate these projects on the day the law is passed.
- Export credit agencies, including US Ex-Im, and commercial lenders have indicated that they will not provide financing to projects that do not have Treasury guarantees or in the event the Treasury guarantee is contingent upon meeting a 2002 commercial operation deadline.
- The Ministry of Energy and Natural Resources and the State Planning Organization of Turkey are increasingly concerned that the continuing delays in energy projects will result in extending the energy shortage into 2003.
- The imposition of a deadline for these approved BOT projects will be an imprudent action during a period of transition in the energy sector that will erode confidence among potential foreign investors in Turkey. According to the UN, Turkey already ranks a lowly 54th in the world in attracting foreign direct investment. Turkey was able to attract only \$785M of investment capital in 1999, trailing, among others, Malta, the Dominican Republic, Egypt and Vietnam. The proposed provision of the new energy law that will, in effect, terminate these BOT projects that are under contract, will be detrimental to attracting increased foreign investment in Turkey during a period of expected slow-down in the world economy.

A strong Turkish economy is vital to a stronger Turkey. And a stronger Turkey, a critical ally, is in the best interest of the US. Since time is of the essence, we will appreciate your urgent actions to persuade the World Bank and the IMF to support the deletion of an arbitrary deadline in the proposed energy law. If the Government of Turkey in fact has no intention of building these 29 projects, we suggest that the parties rely instead on the termination provisions of the individual commercial contracts.

Members of the ATC Energy Committee respectfully request a meeting with your office in order to discuss this matter in more detail. I will contact your office to arrange a convenient time to meet.

Sincerely,



Thomas C. Briggs  
Chairman  
American Turkish Council Energy Committee

January 22, 2002

MEMORNADUM FOR SECRETARY LAWRENCE SUMMERS

FROM: STUART E. EIZENSTAT

SUBJECT: WEEKLY REPORT FOR WEEK ENDING JUNE 30, 2000

[OUTSIDE SCOPE . (b)(5)]

[OUTSIDE SCOPE , (b)(5)]



[OUTSIDE SCOPE , (b)(5)]

West Bank/Gaza

[OUTSIDE SCOPE , (b)(5)]

[OUTSIDE SCOPE , (b)(5)]

[OUTSIDE SCOPE , (b)(5)]

**Nickoloff, Peter**

---

**From:** Wiedman, Mark  
**Sent:** Tuesday, December 18, 2001 7:52 AM  
**To:** Roseboro, Brian; Carleton, Norman; Nickoloff, Peter; Schultheiss, Heidilynne  
**Subject:** FW: ENRON ADMITS IT'S REALLY ARGENTINA

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

**From:** Jon Gross <jgross@projectgrad.org>  
**To:** Mark Wiedman <Mark.Wiedman@do.treas.gov>; Mike Grunwald <grunwaldmr@washpost.com>; Anuj Gupta <agupta@mba1998.hbs.edu>; Eddy Daniels <eddy.daniels@enron.com>  
**Sent:** Mon Dec 17 23:20:54 2001  
**Subject:** FW: ENRON ADMITS IT'S REALLY ARGENTINA

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

**From:** jmgross [mailto:jmgross@icademy.com]  
**Sent:** Thursday, December 13, 2001 5:48 PM  
**To:** Robert Vincent; Catherine Markman; Jonathan Gross  
**Subject:** FW: ENRON ADMITS IT'S REALLY ARGENTINA

Too funny, on the slight chance you haven't already received this.

**ENRON ADMITS IT'S REALLY ARGENTINA**  
Now Massive Ineptitude, Corruption Make More Sense, Analysts Say

Houston, Texas - Collapsed due to gross mismanagement and insurmountable debt, energy company Enron today confessed to what many observers had long suspected: it is actually Argentina.

Congressional leaders, who have called for an investigation into the biggest corporate failure in U.S. history, immediately dismissed Enron's claim, but Argentinians weren't so sure. "The shady deals. The crazy debt. I knew there was something familiar about those guys," said Banco del Argentina director Ernesto Caballo.

Enron chairman and CEO Kenneth Lay, speaking through an interpreter via phone from Buenos Aires, apologized for any confusion the subterfuge may have caused, and noted that as a sovereign nation, the company was immune from U.S. prosecution. Lay also insisted that he had not "fled" to Argentina, but had returned home to the capital to visit "mi familia."

While not directly stating it, Lay also hinted that he might in fact be Argentinian President Fernando de la Rúa. Reached in Buenos Aires, de la Rúa admitted he couldn't rule that out. "Things are pretty crazy around here. Who can say?"

But Enron creditors, clients, and shareholders, who stand to lose billions over their exposure to the company, weren't buying any of it. "While they may act like it, they are not a South American country, and Ken Lay is not the President of Argentina," declared J.P. Morgan Chase spokesman Alex Firtilly. "They are a malfeasant U.S. corporation that has potentially caused us to lose \$500 million. And Ken Lay is from Missouri."

"¿Como?," Lay replied. "No hablo Ingles."

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Indeed, much as the French were baffled by America's obsession with President Clinton's sexual affairs, many South Americans say they don't understand why Enron and its leaders have been vilified. As former Colombian President Ernesto Samper explained: "In the United States, you look at corruption as an abomination. We look at it as an art."

#### EXTRADITION DENIED

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Asked where the bankrupt Enron got such a sum, Lay explained that after proclaiming its nationhood status, the company had received an emergency IMF loan. An IMF spokesman later confirmed the payment.

"From what we knew of their fiduciary practices, Enron appeared to have all the hallmarks of a typical IMF fundee," said IMF communications director Nestor Svingen. "At first, we did balk when they asked for \$232 billion, but when they explained that some of the money would go to repay overdue IMF loans, we thought, 'Oh, that's all right then.'"

"Not that we actually expect to see any money from anyone," Svingen added. "It's just this little game we all play. Great fun if you like numbers. Do you enjoy quadratic equations? I could do them all day."

Asked what Enron/Argentina had pledged to do with the extra \$100 billion it requested, Svingen said the application had specified funding for "civic infrastructure improvements."

"That usually means the president is going to build a palace," Svingen explained.

**Fisher, Peter**

---

**From:** Stephen G. Cecchetti [cecchetti.1@osu.edu]

**Sent:** Wednesday, December 12, 2001 7:13 AM

**To:** Peter.Fisher@do.treas.gov

**Subject:** Ted

I can't believe that Ted Truman wants to give the IMF \$300 billion... I guess that financial architecture...

I think you might really enjoy this:

<http://www.satirewire.com/news/0111/enron.shtml>

steve

.....  
Professor Stephen G. Cecchetti      Phone: [(b)(6)]  
Department of Economics              Fax: [(b)(6)]  
The Ohio State University  
1945 North High St.                      email: cecchetti.1@osu.edu  
Columbus, Ohio 43210-1172              homepage: economics.sbs.ohio-state.edu/cecchetti

Temporary Mailing Address through 15 Dec 2001:  
Visiting Scholar  
Nuffield College  
New Road  
Oxford OX1 1NF  
UK

Phone: [(b)(6)]  
Fax:

1/17/02

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## Fisher, Peter

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**From:** Smetters, Kent  
**Sent:** Tuesday, December 18, 2001 2:53 PM  
**To:** Fisher, Peter; Clarida, Richard; Smith, Chris  
**Subject:** FW: Pink Palace Unmasked!

ENRON ADMITS IT'S REALLY ARGENTINA  
Now Massive Ineptitude, Corruption Make More Sense, Analysts Say

Houston, Texas - Collapsed due to gross mismanagement and insurmountable debt, energy company Enron today confessed to what many observers had long suspected: it is actually Argentina.

Congressional leaders, who have called for an investigation into the biggest corporate failure in U.S. history, immediately dismissed Enron's claim, but Argentines weren't so sure. "The shady deals. The crazy debt. I knew there was something familiar about those guys," said Banco del Argentina director Ernesto Caballo.

Enron chairman and CEO Kenneth Lay, speaking through an interpreter via phone from Buenos Aires, apologized for any confusion the subterfuge may have caused, and noted that as a sovereign nation, the company was immune from U.S. prosecution. Lay also insisted that he had not "fled" to Argentina, but had returned home to the capital to visit "mi familia."

While not directly stating it, Lay also hinted that he might in fact be Argentinian President Fernando de la Rúa. Reached in Buenos Aires, de la Rúa admitted he couldn't rule that out. "Things are pretty crazy around here. Who can say?"

But Enron creditors, clients, and shareholders, who stand to lose billions over their exposure to the company, weren't buying any of it. "While they may act like it, they are not a South American country, and Ken Lay is not the President of Argentina," declared J.P. Morgan Chase spokesman Alex Firtilly. "They are a malfeasant U.S. corporation that has potentially caused us to lose \$500 million. And Ken Lay is from Missouri."

"¿Como?," Lay replied. "No hablo Ingles."

As proof of his Argentinian roots, Enron CEO Ken Lay faxed an image showing him as a member of the 1978 World Cup champions.

Recently ranked as high as No. 7 on the Fortune 500 list of the largest U.S. companies, Enron literally ran itself into the ground by fudging its books, making secretive deals that enriched company insiders, and relying too heavily on debt. Though it was formed in 1986 with the merger of Houston Natural Gas and InterNorth, Enron became Argentina only recently, said Lay, "on the advice of our attorneys."

That counsel came none too soon. As a South American state, all pending U.S. and European lawsuits are rendered harmless. And the company escapes what had been a daily fusillade of scorn from its former home.

Indeed, much as the French were baffled by America's obsession with President Clinton's sexual affairs, many South Americans say they don't understand why Enron and its leaders have been vilified. As former Colombian President Ernesto Samper explained: "In the United States, you look at corruption as an abomination. We look at it as an art."

### EXTRADITION DENIED

The U.S. State Department has refused to recognize Enron as Argentina, and a spokesman said the Bush administration has officially requested the extradition of Lay and the officers who allegedly fled with him. Argentina, however, denied the request, explaining that an entire country cannot be extradited. And besides, they added, Lay had pledged to help pay off the nation's \$132 billion debt.

Asked where the bankrupt Enron got such a sum, Lay explained that after proclaiming its

nationhood status, the company had received an emergency IMF loan. An IMF spokesman later confirmed the payment.

"From what we knew of their fiduciary practices, Enron appeared to have all the hallmarks of a typical IMF fundee," said IMF communications director Nestor Svingen. "At first, we did balk when they asked for \$232 billion, but when they explained that some of the money would go to repay overdue IMF loans, we thought, 'Oh, that's all right then.'"

"Not that we actually expect to see any money from anyone," Svingen added. "It's just this little game we all play. Great fun if you like numbers. Do you enjoy quadratic equations? I could do them all day."

Asked what Enron/Argentina had pledged to do with the extra \$100 billion it requested, Svingen said the application had specified funding for "civic infrastructure improvements."

"That usually means the president is going to build a palace," Svingen explained.



**Ellis, Dina**

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**From:** Cochran, Andy [Andy.Cochran@mail.house.gov]

**Sent:** Monday, December 10, 2001 1:36 PM

**To:** Bert Ely; Rockett, James

**Cc:** lleo@fed-soc.org; Joel Pardue; Rockett, James; jpickeri@balch.com;  
macey@postoffice.law.cornell.edu; Julius\_L\_Loeser@comerica.com; dina.ellis@do.treas.gov;  
PWallison@aei.org; chazfisher@hotmail.com; Bharaf@bofasecurities.com;  
lawler\_pw@pillsburylaw.com; tzywicki@gmu.edu; hray@andrews-kurth.com; jdouglas@alston.com;  
wbelmar@att.net; krabois@paypal.com; anne.fortney@lovells.com

**Subject:** RE: Federalist Society white paper on USA PATRIOT Act's money-lau ndering provisions

Plus the Enron matter, about which we are having a hearing on Wednesday...

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