

LJM APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: Project Backbone

Date Approval Sheet completed: June 30, 2000

Enron person completing this form: Brian Hendon

Expected closing date: June 30, 2000

Business Unit: EBS Global Finance

Business Unit Originator: Larry Lawyer

This transaction relates to LJM1 and/or LJM2.

This transaction is a sale by Enron a purchase by Enron a co-sale with Enron a co-purchase with Enron and/or other: _____

Person(s) negotiating for Enron: Larry Lawyer

Person(s) negotiating for LJM: Michael Kopper

Legal counsel for Enron: Vinson & Elkins (Jay Herbert)

Legal counsel for LJM: Kirkland & Ellis

DESCRIPTION

LJM2 will purchase, via a 7 year IRU, 38 strands of dark fiber from Salt Lake City, UT to Houston, TX (2,169 route miles) at \$1,100 per fiber route mile for a total purchase price of \$90,664,200. EBS will provide a seven year seller finance note representing 70% of the purchase price plus seven years of O&M expense (\$4,099,200), the remaining 30% or \$28,429,083 will be paid in cash by LJM2 to EBS as equity for a total net purchase price of \$94,763,610. EBS will act as marketing agent for the resale of the LJM2 fiber to other third parties. EBS will also provide a liquidity facility, which will not exceed 5% of the purchase price and which will be utilized for any cash shortfalls (including taxes). The liquidity facility will be provided on the same terms and pricing as the seller note.

LJM2 is acquiring the dark fiber through a two-tier structure. LJM2-Backbone2, LLC, wholly owned by LJM-Backbone, LLC, will purchase the dark fiber and be the counterparty for future IRU's. LJM2-Backbone, LLC will guaranty the seller note to EBS and pledge its interest in LJM2-Backbone2, LLC as security therefore. LJM2-Backbone, LLC's only asset will be its interest in LJM2-Backbone2, LLC.

ECONOMICS

EBS will receive cash of \$28,429,083 and a seller note for \$66,334,527 at the 5.6-year average life interpolated Treasury plus 200bps. The net book gain will be approximately \$50,000,000. Proceeds from the sale of LJM2 fiber to other third parties will be allocated according to the following schedule: accrued interest on the seller note (20 year amortization schedule), accrued principal payment (20 year amortization schedule with a 7 year bullet payment), remaining cash will be distributed 70% toward the note principal and 20% to return the equity investment of LJM2. After repayment of principal and interest to EBS and return of and on equity to LJM2, all remaining funds will go to EBS through June 30, 2002. LJM2 will receive an 18% IRR on the initial investment if the dark fiber is sold by June 30, 2002. After June 30, 2002 EBS will receive 95% of excess proceeds with LJM2 receiving the remaining 5%. Additionally, LJM2's IRR will increase to 25% if EBS is not able to sell the dark fiber by June 30, 2002. The seller note pays principal and interest on an annual basis and the liquidity facility is in the form of a revolving credit. If the fiber is not sold, LJM2 retains all risk associated with the transaction.

DASH Attached is a copy of the DASH relating to the underlying transaction.

No update required.

LJM APPROVAL SHEET

Page 2

ISSUES CHECKLIST

1. **Sale Options**
 - a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
 Conder JEDI I Margaux EnSerCo Rawhide Chervo JEDI II
 Third Party Direct Sale Please explain: Prohibitive timing constraints.
 - b. Will this transaction be the most beneficial alternative to Enron? Yes No. If no, please explain: _____
 - c. Were any other bids/offers received in connection with this transaction? Yes No. Please explain: _____
2. **Prior Obligations**
 - a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? Yes No.
 If yes, please explain how this issue was resolved: _____
 - b. Was this transaction required to be offered to any other Enron affiliates or other party pursuant to a contractual or other obligation? Yes No. If yes, please explain: _____
3. **Terms of Transaction**
 - a. What are the benefits (financial and otherwise) to Enron in this transaction? Cash Flow Earnings
 Other: _____
 - b. Was this transaction done strictly on an arm's-length basis? Yes No. If no, please explain: _____
 - c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron? Yes No. If yes, please explain: _____
 - d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? Yes No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? Yes No.
4. **Compliance**
 - a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? Yes No.
 - b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee? Yes No.
 - c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? Yes No. If no, please explain: _____
 - d. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? Yes No. (The last annual review by the Audit Committee has not yet occurred.) Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? Yes No.

APPROVALS	Name	Signature	Date
Business Unit	Larry Lawyer	<i>L. M. Lawyer</i>	6/29/00
Business Unit Legal	Kristina Mordant	<i>K. Mordant</i>	6/29/00
Enron Corp. Legal	Rex Rogers	<i>Rex Rogers</i>	6/29/00
Global Finance Legal	Scott Seffen	<i>S. Seffen</i>	6/29/00
RAC	Rick Buy	<i>Rick Buy</i>	6/29/00
Accounting	Rick Courcy	<i>Rick Courcy</i>	
Executive	Jeff Stalling/Jec Sutton		

Valid for use only for LJM Approval Note 6/27/00 01

LJM APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: Project Backbone
 Date Approval Sheet completed: June 30, 2000
 Enron person completing this form: Brian Hendon
 Expected closing date: June 30, 2000
 Business Unit: EBS Global Finance
 Business Unit Originator: Larry Lawyer
 This transaction relates to LJM1 and/or LJM2.
 This transaction is a sale by Enron a purchase by Enron a co-sale with Enron a co-purchase with Enron and/or other: _____
 Person(s) negotiating for Enron: Larry Lawyer
 Person(s) negotiating for LJM: Michael Kopper
 Legal counsel for Enron: Vinson & Elkins (Jay Herbert)
 Legal counsel for LJM: Kirkland & Ellis

DEAL DESCRIPTION

LJM2 will purchase, via a 7 year IRU, 38 strands of dark fiber from Salt Lake City, UT to Houston, TX (2,169 route miles) at \$1,100 per fiber route mile for a total purchase price of \$90,664,200. EBS will provide a seven year seller finance note representing 70% of the purchase price plus seven years of O&M expense (\$4,099,200), the remaining 30% or \$28,429,083 will be paid in cash by LJM2 to EBS as equity for a total net purchase price of \$94,763,610. EBS will act as marketing agent for the resale of the LJM2 fiber to other third parties. EBS will also provide a liquidity facility, which will not exceed 5% of the purchase price and which will be utilized for any cash shortfalls (including taxes). The liquidity facility will be provided on the same terms and pricing as the seller note.

LJM2 is acquiring the dark fiber through a two-tier structure. LJM2-Backbone2, LLC, wholly owned by LJM-Backbone, LLC, will purchase the dark fiber and be the counterparty for future IRU's. LJM2-Backbone, LLC will guaranty the seller note to EBS and pledge its interest in LJM2-Backbone2, LLC as security therefore. LJM2-Backbone, LLC's only asset will be its interest in LJM2-Backbone2, LLC.

ECONOMICS

EBS will receive cash of \$28,429,083 and a seller note for \$66,334,527 at the 5.6-year average life interpolated Treasury plus 200bps. The net book gain will be approximately \$50,000,000. Proceeds from the sale of LJM2 fiber to other third parties will be allocated according to the following schedule: accrued interest on the seller note (20 year amortization schedule), accrued principal payment (20 year amortization schedule with a 7 year bullet payment), remaining cash will be distributed 70% toward the note principal and 20% to return the equity investment of LJM2. After repayment of principal and interest to EBS and return of and on equity to LJM2, all remaining funds will go to EBS through June 30, 2002. LJM2 will receive an 18% IRR on the initial investment if the dark fiber is sold by June 30, 2002. After June 30, 2002 EBS will receive 95% of excess proceeds with LJM2 receiving the remaining 5%. Additionally, LJM2's IRR will increase to 25% if EBS is not able to sell the dark fiber by June 30, 2002. The seller note pays principal and interest on an annual basis and the liquidity facility is in the form of a revolving credit. If the fiber is not sold, LJM2 retains all risk associated with the transaction.

DASH Attached is a copy of the DASH relating to the underlying transaction.

No update required.

LJM APPROVAL SHEET

Page 2

ISSUES CHECKLIST

1. **Sale Options**
- a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
 Consider JEDI I Margaux EnSerCo Rawhide Chewco JEDI II
 Third Party Direct Sale Please explain: Prohibitive timing constraints.
- b. Will this transaction be the most beneficial alternative to Enron? Yes No. If no, please explain: _____
- c. Were any other bids/offers received in connection with this transaction? Yes No. Please explain: _____
2. **Prior Obligations**
- a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? Yes No.
 If yes, please explain how this issue was resolved: _____
- b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? Yes No. If yes, please explain: _____
3. **Terms of Transaction**
- a. What are the benefits (financial and otherwise) to Enron in this transaction? Cash flow Earnings
 Other: _____
- b. Was this transaction done strictly on an arm's-length basis? Yes No. If no, please explain: _____
- c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron? Yes No. If yes, please explain: _____
- d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? Yes No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 1.d. above? Yes No.
4. **Compliance**
- a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? Yes No.
- b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee? Yes No.
- c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? Yes No. If no, please explain: _____
- d. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? Yes No. (The first annual review by the Audit Committee has not yet occurred.) Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? Yes No.

APPROVALS	Name	Signature	Date
Business Unit	Larry Lawyer	<i>L. Lawyer</i>	6/29/00
Business Unit Legal	Kristina Mordant	<i>K. Mordant</i>	6/29/00
Enron Corp. Legal	Rex Rogers	<i>Rex Rogers</i>	6/29/00
Global Finance Legal	Scott Sefton	<i>S. Sefton</i>	6/29/00
RAC	Rick Buy	<i>R. Buy</i>	6/29/00
Accounting	Rick Cusry	<i>R. Cusry</i>	
Executive	Jeff Stalling/see Sefton		

Validated, approved and approved for

LJM APPROVAL SHEET

Page 2

CONFIDENTIAL

ISSUES CHECKLIST

1. Sale Options
 - a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected.
 Condor JEDI I Margaux En.SerCo Rawhide Chewco JEDI II
 Third Party Direct Sale Please explain: Prohibitive timing constraints.
 - b. Will this transaction be the most beneficial alternative to Enron? Yes No. If no, please explain: _____
 - c. Were any other bids/offers received in connection with this transaction? Yes No. Please explain: _____
2. Prior Obligations
 - a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? Yes No.
 If yes, please explain how this issue was resolved: _____
 - b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? Yes No. If yes, please explain: _____
3. Terms of Transaction
 - a. What are the benefits (financial and otherwise) to Enron in this transaction? Cash flow Earnings
 Other: _____
 - b. Was this transaction done strictly on an arm's-length basis? Yes No. If no, please explain: _____
 - c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?
 Yes No. If yes, please explain: _____
 - d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? Yes No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? Yes No.
4. Compliance
 - a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? Yes No.
 - b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?
 Yes No.
 - c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? Yes No. If no, please explain: _____
 - d. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? Yes No. (The first annual review by the Audit Committee has not yet occurred.) Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? Yes No.

APPROVALS	Name	Signature	Date
Business Unit	Larry Lawyer	<i>L. Lawyer</i>	6/28/00
Business Unit Legal	Kristina Mordaunt	<i>K. Mordaunt</i>	6/29/00
Enron Corp. Legal	Rex Rogers	<i>Rex Rogers</i>	6/29/00
Global Finance Legal	Scott Sefton	<i>S. Sefton</i>	6/29/00
RAC	Rick Buy		
Accounting <i>lf</i>	Rick Causey	<i>Rick Causey</i>	6/29/00
Executive	Jeff Skilling/Joc Suttan	<i>Jeff Skilling</i>	6/29/00

W:\00000000\joc-suttan\ljm\ljm Approval Memo 0628000.doc

VEL 00770

ENRON RISK ASSESSMENT AND CONTROL DEAL APPROVAL SHEET

DEAL NAME: Bulk Fiber Sale Counterparty: LJM2 Business Unit: Enron Broadband Services Business Unit Originator: Larry Lawyer <input type="checkbox"/> Public <input checked="" type="checkbox"/> Private <input type="checkbox"/> Merchant <input checked="" type="checkbox"/> Strategic <input checked="" type="checkbox"/> Conforming <input type="checkbox"/> Nonconforming	Date DASH Completed: RAC Analyst: Investment Type: Equity Capital Funding Source(s): Expected Closing Date: Expected Funding Date: Board Approval: <input type="checkbox"/> Pending <input type="checkbox"/> Received <input type="checkbox"/> Denied <input checked="" type="checkbox"/> N/A
--	--

RAC Recommendation: Proceed with Transaction Returns below Capital Price Do not Proceed

APPROVAL AMOUNT REQUESTED

Capital Commitment	< \$ 94.8 million > <u>\$ 66.4 million</u> < \$ 28.4 million >	Sale of Fiber Enron provided Seller Finance Net Cash Inflow
--------------------	--	---

EXPOSURE SUMMARY

This transaction:	\$ 66.4 million
Total	\$ 66.4 million

DEAL DESCRIPTION

EBS would sell \$94.8 million of dark fiber and provide \$66.4 million of seller financing to LJM2 at the 5.6-year interpolated Treasury plus 200bps for a period of seven years. The fiber consists of 38 strands of long haul dark fiber from Salt Lake City to Houston that Enron constructed on a previous build. This fiber is to be sold to LJM2 at a price of \$1,100/ fiber mile.

EBS will act as marketing agent for the resale of the LJM2 fiber to other third parties and the commission for this service equates to the majority of the upside on the sale in excess of LJM2's return (see Return Summary).

LJM2 is acquiring the dark fiber through a two-tier structure. LJM2-Backbone2, LLC, wholly owned by LJM-Backbone, LLC, will purchase the dark fiber and be the counterparty for future IRU's. LJM2-Backbone, LLC will guaranty the seller note to EBS and pledge its interest in LJM2-Backbone2, LLC as security. However, LJM2-Backbone, LLC's only asset will be its interest in LJM2-Backbone2, LLC.

TRANSACTION SOURCES AND USES OF FUNDS

	<u>Sources</u>		<u>Uses</u>
Sale of Fiber	\$ 94.8 million	Enron Provided Debt	\$ 66.4 million
		LJM2 Equity	\$ 28.4 million
Total	<u>\$ 94.8 million</u>		<u>\$ 94.8 million</u>

RETURN SUMMARY

EBS would sell fiber for \$1100/fiber mile that has an average cost basis of \$453/fiber mile. The fiber has been sold at market according to EBS' bandwidth traders. The majority of any upside which occurs in the future (above LJM2's return) from a sale is captured by Enron through a marketing arrangement.

LJM2 provides \$28.0 million of equity which is repaid after debt service as fiber is sold. The return to LJM2 increases based on the time that the fiber remains unsold at LJM2 according to the following schedule.

Time	LJM2 Return on equity
0-24 months	18%
>24 months	25% + 5% of upside from fiber sales

LJM2 retains the risk that the price of fiber drops below \$1,100/fiber mile.

AF100212

CASH FLOW SUMMARY**Amortization Schedule of the Seller Note:**

June 29, 2001	\$6,651
June 29, 2002	\$6,651
June 29, 2003	\$6,651
June 29, 2004	\$6,651
June 29, 2005	\$6,651
June 29, 2006	\$6,651
June 29, 2007	\$59,892

Proceeds from the sale of LJM2 fiber to other third parties will be allocated according to the following schedule: accrued interest on the seller note (20 year amortization schedule), accrued principal payment (20 year amortization schedule with a 7 year bullet payment), remaining cash will be distributed 70% toward the note principal and 30% to return the equity investment of LJM2. After repayment of principal and interest to EBS and return on and of equity to LJM2, all remaining funds will go to EBS through June 30, 2002. After June 30, 2002 EBS will receive 95% of excess proceeds with LJM2 receiving the remaining 5%.

TRANSACTION UPSIDES/OPTIONALITY

The cost of the transaction is dependent on the amount of time that it takes to sell the fiber to third parties.

EXIT STRATEGY

The debt has a term of seven years but amortizes on a 20 year basis. There is no penalty for early repayment. The expectation is that the fiber will be sold and the debt repaid before the seven year period.

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
Residual Fiber	As agent, Enron may need to sell some odd routes to minimize LJM2's equity return. Enron will be managing the sales process and will be making the commercial decision in the future on how fiber should be sold.

KEY SUCCESS FACTORS

	NA	Poor	Fair	Good	VGood	Excellent
Core Business	X					
Strategic Fit	X					
Upside Potential	X					
Management	X					
Risk Mitigation	X					

MILESTONES

Increases in LJM2 Targeted Return

Maturity of Debt

June 29, 2007

AF100213

OTHER RAC COMMENTS:

Global Finance Summary (addendum to DASH)

1. Transaction Summary

	<u>Amount (\$000)</u>
Total Deal/Project Capital Commitment	\$65,378
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	<u>\$65,378</u>

2. Investment terms and pricing: Market Above Market Below Market

Describe (if necessary):

3. Financing terms and pricing: Market Above Market Below Market

Describe (if necessary):

4. Legal or practical liquidity restrictions: Unrestricted Legally Restricted Practically Restricted

Describe (if necessary): Seller Note risk based on EBS performance risk with no liquidity on assignments.

5. Any recourse to Enron (other than investment): Recourse No Recourse

Describe (if any):

6a. Business unit intent to syndicate: None Partial All

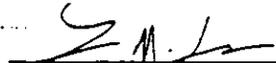
Describe (if necessary):

6b. Intended Enron hold period: Expected to be held until repaid.

6c. Likely Syndication Market: Industry/Strategic Partner Direct Private Equity
 Capital Markets JEDI 1
 JEDI 2 Enserco
 LJM 1 or 2 Condor
 Other: _____ Margaux

6d. Is this a JEDI 2 "Qualified Investment"? Yes No

Global Finance Representative:


Signature

Larry Lawyer
Name (Printed)

6/29/00
Date

APPROVALS	Name	Signature	Date
Commercial Mgmt.	Larry Jayne	<i>[Signature]</i>	6/29/00
Regional Mgmt.	Joe Hitcher/ Kim Kim/Kerrin Hanson	<i>[Signature]</i>	6/29/00
Legal	Kristen Marston	<i>[Signature]</i>	6/29/00
Accounting	Tom [unclear]		
RAC Management	Rick Day/ David Goss		
Enron Capital Management	Andy Farnsworth/ Kim		
ENE Management	Jeff Skilling/ Joe Saxon		

MAILING LIST 06262000.004

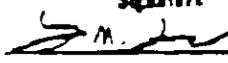
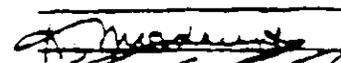
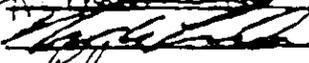
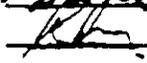
Page 3

JUN 29 2000 13:36

PAGE 06
TOTAL PAGE 06

AF100215

"FOIA CONFIDENTIAL
TREATMENT REQUESTED
BY ANDREW FASTOW"

APPROVALS	Name	Signature	Date
Commercial Mgmt	Larry Lavyer		6/27/00
Regional Mgmt	Joe Hicker/ Ken Rice/ Kevin Harmon		
Legal	Kristina Mordeman		6/29/00
Accounting	Ted Lindholm		6/29/00
RAC Management	Rick Buy/ David Gorn		6/29/00
Enron Capital Management	Andy Pastow/ Ben Olson		
ENE Management	Jeff Skilling/ Joe Swann		

F:\WORKING DASH 06232000.doc

Page 3

JUN 29 2000 19:36

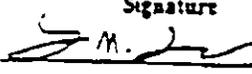
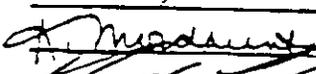
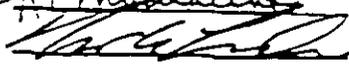
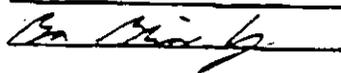
PAGE.06

TOTAL PAGE.06

AF100216

"FOIA CONFIDENTIAL TREATMENT REQUESTED BY ANDREW FASTOW"

APPROVALS

	Name	Signature	Date
Commercial Mgmt.	Larry Lawyer		6/29/00
Regional Mgmt.	Joe Hirko/ Ken Rice/ Kevin Hannon		
Legal	Kristina Mordaunt		6/29/00
Accounting	Tod Lindholm		6/29/00
RAC Management	Rick Buy/ David Gorta		
Enron Capital Management	Andy Fastow/Ben Glisan		6-29-00
ENE Management	Jeff Skilling/Joe Sutton		

