

# 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: EEX

Date Approval Sheet completed: December 28, 1999

Enron person completing this form: Chris Loehr

Expected closing date: December 29, 1999

Business Unit: Enron North America

Business Unit Originator: Joe Deffner, Tim Proffitt

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: Joe Deffner, Tim Proffitt

Person(s) negotiating for LJM: Michael Kopper, Greg Caudell

Legal counsel for Enron: Andrews & Kurth (Wes Dorman)

Legal counsel for LJM: Kirkland & Ellis (Rob Marks)

## DEAL DESCRIPTION

LJM2 will purchase from Enron North America a 90% equity interest in Bob West Treasure, L.L.C. for \$2,953,125. Bob West Treasure is a special purpose vehicle created to be the counterparty for a prepay with EEX involving \$105 million for up to 63 Bcfe of natural gas.

## ECONOMICS

LJM2 will purchase the equity with the expectation of receiving a 25% IRR on its investment. LJM2 and ENA will enter into a marketing agreement under which ENA agrees to use its best efforts to sell the equity on LJM2's behalf and under which ENA receives 90% of any gains exceeding a 25% return to LJM2.

DASH  
Attached.

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## 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 II    Third Party    Direct Sale. Please explain: A sale to Condor would achieve deconsolidation of the debt but would not allow Enron to book earnings.
- 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: The debt and equity were marketed to several banks including Chase, Deutsche and Paribas.
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: Funds flow of approximately \$105 million.
- 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. Was this transaction reviewed and approved by Enron's Chief Accounting Officer?    Yes    No.
- e. Was this transaction reviewed and approved by Enron's Chief Risk Officer?    Yes    No.
- f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months?    Yes    No. Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction?    Yes    No.

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APPROVALS	Name	Signature	Date
Business Unit	<u>Andrea V. Reed</u>	<u>ANDREA REED</u>	<u>12/28/99</u>
Business Unit Legal	<u>Tim J. Epton</u>	<u>Tim J. Epton - SMS</u>	<u>12-28-99</u>
Enron Corp. Legal	<u>Rex Rogers Jim Penick</u>	<u>Jim Penick</u>	<u>12.28.99</u>
Global Finance Legal	<u>Scott Sefton</u>	<u>Scott Sefton</u>	<u>12/28/99</u>
RAC	<u>Rick Buy</u>	<u>Rick Buy</u>	<u>12/28/99</u>
Accounting	<u>Rick Causey</u>	<u>Rick A. Causey</u>	<u>12-28-99</u>
Executive	<u>Jeff Skilling</u>		

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