K. L. Lay, Chairman
R. A. Belfer
N. P. Blake, Jr.
R. C. Chan
J. H. Duncan
J. H. Foy
W. L. Gramm
K. L. Harrison
R. K. Jaedicke
C. A. LeMaistre
J. Mendelsohn
J. J. Meyer
J. K. Skilling
J. A. Urquhart
J. Wakeham
H. S. Winokur, Jr.

AGENDA
MEETING OF THE BOARD OF DIRECTORS
ENRON CORP.

June 28, 1999 at 10:00 a.m. (C.D.T.)
Enron Building, Houston, Texas
(Via Teleconference)

1. Approve two-for-one-stock split – Messrs. Lay and Skilling

2. Report from Compensation and Development Committee Meeting held on June 28, 1999 – Dr. LeMaistre.

   (a) Approve Amendment to the Enron Corp. 1994 Stock Plan

3. Approve Project LJM – Mr. Fastow.

4. Approve Enron International Gaza Strip Project – Mr. Sutton.

5. Approve Falcon 900EX aircraft lease agreement - Mr. Fastow.

6. Other business.

7. Adjournment.

EC004387180

AGENDA ITEM 1

AGENDA ITEM 1
(SUGGESTED FORM OF RESOLUTION)

WHEREAS, on May 4, 1999 the shareholders of the Company approved the following resolution necessary to effect an amendment to the Company's Amended and Restated Articles of Incorporation (the "Charter Amendment"), subject to the declaration by the Board of Directors on or prior to May 4, 2001, of at least a two-for-one stock split effected as a dividend of shares of Common Stock of the Company on outstanding shares of Common Stock:

> RESOLVED, that the Amended and Restated Articles of Incorporation of Enron Corp. are hereby amended by amending the first paragraph of Article IV thereof to read in its entirety as follows:
>
> > "The total number of shares of all classes of stock which this Corporation shall have authority to issue is 1,216,500,000 shares of capital stock, of which 16,500,000 shares are Preferred Stock (the "Preferred Stock"), and 1,200,000,000 shares are Common Stock (the "Common Stock")."

RESOLVED, that the Board of Directors of the Company hereby declares a two-for-one split of the shares of Common Stock, to be effected by means of a dividend of one share of Common Stock for each issued share of Common Stock (the "Stock Split"); that such dividend shall consist of previously authorized but unissued shares of Common Stock; and that such shares shall be distributed on August ___, 1999 (the "Distribution Date"), to the holders of record of common stock as of the close of business on July ___, 1999 (the "Record Date");

RESOLVED, that the proper officers of the Company be, and each of them hereby is, authorized, empowered and directed to file as soon as practicable a Certificate of Amendment with the Secretary of State of the State of Oregon effecting the Charter Amendment;

RESOLVED FURTHER, that First Chicago Trust Company, a division of EquiServe, Limited Partnership is hereby appointed disbursing agent for the purpose of distributing certificates representing the shares issued pursuant to the Stock Split;

RESOLVED FURTHER, that in connection with the Stock Split, First Chicago Trust Company, a division of EquiServe, Limited Partnership, as transfer agent for the Common Stock, is hereby authorized to issue as an original issue, record in its transfer records, and countersign as transfer agent, and to register, as registrar, certificates evidencing the number of shares to which all holders of record of common stock as of the close of business on the Record Date, are entitled to receive, by reason of the Stock Split, for delivery to such shareholders on, or as promptly as practicable after, the Distribution Date;

RESOLVED FURTHER, that such number of the Company's authorized but unissued shares of Common Stock as will equal the issued shares of the Common Stock at the close of business on the Record Date, is hereby reserved for original issuance in connection with the Stock Split; and that, effective at the close of business on the Record Date, an aggregate amount of [46,592,450] authorized and unissued shares of the Common Stock are hereby reserved for issuance upon exercise of options granted pursuant to the Company's 1994 Stock Plan, 1991 Stock Plan, and 1988 Stock Plan, an additional [17,854,990] authorized and unissued shares of the Common Stock are hereby reserved for issuance upon conversion of the Company's Cumulative Second Preferred Convertible Stock, and that a number of authorized, unissued and previously unreserved shares of common stock is hereby reserved for issuance pursuant to any and all of the Company's previously authorized benefit or compensation plans, option plans, or other agreements authorizing the issuance of shares of common stock, such number to equal the amount previously reserved for issuance for such purposes;

RESOLVED FURTHER, that the Company's stock option plans and options issued pursuant thereto shall be adjusted to reflect the two-for-one stock split;

RESOLVED FURTHER, that application be made to the New York Stock Exchange and other exchanges for the listing of the shares of Common Stock issuable pursuant to the Stock Split and of the additional shares of Common Stock reserved for issuance as hereinabove set forth; and that the officers of the Company are hereby authorized to file such documents, supplemental listing applications, or other agreements, to make such appearances before such exchanges, and to do all other things as shall be necessary or desirable to effect such listing in conformity with the rules of such exchanges;

RESOLVED FURTHER, that the officers of the Company are authorized to execute and deliver in the name and on behalf of the Company, and to prepare and to issue, or cause to be issued, notices to the shareholders of the Company with respect to the Stock Split and instructions to the disbursing agent and to take such other action to implement the intent of this and the foregoing resolutions that any such officer shall deem necessary or appropriate under the circumstances; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for an in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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AGENDA ITEM 2

AGENDA ITEM NO. 2
(SUGGESTED FORM OF RESOLUTIONS)

Amendment of 1994 Stock Plan

WHEREAS, the Company has heretofore established the Enron Corp. 1994 Stock Plan (the "Plan");

WHEREAS, the Company desires to amend the Plan;

RESOLVED, that the proper officers of the Company be, and they are authorized and directed to prepare and execute an amendment to the Plan on behalf of the Company substantially in the form of amendment presented at this meeting;

RESOLVED FURTHER; that upon execution of such amendment prepared according to the above provisions, such amendment shall be deemed adopted by this Board and is hereby ratified and approved; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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AGENDA ITEM 2
EIGHTH AMENDMENT TO
ENRON CORP. 1994 STOCK PLAN

WHEREAS, ENRON CORP. (the "Company") has heretofore adopted and maintains the Enron Corp. 1994 Stock Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, the Plan is amended as follows:

1. The first paragraph of Section 3.1(i) is deleted and the following is substituted therefor:

> "*Calculation of Number of Shares Available*. The number of Shares available for granting Awards under the Plan shall be 45,000,000 Shares, subject to adjustment as provided in Section 3.2."

2. Section 4.1 is deleted and the following is substituted therefor:

> "4.1 Any Employee of the Company or of an Affiliate, any individual who is a member of the board of directors of an Affiliate, who is not an Employee at the time the grant is made, or any individual performing services for the Company or any Affiliate as a Non-employee Contractor shall be eligible to be designated a Participant. Further, no grants of Incentive Stock Options shall be made under the Plan. Grants may be made to the same individual on more than one occasion."

3. Paragraph (ii) under Section 5.2 is deleted and the following is substituted therefor:

> (ii) *Restrictions*. Shares of Restricted Stock shall be subject to such restrictions, if any, as the Committee may impose (including without limitation, any limitation on the right to vote a Share of Restricted Stock), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate.

4. Paragraph (iv) under Section 5.2 is deleted.

5. New paragraph (vii) is added to the end of Section 5.3:

"(vii) Awards may be granted under the Plan to an individual eligible to participate in the Plan as consideration for any contractual obligation of the Company and its Affiliates, or in payment of any benefit or remuneration payable under any compensatory plan or program of the Company and its Affiliates, as the Committee in its sole discretion may approve."

AS AMENDED HEREBY, the Plan is specifically ratified and reaffirmed.

Date: ______________.

ENRON CORP.

By:____________________________
Title:

ATTEST:

____
Secretary

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EXH001-01742

AGENDA ITEM 3

Project LJM
Board Presentation

EC004387190

June 28, 1999

Economics of ENE Stock Positions*

- UBS forwards: 7.8 million shares @ $45 = $234 million

- Nighthawk: 25 million shares @ $40 = $875 million

- JEDI: 6 million shares @ $67 = $48 million

* *Assuming an Enron Corp. stock price of $75/share.*

Current ENE Stock Positions of Little Value to Enron

- Equity transaction below the line.

- Book up of equity does not increase debt capacity; Enron is funds flow constrained.

- Debt to buy back shares would hurt Enron's credit profile / rating.

- Sale of shares would depress stock price.

- Best scenario: Net settle option increases EPS approximately $0.015.

Transaction Summary

- Establish non-Enron investment partnership ("LJM") with outside equity.

- Transfer in-the-money value of forward contract into LJM.

- LJM:

  (1) Pays Enron $50 million (cash);
  (2) Enters into a swap (or put) with Enron valued at $90 million to hedge Rhythms NetConnections position at no cost to Enron;
  (3) Negotiates with Enron for purchase of additional merchant assets.

- A. Fastow involvement:

  (1) Serves as G.P. of LJM;
  (2) Has no direct pecuniary interest, either current or future, in the Enron stock.

Direct Value to Enron

Value	**Amount**	**Comments**
Cash Payment	$ 50 million	Cash; counts as funds flow
Rhythms NetConnections put	$ 90 million	
	$140 million	
Excess value to protect swap	$ 25 million	Additional credit protection to ENE in downside Rhythms scenario
	$165 million	

EC004387194

Benefits to Enron

- Enron receives a $50 million cash payment and a Rhythms NetConnections put valued at $90 million
- Immediately shifts MTM risk in merchant equity portfolio
- Credit ratings positive
  - Liquidity of merchant portfolio
- Keeps large block of stock closely held and restricted
- Insures against new consolidation rules
- Future Investment Management Company?
- Capture Cuiaba / Elektro value?

EC004387195

A. Fastow Involvement

General Partner Interest

- General Partner commits $1 million.
- **General Partner will not receive any current or future (appreciated) value of ENE stock.**
- Distribution formula:

  (1) 100% of proceeds from the Enron stock to the LP's;
  (2) 100% of proceeds from all other assets to GP until return of and a 25% IRR on Invested Capital*;
  (3) 50% to the Partners (including the GP) in proportion to their capital commitments and 50% to the GP.

Fees to Management Company

- Fee of $500,000 + 2.0% of Limited Partners' Invested Capital*

*For any Partner, "Invested Capital" represents the sum of such Partner's capital commitment plus such Partner's percentage interest (based on capital commitments) of the fair value of the Partnership's investment portfolio (other than the ENE stock).

Key Elements of Transaction to be Approved

	Approval Required
1. Waiver of Code of Conduct.	Chairman & CEO, President & COO
2. Enter into Rhythms NetConnections swap or put with LJM Swap Sub.	President & COO or CAO
3. Approve transaction: (a) Reset strike price on UBS forward contract. (b) Consent to assignment of forward contract. (c) Cancellation of LJM Cayman, L.P. forward contract. (d) Tax indemnification. (e) Section 16 indemnification.	Full Board

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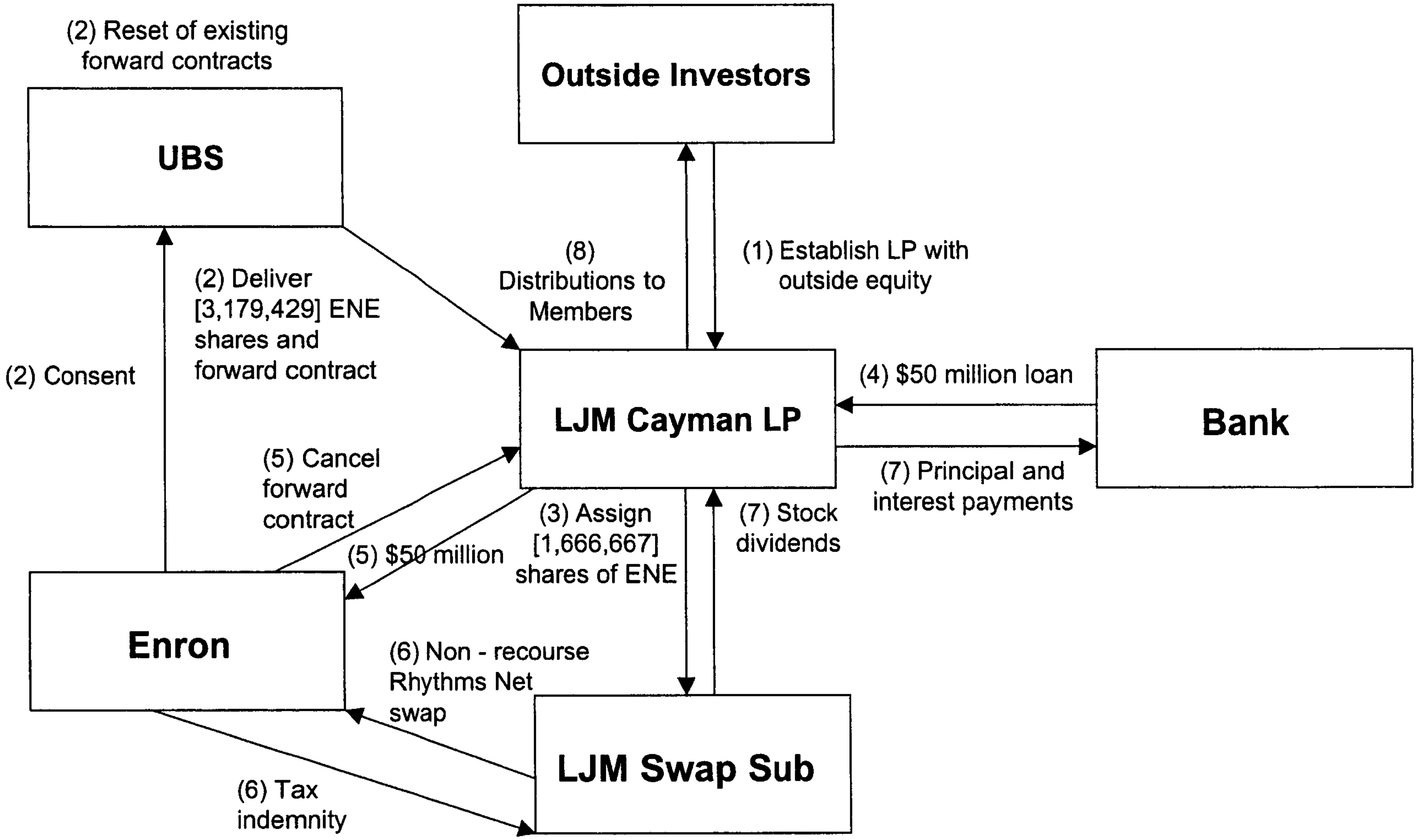
Transaction Structure



EC004387198

June 28, 1999 *Steps 5 and 6 occur simultaneously.* Appendix p. 1

EXH001-01752

Steps to Complete the Transaction

- Step (1) : Establish LJM Cayman, L.P. with outside equity.
- Step (2) : Reset of current forward contracts with UBS. Assign ENE shares and forward contract from UBS to LJM Cayman, L.P. with Enron's consent.
- Step (3) : Assignment of [1,666,667] shares of ENE stock to LJM Swap Sub.
- Step (4) : LJM Cayman, L.P. enters into a loan agreement with a bank for $50 million.
- Step (5) : Cancellation of forward contract between Enron and LJM Cayman, L.P. Enron receives a $50 million payment.

  Steps 5 and 6 occur simultaneously.
- Step (6) : LJM Swap Sub enters into a non-recourse put agreement on the Rythms Netconnections stock with Enron. In return, LJM Cayman, L.P. receives a tax indemnity.
- Step (7) : ENE dividends will flow from LJM Swap Sub to LJM Cayman, L.P. LJM Cayman, L.P. makes principal and interest payments on loan to bank.
- Step (8) : Distributions to Members.

AGENDA ITEM NO. 3
(SUGGESTED FORM OF RESOLUTION)

RESOLVED, that amendments to the confirmations dated February 13, 1997 and March 23, 1998 respectively (the "Confirmations") to the master agreements dated January 16, 1996 and December 9, 1997, respectively between UBS AG ("UBS") and Enron Corp. (the "Company") resulting in an increase in the strike price for a portion of the Confirmations and a decrease in the strike price for the balance is hereby authorized;

RESOLVED FURTHER, that consent of the Company to the assignment to or purchase by LJM Cayman, L.P. (the "Partnership") of a portion of the Confirmations and underlying shares of Enron Corp. common stock (the "Enron Shares") together with the execution of a master stock purchase agreement (the "LJM Master Stock Purchase Agreement") with the Partnership is authorized;

RESOLVED FURTHER, cancellation of the LJM Master Stock Purchase Agreement prior to expiration of such agreement for appropriate consideration is authorized;

RESOLVED FURTHER, that Kenneth Lay and Jeffrey Skilling are hereby appointed as a committee of this Board of Directors with full power and authority to determine if the consideration is sufficient to cancel such agreement;

RESOLVED FURTHER, that the Board hereby adopts and ratifies the determination by the Office of the Chairman pursuant to the Company's Conduct of Business Affairs/Investments and Outside Business Interests of Officers and Employees that participation of Andrew S. Fastow as the managing partner/manager of the Partnership will not adversely effect the interests of the Company;

RESOLVED FURTHER, that each of the Chairman of the Board, the Vice Chairman of the Board, the President, or any Vice President of the Company (any one of them acting alone), is hereby authorized and empowered to negotiate, execute, deliver, perform, and consummate, for and in the name and on behalf of the Company, such agreements as are necessary to effectuate the Amendments and transfer of Enron Shares, such execution to be conclusive evidence of such approval on behalf of the Company;

RESOLVED FURTHER, that the Chairman of the Board, the Vice Chairman of the Board, the President, or any Vice President of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company, under its corporate seal or otherwise, to negotiate, execute, deliver, amend, perform, and consummate such indemnification agreements or other agreements, instruments, or documents as such officer may deem necessary or desirable to carry out the purpose and intent of the resolutions herein, in such forms as shall be approved by the officer executing the same, such approval to be conclusively evidenced by the execution thereof by such officer;

RESOLVED FURTHER, that each such officer be, and each such officer hereby is, authorized in the name and on behalf of the Company to take or cause to be taken such action as such officer may deem necessary or desirable in connection with the performance by the Company of its obligations under any agreement, document, or instrument related to these transactions to which the Company is a party;

RESOLVED FURTHER, that all actions heretofore taken by any officer of the Company, in the name and on behalf of the Company, related to or in connection with the transactions contemplated by these resolutions, including without limitation the execution and delivery of any instruments or other documents as any officer shall have deemed necessary, proper, or advisable, are hereby adopted, ratified, confirmed, and approved in all respects; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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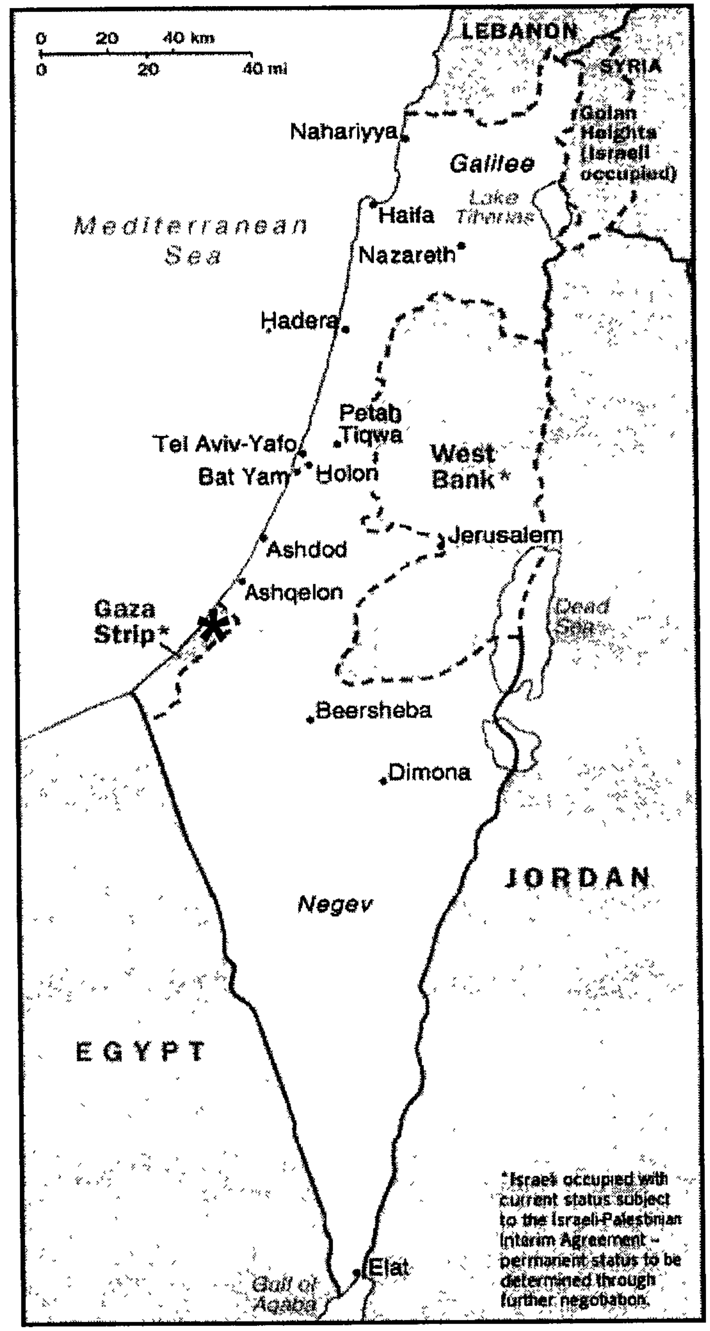
AGENDA ITEM 4

EC004387202

Palestine Electric Company ("PEC")*

June 28,1999



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EXH001-01757

Gaza Power Project
The Project

- **US Government Referred, Fast Track, First IPP in Palestine**
- **136MW Combined Cycle Facility + 20 year Exclusive Gaza Franchise**
  - #2 Oil-Fired until Egyptian Gas Pipeline arrives 2002-2003
  - Desalination Add-On in Near Term
- **20 Year PPA with Palestinian Energy Authority ("PEA")**
  - Fixed Capacity and O&M Payments to PEC in US$
  - Fuel Provided and Paid for by PEA
  - Very favorable PPA for Seller (PEC)
  - Credit Support
    - $20M L/C provided by PEA
    - Collection Circle/Escrow Arrangements Similar to Dabhol
    - Government Guarantee of PEA Obligations via Implementation Agreement
- **$140MM Cap cost, $42MM Equity, Enron 1/3, Palestinian Investors 1/3, Public 1/3 but passive**
- **IRR 18% conservative, 23% RAROC**

Strategic Benefits

- **High-profile deal with Arab Community Backing**
  - Successful Implementation will Crystallize Enron's Reputation in and commitment to Middle East
  - Will earn Substantial Goodwill from Other M.E. Governments (already occurring)
- **Power and Desalination will give Palestine much needed infrastructure**

ENRON®

Gaza Power Project History

- **PEA Buying Electricity from Israeli Electric Company**
  - Level of Supply subject to Israeli Temperament/Mood
  - Reliability and Availability of Power Uncertain, especially in future
- **Palestine Electric Company ("PEC") designated by Government in 1996 to Develop IPP**
  - PEC comprised of Prominent Palestinian Families/Investors + Government
- **OPIC & State Department put PEC in touch with EI in April 1999; strong US Govt. support**
- **PPA, IA signed June 18, subject to Site, EPC contract permits being obtained, Turnkey by June 30**
- **OPIC Insurance July 99, financing 4Q 99**

Shareholders

- **Founders of PEC (33%)* -- Successful Palestinian investors/businesspeople**
  - Consolidated Contractors Company
    - Large International Company (expat Palestinian owned); building Austin airport; Azurix partner in Egypt
  - Arab Bank PLC -- Lender to Dabhol LNG Ship
  - Al Akkad Group (billionaire Saudi-based investor)
  - Arab Palestinian Investment Holding Co. (APIC)
  - Palestinian Commercial Services Company
    - Arm of Palestinian Government
  - Palestine Development & Investment Company Ltd (PADICO)
- **Enron International (33%)***
  - Also will develop & provide O&M, Owner's Engineer & Construction Mgmt
- **Private Placement / IPO (33%)***
  - IPO planned on Nablus Exchange

EC004387205

* (Percentages represent indirect equity ownership of project company, it is envisaged that EI and PEC Founders will each have 50% control of the Company)

ENRON®

ENRON RISK ASSESSMENT AND CONTROL
DEAL APPROVAL SHEET

DEAL NAME: Gaza Power Project
Counterparty: Palestinian Electricity Authority
Business Unit: Enron International
Business Unit Originator: David Haug
☐**Public** ☒**Private**
☐**Merchant** ☒**Strategic**
☐**Conforming** ☒**Nonconforming**

Date DASH Completed: 6/23/99
RAC Analyst: Jeff Soo / Hala Tayyarah
Investment Type: Equity
Capital Funding Source(s): Balance Sheet
Expected Closing Date: June 1999
Expected Funding Date: July 1999
Board Approval: ☒**Pending** ☐**Received** ☐**Denied** ☐**N/A**

RAC Recommendation: ☒**Proceed with Transaction** ☐**Do not Proceed**

DEAL DESCRIPTION

EI proposes to invest $20.8 MM for 50% of the common equity in Palestine Electric Company PLC ("PEC"), a public shareholding company registered in and organized pursuant to the laws of the Palestinian National Authority ("PNA"). PEC will build, own and operate a 136 MW combined-cycle power plant in Gaza, Palestine. PEC has entered into a power purchase agreement with the Palestinian Energy Authority ("PEA"). PEA is the public authority responsible for the purchase, transmission, distribution, dispatch, and sale of electricity in the PNA Territories of Gaza and the West Bank. PEA is an agency of the PNA.

The PPA term is 20 years starting from the commercial operations date. PEA has the option to extend the PPA for two additional 5-year terms. Currently, PEA is importing all of Gaza's power needs from Israel. The PEC plant will be the first IPP in Gaza and will displace imported power from Israel. PEC will have an exclusive right for 20 years to all future Gaza power generation. All the payments under the PPA will be made in US Dollars.

The power plant will consist of four ABB GT10-B2 gas turbines and two steam turbines that will run on distillate fuel. Both the plant and the PPA provide the flexibility to switch to natural gas, if it becomes available in the future. The construction of the plant will be done by ABB on a fixed price turnkey basis. The anticipated commercial operation dates ("COD") are July 2000 for the simple-cycle gas turbine and July 2001 for the whole combined-cycle plant.

The total project cost is estimated to be $138.5 MM, and is expected to be financed at a 70/30 debt to equity ratio. The model assumes a bridge loan will be in place at the time construction begins. EI has had preliminary discussions with Arab Bank regarding the bridge loan. Permanent, non-recourse financing is likely to come from the Overseas Private Investment Corporation ("OPIC") with a term of 12 years from COD. EI is pursuing other permanent financing alternatives as well. It is expected that OPIC also will provide political risk insurance for EI's equity that will cover contract frustration, expropriation, currency inconvertibility, and political violence risks. OPIC brought and enthusiastically recommended the project to Enron.

The partner in PEC is PEC Holdings, a partnership between various Palestinian-Arab interests including Consolidated Contractors Company, Arab Bank, Al Akkad Group, Arab Palestinian Investment Holding Co. ("APIC"), the Palestinian Government, and Palestinian Development and Investment Ltd ("PADICO"). PEC intends to sell equity via an IPO or private placement at par value in the local Nablus Stock Exchange in the near term. After the IPO, EI, PEC Holdings, and the public shareholders will each own 33.3% of the economic interest in PEC. Control of the PEC will be shared equally between EI and PEC Holdings.

Palestine Overview: Please see attachment

ASSOCIATED GUARANTEES

None. However, the bridge loan is likely to necessitate parent guarantees, in which case EI or Enron Corp. may need to provide a guarantee for the financing needed until the closing of non-recourse permanent financing. In the event the project is unable to obtain bridge financing, EI is requesting that the Office of the Chairman be delegated the authority to approve an Enron Corp. bridge financing and/or credit enhancement (including guarantees of bridge financing) for up to 50% of the total project costs.

Deal Name: Gaza

RAC Deal Approval Sheet

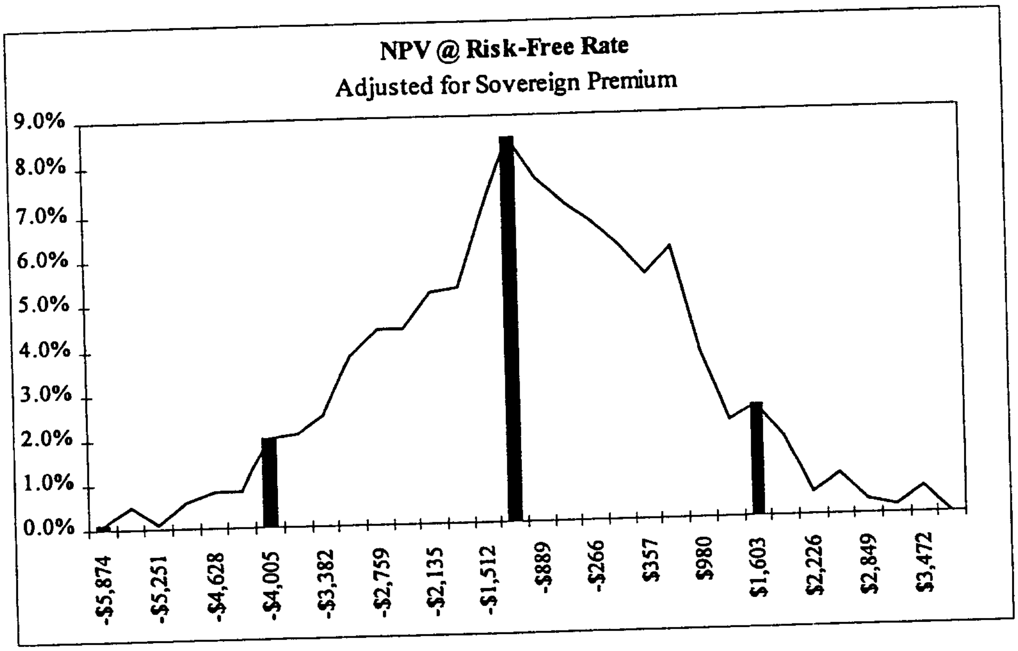
TRANSACTION SOURCES AND USES OF FUNDS

Sources (USD 000s)		Uses (USD 000s)	
Equity (Enron)	$20,768	EPC Contract	$95,450
Equity (PEC Holdings)	$20,768	Interest During Construction	$12,485
Project Debt	$96,914	Financing Costs	$ 3,317
		Other Costs*	$27,198
Total	**$138,450**		**$138,450**

* Other costs include land acquisition ($6.0 MM), owner's engineer fee to Enron to reimburse development expenses ($4.0 MM), working capital ($6.9 MM), and other soft costs.

The following is the projected annual cash flow realized by Enron:

(USD 000s)	7/99	7/00	7/01	7/02	7/03	7/04	7/05	7/06	7/07-7/21
Equity Contribution	(14,092)	(6,675)							
Fees	667								
Equity Cash Flows		3,484	3,715	4,122	4,329	4,093	4,180	4,268	179,346
Total	(13,426)	(3,191)	3,715	4,122	4,329	4,093	4,180	4,268	179,346



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RAC Deal Approval Sheet

SUMMARY ECONOMICS

	($000)		
Capital Commitment:	$20,768	Weighted Average Life (yrs.):	15.4
Bid Bond Amount:	NA		

Return Components:	PV @ Capital Price	Cumulative IRR
Cash Outflow	(19,229)	N/A
Fees	1,176	-100.00%
Intermed. Cash Flows	15,385	22.64%
Terminal Value	207	23.02%
Total NPV	**(2,460)**	**23.02%**

Capital Price Components	
Risk free rate (%):	6.86%
Equity/Credit premium (%):	5.02%
Country Premium (%):	16.00%
Other (%):	(1.88%)
RAC CAPITAL PRICE*:	**26.0%**

* The capital price does not take into consideration the benefit from the political risk insurance. Political risk insurance would reduce the capital price; however, it is difficult to quantify its benefit due to lack of market comparables.

EXISTING EXPOSURE

None.

NON-HEDGABLE (IDIOSYNCRATIC) RISKS

Political Risk	Risk that PNA's actions may adversely affect PEC's returns. Risk that PNA may be replaced by another sovereign entity or that Palestine may fall under the sovereignty of another country. Risk of Israeli interference.	Under the Implementation Agreement, PNA guarantees not to interfere in PEC in any way. Ratification of the Implementation Agreement is a pre-condition to the PPA. PEC has sophisticated local and international Palestinian investors who have local influence, including indirect participation by PNA and public ownership (expected to be 33%) following the IPO. The U.S. Government is a strong supporter of the project. Both the U.S. and Palestinian Governments have received positive assurances from the Israelis relating to the project. EI will purchase comprehensive political risk insurance from OPIC that will cover actions by PNA or any other subsequent sovereign entity.
Financing Risk	Risk that debt financing can not be obtained or is obtained at rates higher than the current assumptions. PEC intends to start construction prior to financial close.	OPIC and the Arab Bank have expressed early interest in providing financing to the project. Neither has made any commitments and both would have to perform due diligence. However, OPIC and the U.S. State Department brought the deal to Enron and have worked closely with Enron since the initial discussions. If financing cannot be obtained, EI's maximum commitment would be for 50% of the total costs, or $61 MM. The IRR of an all-equity project is 16.7%.

Palestine Economy	Risk that the Palestine Economy will not be able to support the power plant. The Palestinian Economy is increasingly less able to sustain jobs and income for its people. Despite the assistance of the international donor community, the standard of living has continued to fall due to massive unemployment and rising poverty. These have been directly provoked by recurrent and unpredictable border closures (in 1996, the borders remain closed 130 days). However, GDP rose 3% in 1998. The private sector has sustained the greatest losses from the labor and trade interruptions resulting from permit and closure policies. At the same time, the public sector has grown dramatically, with growth dominated by hiring personnel rather than investing in infrastructure projects, which accounts for less than 2% of GDP. Palestine is heavily dependent on Israel for infrastructure, services and trade. Compared to other countries at similar levels of income, infrastructure is seriously deficient due to years of neglect and under-investment.	Palestine currently is purchasing all its electricity from Israel. Recent payment history is good and non-collections from electricity customers are low. The Palestinian economy is operating below its potential. It has some important assets that are only partially used and that, under the right circumstances, could foster the region's economy. It has: (i) a high-quality human resource base; (ii) privately capital resources ready to be invested if the business environment and policy framework are conducive; (iii) international networks; (iv) no debt burden and "good" tax system.
Israeli Interference	Risk that the Israeli Government will prevent the project from going forward/succeeding.	The Israeli government has given its support of the project via a letter dated 5/98. While Israel will cease to receive revenues from power sales, the PEA will import and purchase distillate fuel from an Israeli refinery.
Construction Risk	Risk of construction cost and schedule overruns.	Risks and penalty payments associated with construction overruns and delays will be passed through to the EPC contractor (ABB) via the EPC contract.
Performance/Operating Risk	Risk that PEC will not operate the plant within PPA specifications.	The plant will be operated by PEC, but EI is the O&M manager and is expected to have influence over operations.
Operating Cost Risk	Risk that the operating costs will exceed costs budgeted in project economics.	For the first 8 years of the PPA, EI will pay ABB a fixed cost to cover all kroner-denominated major operating expenses, which constitute approximately 50% of operating costs. Thereafter, PEC bears all operating cost risk.
Permit Risk	Risk that PEC will not obtain required permits.	Under the PPA, PEC only has the obligation to file for permits. Failure to obtain a permit is a force majeure event. In this event, PEC has the right to terminate the PPA, and PEA is obligated to make a termination payment in an amount equivalent to the sum of PEC's outstanding debt, third party liabilities, PEC's equity, and the present value of projected shareholder distributions discounted at 10%. In the Implementation Agreement, PNA guarantees that it will provide all necessary permits within its authority.

Site Risk	Risk that PEC will not obtain a site for the project or will obtain it above budgeted cost.	Under the Implementation Agreement between PNA and PEC, PNA will provide a site acceptable to PEC, including necessary rights and permits. In the event that the site cost is greater than the projected $6MM, PEC will be compensated directly. If the difference is less than $1MM, the PEC will be repaid by the PEA immediately and in full. Otherwise, it will be repaid over 5 years, with 16% annual interest.
Environmental Risks	Risk that PEC will incur liability due to environmental hazards.	PNA indemnifies PEC against any liability from environmental conditions unless it is caused by PEC. PEC will carry out an environmental impact assessment study for its site. The costs of mitigation measures as a result of the study will be paid for by PEA. PEA will also reimburse PEC for any increased costs that may arise due to future changes in environmental standards and regulations.
Fuel Supply Risk	Risk of fuel supply interruption and increasing fuel costs.	The PPA is equivalent to an energy conversion agreement, whereby PEA is responsible for the procurement, purchase, and delivery of the distillate fuel to the plant. PEC has no obligation to arrange for the fuel supply. Non-delivery of fuel is a force majeure event under the PPA. In this event, PEC can terminate the PPA, and PEA would be obligated to make a termination payment in an amount equivalent to the sum of PEC's outstanding debt, third party liabilities, PEC's equity, and the present value of projected shareholder distributions discounted at 10%.
Security of Plant and Personnel	Risk that the plant and PEC personnel will be jeopardized by violence.	PEC will buy "all risks" property insurance that will cover damage to the facilities resulting from violence, vandalism, etc. PEC has Palestinian shareholders and will be partly owned by the public following the IPO. Historically, the level of non-Israel related violence is low in Palestine. PEC will take security measures within the facility and per the Implementation Agreement, PNA will provide all the necessary security measures for the facility at no cost to PEC. The involvement of OPIC mitigates the risk of adverse Israeli action.
Change of Law	Risk that changes in local laws and regulations will decrease project returns.	Per the PPA, in the event that PEC incurs additional costs due to a change in law, PEA will bear the additional costs through increased tariffs or another payment mechanism satisfactory to PEC.
Taxes, Import Duties, VAT	Risk that the PNA does not have the authority to exempt the project from all taxes, which could result in higher costs and lower equity returns.	Per the Implementation Agreement, PNA guarantees that PEC will be exempt from all Palestinian taxes. However, it is not clear if PNA has the authority to exempt project from all import duties and taxes. In the event that taxes are levied, the PPA provides that the PEA will bear all taxes payable by the project.

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Enforceability/ Legal System Risk	Risk that PEC will not be able to enforce its rights under the relevant project contracts. Risk that PNA does not have the authority to enter into these agreements or that its authority is not recognized by the courts and/or the arbitration process. Risk that the court in Gaza will not enforce foreign arbitration award.	Governing law of the PPA is English law. Disputes under the PPA and Implementation Agreement are subject to arbitration according to ICC rules in London. Both the PEA and PNA submit to jurisdiction in the US, UK and the Palestinian Territories. Political pressure from US State Department and from OPIC (as lender and insurer) for all parties to recognize PNA as sovereign entity and for PNA to act responsibly, including enforcing any foreign arbitration award. Any foreign arbitration award against PNA or PEA can be enforced outside Gaza to the extent PNA or PEA has assets outside Gaza (for example, in the US, the UK or Israel).
Force Majeure Risk	Risk that force majeure events will impact PEC's returns.	The force majeure risk is borne by the PEA to the extent it does not arise due to events under PEC's control.
Political Risk Insurance	Risk that political risk insurance can not be obtained or is obtained at rates higher than the current assumptions. PEC intends to start construction prior to obtaining the insurance.	OPIC has expressed early interest in providing political risk insurance to the project. If insurance can not be obtained, Enron will retain the risk on its equity. PEC intends to raise additional equity via an IPO after signing the PPA, which would bring Enron's ownership to 33.3%. The impact of the additional equity is not reflected in the model valuation.

HEDGEABLE OR MARKET RISKS

Following are market-based risks that should be monitored and for which hedges should be considered:

Foreign Exchange Risk	All revenues are in USD. Enron is indirectly taking currency risk in that PNA has limited ability to generate USD. Business transactions in Palestine are conducted using the New Israeli Shekel (NIS), US Dollar, or the Jordanian Dinar. In the event that the PNA does not have enough USD, Enron will be faced with the decision of accepting a foreign currency or declaring an event of default. A portion of the EPC contract and the major maintenance costs are in Swedish kroners and a portion of the operating costs are in NIS. ECT's currency desk has provided forward curves for the shekel and the kroner. No currency hedges are in place.
Credit Risk	PEC ultimately is exposed to PNA's credit since PNA is guaranteeing all of PEA's payment obligations under the PPA. Neither PEA nor PNA have public credit ratings. PEA does not have a long credit history. PEA's only alternative for electricity is from Israel, which is interruptible, likely more expensive, and politically unpopular. PEA has a good recent credit history of payment to Israel for comparable amounts of electricity. PNA has the right to levy and collect taxes. PNA currently is fighting an order by the Federal District Court in Washington to pay $18.7 million in damages for canceling a 1993 contract with International Technologies Integration, a Virginia-based communications firm, to set up the first Palestinian phone company. ITI initially was awarded the concession, but Yasser Arafat cancelled the deal and awarded it to PADICO (Palestine Development and Investment Company). Under the PPA, PEA will provide PEC a $20 MM letter of credit, which covers approximately 7 months of capacity payments. PEA also will provide an escrow arrangement for PEC where PEC (via an escrow bank) effectively will collect all payments directly from the end user. The OPIC insurance is expected to included contract frustration, which covers PNA non-payment. However, Enron would have to win an arbitration award before it could collect on the insurance. No credit derivatives market exists which could be used to hedge the credit risk in this transaction.
Interest Rate Risk	Enron is exposed to interest rate movements before financial close to the extent that they would affect the determination of the interest rate on debt. For model purposes an all-in fixed interest rate is assumed to apply to the $104MM of 12-year project debt. Preliminary financing terms

	indicate pricing at a fixed rate based on a spread above Treasuries at financial close.
Equity Risk	The equity risk is captured in the discount rate. This transaction is strategic. Therefore, market comparables are not applicable.
Inflation Risk	Inflation will impact future SGA and O&M expenses. The equity holders are exposed if the rate of inflation is greater than the 3% escalation used in determining fixed future capacity payments. The inflation of CAPEX costs will be covered by ABB in accordance with the EPC contract.
Commodity Risk	PEC is not assuming any commodity exposure/risk.

OTHER RAC COMMENTS:

SYNDICATION (ECM):

- ☐ Can be syndicated at current capital price
- ☐ Can be syndicated within one year at current capital price
- ☒ Cannot be syndicated at current capital price
- ☐ N/A

EC004387212

EXH001-01766

DEAL FUNDING APPROVAL SHEET

Business Unit:	Enron International
Deal Name:	Gaza Power Project
Investment Type:	Equity
Expected Closing Date:	Bridge Loan 7/99 - Permanent Loan 3/00
Expected Funding Date:	7/99

	$ Amount (MM's)	
Total Deal/Project Capital Commitment	149	
Less Financings	104	OPIC
Less Syndications	30	Partners + IPO (50% each)
Net Enron Investment	15	

Financing Details	%	$ Amount (MM's)
Full Recourse (Private)		
Limited Recourse (Private)		
Non-Recourse (Private)	70	104
Capital Markets (Public)		
Equity Issuance	30	45
Other		
Financing Totals	100 %	149

Syndication Details*	%	$ Amount (MM's)
JEDI I		
JEDI II		
EnSerCo		
Other		
Syndication Totals	0 %	0

Comments: (must complete if financing with full or limited recourse to Enron)
NTP is anticipated in 7/99 and will be funded with a one year bridge loan from Arab Bank (term sheet under current discussions). Permanent financing will be closed with OPIC by 3/00.

Approvals	**Name**	**Signature**	**Date**
Business Unit Origination:	David Haug	[signature]	6/24/99
Business Unit Finance:	Bill Gathmann	William Gathmann	6/24/99
ECM Management:	Jeff McMahon/Andy Fastow	J McMahon	6/25/99

Footnote:
* Represents the net risk syndication taking into account Enron's ownership of the funding vehicle

EC004387213

EXH001-01767

Deal Name: Gaza

RAC Deal Approval Sheet

APPROVALS:	Name	Signature	Date
RAC Management	Rick Buy	[signature]	6/25/99
Enron Capital Management	Andy Fastow or Jeff McMahon	[signature]	6/25/99
Business Unit Originator	David Haug or Andrew Makk	[signature]	6/26/99
Business Unit Legal	Wade Cline		
Business Unit Risk Comm.	Jim Hughes	[signature]	
Business Unit Mgmt	Joe Sutton	[signature]	6/26/99
ENE Management	Jeffrey Skilling	[signature]	6/25/99

RAC Deal Approval Sheet

Deal Name: Gaza

	Name	Signature	Date
APPROVALS:			
RAC Management	Rick Buy		
Enron Capital Management	Andy Fastow or Jeff McMahon		
Business Unit Originator	David Haug or Andrew Makk		
Business Unit Legal	Wade Cline	K Wade Cl	6/24
Business Unit Risk Comm.	Jim Hughes		
Business Unit Mgmt	Joe Sutton		
ENE Management	Jeffrey Skilling		

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EXH001-01769

DEAL DEFINITIONS

Bid Bond	A letter of credit or surety bond delivered at the time of submission of a bid. It guarantees that if the bidder is awarded the project that is the subject of the bid, the bidder will execute the relevant project documents in accordance with the terms of the bidder's bid.
Deal Description	short written summary of the investment.
Deal Name	Unique name for an investment/deal usually defined by Capital Pricing director or Business Unit Originator.
Deal Risk Premium (%)	Premium for a deal derived by a comparison of the transaction volatility of returns to historical sector volatility of returns; additionally incorporates any other adjustments for risks specific to the transaction. Premium could be negative if the transaction exhibits less risk than is reflected in the unadjusted capital price.
Capital Commitment ($M)	Expected present value of cash outflows in the transaction.
Expected IRR (%)	the discount rate at which the net present value of the expected cash flows would be equal to zero. This measures the expected return of the transaction but does not incorporate a measure of risk.
NPV @ Capital Price ($M)	Net Present Value at the Capital Price discount rate.
Risk-Free Rate (%)	the rate derived by weighting Treasury curve rates by the expected cash flows in the corresponding periods.
Type of Investment	Specific type of investment. For example, VPP, LP, loan, equity, alliance, debt, derivatives, refinance, and physical sales. Sometimes referred to as Instrument Type.
Value at Risk ($M)	The loss in value over a specified period of time (quarterly, daily, etc.) which will be exceeded with a certain probability. Evaluated based on market comparables.

Country Report

PALESTINE (GAZA & WEST BANK)

The following paper presents an overview of Palestine's history as well as its political and economic environment.

I. Introduction

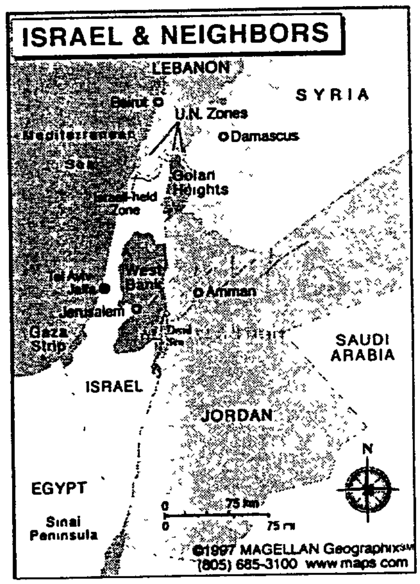
Palestine is located in the heart of the Middle East, on the Eastern Shore of the Mediterranean Sea. Areas currently under the political control of the Palestinian National Authority include portions of the **Gaza Strip** and the **West Bank.**

In the first years after the Oslo Accords (1993), expectations for massive investment in the Palestinian controlled areas were enormous. And following the 1995 Paris Accords on economic relations, people believed the legal environment would improve, risks would diminish and donor countries would extend their aid.

After the 1996 assassination of Prime Minister Yitzhak Rabin and the subsequent election of Benjamin Netanyahu, the international community lost confidence in the progress of the peace process and the likelihood of increased stability in the area. Israeli-imposed border closures froze the movement of people and goods and halted the Palestinian economy. 6,000 companies have registered with the Palestinian Authority for business licenses but few of them are actually operating. Public funds have also been slow to arrive; to date the Palestinian Authority has only received about 50% of $2.4 billion in aid originally pledged by some 40 countries.

Since 1993, **the Palestinian economy has degenerated** rather than improved. A decline in household income, a sharp increase in unemployment, and the general broadening of poverty poses serious challenges for economic sustainability. In November 1998, there were still 184 villages in the West Bank and Gaza without drinking water and 88 without electricity.

Israel still has total control of Palestine's borders with Egypt and Jordan, and imposes strict controls on what Palestinians may import or export. However, it is expected that the recently elected Israeli Prime Minister, Ehud Barak, will foster the peace process in the near future.



II. Historical Background

Functioning as a Palestinian government, though not yet recognized as a nation, the Palestine Liberation Organization (PLO) was founded in **1964** as a political body representing the Palestinians in their efforts to reclaim their country from the Israelis (Yasser Arafat has been the head of the PLO since 1968).

During the war of 1966-67, Israel gained control of Egypt's the Sinai Peninsula, the Gaza Strip, Syria's Golan Heights, and West Bank of the Jordan River, including East Jerusalem.

In November 1988, at a meeting of the Palestinian National Council in Algiers, Arafat announced the establishment of an independent Palestinian state with Jerusalem as its capital. One month later, the United States agreed to begin direct contact with the PLO.

On September 13, **1993**, Israel and the PLO signed a **Declaration of Principles** (DOP) in Washington. The DOP established an ambitious set of objectives relating to a transfer of authority from Israel to an interim Palestinian authority. It also established May 1999 as the date by which a permanent status agreement for the West Bank and Gaza Strip would take effect.

In **1994**, the **Palestinian National Authority** was established after the signing of the Cairo Agreement. One year later Prime Minister Rabin and PLO Chairman Arafat signed the Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip in Washington. The agreement, witnessed by the US President and by Russia, Egypt, Norway, and the European Union, broadened Palestinian self-government by means of a popularly elected legislative council. It provided for the election and establishment of that body, the transfer of civil authority, Israeli redeployment from major population centers in the West Bank, security arrangements, and cooperation in a variety of areas.

In October **1998**, Israel and the Palestinians signed the Wye River agreement. The Wye agreement is based on the principle of reciprocity and meets the essential requirements of both the parties, including unprecedented security measures on the part of the Palestinians and the further redeployment of Israeli troops in the West Bank. This agreement set May 99 as the date by which a permanent status agreement should have been reached. Due to the recent Israeli elections, the peace process was put on hold.

III. Economic Outlook

- The **Palestinian Economy is increasingly unable to sustain jobs and income for its people.** In contrast to the initial economic scenarios that were projected early in the peace process and despite the assistance of the international donor community, the standard of living has continued to fall due to massive unemployment and rising poverty. These have been directly provoked by recurrent and unpredictable border closures imposed by the Israeli government (in 1996, the borders remained closed for 130 days).

Poverty Rate (1995)	19.1%
Unemployment Rate (1996)	28.4%
Decline in Palestinian employment in Israel	76%
Decline in per capita real consumption (1992-96)	15%

Source: Palestinian Central Bureau of Statistics.

Total Cost of Border Closure and Permit Policies (1993-96) – Gaza Strip

	1994	1995	1996
GNP ($ millions at 1995 prices)	1,120	1,190	1,153
Closure days/year	76	102	138
% of days under closure	21%	28%	38%
Losses due to closure ($ millions)	352	413	456
Losses (as % of GDP)	31%	35%	40%

Source: Diwan and Shaban (1998)

- **The private sector has sustained the greatest losses** from the labor and trade interruptions resulting from permit and closure policies. At the same time, the public sector has grown dramatically, with growth dominated by personnel rather than investments in infrastructure projects, which account for less than 2% of GDP (in 1997, Palestine GDP was estimated to be $3.5 bn).

- In addition to the negative shocks of permit and closure policies, the Palestinian economy faces **important physical infrastructure weaknesses** (i.e: transportation, electricity, and telecommunications).

- Palestine is heavily **dependent on Israel** for infrastructure, services and trade. Additionally, a large share of revenues comes from Israel in the form of tax clearances (over 60% of 1996 fiscal revenue).

- The **development of the financial system has been limited** by economic and political uncertainties. However, the banking system has expanded substantially in the last three years. Deposits increased from $220 million in 1993 to $1.7 billion in 1996.

- The Palestinian economy is **operating far below its potential.** It has some important assets that are only partially used and that, under the right circumstances, could foster the region's economy. It has: (i) a high-quality human resource base; (ii) private capital resources ready to be invested if the business environment and policy framework are conducive; (iii) international networks; (iv) no debt burden and a "good" tax system.

- The Palestinian finance minister, Mohammed Nashashibi, presented a **draft budget for 1999** in early April. It highlights the above mentioned weaknesses of Palestine's economy, including excessive public sector spending on wages and salaries, dependence on foreign aid, and high budget deficit.

(1999 Estimates)	*US$ millions*	*NIS millions*
Project Spending	1,717	7,000
Current Spending	982	4,000
Wages and Salaries	540	2,200
Opex and Capex	442	1,800
Capital Spending	736	3,000
Foreign Aid	687	2,800
Self-funded	49	200
Revenue – local Taxes	833	3,600
BUDGET DEFICIT	**147**	**600**

Source: The Economist Intelligence Unit
1 NIS = 0.2454 US $

- **Power Industry**

– The West Bank and Gaza Strip has access to about 300MW of power, almost exclusively through the Israel Electric Company. (The 136 MW plant, when completed, will initially supply only the Gaza Strip.)
– The Palestinian Authority is eager to reduce dependence on this external source. Further supporting the need for in-country power production is the apparent suppressed demand in the region.
– The European Investment Bank has agreed to lend the Palestinian Authority $39M toward upgrading and refurbishing the electricity sector in the West Bank. Additionally, international donors have pledged a total of $80M toward rehabilitating this sector by 2001, with the World Bank to provide $15M and the Italian government to furnish $26M. [Sweden has committed $40M to infrastructure development.]

Macroeconomic Indicators

Millions	*1993*	*1994*	*1995*	*1996*	*1997*
Real GDP Growth (%)	(1.3%)	10.8%	(5.6%)	(1.7%)	(0.8%)
Exports	236	423	467	511	520
Imports	1,138	2,017	2,232	2,534	2,600
Current-Account Balance	(90)	(614)	(704)	(897)	(955)

	1998	*1999E*	*2000E*	*2001E*	*2002E*
Population (MM)	2.6	2.7	2.8	3.0	3.1
Unemployment	31.1%	31.4%	31.8%	32.7%	33.5%
Public Investments					
Foreign Aid	320	334	356	383	403
Self-financed	0	7	15	25	40
Private Investments	476	460	447	433	419

Sources· EIU.

Comparing Infrastructure Services in Palestine

	Population (million)	Per Capita Income (US $)	Electric Supply (kw per 100 people)	Electric power system losses (%)
Egypt	55.0	650	21	14
Jordan	3.9	1,120	25	19
Palestine	2.4	1,450	13	30
Lebanon	4.0	2,500	32	n.a
Syria	13.0	2,800	30	n.a
Israel	5.1	13,500	82	4
Mauritius	1.1	2,700	33	1.4
Lower Middle Income Countries	1,153	1,620	21.5	12.4

Source: World Bank (1994)

IV. PADICO, APIC

The organizations that have provided the most money for projects in the Palestinian-controlled areas, in addition to the donor countries, are: (i) the **Palestine Development and Investment Company** (PADICO), and (ii) the **Arab Palestinian Investment Company**. Both organizations are partners in the project.

i. **PADICO** was founded by the Arab Bank and the Cairo Amman Bank in 1993. It reported $10 million in working capital in 1997 and has already invested $500 million in the Palestinian economy, whose entire GDP is a mere $3.5 billion. It has planned another $500 million investments in the next two years.

PADICO, whose operations include tourism, real state, poultry farming, plastics, pharmaceuticals, electronics and communications companies, is underwriting several large real-state schemes including new housing projects in Gaza. PADICO was also responsible for developing the Palestine Securities Exchange in Nablus. The exchange trades on Sundays and Tuesdays and lists 23 companies.

ii. APIC's bankers include both Palestinian expatriates and Arab Investors. APIC's strategy is to enter into partnerships with existing companies, supply them with capital and bring in experienced technicians, managers and marketing experts to turn the companies around.

CONCLUSION

- Despite the Oslo and Paris Accords and the efforts to reach a definitive peace agreement, political risk and social turmoil have severely hindered the Palestinian economy.
- Several private initiatives from the likes of PADICO and APIC, along with the aid of donor countries, the UN and the European Union, have been trying to boost the Palestinian private sector.
- With strong assets but equally burdensome liabilities, the Palestinian economy is on a knife's edge between take-off and collapse. Much will depend on the evolution of the peace process. Even with the $3.3 billion in donor support assumed for the next five years, the Palestinian economy will perform well only under exceptional conditions involving an open economy and the complete removal of Israeli constraints in effect since March 1993. This is highly uncertain and unpredictable.

AGENDA ITEM 4
(SUGGESTED FORM OF RESOLUTION)

WHEREAS, Enron International Inc. ("EI"), a wholly-owned subsidiary of Enron Corp. (the "Company"), is developing an approximately 136 MW combined-cycle power plant in Gaza, Palestine (the "Project"), with total anticipated capital costs of approximately $143,000,000;

WHEREAS, in connection with the Project, the Company, through affiliates of EI, will be required to invest equity of up to $21,000,000 and, to allow construction to begin on the Project prior to permanent financing being obtained, may be required to provide additional bridge financing and/or credit enhancement (including guarantees of bridge financing) for up to 50% of the total capital costs;

NOW, THEREFORE, IT IS RESOLVED, that the Company be, and it hereby is, authorized to take such action as the appropriate officers of the Company deem necessary or desirable in connection with the Project, including without limitation: (a) investing equity, through affiliates of EI, of up to $21,000,000, and (b) to allow construction to begin on the Project prior to permanent financing being obtained, providing bridge financing and/or credit enhancement (including guarantees of such bridge financing) for up to 50% of the total capital costs;

RESOLVED FURTHER, that the Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President, the Treasurer or any Assistant Treasurer of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company, under its corporate seal or otherwise, to take such action and to do all things that may appear to be reasonably necessary, in the sole discretion of any of such officers, to undertake, effectuate and carry out the foregoing resolutions, insofar as such action or things relate to the Company, including without limitation, the authority and power to negotiate, execute, deliver, amend, perform, and consummate any agreements, instruments, or documents as such officer may deem necessary or desirable to carry out the purpose and intent of the foregoing premises and resolutions, in such forms as shall be approved by the officer executing the same, such approval to be conclusively evidenced by the execution thereof by such officer;

RESOLVED FURTHER, that each such officer be, and each such officer hereby is, authorized in the name and on behalf of the Company to take or cause to be taken such action as such officer may deem necessary or desirable in connection with the performance by the Company of its obligations under such agreement, document or instrument related to these transactions to which the Company is a party;

RESOLVED FURTHER, that all actions heretofore taken by any officer of the Company, related to or in connection with the transactions contemplated by these resolutions are hereby adopted, ratified, confirmed and approved in all respects; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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AGENDA ITEM 5

AGENDA ITEM 5
(SUGGESTED FORM OF RESOLUTIONS)

WHEREAS, the Company has been authorized to purchase a new Dassault Falcon 900EX aircraft (the "Aircraft") for Company aviation purposes; and

WHEREAS, it is in the Company's best interests to hold the Aircraft in a leasing structure (the "Lease Structure") whereby an affiliate of the Company (or a trust in which an affiliate is the beneficiary) would be the registered owner of the Aircraft and the Company would be the ultimate (sub)lessee of the Aircraft; and

WHEREAS, the Company has received a commitment from The Bank of Tokyo-Mitsubishi, Ltd. (the "Bank") to provide the financing for the Lease Structure.

NOW, THEREFORE, IT IS RESOLVED, that any action of the Company to approve the terms and conditions of the financing provided by the Bank as set forth in the term sheet dated May 19, 1999 be, and hereby is, adopted, ratified, confirmed, and approved in all respects;

RESOLVED FURTHER, that any action of the Company to authorize and implement the Lease Structure to acquire and lease the Aircraft to the Company or its affiliates, including (without limitation) any assignment of the Company's rights in or to the Aircraft to an affiliate (or a trust of which an affiliate is the beneficiary), transfers of assets, guarantees and indemnifications, creation of entities (including, without limitation, trusts), be, and hereby is, adopted, ratified, confirmed, and approved in all respects;

RESOLVED FURTHER, that the Lease Structure be, and hereby is, adopted, ratified, confirmed, and approved in all respects;

RESOLVED FURTHER, that any action of the Company to authorize or guarantee payments and performances and to provide indemnities with respect to the Lease Structure as deemed appropriate by any officer of the Company, acting on the advice of counsel and in compliance with the Company's Policy for Approval of Guarantees, Letters of Credit, Letters of Indemnity, and Other Support Arrangements, as amended, approved at the February 8, 1999 meeting of the Board of Directors of the Company (conclusively evidenced by the signature of such officer on related documents) be, and hereby is, adopted, ratified, confirmed, and approved in all respects;

RESOLVED FURTHER, that the Company and/or its affiliates pay such attorneys fees and advisor fees as they deem reasonable and appropriate and any prior action to do so be, and hereby is, adopted, ratified, confirmed, and approved in all respects;

RESOLVED FURTHER, that the Chairman and Chief Executive Officer, the President and Chief Operating Officer, the Senior Vice President and Chief Financial Officer, the Senior Vice President, Chief Accounting, Information and Administrative Officer, the Senior Vice President, Finance and Treasurer, or any Vice President of the Company be, and each of them hereby is, authorized and empowered on behalf of the Company to take such actions necessary or appropriate to effectuate the intent of these resolutions;

RESOLVED FURTHER, that all other actions heretofore taken by any officer or representative of the Company related to or in connection with the Lease Structure and the matters described in these resolutions, including without limitation the execution and delivery of any related documents or instruments, are hereby adopted, ratified, confirmed and approved in all respects; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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