



Endless possibilities.™

Enron Communications, Inc.

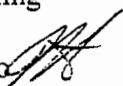
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MEMORANDUM

TO: Jeff Skilling
FROM: Joe Hirko 
DATE: September 30, 1998
SUBJECT: Deal Approval Sheet

Attached is the Deal Approval Sheet for the Modulus transaction, as we discussed. We have signed a Letter of Intent. I would hope to move forward and close it by the end of the month. As you know, the Board has already approved this transaction.

Attachment

**GOVERNMENT
EXHIBIT**
D1007
Crim No. H-03-0093

Respect

Integrity

Communication

Excellence

EC SH 000100660

KEY ASSUMPTIONS/DISTRIBUTIONS

RISK	DESCRIPTION	MITIGATION/COMMENTS
Modulus software not optimal for Enron Communication's future applications.	Software's does not function in EC's network as anticipated.	Modulus' current technology can be added directly to provide first-level intelligent network services such as system information routing and publish-subscribe. ECI and Modulus' engineers are confident that Modulus technology can be modified to provide all planned Intelligent Network services.
Obsolescence	Modulus software becomes obsolete.	Although other firms offer the same services as Modulus, Modulus' software is generally regarded as the best in the industry. No other company currently developing this type of software has identified its potential use in a WAN-OS scenario. Given this, ECI (and the Modulus software) will enjoy a significant first-mover advantage over competitors who wish to install a similar software on their networks. Also, the Modulus software is designed (and can be upgraded for new environments) to interact within numerous operating environments further mitigating the risk of obsolescence.
Retention of key personnel	Personnel key to the development of future software needs may leave EC.	Appropriate retention scenarios related to the acquisition pay-off are being considered that will provide incentive for employment.
Low demand for Intelligent Network Services.	Demand for services enabled by Modulus software will not be as high as forecasted.	Senior Business Development staff at ECI, with substantial experience in the communications business (Worldcom, MFS, US West) are confident that the services created via the implementation of Modulus software will be in high demand throughout the industry.

OTHER RAC COMMENTS:

APPROVALS:

Name

Signature

Date

RAC Management

John Hopley

Enron Capital Management

Andy Fastow

Business Unit Originator

Joe Hirko

Business Unit Legal

Steve McCarrel

Business Unit Mgmt

Ken Harrison

ENE Management

Jeff Skilling

Handwritten signatures:
 [Signature of Joe Hirko]
 [Signature of Steve McCarrel]
 [Signature of Ken Harrison]
 [Signature of Jeff Skilling]

9/30/98