

February 6, 2001

To the Limited Partners:

This correspondence from the General Partner is a summary of the activity of LJM2 Co-Investment, L.P. ("LJM2") during December of 2000, as well as a summary of activity for the year 2000.

Investment Portfolio

LJM2 closed and funded three new investments during December of 2000 and liquidated two investments. No capital calls were necessary during December, since cash on hand was sufficient to fund the three investments. A summary of these activities, as well as other 4th Quarter activities are described below:

Sources (\$millions)		Uses	
Cash	10.9	Investments	10.9

New Investments

Investment	Cost(\$millions)
Ampato	8.0
Max	1.1
Fred	1.8
Total	10.9

Realized Investments

Investment	Cost(\$millions)	Cash Received	IRR	Cash Multiple
Backbone	30.0	32.4	18%	1.08
GE Turbines	11.3	12.4	36%	1.10
Total	41.3	44.8		

Current Partnership Summary as of December 31, 2000 (\$millions)

Investments	220.4
Capital Drawn	169.1
Debt Drawn	79.3
Undrawn Partner's Capital	224.9
Amount to be Distributed	29.0

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Investment Portfolio(12/31/00)	Cost (\$millions)
ENA CLO: debt	19.6
ENA CLO: equity	12.9
Resco	0.7
Rawhide	12.5
Raptor 1A	6.0
Raptor 2A	1.1
Margaux	10.0
TNPC	38.0
Osprey I	26.0
Osprey II	6.5
Zenith Telecom	21.0
Raptor III	30.0
First Union CLO	25.2
Ampato	8.0
Max	1.1
Fred	<u>1.8</u>
Total	220.4

New Investments

On December 11, 2000, LJM2 invested \$1.1 million in **Max, LLC**, which invested in a structured finance vehicle created to monetize Enron's interest in Avici Systems ("Avici"). The purpose of the transaction was to generate funds flow for Enron. Avici develops and sells high speed data networking equipment. Enron owns 1,093,433 shares of Avici, which is a publicly traded security on the NYSE (AVCI). The market price of Avici shares at closing was \$32.375 per share, making the total value of Enron's interest equal to \$35.4 million. The vehicle issues both debt and equity, however the interest payments on the debt are covered by a total return swap from Enron. LJM2 will receive a 15% return on its investment and a return of its capital when either Enron repurchases LJM2's interest in the vehicle before maturity or when the shares are sold at the maturity of the financing in two years. Since the interest on the debt is paid under the total return swap, the stock only needs to increase 1% in value over the two years for LJM2 to receive its return of and return on capital, in the event that Enron does not repurchase LJM2's interest.

On December 11, 2000, LJM2 invested \$1.8 million in **Fred, LLC**, which invested in a structured finance vehicle created to monetize Enron's interest in Catalytica Energy Systems ("Catalytica"). The purpose of the transaction was to generate funds flow for Enron. Catalytica develops proprietary technologies that use catalysts to eliminate the formation of harmful pollutants and improve the performance of hydrocarbon combustion systems. Enron owns 1,339,286 shares of Catalytica, which is a publicly traded security on the NYSE (CESI). The Catalytica shares were not trading at the time of closing, but Enron valued its interest at \$60 million. The vehicle issues both

