Ex. A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

VISION OF
FORCEMENT

January 2, 2002

VIA FACSIMILE
& FEDERAL EXPRESS

Douglas B. Paul
Branch Chief
Telephone: (202) 942-4685
Facsimile: (202) 942-9583

Mr. Kenneth L. Lay
c/o Earl J. Silbert, Esq.
Piper Marbury Rudnick & Wolfe LLP
1200 Nineteenth Street, NW
Washington, DC 20036-2430

In the Matter of Enron Corp.
HO-9350

Dear Mr. Lay:

Pursuant to a formal order of investigation entered by the Commission in the above-referenced matter, we have issued the enclosed subpoena requiring your appearance for testimony. As indicated on the subpoena, you are required to appear for testimony at **9:30 am EST on Wednesday, January 23, 2002** at the following address:

U.S. Securities and Exhange Commission
450 5th Street, NW
Washington, DC 20549

Also, the enclosed subpoena requires the production of certain original documents. For your convenience, and at your expense, you may temporarily satisfy the requirements of the subpoena by producing photocopies of the documents specified. If you do produce copies, please maintain the originals and we will notify you if and when such originals are required. The documents or other materials should be produced by **Wednesday, January 9, 2002** as indicated on the subpoena.

The documents required by the subpoena should be accompanied by a list briefly identifying each document or other material and the category or categories of the subpoena to which it relates. Please serially number the pages of all of the documents submitted, preceding each serial number with the letters "KLL" so that we may identify the documents as having been produced by you. Please indicate whether you have produced all of the documents called for by the subpoena or whether certain documents or categories of documents have not been produced.

If any of the documents called for are not produced, for whatever reason, then please submit a list stating: (a) the creator(s) of the document, (b) the date of the document, (c) the present or last known custodian of the document, (d) the subject matter of the document, (e) all persons or entities known to have been furnished with the document or copies of the document, and (f) the reason the document has not been produced. If any document called for is withheld because of a claim of attorney-client privilege, then please, in addition to the above information, also identify the attorney

and the client involved. If any document called for is withheld because of a claim of any privilege, other than the attorney-client privilege, then please, in addition to the above information, also identify the privilege and the basis of that privilege.

When responding to this request, please include all coversheets, cover memoranda, routing slips, and other documents that might indicate the dissemination of the above-listed information. Also, please separate each document production into an organized group corresponding to each numbered and lettered item in this request letter.

Please produce these materials addressed to my attention at:

U.S. Securities and Exchange Commission
Division of Enforcement
450 Fifth Street, NW
Room 7210
Washington, DC 20549-0703

This inquiry should not be construed as an indication by the Commission or its staff that any violation of law has occurred, or as a reflection upon any person, entity or security. Enclosed for your reference is a copy of SEC Form 1662, which contains important supplemental information, including a list of the routine uses that may be made of any information furnished to the Commission or its staff.

If you have any questions concerning this request you may contact me at (202) 942-4685.

Very Truly Yours,

Douglas B. Paul

Enclosures: Subpoena with Attachment
SEC Form 1662

SUBPOENA

UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

In the Matter of Enron Corp., HO-9350

To: Mr. Kenneth L. Lay
c/o Earl J. Silbert, Esq.
Piper Marbury Rudnick & Wolfe LLP
1200 Nineteenth Street, NW
Washington, DC 20036-2430

☒ **YOU MUST PRODUCE** everything specified in the Attachment to this subpoena to officers of the Securities and Exchange Commission, at the place, date and time specified below.

450 Fifth Street, N.W., Washington, D.C. 20549-0703, January 9, 2002

☒ **YOU MUST TESTIFY** before officers of the Securities and Exchange Commission, at the place, date and time specified below.

450 Fifth Street, N.W., Washington, D.C. 20549-0703, January 23, 2002, at 9:30am EST

FEDERAL LAW REQUIRES YOU TO COMPLY WITH THIS SUBPOENA.
Failure to comply may subject you to a fine and/or imprisonment.

By: Douglas B. Paul Date: 1/2/02
Douglas B. Paul
Branch Chief
450 Fifth Street, NW
Washington, DC 20549-0703

I am an officer of the Securities and Exchange Commission authorized to issue subpoenas in this matter. The Securities and Exchange Commission has issued a formal order authorizing this investigation under Section 21(a) of the Securities Exchange Act of 1934.

NOTICE TO WITNESS: If you claim a witness fee or mileage, submit this subpoena with the claim voucher.

ATTACHMENT TO SUBPOENA SERVED UPON KENNETH L. LAY

I. DEFINITIONS AND INSTRUCTIONS

A. As used in this attachment, the term "documents" means any and all records and other tangible forms of expression in your possession, custody or control whether originals or copies, preliminary drafts, interim drafts, final drafts, and/or final versions, in whatever form stored, produced or created (electronically, handwritten, typed or otherwise), including but not limited to: correspondence, notes, memoranda, orders, confirmations, files, reports, electronic mail/E-mail, electronic media, facsimile transmissions, telegrams, telexes, wire confirmations, account statements, summaries, lists, data which is magnetically stored, tapes, cassettes, diskettes, disks, books, letters, records of oral communications, recorded statements, telephone records, telephone messages, log books, journals, charts, graphs, drawings, calendars, agendas, itineraries, diaries, minutes of meetings, resolutions, ledgers, workpapers, worksheets, books of account, journals, audit papers, accountants' calculations, bills, invoices, receipts, studies, schedules, appraisals, analyses, surveys, budgets, contracts, assignments, agreements, loan agreements, guarantees, records of collateral, promissory notes, instruments of indebtedness, diagrams, pamphlets, brochures, exhibits, transcripts, interviews, speeches, depositions, press releases, periodicals, securities account statements, checks and drafts (front and back), deposit slips, debit and credit memoranda, statements for bank, thrift, money market and any other account, computer printed or generated materials, and any other writing as that defined by Rule 1001 of the Federal Rules of Evidence.

B. As used in this attachment, the terms "you" and "your" refers to Kenneth L. Lay and includes your agents, employees, temporary employees and all persons authorized to act on your behalf.

C. The term "Enron" refers to Enron Corporation and all entities in which it has or has had a controlling interest, including without limitation all subsidiaries, affiliates, predecessors, successors, officers, directors, employees, agents, general partners, limited partners, partnerships, and all aliases, code names, or trade or business names used by any of the foregoing.

D. As used in this attachment, the term "concerning" means relating to, referring to, describing, evidencing, constituting, embodying, reflecting, identifying, stating, dealing with, bearing upon, and/or in any way pertinent.

E. As used in this attachment, the terms "and" and "or" shall be construed either disjunctively or conjunctively as necessary to be most inclusive, and to bring within the scope of the request all materials that otherwise might be construed as outside its scope.

F. In the event that any responsive document is withheld for any reason, including but not limited to the assertion of a privilege, then please provide a log, which sets forth: (i) the type of document, (ii) the author of the document, (iii) the date of the document, (iv) recipients of the document, (v) the subject matter of the document, and (vi) the reason for withholding the

document (e.g., attorney-client privilege). Please provide this log within the time period specified on the face of the subpoena.

II. DOCUMENTS TO BE PRODUCED

Produce the following documents in your possession, custody, or control:

A. All documents concerning Enron, including but not limited to all internal and external correspondence, electronic mail, worksheets, spreadsheets, computer files, notes, memoranda, presentations, reports, recommendations, viewgraphs, summaries, or charts from January 1, 1998 through the present. (You do not need to produce pay stubs.)

B. All appointment books, calendars, diaries, date books, electronic mail, schedules, time sheets, time books, itineraries, organizers, computer or handheld organizers or PDAs, or other records, whether manual or computerized, which reflect any meetings, discussions, conversations, or communications concerning the entities identified in paragraph I.B.

C. All documents concerning any entity with which you have or had any interest or association that at any time had an agreement, contract, transaction or any other business or financial relationship or agreement with Enron. Your response to this request should include any entity or trust owned, operated, or controlled by you or of which you have any pecuniary interest, or any entity of which you are or were employed, that has transacted business with Enron, including but not limited to Chewco Investments LP, LJM Cayman LP and LJM2 Co-Investment LP.

D. All documents concerning any securities brokerage accounts: (i) in your name (and/or in the name of any member of your household), (ii) in which you (and/or any member of your household) have or had any beneficial or pecuniary interest, and (iii) over which you (and/or any member of your household) exercise or exercised direct or indirect control, including, but not limited to:

(1) All account opening documents, including but not limited to, new account forms, deposit documentation, trading authorizations, margin agreements, option agreements, powers of attorney, discretionary agreements and signature cards.

(2) All monthly and other periodic account statements for the period January 1, 1998 through the present.

(3) All confirmations and order tickets of all purchases and sales or other dispositions of the securities of Enron for the period January 1, 1998 through the present.

(4) All documents regarding transactions in the securities of Enron for the period January 1, 1998 through the present, including but not limited to, correspondence, special instructions, faxes, Emails, telexes, notes, wires and agreements.

E. All monthly and other periodic account statements for all of your bank accounts for the period January 1, 1998 through the present.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Supplemental Information for Persons Requested to Supply Information Voluntarily or Directed to Supply Information Pursuant to a Commission Subpoena

False Statements and Documents

Section 1001 of Title 18 of the United States Code provides as follows:

> Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

Testimony

If your testimony is taken, you should be aware of the following:

1. *Record.* Your testimony will be transcribed by a reporter. If you desire to go off the record, please indicate this to the Commission employee taking your testimony, who will determine whether to grant your request. The reporter will not go off the record at your, or your counsel's, direction.

2. *Counsel.* You have the right to be accompanied, represented and advised by counsel of your choice. Your counsel may advise you before, during and after your testimony; question you briefly at the conclusion of your testimony to clarify any of the answers you give during testimony; and make summary notes during your testimony solely for your use. If you are accompanied by counsel, you may consult privately.

If you are not accompanied by counsel, please advise the Commission employee taking your testimony whenever during your testimony you desire to be accompanied, represented and advised by counsel. Your testimony will be adjourned to afford you the opportunity to arrange to do so.

You may be represented by counsel who also represents other persons involved in the Commission's investigation. This multiple representation, however, presents a potential conflict of interest if one client's interests are or may be adverse to another's. If you are represented by counsel who also represents other persons involved in the investigation, the Commission will assume that you and counsel have discussed and resolved all issues concerning possible conflicts of interest. The choice of counsel, and the responsibility for that choice, is yours.

3. *Transcript Availability.* Rule 6 of the Commission's Rules Relating to Investigations, 17 CFR 203.6, states:

> A person who has submitted documentary evidence or testimony in a formal investigative proceeding shall be entitled, upon written request, to procure a copy of his documentary evidence or a transcript of his testimony on payment of the appropriate fees: *Provided, however*, That in a nonpublic formal investigative proceeding the Commission may for good cause deny such request. In any event, any witness, upon proper identification, shall have the right to inspect the official transcript of the witness' own testimony.

If you wish to purchase a copy of the transcript of your testimony, the reporter will provide you with a copy of the appropriate form. Persons requested to supply information voluntarily will be allowed the rights provided by this rule.

4. *Perjury.* Section 1621 of Title 18 of the United States Code provides as follows:

> Whoever . . . having taken an oath before a competent tribunal, officer, or person, in any case in which a law of the United States authorizes an oath to be administered, that he will testify, declare, depose, or certify truly .... willfully and contrary to such oath states or subscribes any material matter which he does not believe to be true... is guilty of perjury and shall, except as otherwise expressly provided by law, be fined under this title or imprisoned not more than five years or both . . . .

5. *Fifth Amendment and Voluntary Testimony.* Information you give may be used against you in any federal, state, local or foreign administrative, civil or criminal proceeding brought by the Commission or any other agency.

You may refuse, in accordance with the rights guaranteed to you by the Fifth Amendment to the Constitution of the United States, to give any information that may tend to incriminate you or subject you to fine, penalty or forfeiture.

If your testimony is not pursuant to subpoena, your appearance to testify is voluntary, you need not answer any question, and you may leave whenever you wish. Your cooperation is, however, appreciated.

6. *Formal Order Availability.* If the Commission has issued a formal order of investigation, it will be shown to you during your testimony, at your request. If you desire a copy of the formal order, please make your request in writing.

Submissions and Settlements

Rule 5(c) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(c), states:

> Persons who become involved in . . . investigations may, on their own initiative, submit a written statement to the Commission setting forth their interests and position in regard to the subject matter of the investigation. Upon request, the staff, in its discretion, may advise such persons of the general nature of the investigation, including the indicated violations as they pertain to them, and the amount of time that may be available for preparing and submitting a statement prior to the presentation of a staff recommendation to the Commission for the commencement of an administrative or injunction proceeding. Submissions by interested persons should be forwarded to the appropriate Division Director, Regional Director, or District Administrator with a copy to the staff members conducting the investigation and should be clearly referenced to the specific investigation to which they relate. In the event a recommendation for the commencement of an enforcement proceeding is presented by the staff, any submissions by interested persons will be forwarded to the Commission in conjunction with the staff memorandum.

The staff of the Commission routinely seeks to introduce submissions made pursuant to Rule 5(c) as evidence in Commission enforcement proceedings, when the staff deems appropriate.

Rule 5(f) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(f), states:

> In the course of the Commission's investigations, civil lawsuits, and administrative proceedings, the staff, with appropriate authorization, may discuss with persons involved the disposition of such matters by consent, by settlement, or in some other manner. It is the policy of the Commission, however, that the disposition of any such matter may not, expressly or impliedly, extend to any criminal charges that have been, or may be, brought against any such person or any recommendation with respect thereto. Accordingly, any person involved in an enforcement matter before the Commission who consents, or agrees to consent, to any judgment or order does so solely for the purpose of resolving the claims against him in that investigative, civil, or administrative matter and not for the purpose of resolving any criminal charges that have been, or might be, brought against him. This policy reflects the fact that neither the Commission nor its staff has the authority or responsibility for instituting, conducting, settling, or otherwise disposing of criminal proceedings. That authority and responsibility are vested in the Attorney General and representatives of the Department of Justice.

Freedom of Information Act

The Freedom of Information Act, 5 U.S.C. 552 (the "FOIA"), generally provides for disclosure of information to the public. Rule 83 of the Commission's Rules on Information and Requests, 17 CFR 200.83, provides a procedure by which a person can make a written request that information submitted to the Commission not be disclosed under the FOIA. That rule states that no determination as to the validity of such a request will be made until a request for disclosure of the information under the FOIA is received. Accordingly, no response to a request that information not be disclosed under the FOIA is necessary or will be given until a request for disclosure under the FOIA is received. If you desire an acknowledgment of receipt of your written request that information not be disclosed under the FOIA, please provide a duplicate request, together with a stamped, self-addressed envelope.

Authority for Solicitation of Information

Persons Directed to Supply Information Pursuant to Subpoena. The authority for requiring production of information is set forth in the subpoena. Disclosure of the information to the Commission is mandatory, subject to the valid assertion of any legal right or privilege you might have.

Persons Requested to Supply Information Voluntarily. One or more of the following provisions authorizes the Commission to solicit the information requested: Sections 19 and/or 20 of the Securities Act of 1933; Section 21 of the Securities Exchange Act of 1934; Section 321 of the Trust Indenture Act of 1939; Section 42 of the Investment Company Act of 1940; Section 209 of the Investment Advisers Act of 1940; and 17 CFR 202.5. Disclosure of the requested information to the Commission is voluntary on your part.

Effect of Not Supplying Information

Persons Directed to Supply Information Pursuant to Subpoena. If you fail to comply with the subpoena, the Commission may seek a court order requiring you to do so. If such an order is obtained and you thereafter fail to supply the information, you may be subject to civil and/or criminal sanctions for contempt of court. In addition, if the subpoena was issued pursuant to the Securities Exchange Act of 1934, the Investment Company Act of 1940, and/or the Investment Advisers Act of 1940, and if you, without just cause, fail or refuse to attend and testify, or to answer any lawful inquiry, or to produce books, papers, correspondence, memoranda, and other records in compliance with the subpoena, you may be found guilty of a misdemeanor and fined not more than $1,000 or imprisoned for a term of not more than one year, or both.

Persons Requested to Supply Information Voluntarily. There are no direct sanctions and thus no direct effects for failing to provide all or any part of the requested information.

Principal Uses of Information

The Commission's principal purpose in soliciting the information is to gather facts in order to determine whether any person has violated, is violating, or is about to violate any provision of the federal securities laws or rules for which the Commission has enforcement authority, such as rules of securities exchanges and the rules of the Municipal Securities Rulemaking Board. Facts developed may, however, constitute violations of other laws or rules. Information provided may be used in Commission and other agency enforcement proceedings, Unless the Commission or its staff explicitly agrees to the contrary in writing, you should not assume that the Commission or its staff acquiesces in, accedes to, or concurs or agrees with, any position, condition, request, reservation of right, understanding, or any other statement that purports, or may be deemed, to be or to reflect a limitation upon the Commission's receipt, use, disposition, transfer, or retention, in accordance with applicable law, of information provided.

Routine Uses of Information

The Commission often makes its files available to other governmental agencies, particularly United States Attorneys and state prosecutors. There is a likelihood that information supplied by you will be made available to such agencies where appropriate. Whether or not the Commission makes its files available to other governmental agencies is, in general, a confidential matter between the Commission and such other governmental agencies.

Set forth below is a list of the routine uses which may be made of the information furnished.

1. To coordinate law enforcement activities between the SEC and other federal, state, local or foreign law enforcement agencies, securities self-regulatory organizations, and foreign securities authorities.

2. By SEC personnel for purposes of investigating possible violations of, or to conduct investigations authorized by, the federal securities laws.

3. Where there is an indication of a violation or potential violation of law, whether civil, criminal or regulatory in nature, and whether arising by general statute or particular program statute, or by regulation, rule or order issued pursuant thereto, the relevant records in the system of records may be referred to the appropriate agency, whether federal, state, or local, a foreign governmental authority or foreign securities authority, or a securities self-regulatory organization charged with the responsibility of investigating or prosecuting such violation or charged with enforcing or implementing the statute or rule, regulation or order issued pursuant thereto.

4. In any proceeding where the federal securities laws are in issue or in which the Commission, or past or present members of its staff, is a party or otherwise involved in an official capacity.

5. To a federal, state, local or foreign governmental authority or foreign securities authority maintaining civil, criminal or other relevant enforcement information or other pertinent information, such as current licenses, if necessary to obtain information relevant to an agency decision concerning the hiring or retention of an employee, the issuance of a security clearance, the letting of a contract, or the issuance of a license, grant or other benefit.

6. To a federal, state, local or foreign governmental authority or foreign securities authority, in response to its request, in connection with the hiring or retention of an employee, the issuance of a security clearance, the reporting of an investigation of an employee, the letting of a contract, or the issuance of a license, grant or other benefit by the requesting agency, to the extent that the information is relevant and necessary to the requesting agency's decision on the matter.

7. In connection with proceedings by the Commission pursuant to Rule 102(e) of its Rules of Practice, 17 CFR 201.102(e).

8. When considered appropriate, records in this system may be disclosed to a bar association, the American Institute of Certified Public Accountants, a state accountancy board or other federal, state, local or foreign licensing or oversight authority, foreign securities authority, or professional association or self-regulatory authority performing similar functions, for possible disciplinary or other action.

9. In connection with investigations or disciplinary proceedings by a state securities regulatory authority, a foreign securities authority, or by a self-regulatory organization involving one or more of its members.

10. As a data source for management information for production of summary descriptive statistics and analytical studies in support of the function for which the records are collected and maintained or for related personnel management functions or manpower studies, and to respond to general requests for statistical information (without personal identification of individuals) under the Freedom of Information Act or to locate specific individuals for personnel research or other personnel management functions.

11. In connection with their regulatory and enforcement responsibilities mandated by the federal securities laws (as defined in Section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), or state or foreign laws regulating securities or other related matters, records may be disclosed to national securities associations that are registered with the Commission, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, the federal banking authorities, including but not limited to, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, state securities regulatory or law enforcement agencies or organizations, or regulatory law enforcement agencies of a foreign government, or foreign securities authority.

12. To any trustee, receiver, master, special counsel, or other individual or entity that is appointed by a court of competent jurisdiction or as a result of an agreement between the parties in connection with litigation or administrative proceedings involving allegations of violations of the federal securities laws (as defined in Section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)) or the Commission's Rules of Practice, 17 CFR 201.100 - 900, or otherwise, where such trustee, receiver, master, special counsel or other individual or entity is specifically designated to perform particular functions with respect to, or as a result of, the pending action or proceeding or in connection with the administration and enforcement by the Commission of the federal securities laws or the Commission's Rules of Practice.

13. To any persons during the course of any inquiry or investigation conducted by the Commission's staff, or in connection with civil litigation, if the staff has reason to believe that the person to whom the record is disclosed may have further information about the matters related therein, and those matters appeared to be relevant at the time to the subject matter of the inquiry.

14. To any person with whom the Commission contracts to reproduce, by typing, photocopy or other means, any record within this system for use by the Commission and its staff in connection with their official duties or to any person who is utilized by the Commission to perform clerical or stenographic functions relating to the official business of the Commission.

15. Inclusion in reports published by the Commission pursuant to authority granted in the federal securities laws (as defined in Section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)).

16. To members of advisory committees that are created by the Commission or by the Congress to render advice and recommendations to the Commission or to the Congress, to be used solely in connection with their official designated functions.

17. To any person who is or has agreed to be subject to the Commission's Rules of Conduct, 17 CFR 200.735-1 to 735-18, and who assists in the investigation by the Commission of possible violations of federal securities laws (as defined in Section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), in the preparation or conduct of enforcement actions brought by the Commission for such violations, or otherwise in connection with the Commission's enforcement or regulatory functions under the federal securities laws.

18. Disclosure may be made to a Congressional office from the record of an individual in response to an inquiry from the Congressional office made at the request of that individual.

19. To respond to inquiries from Members of Congress, the press and the public which relate to specific matters that the Commission has investigated and to matters under the Commission's jurisdiction.

20. To prepare and publish information relating to violations of the federal securities laws as provided in 15 U.S.C. 78u(a), as amended.

21. To respond to subpoenas in any litigation or other proceeding.

22. To a trustee in bankruptcy.

23. To any governmental agency, governmental or private collection agent, consumer reporting agency or commercial reporting agency, governmental or private employer of a debtor, or any other person, for collection, including collection by administrative offset, federal salary offset, tax refund offset, or administrative wage garnishment, of amounts owed as a result of Commission civil or administrative proceedings.

Small Business Owners: The SEC always welcomes comments on how it can better assist small businesses. If you have comments about the SEC's enforcement of the securities laws, please contact the Office of Chief Counsel in the SEC's Division of Enforcement at 202-942-4530 or the SEC's Small Business Ombudsman at 202-942-2950. If you would prefer to comment to someone outside of the SEC, you can contact the Small Business Regulatory Enforcement Ombudsman toll free at 888-REG-FAIR. The Ombudsman's office receives comments from small businesses and annually evaluates federal agency enforcement activities for their responsiveness to the special needs of small business.

Ex. B

PIPER
MARBURY
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1200 Nineteenth Street, N.W.
Washington, D.C. 20036-2412
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PHONE (202) 861-3900
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DEBORAH R. MESHULAM

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PHONE (202) 861-6470

January 22, 2002

VIA FEDERAL EXPRESS

Douglas B. Paul
Securities and Exchange Commission
Division of Enforcement
450 Fifth Street, N.W., Room 7210
Washington, DC 20549-0707

Re: In the Matter of Enron Corp., File No. HO-9350

Dear Mr. Paul:

In further response to the SEC's January 2, 2002, subpoena *duces tecum* served on Kenneth Lay, as amended by agreement of the staff, I enclose the following documents:

KLL-A-00001 through 00346
KLL-B-00049 through 00051
KLL-D-(2)-00001 through 05175
KLL-D-(4)-00001 through 01404
KLL-E-00548 through 00569

Also, please note that documents labeled KLL-E-00001 through 000547 were not listed on the cover letter but were included in the submission of January 16, 2001.

As mentioned in my January 16 letter, the numbering system listed above corresponds to the paragraphs in the staff's subpoena. Although a document is designated as responsive to one paragraph in the subpoena, it may also be responsive to other paragraphs of the staff's subpoena.

In addition, there are three documents which may be responsive to the staff's subpoena which are not included with this submission due to the possibility that they are

subject to the attorney client privilege or work product doctrine. As discussed with the staff last week, I am making inquiries to determine whether there is a proper basis to withhold the documents. Depending on the results of my inquiries, the documents will either be produced or included on a privilege log.

Finally, I am informed that there is a file of Mr. Lay's speeches maintained at Enron. These documents are not included in Mr. Lay's response to the subpoena *duces tecum* because they are company documents. In addition, copies of publicly available documents such as 10Q's and 10K's are not included in the production.

Pursuant to Rule 83 of the Commission's Rules on Information and Requests, 17 C.F.R. § 200.83, Mr. Lay hereby requests that the documents enclosed with this letter, the contents of this letter, and all other information provided to the Securities and Exchange Commission by him not be disclosed under the Freedom of Information Act, 5 U.S.C. § 552, *et seq*. For your convenience, I enclose a copy of the request to the Commission's FOIA officer.

Please do not hesitate to contact me if you have any questions.

Yours sincerely,

Deborah R. Meshulam

Deborah R. Meshulam

DRM/ws
Enclosures

Ex. C

PIPER MARBURY RUDNICK & WOLFE LLP

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DEBORAH R. MESHULAM

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February 21, 2002

VIA HAND DELIVERY

Douglas B. Paul
Securities and Exchange Commission
Division of Enforcement
450 Fifth Street, N.W., Room 7210
Washington, DC 20549-0707

Re: In the Matter of Enron Corp., File No. HO-9350

Dear Mr. Paul:

In further response to the SEC's January 2, 2002, subpoena *duces tecum* served on Kenneth Lay, as amended by agreement of the staff, I enclose documents bates labeled KLL-10663 through KLL-11098.

In addition, please be advised that we are, at this time, withholding certain responsive documents in accordance with Mr. Lay's assertion of his rights under the Fifth Amendment of the United States Constitution and *United States v. Hubbell*, 530 U.S. 27 (2000).

Pursuant to Rule 83 of the Commission's Rules on Information and Requests, 17 C.F.R. § 200.83, Mr. Lay hereby requests that the documents enclosed with this letter, the contents of this letter, and all other information provided to the Securities and Exchange Commission by him not be disclosed under the Freedom of Information Act, 5 U.S.C. § 552, *et seq*. For your convenience, I enclose a copy of the request to the Commission's FOIA officer.

Yours sincerely,

Deborah R Meshulam

Deborah R. Meshulam

DRM/ws
Enclosures

Ex. D

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June 4, 2002

Douglas B. Paul
Securities and Exchange Commission
Division of Enforcement
450 Fifth Street, N.W., Room 7210
Washington, DC 20549-0707

Re: In the Matter of Enron Corp., File No. HO-9350

Dear Mr. Paul:

We recently discovered a few documents which were inadvertently omitted from the response to the SEC's January 2, 2002, subpoena *duces tecum* served on Kenneth Lay, as amended by agreement of the staff. I enclose, therefore, documents bates labeled KLL-11099 through KLL-11120.

We continue to withhold certain responsive documents in accordance with Mr. Lay's assertion of his rights under the Fifth Amendment of the United States Constitution and *United States v. Hubbell*, 530 U.S. 27 (2000).

Pursuant to Rule 83 of the Commission's Rules on Information and Requests, 17 C.F.R. § 200.83, Mr. Lay hereby requests that the documents enclosed with this letter, the contents of this letter, and all other information provided to the Securities and Exchange Commission by him not be disclosed under the Freedom of Information Act, 5 U.S.C. § 552, *et seq*. For your convenience, I enclose a copy of the request to the Commission's FOIA officer.

Yours sincerely,

Deborah R Meshulam

Deborah R. Meshulam

DRM/ws
Enclosures

Ex. E

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
ENFORCEMENT

November 6, 2002

BY FACSIMILE TRANSMISSION (713) 523-7887
AND FEDERAL EXPRESS

Michael Ramsey, Esq.
River Oaks/Welch Bldg.
2120 Welch
Houston, TX 77019

Re: In the Matter of Enron Corp., HO-9350

Dear Mr. Ramsey:

This refers to the Securities and Exchange Commission subpoena dated January 2, 2002, addressed to and served on Kenneth L. Lay c/o Earl J. Silbert, Esq., copy of which is enclosed.

Please promptly confirm in writing that all documents required to be produced pursuant to the subpoena have been produced. If any documents have not been produced, please promptly produce such documents and explain why such documents have not previously been produced.

You may reach me at (202) 942-4633, or in my absence you may reach Charles Clark at (202) 942-4731.

Very truly yours,

Phil Gross

Phil Gross
Senior Attorney

Enclosure: As stated

Ex. F

Michael Ramsey
Lawyer
River Oaks/Welch Bldg.
2120 Welch
Houston, Texas 77019

713/523-7878
Fax: 713/523-7887
email: mramsey@mramsey-lawyer.com

November 21, 2002

Phil Gross, Senior Attorney
United States Securities and Exchange Commission
450 5th Street, NW
Washington, DC 20549

Dear Mr. Gross,

This letter responds to your letter of November 6 in which you asked for written confirmation that Mr. Lay produced "all documents required to be produced pursuant to the subpoena" dated January 2, 2002 that the SEC directed to him. We have undertaken a review of Mr. Lay's production and previous communications with the SEC in order to address your inquiry. We assume that your inquiry relates to documents in existence as of January and February 2002 when Mr. Lay made his production to the SEC.

As per Deborah Meshulam's letter to Douglas Paul dated February 21, 2002, certain responsive documents have been withheld in accordance with Mr. Lay's assertion of his rights under the Fifth Amendment of the United States Constitution and *U.S. v. Hubbell*, 530 U.S. 27 (2000). Also, as per her letter of January 22, 2002 to Mr. Paul, three documents, which may be responsive to the subpoena, were not included with the submission due to the possibility that they are subject to the attorney client privilege or work product doctrine. We have inquired of Enron if that is the case, but Enron never responded. Moreover, Ms. Meshulam reported in that same letter that Mr. Lay would not be producing publicly available documents such as 10Qs and 10Ks.

As the SEC is aware, Mr. Lay has been involved in numerous lawsuits related Enron. As a result, he had generated and received many documents that may technically be responsive to the SEC's subpoena, but that are privileged communications in anticipation of an/or as part of the litigation or as part of the counseling and advice he has received from his attorneys. It would be an extreme and very time-consuming burden to log all of these items. In addition, he has received numerous pleadings and other litigation documents that conceivably would fall within the requests because they

"concern Enron". These are publicly available and voluminous and we assume that, by your subpoena, you are not seeking production of such materials.

Apart from the foregoing issues, after studying the production already made in conjunction with the verbiage of the requests, we have a serious concern about making representations of "full compliance" with the requests because they can be construed extremely broadly. Some of the requests are phrased to seek all documents that "concern" an item or issue. For instance, Request A seeks all documents "concerning Enron". Conceivably, this could mean that Mr. Lay should produce any document that even mentions Enron in passing, that relates in any way to his employment at Enron, or that even has a remote arguable connection to Enron. Such a search is difficult to conduct and we doubt that it is your desire by making the request that we do that. Consequently, we would like to clarify the meaning and true reach of the requests to determine if our understanding and interpretation of them comports with the SEC's intentions in asserting the requests.

Accordingly, because it is our intention to cooperate to the fullest extent in providing the SEC with the documents that it believes are necessary to its investigation (consistent with protecting Mr. Lay's rights), we would like to have a prompt conference with you or the appropriate members of your staff to better explore these issues. Please let me know when you might be available.

Pursuant to Rule 83 of the Commission's Rules on Information and Requests, 17 C.F.R. section 200.83, Mr. Lay hereby requests that the contents of this letter and all other documents or information provided to the Securities and Exchange Commission by him not be disclosed under the Freedom of Information Act, 5 U.S.C. Section 552, et seq. For your convenience, I enclose a copy of the request to the Commission's FOIA officer.

Faithfully yours,

Michael Ramsey

MR/dc

Enclosure

Ex. G

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
ENFORCEMENT

December 10, 2002

BY FACSIMILE TRANSMISSION (713) 523-7887
AND FEDERAL EXPRESS

Michael Ramsey, Esq.
River Oaks/Welch Bldg.
2120 Welch
Houston, TX 77019

Re: In the Matter of Enron Corp., HO-9350

Dear Mr. Ramsey:

This refers to your letter dated November 21, 2002, concerning the subpoena for production of documents by Kenneth L. Lay. As a preliminary matter, the subpoena covers documents created on or before its date, January 2, 2002.

In order to accommodate your concern relating to what you describe as voluminous documents created in anticipation of litigation, presently, your client should produce documents created on or before November 19, 2001. Furthermore, documents concerning Enron will, for the time being, be limited to all documents concerning (1) transactions which resulted in, or were the subject of, Enron's October 16, 2001 third quarter release; (2) Enron's November 8, 2001 restatement of prior year financial statements; (3) Enron's third quarter 2001 financial statements filed on November 19, 2001; (4) Enron's representation that its financial statements and audit reports for specified prior fiscal periods could not be relied upon; and (5) the use of Mr. Lay's line of credit, sale of shares to Enron to repay such extensions of credit, and information concerning potential public disclosure thereof.

As stated in our January 2, 2002 subpoena cover letter, a privilege log should be submitted containing specified identifying information. Publicly available litigation documents need not be produced.

With the foregoing guidelines in mind, please promptly furnish a letter representing that all non-privileged documents have been produced by Mr. Lay.

You may reach me at (202) 942-4633, or in my absence you may reach Charles Clark at (202) 942-4731.

Very truly yours,

Phil Gross
Senior Attorney

Ex. H

Michael Ramsey
Lawyer
River Oaks/Welch Bldg.
2120 Welch
Houston, Texas 77019

713/523-7878
Fax: 713/523-7887
email: mramsey@mramsey-lawyer.com

December 20, 2002

VIA FACSIMILE – NO. 202-942-9640
AND REGULAR MAIL

Phil Gross, Esq.
Senior Attorney
United States Securities and Exchange Commission
Washington D.C. 20549

Re: *In the Matter of Enron Corp.*, HO-9350

Dear Mr. Gross:

Thank you for the clarification in your letter of December 10, 2002, regarding the scope of the document production sought in the subpoena served on Mr. Lay dated January 2, 2002. Based on your clarification, we are hopeful that we can proceed quickly with the production of additional documents.

We still have a few questions about the scope of the production sought, but we believe that those questions are easily resolved. You state that, in requesting documents "concerning Enron," you seek documents concerning "the use of Mr. Lay's line of credit, sale of shares to Enron to repay such extensions of credit, and information concerning potential public disclosure thereof." We understand that "use of Mr. Lay's line of credit" refers to documents reflecting or referring to Mr. Lay's requests to obtain advances under the line, and the reasons for those requests. Please let me know immediately if you disagree with our understanding.

Further as you know, Mr. Lay's transactions were input into a financial software system entitled "Financial Navigator." Accordingly, there will be a redundant data entry for each transaction documented in the production. We understand that you do not expect us to undergo the unnecessary costs of retrieving these redundant data entries. Again, if our understanding is not correct, please let me know right away.

As a result of the clarification you have provided and our comprehensive review of Mr. Lay's documents and reconsideration of his previous assertions of privilege and objections, we will be

furnishing additional documents in compliance with the subpoena. To prevent the possibility that we fail to produce a document that you have requested, we propose that all of Mr. Lay's documents produced in compliance with the subpoena, including those previously produced, be made available to you for inspection and copying in Carrington, Coleman, Sloman & Blumenthal's offices, or at another agreed upon, reasonable place, at a time to be agreed upon no earlier than three weeks from today. I would suggest that you coordinate the production of documents with Bruce Collins at Carrington, Coleman, as the documents are located at their office. His telephone number is (214) 855-3018.

Sincerely,

Michael Ramsey*

Michael Ramsey

*Signed by permission

Ex. I

CARRINGTON
COLEMAN
SLOMAN &
BLUMENTHAL L.L.P.

200 CRESCENT COURT • SUITE 1500 • DALLAS, TEXAS 75201-1848 • TEL 214.855.3000 • FAX 214.855.1333

MEMORANDUM

TO: Richard Kutchey, Esq.

FROM: Diane M. Sumoski, Esq.

DATE: January 16, 2003

RE: Today's Document Production Pursuant to SEC Subpoena

Attached to this memorandum is the Privilege Log that I mentioned to you earlier today when you arrived to review our client's document production. In addition, as I previously mentioned, we have withheld documents on the basis of Mr. Lay's rights under the Fifth Amendment of the United States Constitution and *United States v. Hubbell*, 530 U.S. 27 (2000). As I explained, those documents are not included on this list.

As I also mentioned to you, these documents and any copies we provide to you are being provided pursuant to Mr. Lay's request that they (as well as any other information or correspondence provided to the Securities & Exchange Commission on his behalf) not be disclosed under the Freedom of Information Act, 5 U.S.C. § 552, *et seq.* and as per Rule 83 of the Commission's Rules on Information and Requests, 17 C.F.R. § 200.83.

Lay - Privilege Log re: Documents Produced on January 16, 2003 Pursuant to SEC Subpoena dated 1/2/02

Bates Number	Date	Description	Privilege
00001	05/11/01	E-mail from Beau Herrold to Sherrie Gibson regarding payment of Enron line of credit. Paragraph reflecting attorney advice (Marvin Nathan) on unrelated matter redacted. **Produced in redacted form to the SEC 01/16/03.**	Attorney-Client
00002	03/29/01	Letter from J. Stephen Peterson of Locke Liddell & Sapp, LLP to Beau Herrold and Kenneth Lay regarding investment documents for PhotoFete	Attorney-Client
00003	03/30/01	Letter from Beau Herrold to J. Stephen Peterson of Locke Liddell & Sapp, L.L.P. regarding investment documents for PhotFete.	Attorney-Client
00004	04/04/01	E-mail from Steve Peterson of Locke Liddell & Sapp, L.L.P. to Charles Noell, Greg Brenneman, Jeff Skilling, Jim Woodhill, John Price, Ken Lay, Mike Willis, Peter Schaeffer and Stan and Tracy Shopkorn regarding investment in PhotoFete.	Attorney-Client
00005-00010	09/22/00	Memo marked "Privileged and Confidential; Attorney Client Communication" from A. Hardie Davis of TNPC to Richard A. Causey, James V. Derrick, Jr., Peter T. Grauer, William I. Jacobs, Kenneth L. Lay, H. Eugene Lockhart, Lou L. Pai, Marks S. Muller, Jimmie Williams, Richard J. Hayes, Shael Dolman, James Burgoyne, Peter T. Grauer, Andrew S. Fastow, Lorenzo De La Vega, and Dennis Pick, cc: to Marc Manly and Robert Eichenroht re: underwriters' lock-up agreement attaching agreement.	Attorney-Client
00011	06/27/00	Letter from Marc E. Manly to "Directors, Special Committee Members and Observers with respect to TNPC, Inc.," and cc: to R. Eickenroht, re: transmittal of draft documents regarding TPNC with handwritten note from Sherrie Gibson to Ken Lay; document is marked "Privileged and Confidential; Attorney Client Communication."	Attorney-Client
00012	06/27/00	Duplicate of Lay-Privileged 0011	Attorney-Client
00013 - 00125	06/27/00	Letter from Marc E. Manly marked "Privileged and Confidential Attorney Client Communication" to "Directors, Special Committee Members and Observers" with respect to TNPC, Inc., and cc: to R. Eickenroht, re: transmittal of draft documents regarding TPNC with draft attachments.	Attorney-Client

Ex. J

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
ENFORCEMENT

February 27, 2003

Via Facsimile and
Federal Express

Michael Ramsey, Esq.
River Oaks/Welch Bldg.
2120 Welch
Houston, Texas 77019

Re: In the Matter of Enron Corp. HO-9350

Dear Mr. Ramsey:

On January 2, 2002, the Commission served Kenneth L. Lay with a subpoena requiring production on or before January 9, 2002 of, among other items, all documents in his possession, custody or control concerning the Enron Corporation covering the period January 1, 1998 through the date of the subpoena. At the time of service of the subpoena, as well as its return date, Mr. Lay held the positions of Chairman, Director and Chief Executive Officer of Enron.

With the Commission's consent, Mr. Lay was permitted to delay his production of materials responsive to the subpoena and to produce materials to the Commission on a rolling basis. On January 16, 2003, pursuant to an effort to complete production of all responsive materials and to identify any outstanding issues, Diane Sumoski provided the staff with a memorandum that attached an attorney-client privilege log describing eight withheld documents and reiterated that an additional unspecified quantity of documents were being withheld by Mr. Lay pursuant to his privilege under the Fifth Amendment of the United States Constitution (the "Fifth Amendment Documents"). The staff has been informed that the Fifth Amendment Documents are comprised of approximately two redweld folders that include copies of Enron memoranda and other documents bearing Mr. Lay's handwriting and annotations, as well as copies of letters, position papers, and speeches in draft form. You have stated that you determined whether such materials should be withheld as privileged, at least in part, by assessing whether the documents reflect Mr. Lay's "thought processes."

The staff does not agree that these documents are properly withheld. By failing to produce these documents, Mr. Lay is in default of the subpoena. In order to cure his default, please produce all responsive documents by March 6, 2003. If your client fails to produce the documents by that date, we reserve our right to take appropriate steps to enforce the subpoena.

Any questions concerning this matter should be directed to me at (202) 942-4633 or to Richard Kutchey at (202) 942-4689.

Very truly yours,

Phil Gross

Phil Gross
Senior Attorney

Ex. K

CARRINGTON
COLEMAN
SLOMAN &
BLUMENTHAL L.L.P. 200 CRESCENT COURT • SUITE 1500 • DALLAS, TEXAS 75201 1848 • TEL 214.855.3000 • FAX 214.855.1333
ATTORNEYS AT LAW

February 17, 2003

DIANE M SUMOSKI
TEL: 214.855.3086
FAX: 214.758.3786
E-MAIL: DSUMOSKI@CCSB.COM

Via Telefax and Federal Express
Richard Kutchey, Esq.
Securities and Exchange Commission
450 Fifth Street, N.W., Room 7604
Washington, D.C. 20549

RE: Documents Produced to the SEC by Kenneth L. Lay on January 16, 2003
In the Matter of Enron Corp., H0-9350

Dear Mr. Kutchey:

You asked me to write to you to confirm the extent of the production on behalf of Mr. Lay in connection with the SEC's subpoena issued *In the Matter of Enron Corp.*, H0-9350 and dated January 2, 2002 ("the Subpoena").

As you know, another law firm representing Mr. Lay, Piper Rudnick, produced to the SEC documents as follows:

January 16, 2002
KLL-B-00001 through 00048
KLL-C-00001through 01354
KLL-D-(1)-1 through 317
KLLII-D-(3)-1 through 1447

January 22, 2002
KLL-A-00001 through 00346
KLL-B-00049 through 00051
KLL-D-(2)-00001 through 05187
KLL-D-(4)-00001 through 01408
KLL-E-00001 through 00569

February 21, 2002
KLL-10663 through KLL-11098

June 4, 2002
KLL 11099 through KLL 11120

Thereafter, on November 6, 2002, Phil Gross of your office sent a letter to Mr. Lay's attorney, Michael Ramsey, asking him to confirm in writing that all documents required to be produced pursuant to the Subpoena had been produced. As a result of that communication, Mr. Lay's attorneys revisited the documents that had been produced and withheld in the initial wave of production. By letter dated November 21, 2002, Mr. Ramsey sought clarification regarding the meaning of some of the requests in the Subpoena and raised other issues pertinent to the production. On December 10, 2002, Mr. Gross responded by letter to Mr. Ramsey providing some clarification and placed certain limitations on the scope of the documents being sought through the Subpoena. Thereafter, on December 20, 2002, Mr. Ramsey sent Mr. Gross another letter indicating that there were still a few questions about the scope of the production sought and setting forth an understanding of what was being sought by certain of the requests.

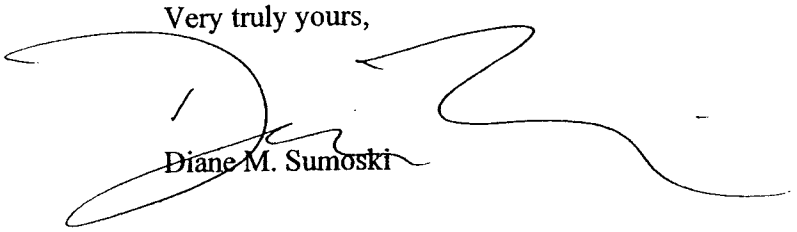
Thereafter, on January 16, 2003, documents were produced for your review and inspection. Subsequently, those documents were Bates numbered as LAY-SEC 000000001 - 23114 and sent to you on January 27, 2003. As I mentioned in a telephone conference we had on January 22, 2003, a few more bank statements for a personal account of Linda Lay were located after January 16, 2003. Thus, although we did not produce the statements on January 16th, they are included in the copy set that we have sent to you.

As you know, certain documents were withheld from the production based on the attorney/client privilege. I provided a log to you of those documents while you were at our offices on January 16. For your convenience, another copy of that log and the memorandum that accompanied it is attached. In addition, as you know, documents were withheld on the basis of Mr. Lay's rights under the Fifth Amendment of the United States Constitution and *United States v. Hubbell*, 530 U.S. 27 (2000).

Pursuant to the above-mentioned clarifications of the Subpoena, and our understanding of what the Subpoena requested, after a diligent and thorough search, we are not aware of any further documents within Mr. Lay's possession, custody, or control required to be produced pursuant to the Subpoena.

The documents produced, any copies provided to you, this letter and all other correspondence relating to the Subpoena are being provided pursuant to Mr. Lay's request that they not be disclosed under the Freedom of Information Act, 5 U.S.C. § 552, *et seq.* and as per Rule 83 of the Commissions' Rules on Information and Requests, 17 C.F.R. § 200.83. For your convenience, I enclose a copy of the request to the Commission's FOIA officer.

Very truly yours,



Diane M. Sumoski

/tm

Ex. L

Piper Rudnick

1200 Nineteenth Street, N.W.
Washington, D.C. 20036-2412
main 202.861.3900 *fax* 202.223.2085

EARL J. SILBERT
earl.silbert@piperrudnick.com
direct 202.861.6250

March 4, 2003

By Facsimile

Phil Gross, Esq.
United States Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0703

Re: In the Matter of Enron Corp. HO-9350

Dear Mr. Gross:

Michael Ramsey, Esq. has referred to me for response your letter to him dated February 27, 2003, a copy of which is attached for your convenience.

Your letter states that with respect to what you reference as the "Fifth Amendment Documents", the SEC "staff does not agree that those documents are properly withheld." Counsel for Mr. Kenneth L. Lay carefully considered the issue when these documents were initially withheld and have carefully reconsidered the issue in light of your letter. Our conclusion that they are properly withheld remains the same.

Your letter does not provide the basis for the staff's position. Briefly stated, our conclusion relies primarily on the decision of the Supreme Court in United States v. Hubbell, 530 U.S. 27 (2000), Supreme Court precedent on which it rests, and other federal case law. The act of production of the documents withheld would have the testimonial effect of Mr. Lay authenticating the documents and admitting that they are within his possession. Id. at 36-37. In addition, because the breadth of the subpoenas' specifications would require Mr. Lay to apply his mental processes in assembling his response, his act of production right applies to justify nondisclosure absent a grant of immunity. Id. at 42-43.

We respectfully submit that the Fifth Amendment on which Mr. Lay relies affords him the constitutional right, not merely the privilege, to withhold the documents in question.

Should you and your colleagues wish to discuss this issue further, we are certainly willing to do so.

With best wishes.

Sincerely,

Earl J. Silbert

Attachment
cc: Michael Ramsey, Esq.
Deborah Meshulam, Esq.

Ex. M

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made by and between **ENRON CORP.** ("Company") and **KENNETH L. LAY** ("Employee").

WITNESETH:

WHEREAS, Company presently employs Employee pursuant to an Employment Agreement made effective as of September 1, 1989, as the same has heretofore been amended from time to time (the "Prior Employment Agreement"); and

WHEREAS, Company is desirous of continuing to employ Employee in an executive capacity on the terms and conditions, and for the consideration, hereinafter set forth and Employee is desirous of continuing in the employ of Company on such terms and conditions and for such consideration;

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and obligations contained herein, Company and Employee agree as follows:

ARTICLE 1: EMPLOYMENT AND DUTIES

1.1 **Employment; Effective Date**. Company agrees to employ Employee and Employee agrees to be employed by Company, beginning as of December 9, 1996 (the "Effective Date"), and continuing for the period of time set forth in Article 2 of this Agreement, subject to the terms and conditions of this Agreement.

1.2 **Position**. During the term of employment under this Agreement, Company shall employ Employee in the position of Chairman and Chief Executive Officer of Company, or in such other executive positions as the parties mutually may agree.

1.3 **Duties and Services**. Employee agrees to serve in the position referred to in paragraph 1.2 and to perform diligently and to the best of his abilities the duties and services appertaining to such office as reasonably directed by Company. Employee's employment shall also be subject to the policies contained in Company's *Conduct of Business Affairs* booklet and other similar documents, all as amended from time to time.

1.4 **Other Interests**. Employee agrees, during the period of his employment by Company, to devote his full business time, energy and best efforts to the business and affairs of Company and its affiliates and not to engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee's performance of Employee's duties hereunder, is contrary to the interests of Company or any of its affiliates, or requires any significant portion of Employee's business time.

1.5 **Duty of Loyalty**. Employee acknowledges and agrees that Employee owes a fiduciary duty of loyalty, fidelity and allegiance to act at all times in the best interests of Company and to do no act which would injure the business, interests, or reputation of Company or any of its subsidiaries or affiliates. In keeping with these duties, Employee shall make full disclosure to Company of all business opportunities pertaining to Company's business and shall not appropriate for Employee's own benefit business opportunities concerning the subject matter of the fiduciary relationship.

1.6 **Conflicts of Interest**. It is agreed that any direct or indirect interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest might in any way adversely affect Company or any of its affiliates, involves a possible conflict of interest. In keeping with Employee's fiduciary duties to Company, Employee agrees that Employee shall not knowingly become involved in a conflict of interest with Company or any of its affiliates, or upon discovery thereof, allow such a conflict to continue. Moreover, Employee agrees that Employee shall disclose to Company's General Counsel any facts which might involve such a conflict of interest that has not been approved by Company's Board of Directors (the "Board of Directors"). Company and Employee recognize that it is impossible to provide an exhaustive list of actions or interests which constitute a "conflict of interest." Moreover, Company and Employee recognize there are many borderline situations. In some instances, full disclosure of facts by Employee to Company's General Counsel may be all that is necessary to enable Company or its affiliates to protect its interests. In others, if no improper motivation appears to exist and the interests of Company or its affiliates have not suffered, prompt elimination of the outside interest will suffice. In still others, it may be necessary for Company to terminate the employment relationship. Employee agrees that Company's determination as to whether a conflict of interest exists shall be conclusive. Company reserves the right to take such action as, in its judgment, will end the conflict.

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 **Term**. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Employee for the period (the "Term") beginning on the Effective Date and ending on December 31, 2001, and thereafter for such period, if any, as may be agreed upon in writing by Employee and Company.

2.2 **Company's Right to Terminate**. Notwithstanding the provisions of paragraph 2.1, Company shall have the right to terminate Employee's employment under this Agreement at any time prior to the expiration of the Term for any of the following reasons:

(i) upon Employee's death;

(ii) upon Employee becoming "Permanently Disabled," which, for purposes of this Agreement, shall mean Employee's becoming disabled so as to entitle him to benefits beyond 18 months of disability under Company's Long-Term Disability Plan;

(iii) for "Cause," which, for purposes of this Agreement, shall mean termination by action of the Board of Directors because of Employee's (A) conviction of a felony, (B)

willful refusal without proper legal cause to perform Employee's duties and responsibilities which remains uncorrected for seven days following written notice to Employee by Company of such breach, (C) willfully engaging in conduct that he knows or should know may be materially injurious to Company or any of its affiliates, (D) involvement in a conflict of interest as referenced in paragraph 1.6 for which Company makes a determination to terminate the employment of Employee which remains uncorrected for 30 days following written notice to Employee by Company of such breach, (E) material breach of any material provision of this Agreement or corporate code or policy which remains uncorrected for 30 days following written notice to Employee by Company of such breach, or (F) violation of the Foreign Corrupt Practices Act or other applicable United States law as proscribed by paragraph 6.2; or

(iv) for any other reason whatsoever, in the sole discretion of the Board of Directors.

2.3 **Employee's Right to Terminate**. Notwithstanding the provisions of paragraph 2.1, Employee shall have the right to terminate his employment under this Agreement at any time prior to the expiration of the Term for any of the following reasons:

(i) for "Good Reason," which for purposes of this Agreement shall mean termination by Employee within 60 days of and in connection with or based upon (A) a transfer or assignment from Employee's present position to a position which involves an overall substantial and material reduction in the nature or scope of Employee's duties and responsibilities, (B) a reduction in Employee's annual base salary as established pursuant to paragraph 3.1 (including subsequent increases) or the failure to continue Employee's participation in any incentive compensation or employee benefit plan or program (except a compensation or benefit plan or program that is substantially comparable to an existing compensation or benefit plan or program) in which Employee is participating or is eligible to participate prior to such reduction (other than as a result of the expiration of such plan or program), in each case other than as part of a general program to reduce compensation or employee benefits on a proportional basis relative to other employees of Company, (C) a permanent change and relocation of Employee from the city in which Employee was serving immediately prior to the time of such change to a place which is more than 50 miles away from such location, (D) a Change of Control (as such term is defined in paragraph 7.6 hereof), or (E) a material breach by Company of any material provision of this Agreement which remains uncorrected for 30 days following written notice of such breach by Employee to Company; or

(ii) for any other reason whatsoever, in the sole discretion of Employee.

2.4 **Notice of Termination; Delegation to Board of Directors**. If Company or Employee desires to terminate Employee's employment hereunder at any time prior to expiration of the Term pursuant to paragraph 2.2 or 2.3, respectively, it or he shall do so by giving written notice to the other party that it or he has elected to terminate Employee's employment hereunder and stating the effective date and reason for such termination; provided that no such action shall alter or amend

any other provisions hereof or rights arising hereunder; and, provided further, that Company shall consult in good faith with Employee and provide a reasonable opportunity for Employee to be heard prior to terminating Employee's employment hereunder for Cause. It is expressly acknowledged and agreed that the decision as to whether Cause exists for termination of the employment relationship by Company is delegated to the Board of Directors for determination. If Employee disagrees with the decision reached by the Board of Directors, then the dispute will be limited to whether the Board of Directors reached its decision in good faith.

ARTICLE 3: COMPENSATION

3.1 Base Salary. During the period beginning on the Effective Date and ending on December 31, 1996, Employee shall receive an annual base salary equal to $990,000. Thereafter, during the period of this Agreement, Employee shall receive a minimum annual base salary equal to $1,200,000. Employee's base salary shall be reviewed annually and may be increased annually and from time to time by the Board of Directors (or the Compensation Committee of such Board) in its sole discretion and, after any such change, Employee's new level of base salary shall be Employee's base salary for purposes of this Agreement until the effective date of any subsequent change. Employee's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives; provided, however, that Employee hereby irrevocably elects and agrees that any base salary payable to Employee pursuant to this paragraph 3.1 in excess of $1,000,000 during any taxable year of Company shall be deferred under Company's 1994 Deferral Plan. Any amounts deferred under Company's 1994 Deferral Plan pursuant to this paragraph 3.1 shall be subject to all of the terms and conditions of such plan, including, without limitation, the time of payment provisions thereof.

3.2 Incentive Compensation. While Employee is actively employed under this Agreement, Employee shall be entitled to participate in the long term and annual incentive plans under Company's Executive Compensation Program, as the same is currently or hereinafter maintained by Company for its executives. As of the Effective Date, such program includes the award of stock options, awards under Company's Performance Unit Plan, and bonus opportunities under Company's Annual Incentive Plan.

3.3 Other Employee Benefits. While employed by Company, Employee shall be allowed to participate, on the same basis generally as other employees of Company, in all general employee benefit plans and programs, including improvements or modifications of the same, which on the Effective Date or thereafter are made available by Company to Company's employees of Employee's office. Such benefits plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and pension plans. Nothing in this Agreement is to be construed or interpreted to provide greater rights, participation, coverage, or benefits under such benefit plans or programs than provided to similarly situated employees pursuant to the terms and conditions of such benefit plans and programs.

3.4 Changes Permitted. Company shall not by reason of paragraphs 3.2 and 3.3 be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any of such benefit plans or programs, so long as such actions are similarly applicable to covered employees

generally. Unless specifically provided for in a written plan document adopted by the Board of Directors, none of the benefits or arrangements described in this Article shall be secured or funded in any way, and each shall instead constitute an unfunded and unsecured promise to pay money in the future exclusively from the general assets of Company.

3.5 **Stock Option Grant Agreements**. Contemporaneously with the execution of this Agreement, Company shall issue to Employee a Stock Option Grant Agreement substantially in the form attached hereto as Exhibit A pursuant to which Employee shall be awarded as of the Effective Date an option under Company's 1991 Stock Plan (the "1991 Stock Plan") to purchase 637,500 shares of Company's common stock at a purchase price per share equal to the Fair Market Value (as such term is defined in the 1991 Stock Plan) of a share of such stock on the Effective Date. On January 3, 1997, Company shall issue to Employee a Stock Option Grant Agreement substantially in the form attached hereto as Exhibit A pursuant to which Employee shall be awarded on such date an option under the 1991 Stock Plan to purchase 637,500 shares of Company's common stock at a purchase price per share equal to the Fair Market Value (as such term is defined in the 1991 Stock Plan) of a share of such stock on such date.

3.6 **Split Dollar Agreement**. Contemporaneously with the execution of this Agreement, Company, Employee, and the KLL &.LPL Family Partnership, Ltd. shall execute and enter into the Split Dollar Agreement attached to this Agreement as Exhibit B.

ARTICLE 4: PROTECTION OF INFORMATION

4.1 **Disclosure to Employee**. Company shall disclose to Employee, or place Employee in a position to have access to or develop, trade secrets or confidential information of Company or its affiliates; and/or shall entrust Employee with business opportunities of Company or its affiliates; and/or shall place Employee in a position to develop business good will on behalf of Company or its affiliates.

4.2 **Disclosure to and Property of Company**. All information, ideas, concepts, improvements, discoveries, and inventions, whether patentable or not, which are conceived, made, developed, or acquired by Employee, individually or in conjunction with others, during Employee's employment by Company (whether during business hours or otherwise and whether on Company's premises or otherwise) which relate to Company's business, products, or services (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, and marks) shall be disclosed to Company and are and shall be the sole and exclusive property of Company. Moreover, all documents drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, E-mail, voice mail, electronic databases, maps and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, and inventions are and shall be the sole and exclusive property of Company. Upon termination of Employee's employment by Company, for any reason, Employee promptly shall deliver the same. and all copies thereof, to Company.

4.3 No Unauthorized Use or Disclosure. Employee will not, at any time during or after Employee's employment by Company, make any unauthorized disclosure of any confidential business information or trade secrets of Company or its affiliates, or make any use thereof, except in the carrying out of Employee's employment responsibilities hereunder. Affiliates of the Company shall be third party beneficiaries of Employee's obligations under this paragraph. As a result of Employee's employment by Company, Employee may also from time to time have access to, or knowledge of, confidential business information or trade secrets of third parties, such as customers, suppliers, partners, joint venturers, and the like, of Company and its affiliates. Employee also agrees to preserve and protect the confidentiality of such third party confidential information and trade secrets to the same extent, and on the same basis, as Company's confidential business information and trade secrets.

4.4 Ownership by Company. If, during Employee's employment by Company, Employee creates any work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as videotapes, written presentations, or acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to Company's business, products, or services, whether such work is created solely by Employee or jointly with others (whether during business hours or otherwise and whether on Company's premises or otherwise), Company shall be deemed the author of such work if the work is prepared by Employee in the scope of Employee's employment; or, if the work is not prepared by Employee within the scope of Employee's employment but is specially ordered by Company as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and Company shall be the author of the work. If such work is neither prepared by Employee within the scope of Employee's employment nor a work specially ordered that is deemed to be a work made for hire, then Employee hereby agrees to assign, and by these presents does assign, to Company all of Employee's worldwide right, title, and interest in and to such work and all rights of copyright therein.

4.5 Assistance by Employee. Both during the period of Employee's employment by Company and thereafter, Employee shall assist Company and its nominee, at any time, in the protection of Company's worldwide right, title, and interest in and to information, ideas, concepts, improvements, discoveries, and inventions, and its copyrighted works, including without limitation, the execution of all formal assignment documents requested by Company or its nominee and the execution of all lawful oaths and applications for applications for patents and registration of copyright in the United States and foreign countries.

4.6 Remedies. Employee acknowledges that money damages would not be sufficient remedy for any breach of this Article by Employee, and Company shall be entitled to enforce the provisions of this Article by specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article, but shall be in addition to all remedies available at law or in equity to Company, including the recovery of damages from Employee and his agents involved in such breach and remedies available to Company pursuant to other agreements with Employee.

ARTICLE 5: NON-COMPETITION OBLIGATIONS

5.1 **In General**. As part of the consideration for the compensation and benefits to be paid to Employee hereunder; to protect the trade secrets and confidential information of Company and its affiliates that have been and will in the future be disclosed or entrusted to Employee, the business good will of Company and its affiliates that has been and will in the future be developed in Employee, or the business opportunities that have been and will in the future be disclosed or entrusted to Employee by Company and its affiliates; and as an additional incentive for Company to enter into this Agreement, Company and Employee agree to the non-competition obligations hereunder: Employee will not, directly or indirectly for Employee or for others, in any geographic area or market where Company or any of its affiliates are conducting any business as of the date of termination of the employment relationship or have during the previous 12 months conducted such business:

(i) engage in any business similar or related to or competitive with the business conducted by Company or any of its affiliates as described under Company's "Business Unit Highlights" on page one of the Enron Corp. 1995 Annual Report to Shareholders and Customers (the "Core Business of Company");

(ii) render advice or services to, or otherwise assist, any other person, association, or entity who is engaged, directly or indirectly, in any business similar or related to or competitive with the Core Business of Company;

(iii) transact any business in any manner pertaining to suppliers or customers of Company or any of its affiliates which, in any manner, would have, or is likely to have, an adverse effect upon Company or any of its affiliates; or

(iv) induce any employee of Company or any of its affiliates to terminate his or her employment with Company or any of its affiliates, or hire or assist in the hiring of any such employee by any person, association, or entity not affiliated with Company.

These non-competition obligations shall extend until (A) the expiration of the Term if termination of the employment relationship is by Employee for Good Reason or by Company for any reason whatsoever other than death, Cause or Employee's becoming Permanently Disabled or (B) two years after termination of the employment relationship if such relationship is terminated for any reason not encompassed by clause (A) of this sentence. If Company abandons a particular aspect of the Core Business of Company, that is, ceases such aspect of its business with the intention to permanently refrain from such aspect of its business, then this post-employment non-competition covenant shall not apply to such former aspect of Company's business.

5.2 **Enforcement and Remedies**. Employee understands that the restrictions set forth in paragraph 5.1 may limit Employee's ability to engage in certain businesses anywhere in the world during the period provided for above, but acknowledges that Employee will receive sufficiently high remuneration and other benefits under this Agreement to justify such restriction. Employee acknowledges that money damages would not be sufficient remedy for any breach of this Article by

Employee, and Company shall be entitled to enforce the provisions of this Article by terminating any payments then owing to Employee under this Agreement and/or to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article, but shall be in addition to all remedies available at law or in equity to Company, including, without limitation, the recovery of damages from Employee and Employee's agents involved in such breach and remedies available to Company pursuant to other agreements with Employee.

5.3 **Reformation**. It is expressly understood and agreed that Company and Employee consider the restrictions contained in this Article to be reasonable and necessary to protect the proprietary information of Company. Nevertheless, if any of the aforesaid restrictions are found by a court having jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the parties intend for the restrictions therein set forth to be modified by such courts so as to be reasonable and enforceable and, as so modified by the court, to be fully enforced.

ARTICLE 6: STATEMENTS CONCERNING COMPANY; UNITED STATES FOREIGN CORRUPT PRACTICES ACT AND OTHER LAWS

6.1 **Statements Concerning Company**. Employee shall refrain, both during the employment relationship and after the employment relationship terminates, from publishing any oral or written statements about Company, any of its affiliates, or any of such entities' officers, employees, agents or representatives that are slanderous, libelous, or defamatory; or that disclose private or confidential information about Company, any of its affiliates, or any of such entities' business affairs, officers, employees, agents, or representatives; or that constitute an intrusion into the seclusion or private lives of Company, any of its affiliates, or any of such entities' officers, employees, agents, or representatives; or that give rise to unreasonable publicity about the private lives of Company, any of its affiliates, or any of such entities' officers, employees, agents, or representatives; or that place Company, any of its affiliates, or any of such entities' officers, employees, agents, or representatives in a false light before the public; or that constitute a misappropriation of the name or likeness of Company, any of its affiliates, or any of such entities' officers, employees, agents, or representatives. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded the Company and its affiliates under this provision are in addition to any and all rights and remedies otherwise afforded by law.

6.2 **United States Foreign Corrupt Practices Act and Other Laws**. Employee shall at all times comply with United States laws applicable to Employee's actions on behalf of Company, including specifically, without limitation, the United States Foreign Corrupt Practices Act, generally codified in 15 U.S.C. 78 (the "FCPA"), as the FCPA may hereafter be amended, and/or its successor statutes. If Employee pleads guilty to or nolo contendere or admits civil or criminal liability under the FCPA or other applicable United States law, or if a court finds that Employee has personal civil or criminal liability under the FCPA or other applicable United States law, or if a court finds that Employee committed an action resulting in Company or any of its affiliates having civil or criminal liability or responsibility under the FCPA or other applicable United States law with knowledge of the activities giving rise to such liability or knowledge of facts from which Employee should have

reasonably inferred the activities giving rise to liability had occurred or were likely to occur, such action or finding shall constitute "Cause" for termination under this Agreement unless the Board of Directors determines that the actions found to be in violation of the FCPA or other applicable United States law were taken in good faith and in compliance with all applicable policies of Company.

ARTICLE 7: EFFECT OF TERMINATION ON COMPENSATION

7.1 In General. If Employee's employment hereunder shall terminate upon expiration of the Term or if such employment shall be terminated by Employee or by Company prior to the expiration of the Term for any reason whatsoever, then, upon such termination, regardless of the reason therefor, all compensation and all benefits to Employee hereunder shall terminate contemporaneously with the termination of such employment, except that if Employee's employment is Involuntarily Terminated (as such term is defined in paragraph 7.6 hereof) prior to the expiration of the Term, then Employee shall be entitled to receive the following benefits although Employee's active employment shall cease:

(i) All payments of the annual base salary under paragraph 3.1 (in the amount in effect on the date Employee's employment is Involuntarily Terminated) and bonus payments under Company's Annual Incentive Plan (based upon Employee's most recent bonus payment amount received prior to the date Employee's employment is Involuntarily Terminated) at such time and in such manner as if Employee's employment had continued through the Term;

(ii) Employee may participate in the incentive compensation programs provided for in paragraph 3.2 (excluding Company's Annual Incentive Plan, which is covered in clause (i) above) as if Employee's employment had continued through the Term;

(iii) Employee shall be provided coverage for the remainder of the Term essentially equivalent to that under Company's Contributory and Non-Contributory Life Insurance, Health and long-term disability plans for active employees (using Employee's annual base salary pursuant to paragraph 3.1 as the compensation base where relevant); and

(iv) Employee or Employee's surviving spouse shall be provided additional pension payments in the amount that Employee or his surviving spouse would have received under Company's Retirement Plan, Supplemental Retirement Plan, and Pension Plan for Deferral Plan Participants had Employee's employment continued through the Term.

Company reserves the right to provide the benefits and payments referred to in paragraphs 7.1(ii), 7.1(iii), and 7.1(iv) by making substantially equivalent payments to or purchasing substantially equivalent benefits for Employee under arrangements other than the plans referred to in said paragraphs if, in Company's sole discretion, the tax or compliance status of such plans may otherwise be jeopardized. Such equivalent payments shall be a liability of Company, shall be paid exclusively from the general assets of Company, and shall be an unfunded and unsecured promise to pay money in the future, unless Company elects to otherwise fund or secure such payments.

7.2 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, in the event that any payment or distribution by Company to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Employee an additional payment (a "Gross-up Payment") in an amount such that after payment by Employee of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed on any Gross-up Payment, Employee retains an amount of the Gross-up Payment equal to the Excise Tax imposed upon the Payments. Company and Employee shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Employee shall notify Company immediately in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Employee) within five days of the receipt of such claim. Company shall notify Employee in writing at least five days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Employee shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Employee harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Employee receives a refund of any amount paid by Company with respect to such claim, Employee shall promptly pay such refund to Company. If Company fails to timely notify Employee whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Employee the portion of such claim, if any, which it has not previously paid to Employee.

7.3 Offset of Severance Benefits. Any amount payable to Employee pursuant to this Article shall be offset against any amounts to which Employee may otherwise be entitled under any and all severance plans and policies of Company or its affiliates presently in effect or which may be hereafter adopted or amended.

7.4 No Duty to Mitigate Losses. Employee shall have no duty to find new employment following the termination of his employment under circumstances which require Company to pay any amount to Employee pursuant to this Article. Any salary or remuneration received by Employee from a third party for the providing of personal services (whether by employment or by functioning as an independent contractor) following the termination of his employment under circumstances pursuant to which paragraphs 7.1 or 7.2 apply shall not reduce Company's obligation to make a payment to Employee (or the amount of such payment) pursuant to the terms of any such paragraph.

7.5 Incentive and Deferred Compensation. This Agreement governs the rights and obligations of Employee and Company with respect to Employee's base salary and certain perquisites of employment. Employee's rights and obligations both during the term of his employment and

thereafter with respect to stock options, restricted stock, performance units, life insurance policies insuring the life of Employee, and other benefits under the plans maintained by Company shall be governed by the separate agreements, plans and other documents and instruments governing such matters; provided, however, that upon Employee's termination of employment hereunder for any reason whatsoever, the benefits payable to Employee under Company's 1988 Deferral Plan and the HNG Deferral Plan shall be paid, when distributable to Employee in accordance with the provisions of said plans, as if Employee had retired from Company.

7.6 Certain Defined Terms. For purposes of this Agreement, the following terms shall have the meanings ascribed to them below:

(i) "Beneficial Owner" shall be defined by reference to Rule 13(d)-3 under the Securities Exchange Act of 1934, as in effect on September 1, 1989; provided, however, and without limitation, any individual, corporation, partnership, group, association or other person or entity which has the right to acquire any Voting Stock at any time in the future, whether such right is contingent or absolute, pursuant to any agreement, arrangement or understanding or upon exercise of conversion rights, warrants or options, or otherwise, shall be the Beneficial Owner of such Voting Stock.

(ii) "Change of Control" shall mean (A) Company merges or consolidates with any other corporation (other than one of Company's wholly owned subsidiaries) and is not the surviving corporation (or survives only as the subsidiary of another corporation), (B) Company sells all or substantially all of its assets to any other person or entity, (C) Company is dissolved, (D) any third person or entity (other than the trustee or committee of any qualified employee benefit plan of Company) together with its affiliates and associates shall become, directly or indirectly, the Beneficial Owner of at least 30% of the Voting Stock of Company, or (E) the individuals who constitute the members of the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director whose election or nomination for election by Company stockholders was approved by a vote of at least 80% of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this clause (E), considered as though such person were a member of the Incumbent Board.

(iii) "Involuntarily Terminated" shall mean termination of Employee's employment with Company (A) by Company for any reason whatsoever except for Cause or upon Employee's death or becoming Permanently Disabled or (B) by Employee for Good Reason.

(iv) "Voting Stock" shall mean all outstanding shares of capital stock of Company entitled to vote generally in elections for directors, considered as one class; provided, however, that if Company has shares of Voting Stock entitled to more or less than one vote for any such share, such reference to a proportion of shares of Voting Stock shall be deemed to refer to such proportion of the votes entitled to be cast by such shares.

7.7 **Liquidated Damages**. In light of the difficulties in estimating the damages for an early termination of this Agreement, Company and Employee hereby agree that the payments, if any, to be received by Employee pursuant to paragraph 7.1 or paragraph 7.2 shall be received by Employee as liquidated damages.

ARTICLE 8: MISCELLANEOUS

8.1 **Notices**. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Company to : Enron Corp.
1400 Smith Street
Houston, Texas 77002
Attention: Corporate Secretary

If to Employee to : Mr. Kenneth L. Lay
2121 Kirby Drive, #137
Houston, Texas 77019

or to such other address as either party may furnish to the other in writing in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

8.2 **Applicable Law**. This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Texas, excluding any conflict-of-law rule or principle that might refer the construction of this Agreement to the laws of another State or country. The parties agree that this Agreement is to be at least partially performed in Houston, Harris County, Texas.

8.3 **No Waiver**. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8.4 **Severability**. It is a desire and intent of the parties that the terms, provisions, covenants and remedies contained in this Agreement shall be enforceable to the fullest extent permitted by law. If any such term, provision, covenant, or remedy of this Agreement or the application thereof to any person, association, or entity or circumstances shall, to any extent, be construed to be invalid or unenforceable in whole or in part, then such term, provision, covenant, or remedy shall be construed in a manner so as to permit its enforceability under the applicable law to the fullest extent permitted by law. In any case, the remaining provisions of this Agreement or the application thereof to any person, association, or entity or circumstances other than those to which they have been held invalid or unenforceable, shall remain in full force and effect.

8.5 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

8.6 **Withholding of Taxes and Other Employee Deductions.** Company may withhold from any benefits and payments made pursuant to this Agreement all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other normal employee deductions made with respect to Company's employees generally.

8.7 **Headings.** The paragraph headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

8.8 **Gender and Plurals.** Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

8.9 **Affiliate.** As used in this Agreement, the term "affiliate" shall mean any entity which owns or controls, is owned or controlled by, or is under common ownership or control with, Company.

8.10 **Cooperation by Employee.** Employee shall cooperate with Company by furnishing any and all information requested by Company, taking such physical examinations as Company may deem necessary, and taking such other relevant action as may be requested by Company in order to facilitate the acquisition and maintenance of the life insurance policy on the life of Employee that is subject to the Split Dollar Agreement referenced in paragraph 3.6.

8.11 **Assignment.** This Agreement shall be binding upon and inure to the benefit of Company and any successor of Company, by merger or otherwise. Except as provided in the preceding sentence, this Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit, or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party.

8.12 **Term.** This Agreement has a term co-extensive with the Term as provided in paragraph 2.1. Termination shall not affect any right or obligation of any party which is accrued or vested prior to such termination. Without limiting the scope of the preceding sentence, the provisions of Articles 4, 5, and 6 shall survive any termination of the employment relationship and/or of this Agreement.

8.13 **Entire Agreement.** Except as provided in (i) written company policies promulgated by Company dealing with issues such as securities trading, business ethics, governmental affairs and political contributions, consulting fees, commissions or other payments, compliance with law, investments and outside business interests as officers and employees, reporting responsibilities, administrative compliance, and the like, (ii) the written benefits, plans, and programs referenced in paragraphs 3.2 and 3.3, and (iii) any signed written agreements contemporaneously or hereafter executed by Company and Employee (including, but not limited to, the Split Dollar Agreement and

the Stock Option Grant Agreements referenced in Article 3), this Agreement constitutes the entire agreement of the parties with regard to such subject matters, and contains all of the covenants, promises, representations, warranties, and agreements between the parties with respect to Employee's employment relationship with Employer and the term and termination of such relationship, and replaces and merges previous agreements and discussions pertaining to the employment relationship between Employer and Employee. Specifically, but not by way of limitation, the Prior Employment Agreement is hereby canceled and Employee hereby irrevocably waives and renounces all of Employee's rights and claims under the Prior Employment Agreement. Notwithstanding the preceding provisions of this paragraph 8.13, except as provided in paragraph 8.14, the execution of this Agreement shall not affect the rights of the parties pursuant to (A) the stock options and restricted stock previously awarded to Employee and currently outstanding under any and all stock plans maintained by Company, (B) the previous awards to Employee that are currently outstanding under Company's Performance Unit Plan, (C) that certain Split Dollar Life Insurance Agreement and related Collateral Agreement between Company and the KLL & LPL Family Partnership, Ltd. dated as of April 22, 1994, (D) that certain Loan Commitment Agreement between Company and Employee made effective as of September 1, 1989, as amended from time to time by amendments to the Prior Employment Agreement (the "Loan Commitment Agreement"), and (E) Section 2 of the Houston Natural Gas Corporation and Subsidiaries Executive Supplemental Benefit Agreement between Employee and Houston Natural Gas Corporation dated November 12, 1984 (the "HNG ESBA"). Further, the execution of this Agreement shall not affect Employee's previous waiver, renouncement, and forfeiture of any and all of his rights to benefits under the Enron Executive Supplemental Survivor Benefits Plan, the Houston Natural Gas Corporation and Subsidiaries Executive Post-Retirement Salary Continuation Agreement between Employee and Houston Natural Gas Corporation dated July 1, 1985, and the HNG ESBA (excluding all rights as described under the terms and provisions of Section 2 of the HNG ESBA). Each party to this Agreement acknowledges that no representation, inducement, promise or agreement, oral or written, has been made by either party, or by anyone acting on behalf of either party, which is not embodied herein, and that no agreement, statement, or promise relating to the employment of Employee by Company, which is not contained in this Agreement, shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing and signed by the party to be charged.

8.14 **Amendment to Loan Commitment Agreement**. Effective as of the Effective Date, the Loan Commitment Agreement shall be and is hereby amended as follows: (i) the date "December 31, 2001" shall be substituted for the date "August 31, 1994" in each place such latter date appears in Sections 1.01 and 2.04 of the Loan Commitment Agreement; (ii) the date "January 1, 2001" shall be substituted for the dates "February 8, 1999," and "January 1, 1994" in each place such latter dates appear in Sections 2.01 and 2.03 of the Loan Commitment Agreement; and (iii) all references to the Prior Employment Agreement in the Loan Commitment Agreement shall be deleted and references to this Agreement shall be substituted therefor.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the 18th day of December, 1996, to be effective as of the Effective Date.

ENRON CORP.

By: Charles A. LeMaistre
Name: Charles A. LeMaistre
Title: Chairman, Compensation Committee of Board of Directors

"COMPANY"

KENNETH L. LAY

"EMPLOYEE"

VEHOU02:55816.1
12/13/96

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This Agreement, made and entered into on this 7th day of February 2000 and made effective as of February 7, 2000 by and between **Enron Corp.**, (Company") and **Kenneth L. Lay** ("Employee"), is an amendment to that certain Employment Agreement between the parties entered into and made effective on December 9. 1996 (the "Employment Agreement").

WHEREAS, the parties desire to amend the Employment Agreement as provided herein;

NOW, THEREFORE, for and in consideration of the covenants contained herein, and for other good and valuable considerations, the parties agree as follows:

1. Article 2, paragraph 2.1 shall be deleted in its entirety and the following inserted in its place:

"2.1 **TERM**. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Employee for the period (the "Term") beginning on the Effective Date and ending on December 31, 2003, and thereafter for such period, if any, as may be agreed upon in writing by Employee and Company."

2. Article 2 is hereby amended by adding the following paragraph 2.5:

> "2.5 Should Employee remain employed by Company beyond the expiration of the Term, such employment shall convert to a month-to-month relationship terminable at any time by either Company or Employee for any reason whatsoever, with or without cause. Upon such termination of the employment relationship by either Company or Employee for any reason whatsoever, Employee shall be entitled to pro rata salary through the date of such termination, but Employee shall not be entitled to any individual bonuses or individual incentive compensation not yet paid at the date of such termination and all other future compensation to which Employee is entitled and all future benefits for which Employee is eligible shall cease and terminate."

3. Article 3, Section 3.1 is hereby amended in its entirety and the following is inserted in its place:

> "**3.1 Base Salary**. During the period beginning on the Effective Date and ending on December 31, 1996, Employee shall receive an annual base salary equal to $990,000 which increased to 1.2 million dollars on May 1, 1997 and then increased to 1.3 million dollars on May 1, 1998. Thereafter, during the period of this

Agreement, Employee shall receive a minimum annual base salary equal to $1,300,000. Employee's base salary shall be reviewed annually and may be increased annually and from time to time by the Board of Directors (or the Compensation and Management Development Committee of such Board) in its sole discretion and, after any such change, Employee's new level of base salary shall be Employee's base salary for purposes of this Agreement until the effective date of any subsequent change. Employee's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives; provided, however, that Employee hereby irrevocable elects and agrees that any base salary payable to Employee pursuant to this paragraph 3.1 in excess of $1,000,000 during any taxable year of Company shall be deferred under Company's 1994 Deferral Plan. Any amounts deferred under Company's 1994 Deferral Plan pursuant to this paragraph 3.1 shall be subject to all of the terms and conditions of such plan, including, without limitation, the time of payment provisions thereof."

4. Article 5, paragraph 5.1 is hereby deleted and the following inserted in its place:

"5.1 As part of the consideration for the compensation and benefits to be paid to Employee hereunder, in keeping with Employee's duties as a fiduciary and in order to protect Company's interests in the confidential information of Company and the business relationships developed by Employee with the clients and potential clients of Company, and as an additional incentive for Company to enter into this Agreement, Company and Employee agree to the non-competition provisions of this Article 5. Employee agrees that during the period of Employee's non-competition obligations hereunder, Employee will not, directly or indirectly for Employee or for others, in any geographic area or market where Company or any of its affiliated companies are conducting any business as of the date of termination of the employment relationship or have during the previous twelve months conducted any business:

(i) engage in any business competitive with the business conducted by Company;

(ii) render advice or services to, or otherwise assist, any other person, association, or entity who is engaged, directly or indirectly, in any business competitive with the business conducted by Company; or

(iii) induce any employee of Company or any of its affiliates to terminate his or her employment with Company or its affiliates, or hire or assist in the hiring of any such employee by person, association, or entity not affiliated with Enron.

These non-competition obligations shall extend until the latter of (a) expiration of the Term or (b) one year after termination of the employment relationship."

5. Article 7, paragraph 7.1(i) is hereby deleted in its entirety and the following inserted in its place:

"(i) Employee shall receive a lump sum payment for each full calendar year of the remaining Term of this Agreement equal to the total of Employee's 2000 annual base salary of $1,300,000, Employee's 1999 bonus payable in 2000 of $3,900,000 and the 2000 long-term grant value of $15,000,000."

6. Article 7, paragraph 7.2 is hereby deleted in its entirety and the following inserted in its place:

"7.2 **Certain Additional Payments by Company**. Notwithstanding anything to the contrary in this Agreement, in the event that any payment, distribution, or other benefit provided by Company to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Employee an additional payment (a "Gross-up Payment") in an amount such that after payment by Employee of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed on any Gross-up Payment, Employee retains an amount of the Gross-up Payment equal to the Excise Tax imposed upon the Payments. Company and Employee shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Employee shall notify Company immediately in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Employee) within five days of the receipt of such claim. Company shall notify Employee in writing at least five days

prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Employee shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Employee harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Employee receives a refund of any amount paid by Company with respect to such claim, Employee shall promptly pay such refund to Company. If Company fails to timely notify Employee whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Employee the portion of such claim, if any, which it has not previously paid to Employee."

7. Article 7, paragraph 7.6(iii) is hereby deleted in its entirety and the following inserted in its place:

"(iii) "Involuntarily Terminated" shall mean termination of Employee's employment with Company (A) by Company for any reason whatsoever except for Cause or (B) by Employee for Good Reason."

8. Article 8 is hereby amended by adding the following paragraph:

"8.15 If a dispute arises out of or related to this Agreement and the dispute cannot be settled through direct discussions, Company and Employee agree that, except for disputes arising out of a breach or alleged breach of Articles 4 and 5, they shall to first endeavor to settle the dispute in an amicable fashion, including the use of a mediator. If such efforts fail to resolve the dispute, the dispute, and any dispute arising under Articles 4 and 5, shall be resolved as follows:

(a) Except as provided in Subsection (b), any and all claims, demands, cause of action, disputes, controversies, and other matters in questions arising out of or relating to this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement, involving Company, Enron, Employee, and/or their respective representatives, even through some or all of such claims allegedly are extra-contractual in nature, whether such claims sound in contract, tort, or otherwise, at law or in equity, under state or

federal law, whether provided by statute or the common law, for damages or any other relief, including all aspects of any disputes arising out of Articles 4 or 5 [excepting only temporary or preliminary injunctive relief as specified in subsection (b) hereof] shall be resolved by binding arbitration pursuant to the Federal Arbitration Act in accordance with the Commercial Arbitration Rules then in effect with the American Arbitration Association. The arbitration proceeding shall be conducted in Houston, Texas. The arbitration may be initiated by either party by the providing to the other a written notice of arbitration specifying the claims. Within thirty (30) days of the notice of initiation of the arbitration procedure, each party shall denominate one arbitrator. The two arbitrators shall select a third arbitrator failing agreement on which within thirty (30) days of the original notice, the parties (or either of them) shall apply to the Senior Active United States District Judge for the Southern District of Texas, who shall appoint a third arbitrator. The three arbitrators, utilizing the Commercial Arbitration Rules of the American Arbitration Association, shall by majority vote within 120 days of the selection of the third arbitrator, resolve all disputes between the parties. There shall be no transcript of the hearing before the arbitrators. The arbitrators' decision shall be in writing, but shall be as brief as possible. The arbitrators shall not assign the reasons for their decision. The arbitrators' decision shall be final and non-appealable to the maximum extent permitted by law. Judgment upon any award rendered in any such arbitration proceeding may be entered by any federal or state court having jurisdiction. This agreement to arbitrate shall be enforceable in either federal or state court. The enforcement of this agreement to arbitrate and all procedural aspects of this agreement to arbitrate, including but not limited to, the construction and interpretation of this agreement to arbitrate, the issues subject to arbitration (*i.e.*, arbitrability), the scope of the arbitrable issues, allegations of waiver, delay or defenses to arbitrability, and the rules governing the conduct of the arbitration, shall be governed by and construed pursuant to the Federal Arbitration Act and shall be decided by the arbitrators. In deciding the substance of any such claims, the arbitrators shall apply the substantive laws of the State of Texas (excluding Texas choice-of-law principles that might call for the application of some other State's law); provided, however, it is expressly agreed that the arbitrators shall have no authority to award treble, exemplary, or punitive damages under any circumstances regardless of whether such damages may be available under Texas law, the parties hereby waiving their right, if any, to recover treble, exemplary, or punitive damages in connection with any such claims. Even though

cessation of employment under this Agreement may affect Employee's rights under the Stock Option Grant Agreements or the Split Dollar Agreement referenced in paragraphs 3.5 and 3.6 and/or the Company's 1991 Stock Plan (the "1991 Stock Plan"), this agreement to arbitrate is not applicable to disputes between or among Company and Employee based upon or arising out of the Stock Option Grant Agreements or the Split Dollar Agreement referenced in paragraphs 3.5 and 3.6 the 1991 Stock Plan, or any other agreement, benefit plan, or program heretofore or hereafter entered into between Employee and Company, or its affiliates.

(b) Notwithstanding the agreement to arbitrate contained in Subsection 8.15(a), in the event that either party wishes to seek a temporary restraining order or a preliminary or temporary injunction to maintain the status quo pending the Arbitrator's award, each party shall have the right to pursue such temporary injunctive relief in court. The parties agree that such action for a temporary restraining order or a preliminary or temporary injunction may be brought in the State or federal courts residing in Houston, Harris County, Texas, or in any other forum in which jurisdiction is appropriate, and each of Company and Employee hereby irrevocably appoints the Secretary of State for the State of Texas as an agent for receipt of service of process in connection with such litigation."

This Agreement is the First Amendment to the Employment Agreement, and the parties agree that all other terms, conditions and stipulations contained in the Employment Agreement shall remain in full force and effect and without any change or modification, except as provided herein.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

KENNETH L. LAY

Date: 2/7/00

ENRON CORP.

Name: Charles A. LeMaistre
Title: Chair, Compensation + Management Development Committee
Date: 2/7/00

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SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Agreement, made and entered into on this 23 day of January, 2000 and made effective as of February 1, 2001, by and between **Enron Corp.**, (Company") and [redacted] ("Employee"), is an amendment to that certain Employment Agreement between the parties entered into and made effective on December 9, 1996 (the "Employment Agreement").

WHEREAS, the parties desire to amend the Employment Agreement as provided herein;

NOW, THEREFORE, for and in consideration of the covenants contained herein, and for other good and valuable considerations, the parties agree as follows:

1. Article 3, Section 3.1 is hereby amended in its entirety and the following is inserted in its place:

> "3.1 **Base Salary**. During the period beginning on the Effective Date and ending on December 31, 1996, Employee shall receive an annual base salary equal to $990,000, which increased to 1.2 million dollars on May 1, 1997 and then increased to 1.3 million dollars on May 1, 1998 through January 31, 2001. Thereafter, during the period of this Agreement, Employee shall receive a minimum annual base salary equal to $975,000. Employee's base salary shall be reviewed annually and may be increased annually and from time to time by the Board of Directors (or the Compensation and Management Development Committee of such Board) in its sole discretion and, after any such change, Employee's new level of base salary shall be Employee's base salary for purposes of this Agreement until the effective date of any subsequent change. Employee's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives; provided, however, that Employee hereby irrevocable elects and agrees that any base salary payable to Employee pursuant to this paragraph 3.1 in excess of $1,000,000 during any taxable year of Company shall be deferred under Company's 1994 Deferral Plan. Any amounts deferred under Company's 1994 Deferral Plan pursuant to this paragraph 3.1 shall be subject to all of the terms and conditions of such plan, including, without limitation, the time of payment provisions thereof."

This Agreement is the Second Amendment to the Employment Agreement, and the parties agree that all other terms, conditions and stipulations contained in the Employment Agreement shall remain in full force and effect and without any change or modification, except as provided herein.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

KENNETH L. LAY

Date: 1/23/01

ENRON CORP.

Name: Charles A. LeMaistre
Title: Chairman, Compensation Committee
Date: 1/22/01

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Ex. N

Code of Ethics

July, 2000

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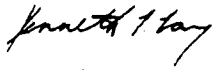
Foreword

As officers and employees of Enron Corp., its subsidiaries, and its affiliated companies, we are responsible for conducting the business affairs of the companies in accordance with all applicable laws and in a moral and honest manner.

To be sure that we understand what is expected of us, Enron has adopted certain policies, with the approval of the Board of Directors, which are set forth in this booklet. I ask that you read them carefully and completely and that, as you do, you reflect on your past actions to make certain that you have complied with the policies. It is absolutely essential that you fully comply with these policies in the future. If you have any questions, talk them over with your supervisor, manager, or Enron legal counsel.

We want to be proud of Enron and to know that it enjoys a reputation for fairness and honesty and that it is respected. Gaining such respect is one aim of our advertising and public relations activities, but no matter how effective they may be, Enron's reputation finally depends on its people, on you and me. Let's keep that reputation high.

July 1, 2000



Kenneth L. Lay
Chairman and Chief
Executive Officer

How to Use this Booklet

Enron has long had a set of written policies dealing with rules of conduct to be used in conducting the business affairs of Enron Corp., its subsidiaries, and its affiliated companies (collectively the "Company"). It is very important that you understand the scope of those policies and learn the details of every one that relates to your job.

In order to do this, please take the following steps:

1. Carefully read the summaries of each of the Enron policies in this booklet;

2. If you have a concern or question, talk it over with your supervisor, manager, or Enron legal counsel; and/or

3. Report your concerns or possible violations to the Enron Corp. Compliance Officer as described in the section on Responsibility for Reporting at page 60 of this booklet.

Enclosed with this booklet is a Certificate of Compliance to be signed by you as a statement of your personal agreement to comply with the policies stated herein during the term of your employment with the Company. Please carefully review this booklet, then sign and return the Certificate of Compliance to Elaine V. Overturf, Deputy Corporate Secretary and Director of Stockholder Relations, Enron Corp.

These policies are not an employment contract. The Company does not create any contractual rights by issuing these policies.

The Company reserves the right to amend, alter, and terminate policies at any time.

Principles of Human Rights

As a partner in the communities in which we operate, Enron believes it has a responsibility to conduct itself according to certain basic tenets of human behavior that transcend industries, cultures, economics, and local, regional and national boundaries.

And because we take this responsibility as an international employer and global corporate citizen seriously, we have developed the following principles on human rights.

Enron's Vision and Values are the platform upon which our human rights principles are built.

Vision
Enron's vision is to become the world's leading energy company - creating innovative and efficient energy solutions for growing economies and a better environment worldwide.

Values
Respect
We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment. Ruthlessness, callousness and arrogance don't belong here.

Integrity
We work with customers and prospects openly, honestly and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won't do it.

Communication
We have an obligation to communicate. Here, we take the time to talk with one another ... and to listen. We believe that information is meant to move and that information moves people.

Excellence
We are satisfied with nothing less than the very best in everything we do. We will continue to raise the bar for everyone. The great fun here will be for all of us to discover just how good we can really be.

- Enron stands on the foundation of its Vision and Values. Every employee is educated about the Company's Vision and Values and is expected to conduct business with other employees, partners, contractors, suppliers, vendors and customers keeping in mind respect, integrity, communication and excellence. Everything we do evolves from Enron's Vision and Values statements.

- At Enron, we treat others as we expect to be treated ourselves. We believe in respect for the rights of all individuals and are committed to promoting an environment characterized by dignity and mutual respect for employees, customers, contractors, suppliers, partners, community members and representatives of all levels of Government.

- We do not and will not tolerate human rights abuses of any kind by our employees or contractors.

- We believe in treating all employees fairly, regardless of gender, race, color, language, religion, age, ethnic background, political or other opinion, national origin, or physical limitation.

- We are dedicated to conducting business according to all applicable local and international laws and regulations, including, but not limited to, the U.S. Foreign Corrupt Practices Act, and with the highest professional and ethical standards.

- We are committed to operating safely and conducting business worldwide in compliance with all applicable environmental, health, and safety laws and regulations and strive to improve the lives of the people in the regions in which we operate. These laws, regulations, and standards are designed to safeguard the environment, human health, wildlife, and natural resources. Our commitment to observe them faithfully is an integral part of our business and of our values.

- We believe that playing an active role in every community in which we operate fosters a long-term partnership with the people with whom we come into daily contact. Strengthening the communities

where our employees live and work is a priority. We focus community relations activities on several areas, with particular emphasis on education, the environment, and promoting healthy families.

- We believe in offering our employees fair compensation through wages and other benefits.
- We believe that our employees and the employees of our contractors working in our facilities should have safe and healthy working conditions.

Education/Communication

Because we take these principles seriously, we should act decisively to ensure that all those with whom we do business understand our policies and standards.

Providing clearly written guidelines reinforces our principles and business ethics. Enron employees at all levels are expected to be active proponents of our principles and to report without retribution anything they observe or discover that indicates our standards are not being met.

Compliance with the law and ethical standards are conditions of employment, and violations will result in disciplinary action, which may include termination. New employees are asked to sign a statement, and employees are periodically asked to reaffirm their commitment to these principles.

Furthermore, Enron's contractors, suppliers, and vendors should be expected to uphold the same respect for human rights that we require of ourselves, and we should seek to include appropriate provisions in every new contract entered with these parties. When we are joint venture partners with other companies, we will work to gain board approval for similar measures in joint venture contracts with contractors, suppliers and vendors.

Securities Trades By Company Personnel

No director, officer, or employee of Enron Corp. or its subsidiaries or its affiliated companies (collectively referred to herein as "Company") shall, directly or indirectly, trade in the securities of Enron Corp., Northern Border Partners, L.P., EOTT Energy Partners, L.P., or any other Enron Corp. subsidiary or affiliated company with publicly-traded securities, or any other publicly-held company while in the possession of material non-public information relating to or affecting any such company, disclose such information to others who may trade, or recommend the purchase or sale of securities of a company to which such information relates. Advice should be sought in respect of equivalent requirements under other applicable jurisdictions.

The Need For A Policy Statement

The Securities and Exchange Commission ("SEC") and the Justice Department actively pursue violations of insider trading laws. Historically, their efforts were concentrated on individuals directly involved in trading abuses. In 1988, to further deter insider trading violations, Congress expanded the authority of the SEC and the Justice Department, adopting the Insider Trading and Securities Fraud Enforcement Act (the "Act"). In addition to increasing the penalties for insider trading, the Act puts the onus on companies and possibly other "controlling persons" for violations by company personnel.

Although the Act is aimed primarily at the securities industry, application of the laws may be made to companies in other industries. Many experts have concluded that if companies like Enron Corp. do not take active steps to adopt preventive policies and procedures covering securities trades by Company personnel, the consequences could be severe.

In addition to responding to the Act, we are adopting this Policy Statement to avoid even the appearance of improper conduct on the part of anyone employed by or associated with the Company (not just so-called insiders). We have all worked hard over the years to establish our reputation for integrity and ethical conduct. We cannot afford to have it damaged.

The Consequences

This policy applies to all employees of the Company. It is intended to provide guidance to employees with respect to existing legal restrictions. It is not intended to result in the imposition of liability on employees that would not exist in the absence of such policy. Any breach of this policy, however, may subject employees to criminal penalties.

The consequences of insider trading violations can be staggering:

For individuals who trade on inside information (or tip information to others):

- A civil penalty of up to three times the profit gained or loss avoided;
- A criminal fine (no matter how small the profit) of up to $1 million; and
- A jail term of up to ten years.

For a company (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading:

- A civil penalty of the greater of $1 million or three times the profit gained or loss avoided as a result of the employee's violation; and
- A criminal penalty of up to $2.5 million.

Moreover, if an employee violates the Company's insider trading policy, the Company may impose sanctions against such individual, including dismissing him or her for cause.

Our Policy

If a director, officer, or any employee of the Company (as defined herein) has material non-public information relating to Enron Corp., Northern Border Partners, L.P., EOTT Energy Partners, L.P., or any other Enron Corp. subsidiary or affiliated company with publicly-traded securities, it is the Company's policy that neither that person nor any related person may buy or sell securities of Enron Corp., Northern Border Partners, L.P., EOTT Energy Partners, L.P., or other Enron Corp. subsidiary or affiliated company with publicly traded securities, or engage in any other action to take advantage of, or pass on to others, that information. This policy also applies to material non-public information relating to any other company, including our customers or suppliers, obtained in the course of employment.

A transaction that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) does not constitute an exception. Even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

Material Information. Material information is any information that a reasonable investor would consider important in a decision to buy, hold, or sell stock: in short, any information which could reasonably be expected to affect the price of the stock. If you are considering buying or selling a security because of information you possess, you should assume such information is material.

Examples. Common examples of information that will frequently be regarded as material are: projections of future earnings or losses; news of a pending or proposed merger, acquisition, or tender offer; news of a significant sale of assets or the disposition of a subsidiary; changes in dividend policies or the declaration of a stock split or the offering of additional securities; changes in management; significant new products or discoveries; impending bankruptcy or financial liquidity problems; and the gain or loss of a substantial customer or supplier. Either positive or negative information may be material. The foregoing list is by no means exclusive.

Twenty-Twenty Hindsight. If your securities transactions become the subject of scrutiny, they will be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in any transaction you should carefully consider how regulators and others might view your transaction in hindsight.

Transactions By Family Members. The very same restrictions apply to your family members and others living in your household. Employees are expected to be responsible for the compliance of their immediate family and personal household.

Tipping Information To Others. Whether the information is proprietary information about the Company or information that could have an impact on our stock prices, employees must not pass material non-public information on to others; this is called tipping. The above penalties may apply, whether or not you derive any direct benefit from another's actions.

When Information Is Public. Information is "non-public" until it has been disseminated in a manner making it available to investors generally. This is typically satisfied by distribution of such information by means of a press release. However, even after such information is released to the press, you should wait a period of time (at least one business day and often two or three business days) before trading or disclosing such information to others. Again, it is a good idea to exercise caution and wait a longer period of time following the release of material information than you might first consider warranted.

Company Assistance

No set of specific rules will be adequate in every circumstance. Any person who has any questions about specific transactions may obtain additional guidance from Elaine Overturf, Deputy Corporate Secretary and Director of Stockholder Relations, at (713) 853-6062, who will consult with Company counsel as appropriate. Remember, however, that the ultimate responsibility for adhering to the Policy Statement and avoiding improper transactions rests with you. In this regard, it is imperative that you act in good faith and use your best judgment.

Business Ethics

Employees of Enron Corp., its subsidiaries, and its affiliated companies (collectively the "Company") are charged with conducting their business affairs in accordance with the highest ethical standards. An employee shall not conduct himself or herself in a manner which directly or indirectly would be detrimental to the best interests of the Company or in a manner which would bring to the employee financial gain separately derived as a direct consequence of his or her employment with the Company. Moral as well as legal obligations will be fulfilled openly, promptly, and in a manner which will reflect pride on the Company's name.

Products and services of the Company will be of the highest quality and as represented. Advertising and promotion will be truthful, not exaggerated or misleading.

Agreements, whether contractual or verbal, will be honored. No bribes, bonuses, kickbacks, lavish entertainment, or gifts will be given or received in exchange for special position, price, or privilege.

Employees will maintain the confidentiality of the Company's sensitive or proprietary information and will not use such information for their personal benefit.

Employees shall refrain, both during and after their employment, from publishing any oral or written statements about the Company or any of its' officers, employees, agents, or representatives that are slanderous, libelous, or defamatory; or that disclose private or confidential information about their business affairs; or that constitute an intrusion into their seclusion or private lives; or that give rise to unreasonable publicity about their private lives; or that place them in a false light before the public; or that constitute a misappropriation of their name or likeness.

Relations with the Company's many publics – customers, stockholders, governments, employees, suppliers, press, and bankers – will be conducted in honesty, candor, and fairness.

It is Enron's policy that each "contract" must be reviewed by one of our attorneys prior to its being submitted to the other parties to such "contract" and that it must be initialed by one of our attorneys prior to being signed. By "contract" we mean each contract, agreement, bid, term sheet, letter of intent, memorandum of understanding, amendment, modification, supplement, fax telex, and other document or arrangement that could reasonably be expected to impose an obligation on any Enron entity. (Certain Enron entities utilize standard forms that have been pre-approved by the legal department to conduct routine activities; so long as no material changes are made to these pre-approved forms, it is not necessary to seek legal review or initialing prior to their being signed.) Please Bear in mind that your conduct and/or your conversations may have, under certain circumstances, the unintended effect of creating an enforceable obligation; Consult with the legal department with respect to any questions you may have in this regard.

Additionally, it is Enron's policy that the selection and retention of outside legal counsel be conducted exclusively by the legal department. (Within the legal department, the selection and retention of counsel is coordinated and approved by James V. Derrick Jr., Enron's Executive Vice President and General Counsel.) In the absence of this policy, it would not be possible for our legal department to discharge its obligation to manage properly our relationships with outside counsel.

Employees will comply with the executive stock ownership requirements set forth by the Board of Directors of Enron Corp., if applicable.

Laws and regulations affecting the Company will be obeyed. Even though the laws and business practices of foreign nations may differ from those in effect in the United States, the applicability of both foreign and U.S. laws to the Company's operations will be strictly observed. Illegal behavior on the part of any employee in the performance of Company duties will neither be condoned nor tolerated.

Confidential Information and Trade Secrets

Ownership of Information

All information, ideas, concepts, improvements, discoveries, and employee inventions, whether patentable or not, which are conceived, made, developed, or acquired by an employee, individually or in conjunction with others, during the employee's employment by Enron Corp., its subsidiaries, and its affiliated companies (collectively the "Company") (whether during business hours or otherwise and whether on the Company's premises or otherwise) which relate to the Company's business, products, or services shall be disclosed to the Company and are and shall be the sole and exclusive property of the Company.

For this purpose, the Company's business, products, or services, include, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organization (or within the organization of acquisition prospects), marketing and merchandising techniques, and prospective names and marks.

Moreover, all documents, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, and inventions are and shall be the sole and exclusive property of the Company.

If, during an employee's employment by the Company, the employee creates any original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as videotapes, written presentations on acquisitions, computer programs, e-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to the Company's business, products, or services, whether such work is created solely by the employee or jointly with others (whether during business hours or otherwise and whether on Company's premises or otherwise), the employee shall disclose such work to the Company.

The Company shall be deemed to be the author of such work if the work is prepared by the employee in the scope of his or her employment; or, if the work is not prepared by employee within the scope of his or her employment but is specially ordered by the Company as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and the Company shall be deemed to be the author of the work. If such work is neither prepared by the employee within the scope of his or her employment nor a work specially ordered and is deemed to be a work made for hire, then the employee hereby agrees to assign, and by these presents does assign, to the Company all of the employee's worldwide right, title and interest in and to such work and all rights of copyright therein.

Confidential Company Information and Trade Secrets

You may have access to or become aware of confidential and/or proprietary information of the Company - that is, information relating to the Company's business which is not generally or publicly known. This information includes but is not limited to:

> Internal telephone lists and directories; bid, trading, and financial data; planned new projects and ventures; advertising and marketing programs; lists of potential or actual customers and suppliers; wage and salary or other personnel data; capital investment plans; changes in management or policies of the Company; suppliers' prices; and other trade secrets.

The Company's confidential or proprietary information could be very helpful to suppliers and the Company's competitors, to the detriment of the Company. To help protect the Company's interests, business units have established and implemented computer and electronic security measures to ensure that employees have the means to communicate domestically and internationally in a secure fashion. Employees should use these means and, in disclosing or using Company confidential or proprietary information, should follow these guidelines.

- Do not use, either for your own personal benefit or for the benefit of others, Company information that is not publicly known;
- Do not disclose Company proprietary or confidential information to other employees or outsiders, except as required in the conduct of the Company's business;
- Dispose of documents containing the Company's confidential or proprietary information with care so as to avoid inadvertent disclosure; and
- Guard against inadvertently disclosing such information in public discussions where you may be overheard and in discussions with family members.

As a result of the employee's employment by the Company, the employee may also from time to time have access to, or knowledge of, confidential business information or trade secrets of third parties, such as customers, suppliers, partners, joint venturers, and the like, of the Company. Each employee agrees to preserve and protect the confidentiality of such third party confidential information and trade secrets to the same extent, and on the same basis, as the Company's confidential business information and trade secrets.

These obligations of confidence apply even if the information has not been reduced to a tangible medium of expression (e.g., is only maintained in the minds of the Company's employees) and, if it has been reduced to a tangible medium, irrespective of the form or medium in which the information is embodied (e.g., documents, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, and all other writings or materials of any type.)

Information Acquisition

Acquiring and having access to accurate and current market information is of significant interest to the Company. The Company therefore encourages employees to share within the Company potentially useful information they receive. This includes information properly obtained from outside sources. On the other hand, using improper means to obtain trade secret information of others, or using such trade secret information, could expose the Company, or individual employees, to potentially significant civil fines or liabilities, or even criminal penalties. The use of improper means to obtain trade secret information and the use of others' trade secrets is therefore prohibited. This policy explains the types of information that employees are encouraged to obtain and the types of activities they can pursue in obtaining information, as well as the types of improper activities to obtain trade secret information that they are prohibited from engaging in.

Publicly Available Information. A vast amount of information is freely available to the public and the acquisition and use of this type of information is encouraged. Publicly available information includes information:

- found in books and magazines;
- available on the internet;
- made public by federal, state, or local government agencies;

- revealed in legal filings and pleadings;
- disclosed or discussed in public places, at conferences or trade shows, or in specialized trade or technical publications;
- contained in patent applications or issued patents; and
- obtainable from simple observation from the street or another legally permissible location.

While all of this information is publicly available, it is not necessarily widely known. To the degree that this information could have particular relevance to the Company, employees are encouraged to find this information and share it within the Company.

"Trade Secret" Information. Generally, information is considered a "trade secret" only if:

- the information is in fact secret, i.e. not generally known to and not readily ascertainable by the public;
- the owner has taken reasonable measures to keep the information secret; and
- the information has independent economic value because it is not widely known.

In 1996, the U.S. Congress passed the Economic Espionage Act which makes it a crime to steal trade secrets. More specifically, the Economic Espionage Act prohibits you from acquiring trade secrets of others through improper means, such as deceit or misrepresentation, and prohibits the receipt or use of information illegally acquired by a third party, or from present or former employees who are not authorized to disclose it. The Economic Espionage Act provides for criminal fines for the Company of up to $10 million and criminal fines for an employee of up to $500,000 and up to 15 years imprisonment. Accordingly, an employee should not knowingly:

(1) take, carry away, or obtain a third party trade secret without authorization or obtain a third party trade secret by fraud or deception;

(2) copy, download, mail, deliver, send, transmit, or communicate a third party trade secret without authorization; or

(3) receive, buy, or possess a third party trade secret knowing it has been stolen or obtained without authorization.

Non-Public, Non-"Trade Secret" Information. Certain information is not "public" in the sense that it is not published or widely available to the public, but neither is it a "trade secret". This would include, for example, information about a company that the Company itself made no effort to keep secret. Nothing would bar an employee from obtaining such information in a casual conversation and subsequently reporting or using that information. Accordingly, Company employees are encouraged to obtain, share, and use such non-public, non-trade secret information, *provided* that no improper means are used. If improper means are necessary to obtain information, a good chance exists that the party who would divulge the information knows that he or she should keep the information secret, thus raising the likelihood that the information could be considered a trade secret. "Improper Means" would include:

- lying, engaging in deception, or creating a false impression in order to induce the disclosure of trade secrets;
- paying someone to reveal trade secrets;
- blackmailing or threatening someone to reveal trade secrets;
- paying someone who had already improperly obtained trade secrets to reveal those secrets to you; and
- engaging in any activity that is itself illegal (such as theft or computer "hacking") in order to obtain secrets.

The preceding list is not exhaustive. Other types of activity engaged in to obtain trade secrets could be considered "improper." Therefore, if you have any doubts about activities you are thinking of pursuing to obtain

information, *do not engage in those activities* until you have first discussed them with the Company's General Counsel. Only if you have first obtained the advice and clearance of the Company's General Counsel may you engage in any activity of a questionable nature to obtain information from others.

Copyright and Trademark

The federal Copyright Act provides for criminal fines for an employee of up to $250,000 and up to 5 years imprisonment for the first offense. The federal Trademark Counterfeiting Act provides for criminal fines for the Company of up to $1 million and criminal fines for an employee of up to $250,000 and up to 5 years imprisonment for the first offense.

An employee will not willfully infringe for purposes of commercial advantage or private financial gain a third party's copyright in a work by copying the work, distributing copies of the work, using the work to prepare derivative works, or in the case of some works, by publicly displaying or performing the work. Similarly, an employee will not intentionally traffic in goods or services using a counterfeit or spurious trademark.

Conclusion and Summary

Each employee agrees to act with honesty, candor, and fairness with respect to competitors and third parties and to comply in all respects with applicable laws prohibiting the misappropriation of trade secrets, copyright infringement, or use of counterfeit or spurious trademarks. Under no circumstances will any activity be authorized or undertaken by an employee which violates the federal Economic Espionage Act, the federal Copyright Act, the federal Trademark Counterfeiting Act, or any other applicable domestic or foreign laws.

If an employee has any questions concerning the meaning of the laws summarized in this Policy, the employee should contact the Company's General Counsel.

Upon signing the Certificate of Compliance, an employee acknowledges and agrees that:

1. the business of the Company is highly competitive, and its strategies, methods, books, records, and documents, its technical information concerning its products, equipment, services, and processes, procurement procedures and pricing techniques, and the names of and other information (such as credit and financial data) concerning its customers and its business affiliates all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company uses in its business to obtain a competitive advantage over its competitors;

2. the protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company in maintaining its competitive position;

3. he or she will not, at any time during or after his or her employment by the Company, make any unauthorized disclosure of any confidential business information or trade secrets of the Company, or make any use thereof, except in the carrying out of his or her employment responsibilities hereunder;

4. the Company shall be a third party beneficiary of the employee's obligations under this policy; and

5. he or she agrees to act with honesty, candor, and fairness with respect to competitors and third parties and to comply in all respects with applicable laws prohibiting the misappropriation of trade secrets, copyright infringement, or the use of counterfeit or spurious trademarks.

All documents, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, and all other writings or materials of any type made by, or coming into possession of, employee during the period of employee's employment by the Company which contain or disclose confidential business information or trade secrets of the Company shall be and remain the property of the Company. Upon termination of employee's employment by the Company, for any reason, employee promptly shall deliver the same, and all copies thereof, to the Company.

Safety

Employees of the Company have a responsibility to comply with all applicable laws and regulations regarding the safe design, construction, maintenance, and operation of Company facilities. It is the responsibility of every employee to perform his or her work and to conduct the Company's operations in a safe manner. Employees should be aware that health and safety laws may provide for significant civil and criminal penalties against individuals and/or the Company for failure to comply with applicable requirements. Accordingly, each employee must comply with all applicable safety and health laws, rules, and regulations, including occupational safety and health standards.