MINUTES
MEETING OF THE FINANCE COMMITTEE
OF THE BOARD OF DIRECTORS
ENRON CORP.
OCTOBER 12, 1993

Minutes of a meeting of the Finance Committee ("Committee") of the Board of Directors of Enron Corp. ("Company"), held pursuant to due notice at 3:00 p.m., E.D.T., on October 12, 1993, at the Willard InterContinental Hotel in Washington, D.C.

The following Committee members were present, constituting a quorum:

Mr. Herbert S. Winokur, Jr., Chairman
Mr. William A. Anders
Mr. Norman P. Blake, Jr.
Mr. John A. Urquhart

Committee member Robert K. Jaedicke joined the meeting in progress, as noted hereinbelow. Directors Kenneth L. Lay, and Richard D. Kinder, Messrs. Rodney L. Gray, Kurt S. Huneke, Edmund P. Segner, III, and Jack I. Tompkins, and Mesdames Nancy G. McNeil and Peggy B. Menchaca also attended the meeting.

The Chairman, Mr. Winokur, presided at the meeting, and the Secretary, Ms. Menchaca, recorded the proceedings.

Mr. Winokur noted that drafts of minutes of a meeting of the Committee held on May 3, 1993, had been distributed to members of the Committee and called for corrections or additions. There being none, upon motion duly made by Mr. Anders, seconded by Mr. Urquhart, and carried, the minutes of the meeting of the Committee held on May 3, 1993, were approved as distributed.

Mr. Segner distributed and discussed material related to the dividend to be paid in the fourth quarter, a copy of which is filed with the records of the meeting. He reviewed a comparison of dividends paid by classes of companies, such as the pipeline industry, S&P 500, producers, oil service, international oil, domestic oil, refiners, and distributors. He recommended that the Company's dividend be increased from $.70 annually to $.75 annually, resulting in a quarterly rate of $.1875. He noted that the percent increase would amount to 7.1%. Mr. Kinder stated that the increase would decrease cash flow by approximately $12 million.

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Upon motion duly made by Mr. Urquhart, seconded by Mr. Anders, and carried, the increase in the dividend policy recommended by management was approved for recommendation to the Board of Directors.

Mr. Segner distributed and referred the Committee to a Debt Rating Study prepared by Merrill Lynch & Co. ("Merrill Lynch") and asked the Committee members to substitute it for the copy sent with each member's Committee materials. A copy of the substituted Debt Rating Study is filed with the records of the meeting. Mr. Segner reviewed the Debt Rating Study on a page-by-page basis. He also distributed and discussed an Enron Corp. summary of issues relating to the Debt Rating Study, a copy of which is filed with the records of the meeting. A discussion ensued related to the importance of achieving an "A" debt rating for the Company, particularly in its international and gas services businesses. Mr. Winokur observed that no action was required of the Committee but noted the Committee's consensus with the direction taken by the management of the Company with regard to seeking an "A" debt rating.

Mr. Huneke presented an update on the perpetual preferred stock issue and distributed material related thereto, a copy of which is filed with the records of the meeting. He noted that Texaco, Inc. had filed a registration statement with the Securities and Exchange Commission ("SEC") for a similar offering and would make its offering to the market just prior to that of the Company. He indicated that if there were no SEC review of the Company's registration statement, it could "go effective" during the first week of November if not earlier. He led a discussion related to the filing of an "omnibus" type shelf registration, from which issues of debt, preferred, or common securities could be made. He indicated that determination of the question of whether or not the preferred stock offering would be tax deductible was key to management's decision to proceed.

Mr. Segner reminded the Committee that the Board of Directors had approved a debt securities shelf registration at its meeting on August 10, 1993, and he proposed that the resolutions adopted at that time be restated to provide management the flexibility to proceed with the filing of an omnibus type registration statement with the SEC, from which issues of debt, preferred securities, or common securities could be made. Following discussion, the consensus of the Committee was to recommend to the Board of Directors of the Company the restatement of resolutions adopted at the Board's August 10, 1993 meeting to provide for offerings of up to $575 million if the structure of the perpetual preferred stock offerings were determined to be tax deductible and if the rating agencies would treat the issue as equity for purposes of debt rating, and offerings of up to $350 million if the structure of the offerings were determined not to be tax deductible.

Mr. Segner next presented a proposal related to the creation and funding of a "Flexitrust" program. A copy of Mr. Segner's report is filed with the records of the meeting. He stated that with regard to the Company's firm commitment to issue equity in the future, the Flexitrust would offer a vehicle through which to issue the equity and not incur a penalty in the equity market for having done so. He indicated that using a Flexitrust had advantages over other equity products in that it would allow the Company to avoid immediate dilution to earnings per share; avoid payment of dividends on newly-issued shares; and retain future appreciation on newly-issued shares. He and Mr. Huneke discussed the transaction structure and operation and described the benefit and compensation plans which would be covered. Mr. Segner recommended that a five-year $262.5 million Flexitrust program with a firm commitment to issue a prescribed amount of stock every two years be approved for recommendation to the Board. Following discussion, upon motion by Mr. Blake, seconded by Mr. Urquhart, and carried, the Flexitrust program was approved for recommendation to the Board.

Mr. Huneke presented proposed changes to the Company's Investment Policy, including expanded investment alternatives, replacing the approved institutions list with defined credit criteria, increasing the maximum investment maturity to one year, revising the investment limits to $50 million for AAA issuers (but remaining at current level of $25 million for AA and A issuers), and requiring custody for commercial paper only if the term of the investment were greater than 31 days. He noted that the revised policy would apply to all Company-owned affiliates unless exceptions were made by the Board. He stated that the amended policy would allow management more flexibility to optimize rates. A copy of Mr. Huneke's report is filed with the records of the meeting. Mr. Winokur called for questions or dissents to the proposed amended Investment Policy as presented and discussed. There being none, he declared the policy approved for recommendation to the Board. Mr. Winokur suggested that management report back to the Committee on an annual basis on how it had performed the previous year under the Investment Policy.

Mr. Tompkins presented the Capital Expenditure Approval Policy and Procedure indicating approval levels and procedures for making capital expenditures. He noted that there was no change in the approval levels. Mr. Winokur called for questions or dissents to the proposed policy and levels of approval for capital expenditures. There being none, Mr. Winokur declared the item approved for recommendation to the Board.

Mr. Huneke reported on the performance of the Company's Retirement Plan, indicating rates of return from December, 1986, to date on a prorata basis as between domestic equities, international equities, and fixed income funds.

Mr. Segner next distributed material related to the status of holders of the Company's $10.50 Cumulative Second Preferred Convertible Stock (the "Series J Stock"). He indicated that management was considering an amendment to be submitted to the Board and, if approved, to the shareholders of the Company at its Annual Shareholders Meeting in May, 1994, which would amend the dividend portion of the Certificate of Designation to allow Series J Stock holders to receive the higher of the original dividend ($10.50) or the equivalent dividend that would be paid if the Series J Stock were converted to the Company's common stock at the current conversion rate. Mr. Segner indicated that the item was informational only, and no action was requested at the instant meeting.

Mr. Segner next distributed and discussed a draft letter which would be sent to all holders of Series J Stock informing them of management's intent with regard to the proposed amendment to the Certificate of Designation in order that each holder would be fully advised before making a decision with regard to conversion of said Series J Stock. He also distributed a copy of an opinion from Lehman Brothers reflecting that the proposed amendment would not have a material adverse effect on the Company (or the Company's common stockholders). Draft copies of the letter to holders of Series J Stock and the Lehman Brothers opinion are filed with the records of the meeting. There were no dissenting comments from the Committee relative to the mailing of the letter to the holders of Series J Stock, and Mr. Winokur declared the matter approved for recommendation to the Board.

Mr. Winokur informed the Committee that the Company was now considering selling at least half of EOTT Energy Corp. through a master limited partnership structure, as opposed to spinning it off to the Company's common shareholders. He noted the successful financial turn-around of the Company under its new management.

Mr. Huneke reviewed the guaranties proposed for Board approval, including (i) a guaranty required as security for transactions by the Company's indirect subsidiaries, EOTT Energy Corp. and Enron Products Marketing Company, with Exxon Corporation for the sale or exchange of petroleum products; and (ii) a guaranty of obligations of the Company's indirect subsidiary, Enron Industrial Natural Gas Company, under a Gas Purchase Agreement with Exxon Company U.S.A. He also discussed an amendment increasing the Cactus III funding vehicle to $45 million.

In addition, Mr. Huneke reviewed four guaranties which were requested after the Board and Committee material had been prepared: (i) a guaranty of the obligations of the Company's indirect subsidiary, Enron Power Services, Inc., under a Gas Sales Agreement with Brooklyn Navy Yard Cogeneration Partners; (ii) a guaranty of the obligations of the Company's indirect subsidiary, Enron Power Services, Inc., under a Gas Sales Agreement with Auburdale Power Partners, L.P.; (iii) a guaranty of the obligations of the Company's jointly-owned subsidiary, Citrus Marketing, Inc., under a Gas Sales Agreement with Auburdale Power Partners, L.P., subject to approval by the Board of Directors of Sonat, Inc., joint owner of Citrus Marketing, Inc.; and (iv) a guaranty required by the Company's partially owned subsidiary, Subic Power Corp., in order to obtain financing of approximately $100 million for the development, construction, and startup of the Subic Bay project in the Philippines.

Mr. Winokur summarized the recommendations for approval of guaranties, and he suggested to management that in making future recommendations of this type it correlate the guarantee sought to the Company's Investment Policy, as well as the Foreign Exchange Policy, if appropriate, and make that representation to the Committee.

Mr. Tompkins next updated the Committee on the Electronic Data Systems ("EDS") registration rights granted by the Company's Board in a stock option effective January 1, 1993. He stated that EDS had announced that it intended to exercise the option and sell the shares immediately upon exercise. He stated that EDS had agreed that 90 percent of the funds received would be credited to the Company to lower the EDS contract costs and that any exercise would be contingent on successful resolution of all accounting and legal issues. He noted that the option was a one year option, and, if approved by the Company's Board, another option could be granted to EDS in January, 1994.

There being no further matters to be brought before the Committee, the meeting was adjourned at 4:30 p.m., E.D.T.

Secretary

APPROVED:

Chairman

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