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Ken Lay Insurance Swap Analysis

Scenario 1

Enron Purchases Policies and Awards back to Ken with Vesting vs Enron Stock Award

	Ken's Policy	Linda's Policy	Policy Total	Enron Stock
CURRENT SITUATION				
- Tax Basis	5,000,000	5,000,000	10,000,000	
- Current Market Value	2,459,475	2,232,092	4,691,567	
- Current Floor Value	5,819,795	5,420,890	11,240,685	
EXCHANGE POLICY FOR CASH				
- Purchase Price / Current Fair Market Value	**5,000,000**	**5,000,000**	**10,000,000**	
**********				
AWARD BY ENRON				
- Value of Award	5,000,000	5,000,000	10,000,000	10,000,000
VESTING				
- Assumed Value in 4.25 years (12/31/05)	7,455,171	6,944,173	14,399,344	14,399,344
Enron Issues				
Enron Tax Deduction on Benefit Payments (162m)			No	No
Dilution to Common Shares Outstanding			No	Yes
ENE Taxes on Build-up while ENE owns policy (like any other investment)			Yes	No
Ken Lay Issues				
Initial Liquidity for Insurance			Yes	No
Cash Flow at Vesting for Tax Liability			No	Yes
Cash Flow begins appr. 2007 or when annuity starts			Yes	No
Full Vesting at Earliest of 12/31/2005, Death, Retirement, Disability			Yes	Yes

Ken Lay Insurance Swap Analysis

Scenario 2

Enron Purchases Policies and Awards back to Ken with Vesting vs Enron Stock Award

	Ken's Policy	Linda's Policy	Policy Total	Enron Stock
CURRENT SITUATION				
- Tax Basis	5,000,000	5,000,000	10,000,000	
- Current Market Value	2,459,475	2,232,092	4,691,567	
- Current Floor Value	5,819,795	5,420,890	11,240,685	
EXCHANGE POLICY FOR CASH				
- Purchase Price / Current Fair Market Value	**2,459,475**	**2,232,092**	**4,691,567**	
**********				
AWARD BY ENRON				
- Value of Award	2,459,475	2,232,092	4,691,567	4,691,567
VESTING				
- Assumed Value in 4.25 years (12/31/05)	7,455,171	6,944,173	14,399,344	14,399,344
Enron Issues				
Enron Tax Deduction on Benefit Payments (162m)			No	No
Dilution to Common Shares Outstanding			No	Yes
ENE Taxes on Build-up while ENE owns policy (like any other investment)			Yes	No
Ken Lay Issues				
Initial Liquidity for Insurance			Yes	No
Cash Flow at Vesting for Tax Liability			No	Yes
Cash Flow begins appr. 2007 or when annuity starts			Yes	No
Full Vesting at Earliest of 12/31/2005, Death, Retirement, Disability			Yes	Yes