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Exhibit B

SPLIT DOLLAR AGREEMENT

THIS SPLIT DOLLAR AGREEMENT (this "Agreement") is made and entered into effective as of December 13, 1996, by and among **ENRON CORP.**, a Delaware corporation, with principal offices and place of business in Houston, Texas (hereinafter referred to as the "Company"), **KENNETH L. LAY**, an individual residing in Houston, Texas (hereinafter referred to as the "Employee"), and **KLL & LPL FAMILY PARTNERSHIP, LTD.**, a Texas limited partnership with principal offices and place of business in Houston, Texas (hereinafter referred to as the "Partnership"),

WITNESSETH THAT:

WHEREAS, the Employee is currently employed by the Company; and

WHEREAS, the Partnership is the owner of a policy of life insurance insuring the life of the Employee in the event of the Employee's death (hereinafter referred to as the "Policy"), which is described in Exhibit A attached hereto and by this reference made a part hereof, and which was issued by Transamerica Occidental Life Insurance Company (hereinafter referred to as the "Insurer"); and

WHEREAS, the Policy was obtained on October 14, 1996, by the Partnership upon conversion of another life insurance policy on the life of the Employee that was owned by the Partnership and in which the Partnership had an economic interest valued at $200,112;

WHEREAS, the Company is willing to pay a portion of the premiums due on the Policy as an additional employment benefit for the Employee, on the terms and conditions hereinafter set forth; and

WHEREAS, the Partnership is the owner of the Policy and, as such, possesses all incidents of ownership in and to the Policy; and

WHEREAS, the Company wishes to have the Policy collaterally assigned to it by the Partnership, in order to secure the repayment of the amounts which it will pay toward the premiums on the Policy and certain other amounts;

NOW, THEREFORE, in consideration of the premises and of the mutual promises contained herein, the parties hereto agree as follows:

1. <u>Acquisition of Policy</u>. The Partnership has acquired the Policy from the Insurer in the total face amount of $11,887,900. The parties hereto have taken all necessary action to cause the Insurer to issue the Policy, and shall take any further action which may be necessary to cause the Policy to conform to the provisions of this Agreement. The parties hereto agree that the Policy shall be subject to the terms and conditions of this Agreement and of the collateral assignment filed with the Insurer relating to the Policy.

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2. **Ownership of Policy**. The Partnership shall be the sole and absolute owner of the Policy, and may exercise all ownership rights granted to the owner thereof by the terms of the Policy, except as may otherwise be provided herein.

3. **Payment of Premiums; Provision of Information.**

a. Except to the extent required for the Partnership to satisfy its obligations pursuant to section 5 below, the Partnership shall not be required to make any premium payments with respect to the Policy.

b. On or before the due date of each annual Policy premium, or within the grace period provided therein, the Company shall pay $250,000 to the Insurer, and shall, upon request, promptly furnish the Partnership evidence of timely payment of such premium. Except with the consent of the Partnership, the Company shall not pay less than the amount provided in the preceding sentence, but it may, in its discretion, at any time and from time to time, subject to acceptance of such amount by the Insurer, pay more than such amount or make other premium payments on the Policy. Notwithstanding any provision herein to the contrary, the Company shall have no obligation (1) to make more than five annual premium payments in the amount specified in the preceding provisions of this paragraph or (2) to make any premium payments on or after the date the Employee's employment with the Company terminates for any reason whatsoever.

c. The Company shall annually furnish to the Employee a statement of the amount of income reportable by the Employee for federal and state income tax purposes as a result of the insurance protection provided the Partnership's Policy beneficiary. The Partnership and the Employee shall promptly furnish the Company with (1) copies of any information or notices provided by the Insurer from time to time with respect to the Policy and (2) any other material or information relating to the Policy and reasonably requested by the Company from time to time.

4. **Collateral Assignment**. To secure the repayment to the Company of the amount of the premiums on the Policy paid by it hereunder and the other amounts due to the Company hereunder, the Partnership has, contemporaneously herewith, assigned the Policy to the Company as collateral under a separate assignment instrument. The collateral assignment of the Policy to the Company shall not be terminated, altered or amended by the Partnership, without the express written consent of the Company. The parties hereto agree to take all action necessary to cause such collateral assignment to conform to the provisions of this Agreement and to be accepted by the Insurer. Without limiting the scope of the preceding provisions of this section, the parties hereto agree that the Company shall have an interest in the cash surrender value of the Policy to secure the amounts due to the Company hereunder, which interest shall in no event be less than the aggregate premium payments made with respect to the Policy by the Company pursuant to section 3(b) above.

5. **Limitations on Partnership's Rights in Policy**. The Partnership shall not sell, assign, transfer, borrow against or withdraw from the cash surrender value of the Policy, surrender, or cancel the Policy without, in any such case, the express written consent of the Company. Further, the Partnership shall not change the beneficiary designation provision of the Policy, change the elected death benefit option provisions thereof, decrease or increase the face amount of insurance, fail to make premium payments, take any other action, or fail to take any action if, as a result of any such action or inaction, (a) the aggregate death benefits payable under the Policy at any given time

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would be less than the portion of the death benefits payable to the Company pursuant to the first sentence of section 6(b) below if the Employee's death was to occur at such time or (b) the projected cash surrender value of the Policy upon Employee's attainment of 100 years of age (determined based upon the Insurer's assumptions prevailing at the time of any such action or inaction) would be less than $250,000.

6. **Collection of Death Proceeds**.

a. Upon the death of the Employee prior to the termination of this Agreement during the Employee's lifetime, the Company and the Partnership shall cooperate with the beneficiary or beneficiaries designated by the Partnership to take whatever action is necessary to collect the death benefit provided under the Policy. When such benefit has been collected and paid as provided herein, this Agreement shall thereupon terminate.

b. Upon the death of the Employee prior to the termination of this Agreement during the Employee's lifetime, the Company shall have the unqualified right to receive $1,250,000 of such death benefit in a single lump sum cash payment; provided, however, that if the Employee's employment with the Company has terminated for any reason whatsoever (other than death) prior to the date upon which the Company has paid all five of the annual premium payments provided for in section 3(b) above, then the amount of the death benefit payable to the Company shall be reduced to an amount equal to the aggregate premium payments made by the Company pursuant to section 3(b) above on or before the date of such termination. The balance of the death benefit provided under the Policy, if any, shall be paid directly to the beneficiary or beneficiaries designated by the Partnership, in the manner and in the amount or amounts provided in the beneficiary designation provision of the Policy. In no event shall the amount payable to the Company hereunder exceed the insurance benefits payable at the death of the Employee. No amount shall be paid from such insurance benefits to the beneficiary or beneficiaries designated by the Partnership until the full amount due the Company hereunder has been paid. The parties hereto agree that the beneficiary designation provision of the Policy shall conform to the provisions hereof.

c. Notwithstanding any provision hereof to the contrary, in the event that, for any reason whatsoever, no death benefit is payable under the Policy upon the death of the Employee prior to the termination of this Agreement during the Employee's lifetime and in lieu thereof the Insurer refunds all or any part of the premiums paid for the Policy, the Company and the Partnership's designated beneficiary or beneficiaries shall have the unqualified right to share such premiums based on the respective cumulative contributions by the Company and the Partnership thereto. For purposes of the preceding sentence, the Partnership shall be deemed to have made a premium payment with respect to the Policy on the effective date of this Agreement in an amount equal to $200,112.

7. **Termination of the Agreement During the Employee's Lifetime**.

a. This Agreement may be terminated by the Partnership at any time during the Employee's lifetime upon written notice to the Company and payment to the Company by the Partnership at the time of such notice of a single lump sum cash payment in the amount of $1,250,000; provided, however, that if the Employee's employment with the Company has terminated for any reason whatsoever (other than death) prior to the date upon which the Company

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has paid all five of the annual premium payments provided for in section 3(b) above, then the amount of such required payment to the Company by the Partnership shall be reduced to an amount equal to the aggregate premium payments made by the Company pursuant to section 3(b) above on or before the date of such termination. Upon receipt of such amount, the Company shall release the collateral assignment of the Policy by the execution and delivery of an appropriate instrument of release.

b. This Agreement shall automatically terminate, during the Employee's lifetime, without notice, upon the occurrence of any of the following events: (1) total cessation of the Company's business; (2) bankruptcy, receivership or dissolution of the Company; or (3) mutual written consent of the parties. If this Agreement terminates for a reason described in the preceding sentence, then for sixty (60) days after the date of the termination of this Agreement, the Partnership shall have the option of obtaining the release of the collateral assignment of the Policy to the Company. To obtain such release, the Partnership shall repay to the Company the total amount of the premium payments made by the Company hereunder, less any indebtedness secured by the Policy which was incurred by the Company and remains outstanding as of the date of such termination, including any interest due on such indebtedness. Upon receipt of such amount, the Company shall release the collateral assignment of the Policy by the execution and delivery of an appropriate instrument of release. If the Partnership fails to exercise such option within such sixty (60) day period, then, at the request of the Company, the Partnership shall execute any document or documents required by the Insurer to transfer the interest of the Partnership in the Policy to the Company. Alternatively, the Company may enforce its right to be repaid the amount of the premiums on the Policy paid by it from the cash surrender value of the Policy under the collateral assignment of the Policy; provided that in the event the cash surrender value of the Policy exceeds the amount due the Company, such excess shall be paid to the Partnership. Thereafter, neither the Partnership nor any person claiming under the Partnership shall have any further interest in and to the Policy, either under the terms thereof or under this Agreement.

8. **Insurer Not a Party**. The Insurer shall be fully discharged from its obligations under the Policy by payment of the Policy death benefit to the beneficiary or beneficiaries named in the Policy, subject to the terms and conditions of the Policy. In no event shall the Insurer be considered a party to this Agreement, or any modification or amendment hereof. No provision of this Agreement, nor of any modification or amendment hereof, shall in any way be construed as enlarging, changing, varying, or in any other way affecting the obligations of the Insurer as expressly provided in the Policy, except insofar as the provisions hereof are made a part of the Policy by the collateral assignment executed by the Partnership and filed with the Insurer in connection herewith.

9. **Named Fiduciary. Determination of Benefits, Claims Procedure and Administration.**

a. The Company is hereby designated as the named fiduciary under this Agreement. The named fiduciary shall have authority to control and manage the operation and administration of this Agreement, and it shall be responsible for establishing and carrying out a funding policy and method consistent with the objectives of this Agreement.

b. (1) **Claim.** A person who believes that he or she is being denied a benefit to which he or she is entitled under this Agreement (hereinafter referred to as a "Claimant") may file

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a written request for such benefit with the Company, setting forth his or her claim. The request must be addressed to the Company at its then principal place of business.

(2) **Claim Decision.** Upon receipt of a claim, the Company shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Company may, however, extend the reply period for an additional ninety (90) days for reasonable cause.

If the claim is denied in whole or in part, the Company shall adopt a written opinion, using language calculated to be understood by the Claimant, setting forth: (i) the specific reason or reasons for such denial; (ii) the specific reference to pertinent provisions of this Agreement on which such denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary; (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and (v) the time limits for requesting a review under subsection (3) and for review under subsection (4) hereof.

(3) **Request for Review.** With sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Company review its determination. Such request must be addressed to the Company, at its then principal place of business. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Company. If the Claimant does not request a review of the Company's determination within such sixty (60) day period, he or she shall be barred and estopped from challenging the Company's determination.

(4) **Review of Decision.** Within sixty (60) days after the Company's receipt of a request for review, it will review the determination. After considering all materials presented by the Claimant, the Company will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Agreement on which the decision is based. If special circumstances require that the sixty (60) day time period be extended, the Company will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

10. **Amendment**. This Agreement may not be amended, altered or modified, except by a written instrument signed by the parties hereto, or their respective successors or assigns, and may not be otherwise terminated except as provided herein.

11. **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and the Employee, the Partnership, and their respective successors, assigns, heirs, executors, administrators, and beneficiaries.

12. **Notice**. Any notice, consent or demand required or permitted to be given under the provisions of this Agreement shall be in writing, and shall be signed by the party giving or making the same. If such notice, consent or demand is mailed to a party hereto, it shall be sent by United States certified mail, postage prepaid, addressed to such party's last known address as shown on the

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records of the Company. The date of such mailing shall be deemed the date of notice, consent or demand.

13. **Taxes**. The Company makes no guarantees and assumes no obligations or responsibilities with respect to the Employee's or the Partnership's federal, state, or local income, estate, inheritance, and gift tax obligations, if any, under this Agreement, the Policy, or the collateral assignment of the Policy to the Company.

13. **Governing Law**. This Agreement, and the rights of the parties hereunder, shall be governed by and construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in triplicate on this the 18th day of December, 1996, effective as of December 13, 1996.

ENRON CORP.

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

"COMPANY"

Kenneth L. Lay

Kenneth L. Lay

"EMPLOYEE"

KLL & LPL FAMILY PARTNERSHIP, LTD.

By: Kenneth L. Lay
Name: Kenneth L. Lay
Title: Managing Partner

"PARTNERSHIP"

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EXHIBIT A

The following life insurance policy is subject to the attached Split Dollar Agreement:

Insurer:	Transamerica Occidental Life Insurance Company
Insured:	Kenneth L. Lay
Policy Number:	92539069
Face Amount:	$11,887,900
Effective Date of Policy:	October 14, 1996

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