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The Administration of ESOP, Cash Balance and Savings Plans

Presented by: Patrick Mackin
Prepared by: Catherine Queiroga

EC 00000909

Attachment 1

Types of Duties:

[redacted]

[redacted] Trustee Fiduciary

Focus: **Administration of Plans**

EC 000000910

Administrative Duties:

All Rules and Duties pertain to ESOP, Cash Balance and Savings Plans, unless noted otherwise.

(Sections XIV, XVII and XIII, respectively)

EC 000000911

The Rules Concerning Enron Corp.:

- Appointment of Committee by Enron Corp. (Ref. 14.1, 17.1, XIII.1)
  - The Committee is the "Plan Administrator" and "Named Fiduciary"
  - Exceptions:
    - Investment of Assets of the Trust Fund, in which case the Trustee is the Named Fiduciary
    - In the ESOP, Enron Corp. shall be the "Plan Administrator" (Ref. 14.10)
- Enron Corp. to Supply Information (Ref. 14.8, 17.9, XIII.8)
  - It is Enron Corp.'s responsibility to relay full and timely information to both the Committee and the Trustee.
- Indemnification by Enron Corp. (Ref. 14.9, 17.10, XIII.9)
  - Enron Corp. will indemnify each member against any and all expenses and liabilities arising out of his/her administrative and fiduciary functions.
  - Exception: Member's gross negligence and willful misconduct.

The Rules Concerning the Committee:

- Terms, Vacancies, Resignation, and Removal
  (Ref. 14.2, 17.2, XIII.2)
  - Members of the Committee will serve until written resignation, death or removal by Enron Corp.
  - Membership automatically ceases at termination of employment with Enron Corp. or with a Controlled Entity of Enron Corp.
- Officers, Records and Procedures (Ref. 14.3, 17.3, XIII.3)
  - The Committee may select officers
  - The Committee appoint a secretary, who need not be a member of the Committee.
  - The Committee shall designate person(s) authorized to sign for the Committee.
- Meetings (Ref. 14.4, 17.4, XIII.4)
  - The Committee must hold meetings at self determined intervals.
  - A majority of the members constitutes a quorum for transaction of business.
  - Resolutions by vote ('meeting' not required if all members sign a consent).

The Rules Concerning Individual Members of the Committee:

- Self-Interest of Members (Ref. 14.5, 17.5, XIII.5)
  - A member may not vote on matters where his *individual* rights to claim benefits under the Plan are directly affected.
  - Enron Corp. will appoint a temporary substitute for such member.

- Compensation and Bonding (Ref. 14.6, 17.6, XIII.6)
  - Members shall not receive compensation.
  - Members shall furnish bond or security for the performance of theirs duties.

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Third Party Administrative Services (Ref. 17.8, 14.7, XV.6 - under Fiduciary Provisions)

- Enron Corp. may engage any individual or entity, which is not an employee or a subsidiary of the Company, to perform administrative services with respect to the Plan.

- Enron Corp., not the Committee, shall be fully responsible for selecting, overseeing, monitoring, evaluating, determining fees, and replacing such service provider.

- The Committee shall have no duty or responsibility with respect to such service provider.

Powers and Duties: (Ref. 14.7, 17.7, XIII.7)

The Committee has the power to…

❶ Make and enforce written rules, regulations and bylaws.
(Cash Balance Plan Only) : Copies of these newly created rules must be delivered to the Trustee and the Employer.

❷ Interpret in its discretion all terms, provisions and conditions of the Plan, limited by the IRS Code.

❸ Correct defects, supply omissions, and reconcile inconsistencies that may appear in the Plan.

Powers and Duties (continued):

❹ Employ and compensate any number of agents the Committee deems necessary for the proper administration of the Plan.

❺ Determine eligibility questions.

❻ Determine participant's rights to benefits and prescribe distribution procedures.

❼ Prepare, file and distribute reporting and disclosure materials.

Powers and Duties:

(ESOP Only)

The Committee has the power to…

- Make a determination as to rights to a benefit under the Plan.
- Receive and review reports from the Trustee. (also applies to Cash Balance)
- Instruct Trustee in the voting of Company Stock and appoint a Voting Fiduciary.
- Select an appraiser to value the Company Stock
- Direct the Trustee as to the purchase and sale of Company Stock.
- Instruct Trustee as to Loans. (also applies to Savings Plan)
- Instruct Trustee as to the management, investment and reinvestment of the Trust Fund.

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Powers and Duties:

(Savings Plan Only)

The Committee has the power to…

- Require and obtain from Enron Corp. and the Participants and their beneficiaries any data or information necessary for the proper administration of the plan.
- Instruct the Trustee as to the loans to Participants.
- Direct the Trustee as to the investment of the Trust Fund in Enron Stock or EO&G.
- Appoint investment managers.
- Direct the Trustee as to the exercise of rights or privileges to acquire, convert, or exchange Enron Stock or EO&G Stock.

Powers and Duties:

(Cash Balance Plan Only)

The Committee has the power to…

- Issue directions to the Trustee concerning all benefits that are to be paid from the Trust Fund.
- Receive and review reports from the Trustee.

Types of Duties:

[redacted]

Administrative

[redacted]

Fiduciary

Focus: **Trustee and Administration of Trust Fund**

EC 000000921

Trustee Duties:

All Rules and Duties pertain to ESOP, Cash Balance and Savings Plans, unless noted otherwise.

(Sections XVI, XVIII and XIV, respectively)

EC 000000922

The Rules Concerning:

- Appointment, Removal, and Replacement of Trustee by Enron Corp. (Ref. 16.1-2, 18.1, XIV.1(a)-(b))
  - The Trustee is the "Named Fiduciary" with respect to investment of the Trust Fund's assets.
  - Trustee may be removed on written notice by Enron Corp.
  - Successor Trustee will be appointed by Enron Corp.
  - Trustee may resign by giving a thirty days' written notice to Enron Corp.
  - NOTE:
    - Resignations and removals will be in effect only after successor Trustee is appointed and qualified.
- Trust Agreement. (Ref. 18.2, XIV.2)
  - The Company and the Trustee have entered into a Trust Agreement, which governs the administration of assets of the Plan and the duties of the Trustee.
  - This Agreement may be amended as the Company deems advisable.

The Rules Concerning (continued):

- Payment of Expenses. (Ref. 16.7, 18.3, XIV.3)
  - All expenses incident to the administration of the Plan and Trust shall be paid by the Trustee from the Trust Fund. Until paid, such expenses shall constitute a claim paramount to claims of Members and beneficiaries.
  - The Trustee shall receive compensation for services and be reimbursed for all reasonable expenses.
  - NOTE:
    - Members who already receive full-time pay from Enron Corp. or any of its operating companies shall not receive any additional compensation for serving as Trustees.
- Benefit Payments. (Ref. 18.5-6, XIV.5-6)
  - The Committee issues all directions on payable benefits to the Trustee.
  - All distributions shall be made in cash or as an annuity (Cash Balance Plan Only).
  - All benefit payments shall be provided solely from the Trust Fund.
  - Neither the Employer nor the Trustee assumes any liability for the adequacy of such payment.

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The Rules Concerning (continued):

- Trust Fund Property. (Ref. 18.4, XIV.4)
  - All contributions shall be paid to the Trustee.
  - The Committee shall maintain Accounts in the name of each Participant.
  - No Participant or Member shall have any title to any specific asset in the Trust Fund upon termination or otherwise.

- No Benefits to the Employer. (Ref. 18.7, XIV.7)
  - No part of or income from the Trust Fund shall be used for any purpose other than that of:
    - Providing benefits for the Members and their beneficiaries.
    - And of defraying reasonable administrative expenses.

ESOP's Special Provisions :

- Powers of the Trustee (Ref. 16.4)
  - The Trustee shall have, hold, manage, invest, and disburse the Trust Fund as if the Trustee were its owner.
  - The Trustee may not invest the Trust Fund assets in any company security or in any Company real property which is not a "qualifying employer security" or a "qualifying employer real property".
- Investment of Trust Fund in Company Stock (Ref. 16.5)
  - The Trustee may invest up to 100% in Company Stock.
  - The Committee shall determine the extent to which the Trust Fund will be invested in Company Stock and determine the price at which this stock will be purchased or sold.
  - During periods when the Committee restricts the purchase of Company Stock, amounts that would otherwise be invested in Company Stock shall be invested in an interest-bearing account.

ESOP's Special Provisions (continued):

- Registration of Company Stock (Ref. 16.6)
  - In the event that the disposal of Company Stock requires registration of such stock, the Company, at its own expense, shall take the necessary actions to effect such registration.
- Company Stock Valuation (Ref. 16.12)
  - The Committee may direct that appraisals of the value of Company Stock be made by an independent appraiser annually, or at more frequent intervals, as it deems necessary, in order to assess the stock's fair market value.
- Neither the Company nor any Member may Borrow from the Trust Fund (Ref. 16.4 (b))

Types of Duties:

[redacted]

Administrative | Trustee | [redacted]

Focus: **Fiduciary Provisions**

EC 000000928

Fiduciary Duties:

All Rules and Duties pertain to ESOP, Cash Balance and Savings Plans, unless noted otherwise.

(Sections XVII, XIX and XV, respectively)

Article Controls:
(Ref. 17.1, 19.1, XV.1)

This Article shall control over any contrary, inconsistent, or ambiguous provisions contained in the Plan.

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Allocation of Duties:

(Ref. 17.2, 19.2, XV.2)

- Each Fiduciary shall have only those powers given under the Plan and shall be exclusively responsible for the proper exercise of such powers.
- The Company shall appoint/remove Trustee and members of the Committee.
- The Committee shall have sole responsibility for the administration of the Plan.
- The Trust shall have sole responsibility for the administration of the Assets held under the Plan, **unless directed otherwise by written notice from the Committee (co-fiduciary).**

The Investment Manager:

(Ref. 17.4-5, 19.4-5, XV.4-5)

- The Committee may appoint subcommittees, individuals or any other agents in writing, whose acceptances shall also be in writing.
- The Committee may appoint an "investment manager" to manage, acquire or dispose of any asset of the Plan and to direct the Trustee in this regard, so long as such manager:
  - Is registered as an investment adviser, a bank, or an insurance company qualified to do business under the laws of more than one state.
  - Acknowledges in writing that he is a fiduciary with respect to the Plan.
- The Committee members and the Trustee shall not be liable for the acts or omissions of such investment manager or of any such delegatees.
- The investment manager may be removed at the Committee's sole discretion.

Fiduciary Duty:

(Ref. 17.3, 19.3, XV.3)

- Each fiduciary under the Plan shall discharge his/her duties:
  - Solely in the interest of the Members
  - By abiding by the Reasonably Prudent Person Standard
  - By diversifying the investments as to minimize risk
  - In accordance with the Plan and applicable law

- No fiduciary shall cause the Plan or Trust Fund to enter into a "prohibited transaction".

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