ENRON CORP

Interoffice Memorandum

To: Distribution

From: Mary Joyce Mary

Department: Corporate Benefits

Subject: RETIREMENT PLAN CHANGES AND ESOP ACCESS QUESTIONS AND ANSWERS

Date: January 31, 1995

Attached are the questions and answers regarding retirement plan changes and ESOP Retirement Subaccount and Special Allocation Subaccount access.

We will have a "Brown Bag" meeting on February 7, 1995 from 11:30 a.m. to 1:00 p.m. in 17C2 to review and discuss the questions and answers with Phil.

If you have any questions please call BRI at 853-7123 or 853-6069, Michael Feuerbacher at 853-6891, or me at 853-3993.

c: Phil Bazelides
Michael Feuerbacher

Your Personal Best Makes Enron Best Communicate - Facts Are Friendly Better, Faster, Simpler

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THESE QUESTIONS AND ANSWERS ARE FOR USE BY HUMAN RESOURCE PERSONNEL ONLY IN RESPONDING TO QUESTIONS FROM EMPLOYEES ABOUT ACCESS TO THE ESOP RETIREMENT SUBACCOUNT, HOW THE ESOP OFFSET IS DETERMINED, AND THE NEW CASH BALANCE FORMULA FOR THE RETIREMENT PLAN.

THESE QUESTIONS AND ANSWERS ARE NOT TO BE COPIED AND ARE NOT TO BE MADE AVAILABLE TO INDIVIDUALS WHO ARE NOT HUMAN RESOURCE PERSONNEL.

SOME OF THE ANSWERS IN THESE QUESTIONS AND ANSWERS ARE STILL IN THE DESIGN PHASE AND MAY CHANGE. WHILE THE ANSWERS INDICATE THE DESIGN PREFERENCES OF ENRON CORP., THE CHANGES BEING MADE ARE SUBJECT TO COMPLEX FEDERAL REGULATION AND ARE SUBJECT TO ADOPTION OF FORMAL AMENDMENTS TO THE AFFECTED PLANS BY THE COMPANY'S BOARD OF DIRECTORS AND RECEIPT OF A FAVORABLE DETERMINATION LETTER FROM THE IRS AS TO THE QUALIFIED STATUS OF THE PLANS.

January 1995

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RETIREMENT PLAN CHANGES

Questions and Answers

1. ***Why is the Retirement Plan changing?***

   With the final allocation of the Employee Stock Ownership Plan (ESOP), Enron decided to implement a retirement plan that simplifies the Retirement Plan benefit formula and makes the benefit more portable while meeting the changing needs of Enron's workforce. This change also enables employees to take advantage of the strong performance of Enron stock in the ESOP and is projected to result in benefit improvements for approximately 97% of Enron employees for at least ten years into the future.

2. ***Why did Enron choose a 5% allocation for the cash balance formula?***

   The new 5% of pay "cash balance" formula is competitive with other companies' retirement benefits, plus it is easy for employees to understand and track the value of their retirement benefit.

3. ***How are Retirement Plan assets credited to my account under the new cash balance formula?***

   The cash balance benefit formula bases your benefit under the Retirement Plan on the value of a hypothetical account. Each member under the plan has a hypothetical account. This is not an actual individual account of the kind maintained in the ESOP and the Savings Plan, but rather cash balance accounts are nominal accounts, used essentially as a bookkeeping measure that forms the basis of the defined pension benefit under the Retirement Plan. A hypothetical employer contribution will be credited to member accounts on an annual basis. Interest credits will be credited on a monthly basis after December 31, 1996. A member's pension benefit under the cash balance formula is defined as the actuarial equivalent of a member's hypothetical account. The use of "account" is a convenient and easily understood expression for the "look and feel" of a member's cash balance defined benefit.

4. ***How much money is this new program saving Enron?***

   The Enron Management Committee made the decision to change the Retirement Plan benefit formula because the new formula better matches our vision for future workforce benefit plans. It was not a cost savings decision. Enron will receive an up-front reduction in the Retirement Plan's expense for 1995 because of the ESOP. However, for each of the next nine years, the new formula is more expensive than the old formula and for the entire 10-year period, it is slightly more expensive for Enron. Under the new formula, Enron is also expected to contribute more cash on an accelerated basis than under the old formula.

5. ***Even though EOTT is not participating in the All-Employee Stock Option Plan, are they participating in the new Retirement Plan?***

   Yes. EOTT participates in all Enron qualified benefit plans. The All-Employee Stock Option Plan is not a qualified benefit plan.

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6. ***In addition to a lump sum distribution, what are the other payment options from which I can choose under the cash balance formula?***

   It is our intent to offer a lump sum distribution, Single Life Annuity, 50% Joint and Survivor, 100% Joint and Survivor, as well as a 5-, 10-, and 15-Year Certain and life annuity.

7. ***Why is the 5% cash balance formula allocation put into the Retirement Plan instead of into the Savings Plan?***

   The new 5% cash balance formula represents a simplified Retirement Plan formula, which is funded by employer contributions. The Savings Plan consists entirely of employee contributions. Typically, employer contributions to a savings plan are in the form of matching contributions, which would only benefit employees who could afford to save.

8. ***If someone leaves employment during 1996, what happens to their 5% cash balance allocation?***

   A pro rata 5% cash balance allocation will be placed into participants' accounts following the calendar year ending December 31, 1996. After the allocation has been made, a former employee may request a distribution of the vested cash balance account balance. Thus, employees terminating in 1996 will have their first opportunity to receive a vested cash balance distribution in the first quarter of 1997. Thereafter, terminated employees may elect to receive a vested cash balance distribution in any month.

9. ***Can I roll over other qualified plan distributions into the new cash balance formula Retirement Plan?***

   No. However, active employees may roll over qualified plan distributions into the Enron Savings Plan, which currently has ten investment options.

10. ***If I leave Enron, can I roll over my vested cash balance account into the Enron Savings Plan?***

    No. Only an active Enron employee may roll over a qualified plan distribution into the Savings Plan.

11. ***When does the 10% tax penalty apply to distributions from the Retirement Plan (cash balance formula)?***

    The 10% tax penalty generally applies to any distribution or withdrawal received before age 59½. The 10% penalty does not currently apply if you retire from Enron on or after your 55th birthday and take a total distribution.

12. ***Can employees who retire or leave employment earlier than age 55 avoid the 10% tax penalty?***

    Yes. Generally, you can elect to take an immediate annuity (regardless of age) from a qualified plan including a qualified IRA without incurring the 10% tax penalty. Also, you can elect to take a lump sum distribution from a qualified retirement plan and roll it over into another qualified plan or IRA to avoid the 10% tax penalty.

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13. ***How is the Treasury Bond yield calculated?***

The interest, or yield, for a Treasury bond (which is long-term debt issued by the U.S. government) is based on economic factors at the time of issuance. The interest credit will be calculated as follows:

Assume the Treasury bond yield is 7.90% (paid twice a year). The effective annual yield would be 8.06% (7.90% ÷ 2 = 3.95%, $[1.0395]^2$ = 8.06%). Thus, the monthly interest credit in this example would be .648% ($[1.0806]^{1/12}$ = .648%).

14. ***Does the 50% Joint and Survivor Pre-retirement Death Benefit apply to the Retirement Plan?***

The 50% Joint and Survivor Pre-retirement Death Benefit applies to accrued benefits earned prior to January 1, 1987 and to accrued benefits earned from January 1, 1987 to December 31, 1994, but only to the extent that this amount is NOT offset by the share value in the ESOP Retirement Subaccount.

Under the cash balance formula, vested benefits earned on or after January 1, 1996 can be distributed as a single lump sum payment. 100% of the account will go to the eligible survivor. We anticipate that a joint and survivor annuity may also be available.

15. ***How is the 50% Joint and Survivor Death Benefit going to work with the Prudential annuities? Does this benefit still apply in this case?***

When the InterNorth Retirement Plan was terminated on June 30, 1986, accrued retirement benefits earned under the InterNorth Plan were funded by annuities purchased through Prudential. The Pre-retirement Death Benefit providing for a 50% Joint and Survivor annuity based on the InterNorth Plan accrued benefit as of June 30, 1986 will continue to apply to married participants of the InterNorth Plan. However, participants with Prudential annuities (former InterNorth Retirement Plan participants) are still eligible for an enhanced Pre-retirement Death Benefit if death occurs after age 50 with at least 5 years of service. This benefit provides the eligible surviving spouse with 50% of the Prudential annuity.

16. ***If an employee's accrued benefit from January 1, 1987 through December 31, 1994 (the offsetable period) is in fact fully offset by the value of the employee's ESOP Retirement Subaccount, will the employee's spouse be eligible for a Joint and Survivor benefit or any form of payment under the Retirement Plan for the offsetable period?***

No. The accrued benefit for the offsetable period under the Retirement Plan is fully offset and reduced to zero. However, the shares of Enron common stock in the ESOP Retirement Subaccount at the time of an employee's death will go to the employee's surviving spouse, unless the spouse has consented to the employee's designation of a another beneficiary.

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17. ***How was the "Grandfathered Group" determined and why is the Special Provision only extended seven years to the year 2002?***

The grandfathered group (those eligible for the Special Provision that provides the better of the old or new benefit formula for seven years) was extended to employees who are at least age 50, because they would be eligible over the next five years to elect to retire upon or after attaining age 55. The seven-year period provides the opportunity for employees who are currently age 55 or older to retire at age 62. Retirement benefits elected at or after age 62 are unreduced for early retirement.

18. ***Are employees on disability eligible for the "Grandfathered Group"?***

Yes. If you are disabled as defined under the Long Term Disability Plan, you are eligible for this Special Provision.

19. ***If I am eligible for the Special Provision (age 50 with five years of accrual service), will I have full access to my ESOP Retirement Subaccount in January 1996 even though I do not plan to retire before January 1, 2002?***

Yes. Everyone that is age 50 with five years of accrual service on January 1, 1995 will have full access to the ESOP Retirement Subaccount as of January 1996. However, it is Enron's intention that these employees will have the same phased-in access to the vested shares in their ESOP Special Allocation Subaccount as all other employees.

20. ***If I die or become disabled, is there immediate 100% access to the ESOP Retirement Subaccount and the Special Allocation Subaccount?***

Yes, 100% access to the ESOP Retirement and Special Allocation Subaccount is provided in the event of death or disability (as defined under the Long Term Disability Plan).

21. ***On what date will my ESOP offset be calculated from my ESOP Retirement Subaccount balance?***

A separate offset will be calculated for each 20% portion of your ESOP Retirement Subaccount as the amounts become accessible to you. The intent is that the first ESOP offset will be calculated on the shares accessible from the Retirement Subaccount as of January, 1996. The second ESOP offset calculation will be based on shares accessible from the Retirement Subaccount as of January 1997; the third as of January 1998; the fourth as of January 1999; and the fifth as of January 2000.

Note: The specific day in January will probably be the closing price on the first trading day of the year.

22. ***What happens to the dividends on the shares in the ESOP Retirement Subaccount?***

Currently, dividends on shares in the ESOP Retirement Subaccount are being credited to participant accounts. We are reviewing other alternatives.

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23. ***Will the dividends on shares in the ESOP Retirement Subaccount be used to offset accrued benefits under the Retirement Plan?***

Currently; dividends are included in the calculation of the offset of benefits earned under the Retirement Plan. This method is being reviewed; and if any changes are made, they will be communicated to you.

24. ***How do stock price changes affect the ESOP offset valuation after I have access?***

The ESOP offset is valued on the closing market stock price as of the date of access. Any price changes after the date of access, up or down, will not change the calculation of an offset determination once it has been made.

25. ***Is the 1994 five percent ESOP Special Allocation Subaccount included in the ESOP offset to the Retirement Plan?***

No. The Special Allocation Subaccount is not included in the ESOP offset, because it is in lieu of a 1995 five percent cash balance allocation.

26. ***Why is the ESOP Special Allocation Subaccount not as "portable" as the new 5% cash balance account?***

The ESOP Special Allocation Subaccount allocation is in lieu of any benefit accrual for 1995 under the Retirement Plan. However, because this ESOP Subaccount is still part of the ESOP, it makes sense to have the same access as the ESOP Retirement Subaccount, subject to vesting.

27. ***Why wasn't there an allocation to the ESOP Retirement Subaccount on December 31, 1994?***

The value of most employees' ESOP Retirement Subaccount currently exceeds the amount of the retirement benefits accrued from January 1, 1987 through December 31, 1994 under the Retirement Plan. Also, as you may recall, the ESOP Retirement Subaccount was front-end loaded in 1987 with about 25% of salaries going into the accounts. Thus, it made sense to use the allocation in other ways that are more beneficial to employees (for instance, the 1994 Special Allocation Subaccount allocation).

28. ***What was the price used and the allocation basis for the 10% ESOP Savings Subaccount allocation and the 5% Special Allocation Subaccount Allocation?***

In 1994, the allocation to both the ESOP Savings Subaccount and Special Allocation Subaccount was based on the 1994 average daily closing market price of $30.788. The allocation basis for the Savings Subaccount was annual 1994 base compensation while for the Special Allocation Subaccount it was December 1994 base compensation annualized.

29. ***Was the full 5% Special Allocation net of dividends allocated to my account?***

No. We estimate that the shares allocated will be approximately 4.4% - 4.6%, net of dividends. The difference will be made up in the cash balance allocation in 1996.

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30. ***Why was the ESOP Retirement Subaccount 100% super-vested and not the ESOP Savings Subaccount or the Special Allocation Subaccount?***

When Enron committed to change the Retirement Plan formula to a cash balance formula, management believed that to assist in the transition all employees should be 100% vested in the Retirement Plan benefit earned as of December 31, 1994. Since the ESOP Retirement Subaccount coordinates with the Retirement Plan benefit, the ESOP Retirement Subaccount was also 100% super-vested. The ESOP Savings Subaccount and the Special Allocation Subaccount do not coordinate with the Retirement Plan benefit and were not super-vested.

31. ***Will I receive a report showing my estimated January 1, 1987 and December 31, 1994 accrued benefit under the Retirement Plan?***

Yes. Employees should receive a statement in the second quarter of 1995 containing the estimated January 1, 1987 through December 31, 1994 accrued benefit under the Retirement Plan. Employees will also receive communication that will enable them to determine the estimated value of their ESOP Retirement Subaccount as compared to their estimated Retirement Plan accrued benefit for this time period. This will allow employees to see the excess value in their ESOP Retirement Subaccount as of December 31, 1994, if any. Until you gain access to your ESOP Retirement Subaccount, the excess value changes proportionately to changes in the market value of shares of Enron common stock in your ESOP Retirement Subaccount.

32. ***How were part-time employees' salaries valued for the 1994 ESOP allocations to the Savings Subaccount and the Special Allocation Subaccount?***

Part-time employees who worked at least 1000 hours in 1994 received an allocation to both the ESOP Savings and Special Subaccounts, based on their monthly benefit rate.

33. ***How will part-time employees' salaries be valued for the 1996 five percent cash balance allocation under the Retirement Plan?***

The new 5% cash balance annual contribution under the Retirement Plan for all employees (including eligible part-time) will be based on their monthly benefit rate.

34. ***Why are the ESOP allocations and cash balance formula allocation only based on my base monthly salary?***

It is competitive to use the monthly benefit rate as the basis for determining benefits under the qualified plans. We are committed to maintaining competitive base pay levels. In addition, employees do have an opportunity to achieve total compensation that exceeds competitive levels through incentive pay and stock-based programs.

35. ***Are the shares of stock in the ESOP Retirement Subaccount actually in the employee's name?***

No. Shares in the ESOP (including the Retirement Subaccount) have been earmarked ("allocated") for the benefit of participants, but the shares are not registered in participants' names; they are owned by the ESOP Trust until distributed to participants, at which time a change in the registered owner of the shares is made.

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36. ***Can I take a total share withdrawal from the ESOP at retirement age (55 or older)?***

If a participant elects to retire from active employment at retirement age and the participant is 100% vested, the participant can elect to receive a total share distribution.

37. ***Why does the ESOP Retirement Subaccount and Special Allocation Subaccount have a phased-in access period and not immediate access?***

The phased-in access period allows the accessible shares to be potentially withdrawn over a period of time, so that not all of the shares hit the market in a given year as this could have a negative impact on the stock price. In addition, this allows you to lock in the offset at multiple points in time and continue to focus on increasing the value of Enron stock through your efforts. Lastly, it was approved by the Department of Labor as an acceptable approach to winding down the ESOP offset.

38. ***Will Enron provide any investment education for employees to better understand asset management?***

Yes. Enron plans to provide investment education literature to employees as well as offer some classroom-type educational sessions.

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ESOP RETIREMENT SUBACCOUNT AND SPECIAL ALLOCATION SUBACCOUNT ACCESS

Questions and Answers

Eligibility

1. ***Who is eligible for access to the ESOP in January 1996?***

   ESOP Retirement Subaccount

   If you are an active or former employee and have an ESOP Retirement Subaccount balance, you will have access to it in annual 20% increments over a five-year period beginning January 1996. Grandfathered participants, as defined in the Special Provision, can access 100% of this Subaccount in January 1996.

   ESOP Special Allocation Subaccount

   If you are an active employee and have an ESOP Special Allocation Subaccount, you will have access to your vested portion in the same annual 20% increments as the ESOP Retirement Subaccount (subject to IRS restrictions explained in questions 5, 7, and 8). Grandfathered participants (Special Provision) can only access this Subaccount in 20% increments beginning January 1996.

2. ***If I terminate employment (non-retirement), when can I request a distribution of my shares?***

   ESOP Retirement Subaccount

   Just like active employees, former employees may request a distribution of their Retirement Subaccount in 20% increments beginning January 1996. The ESOP is processed on a monthly cycle. Generally, a distribution request received by the 20th of the month is processed as of the end of the month. Due to the potential volume in January 1996, a distribution request form must be received by December 1, 1995.

   ESOP Special Allocation Subaccount

   Just like active employees, former employees may request a distribution of only the vested shares in their ESOP Special Allocation Subaccount in 20% annual increments beginning January 1996. The ESOP is processed on a monthly cycle. Generally, a distribution request received by the 20th of the month is processed as of the end of the month. Due to the potential volume in January 1996, a distribution request form must be received by December 1, 1995. The 24-month IRS restriction does not apply to former employees.

3. ***If I retire (age 55 or older), when can I request a total distribution of my shares?***

   ESOP Retirement Subaccount

   If employees elect to retire, they can request a total distribution of their shares any time after their retirement date.

   ESOP Special Allocation Subaccount

   Same.

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4. ***When will I be informed as to the ESOP amount I am eligible to withdraw?***

ESOP Retirement Subaccount

You will begin to see the withdrawable amounts on your September 30, 1995 quarterly Statement of Account. This amount will not reflect 4th quarter dividends.

ESOP Special Allocation Subaccount

Same.

5. ***How do I determine the number of shares I can withdraw?***

ESOP Retirement Subaccount

Because you are 100% vested in the ESOP Retirement Subaccount, you will have access of up to one-fifth (20%) of your ESOP Retirement Subaccount beginning January 1996. Grandfathered participants (Special Provision) can access 100% of the Subaccount in January 1996.

ESOP Special Allocation Subaccount

You may only withdraw the vested amount to which you have access in the ESOP Special Allocation Subaccount. If you have less than five years of service, an IRS restriction limits your withdrawal to the shares that have been allocated to your account longer than 24 months. Grandfathered participants (Special Provision) can only access this Subaccount in annual 20% increments beginning January 1996.

6. ***What is the ESOP vesting schedule?***

Vesting represents your percentage of ownership in your account. Your vested shares cannot be forfeited. The process of becoming vested in shares allocated to your account depends on your years of service. The vesting schedule based on your full years of service using your anniversary date is as follows:

ESOP Retirement Subaccount

As of December 31, 1994, all active employees became 100% vested in their ESOP Retirement Subaccount.

ESOP Special Allocation Subaccount

Full Years of Service	Vested Interest
Less than 1 year	0%
1 year	25%
2 years	50%
3 years	75%
4 years or more	100%

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7. *I have less than five years of ESOP participation; how do I determine the number of shares I can withdraw from the ESOP?*

ESOP Retirement Subaccount

Since this Subaccount was 100% vested on December 31, 1994, the number of shares you can withdraw from the ESOP Retirement Subaccount is simply the phased-in access amount, which is in annual 20% increments beginning January 1996 There is no IRS restriction because no allocations have been made during the prior 24 months.

ESOP Special Allocation Subaccount

The number of shares you can withdraw from the ESOP Special Allocation Subaccount is in annual increments of 20% of your vested shares.

If you have less than 5 years of participation, an IRS restriction limits your withdrawal to shares that have been allocated longer than 24 months.

Below is an example showing the number of shares that can be withdrawn on each of the first three access dates for a participant with less than 5 years of participation. The example is based on the following assumptions:

- Hire date of June 1, 1993.
- More than 2 years of service as of January 1996, therefore 50% vested.
- Less than 5 years of ESOP participation; therefore, IRS 24-month restriction applies.
- 100 shares were allocated to the ESOP Special Allocation Subaccount on December 31, 1994.

The number of shares eligible to be withdrawn in this example is determined by the following formula:

		Jan.* 1996	Jan.** 1997	Jan.*** 1998
A.	Total Shares Allocated	100	100	100
B.	x Vesting Percent	50%	75%	100%
C.	= Vested Shares	50	75	100
D.	x Available Fifth(s)	20%	40%	60%
E.	= Available Shares	10	30	60
F.	- Previous Withdrawals	- 0	- 0	-30
G.	Available Before IRS Restriction is applied	10	30	30
H.	Available After IRS Restriction is applied	0	30	30

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Note: This example excludes dividends which may purchase additional shares.

* The number of shares withdrawn cannot be greater than the number of shares allocated to the account longer than 24 months because this employee has less than five years of ESOP participation. In this example, no shares are available for withdrawal in January 1996.

** By January 1997, the employee did not withdraw any shares. The employee has passed his/her third anniversary of employment (June 1, 1996) and is now 75% vested. Also, the shares allocated 12/31/94 have been allocated longer than 24 months. In January 1997, 30 shares become available for withdrawal.

*** By January 1998, the employee has already withdrawn 30 shares. Also, the fourth anniversary of employment (June 1, 1997) has passed and the employee is now 100% vested. In 1998, an additional 30 shares are available for withdrawal.

As soon as an employee reaches five years of ESOP participation, the IRS 24-month restriction no longer applies.

8. ***I came to Enron through an acquisition (e.g., Tenneco, Access Energy, LRC), and service with my previous employer was recognized by Enron for ESOP vesting purposes. What effect does this have in determining the amount available for withdrawal?***

ESOP Retirement Subaccount

This will not have any impact on the amount you can withdraw from the ESOP Retirement Subaccount. In fact, you will be able to withdraw the accessible amount of shares by January 1996 because no allocations will have been made during the prior 24 months and this Subaccount was 100% vested on December 31, 1994.

ESOP Special Allocation Subaccount

The IRS restricts the withdrawable amount available for participants with less than 5 years of plan participation. Recognizing your prior service for vesting purposes has no effect on your years of actual participation in the ESOP. Participants with less than 5 years of ESOP participation will not be allowed to withdraw allocations made during the prior 24 months.

9. ***Can I request a smaller amount than the total amount available for withdrawal?***

ESOP Retirement Subaccount

Yes. For example, if you are eligible to withdraw 300 shares, you may request fewer shares.

ESOP Special Allocation Subaccount

Same.

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Alternatives

Leave in ESOP

10. ***Do I have to take a distribution? What happens if I do nothing?***

ESOP Retirement Subaccount

You are not required to take a distribution. If you do not wish to take a distribution, your shares will continue to be held in the ESOP Retirement Subaccount. Leaving your shares in the ESOP may allow you to continue to benefit from the growth potential of Enron's stock. By leaving your shares in the ESOP, you have made an investment decision to invest in Enron common stock. You are, however, required to withdraw all your shares by April 1 of the year following the year you reach age 70 1/2.

ESOP Special Allocation Subaccount

Same.

Transfer to the Enron Corp. Savings Plan

11. ***How do I roll over my ESOP Retirement Subaccount and Special Allocation Subaccount to the Enron Corp. Savings Plan, and when will my Savings Plan account be credited with the shares?***

ESOP Retirement Subaccount

As an active employee, you may withdraw shares from the ESOP and request that they be transferred directly to the Enron Corp. Stock Fund in the Enron Corp. Savings Plan. To do this, on the ESOP Distribution Request Form, you elect a rollover of shares to the Enron Corp. Savings Plan by the 20th of any month. Due to the potential volume in January 1996, a distribution form must be received by December 1, 1995. The shares transferred to the Savings Plan will be credited to your account in the Enron Corp. Stock Fund using the closing market price of the shares on the day the Savings Plan Trustee receives the shares. This will also be the same day the shares are transferred out of the ESOP at the closing market price. It is anticipated that the transfer will be made as of the first trading day in 1996.

ESOP Special Allocation Subaccount

Same.

12. ***Can I place my ESOP distribution directly into any investment fund in the Enron Corp. Savings Plan?***

ESOP Retirement Subaccount

No. Any shares transferred from the ESOP to the Savings Plan will be deposited in the Savings Plan's Enron Corp. Stock Fund. After the shares of stock are credited to the Enron Corp. Stock Fund account, you may request a transfer to any of the other Savings Plan investment funds. Savings Plan fund transfers can be done on a daily basis via the BRI Administration Phone Line (1-800-316-7526).

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ESOP Special Allocation Subaccount

Same.

13. ***I am not currently a participant in the Enron Corp. Savings Plan; can I open an account for an ESOP rollover without making monthly contributions to the Savings Plan?***

ESOP Retirement Subaccount

Yes. If you are an active employee, you may enroll in the Enron Corp. Savings Plan at any time. It is not necessary to make a monthly contribution to the Enron Corp. Savings Plan if you elect to roll over shares from your ESOP Subaccount into the Enron Corp. Savings Plan.

ESOP Special Allocation Subaccount

Same.

14. ***If I elect a rollover to the Enron Corp. Savings Plan, how soon can I apply for a loan? How much can I borrow?***

ESOP Retirement Subaccount

You may borrow from your Enron Corp. Savings Plan account any time after the ESOP rollover has been credited to your account. By submitting the ESOP Distribution Request Form to BRI by the **20th** of any month (by the 1st of December 1995 due to the potential volume in January 1996), your rollover will be credited to your Savings Plan account usually by the end of the first week of the following month.

You may borrow up to 50 percent of your Savings Plan account balance up to a maximum of $50,000 and you are allowed to have two loans at one time. However, the $50,000 limit is further reduced by the highest previous loan balance outstanding during the 12-month period ending on the date that a loan application is made (even though the previous loan may have been repaid). Non-home loans can be repaid over a period of one to five years. Loans for the purchase or construction of a home can be repaid over a period of up to fifteen years. To find out how much you can borrow from the Savings Plan and to initiate a loan, call the BRI toll-free phone line 1-800-316-7526.

ESOP Special Allocation Subaccount

Same.

15. ***After transferring the ESOP to the Enron Corp. Savings Plan, can I use the ESOP to pay off an existing Savings Plan loan(s)?***

ESOP Retirement Subaccount

No. Loans must be repaid through after-tax payroll deductions or by personal check. Amounts received as a rollover are placed in the plan on a tax-deferred basis and cannot be used to pay off a loan. You could elect to receive an ESOP withdrawal (subject to ordinary income taxes and the 10 percent excise tax, if applicable) and use the proceeds to pay off your Savings Plan Loan(s).

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ESOP Special Allocation Subaccount

Same.

16. ***Will a rollover to the Enron Corp. Savings Plan count toward the 1995 IRS before-tax annual contribution maximum of $9,240?***

ESOP Retirement Subaccount

No. The IRS annual maximum does not apply to rollovers.

ESOP Special Allocation Subaccount

Same.

17. ***If I roll over ESOP shares to the Enron Corp. Savings Plan and later wish to withdraw some of this rollover amount from the plan, is it subject to hardship withdrawal rules?***

ESOP Retirement Subaccount

No. There are no restrictions placed on withdrawals of rollovers to the Savings Plan. However, the withdrawal of the rollover amounts from the Savings Plan is subject to ordinary income taxes and 10 percent excise tax, if applicable.

ESOP Special Allocation Subaccount

Same.

Rollover Shares to an IRA

18. ***How do I perform a rollover (direct transfer) to my IRA?***

ESOP Retirement Subaccount

On the ESOP Distribution Request Form, you must provide the name and address of the institution holding your IRA along with your IRA account number. A stock certificate will be mailed to the institution.

ESOP Special Allocation Subaccount

Same.

19. ***Can my ESOP distribution be wire transferred directly into my IRA?***

ESOP Retirement Subaccount

No. Distributions will be in the form of stock certificates.

ESOP Special Allocation Subaccount

Same.

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20. *How many times can I direct a transfer from a qualified plan to an IRA in one calendar year?*
ESOP Retirement Subaccount

There is no limit to the number of times that you can direct a transfer from a qualified plan to an IRA in any given year.

ESOP Special Allocation Subaccount

Same.

Withdraw Shares From ESOP

21. ***Will I receive a stock certificate, or can I ask that my shares be sold?***
ESOP Retirement Subaccount

If you are an active employee, you may not elect a cash distribution. You will receive a stock certificate only. Partial shares are distributed in cash, which is subject to tax withholding. When you receive your stock certificates, you may elect to hold the certificates or sell them yourself through your local broker, through BRI, or through PaineWebber, our All-Employee Stock Option Plan Administrator.

ESOP Special Allocation Subaccount

Same.

22. ***Can I request to receive part of the distribution in cash and the remainder in stock?***
ESOP Retirement Subaccount

No. The distribution must be in shares of stock.

ESOP Special Allocation Subaccount

Same.

23. ***Will the number of shares I sell have an impact on the market price?***
ESOP Retirement Subaccount

Your single action should not affect the price of the stock. However, it is possible that a large number of shares sold at one time by many people may cause a temporary decrease in the market price.

ESOP Special Allocation Subaccount

Same.

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24. ***When will I receive a distribution that was submitted in December 1995?***

ESOP Retirement Subaccount

If you request a December 1995 distribution (forms must be submitted by December 1), you should receive the stock certificate in late January 1996.

ESOP Special Allocation Subaccount

Same.

25. ***If I elect to withdraw my ESOP balances, who will send the distribution to me?***

ESOP Retirement Subaccount

A stock certificate will be mailed to you from the transfer agent, First Chicago Trust Company of New York. If you have a question about a certificate, contact a BRI representative at 1-800-332-7979 (press one). In the Houston area, call 853-7979 (press one).

ESOP Special Allocation Subaccount

Same.

Election Process

26. ***How do I elect a distribution on the first access date, January 1996?***

ESOP Retirement Subaccount

If you wish to request a distribution payable in January 1996, complete an ESOP Distribution Request Form, which will be mailed to you in October 1995 along with your ESOP quarterly statement of account. Forms returned to BRI **by December 1, 1995**, will be processed by December 31, 1995, and you will receive your stock certificate in late January 1996.

ESOP Special Allocation Subaccount

Same.

27. ***If I do not request a distribution in December 1995, when will I next be allowed to request a distribution?***

ESOP Retirement Subaccount

If you do not request a distribution in December 1995, you may request a distribution any month thereafter by returning your form to BRI by the 20th of the month.

ESOP Special Allocation Subaccount

Same.

28. *If I wait until January 1997, can I withdraw two-fifths (40%) of my vested ESOP Retirement Subaccount and Special Allocation Subaccount?*

ESOP Retirement Subaccount

Yes. Any amount that you do not withdraw will be added to the future amounts available for withdrawal.

ESOP Special Allocation Subaccount

Yes. Any amount that you do not withdraw will be added to the future amounts available for withdrawal. The withdrawal amount may be subject to the 24-month IRS restriction as mentioned in the answer to question 7.

29. *Is it possible to receive some of my ESOP distribution as a withdrawal and some as a rollover to either the Enron Corp. Savings Plan or an IRA?*

ESOP Retirement Subaccount

Yes. You may elect to receive a partial ESOP withdrawal (subject to ordinary income taxes and the 10 percent excise tax, if applicable) and/or a partial rollover to an IRA or to the Savings Plan. However, **only one of these transactions can be processed per month.**

ESOP Special Allocation Subaccount

Same.

30. *If I want to make a change after I have returned the Distribution Form, what do I do?*

ESOP Retirement Subaccount

You can obtain another form from BRI and ask that your original form be returned to you. The replacement form must be received by BRI no later than the 20th of any month (December 1, 1995, for a January 1996 distribution).

ESOP Special Allocation Subaccount

Same.

EC000020200

Tax Issues

31. ***Can I choose whether or not to have taxes withheld from my distribution?***

ESOP Retirement Subaccount

- If you elect stock, shares will not be sold for tax withholding. However, the total amount of any fractional shares (which you would have received as cash) will be withheld for taxes.
- Taxes will not be withheld if you elect a rollover of stock to the Enron Corp. Savings Plan or an IRA.

Note: A distribution that you receive as shares (do not roll over) may make you responsible for payment of an estimated tax. Under the tax law, if the withholding and estimated taxes, if any, are not sufficient, you may incur penalties.

ESOP Special Allocation Subaccount

Same.

32. ***If I elect not to roll over my ESOP, but receive a distribution as shares of common stock from the Retirement Subaccount, what is the basis for my taxable income?***

ESOP Retirement Subaccount

Note: This example will illustrate the tax impact based on the following assumptions:

♦ Number of shares received at distribution in 1996	300
♦ Market price at distribution (est. at January 15, 1996)	$35.00
♦ Sell shares in 1997 at	$40.00

Note: Any distribution that you receive before age 59 1/2 is also subject to the 10 percent excise tax, **unless certain exemptions are met**. (Review the *Special Tax Notice Regarding Plan Payments*, which is available from a BRI representative.)

Tax Calculation

Market value of shares at distribution (300 shares x $35)	$10,500
Taxable income at distribution	$10,500
(Reported on 1996 income tax return)	

Upon Sale of Stock at a Later Date

Assume sold at $40 per share in February 1997	
Sale proceeds: 300 shares x $40	$12,000
Less: Brokerage fee	- 24
Net amount from brokerage firm	$11,976
Less: Taxable portion at distribution	-10,500
Taxable gain from sale of stock	$ 1,476
(Reported on 1997 income tax return)	

ESOP Special Allocation Subaccount

Same.

EC000020201

33. ***Are there any special tax considerations I need to be aware of other than ordinary income and excise taxes?***

ESOP Retirement Subaccount

Generally, distributions are taxable as ordinary income. However, certain "lump sum distributions" may qualify for special elective treatment under section 402(d) of the Internal Revenue Code that can reduce taxes ordinarily payable. Some elections allow all or a portion of distributions attributable to a participant's pre-1974 participation in a pension plan to be treated as long-term capital gain, and other elections allow special averaging methods to be used for computing tax on the ordinary income portion.

The term "lump sum distribution" means the distribution or payment within one taxable year of the receipt of the balance to the credit of an employee which becomes payable to the recipient (i) on account of the employee's death, (ii) after the employee attains age 59 1/2, (iii) on account of the employee's separation from service, or (iv) after the employee has become disabled, from a trust which forms part of a tax-qualified pension plan.

There are complex rules and definitions regarding these elections. If you think you may be entitled to make such an election, you should seek advice from a tax advisor.

ESOP Special Allocation Subaccount

Same.

34. ***Is my distribution reported to the IRS?***

ESOP Retirement Subaccount

All distributions are reported to the IRS on a Form 1099-R at the end of each year regardless of whether you elect to receive a distribution, roll it over to an IRA, or roll it over to the Enron Corp. Savings Plan.

ESOP Special Allocation Subaccount

Same.

35. ***Am I required to report on my income tax return the ESOP distribution that I roll over to the Enron Corp. Savings Plan or to an IRA?***

ESOP Retirement Subaccount

Yes. All distributions from ESOP must be reported on Form 1040 (individual income tax return) for the year in which you receive them, including rollovers to the Savings Plan or to an IRA.

ESOP Special Allocation Subaccount

Same.

EC000020202

36. ***If I elect not to roll over my ESOP shares but receive a distribution of shares, will I be eligible for the special income averaging?***

ESOP Retirement Subaccount

Generally no. Since the distribution does not represent a total distribution of the savings, retirement, and special allocation portions of the ESOP, the distribution will not qualify for the special averaging. However, you are encouraged to seek the advice of a tax expert if you feel this may be applicable to you.

ESOP Special Allocation Subaccount

Same.

37. ***If I elect to roll over my ESOP shares to an IRA, will I be eligible for the special income averaging upon distribution from the IRA?***

ESOP Retirement Subaccount

No. If the distribution is made from an IRA, you will not be eligible for the special income averaging.

ESOP Special Allocation Subaccount

Same.

38. ***If I elect to roll over my ESOP shares to a qualified plan, will I be eligible for the special income averaging upon distribution?***

ESOP Retirement Subaccount

Yes. If the distribution qualifies as a total distribution from the qualified plan, you will be eligible for the special income averaging.

ESOP Special Allocation Subaccount

Same.

Other

39. ***If my ESOP account is involved in a legal proceeding, such as divorce, whom should I contact?***

ESOP Retirement Subaccount

You should contact a BRI representative at 1-800-332-7979 or (713) 853-5111.

ESOP Special Allocation Subaccount

Same.

EC000020203