The Enron Retirement Program Guide

ENRON CORP

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Introduction

This Program Guide reviews recent changes to Enron's Retirement Plan and the Employee Stock Ownership Plan (ESOP) and highlights how the Enron Corp. Savings Plan can help you save additional funds to make your retirement years more enjoyable. These benefits are designed to meet the needs of Enron's diverse workforce and the challenges of today's competitive environment. Refer to this guide in the coming months as the details of Enron's retirement program are discussed. If you have questions that are not covered here, contact your Human Resources Representative or BRI at 1-800-332-7979.

Program Highlights

Key changes to the Enron benefits include:

- **Immediate 100% vesting for active employees** — fully vesting the value of your Retirement Plan benefits earned through December 31, 1994, and vesting of your ESOP Retirement Subaccount as of December 31, 1994.
- **Access to the ESOP Retirement Subaccount** — enabling you to take advantage of the strong performance of Enron stock in the Enron Employee Stock Ownership Plan (ESOP) and benefit directly from any excess value in your ESOP Retirement Subaccount.
- **A new retirement formula** — representing a simplified, equitable approach to retirement benefits that are valuable and portable.
- **A special transition provision** — providing employees who are at least age 50 with five years of service on January 1, 1995 the better of the old or new benefit formula, if they retire on or before January 1, 2002. In addition, these employees will have full access to their ESOP Retirement Subaccounts in January 1996.

These changes are consistent with Enron's business philosophy and are reflective of benefits designed for today's changing workforce. Enron's actuary has projected that these Retirement Plan changes will result in benefit improvements for approximately 97% of Enron employees for at least ten years into the future. With the special transition provision, the majority of the remainder of the employees are at least neutral.

Enron continues to offer and encourages you to take advantage of the Enron Corp. Savings Plan, which is designed to assist you in providing added security for retirement or other financial needs by means of a regular savings program.

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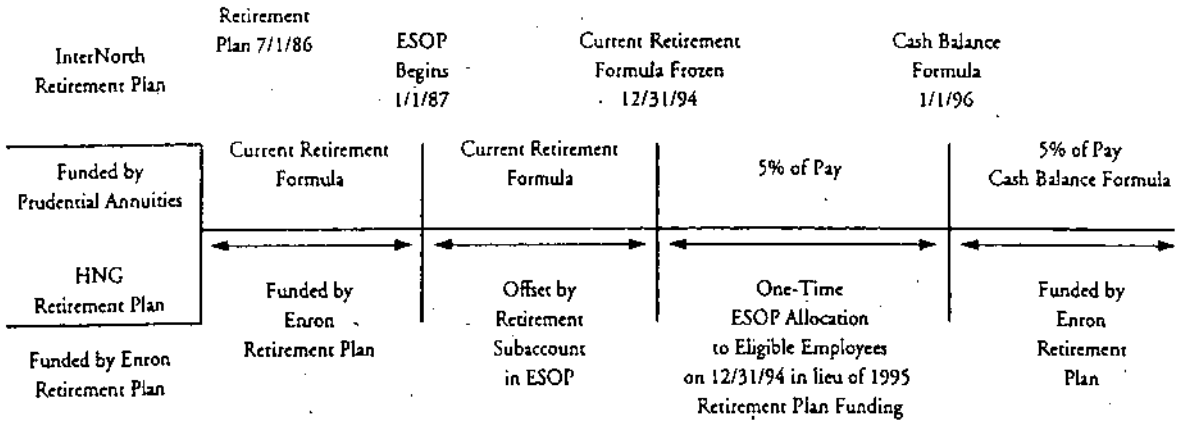
Enron Retirement Plan

Introduction

Historically, the Enron Retirement Plan has been designed to provide monthly benefits after you retire from Enron, which, together with your personal savings and any Social Security benefits you receive, help provide income during your retirement years. The intent of the plan — to provide you with retirement income security — remains unchanged. However, the way you earn benefits and your access to those benefits have been simplified.

Because the plan has changed over the years, you may have earned benefits under more than one retirement formula. Also, you may have been covered by other plans in the past (sponsored by HNG and InterNorth, for example) for which you have received credit. This section of your Program Guide discusses the evolution of the Retirement Plan — providing sample projections and combining various Enron retirement benefit sources. However, it does not cover every scenario. If you have questions concerning your situation, refer to your Enron Corp. Employee Benefit Plans and Policies handbook or contact BRI at 1-800-332-7979.

Enron Retirement Plan Timeline



Plan History

Before July 1, 1986

Before the formation of Enron in 1985, retirement benefits were provided through two separate retirement plans sponsored by HNG and InterNorth. The HNG Retirement Plan merged into the Enron Retirement Plan on July 1, 1986. Benefits earned under the InterNorth Retirement Plan before July 1, 1986 were converted to annuities to be paid by the Prudential Life Insurance Company.

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From July 1, 1986 through December 31, 1986
All retirement benefits earned during this period were funded through the Enron Retirement Plan.

From January 1, 1987 through December 31, 1994
Enron introduced the ESOP in 1987. During this period, retirement benefits were funded through the Retirement Plan, the ESOP Retirement Subaccount or a combination of the two.

1995
You will receive a special ESOP allocation of 5% of your December 1994 annualized base pay (net of projected 1995 common stock dividends). This allocation is in lieu of a Retirement Plan accrual for 1995.

1996 Forward
A 5% of pay "cash balance" formula begins on January 1, 1996. Benefits will be funded through the Enron Retirement Plan.

How Benefits Are Determined Under the Current Plan and the ESOP Offset

Under the pre-1995 provisions, any benefit earned under the Retirement Plan after December 31, 1986 is offset by the value of your Retirement Subaccount in the ESOP. This approach never means a lower benefit to you — it simply means that instead of receiving the total retirement benefit from the Retirement Plan, the portion of the benefit offset by the ESOP is paid from the value of your ESOP Retirement Subaccount.

The value of your ESOP Retirement Subaccount is based on the share price of Enron stock on the date you have access to the account. Beginning January 1996, access will occur in 20% increments over five years. The value of the ESOP offset is equal to the amount of an annuity (a series of equal payments usually expressed on a monthly basis) payable when you retire that could be purchased using the value of each portion of your ESOP Retirement Subaccount to which you gain access. For purposes of this calculation, the Company has assumed that the annuity returns 8.5% per year in earnings. The ESOP offset value may be less or greater than the value of the Retirement Plan benefit earned between January 1, 1987 and December 31, 1994. If less, the Retirement Plan will pay the portion of the benefit that is not offset by your ESOP Retirement Subaccount. *If greater, the excess in your ESOP Retirement Subaccount would have been used to fund future benefits under the old formula.* With these changes, ***you keep the excess.***

Estimating the Value of the ESOP Offset

During the second quarter of 1995, you will receive information that will help you estimate the value of your ESOP Retirement Subaccount offset. In addition, you will be provided with an estimate of your Retirement Plan accrued benefit earned from January 1, 1987 through December 31, 1994. We will also explain how to determine the amount by which the value of your ESOP Retirement Subaccount offsets your Retirement Plan benefit earned from January 1, 1987 through December 31, 1994.

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Retirement Subaccount Offset Example – Excess in Year Two

Let's review an example where a Retirement Plan benefit is offset by the ESOP Retirement Subaccount through two years of access on the second access date.

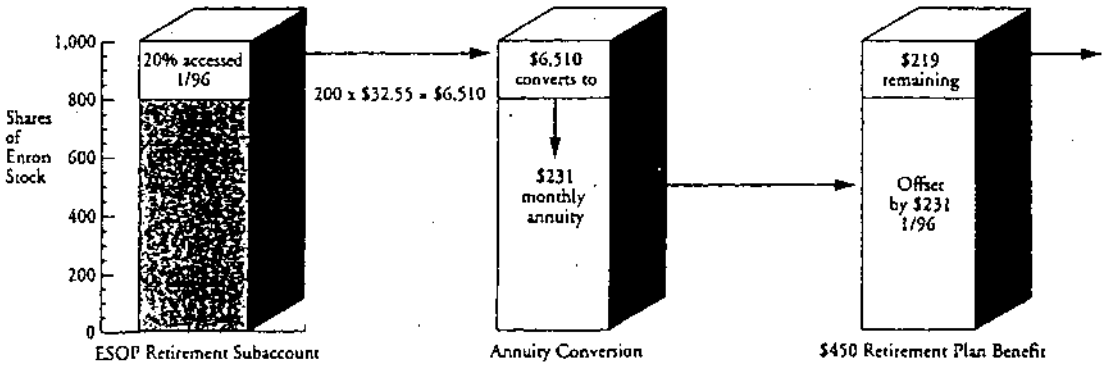
Assume that on January 1, 1995 you are 45 years old and that your earned benefit under the Retirement Plan from January 1, 1987 through December 31, 1994 is $450 per month. Also assume that you have 1,000 shares of Enron stock in your ESOP Retirement Subaccount and that the price of Enron stock is $30. You will receive a benefit from the Retirement Plan, the ESOP Retirement Subaccount or the combination of the two that equals at least $450 per month. If as of the determination date of your Retirement Plan benefit, the value of your ESOP Retirement Subaccount exceeds the amount needed to fund your Retirement Plan monthly benefit (in this example $450), you keep the excess. If less, the Retirement Plan pays the amount not offset.

Your ESOP offset is valued annually in 20% increments beginning in 1996:

First Access Date - 20%
In January 1996, you gain access to the first 20% or 200 shares (1,000 x 20%) of Enron stock in your ESOP Retirement Subaccount. On the date of access, the 200 shares are valued by multiplying the number of shares by the then current price of Enron stock. Assuming 8.5% annual growth, we can project a hypothetical price of Enron stock in January 1996 to be $32.55 per share. Therefore, the 200 shares to which you have access have a value of $6,510 ($32.55 x 200) for this example.

Using actuarial equivalency methods, we then determine that the $6,510 cash value is enough to fund a monthly annuity beginning at age 62 (the earliest you may receive full Retirement Plan benefits) in the amount of $231. Your $450 monthly benefit is then offset by this amount.

As of the first access date, 200 shares from your ESOP Retirement Subaccount have been earmarked to offset the first $231 of your $450 monthly Retirement Plan benefit. You now have 800 shares to provide for the remaining $219 ($450 - $231) monthly benefit under the Retirement Plan. The 200 shares you have earmarked on the first access date are still in the ESOP Retirement Subaccount. You now have access to these shares. Options for accessing the shares in your account are explained on page 8.



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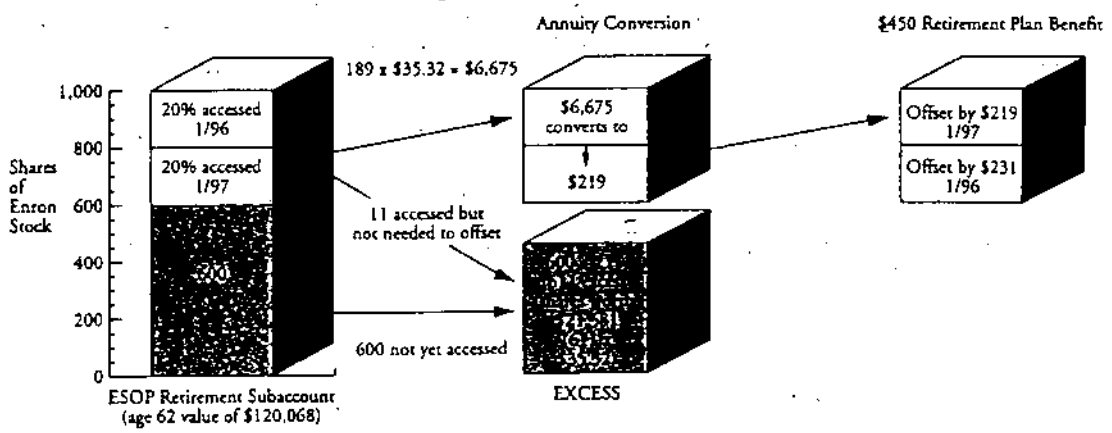
Second Access Date - 20%

In January 1997, you gain access to the second 20% or 200 shares of Enron stock in your ESOP Retirement Subaccount. Using a projected (8.5% growth) Enron stock price of $35.32 per share, we can value the second 20% of your account at $7,064 (200 x $35.32).

The $7,064 is enough to fund a monthly annuity value of $231. However, only $219 remains to be offset from your monthly Retirement Plan benefit. Therefore, instead of applying the full 200 shares, we earmark 189 shares — enough to fully offset the remaining $219 monthly benefit.



As of the second access date, your $450 monthly Retirement Plan benefit is fully offset using 389 shares from your ESOP Retirement Subaccount and you have 611 (1,000 - 389) excess shares of Enron stock worth a projected $21,581 on that date.

Because your Retirement Plan benefit has been fully offset you will not receive a monthly benefit from the Retirement Plan. However, over the next three years (by January 2000), you will gain access to the remaining 600 shares in your ESOP — meaning you will have access to the full 1,000 shares, 611 of which are excess value shares. If we project the price of Enron stock (using 8.5%) to your age 62, the 1,000 shares in your account would be worth $120,068. However, the value of the shares in your ESOP Retirement Subaccount will fluctuate with changing market conditions. Whether or not you should request a distribution of the shares to which you have access is an important investment decision (see Access and Investment Responsibility on page 7).

An example of where a Retirement Plan benefit is offset by the ESOP Retirement Subaccount through five years of access is shown in Appendix A.

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Note: This example is an estimate only and assumes sustained stock growth of 8.5%. Actual results will depend on the performance of Enron stock. Also, for ease of calculation, dividends have not been taken into account in this example. Dividends earned on your ESOP Retirement Subaccount shares after January 1, 1995 will become accessible on a prorated basis, making all dividend shares accessible by January 2000. The example does not imply that you need to sell or withdraw your Enron shares or buy an annuity. These calculations are only used to determine if the ESOP Retirement Subaccount has enough money to offset your Retirement Plan benefit at the time of access. This example illustrates how the ESOP Retirement Subaccount is used to fund the offset Retirement Plan benefits. In this example, the value of the ESOP Retirement Subaccount is sufficient to offset earned Retirement Plan benefits. If the value of the ESOP Retirement Subaccount is not enough to offset earned benefits, the Retirement Plan pays the earned monthly benefit that is not offset. Additional examples illustrating an ESOP Retirement Subaccount excess and an ESOP Retirement Subaccount shortfall are located in Appendix A.

As illustrated in the example on pages 4 and 5, benefits earned from January 1, 1987 through December 31, 1994 are offset by the ESOP Retirement Subaccount. But how will the change to the Retirement Plan formula affect future benefits? The comparison described on the next page illustrates how your retirement benefits might be affected over the next five years — before and after the change to the Retirement Plan formula.

For purposes of this example, we'll assume that on January 1, 1995 you are 45 years old with a salary of $50,000 (which increases 4% a year) and you have 1,000 shares in your ESOP Retirement Subaccount. We will also assume that you have an earned pre-1987 Retirement Plan monthly benefit of $300, which is payable at age 62.

This example does not include the effect of any dividends paid on shares in the ESOP Retirement Subaccount.

Before 1987

Benefits earned before 1987 are not impacted by the change to the Retirement Plan formula. In this example, you have an earned pre-1987 Retirement Plan monthly benefit of $300, which is payable at age 62. Of course, you can retire earlier than age 62, and the $300 monthly benefit will be adjusted according to the early retirement reduction factors.

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from January 1, 1987 through December 31, 1994

Benefits earned from January 1, 1987 through December 31, 1994 are also unaffected by the change to the Retirement Plan formula.

As explained in the ESOP Retirement Subaccount example on pages 4 and 5, benefits earned during this period are offset by the ESOP Retirement Subaccount. This means the $450 monthly benefit earned from January 1, 1987 through December 31, 1994 is reduced to zero, but remember, you still have the entire 1,000 ESOP shares. See the example on pages 4 and 5.

January 1, 1995 through January 1, 2000

Beginning January 1, 1995 the effect of the change to the Retirement Plan cash balance formula is visible. Before a change to the Retirement Plan formula benefits earned during this period would continue to be offset by the ESOP Retirement Subaccount. This means the $525 monthly benefit, payable beginning at age 62, that would have been earned after 1994 under the old formula would be reduced to zero. After a change to the formula, however, you get access to any ESOP excess value shares *and* you would earn an additional $12,215 cash balance contributions and interest over the five-year period.

And consider the difference in access to your funds. Under the old rules, you would have to wait until age 62 (the earliest you can retire with full benefits) to access both your $300 Retirement Plan monthly benefit and your ESOP Retirement Subaccount. After the change, you have phased-in access to your ESOP Retirement Subaccount beginning January 1, 1996, full access to your account by the year 2000 and access to benefits earned under the new formula when you retire or your employment with Enron terminates for any reason other than disability.

Access and Investment Responsibility

The shares in the ESOP Retirement Subaccount were originally intended to fund Retirement Plan benefits earned after December 31, 1986. With the Retirement Plan formula changing on December 31, 1994, the ESOP offset applies only to benefits earned from January 1, 1987 through December 31, 1994. If your Retirement Plan benefits can be fully offset by the ESOP Retirement Subaccount, Enron meets its Retirement Plan funding obligation for benefits earned from January 1, 1987 through December 31, 1994. In such event, at the time of your retirement you will not receive any Retirement Plan benefits from Enron for this January 1, 1987 through December 31, 1994 period. Once you have access, you become responsible for the investment and direction of your ESOP Retirement Subaccount.

When Retirement Plan benefits are offset by the ESOP Retirement Subaccount, the value of your shares of stock in your account is converted to an annuity value for comparison purposes only — no annuity is actually purchased. These annuity estimates are based on a discount rate of 8.5%. Therefore, to maintain the comparative value of your ESOP Retirement Subaccount, you need to earn at least 8.5% on any investments made with the shares to which you gain access.

Upon gaining access to the shares in your ESOP Retirement Subaccount, you may choose to:

- leave your Enron stock in the ESOP Retirement Subaccount;
- transfer your stock to the Enron Corp. Savings Plan (must be an active employee);
- roll your stock into a separate Individual Retirement Account (IRA); or
- withdraw your stock.

If you leave your stock in the ESOP, the value of your account will depend on the performance of Enron stock. If you transfer, roll over or withdraw your stock, the value of your account will depend on the investment decisions you make. Regardless of the access method you choose, the responsibility for investing your account becomes yours upon gaining access to the shares in your ESOP Retirement Subaccount. Also, there are various tax consequences depending upon how and when you access the shares in your ESOP Retirement Subaccount. For example, a 10% penalty generally applies to those who withdraw their shares before reaching age 59-1/2 and do not timely transfer them to a permitted tax deferred account or fund. However, currently the 10% penalty does not apply if you retire from Enron on or after your 55th birthday and withdraw your shares.

Other Benefits

The ESOP offset only applies to Retirement Plan benefits earned from January 1, 1987 through December 31, 1994. You will also receive the full value of any Retirement Plan benefit earned before January 1, 1987 and after December 31, 1994.

In addition, there was a one-time allocation of 5% of your December 1994 annualized base pay to a third ESOP Subaccount on December 31, 1994 in lieu of a contribution for 1995 to the Retirement Plan. This allocation is discussed in the ESOP section on pages 12 and 13.

How Benefits Will Be Determined Beginning January 1, 1996 – Cash Balance Formula

Beginning January 1, 1996, you will earn retirement benefits under a "cash balance" formula. A cash balance formula provides a simplified approach to retirement benefits — making it easy for you to understand and track the value of your benefits.

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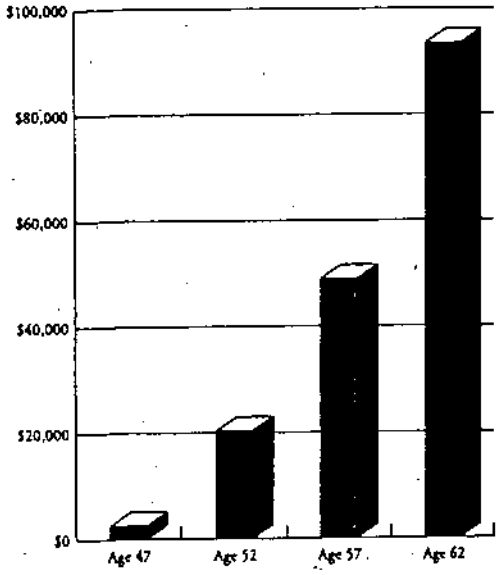
Under the new formula, you earn 5% of your monthly base pay which is credited to your account at year-end. Each month beginning in January 1997 your account is also credited with interest, based on 10-year Treasury bond yields. Your account cannot go down in value.

Your account continues to grow each year you work for Enron. Enron also provides you with a personal account statement (at least annually) so you can track the growth of your account. The statement shows how much Enron added to your account that year and how much interest your account balance earned.

Let's take a closer look at how your account might grow. Assume that on January 1, 1995 you are age 45 and earn $50,000 a year. With 5% of your pay being credited annually beginning in 1996 and interest being credited monthly beginning in 1997, just look how fast your account can grow. At age 62, you would have an additional $93,529 for retirement.



Estimate only — assumes 4% annual salary increases and 7% annualized interest credits.

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A Word On Bond Yields

Bonds are long-term debt obligations issued by companies, governments, municipalities or federal agencies. The interest — or yield — paid on these loans depends upon the amount of risk assumed by the buyer, the maturity of the loan, the loan's backing and the overall economic climate at the time of issuance. Treasury bonds, issued by the U.S. government, are considered the most important yardsticks of long-term interest rates and are therefore watched closely by credit market analysts for signs that rates might be rising or falling.

The chart below illustrates average Treasury bond yields over the last 22 years. For 1993 the yield on a ten-year Treasury bond averaged 5.87%. On December 1, 1994 the yield was quoted at 7.92%.

Estimated Treasury Bond Yields 1970-92*
(Percent Per Annum, Compounding Semiannually)

Year	10-Year Bond Yield
1970	6.46
1971	5.96
1972	6.36
1973	6.98
1974	7.36
1975	7.72
1976	6.79
1977	7.80
1978	8.87
1979	10.39
1980	12.33
1981	13.99
1982	10.65
1983	11.85
1984	11.62
1985	9.18
1986	7.56
1987	8.98
1988	9.20
1989	8.08
1990	8.22
1991	6.95
1992	6.95

** Source: Ibbotson Associates*

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Vesting

After five years of service, which includes your years of service to date, you are 100% vested in your Retirement Plan cash balance account. If you leave Enron for any reason and cease benefit accruals under the Retirement Plan, at any time, you can take your vested cash balance account with you. Before you complete five years of service, you have no vested interest in the Retirement Plan.

Plan Payments

How you receive payment of your vested retirement benefits under the Retirement Plan depends on whether you accrued benefits under the Retirement Plan before January 1, 1995, or whether all of your Retirement Plan benefits were earned after December 31, 1994 under the cash balance formula.

If after you become vested, your employment with an Enron employer ceases, you can elect to receive a distribution of the vested portion of your cash balance benefit through a lump sum distribution, or leave it in the Retirement Plan for later distribution. Generally, any benefit accrued under the Retirement Plan before January 1, 1995 which has not been offset will be paid in the form of a monthly payment when you become eligible and elect to receive it. The remaining part of this section of the Program Guide will focus on vested benefits earned in your cash balance account.

- If you die during employment with Enron your spouse or beneficiary may choose to receive your cash balance benefit in either a full distribution or a monthly payment for life.
- If your employment with Enron terminates and you do not elect to receive a full distribution of your cash balance account, you can elect to receive a monthly benefit, or defer any distribution until a later date.
- If you are permanently and totally disabled and eligible for and receiving either Social Security Disability Benefits under the federal Social Security Act or disability benefits under the Enron Corp. Long Term Disability Plan, you will be credited with a cash balance benefit accrual based on your annual rate of compensation that was in effect on your last day worked prior to inception of your disability. If your disability ceases and you are not re-employed by Enron, you will be entitled to receive benefit payments from the Retirement Plan as a terminated employee.

Whether to request a lump sum distribution of your cash balance account if your employment ceases involves an economic analysis. If your cash balance account stays in the Retirement Plan, it will continue to earn annual interest based credits. If you request a distribution, you can roll over the distribution to an IRA which may provide a higher rate of return if invested in a portfolio that may have more risk.

Special Provisions

All employees who are at least age 50 with five years of service on January 1, 1995 will either have the better of the old or the new benefit formula if they retire on or before January 1, 2002. In addition, these employees will have full access to their ESOP Retirement Subaccount in January 1996. In any event, of all employees who on January 1, 1995 will be age 50 or over with five or more years of service, less than 20% of this group are projected to be affected by this special provision.

Death Benefits

One of the key benefits of a cash balance formula is unrestricted access to your vested account upon death or termination of employment, representing an expanded benefit. With this change, two Retirement Plan death benefits will be eliminated effective January 1, 1995:

- The grandfathered spousal pre-retirement death benefit (providing a 50% projected age 65 Retirement Plan benefit payable immediately) for married employees hired before January 1, 1990 who die after reaching age 45 with five years of service, and
- The $5,000 Enron post-retirement death benefit.

Note: If you are eligible for the Special Provisions discussed above, you will continue to be covered under the $5,000 Enron post-retirement death benefit as long as you retire after age 55 and on or before January 1, 2002.

Enron continues to offer valuable income protection for you and your family through the Company's Survivor Benefits, such as life and accidental death and dismemberment insurance.

ESOP

There will be no ESOP allocations after December 31, 1994. All ESOP shares must be allocated as of the end of 1994. Accordingly, on December 31, 1994 two allocations occurred:

- 10% of your annual base pay to the ESOP Savings Subaccount, and
- 5% of your December 1994 annualized base pay (net of projected 1995 common stock dividends) to a third ESOP Subaccount.

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The 5% of pay allocation was made to a third ESOP Subaccount in lieu of earning a 1995 benefit under the cash balance Retirement Plan formula. You will be vested in this allocation at the rate of 25% per year of service (which includes years of service to date) and have access to this amount over a five-year period beginning in January 1996.

Net of Projected 1995 Dividends

The December 31, 1994 5% of pay allocation to a third ESOP Subaccount was made net of projected 1995 dividends. This means the dividends paid on the shares of stock you receive will be subtracted from your 5% of pay allocation. To illustrate this, let's assume you earn $30,000 a year and that on December 31, 1994 Enron stock was priced at $30. Based on a 5% of pay allocation, you would receive $1,500 ($30,000 x 5%) worth of stock, or 50 ($1,500 ÷ $30) shares. If Enron projects a per-share dividend of $0.80 payable in 1995, you would receive an additional $40 (50 x $0.80) in dividends. So, in this example, under a net of dividends allocation, you would have received $1,460 in stock on December 31, 1994 plus dividends of $40 payable in 1995 to bring you up to a full 5% of pay allocation.

1994 Stock		1995 Dividends		Total Allocation
$1,460	+	$40	=	$1,500
4.87% of pay	+	.13% of pay	=	5% of pay

This approach is consistent with the procedure of crediting interest in the year following the actual allocation.

If there were not enough shares in the ESOP for this allocation, additional contributions will be added to your 1996 cash balance Retirement Plan contribution. If there was an excess of shares after the allocation, the excess shares will be allocated to this third ESOP Subaccount.

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Adding It Up – An Example

With the changes occurring in the Enron Retirement Plan over the years, you may have earned benefits under different plans and benefit formulas — meaning the amounts and payment forms of your benefits may vary. To give you an idea of how these benefits might add up, let's review an example.

Assume you were hired by HNG in 1980. Your salary for 1995 is $50,000 and you are 45 years old. Your earned benefits from the Retirement Plan and the ESOP might look something like this at age 62:

	1	2	3	4	5	
	Service before 1/1/87 (before ESOP)	Service from 1/1/87 through 12/31/94 (ESOP)	Service from 1/1/95 through 12/31/95 (ESOP special allocation)	Service after 1/1/96 (Cash balance)	Total age-62 Retirement Plan benefit	
Monthly Benefit	$300	($450) fully offset	$94 or	$900 or	$1,294 and	or $300 and
Lump Sum	No option	$120,068	$9,745	$93,529	$120,068	$223,342

1 Your benefit earned before 1987 under the HNG Retirement Plan has been converted to a $300 monthly annuity, payable at age 62.

2 Your earned benefit under the Enron Retirement Plan from January 1, 1987 through December 31, 1994 is $450 per month. As illustrated in the first offset example, this benefit will be fully offset by 389 shares in your ESOP Retirement Subaccount giving you an excess of 611 shares worth $21,581 in January 1997. Again assuming 8.5% stock growth, the value of your ESOP Retirement Subaccount at age 62 is projected to be $120,068.

3 On December 31, 1994 you received a one-time allocation to a third ESOP Subaccount equal to 5% of your 1994 annualized base pay (net of projected 1995 dividends) or $2,435. Assuming 8.5% stock growth, the value of this allocation at age 62 is projected to be $9,745. Using an 8.5% annuity purchase interest rate, this is enough to purchase an immediate age-62 monthly annuity of $94.

4 In 1996, you begin to earn benefits under the new 5% of monthly base pay cash balance formula. Assuming annual pay increases of 4% and interest credits averaging 7% per year, we can project your account balance at age 62 to be $93,529. Using an 8.5% annuity purchase interest rate, this is enough to purchase an immediate age-62 monthly annuity of $900.

5 Under this example, when you retire at age 62, you will receive a monthly benefit of $1,294 ($300 + $94 + $900) plus a lump sum distribution of $120,068 or a monthly benefit of $300 plus a lump sum distribution of $223,342 ($120,068 + $9,745 + $93,529).

This example assumes that the value of shares of Enron stock attributable to the amounts in items 2 and 3 will increase at an annualized rate of 8.5%. The actual growth of Enron stock is likely to be either more or less, and the actual value of your total age 62 benefit will depend on your investment decisions regarding the shares in your ESOP Retirement Subaccount.

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Prior Plan Participation

As previously discussed, you may have been covered by other retirement plans in the past for which you have received credit. Following is a brief summary of transitions under prior employer plans. However, this summary does not provide complete details or cover every scenario. If you have questions concerning your situation, contact BRI or your Human Resources Representative.

Chemplex

Assets of the Chemplex Retirement Plan were merged into the INI Plan on June 1, 1985. Service with Chemplex is recognized under the Enron Retirement Plan. Participants can choose between a lump sum payout or a monthly benefit for benefits earned through service with Chemplex.

Falco

Assets of the P&O Falco Pension Plan were merged into the INI Plan on June 1, 1985. Service with Falco is recognized under the Enron Retirement Plan. Participants can choose between a lump sum payout or a monthly benefit for benefits earned through service with Falco.

Florida Gas

Florida Gas adopted the HNG Retirement Plan on January 1, 1985. Annuities were purchased through Metropolitan for service prior to January 1, 1985. Through a reimbursement arrangement with Metropolitan, the Enron Retirement Plan will pay retirees for the Metropolitan annuity on the same check as the Enron Retirement Plan monthly benefit.

InterNorth

Benefits earned under the InterNorth Retirement Income (INI) Plan were annuitized through Prudential when the plan underwent a spin-off/termination June 30, 1986. The spin-off portion of the INI Plan was merged with the HNG Retirement Plan on July 1, 1986 and renamed the Enron Corp. Retirement Plan. Through a reimbursement arrangement with Prudential, the Enron Retirement Plan will pay retirees for the Prudential annuities on the same check as the Enron Retirement Plan monthly benefit.

Transwestern

Transwestern Pipeline adopted the HNG Retirement Plan on January 1, 1985. Prior service is recognized under the Enron Retirement Plan. Texas Eastern will pay for benefits earned prior to January 1, 1985. The Enron Retirement Plan pays all other benefits earned under its formula.

Enron Corp. Savings Plan

Enron provides you with an additional way to save funds for retirement — through the Enron Corp. Savings Plan. Designed to help you develop a regular savings program to supplement retirement benefits from other sources, the Plan is an attractive savings tool that allows you to:

- participate on a voluntary basis;
- maintain an individual account;
- defer paying income taxes on before-tax contributions which increases the amount you have to invest;
- save through convenient payroll deductions;
- change the amount you save every month;
- invest your contributions; and
- access your funds while employed through withdrawal or loan provisions.

Participation

If you are a full-time or eligible part-time employee, you may participate in the Savings Plan on the first day of the month following your date of hire. You need your Personal Identification Number (PIN) to enroll via the BRI Administration Phone Line (800-316-7526) before you can contribute to the Savings Plan.

When you enroll you decide:

- how much you want to contribute;
- whether you want to contribute on a before- and/or after-tax basis; and
- how your contributions will be invested.

Contributions

You may contribute from 1% to 14% of your pay on a before- or after-tax basis (up to the IRS limit). If you earn more than $66,000 a year (for 1995; this amount is indexed annually), you are considered highly compensated by the IRS and your contributions to the Savings Plan are limited to 11% with a before-tax maximum of 8%.

The Savings Plan also accepts qualified rollover contributions. If you receive a tax-qualified cash distribution from another retirement or savings plan, you may be able to transfer that amount — called a rollover contribution — to the Savings Plan and defer paying taxes on the distribution.

Other IRS and plan maximums may limit the amount you are allowed to contribute to the Savings Plan. If affected by these limits, you will be notified.

You may change your contribution percentage monthly. You may terminate (or stop) your contributions at any time.

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Investments

The Savings Plan has a variety of investment funds from which to choose, including three Enron funds and seven funds professionally managed by Fidelity Investments:

	Three-Year Performance		
	1993	1992	1991
• Enron Corp. Income Fund	6.28%	7.12%	7.68%
• Fidelity Balanced Fund	19.27%	13.47%	17.74%
• Fidelity Equity - Income Fund	21.31%	17.95%	21.65%
• Fidelity Growth & Income Portfolio	19.53%	15.46%	23.66%
• Fidelity Magellan Fund	24.66%	15.50%	23.45%
• Fidelity Growth Company Fund	16.19%	11.99%	22.99%
• Fidelity OTC Portfolio	8.33%	11.58%	22.92%
• Fidelity Overseas Fund	40.05%	11.36%	10.44%
• Enron Corp. Stock Fund – Common	28.10%	36.20%	32.50%
– Preferred	26.20%	38.10%	34.30%
• Enron Oil & Gas Stock Fund	33.60%	51.70%	(7.30%)

You may invest in any or all of these funds as long as your investment allocations are made in 1% increments and total 100%.

You may change your investment fund elections or transfer all or a part of your account balances from one fund to another on a daily basis.

We are also looking into expanding these investment fund options during 1995 to possibly include a fund with a targeted average annual return of 8.5% in order to match up with the assumed rate of return for ESOP Retirement Subaccount assets.

Account Statements

Each quarter you will receive a personal statement showing the status of your Savings Plan account. The statement will show:

- Your contributions;
- Any outstanding loan balances;
- Investment rate of return; and
- Account balances.

The statement will help you determine whether your investment choices still reflect your personal financial objectives.

Vesting Summary

Retirement Plan				Employee Stock Ownership Plan					
Benefits earned before 1995		Benefits earned after 1995		Retirement Subaccount		Savings Subaccount		5% of pay allocation to third Subaccount	
Full years of service	Vested %	Full years* of service	Vested %	Full years of service	Vested %	Full years* of service	Vested %	Full years* of service	Vested %
NA	100%	5	100%	NA	100%	Less than 1	0%	Less than 1	0%
						1	25%	1	25%
						2	50%	2	50%
						3	75%	3	75%
						4	100%	4	100%

* Includes years of service to date measured from your hire date.

Key Dates

12/31/94	1/96	1/97
Current Retirement Plan formula ceases	First Retirement Subaccount access date (20%)	Second Retirement Subaccount access 20% (total 40%)
100% vesting of Retirement Plan benefits earned to date	Cash balance formula is activated	Interest begins accruing on cash balance
100% vesting of ESOP Retirement Subaccount		
10% allocation to ESOP Savings Subaccount		
5% allocation to a third ESOP Subaccount		

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Glossary of Terms

- **Access** — The opportunity to choose to receive a portion of your ESOP Retirement Subaccount.

- **Accrued benefit** — The monthly benefit, payable for your lifetime beginning at normal retirement age (age 65), that you have earned to date based on your current pay and service.

- **Actuarially equivalent benefits** — Two forms of benefit payments that have the same present value, based on an interest discount assumption and a table of life expectancy rate.

- **Annuity** — A series of equal payments at fixed intervals.

- **Cash balance** — A retirement plan formula specifying consistent pay and interest credits to an individual's account. Under the Enron cash balance formula, the Company credits your account with an annual lump sum retirement benefit equal to 5% of your pay. Each month your account balance is also credited with interest based on ten-year Treasury bond yields. Under a cash balance approach to retirement, you may take your vested cash balance account balance with you if your employment terminates.

- **December 1994 annualized base salary** — If you are a full-time employee, your annualized base salary is your monthly base salary in December 1994, excluding overtime, times 12. If you are a part-time employee, your annualized base salary will be prorated based on the percentage of time your normal work schedule represents of a full-time schedule.

- **Discount rate** — The interest rate used to account for the time value of money to compute the present value.

- **ESOP offset** — The value of your ESOP Retirement Subaccount that is used to offset benefits earned under the Enron Retirement Plan from January 1, 1987 through December 31, 1994. This value is based on the amount of an annuity that could be purchased with the cash value of your ESOP Retirement Subaccount using an assumed discount rate of 8.5%.

- **Excess** — The value of your ESOP Retirement Subaccount that remains when earned Retirement Plan benefits are offset.

- **Lump sum** — Full payment made in one sum and at one time.

- **Vesting** — Earning the full rights of ownership over time.

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Appendix A

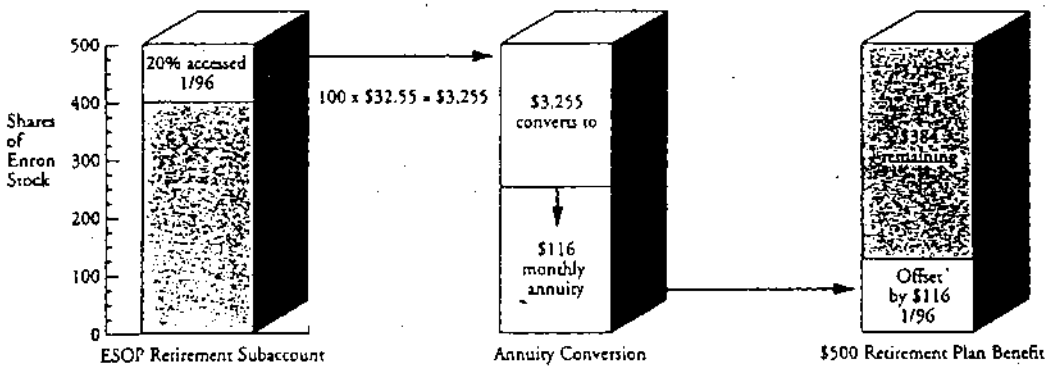
Example 1 — ESOP Retirement Subaccount Excess Realized in Year Five
Let's review another example where the Retirement Plan benefit is *offset* by the ESOP Retirement Subaccount through five years of access on the final access date.

Assume that on January 1, 1995 you are 45 years old and that your earned benefit from January 1, 1987 through December 31, 1994 is $500 per month. Also assume that you have 500 shares of Enron stock in your ESOP Retirement Subaccount and that the price of Enron stock is $30. You will receive a benefit from the Retirement Plan, the ESOP Retirement Subaccount or the combination of the two that equals at least $500 per month. If, as of the determination date of your Retirement Plan benefit the value of your ESOP Retirement Subaccount exceeds the amount needed to fund your $500 monthly benefit, you keep the excess. If less, the Retirement Plan pays the amount not offset.

Your ESOP offset is valued annually in 20% increments beginning in 1996:

First Access Date - 20%
In January 1996, you gain access to the first 20% or 100 shares (500 x 20%) of Enron stock in your ESOP Retirement Subaccount. On the date of access, the 100 shares are valued by multiplying the number of shares by the current price of Enron stock. Assuming 8.5% annual growth, we can project the price of Enron stock in January 1996 to be $32.55 per share. Therefore, the 100 shares to which you have access have a value of $3,255 for this example.

Using actuarial equivalency methods, we then determine that the $3,255 cash value is enough to fund a monthly annuity beginning at age 62 (the earliest you may receive full Retirement Plan benefits) in the amount of $116. Your $500 monthly Retirement Plan benefit is then offset by this amount.



As of the first access date, 100 shares from your ESOP Retirement Subaccount have been earmarked to offset the first $116 of your $500 monthly Retirement Plan benefit. You now have 400 shares to provide for the remaining $384 ($500 - $116) monthly benefit under the Retirement Plan.

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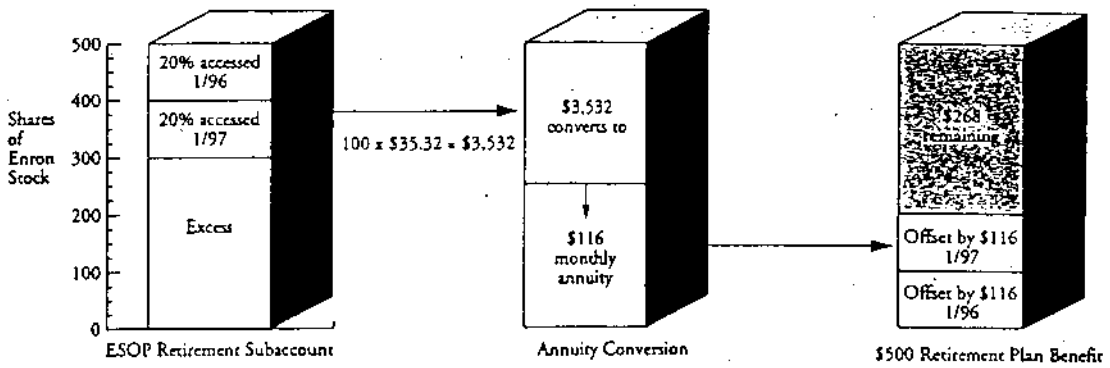
Second Access Date - 20%

In January 1997, you gain access to the second 20% or 100 shares of Enron stock in your ESOP Retirement Subaccount. Using a projected (8.5% growth) Enron stock price of $35.32 per share, we can value the second 20% of your account at $3,532 (100 x $35.32).

The $3,532 is enough to fund a monthly annuity value of $116. Your monthly Retirement Plan benefit is then offset by this amount.

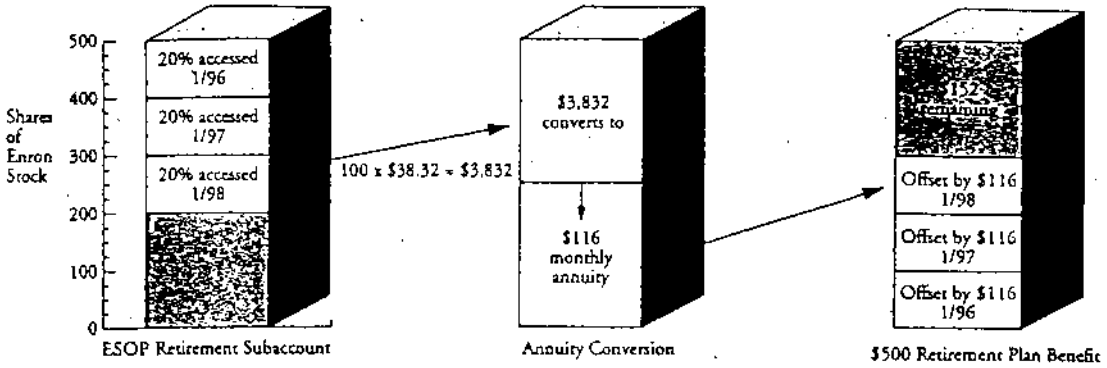


As of the second access date, another 100 shares from your ESOP Retirement Subaccount have been earmarked to offset an additional $116 of your $500 monthly Retirement Plan benefit. You now have 300 shares to provide for the remaining $268 ($384 - $116) monthly benefit under the Retirement Plan.

Third Access Date - 20%

In January 1998, you gain access to the third 20% or 100 shares of Enron stock in your ESOP Retirement Subaccount. Assuming 8.5% annual growth, we can project the price of Enron stock in January 1998 to be $38.32 per share. Therefore, the 100 shares to which you have access have a value of $3,832.

The $3,832 is enough to fund a monthly annuity value of $116. Your monthly Retirement Plan benefit is then offset by this amount.

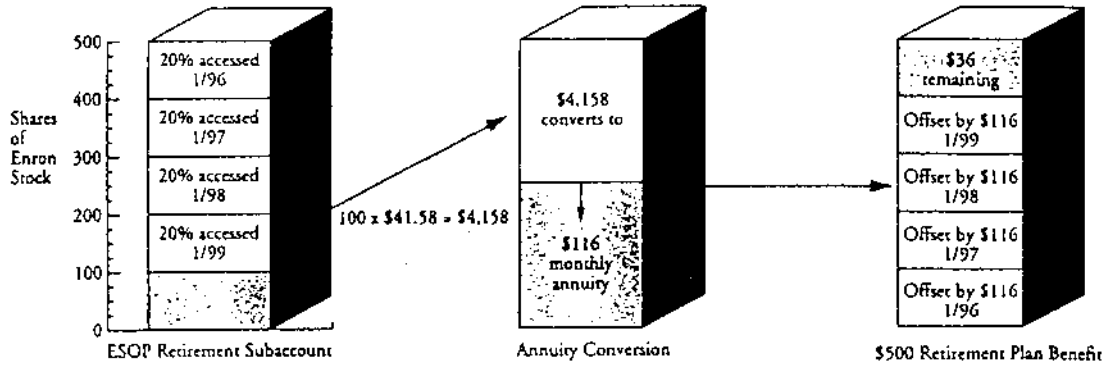


So, as of the third access date, another 100 shares from your ESOP Retirement Subaccount have been earmarked to offset an additional $116 of your $500 monthly Retirement Plan benefit. You now have 200 shares to provide for the remaining $152 ($268 - $116) monthly benefit.

Fourth Access Date - 20%

In January 1999, you gain access to the fourth 20% or 100 shares of Enron stock in your ESOP Retirement Subaccount. Assuming 8.5% annual growth, we can project the price of Enron stock in January 1999 to be $41.58 per share. Therefore, the 100 shares to which you have access have a value of $4,158.

The $4,158 is enough to fund a monthly annuity value of $116. Your monthly Retirement Plan benefit is then offset by this amount.



As of the fourth access date, another 100 shares from your ESOP Retirement Subaccount have been earmarked to offset an additional $116 of your $500 monthly Retirement Plan benefit. You now have 100 shares to provide for the remaining $36 ($152 - $116) monthly benefit under the Retirement Plan.

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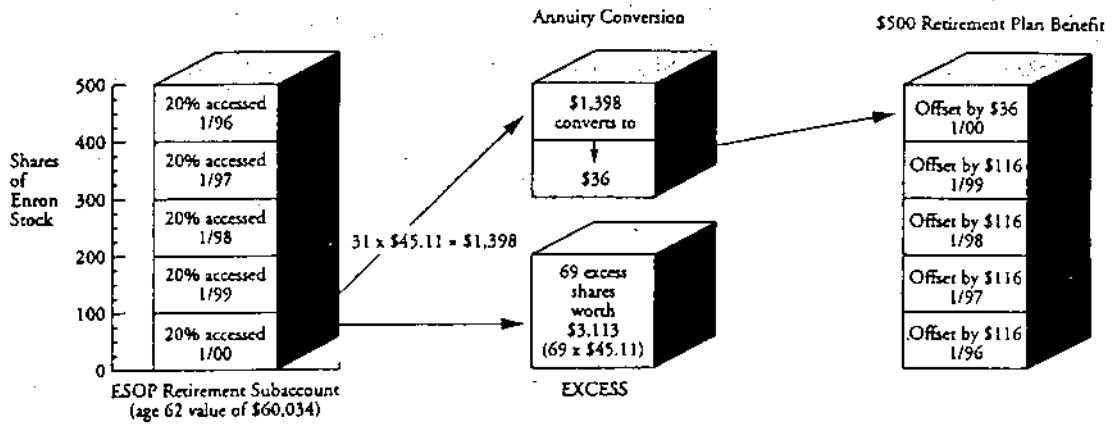
Fifth Access Date - 20%

In January 2000, you gain access to the final 20% or 100 shares of Enron stock in your ESOP Retirement Subaccount. Using a projected (8.5% annual growth) Enron stock price of $45.11 per share, we can value the final 20% of shares in your ESOP Retirement Subaccount at $4,511 (100 x $45.11).

The $4,511 is enough to fund a monthly annuity value of $116. However, only $36 remains to be offset from your monthly Retirement Plan benefit. Therefore, instead of applying the full 100 shares, 31 shares are earmarked — enough to fully offset the remaining $36 monthly Retirement Plan benefit.



1/1/95 assumptions:
45 years old
$500 earned Retirement Plan benefit
500 shares in ESOP Retirement Subaccount
Stock price of $30
Stock growth of 8.5%

As of the fifth access date, your $500 monthly Retirement Plan benefit is fully offset using 431 shares from your ESOP Retirement Subaccount and you have 69 (500 - 431) excess value shares of Enron stock worth $3,113.

Because your Retirement Plan benefit has been fully offset, you will not receive a monthly benefit from the Retirement Plan. However, as of January 2000 in this example, over five years you have gained access to all of the 500 shares in your ESOP Retirement Subaccount. If we project the price of Enron stock to your age 62, the 500 shares in your ESOP Retirement Subaccount would be worth $60,034.

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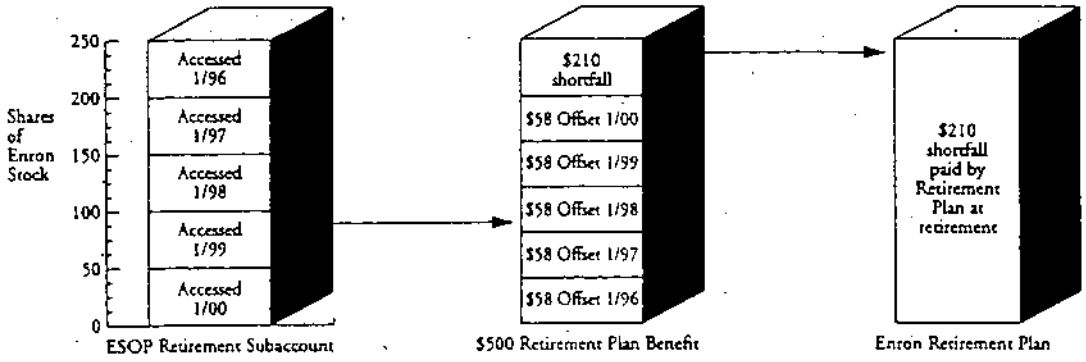
Example 2 — ESOP Retirement Subaccount Shortfall

The previous example illustrated how the ESOP Retirement Subaccount is used to fund or offset Retirement Plan benefits. The value of the ESOP Retirement Subaccount was sufficient to offset earned Retirement Plan benefits. If the value of the ESOP Retirement Subaccount is not enough to offset earned benefits, the Retirement Plan pays the amount of monthly retirement benefit that is not offset.

For instance, in Example 1 if there were 250 shares in your ESOP Retirement Subaccount (instead of 500) the value of your account would offset only $290 of your $500 monthly Retirement Plan benefit. In this case, the Retirement Plan would pay the remaining $210 ($500 - $290) monthly benefit at the time of your retirement (i.e., age 62).



Note: These examples are estimates only and assume sustained stock growth of 8.5%. Actual results will depend on the performance of Enron stock. Also, for ease of calculation, dividends have not been taken into account in these examples. Dividends earned on your ESOP Retirement Subaccount shares after January 1, 1995 will become accessible on a prorated basis, making all dividend shares accessible by January 2000. These examples do not imply that you need to sell Enron shares or buy an annuity. These calculations are only used to determine if the shares in the ESOP Retirement Subaccount have enough value to offset your Retirement Plan benefit at the time of access.

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A Word on Projections

This Program Guide includes numerous examples that are intended to illustrate the potential benefits of past and future participation in Enron programs. These examples use a variety of assumptions for pay, stock performance, annuity values and interest rates. Most of the Retirement Plan examples found in this guide are based on sustained Enron stock growth of 8.5%. This rate is used for two reasons: First, 8.5% is the rate used to determine annuity purchase values at the time of ESOP Retirement Subaccount access. Once shares of stock in the ESOP Retirement Subaccount are accessed, participants need to earn at least 8.5% investment returns to maintain the full value of their accessed funds. Second, the historical investment performance of Enron stock at 8.5% is considered a reasonable rate of return for retirement projection purposes. It is important to note, however, that there is no way to project the actual performance of Enron stock and the examples found in the guide should be used for illustrative purposes only.

About this Guide

This Program Guide uses non-technical language to explain concepts related to the Enron tax-qualified pension plans which are the subject of complex federal regulation, including precise definition. Generic words and phrases have been used to describe changes to Enron retirement benefits. If this attempt at simplification is imprecise or contradicts the actual provisions of the program or any governing laws and regulations, the actual provisions of the program or the governing laws and regulations will control and take precedence over any statement in this publication.

Some of the concepts discussed in this Program Guide are proposed changes; they are still in the design stage and formal amendment of the applicable pension plans have not yet been adopted by the Enron Corp. Board of Directors. The Company reserves the right to change the design of the concepts prior to adoption of a formal amendment to the pension plans, and after adoption as may be necessary to cause the plans to meet the requirements for qualification under applicable law and regulation.

Finally, the Company reserves the right to amend or terminate the Retirement Plan at any time in accordance with applicable law or regulation.

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