

II. MATERIALS RELATING TO CHANGES TO THE ENRON ESOP AND CASH BALANCE PLANS



Interoffice
Memorandum

To: Distribution
From: Mary Joyce *Mary* Department: Corporate Benefits
Subject: RETIREMENT PLAN CHANGES AND Date: January 31, 1995
ESOP ACCESS QUESTIONS AND
ANSWERS

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

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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.

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% ($7.90\% \div 2 = 3.95\%$, $[1.0395]^2 = 8.06\%$). 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.

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.

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.

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.

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.

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

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

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. <u>x Vesting Percent</u>	<u>50%</u>	<u>75%</u>	<u>100%</u>
C. = Vested Shares	50	75	100
D. <u>x Available Fifth(s)</u>	<u>20%</u>	<u>40%</u>	<u>60%</u>
E. = Available Shares	10	30	60
F. <u>- Previous Withdrawals</u>	<u>- 0</u>	<u>- 0</u>	<u>- 30</u>
G. Available Before IRS Restriction is applied	10	30	30
H. Available After IRS Restriction is applied	0	30	30

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.

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).

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).

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.

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 BRL, 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.

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.

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 (Reported on 1996 income tax return)	\$10,500

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	<u>- 24</u>
Net amount from brokerage firm	\$11,976
Less: Taxable portion at distribution	<u>-10,500</u>
Taxable gain from sale of stock (Reported on 1997 income tax return)	\$ 1,476

ESOP Special Allocation Subaccount

Same.

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.

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.

The Enron Retirement Program Guide

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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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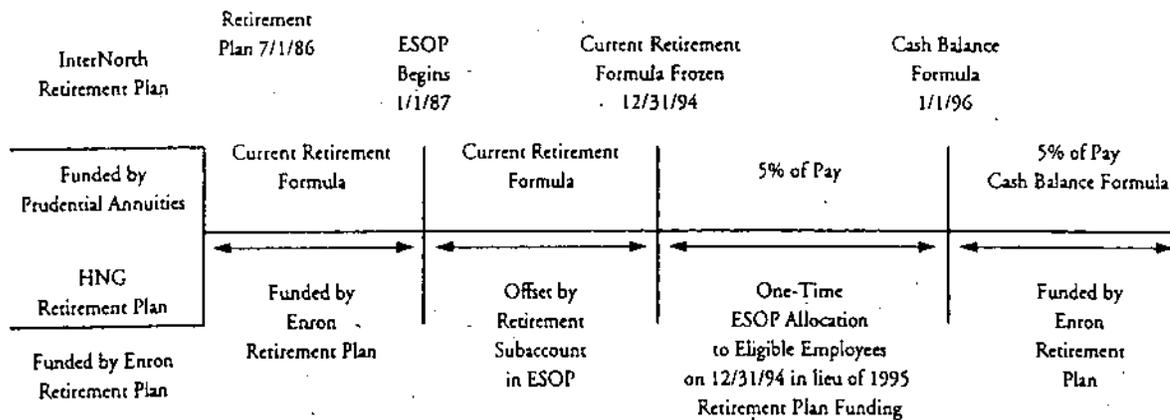
Enron Retirement Plan

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.

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.

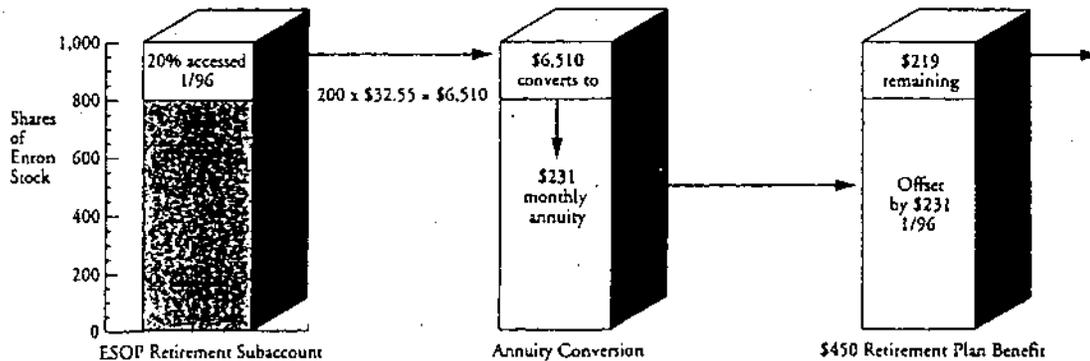
Your ESOP offset is valued annually in 20% increments beginning in 1996:

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 ($\32.55×200) 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.

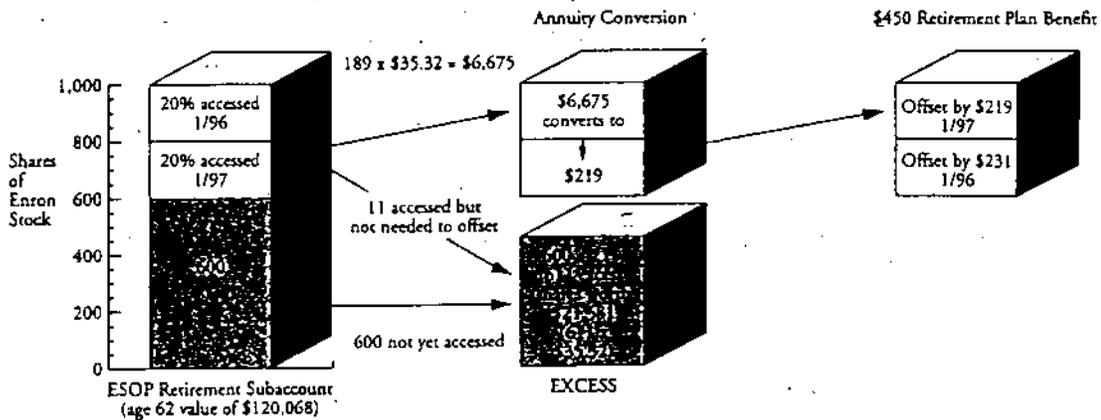
As of the first access date, 200 shares from your ESOP Retirement Subaccount have been earmarked to offset the first \$231 of your \$450 monthly Retirement Plan benefit. You now have 800 shares to provide for the remaining \$219 ($\$450 - \231) monthly benefit under the Retirement Plan. The 200 shares 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.



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.

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

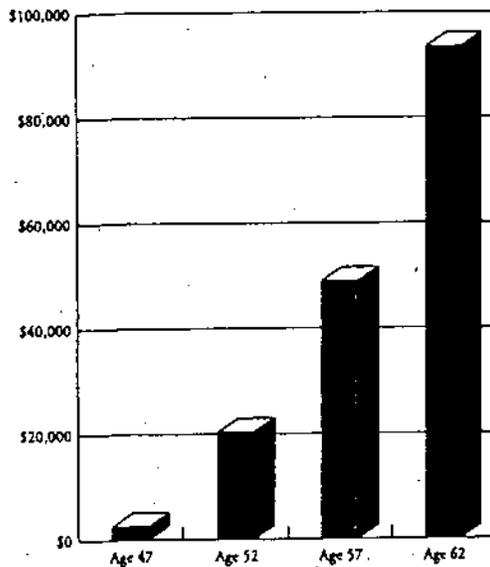
Beginning January 1, 1996, you will earn retirement benefits under a "cash balance" formula. A cash balance formula provides a simplified approach to retirement benefits — making it easy for you to understand and track the value of your benefits.

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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

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.

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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.

EC000020308

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 ($\$30,000 \times 5\%$) worth of stock, or 50 ($\$1,500 \div \30) shares. If Enron projects a per-share dividend of \$0.80 payable in 1995, you would receive an additional \$40 ($50 \times \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.

EC000020309

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 \$300 or and
Lump Sum	No option	\$120,068	\$9,745	\$93,529	\$120,068 and \$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.

EG000020310

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.

EC000020311

15

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.

EC000020312

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		

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.

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.

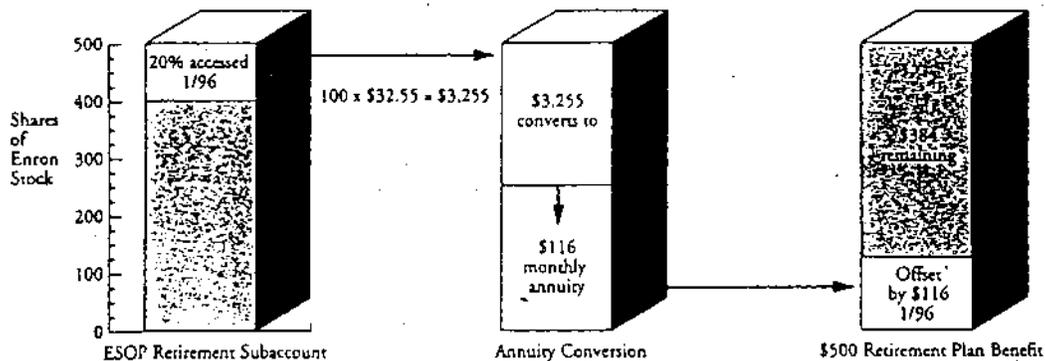
Assume that on January 1, 1995 you are 45 years old and that your earned benefit from January 1, 1987 through December 31, 1994 is \$500 per month. Also assume that you have 500 shares of Enron stock in your ESOP Retirement Subaccount and that the price of Enron stock is \$30. You will receive a benefit 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 ($500 \times 20\%$) 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.



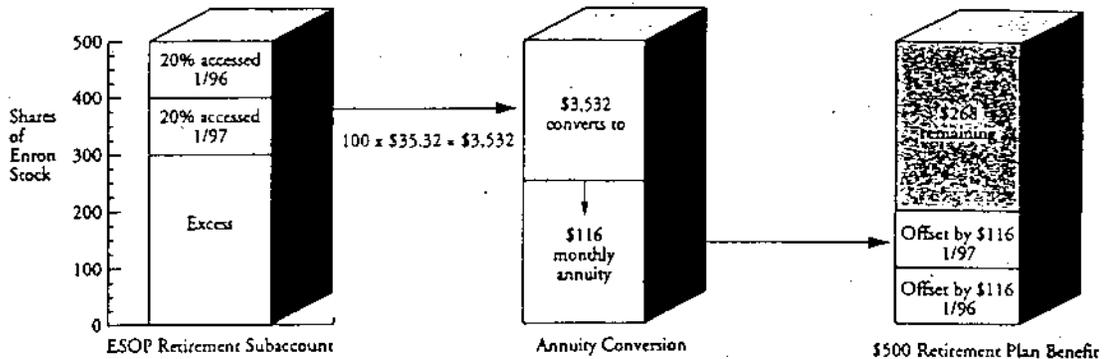
As of the first access date, 100 shares from your ESOP Retirement Subaccount have been earmarked to offset the first \$116 of your \$500 monthly Retirement Plan benefit. You now have 400 shares to provide for the remaining \$384 ($\$500 - \116) monthly benefit under the Retirement Plan.

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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.

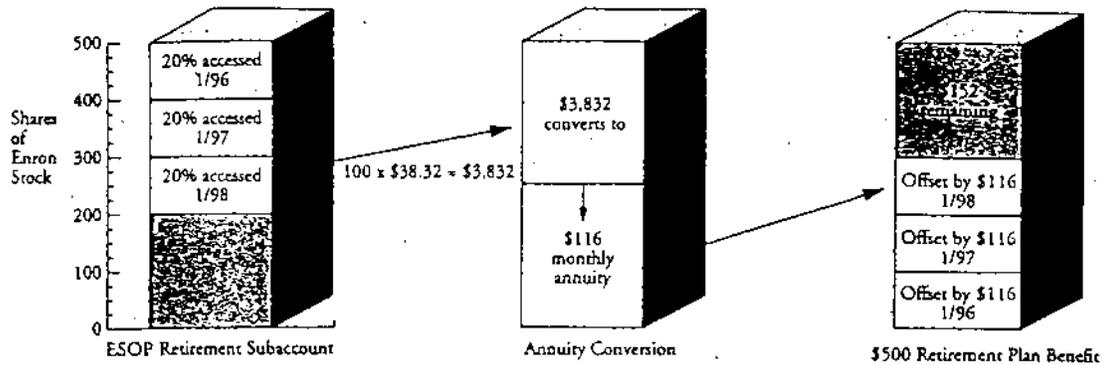


As of the second access date, another 100 shares from your ESOP Retirement Subaccount have been earmarked to offset an additional \$116 of your \$500 monthly Retirement Plan benefit. You now have 300 shares to provide for the remaining \$268 (\$384 - \$116) monthly benefit under the Retirement Plan.

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.

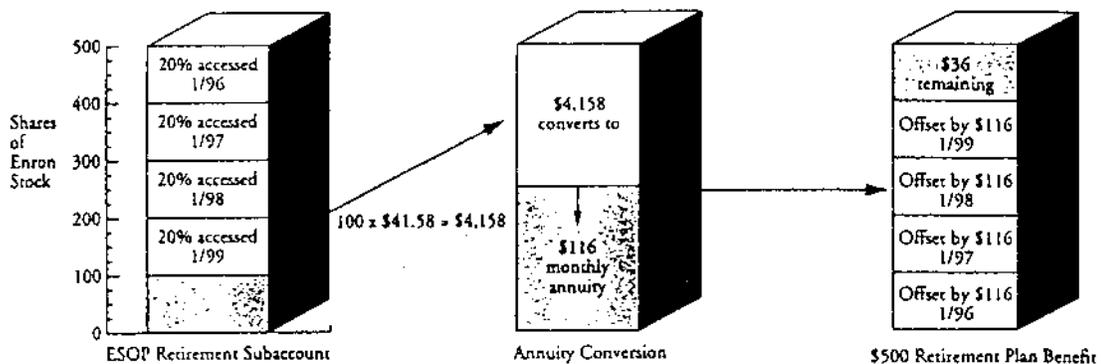


So, as of the third access date, another 100 shares from your ESOP Retirement Subaccount have been earmarked to offset an additional \$116 of your \$500 monthly Retirement Plan benefit. You now have 200 shares to provide for the remaining \$152 (\$268 - \$116) monthly benefit.

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.

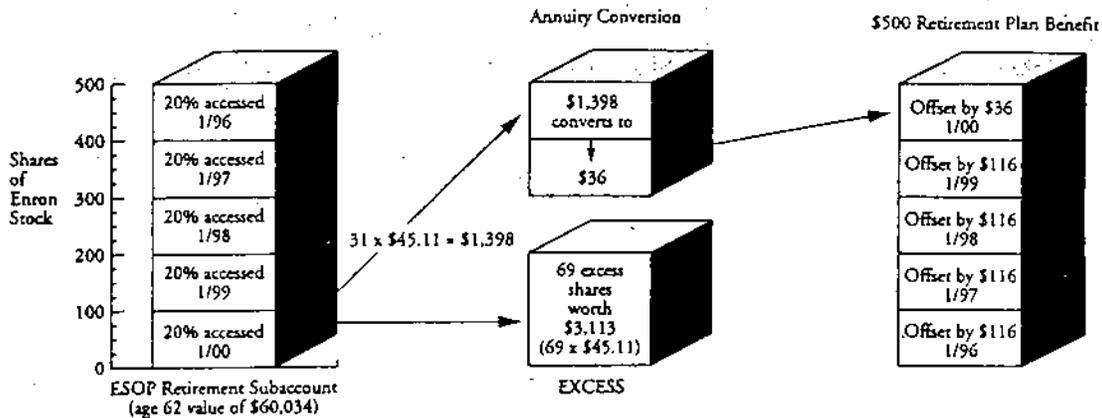


As of the fourth access date, another 100 shares from your ESOP Retirement Subaccount have been earmarked to offset an additional \$116 of your \$500 monthly Retirement Plan benefit. You now have 100 shares to provide for the remaining \$36 (\$152 - \$116) monthly benefit under the Retirement Plan.

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.

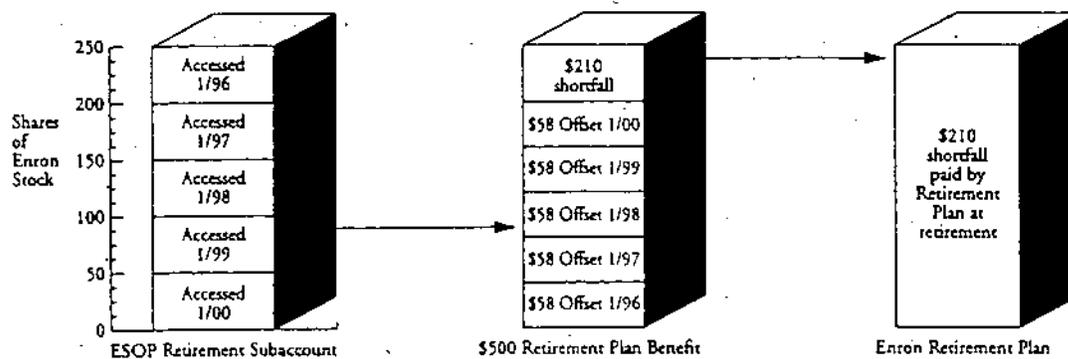
Because your Retirement Plan benefit has been fully offset, you will not receive a monthly benefit from the Retirement Plan. However, as of January 2000 in this example, over five years you have gained access to all of the 500 shares in your ESOP Retirement Subaccount. If we project the price of Enron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

EC000020319

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 benefits at the time of access.

EC000020320

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.

EC000020321

**Erron Cash Balance Plan
Benefit Examples - Calculation of the Final Average Pay Benefit**

Exhibit I - Retirement or Termination after all stock is released

Facts

Date of Birth:	07/15/45
Date of Hire:	09/15/84
Non-Offsetable Benefit, 12/31/94:	\$1,620.00
Offsetable Benefit, 12/31/94:	\$6,109.00
Total FAP Benefit, before Offset, 12/31/94:	\$7,729.00
ESOP Retirement Account Balance, 12/31/95:	800 Shares

History of ESOP Releases

	Date of Release	# of Shares Released	Share Price at Release	Market Value of Release
Release 1:	01/01/96	160.0	\$31.00	\$4,960.00
Release 2:	01/01/97	160.0	\$34.00	\$5,440.00
Release 3:	01/01/98	160.0	\$34.00	\$5,440.00
Release 4:	01/01/99	160.0	\$37.00	\$5,920.00
Release 5:	01/01/2000	160.0	\$39.00	\$6,240.00

Calculation of ESOP Offset Amount

	(a) Age (CM) at Release	(b) Actuarial Equiv. Annuity Factor*	(c) Market Value of Release	(c) / (b) ESOP Offset Amount
Release 1:	50 and 5 months	2.476355	\$4,960.00	\$2,002.94
Release 2:	51 and 5 months	2.686845	\$5,440.00	\$2,024.68
Release 3:	52 and 5 months	2.915227	\$5,440.00	\$1,866.06
Release 4:	53 and 5 months	3.163021	\$5,920.00	\$1,871.63
Release 5:	54 and 5 months	3.431878	\$6,240.00	\$1,818.25

Total ESOP Offset Amount: \$9,583.56

Calculation of Final Average Pay Benefit at Normal Retirement

(1) Non-Offsetable Benefit	(2) Offsetable Benefit	(3) Total ESOP Offset Amount
\$1,620.00	\$6,109.00	\$9,583.56

Normal Retirement Benefit = (1) + [(2) - (3), but not less than zero]

= \$1,620.00

Calculation of Final Average Pay Benefit for Early Commencement at age 55

	(1) Non-Offsetable Benefit	(2) Offsetable Benefit	(3) Total ESOP Offset Amount
Components at Normal Retirement:	\$1,620.00	\$6,109.00	\$9,583.56
Early Commencement Factors:	60.0000% ***	60.0000% ***	36.9950% **
Components at for Age 55 Commencement:	\$972.00	\$3,665.40	\$3,545.44

Final Average Pay Benefit at Age 55: (1) + [(2) - (3), but not less than zero]

= \$1,091.96

* From Table I
** From Table II
*** From Table III

Exhibit II

Enron Cash Balance Plan
Benefit Examples - Calculation of the Final Average Pay Benefit

Exhibit II - Retirement before all stock is released

Facts

Date of Birth:	05/03/41
Date of Hire:	08/01/91
Non-Offsetable Benefit, 12/31/94:	\$0.00
Offsetable Benefit, 12/31/94:	\$3,423.00
Total FAP Benefit, before Offset, 12/31/94:	\$13,491.00
ESOP Retirement Account Balance, 12/31/95:	250 Shares
Date of Retirement:	06/23/98

History of ESOP Releases

	Date of Release	# of Shares Released	Share Price at Release	Market Value of Release
Release 1:	01/01/96	50.0	\$31.00	\$1,550.00
Release 2:	01/01/97	50.0	\$34.00	\$1,700.00
Release 3:	01/01/98	50.0	\$34.00	\$1,700.00
Release 4:	06/23/98	100.0	\$35.50	\$3,550.00

Note: Retirement causes the immediate release of any unrelease amounts in the ESOP Retirement Account

Calculation of ESOP Offset Amount

	(a) Age (CM) at Release	(b) Actuarial Equiv. Annuity Factor*	(c) Market Value of Release	(c) / (b) ESOP Offset Amount
Release 1:	54 and 7 months	3.478833	\$1,550.00	\$445.55
Release 2:	55 and 7 months	3.774534	\$1,700.00	\$450.39
Release 3:	56 and 7 months	4.095370	\$1,700.00	\$415.10
Release 4:	57 and 1 month	4.263550	\$3,550.00	\$832.64
Total ESOP Offset Amount:				\$2,143.68

Calculation of Final Average Pay Benefit at Normal Retirement

(1) Non-Offsetable Benefit	(2) Offsetable Benefit	(3) Total ESOP Offset Amount
\$0.00	\$3,423.00	\$2,143.68

Normal Retirement Benefit = (1) + [(2) - (3), but not less than zero]

= \$1,279.32

Calculation of Final Average Pay Benefit for Early Commencement at age 57 and 1 month

	(1) Non-Offsetable Benefit	(2) Offsetable Benefit	(3) Total ESOP Offset Amount
Components at Normal Retirement:	\$0.00	\$3,423.00	\$2,143.68
Early Commencement Factors:	72.5000% ***	72.5000% ***	45.2182% **
Components at for Age 55 Commencement:	\$0.00	\$2,481.68	\$969.33

Final Average Pay Benefit at Age 55: (1) + [(2) - (3), but not less than zero]

= \$1,512.34

* From Table I
** From Table II
*** From Table III

**Enron Cash Balance Plan
Benefit Examples - Calculation of the Final Average Pay Benefit**

Exhibit III - Termination before all stock is released

Facts

Date of Birth:	05/14/62
Date of Hire:	03/15/86
Non-Offsetable Benefit, 12/31/94:	\$600.00
Offsetable Benefit, 12/31/94:	\$3,615.00
Total FAP Benefit, before Offset, 12/31/94:	\$4,215.00
ESOP Retirement Account Balance, 12/31/95:	916 Shares
Date of Termination:	06/12/97

History of ESOP Releases

	Date of Release	# of Shares Released	Share Price at Release	Market Value of Release
Release 1:	01/01/96	183.2	\$31.00	\$5,679.20
Release 2:	01/01/97	183.2	\$34.00	\$6,228.80
Release 3:	01/01/98	183.2	\$34.00	\$6,228.80
Release 4:	01/01/99	183.2	\$37.00	\$6,778.40
Release 5:	01/01/2000	183.2	\$39.00	\$7,144.80

Note: Termination does not accelerate the release of the ESOP Retirement Account.

Calculation of ESOP Offset Amount

	(a) Age (CM) at Release	(b) Actuarial Equiv. Annuity Factor*	(c) Market Value of Release	(c) / (b) ESOP Offset Amount
Release 1:	33 and 7 months	0.627205	\$5,679.20	\$9,054.77
Release 2:	34 and 7 months	0.680517	\$6,228.80	\$9,153.04
Release 3:	35 and 7 months	0.738361	\$6,228.80	\$8,435.98
Release 4:	36 and 7 months	0.801122	\$6,778.40	\$8,461.13
Release 5:	37 and 7 months	0.869217	\$7,144.80	\$8,219.81

Total ESOP Offset Amount: \$43,324.73

Calculation of Final Average Pay Benefit at Earliest Possible Commencement Age (age 55)

	(1) Non-Offsetable Benefit	(2) Offsetable Benefit	(3) Total ESOP Offset Amount
Components at Normal Retirement:	\$600.00	\$3,615.00	\$43,324.73
Early Commencement Factors:	60.0000% ***	60.0000% ***	36.9950% **
Components at for Age 55 Commencement:	\$360.00	\$2,169.00	\$16,027.98

Final Average Pay Benefit at Age 55: (1) + [(2) - (3), but not less than zero]

= \$360.00

* From Table I
** From Table II
*** From Table III

**Enron Cash Balance Plan
Benefit Examples - Calculation of the Final Average Pay Benefit**

Exhibit IV - Death before all stock is released

Facts

Date of Birth:	05/14/62
Date of Hire:	03/15/86
Non-Offsetable Benefit, 12/31/94:	\$600.00
Offsetable Benefit, 12/31/94:	\$3,615.00
Total FAP Benefit, before Offset, 12/31/94:	\$4,215.00
ESOP Retirement Account Balance, 12/31/95:	916 Shares
Date of Death:	06/12/97
Spouse's Date of Birth:	09/18/64

History of ESOP Releases

	Date of Release	# of Shares Released	Share Price at Release	Market Value of Release
Release 1:	01/01/96	183.2	\$31.00	\$5,679.20
Release 2:	01/01/97	183.2	\$34.00	\$6,228.80
Release 3:	06/12/97	549.6	\$34.25	\$18,823.80

Note: Death causes the immediate release of any unreleased amounts in the ESOP Retirement Account.

Calculation of ESOP Offset Amount

	(a) Age (CM) at Release	(b) Actuarial Equiv. Annuity Factor*	(c) Market Value of Release	(c) / (b) · ESOP Offset Amount
Release 1:	33 and 7 months	0.627205	\$5,679.20	\$9,054.77
Release 2:	34 and 7 months	0.680517	\$6,228.80	\$9,153.04
Release 3:	35 and 0 months	0.703480	\$18,823.80	\$26,758.12
Total ESOP Offset Amount:				\$44,965.93

Calculation of Final Average Pay Benefit at Earliest Possible Commencement Age (age 55)

	(1) Non-Offsetable Benefit	(2) Offsetable Benefit	(3) Total ESOP Offset Amount
Components at Normal Retirement:	\$600.00	\$3,615.00	\$44,965.93
Early Commencement Factors:	60.0000% ***	60.0000% ***	36.9950% **
Components at for Age 55 Commencement:	\$360.00	\$2,169.00	\$16,635.15
Final Average Pay Benefit at Age 55:	(1) + [(2) - (3), but not less than zero]		
=	\$360.00		

Calculation of Final Average Pay Death Benefit Payable to Spouse at Participant's Earliest Possible Commencement Age

Earliest Possible Commencement Date:	06/01/2017
Participant's Age (Nearest Birthday):	55
Spouse's Age (Nearest Birthday):	53
Benefit Payable to Participant as Single Life Annuity:	\$360.00
Option Factor for 50% J&S Annuity:	0.9241
Benefit Payable to Participant as 50% J&S Annuity:	\$332.64
Benefit Payable to Surviving Spouse as Single Life Annuity: (50% of the Benefit Payable to Participant as if he survived)	\$166.32

* From Table I
** From Table II
*** From Table III

**Enron Cash Balance Plan
Benefit Examples - Calculation of Regular and Transition Benefits**

Facts

Date of Birth:	05/12/41
Date of Hire:	06/10/64
Non-Offsetable Benefit, 12/31/94:	\$27,432
Total FAP Benefit, 12/31/94, before Offset:	\$33,784
ESOP Retirement Account Balance, 12/31/95:	1,504 Shares
Date of Retirement:	06/01/2001
Age at Retirement:	60.00
Total ESOP Offset:	\$13,402.20
Total Cash Balance Account at Retirement:	\$28,765.47
Final Average Pay at Retirement:	\$89,300.00
Integration Level at Retirement:	\$46,130.00

Calculation of Final Average Pay Benefit for Early Commencement at age 60

Total 12/31/94 Accrued Benefit:	\$33,784.00		
Non-Offsetable Benefit:	(\$27,432.00)		
Offsetable Benefit:	\$6,352.00		
	(1)	(2)	(3)
	Non-Offsetable	Offsetable	Total ESOP
	Benefit	Benefit	Offset Amount
Components at Normal Retirement:	\$27,432.00	\$6,352.00	\$13,402.20
Early Commencement Factors:	<u>90.0000%</u> ***	<u>90.0000%</u> ***	<u>60.1759%</u> **
Components at for Age 59 Commencement:	\$24,688.80	\$5,716.80	\$8,064.89
Final Average Pay Benefit at Age 60:	(1) + [(2) - (3), but not less than zero]		
=	<u>\$24,688.80</u>		** From Table II *** From Table III

Calculation of Total Cash Balance Plan Benefit as an Annuity (before Transition Minimum)

Calculation of Cash-Balance Annuity

Cash Balance Account Balance at Retirement:	\$28,765.47	
Cash Balance Annuity Conversion Factor:	10.509491	Determined by reference to Plan § 1.1(3)
Cash Balance Annuity, Payable at age 60:	\$2,737.09	= Account Balance divided by Annuity Conversion Factor

Net Final Average Pay Benefit

Net 12/31/94 FAP Accrued Benefit, at 60:	\$24,688.80
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Total Cash-Balance Plan Benefit

Sum of CB Annuity and Net FAP Benefit:	<u>\$27,425.89</u>
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**Enron Cash Balance Plan
Benefit Examples - Calculation of Regular and Transition Benefits**

Calculation of Transition Minimum

Special Sub-Account Stock Releases

Number of Shares as of 12/31/95: 83.5 - to be released over 5 years
 Number of Shares Allocated, 12/31/96: 14.2 - to be released over 4 years
 97.7

History of Special Sub-Account ESOP Releases

	Date of Release	# of Shares Released	Share Price at Release	Market Value of Release
Release 1:	01/01/96	16.7	\$31.00	\$517.70
Release 2:	01/01/97	20.3	\$34.00	\$688.50
Release 3:	01/01/98	20.3	\$34.00	\$688.50
Release 4:	01/01/99	20.3	\$37.00	\$749.25
Release 5:	01/01/2000	<u>20.3</u>	\$39.00	\$789.75
		97.7		

Offset Associated with Special Sub-Account ESOP Releases

	(a) Age (CM) at Release	(b) Actuarial Equiv. Annuity Factor	(c) Market Value of Release	(c) / (b) ESOP Offset Amount
Release 1:	54 and 7 months	3.478833	\$517.70	\$148.81
Release 2:	55 and 7 months	3.774534	\$688.50	\$182.41
Release 3:	56 and 7 months	4.095370	\$688.50	\$168.12
Release 4:	57 and 7 months	4.443476	\$749.25	\$168.62
Release 5:	58 and 7 months	4.821171	\$789.75	\$163.81

Special Sub Account ESOP Offset Amount: \$831.77

Calculation of Transition Old Plan Benefit as if Old Plan Continued to Date of Retirement

Service at Retirement: 37.0
 Final Average Pay at Retirement: \$89,300.00
 Integration Level at Retirement: \$46,130.00
 Benefit as if Old Plan had continued to Retirement: \$44,975.03

Calculation of Transition Old Plan Benefit after ESOP Offset

Offset Associated with Retirement Account: \$13,402.20
 Offset Associated with Special Sub-Account: \$831.77
 Total Offset for Transition Benefit: \$14,233.97

	(1) Non-Offsetable Benefit	(2) Offsetable Benefit	(3) Total ESOP Offset Amount
Components at Normal Retirement:	\$27,432.00	\$17,543.03	\$14,233.97
Early Commencement Factors:	90.0000%	90.0000%	60.1759%
Components at for Age 60 Commencement:	\$24,688.80	\$15,788.72	\$8,565.42

Final Average Pay Benefit at Age 60: (1) + [(2) - (3), but not less than zero]
 = \$31,912.10 = Transition Minimum Benefit

Calculation of Total Qualified Cash Balance Plan Benefit, after Transition Minimum

Qualified CB Plan Benefit, before Transition: \$27,425.89
 Qualified Plan Transition Minimum: \$31,912.10
 Qualified CB Plan Benefit, After Transition: \$31,912.10
 Increase in Benefit due to Transition Minimum: \$4,486.21 to be added to the net FAP Benefit for administrative purposes

Enron Corp. Cash Balance Plan
Annual Age 65 ESOP Offset Factors

(Divide Market Value of Stock at Release by Factor based on Age at Release to get ESOP Offset to Annual Age 65 Floor Plan Benefit)

Mortality Table: UP84, Setback 1 year Single Life Annuity Normal Form Interest Rate: 8.50%
(Post-Commencement Only)

Age Years	Completed Months											
	0	1	2	3	4	5	6	7	8	9	10	11
15	0.137612	0.138587	0.139562	0.140536	0.141511	0.142486	0.143461	0.144435	0.145410	0.146385	0.147360	0.148334
16	0.149309	0.150367	0.151424	0.152482	0.153540	0.154597	0.155655	0.156713	0.157770	0.158828	0.159886	0.160943
17	0.162001	0.163149	0.164296	0.165444	0.166591	0.167739	0.168886	0.170034	0.171181	0.172329	0.173476	0.174624
18	0.175771	0.177016	0.178261	0.179506	0.180751	0.181996	0.183241	0.184486	0.185731	0.186976	0.188221	0.189466
19	0.190711	0.192062	0.193413	0.194764	0.196114	0.197465	0.198816	0.200167	0.201518	0.202869	0.204219	0.205570
20	0.206921	0.208387	0.209853	0.211318	0.212784	0.214250	0.215716	0.217181	0.218647	0.220113	0.221579	0.223044
21	0.224510	0.226100	0.227691	0.229281	0.230871	0.232461	0.234052	0.235642	0.237232	0.238822	0.240413	0.242003
22	0.243593	0.245319	0.247044	0.248770	0.250495	0.252221	0.253946	0.255672	0.257397	0.259123	0.260848	0.262574
23	0.264299	0.266171	0.268043	0.269915	0.271787	0.273659	0.275532	0.277404	0.279276	0.281148	0.283020	0.284892
24	0.286764	0.288795	0.290827	0.292858	0.294889	0.296920	0.298952	0.300983	0.303014	0.305045	0.307077	0.309108
25	0.311139	0.313343	0.315547	0.317751	0.319955	0.322159	0.324363	0.326566	0.328770	0.330974	0.333178	0.335382
26	0.337586	0.339977	0.342368	0.344760	0.347151	0.349542	0.351933	0.354324	0.356715	0.359106	0.361498	0.363889
27	0.366280	0.368875	0.371469	0.374064	0.376658	0.379253	0.381847	0.384442	0.387036	0.389630	0.392225	0.394819
28	0.397414	0.400229	0.403044	0.405859	0.408674	0.411489	0.414305	0.417120	0.419935	0.422750	0.425565	0.428380
29	0.431195	0.434249	0.437304	0.440358	0.443412	0.446466	0.449521	0.452575	0.455629	0.458683	0.461738	0.464792
30	0.467846	0.471160	0.474474	0.477788	0.481102	0.484416	0.487730	0.491043	0.494357	0.497671	0.500985	0.504299
31	0.507613	0.511209	0.514804	0.518400	0.521995	0.525591	0.529187	0.532782	0.536378	0.539973	0.543569	0.547164
32	0.550760	0.554661	0.558563	0.562464	0.566365	0.570266	0.574168	0.578069	0.581970	0.585871	0.589773	0.593674
33	0.597575	0.601808	0.606041	0.610274	0.614506	0.618739	0.622972	0.627205	0.631438	0.635671	0.639903	0.644136
34	0.648369	0.652962	0.657554	0.662147	0.666739	0.671332	0.675925	0.680517	0.685110	0.689702	0.694295	0.698887
35	0.703480	0.708463	0.713446	0.718429	0.723412	0.728395	0.733378	0.738361	0.743344	0.748327	0.753310	0.758293
36	0.763276	0.768683	0.774089	0.779496	0.784902	0.790309	0.795715	0.801122	0.806528	0.811935	0.817341	0.822748
37	0.828154	0.834020	0.839886	0.845752	0.851618	0.857484	0.863351	0.869217	0.875083	0.880949	0.886815	0.892681
38	0.898547	0.904912	0.911277	0.917641	0.924006	0.930371	0.936736	0.943100	0.949465	0.955830	0.962195	0.968559
39	0.974924	0.981830	0.988735	0.995641	1.002547	1.009452	1.016358	1.023264	1.030169	1.037075	1.043981	1.050886
40	1.057792	1.065285	1.072777	1.080270	1.087763	1.095255	1.102748	1.110241	1.117733	1.125226	1.132719	1.140211
41	1.147704	1.155834	1.163963	1.172093	1.180222	1.188352	1.196481	1.204611	1.212741	1.220870	1.229000	1.237129
42	1.245259	1.254080	1.262900	1.271721	1.280541	1.289362	1.298183	1.307003	1.315824	1.324644	1.333465	1.342285
43	1.351106	1.360676	1.370247	1.379817	1.389387	1.398958	1.408528	1.418098	1.427669	1.437239	1.446809	1.456380
44	1.465950	1.476334	1.486718	1.497102	1.507485	1.517869	1.528253	1.538637	1.549021	1.559405	1.569788	1.580172
45	1.590556	1.601823	1.613089	1.624356	1.635622	1.646889	1.658155	1.669422	1.680688	1.691955	1.703221	1.714488
46	1.725754	1.737978	1.750202	1.762426	1.774650	1.786874	1.799099	1.811323	1.823547	1.835771	1.847995	1.860219
47	1.872443	1.885706	1.898969	1.912232	1.925495	1.938758	1.952022	1.965285	1.978548	1.991811	2.005074	2.018337
48	2.031600	2.045991	2.060381	2.074772	2.089162	2.103553	2.117943	2.132334	2.146724	2.161115	2.175505	2.189896
49	2.204286	2.219900	2.235514	2.251127	2.266741	2.282355	2.297969	2.313582	2.329196	2.344810	2.360424	2.376037
50	2.391651	2.408592	2.425533	2.442474	2.459414	2.476355	2.493296	2.510237	2.527178	2.544119	2.561059	2.578000
51	2.594941	2.613322	2.631703	2.650084	2.668464	2.686845	2.705226	2.723607	2.741988	2.760368	2.778749	2.797130
52	2.815511	2.835454	2.855397	2.875341	2.895284	2.915227	2.935170	2.955113	2.975056	2.995000	3.014943	3.034886
53	3.054829	3.076467	3.098106	3.119744	3.141383	3.163021	3.184660	3.206298	3.227936	3.249575	3.271213	3.292852
54	3.314490	3.337968	3.361445	3.384923	3.408400	3.431878	3.455356	3.478833	3.502311	3.525788	3.549266	3.572743
55	3.596221	3.621694	3.647168	3.672641	3.698114	3.723587	3.749061	3.774534	3.800007	3.825480	3.850954	3.876427
56	3.901900	3.929539	3.957177	3.984816	4.012454	4.040093	4.067731	4.095370	4.123008	4.150647	4.178285	4.205924
57	4.233562	4.263550	4.293537	4.323525	4.353513	4.383500	4.413488	4.443476	4.473463	4.503451	4.533439	4.563426
58	4.593414	4.625951	4.658488	4.691024	4.723561	4.756098	4.788635	4.821171	4.853708	4.886245	4.918782	4.951318
59	4.983855	5.019157	5.054460	5.089762	5.125064	5.160366	5.195669	5.230971	5.266273	5.301575	5.336877	5.372180
60	5.407482	5.445785	5.484088	5.522391	5.560694	5.598997	5.637300	5.675603	5.713906	5.752209	5.790512	5.828815
61	5.867118	5.908677	5.950236	5.991794	6.033353	6.074912	6.116471	6.158029	6.199588	6.241147	6.282706	6.324264
62	6.365823	6.410914	6.456006	6.501097	6.546188	6.591279	6.636371	6.681462	6.726553	6.771644	6.816735	6.861827
63	6.906918	6.955842	7.004766	7.053690	7.102614	7.151538	7.200462	7.249386	7.298310	7.347234	7.396158	7.445082
64	7.494006	7.547089	7.600171	7.653254	7.706336	7.759419	7.812502	7.865584	7.918667	7.971749	8.024832	8.077914
65	8.130997											

Enron Corp. Cash Balance Plan

ESOP Offset Early Commencement Factors

(Multiply Age 65 ESOP Offset by Factor at Age of Commencement to get ESOP Offset at Commencement)

Mortality Table: UP84, Setback 1 year (Post-Commencement Only) Single Life Annuity Normal Form Interest Rate: 8.50%

Age Years	Completed Months											
	0	1	2	3	4	5	6	7	8	9	10	11
55	0.369950	0.373047	0.376144	0.379242	0.382339	0.385437	0.388534	0.391631	0.394729	0.397826	0.400923	0.404021
56	0.407118	0.410555	0.413992	0.417430	0.420867	0.424304	0.427741	0.431178	0.434615	0.438052	0.441490	0.444927
57	0.448364	0.452182	0.455999	0.459817	0.463634	0.467452	0.471270	0.475087	0.478905	0.482723	0.486540	0.490358
58	0.494175	0.498419	0.502663	0.506907	0.511151	0.515395	0.519639	0.523882	0.528126	0.532370	0.536614	0.540858
59	0.545102	0.549823	0.554545	0.559266	0.563987	0.568709	0.573430	0.578152	0.582873	0.587594	0.592316	0.597037
60	0.601759	0.607020	0.612281	0.617543	0.622804	0.628065	0.633326	0.638588	0.643849	0.649110	0.654372	0.659633
61	0.664894	0.670763	0.676632	0.682500	0.688369	0.694237	0.700106	0.705975	0.711843	0.717712	0.723580	0.729449
62	0.735318	0.741870	0.748421	0.754973	0.761525	0.768077	0.774629	0.781181	0.787733	0.794285	0.800837	0.807388
63	0.813940	0.821261	0.828581	0.835902	0.843222	0.850543	0.857863	0.865184	0.872504	0.879825	0.887145	0.894466
64	0.901786	0.909971	0.918155	0.926340	0.934524	0.942709	0.950893	0.959078	0.967262	0.975447	0.983631	0.991816
65	1.000000											

Enron Corp. Cash Balance Plan

Floor Plan Benefit Early Commencement Factors

(Multiply Age 65 Floor Plan Benefit by Factor at Age of Commencement to get Floor Plan Benefit at Commencement)

Age Years	Completed Months											
	0	1	2	3	4	5	6	7	8	9	10	11
55	0.600000	0.605000	0.610000	0.615000	0.620000	0.625000	0.630000	0.635000	0.640000	0.645000	0.650000	0.655000
56	0.660000	0.665000	0.670000	0.675000	0.680000	0.685000	0.690000	0.695000	0.700000	0.705000	0.710000	0.715000
57	0.720000	0.725000	0.730000	0.735000	0.740000	0.745000	0.750000	0.755000	0.760000	0.765000	0.770000	0.775000
58	0.780000	0.785000	0.790000	0.795000	0.800000	0.805000	0.810000	0.815000	0.820000	0.825000	0.830000	0.835000
59	0.840000	0.845000	0.850000	0.855000	0.860000	0.865000	0.870000	0.875000	0.880000	0.885000	0.890000	0.895000
60	0.900000	0.904167	0.908333	0.912500	0.916667	0.920833	0.925000	0.929167	0.933333	0.937500	0.941667	0.945833
61	0.950000	0.954167	0.958333	0.962500	0.966667	0.970833	0.975000	0.979167	0.983333	0.987500	0.991667	0.995833
62	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
63	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
64	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
65	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000

**Enron Corp. Retirement Plan
Estimated Cash Contributions**

Plan Year:	1994 (Made in 1995)	1995 (Made in 1996)	1996 (Made in 1997)	1997 (Made in 1998)	1998 (Made in 1999)
Old Plan					
Minimum Contribution (assuming minimum funding)	\$0	\$0	\$0	\$13,982,000	\$18,523,000
Contribution to Maintain 60% Funded Status	\$1,736,000	\$6,149,000	\$6,989,000	\$7,876,000	\$8,466,000
Minimum Contribution (assuming larger of minimum or 60% Funded Status funding)	\$0	\$0	\$0	\$0	\$6,660,000
New Plan					
Minimum Contribution (assuming minimum funding)	\$0	\$0	\$1,005,000	\$24,071,000	\$22,207,000
Contribution to Maintain 60% Funded Status	\$1,736,000	\$2,353,000	\$14,636,000	\$14,758,000	\$13,684,000
Minimum Contribution (assuming larger of minimum or 60% Funded Status funding)	\$0	\$0	\$0	\$4,293,000	\$10,853,000

Plan Year:	1999 (Made in 2000)	2000 (Made in 2001)	2001 (Made in 2002)	2002 (Made in 2003)	
Old Plan					
Minimum Contribution (assuming minimum funding)	\$20,537,000	\$17,481,000	\$19,432,000	\$21,019,000	
Contribution to Maintain 60% Funded Status	\$9,087,000	\$0	\$0	\$0	
Minimum Contribution (assuming larger of minimum or 60% Funded Status funding)	\$18,577,000	\$17,481,000	\$19,432,000	\$21,019,000	
New Plan					
Minimum Contribution (assuming minimum funding)	\$22,176,000	\$17,860,000	\$18,941,000	\$20,087,000	
Contribution to Maintain 60% Funded Status	\$13,766,000	\$8,417,000	\$4,420,000	\$0	
Minimum Contribution (assuming larger of minimum or 60% Funded Status funding)	\$19,104,000	\$17,860,000	\$18,941,000	\$20,087,000	

- Results estimated based on 1/1/93 valuation results

- Other Assumptions: 4% asset return in 1994; DOL assessment rate equal to 6.5% for all years (up from 5.75% for 1993); 1/1/94 Assets adjusted for accruals.