

**MINUTES**  
**MEETING OF THE COMPENSATION AND**  
**MANAGEMENT DEVELOPMENT COMMITTEE**  
**September 14, 2001**

Minutes of a meeting of the Compensation and Management Development Committee ("Committee") of the Board of Directors of Enron Corp. ("Company"), held pursuant to waiver of notice at 9:14 a.m., C.D.T., on September 14, 2001 at the Enron Building in Houston, Texas.

The following Committee members were present, either in person or by telephone conference connection, where each participant could hear the comments of the others and join in the discussion, constituting a quorum:

Dr. Charles A. LeMaistre, Chairman  
Mr. John H. Duncan  
Dr. Robert K. Jaedicke  
Mr. Frank Savage

Committee member Norman P. Blake, Jr. was absent from the meeting. Director Kenneth L. Lay, Mr. James V. Derrick, Jr. and Ms. Mary K. Joyce, both of the Company, and Mr. Richard N. Foster, of McKinsey & Company, also attended the meeting.

The Chairman, Dr. LeMaistre, presided at the meeting and Mr. Derrick recorded the proceedings.

Dr. LeMaistre called the meeting to order and asked Mr. Lay and Ms. Joyce to begin the presentation, a copy of which is filed with the records of the meeting.

Mr. Lay stated that the first matter for consideration was a proposed separation agreement to be entered into between the Company and Ms. Rebecca C. Carter. He updated the Committee on his discussions with Ms. Carter, noted that the proposed effective date of the separation was January 31, 2002, and stated that Ms. Carter would be available until that date to finalize the matters on which she was currently working and to help transition the individual elected to assume Ms. Carter's responsibilities as Corporate Secretary. Mr. Lay and Ms. Joyce then explained the other terms of the proposed separation agreement and answered questions from the Committee with respect to the terms. Following the discussion, upon motion made by Dr. Jaedicke, seconded by Mr. Duncan, and carried, the following resolutions were approved:

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RESOLVED, that the terms and conditions of the proposed separation agreement to be entered into by Ms. Rebecca C. Carter and the Company presented to the Committee at this meeting and reflected in the materials to be filed with the records of this meeting, together with such changes therein or modifications thereto as may be approved by the Chairman and Chief Executive Officer of the Company, be, and the same hereby are, approved, adopted, ratified, and confirmed; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and they hereby are, authorized, empowered, and directed to take all such further action, to amend, execute, and deliver all such instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion may be necessary, appropriate, or advisable to carry into effect the purposes and intentions of this and the foregoing resolution.

Mr. Lay then stated that, on August 13, 2001, the Committee had approved a grant of restricted stock to Mr. Stanley C. Horton in an amount intended to deliver a certain value to Mr. Horton on the date of grant. He pointed out that the value of the restricted stock on the date of the grant was less than the value intended to be delivered to Mr. Horton, and he requested that the Committee approve an additional grant of restricted stock to Mr. Horton to make up the shortfall. Mr. Lay and Ms. Joyce responded to questions from the Committee in respect of the request, including questions pertaining to the vesting of the shares. Following the Committee's discussion of the request, upon motion made by Dr. Jaedicke, seconded by Mr. Duncan, and carried, the following resolution was approved:

RESOLVED, that a total of 3,880 shares of restricted stock to be granted under the terms of Company's 1991 Stock Plan, at the closing price (as reported in *The Wall Street Journal*) on September 14, 2001, with vesting as discussed at the meeting and as reflected in the materials to be filed with the records of the meeting, be, and it hereby is, authorized and approved for grant to Mr. Stanley C. Horton.

Mr. Lay and Ms. Joyce then presented management's recommendations with respect to the terms of employment agreements for Messrs. Richard B. Buy, Richard A. Causey, Steven J. Kean, and Mark E. Koenig, each of whose employment agreement had expired or, in management's view, needed to be extended. Mr. Lay and Ms. Joyce responded to questions from the Committee

with respect to the recommendations. Following the discussion, upon motion made by Mr. Jaedicke, seconded by Mr. Duncan, and carried, the following resolutions were approved:

RESOLVED, that grants to Messrs. Buy, Causey, Kean, and Koenig of up to 177,280 stock options, in the aggregate, under the terms of the Company's 1991 Stock Plan, at the closing price (as reported in *The Wall Street Journal*) on the later to occur of September 14, 2001 or the date on which the individual in question signs his employment agreement or extension thereof, as applicable, in the individual amounts and with terms and vesting provisions as discussed at the meeting and as reflected in the materials to be filed with the records of the meeting, be, and they hereby are, authorized and approved (a list of the employees and the respective amounts granted to each will be filed with the records of the meeting); and

RESOLVED FURTHER, that grants to Messrs. Buy, Causey, Kean, and Koenig of up to 78,000 shares of restricted stock, in the aggregate, under the terms of the Company's 1991 Stock Plan, at the closing price (as reflected in *The Wall Street Journal*) on the later to occur of September 14, 2001 or the date on which the individual in question signs his employment agreement or extension thereof, as applicable, in the individual amounts and with the vesting provisions as discussed at the meeting and as reflected in the materials to be filed with the records of the meeting, be, and they hereby are, authorized and approved (a list of the employees and the respective amounts granted to each will be filed with the records of the meeting).

Ms. Joyce then reported to the Committee on her discussions with Mr. Mark A. Frevert, who had been elected as the Company's Vice Chairman at a Special Meeting of the Company's Board of Directors on August 27, 2001. She presented management's recommendation with respect to potential modifications to be made to Mr. Frevert's employment agreement and compensation in light of his new responsibilities, and she stated that the proposed modifications had been discussed with and approved by Towers Perrin. Mr. Lay joined in the discussion, and he and Ms. Joyce answered questions from the Committee with respect to the recommendation presented to the Committee. Following the discussion, upon motion made by Dr. Jaedicke, seconded by Mr. Savage, and carried, the following resolutions were approved:

RESOLVED, that a grant to Mr. Mark A. Frevert of up to 80,000 shares of restricted stock, to be granted under the terms of

the Company's 1991 Stock Plan, at the closing price (as reported in *The Wall Street Journal*) on the later to occur of September 14, 2001 or the date on which Mr. Frevert signs the extension of his employment agreement, with vesting provisions as discussed at the meeting and as reflected in the materials to be filed with the records of the meeting, be, and it hereby is, authorized; and

RESOLVED FURTHER, that approximately 500,000 stock options, to be granted to Mr. Mark A. Frevert under the terms of the Company's 1991 Stock Plan in the tranches and with the terms and vesting provisions presented at the meeting and as reflected in the materials to be filed with the records of the meeting, be, and it hereby is, authorized and approved for grant.

Mr. Lay then reported to the Committee on his discussions with Mr. Andrew S. Fastow with respect to potential modifications to Mr. Fastow's employment agreement. Ms. Joyce joined in the discussion, and she and Mr. Lay answered questions from the Committee with respect to the contract negotiations. Following a full discussion of the issues, Mr. Lay was requested to engage in further discussions with Mr. Fastow, and it was agreed that the matter would be considered at a future meeting of the Committee.

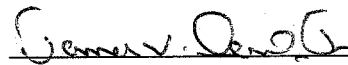
Dr. LeMaistre then asked Ms. Joyce to report to the Committee on an analysis that she and others had done of a potential insurance swap transaction that might form a portion of the compensation to be awarded to Mr. Lay in connection with his election as the Company's Chief Executive Officer. Mr. Lay offered to leave the meeting, but the Committee requested that he remain until any questions they might want to ask him could be answered. Ms. Joyce proceeded to present the analysis and stated that she had worked with Vinson & Elkins and others in preparing it. Following her presentation, the Committee asked questions of Mr. Lay and Ms. Joyce, and Mr. Lay then left the meeting. The Committee continued to discuss the analysis and asked further questions of Ms. Joyce. Following a full discussion of the issues, upon motion made by Dr. Jaedicke, seconded by Mr. Savage, and carried, the following resolutions were approved:

RESOLVED, that Scenario 1 of the Ken Lay Insurance Swap Analysis presented to and discussed at the meeting and as reflected in the materials to be filed with the records of the meeting be, and it hereby is, authorized and approved; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and they hereby are, authorized, empowered, and directed to take all such further action, to amend,

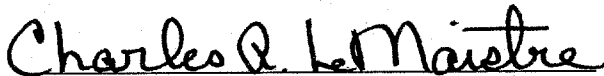
execute, and deliver all such further action, to amend, execute, and deliver all such instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion may be necessary, appropriate, or advisable to carry into effect the purposes and intentions of this and the foregoing resolution.

Mr. Lay rejoined the meeting, and Dr. LeMaistre inquired whether there was any further business to come before the Committee. There being none, the meeting was adjourned at 10:02 a.m., C.D. T.



Acting Secretary

APPROVED:



Chairman

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