
**SPECIAL
COMPENSATION AND MANAGEMENT
DEVELOPMENT COMMITTEE MEETING**

September 14, 2001



CONFIDENTIAL

EC37349A0031052

**GOVERNMENT
EXHIBIT
623**

Crim. No. H-04-25 (S-2)

SEPARATION AGREEMENT
for
REBECCA CARTER
SVP – Board Communications & Secretary – Enron Corp.

	Amount
Separation Payment per Standard Employment Contract	\$ 560,000
Annual Bonus for 2001 Performance	300,000
Medical Premiums	15,000
Total Payout	\$875,000

Notes:

- **Effective Date of Separation – January 31, 2002**
- **Employment Contract Payment will be paid in a lump sum**
- **Executive will be allowed to keep computer at home**

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**UNANIMOUS CONSENT
STOCK GRANT**

Stan Horton – Chairman & CEO, Enron Transportation Services Company

- On August 13, 2001, a grant of restricted stock was approved for Stan Horton to be granted on the date approved by the Compensation Committee or the date an employment agreement was executed.
- 37,500 shares of restricted stock were approved. The value of the shares on the date of grant, August 20, 2001 (date employment agreement was executed) was \$36.25 per share or \$1,359,375 which represents a \$140,625 shortfall from the approved \$1.5mm value.
- Management requests the approval of an additional 3,880 shares of restricted stock with standard vesting to make up the shortfall.

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**Renewed Employment Agreements
Award Analysis**

<u>Executive</u>	<u>Current Contract Expiration Date</u>	<u>Proposed Contract Extension Date</u>	<u>Signing Bonus¹</u>	<u>Retention Bonus²</u>	<u>Stock Options³</u>		<u>Restricted Stock⁴</u>	
					<u>Grant Value</u>	<u># of Options</u>	<u>Grant Value</u>	<u>Up to # of Shares</u>
Rick Buy	Expired	4/1/2004	\$ 400,000	\$ 400,000	\$ 500,000	45,455	\$ 500,000	20,000
Rick Causey	7/31/2002	7/31/2004	\$ 300,000	\$ 300,000	\$ 750,000	68,185	\$ 750,000	30,000
Steve Kean	10/31/2002	10/31/2004	\$ 250,000	\$ 250,000	\$ 500,000	45,455	\$ 500,000	20,000
Mark Koenig	12/31/2001	12/31/2004	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 200,000</u>	<u>18,185</u>	<u>\$ 200,000</u>	<u>8,000</u>
Total			\$ 1,100,000	\$ 1,100,000	\$ 1,950,000	177,280	\$ 1,950,000	78,000

¹ Signing Bonus will be given in cash with provision that the Executive repay in full if voluntary termination occurs within 12 months of contract signing.

² Retention Bonus will be given in cash 12 months after contract signing with provision that the Executive repay in full if voluntary termination occurs within 12 months of bonus payment.

³ Stock Options will be granted on the later of the day the Comp. Committee approves the grant or the date on which the Executive's contract extension is signed and will vest 15% on date of grant, 15% on each 6 month anniversary and the final 10% on the 3 year anniversary of the grant date.

⁴ Restricted Stock will be granted on the later of the day the Comp. Committee approves the grant or the date on which the Executive's contract extension is signed and 1/3 of the shares will vest on each anniversary of the grant date.

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**MARK FREVERT
VICE CHAIRMAN**

	Current	2001 Market Data @75thile (Vice Chairman)
Base Salary	\$ 520,000	\$ 839,000
2000 Bonus	2,500,000	1,571,000
2001 LTIP	3,725,000	6,365,000
Total Direct Compensation	\$6,745,000	\$8,775,000

Notes:

- @ \$35, unvested 01/02 = \$600,000
- Current Contract expiration - 05/31/03

	Recommendation¹
Contract Term	Extend to 05/31/04
Base Salary	\$600,000
Annual Bonus	Eligible in January 2002
<u>Equity Grant:</u>	
Stock Options²	\$5,500,000 in value (approximately 500,000 options – granted in tranches of 125,000 on later of date the Comp. Committee approves the grant or the date on which the Executive's contract extension is signed, 125,000 on 10/1/01, 125,000 on 11/1/01, 125,000 on 12/1/01)
Restricted Stock³	\$2,000,000 in value (approximately 80,000 shares – granted on later of date the Comp. Committee approves the grant or the date on which the Executive's contract extension is signed)

- (1) Discussed and approved by Chuck Essick, Towers Perrin.
- (2) Stock Options will vest 15% on date of grant, 15% on each 6 month anniversary and the final 10% on the 3 year anniversary of the grant date.
- (3) Restricted Stock will vest over three years with 1/3 of the shares vesting on each anniversary of the date of grant.

**ANDY FASTOW
EVP & CFO**

	Current	2001 Market Data @75thtile (Top Financial)
Base Salary	\$ 400,000	\$ 550,000
2000 Bonus	1,300,000	1,050,000
2001 LTIP	4,000,000	4,000,000
Total Direct Compensation	\$5,700,000	\$5,600,000

Notes:

- @ \$35, unvested 09/01 = \$2,600,000
- Current Contract expiration - 02/28/03

	Recommendation
Contract Term	Extend to 02/28/05
Base Salary	\$500,000
Annual Bonus (Target)	\$1,000,000 - \$1,500,000
Retention Payment	\$250,000
Long-Term Incentive Plan (Annual Target)	\$3,450,000
Target Annual Compensation	\$5,700,000

Additional Terms and Conditions Requested

- (1) Retention Payment of \$250,000 will be paid on the 1st, 2nd and 3rd anniversary date of the Executive's contract extension signing
- (2) Target Annual Compensation to be paid to Executive each year
- (3) Involuntary Termination occurs for any of the following:
 - a. Employee is not appointed to Office of the Chairman as Vice Chairman or CFO reporting to Ken Lay within one-year of contract extension signing and remaining in position until expiration of contract (?)
 - b. Target Annual Compensation is not paid to employee in any year
 - c. If at any time fewer than 80% of the members of the Board of Directors (of ENE or any survivor company) were members of the ENE Board of Directors on 2/1/01
- (4) If Involuntary Termination occurs Executive will receive the following:
 - a. Cash payment equal to the aggregate value of Target Annual Compensation for remaining term of contract but not less than one year
 - b. Non-compete through term but not less than one year

FOR MEMBERS OF THE COMPENSATION COMMITTEE ONLY
LTIP DISCUSSION
KEN LAY – CHAIRMAN AND CEO

MARKET AND TOTAL DIRECT COMPENSATION (TDC) SUMMARY

	2001 TDC¹	2001 Market	2002 Projected TDC²
Base	975,000	1,317,000	1,000,000
Bonus	7,000,000	3,000,000	4,000,000
LTIP	22,825,000	20,600,000	20,000,000
Total	\$30,800,000	\$24,917,000	\$25,000,000

¹ LTIP Reflects \$16,000,000 granted January 2001 and \$6,825,000 existing 2001 value granted previous to 2001.

² LTIP assumes \$10mm of signing equity granted in August 2001 of which \$5,000,000 is attributable to 2002. Grants or other long-term value through January 2002, included as 2002 total direct compensation.

Ken Lay Insurance Swap Analysis

Scenario 1

Enron Purchases Policies and Awards back to Ken with Vesting vs Enron Stock Award

	Ken's Policy	Linda's Policy	Policy Total	Enron Stock
CURRENT SITUATION				
- Tax Basis	5,000,000	5,000,000	10,000,000	
- Current Market Value	2,459,475	2,232,092	4,691,567	
- Current Floor Value	5,819,795	5,420,890	11,240,685	
EXCHANGE POLICY FOR CASH				
- Purchase Price / Current Fair Market Value	5,000,000	5,000,000	10,000,000	

AWARD BY ENRON				
- Value of Award	5,000,000	5,000,000	10,000,000	10,000,000
VESTING				
- Assumed Value in 4.25 years (12/31/05)	7,455,171	6,944,173	14,399,344	14,399,344
Enron Issues				
Enron Tax Deduction on Benefit Payments (162m)			No	No
Dilution to Common Shares Outstanding			No	Yes
ENE Taxes on Build-up while ENE owns policy (like any other investment)			Yes	No
Ken Lay Issues				
Initial Liquidity for Insurance			Yes	No
Cash Flow at Vesting for Tax Liability			No	Yes
Cash Flow begins appr. 2007 or when annuity starts			Yes	No
Full Vesting at Earliest of 12/31/2005, Death, Retirement, Disability			Yes	Yes

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Ken Lay Insurance Swap Analysis

Scenario 2

Enron Purchases Policies and Awards back to Ken with Vesting vs Enron Stock Award

	Ken's Policy	Linda's Policy	Policy Total	Enron Stock
CURRENT SITUATION				
- Tax Basis	5,000,000	5,000,000	10,000,000	
- Current Market Value	2,459,475	2,232,092	4,691,567	
- Current Floor Value	5,819,795	5,420,890	11,240,685	
EXCHANGE POLICY FOR CASH				
- Purchase Price / Current Fair Market Value	2,459,475	2,232,092	4,691,567	

AWARD BY ENRON				
- Value of Award	2,459,475	2,232,092	4,691,567	4,691,567
VESTING				
- Assumed Value in 4.25 years (12/31/05)	7,455,171	6,944,173	14,399,344	14,399,344
Enron Issues				
Enron Tax Deduction on Benefit Payments (162m)			No	No
Dilution to Common Shares Outstanding			No	Yes
ENE Taxes on Build-up while ENE owns policy (like any other investment)			Yes	No
Ken Lay Issues				
Initial Liquidity for Insurance			Yes	No
Cash Flow at Vesting for Tax Liability			No	Yes
Cash Flow begins appr. 2007 or when annuity starts			Yes	No
Full Vesting at Earliest of 12/31/2005, Death, Retirement, Disability			Yes	Yes