MINUTES
MEETING OF THE
BOARD OF DIRECTORS
ENRON CORP.
October 8, 2001

Minutes of a meeting of the Board of Directors of Enron Corp. ("Company") held pursuant to due notice at 7:00 p.m. C.D.T., but actually begun at 7:46 p.m. C.D.T., on October 8, 2001 at the Four Seasons Hotel, Austin Room, in Houston, Texas,

All of the Directors were present, as follows:

Mr. Kenneth L. Lay, Chairman
Mr. Robert A. Belfer
Mr. Norman P. Blake, Jr.
Mr. Ronnie C. Chan
Mr. John H. Duncan
Dr. Wendy L. Gramm
Dr. Robert K. Jaedicke
Dr. Charles A. LeMaistre
Dr. John Mendelsohn
Mr. Paulo V. Ferraz Pereira
Mr. Frank Savage
Lord John Wakeham
Mr. Herbert S. Winokur, Jr.

Messrs. Richard B. Buy, Richard A. Causey, David W. Delainey, James V. Derrick, Jr., James B. Fallon, Andrew S. Fastow, Mark A. Frevert, Stanley C. Horton, Steven J. Kean, Mark E. Koenig, John J. Lavorato, Michael S. McConnell, Jeffrey McMahon, and L. Greg Whalley and Ms. Paula H. Rieker, all of the Company or affiliates thereof, and Mr. Richard N. Foster of McKinsey & Company, Inc. ("McKinsey"), also attended the meeting.

The Chairman, Mr. Lay, presided at the meeting, and the Secretary, Ms. Rieker, recorded the proceedings.

Mr. Lay called the meeting to order and called upon Mr. Causey to provide the Financial and Earnings report, a copy of which is filed with the records of the meeting. Mr. Causey reviewed both the previous and revised organizational structure and corresponding financial reporting segments of the Company. He summarized financial disclosures planned for the third quarter 2001 earnings release, including expanded income statement information for each reporting segment. He reviewed the expected recurring earnings per share ("EPS") of the Company for both the quarter and nine-month periods compared to actual results of last year. He then reviewed the third quarter and nine month recurring net income results by segment and discussed variations from the plan. He also reviewed expected non-recurring earnings items, including items related to impairments of assets planned for sale by Azurix Corp., to the restructuring of the Company's broadband business, and to losses associated with certain investments by the Company, and a discussion ensued regarding expected market reaction to the non-recurring items. He summarized the expected reported EPS and the recurring net income results by segment for both the quarter and nine-month periods compared to actual results of last year. He provided a report on the expected impact of the Statement of Financial Accounting Standards No. 142 on Goodwill and Other Intangible Assets ("Standards"), indicating that the Company planned to adopt the Standards in the first quarter of 2002 and disclose the expected impact by the time of the filing of the Company's third quarter financial statements with the Securities and Exchange Commission. He detailed components of the Company's total $5.8 billion of goodwill, including consolidated and unconsolidated goodwill, and reported on the expected write-off related to the Standards. A discussion ensued regarding the non-recurring earnings items, the effects of the unexpected resignation of Jeffrey K. Skilling, and other areas that may be of concern to investors.

Mr. Causey reviewed the capital structure and cash flow of the Company, including comparison of estimated debt balances and funds flow from operations as of September 30, 2001 versus plan and projections for each through year-end 2001. He also reviewed capital deployed by segment as of June 30, 2001, including assumed capital structures for each segment.

Mr. Lay called upon Mr. Koenig for the Investor Relations report, a copy of which is filed with the records of the meeting. Mr. Koenig reviewed the total return to shareholders ("TRS") of the Company's common stock for the first ten months of 2001 compared to the Dow Jones Industrial Average, S&P 500 index, a group of energy peers, the NASDAQ, and a group of broadband companies. He then reviewed the Company's TRS compared to that of other merchant energy peer companies. He discussed the price-to-earnings ratio ("P/E ratio") of the Company's common stock compared to that of the S&P 500 index and other merchant energy peers, noting the very significant decline in the P/E ratio of the Company. He then reviewed the Company's largest shareholders and recent changes in ownership, and he also reviewed the largest potential investors in the Company's stock. He provided an update on recommendations of sell-side analysts to investors, noting that all recommendations remained at least neutral and many remained favorable. He summarized current investor concerns, noting that investors may have increased comfort levels with areas of concern last reviewed with the Board but that other areas, including the level of cash flow from operations, the composition of earnings and related disclosure, financing vehicles, and related contingent equity issuances, were additional investor concerns.

Mr. Koenig then presented information on the common stock dividend of the Company, including total cash requirements, the yield and payout ratio to investors compared to the S&P 500 index and to the merchant energy peer group, and a comparison to the yield of each company in the merchant energy peer group. A discussion ensued, concluding to leave the dividend on common stock unchanged.

Mr. Lay summarized recent analyst reports and his memo to employees regarding recent employee survey results, copies of which are filed with the records of the meeting. He recessed the meeting at 8:58 p.m., C.D.T. on October 8, 2001.

The meeting reconvened in executive session at 8:10 a.m., C.D.T., on October 9, 2001 at the Enron Building, Houston, Texas. All of the Directors noted in attendance on the previous evening returned to the meeting, with the exception of Mr. Chan who was not in attendance. Messrs. James V. Derrick, Andrew S. Fastow, Mark A. Frevert, and L. Greg Whalley and Ms. Paula H. Rieker, all of the Company, and Mr. Richard N. Foster, of McKinsey, also attended the meeting. Messrs. Raymond M. Bowen, Robert B. Butts, Richard B. Buy, Richard A. Causey, Wesley H. Colwell, David W. Delainey, James B. Fallon, R. Scott Gahn, Mark E. Haedicke, Stanley C. Horton, James A. Hughes, Steven J. Kean, Mark E. Koenig, John J. Lavorato, Daniel P. Leff, Michael S. McConnell, George M. McCormick, Jeffrey McMahon, and Jeffrey A. Shankman and Mesdames Janet R. Dietrich, Rosalee T. Fleming, and Louise J. Kitchen, all of the Company or affiliates thereof, and Messrs. Scott A. Geiselman, Eric D. Mullins, and Howard B. Schiller and Ms. M. Lisa Price, all of Goldman, Sachs & Co. ("Goldman"), and Messrs. Joseph C. Dilg, Harry M. Reasoner, and Scott Neal Wulfe, all of Vinson & Elkins L.L.P. ("V&E"), joined the meeting in progress as noted below.

Mr. Lay indicated that he had requested Goldman and V&E brief the Board on the current merger and acquisition ("M&A") climate and on corporate preparedness and response alternatives.

Messrs. Dilg, Geiselman, Mullins, Reasoner, Schiller, and Wulfe and Ms. Price entered the meeting.

Mr. Geisleman provided a brief overview of the M&A market, a copy of which is filed in the records of the minutes. He commented on the significant decrease in the value of the common stock of the Company relative to other merchant energy peers and the S&P 500 index. He also commented on the current shareholder base of the Company. Mr. Wulfe presented a review of structural defenses of the Company and advised on preparations to effectively manage responses to unsolicited offers.

Messrs. Dilg, Fastow, Foster, Geiselman, Mullins, Reasoner, Schiller, and Wulfe and Ms. Price left the meeting.

Mr. Lay stated that minutes of meetings of the Board held on March 16, 2001, June 13, 2001, August 13-14, 2001, and August 27, 2001 had been distributed to the Directors and were included in the meeting material. He called for any additions, corrections, or comments. There being none, upon motion duly made by Dr. LeMaistre, seconded by Dr. Gramm, and carried, the minutes of the meetings held on March 16, 2001, June 13, 2001, August 13-14, 2001, and August 27, 2001 were approved as distributed.

Mr. Lay stated that minutes of a meeting of a Special Committee of the Board of Directors held on August 14, 2001 had been distributed to the Directors and were included in the meeting material. He called for any additions, corrections, or comments. There being none, upon motion duly made by Dr. LeMaistre, seconded by Dr. Mendelsohn, and carried, the minutes of the meetings held on August 14, 2001 were approved by the members of that Committee as distributed.

Mr. Lay called upon Mr. Duncan to review the Executive Committee meetings held on June 21, 2001 and September 25, 2001. Mr. Duncan reported that, at the June 21, 2001 meeting, Mr. Jeff Donahue had been elected Managing Director of Corporate Development. He also reported that a restructuring of a contract with Sithe/Independence Power Partners, L.P. had been approved. He reported that, at the September 25, 2001 meeting, the Committee had elected Ms. Rieker as Corporate Secretary and had also reviewed Project Southwood, which included the proposed purchase of a pulp mill and execution of related price risk management contracts but decided to defer approval until consideration by the Finance Committee and the Board. He then moved approval of the minutes, which was seconded by Dr. LeMaistre, and carried, and the minutes of the meetings held on June 21, 2001 and September 25, 2001 were approved as distributed.

Mr. Lay then called upon Dr. LeMaistre to review meetings of the Compensation and Management Development Committee held on September 14, 2001, September 27, 2001, and October 8, 2001. Dr. LeMaistre provided a report on the meetings, noting review and approval of certain employment agreements and related matters, and reviewed recommendations by the Committee to approve amendments to the Enron Corp. Savings Plan, the Enron Corp. Employee Stock Ownership Plan, and the Enron Corp. Cash Balance Plan. Upon motion duly made by Mr. Blake, seconded by Dr. Jaedicke, and carried, the amendments were approved.

Mr. Lay called upon Dr. Jaedicke to review the meeting of the Audit and Compliance Committee held on October 8, 2001. Dr. Jaedicke stated that the meeting had included reviews of third quarter earnings, the Company's reserve balances, internal controls, physical security initiatives, the respective roles of the Audit and Compliance Committee and the Finance Committee related to the Risk Management Policy of the Company, and the on-going compliance monitoring of the Company. He also provided an oral report, for which the attorney/client privilege was reserved, summarizing an oral presentation to the Audit and Compliance Committee in its meeting the previous evening by Messrs. Joseph C. Dilg and Max Hendrick, III, of Vinson & Elkins L.L.P. ("V&E") on a preliminary investigation requested by management to be performed by V&E relating to an employee letter to Mr. Lay concerning related party transactions. He reported that no additional facts had surfaced in the review and that V&E did not feel further investigation was necessary. He also reported that the representatives from V&E had, stated, however, that although approved at the proper levels and properly accounted for, the related party transactions could be the subject of adverse publicity. A discussion ensued regarding the matter.

Mr. Lay called upon Mr. Winokur to review the meeting of the Finance Committee held on October 8, 2001. Mr. Winokur stated that reports in the meeting indicated that, since the terrorist events on September 11, 2001, the borrowing spreads of the Company had increased and overall borrowing capacity had decreased. He indicated that the overnight liquidity of the Company was improving and financing had been raised since the September 11 events.

Mr. Foster entered the meeting.

Mr. Winokur indicated the meeting also included a discussion of the positive results from the trading operations as well as the expected write-offs in the third quarter earnings results. He reported that the rating agencies were expected to afford the Company time in executing its asset sales program. He reviewed the positive objectives of the Company to simplify its financings,

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produce quality earnings, and reduce debt. He reviewed the maturities and refinancings planned for the structures referred to as Marlin and Whitewing. He summarized the respective roles of the Audit and Compliance Committee and the Finance Committee related to the Risk Management Policy ("Policy") of the Company. He recommended changes to the Policy and, upon motion duly made by Mr. Belfer, seconded by Mr. Pereira, and carried, changes to the Policy were approved.

Mr. Lay called upon Lord Wakeham to report on the Nominating and Corporate Governance Committee meeting held on October 8, 2001. Lord Wakeham stated that, at the meeting, the Committee had received a beneficial analysis of the corporate responsibility initiatives of other companies of similar size. He indicated that each company had unique challenges but that the Company compared favorably in implementing an effective program. He reported that the next Committee meeting would include a detailed update from management on corporate responsibility initiatives.

Messrs. Fastow, Frevert, Bowen, Butts, Buy, Causey, Colwell, Delainey, Fallon, Gahn, Haedicke, Horton, Hughes, Kean, Koenig, Lavorato, Leff, McConnell, McMahon, and Shankman and Mesdames Dietrich and Kitchen entered the meeting. Mr. George M. McCormick joined the meeting in progress as noted below.

Mr. Lay called on Mr. Delainey and Ms. Dietrich to begin the presentation on Enron Energy Services ("EES"), a copy of which is included in the records of the meeting. Ms. Dietrich reviewed the financial highlights of EES, comparing earnings, cash flow and capital deployed for the nine months to date and estimated full year for 2001 versus the prior year, noting strong earnings and improving cash flow results. She detailed elements of capital deployed by EES, noting that price risk management assets and accounts receivable were the largest components. A discussion ensued on the financial results and the economics of the EES business model. She then reviewed the quarterly additions to total contract value, citing the metric as useful in the early stage of EES but now being replaced by traditional financial metrics such as earnings and cash flow. She noted that the status of deregulation was important to EES' business strategy, and she provided updates on deregulation in all major markets and commodities of EES.

Mr. Delainey reviewed the evolution of EES' business model, emphasizing the importance to increasing profitability by penetrating new geographies and market segments and achieving shorter sales cycles and a more scalable product. He also reviewed the major components of the processes established to execute the model, define the products, and originate new business. He described the significant successes experienced in the large consumer business in the U.S., which has included many Fortune 500 customers and has experienced significant growth in the number of transactions and contribution to gross margin relative to a year ago. He also discussed opportunities captured to sell services to existing large consumers. He then reviewed the newer small consumer business in the U.S., noting the very significant increase in transactions and gross margin compared to a year ago. He described the marketing channels implemented to pursue this opportunity, including an agent-based sales force which had demonstrated significant results since inception during the summer of 2001. He then reviewed business initiatives in Europe and Canada, noting that the large consumer business was gaining traction in the U.K., the small consumer business was the initial area of success in Europe, and the small consumer model had been introduced in Canada.

Mr. Delainey reviewed the contribution to EES' gross margin by product, noting that power products contributed approximately two-thirds of the gross margin in the third quarter, that natural gas was a product with significant additional potential, and that services related to demand side and facilities management, construction and tariffs also contributed positively to gross margin. He cited a longer-term goal for the business to be evenly split between commodity and non-commodity products and between large and small business customers.

Mr. Leff discussed the customer service aspects of EES. He profiled the very large and growing number of customers and the favorable customer satisfaction surveys, which had been expanded to include thousands of customers. He reported on the energy asset management function, noting both the overall increase in business activity and also noting that the net present value of savings generated by the function continued to increase with a prudent utilization of capital. He cited the expanding scale of the business in terms of number of facilities and amount of space managed. He also discussed the gross margin contribution of the facility services. He then reviewed elements of the risk management function, commenting on the benefits of the transfer of the function to the wholesale business early in the year. He discussed the cost structure of the business, noting the decreases expected in total costs and in operating expenditures as a percentage of gross margin in 2002.

Mr. Delainey commented on the continued expansion of the customer base, the scalability that had been established, progress made in dealing with legacy issues, efforts to reduce costs, and on the focus of management in generating earnings and cash flow on a reduced level of capital deployed. He concluded with comments on the success of EES in penetrating new geographies and market segments with new products and scalable execution, noting that these elements were expected to result in increased customer satisfaction and increased growth and profitability. Following the presentation, a discussion ensued.

Mr. Lay called upon Mr. Lavorato and Ms. Kitchen to begin the presentation of Enron Americas.

Ms. Fleming entered the meeting.

Mr. Lavorato began the report, a copy of which is included in the record of the minutes. He commented on the business principles of the merchant natural gas and power business, including business goals and significant areas of expertise. He reviewed the very strong increases in earnings before interest and taxes of the North American activities, both excluding and including reserves and other earnings reductions.

Mr. Lavorato also reviewed the net assets of the North American wholesale business, noting a significant decline in the assets deployed in the business at the end of the third quarter of 2001. He discussed the financial highlights of the operations, citing strong earnings and funds flow for the first nine months of 2001 compared to full year 2000 results. He commented on the significant impact of the net collateral position on the reported cash flow from operations and on total capital deployed.

Mr. Lavorato then reviewed the supply and demand fundamentals and pricing environments in the key North American energy markets. He also reviewed trends in the commercial headcount of the business. He summarized employment agreement statistics, noting that contracts for key personnel had been signed with relatively low cash outflows.

Mr. Lavorato reviewed the volume growth in the North American wholesale gas and power businesses, citing that the growth demonstrated the lead market-making role of the Company, the role played by Enron OnLine in significantly expanding market liquidity, and the overall growth in the addressable markets. He discussed the correlation of volume expansion to increased gross margin for the business. He reviewed the significant increases demonstrated in the number of average daily transactions and in counterparties in the gas and power businesses. He also reviewed the average daily volume of Enron OnLine compared to competing gas and power transaction platforms.

Ms. Kitchen then reviewed the origination of structured transactions in the wholesale business, noting that the transactions leveraged off the strong market knowledge from the trading business. She summarized profitability from the transactions for the first nine months of the year, noting the geographic and product diversity of the results. She then profiled specific transactions in each of the gas and power sectors.

Mr. Koenig left the meeting.

Ms. Kitchen also reviewed the significant asset sales that had occurred during 2001, quantified the sales proceeds and gains from the transactions, and commented on the value of the Company's market knowledge in timing the entry into and exit from certain assets.

Mr. Lavorato then discussed the management of risks related to EES. He provided background on the risk management practices of EES prior to 2001 and commented on the significant initiatives to incorporate the EES-related exposures into the well-established wholesale risk management system. He expressed confidence in the integration team and in the ability of the wholesale business to manage the retail exposures and deliver the related commodities at planned prices. Following his presentation, a discussion ensued.

Mr. Lavorato provided a summary of the merchant business in South America, noting that headcount and cost reductions had been effectively implemented and that business opportunities were generally being pursued with minimal capital commitments. He provided an update of the Electrobolt project, noting the commitments of lenders to the project and the economics of the project to the Company.

Mr. Lay then called for an executive session. All of the Directors noted in attendance in the open session were in attendance. Messrs. Butts, Buy, Causey, Colwell, Delainey, Fallon, Gahn, Haedicke, Horton, Hughes, Kean, Koenig, Lavorato, Leff, McConnell, and Shankman and Mesdames Dietrich and Kitchen left the meeting. Mr. McCormick entered the meeting.

Mr. Lay called upon Mr. McMahon to begin the presentation on Enron Industrial Markets ("EIM"). Mr. McMahon presented the report, a copy of which is included in the records of the meeting. He provided an overview of the forest products and steel markets, noting that the Company planned to develop businesses in these markets very similar to the Company's wholesale gas and power businesses. He reviewed achievements by EIM during the past year, including industry acceptance of its business model and significant growth in physical deliveries and gross margin, which was expected to continue. He noted that the growth rate of transaction activity was significantly faster than other new businesses of the Company. He reviewed financial highlights for the nine months and expected full year of 2001 compared to the previous year, noting that returns on equity were expected to continue improving. He discussed the major investments in the business, including three pulp or newsprint mills. He reviewed the staffing of EIM, commenting on the success in attracting strong commercial employees and optimizing the back office and logistics staff. Following his presentation, a discussion ensued.

Mr. McCormick left the meeting.

Mr. Duncan provided a summary of the review of EIM's Project Southwood at the September 25, 2001 meeting of the Executive Committee and the decision to defer approval until consideration by the Finance Committee and the Board. Following a discussion, Mr. Lay proposed to defer approval for approximately two weeks to provide time to further assess the capital markets.

Mr. Lay commented on the management's awareness of the need to maintain a motivated workforce and to carefully review business priorities and demands on the capital resources of the Company.

Messrs. Bowen, Foster, and McMahon left the meeting.

Mr. Lay commented on the importance of an on-going review of the Company's business priorities and corporate strategy, and a discussion ensued.

Mr. Lay then called upon Mr. Derrick to provide the Legal report. Mr. Derrick provided an update on matters related to the Company's interest in the Dabhol power project in India and on certain legal matters in California.

There being no further business to come before the Board, the meeting was adjourned at 1:25 p.m., C.D.T.

Paula L Rieker
Secretary

APPROVED:

Chairman

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