

SUMMARY OF ENRON DEVELOPMENT CORP.
PROJECT PARTICIPATION PLAN

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The attached document is a summary of the principal terms and conditions of the Enron Development Corp. Project Participation Plan. In the event there is a conflict between the terms and provisions of this summary and the plan document, the terms and provisions of the plan document will control. Accordingly, you should read and review the plan document in its entirety.

Senate Finance Committee

EXHIBIT 49

EC 001936341

**ENRON DEVELOPMENT CORP.
PROJECT PARTICIPATION PLAN**

PLAN SUMMARY

Administration

- Plan administered by a Committee.
- Board of Directors (the "Board") of Enron Development Corp. (the "Company") acts as the Committee (or it may appoint another group of individuals to serve as the Committee).
- Committee makes all determinations required under Plan, except (a) Board determines whether Participant terminated for cause and (b) valuation determinations are subject to a dispute resolution procedure.

Participation

- All full-time, salaried employees of the Company, Enron Corp. ("Enron") and their subsidiaries are eligible.
- Committee selects Participants and determines the size of each Participant's interest in a Project ("Participation Interest").
- Participation Interests are of two types:

Fixed Applies to each Project that arises during the period such interest is in effect. Committee may increase a Fixed Participation Interest at any time and may reduce or terminate a Fixed Participation Interest as of any subsequent January 1.

Specific - Applies only to the Project(s) specified by Committee.

Projects Subject to Plan

- A power, pipeline, liquids, gas storage, gas processing or other energy project or system is a "Project" subject to Plan if:

an AFE is issued by the Company for such project or system or the Committee designates such project or system as a "Project"; and

such project or system is developed, co-developed or acquired by the Company.

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Incentive Compensation Payable under Plan

- Payments with respect to a Project are triggered by (a) completion of construction, (b) commencement of commercial operations, (c) closing of permanent, limited recourse financing, and (d) transfer or disposition of Project (or portion thereof). The incentive payment generated upon the occurrence of such an event is allocated among the Participants who have a Participation Interest in the Project at such time based upon the relative size of their Participation Interests.
- Construction payment = a percent, to be determined by the Committee on a case-by-case basis, of Enron's direct and indirect share of net cash-flow generated from construction of Project.
- Commercial operation payment = 8% of Net Project Value (reduced by any prior financial closure payment paid or payable with respect to Project).
- Financial closure payment = 8% of Net Project Value (reduced by any prior commercial operation payment paid or payable with respect to Project).
- Transfer payment = 8% of Enron's direct and indirect share of the net proceeds received in connection with the transfer (reduced by any prior commercial operation and financial closure payments paid or payable with respect to Project).
- 8% is increased to 9% for any payment that arises during a year in which the Company's net income equals or exceeds the Company's net income target established by Enron.
- Payments are reduced by amount Company uses to pay bonuses with respect to Project to employees and consultants who are not Participants.
- All payments that arise during a given year are reduced proportionately by amount in "Closed Project Account" at end of such year.
- Before payments for a given year are computed, Closed Project Account is increased by 8% of Enron's direct and indirect share of unrecovered losses for such year associated with closed Projects and other expenditures that the Committee determines will not result in a Project. After payments for a given year are computed, the Closed Project Account is reduced to the extent that it has been used to reduce payments under Plan.
- Aggregate payments with respect to any Project cannot exceed \$20 million. If a Project would have generated payments greater than \$20 million but for the application of this cap, then the excess is used to increase the payments for other Projects for which payments have been reduced in order to offset amounts in the Closed Project Account.
- Incentive payments are paid in three annual installments - 70% by April 15 following the plan year in which the right to receive the payment arose, 20% (plus interest at the

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Enron mid-term cost of capital) by March 31 of the following year, and 10% (plus interest at the Enron mid-term cost of capital) by March 31 of the next year.

- Company may pay incentive payments in cash, shares of Enron's common stock, or in a combination of cash and stock. Enron must consent to any stock payments and register the issuance of stock.
- Participation Interests in a Project are terminated upon the earlier of (a) disposition of Project or (b) 18 months after the commencement of commercial operations.

Net Project Value

- "Net Project Value" means, with respect to a particular Project and as of a given date, the sum of (a) Enron's direct and indirect share of the net cash-flow from or attributable to such Project received prior to such date and (b) the net present value as of such date of Enron's direct and indirect share of the projected net cash-flow from or attributable to such Project.
- Net Project Value is determined without regard to net cash-flow generated in connection with construction of Project.
- Committee makes initial determination of Net Project Value.

Valuation Disputes

- A dispute resolution procedure is available to Participants if Participants owning at least 50% of the affected interests object to Committee's determination of (a) the Net Project Value for a Project, (b) Enron's share of the net proceeds received in connection with the transfer of a Project (or portion thereof), or (c) Enron's share of the net cash-flow generated in connection with the construction of a Project.
- Pursuant to dispute resolution procedure, Participants (acting as a group) and Committee each appoint a valuation expert and submit to such experts their opinion of the correct value. Valuation experts must choose one of the two valuations as correct. If they are unable to agree, a third valuation expert is appointed and a determination of the majority of the three valuation experts is final.
- Losing side pays all costs and expenses of dispute resolution process.
- All incentive payments are delayed until relevant valuation is final and binding.

Effect of Termination of Employment

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- Termination for cause (or resignation by Participant at any time within six months after the Board could have terminated Participant for cause) results in the total forfeiture of the Participant's Participation Interests and rights to deferred 5th payments.

- Involuntary termination by the Company, death, disability or retirement does not result in forfeiture. In such circumstances, Participant will be paid all deferred Plan payments and will keep his Participation Interest in all projects that become "Projects" prior to such termination of employment.
- Performance-based termination or voluntary termination by Participant (which excludes resignations within six months after the Board could have terminated Participant for cause) results in the forfeiture of all or a portion of the Participant's Participation Interests at the discretion of the Committee. The Committee's determinations with respect to such forfeitures can vary among individual Participants and among Participation Interests held by a Participant. However, the Committee cannot cause the forfeiture of more than 50% of a Participant's Participation Interest with respect to a particular Project if the performance-based termination or voluntary termination occurs after the key contracts relating to such Project are executed. Further, such a termination does not result in the forfeiture of Plan payments that have already been earned but not paid as of the termination date.
- Company has right to change terms and conditions of Participant's employment and/or Participant's duties and responsibilities. If Participant fails or refuses to accept such a change, then a subsequent termination is considered a performance-based termination unless Participant resigns, in which case it is considered a voluntary termination.
- Committee may, on an individual Participant basis, modify the forfeiture provisions described above and/or impose additional forfeiture rules.

Reduction in Geographic Scope of Company's Development Activities

- Participants with Fixed Participation Interests receive an aggregate cash payment equal to 8% (or 9% if the Company meets its net income target established by Enron) of the net value to Enron created by the Company's development activities in a particular country (the "Country Valuation") if Enron (a) prohibits the Company from further pursuing development activities in such country and (b) assigns such development activities to another Enron subsidiary.
- The value of any Projects located in the affected country is disregarded for purposes of determining the Country Valuation.
- Although the Committee makes initial determination of Country Valuation, a dispute resolution procedure substantially similar to the one described above is available to Participants.

Amendment and Termination of Plan

- Term of Plan = January 1, 1993 to December 31, 1995.

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- Plan may be amended by Board at any time, but Plan may not be terminated prior to December 31, 1995.

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ENRON DEVELOPMENT CORP.
PROJECT PARTICIPATION PLAN

I. Purpose of the Plan

This Enron Development Corp. Project Participation Plan is intended to provide a means whereby certain selected Employees (as such term is hereinafter defined) may develop a sense of proprietorship and personal involvement in the development and financial success of Enron Development Corp. (the "Company"), to attract and retain Employees of outstanding competence and ability, to encourage them to devote their best efforts to the business of the Company, and to reward them for outstanding performance benefiting the Company and its stockholders.

II. Definitions

As used in the Plan, the following capitalized words and phrases shall have the meanings indicated below except where the context may otherwise require:

(a) "Affected Participant" means, with respect to a Valuation Determination, each Participant who has an outstanding Participation Interest in the Project relating to such Valuation Determination; provided, however, that for purposes of Section XIV hereof, the term "Affected Participant" shall have the meaning assigned to such term in Section XIV(e) hereof.

(b) "Award Agreement" means the written agreement between a Participant and the Company evidencing the award of a Participation Interest and specifying certain terms and conditions with respect thereto.

"Board" means the Board of Directors of the Company.

(d) "Closed Project" means a Project that the Committee has determined cannot reasonably be expected to commence commercial operations and for which one or more Project AFEs has been issued.

(e) "Closed Project Account" means an account established and maintained in the manner described in Section VI(b) hereof.

(f) "Committee" means the Board acting as a committee of the whole or another committee (the members of which need not be members of the Board and may or may not be Participants or eligible to participate in the Plan) appointed from time to time by the Board to administer the Plan.

"Common Stock" means the common stock of Enron.

"Company" means Enron Development Corp., a Delaware corporation.

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(i) "Construction Percentage" means, with respect to a particular Fully Constructed Project, the "Construction Percentage" (which may be 0%) for such Project determined by the Committee in its sole discretion.

(j) "Construction Date" means, with respect to a particular Project, the date upon which the construction of, improvements to or refurbishment of such Project is complete and the Net Construction Value attributable to the construction of, improvements to or refurbishment of such Project may be determined. There shall be no more than one Construction Date with respect to any particular Project, and there shall be no Construction Date with respect to (i) a Project that does not require the physical construction of, or improvements or refurbishments to, a facility or (ii) a Project in which no Enron Entity has an interest in the Net Construction Value relating to any such construction.

(k) "Employee" means any individual, including an officer (whether or not also a director), who, at the time of an award of a Participation Interest, is employed by the Company, Enron or any of their respective Subsidiaries on a full-time salaried basis.

(l) "Enron" means Enron Corp, a Delaware corporation.

(m) "Enron Entity" means Enron or any entity in which Enron owns a direct or indirect equity interest.

(n) "Financed Project" means a Project in which an Enron Entity owns an interest on the Financial Closure Date for such Project.

(o) "Financial Closure Date" means, with respect to a particular Project, the first date on which there is a closing between an Enron Entity and one or more third parties with respect to permanent project financing on a limited recourse basis for such Project. There shall be no more than one Financial Closure Date with respect to any particular Project. Further, there shall be no Financial Closure Date with respect to a Project if the closing of such financing does not occur on or before the date which is 12 months after the Operation Commencement Date relating to such Project.

(p) "Fully Constructed Project" means a Project in which an Enron Entity has an interest in the Net Construction Value relating to such Project on the Construction Date for such Project.

(q) "General AFE" means the authorization of an expenditure of Company funds given in accordance with normal Company procedures, but excluding any Project AFE.

(r) "Interest Credit Rate" means the Enron mid-term cost of capital as determined by the Committee. The Committee shall determine the Interest Credit Rate as of the first day of January of each year.

(s) "Net Construction Value" means, with respect to a particular Project and as of a given date, Enron's share of the net cash flow generated in connection with the construction

of, improvements to or refurbishment of such Project by one or more Enron Entities. Enron's share of such net cash flow shall be determined based upon Enron's direct and indirect ownership in the Enron Entities entitled to participate in such net cash flow.

(t) "Net Project Value" means, with respect to a particular Project and as of a given date, the sum of (i) Enron's share of the net cash flow from or attributable to such Project that has been received on or before such date and (ii) the net present value as of such date of Enron's share of the projected net cash flow from or attributable to such Project; provided, however, that the Net Construction Value with respect to such Project shall be disregarded for purposes of determining the Net Project Value of such Project. For purposes of the preceding sentence, (1) the net cash flow from or attributable to a Project shall be determined based upon (A) all costs and expenses under Project AFEs applicable to such Project, and (B) all sources of revenue relating to such Project (excluding the Net Construction Value with respect to such Project but including, without limitation, the net cash flow attributable to construction management fees that are not included in determining Net Construction Value, fuel management fees, development fees, operating and maintenance fees, and interest rate and currency hedging activities in respect of the financing or earnings of such Project (with any losses relating to such hedging activities to also be considered) and any other transactions, additions, expansions or improvements directly related to such activities) and (2) Enron's share of net cash flow shall be determined based upon Enron's direct and indirect ownership in the Enron Entities entitled to participate in such net cash flow. Net Project Value shall be determined based on such factors and information as the Committee deems relevant, which may include the information and assumptions utilized in obtaining approval of Project AFEs with respect to the subject Project, valuations prepared by the Company or other parties in connection with obtaining financing for such Project, the actual performance of such Project, current market conditions and the Company's current valuation methodology for evaluating proposed projects that are comparable to such Project.

(u) "Net Transfer Proceeds" shall have the meaning assigned to such term in Section II(af) hereof.

(v) "Operating Project" means a Project in which an Enron Entity owns an interest on the Operation Commencement Date for such Project.

(w) "Operation Commencement Date" means, with respect to a particular Project, the later of (i) the date on which commercial operations commence with respect to substantially all of such Project, and (ii) the date on which start-up and testing of such Project have been successfully completed. There shall be only one Operation Commencement Date with respect to any particular Project.

(x) "Participant" means an Employee who has been awarded a Participation Interest under the Plan.

(y) "Participation Interest" means an interest awarded under the Plan pursuant to an Award Agreement with respect to a Project for the purpose of measuring and defining the incentive compensation payable under the Plan. A Participation Interest shall be expressed as a percentage.

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(z) "Plan" means this Enron Development Corp. Project Participation Plan, as amended from time to time.

(aa) "Plan Payment" shall have the meaning assigned to such term in Section VII(b) hereof.

(ab) "Plan Payment Date" means, with respect to a particular Project, a Construction Date, Financial Closure Date, Operation Commencement Date or Transfer Date relating to such Project.

(ac) "Plan Year" means the twelve-consecutive month period commencing January 1 of each year.

(ad) "Project" means any power, pipeline, liquids, gas storage, gas processing or other energy project or system (i) developed, co-developed with a non-Enron Entity or acquired by the Company, and (ii) for which a Project AFE is issued or which is designated as a Project by the Committee for purposes of the Plan. For the period preceding the date the Plan is adopted by the Board, the projects listed on Exhibit A attached hereto shall constitute Projects subject to the Plan.

(ae) "Project AFE" means the authorization of an expenditure of Company funds, given in accordance with normal Company procedures, with respect to a power, pipeline, liquids, gas storage, gas processing or other energy project or system (i) acquired or developed by the Company, (ii) co-developed by the Company with a non-Enron Entity or (iii) to be developed by the Company or co-developed with a non-Enron Entity by the Company.

(af) "Project Incentive Amount" means:

(i) with respect to a Financed Project, the Project Percentage for such Project multiplied by the Net Project Value of such Project as of the Financial Closure Date relating to such Project (but such amount shall be reduced (but not below zero) by the amount determined pursuant to clause (ii) below if the Operation Commencement Date relating to such Project occurred on or before such Financial Closure Date);

(ii) with respect to an Operating Project, the Project Percentage for such Project multiplied by the Net Project Value of such Project as of the Operation Commencement Date relating to such Project (but such amount shall be reduced (but not below zero) by the amount determined pursuant to clause (i) above if the Financial Closure Date relating to such Project occurred prior to such Operation Commencement Date);

(iii) with respect to a Fully Constructed Project, the Construction Percentage for such Project multiplied by the Net Construction Value for such Project as of the Construction Date relating to such Project; and

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(iv) with respect to a Project (or portion thereof or assets relating thereto) for which a Transfer Date occurs, the Project Percentage for such Project as of such Transfer Date multiplied by an amount (the "Net Transfer Proceeds") equal to the difference, if any, between (1) the fair market value (with the fair market value of any assets received in a form other than cash to be determined by the Committee) of Enron's direct or indirect share of the net proceeds received in connection with the transaction giving rise to such Transfer Date that are attributable to the decrease in Enron's aggregate direct and indirect ownership interest in such Project (or portion thereof or assets relating thereto), and (2) Enron's direct or indirect share of the investment in, and costs and expenses associated with, the transferred Project (or portion thereof or assets relating thereto) as reflected in the Project AFEs applicable to such Project; provided, however, that the amount determined pursuant to this clause (iv) shall be reduced (but not below zero) by the amounts determined pursuant to clauses (i) and (ii) above if the Financial Closure Date and/or Operation Commencement Date, as applicable, relating to such Project occurred on or before such Transfer Date.

Notwithstanding the preceding provisions of this paragraph (af), any amount determined pursuant to clause (i), (ii), (iii) and/or (iv) above shall be reduced by the amount, if any, that the Company determines, in its sole discretion, shall be used to pay bonuses with respect to the subject Project to employees and consultants who are not Participants. Except as otherwise expressly provided herein, there may be more than one Project Incentive Amount determined pursuant to the preceding provisions of this paragraph (af) with respect to each Project.

(ag) "Project Percentage" means 8% with respect to each Project; provided, however, that if an event occurs with respect to a Project that gives rise to a Plan Payment (other than a Plan Payment based on Net Construction Value) and such event occurs during a Plan Year for which the Company's net income for such year equals or exceeds the Company's net income target for such year, as established by Enron, then the Project Percentage shall mean 9% for purposes of determining the amount of such Plan Payment.

(ah) "Quoted Price" means, for any given day, the last reported per share sale price (or, if no sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such day of the Common Stock on the New York Stock Exchange composite tape or, if the Common Stock is not listed on the New York Stock Exchange, in the composite transactions quotations for such other national or regional securities exchange upon which the Common Stock is listed or, if the Common Stock is not listed on a national or regional securities exchange, as quoted on The National Association of Securities Dealers Automated Quotation Stock Market. In the absence of such quotations, Enron shall be entitled to determine the Quoted Price on the basis of such quotations as it considers appropriate.

(ai) "Sharing Ratio" means, with respect to each Participant with an outstanding Participation Interest in a particular Project as of a given date, the ratio (expressed as a percentage) of such Participant's outstanding Participation Interest in such Project as of such date to the aggregate outstanding Participation Interests in such Project awarded to all Participants as of such date.

(aj) "Subsidiary" means any corporation in which a given corporation owns, directly or indirectly, stock possessing more than 50% of the total combined voting power of all classes of stock.

(ak) "Trading Day" means a day during which trading in securities generally occurs on the New York Stock Exchange or, if the Common Stock is not listed on the New York Stock Exchange, on the principal or other national or regional securities exchange on which the Common Stock has been listed or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation Stock Market or, if the Common Stock is not quoted thereon, on the principal other market on which the Common Stock is then traded.

(al) "Transfer Date" means, with respect to a particular Project (or portion thereof or assets relating thereto), the date upon which occurs a transfer of such Project (or portion thereof or assets relating thereto) to an entity (including an Enron Entity) resulting, directly or indirectly, in a decrease in Enron's aggregate direct and indirect ownership interest in such Project or assets. The transfer of any Project or the assets relating thereto to an Enron Entity that does not result in a decrease in Enron's aggregate direct and indirect ownership interest in such Project or assets shall not give rise to a Transfer Date, shall not affect any Participant's Participation Interest in such Project and such Participation Interest shall continue to apply to such transferred Project (or such transferred assets as if they remained a part of such Project).

(am) "Valuation Determination" means a determination by the Committee of the Net Construction Value, Net Project Value or Net Transfer Proceeds for a particular Project as of a particular date.

(an) "Valuation Expert" means, with respect to a particular Valuation Determination, an independent, third-party evaluator or appraiser (whether an individual or a firm) experienced in the valuation of projects or activities similar to those that are the subject of such Valuation Determination; provided, however, that for purposes of Section XIV hereof, the term "Valuation Expert" shall mean an independent, third-party evaluator or appraiser (whether an individual or a firm) experienced in the valuation of entities engaged in the same or a similar business to that of the Company.

(ao) "Valuation Notice" means the notice described in Section VII(c) hereof.

III. Administration of the Plan

(a) General. The Plan shall be administered by the Committee. The Committee shall have all of the powers and duties specified for it under the Plan, including, but without limiting the generality of the foregoing, the selection of Participants and, subject to the limitation set forth in Section V(c) hereof, the determination of Participation Interests to be awarded each Participant. The Committee may from time to time establish rules and procedures for the administration of the Plan which are not inconsistent with the provisions of the Plan (except as hereinafter permitted), and any such rules and procedures shall be effective as if included in the Plan. Although the Plan contemplates that more than one Plan Payment Date can occur with

respect to a Project and, accordingly, more than one series of Plan Payments can be made with respect to a Project, it is intended that Participants be paid not more than once with respect to any increment of a Project's value. Therefore, the Committee shall administer and interpret the Plan and take any other actions it deems necessary or advisable (including, without limitation, establishing rules and procedures designed to eliminate, modify or clarify any provision of the Plan that may be inconsistent with the intention expressed in the preceding sentence) to ensure that no such "double-dip" occurs.

(b) Meetings. A majority of the members of the Committee shall constitute a quorum for the transaction of business. All action taken by the Committee at a meeting shall be by the vote of a majority of those present at such meeting, but any action may be taken by the Committee without a meeting upon written consent signed by all of the members of the Committee. Members of the Committee may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. No member of the Committee shall vote on any matter directly affecting the amounts payable under the Plan to such member.

(c) Committee Determinations. All determinations of the Committee as to which Employees shall be awarded Participation Interests and, subject to the limitation set forth in Section V(c) hereof, the amount or size of such Participation Interests shall be final, binding and conclusive upon all persons. The Committee shall make all other determinations necessary or advisable for the administration of the Plan, including, without limitation, determinations as to whether and when a Project has become a Closed Project, determinations as to whether a Construction Date, Financial Closure Date, Operation Commencement Date or a Transfer Date has occurred with respect to a Project, determinations as to the right of any person to a payment under the Plan and the amount of such payment and as to the construction or interpretation of any provision of the Plan and of any Award Agreement, and any determination made by the Committee shall be final, binding, and conclusive upon all persons except as expressly provided in Sections VII(c), VII(d) and XIV(c) hereof.

(d) Delegation of Decision Making Authority to Board and Committee; Board and Committee Decisions Conclusive; Standard of Care. All decisions, determinations and actions to be made or taken by the Board or the Committee pertaining to the Plan, an Award Agreement, or a Participant's employment or termination of employment are hereby delegated to the Board or Committee by Enron, the Company, other Enron Entities, the Participants and Employees; the Board or the Committee shall, in its sole discretion exercised in good faith, make such decisions or determinations and take such actions; and all such decisions, determinations and actions by the Board or the Committee, as the case may be, shall be final, binding and conclusive upon all persons except as expressly provided in Sections VII(c), VII(d) and XIV(c) hereof. The Board and the Committee shall not be liable for any decision, determination or action taken in good faith in connection with any Participant's or Employee's employment by the Company, Enron, or any of their respective Subsidiaries, or the administration of the Plan. Without limiting the generality of the foregoing, any such decision, determination or action taken by the Board or the Committee in reliance upon any information supplied to them by an officer of the Company, Enron, or any of their respective Subsidiaries, legal counsel for the Company, Enron, or any of their respective Subsidiaries, or by independent

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accountants in connection with such employment issues or the administration of the Plan shall be deemed to have been taken in good faith.

IV. Eligibility and Participation

(a) Eligible Individuals. All Employees are eligible to be selected by the Committee for participation in the Plan. Participation in the Plan and the award of Participation Interests to Employees shall be in the discretion of the Committee, and the Committee may from time to time establish further eligibility requirements for participation in the Plan. Subject to the limitation set forth in Section V(c) hereof, the Participation Interest of each Employee selected by the Committee to be a Participant shall be determined in the discretion of the Committee.

(b) Award Agreements. The terms and provisions of each award or grant of a Participation Interest, as determined by the Committee in its sole discretion, shall be set forth in an Award Agreement, which shall incorporate by reference, and be subject to, the terms and provisions of the Plan. Each Award Agreement shall contain such provisions not inconsistent with the Plan as the Committee deems appropriate. The terms and provisions set forth in Award Agreements may vary among Participants and may vary among the Award Agreements of an individual Participant.

V Participation Interests

(a) Fixed Participation Interests. In an Award Agreement, the Committee may award to an Employee a Participation Interest that constitutes a fixed Participation Interest that, unless and to the extent otherwise specified by the Committee in such Award Agreement, applies to each Project that arises during the period for which such fixed Participation Interest is in effect; provided, however, that each such Award Agreement that is effective as of January 1, 1993 shall apply to each Project listed on Exhibit A attached hereto and to each Project that arises on or after the date the Plan is adopted by the Board and during the term that such fixed Participation Interest remains in effect. Such fixed Participation Interest shall remain in effect, unless and to the extent otherwise specified by the Committee in such Award Agreement, until and unless the Committee changes such fixed Participation Interest in accordance with the following provisions. The Committee may increase such fixed Participation Interest at any time. Effective as of the first day of any Plan Year, the Committee may reduce or eliminate entirely such fixed Participation Interest. Any such change in such fixed Participation Interest shall be applicable, and the new fixed Participation Interest, if any, shall be substituted for the former fixed Participation Interest, but only with respect to Projects that arise during the period beginning on the first day as of which such change is effective and ending on the day immediately preceding the effective date of any subsequent change of such fixed Participation Interest. All changes in fixed Participation Interests shall be communicated in writing to the affected Participant prior to the effective date of such change and may, in the discretion of the Committee, be documented in a new Award Agreement (which may be executed before or after such effective date).

(b) Specific Participation Interests. In an Award Agreement, the Committee may award to an Employee a Participation Interest that applies to one or more Projects specified by the Committee in such Award Agreement. Such Participation Interests may be awarded at the

beginning, during, or upon completion of a Project. It is expected that such Participation Interests will be awarded based upon the selected individual's level of involvement and responsibility in the development of a particular Project.

(c) Limit on Participation Interests. In no event may the aggregate of all Participation Interests (fixed and otherwise) as applied to any given Project exceed the Project Percentage applicable to such Project.

(d) Cancellation of Participation Interests. Subject to the Company's payment of the Plan Payments relating to Plan Payment Dates for a particular Project that occur on or before a Transfer Date for such Project, the Participation Interest of each Participant in such Project shall be cancelled as of such Transfer Date (but such cancellation shall only apply to the Participation Interest in the portion of such Project involved in such transfer). If not sooner terminated pursuant to the provisions of the preceding sentence, subject to the Company's payment of the Plan Payments relating to Plan Payment Dates for a particular Project that occur on or before the date as of which the Participation Interests in such Project are cancelled, the Participation Interest of each Participant in such Project shall be cancelled in its entirety as of the date which is 18 months after the Operation Commencement Date relating to such Project.

VI. Books and Records, Closed Project Account and Limitations on Plan Payment Amounts

(a) Books and Records; General and Project AFEs. The Company shall maintain accounting books and records regarding each Project, General AFE and Project AFE that are appropriate for making the determinations required under the Plan. Except as otherwise specifically required, the normal books, records, and statements maintained or prepared by the Company shall be conclusively utilized for purposes of the Plan. For the period preceding the date the Plan is adopted by the Board, the General AFEs and Project AFEs listed on Exhibit B attached hereto shall be considered for purposes of the Plan. With respect to each such General AFE and Project AFE, Exhibit B also sets forth the amount of funds actually expended for purposes of the Plan as of the date set forth in Exhibit B according to the Company's accounting books and records.

(b) Closed Project Account. The Company shall establish and maintain a Closed Project Account in its records pertaining to the Plan. As soon as practicable after a Project becomes a Closed Project, the Committee shall determine the aggregate amount of Enron's share of the unrecovered costs and expenses associated with such Project (the "Closed Project Loss"). Enron's share of such unrecovered costs and expenses shall be determined based upon Enron's direct and indirect ownership in the Enron Entities that incurred such costs and expenses under the Project AFEs applicable to such Closed Project. As of the date a Project becomes a Closed Project, the Closed Project Account shall be increased by an amount equal to 8% of the Closed Project Loss for such Project. Except as provided in Section XIV(b) hereof, as of the date the Committee determines that a General AFE cannot reasonably be expected to result in a Project, the Closed Project Account shall be increased by an amount equal to 8% of Enron's share of the unrecovered funds expended under such General AFE. Enron's share of such funds shall be determined based upon Enron's direct and indirect ownership in the Enron Entities that expended such funds. After the Closed Project Account has been adjusted for a Plan Year pursuant to the

preceding provisions of this paragraph (b), the amount in the Closed Project Account shall be applied to reduce the incentive compensation payable under the Plan for such Plan Year in the manner described in Section VII(a) hereof. Immediately after the last day of each Plan Year and the computation of the incentive compensation payable pursuant to Section VII hereof for such Plan Year, the Closed Project Account shall be reduced (but not below zero) by an amount equal to the APIA (as such term is defined in Section VII(a) hereof) for such Plan Year.

(c) Limitations on Plan Payment Amounts. Notwithstanding any provision in the Plan to the contrary, the aggregate sum of all Plan Payment Amounts (as such term is defined in Section VII(a) hereof) relating to a Project shall not exceed A minus B, where A equals \$20 million and B equals the amount that the Company determines, in its sole discretion, shall be used to pay bonuses with respect to such Project to employees and consultants who are not Participants. This limit shall be applied by allowing the maximum Plan Payment Amount relating to such Project to be considered for purposes of the Plan based upon the earliest Plan Payment Date as of which such amount is determined pursuant to the terms of the Plan. For example, if a Construction Date relating to such Project occurs prior to a Financial Closure Date for such Project, then the limit shall be applied by, first, computing the maximum amount payable under this limit pursuant to Section VII hereof with respect to such Construction Date, and, then, computing the maximum amount payable under this limit pursuant to Section VII hereof with respect to such Financial Closure Date. The application of this limit shall not affect amounts paid to Participants with respect to such Project prior to reaching the limit; rather, once the limit is reached, there shall be no further amounts payable with respect to such Project and such Project shall no longer be subject to the Plan.

VII. Incentive Compensation Payable under the Plan

(a) Plan Payment Amounts. With respect to each Plan Payment Date relating to a Project, the Company shall pay, as incentive compensation to each Participant with an outstanding Participation Interest in such Project as of such Plan Payment Date, an amount equal to (i) such Participant's Sharing Ratio with respect to such Project as of such Plan Payment Date, multiplied by (ii) the "Plan Payment Amount" relating to such Project and such Plan Payment Date. The "Plan Payment Amount" relating to a particular Project and Plan Payment Date shall be an amount equal to:

PIA - Allocable Share of Closed Project Account; where

PIA = the Project Incentive Amount relating to such Project and such Plan Payment Date;

Allocable Share of Closed Project Account = an amount (but not to exceed PIA) equal to $(PIA \div APIA) \times CPA$;

APIA = the aggregate sum of all Project Incentive Amounts for all Projects (including such Project) that have a Plan Payment Date during the Plan Year in which such Plan Payment Date occurs; and

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CPA = the balance of the Closed Project Account as of the last day of the Plan Year in which such Plan Payment Date occurs.

If a Plan Payment Amount (as determined above and without regard to the limit described in Section VI(c) hereof) exceeds the limit described in Section VI(c) hereof, then (1) such Plan Payment Amount shall be reduced by an amount (the "Excess Amount") necessary to cause such Plan Payment Amount to satisfy such limit, and (2) such Excess Amount shall be applied in the manner hereinafter described to increase the Plan Payment Amount, if any, payable with respect to each other Project not yet subject to the limit set forth in Section VI(c) hereof (an "Affected Project") that had a Plan Payment Date (an "Affected Payment Date") during the Plan Year in which occurred the Plan Payment Date that gave rise to such Excess Amount. Each such Plan Payment Amount relating to a particular Affected Project and Affected Payment Date shall be increased by an amount equal to:

$EA \times (AS \div \text{Aggregate AS});$ where

EA = such Excess Amount;

AS = an amount equal to the Allocable Share of Closed Project Account (as determined above) applicable to such Affected Project and such Affected Payment Date; and

Aggregate AS = the aggregate sum of all Allocable Shares of Closed Project Account (as determined above) applicable to all Affected Projects and Affected Payment Dates.

Notwithstanding the preceding provisions of this paragraph (a), (A) any such increase in a Plan Payment Amount shall be limited so that such adjusted Plan Payment Amount does not exceed the Project Incentive Amount relating to such Affected Project and such Affected Payment Date, and (B) if any such increase in a Plan Payment Amount causes such adjusted Plan Payment Amount to exceed the limit described in Section VI(c) hereof, then such adjusted Plan Payment Amount shall be reduced by the amount of such excess, such excess shall be treated as an Excess Amount and such Excess Amount shall be reallocated in a manner similar to that described above to further increase the Plan Payment Amounts for such Plan Year that relate to Affected Projects not yet subject to the limit set forth in Section VI(c) hereof. Set forth on Exhibit C attached hereto is an example of Plan Payment Amount computations.

(b) Plan Payments. The portion of each Plan Payment Amount, if any, to be paid to a Participant pursuant to paragraph (a) above shall be paid in three installments (the "Plan Payments"). The first such Plan Payment shall be in an amount equal to 70% of such portion of such Plan Payment Amount and shall be paid on or before the date which is 105 days after the last day of the Plan Year in which the related Plan Payment Date occurred. The second such Plan Payment shall be in an amount equal to 20% of such portion of such Plan Payment Amount (plus interest thereon at the Interest Credit Rate for the period beginning on the date which is 105 days after the close of the Plan Year in which such Plan Payment Date occurred and ending on the date of payment of the second Plan Payment) and shall be paid on or before the date

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which is 90 days after the first anniversary of the last day of the Plan Year in which such Plan Payment Date occurred. The third such Plan Payment shall be in an amount equal to 10% of such portion of such Plan Payment Amount (plus interest thereon at the Interest Credit Rate for the period beginning on the date which is 105 days after the close of the Plan Year in which such Plan Payment Date occurred and ending on the date of payment of the third Plan Payment) and shall be paid on or before the date which is 90 days after the second anniversary of the last day of the Plan Year in which such Plan Payment Date occurred. Notwithstanding the preceding provisions of this paragraph (b), no Plan Payment shall be paid prior to the date upon which there is a final and binding determination (pursuant to the procedures set forth in paragraphs (c), (d) and (e) below) of the Net Construction Value, Net Project Value or Net Transfer Proceeds, as applicable, for the Project to which such Plan Payment relates. In the event a Plan Payment is delayed because such a final and binding determination has not been made as of the date such Plan Payment would otherwise have been paid, such Plan Payment (plus interest thereon at the Interest Credit Rate for the period beginning on the date which is 105 days after the close of the Plan Year in which the Plan Payment Date occurred and ending on the date of payment of such delayed Plan Payment) shall be paid as soon as practicable after such determination has been made. Further, each Plan Payment to a Participant shall be deferred beyond the dates set forth in the preceding provisions of this paragraph (b) if and to the extent that such Plan Payment, when added to any other remuneration provided to such Participant by the Company, Enron or any of their respective Subsidiaries, would result in any such amounts being nondeductible pursuant to section 162(m) (or any successor provision) of the Internal Revenue Code of 1986, as amended. In the event all or any portion of a Plan Payment is deferred beyond the date such amount would otherwise have been paid for the reason stated in the preceding sentence, such amount (plus interest thereon at the Interest Credit Rate for the period beginning on the date which is 105 days after the close of the Plan Year in which the related Plan Payment Date occurred and ending on the date of payment of such delayed amount) shall be paid as soon as practicable after the date upon which such amount can be paid on a deductible basis under such section. Any payment under this Section VII shall be subject to the provisions of Sections VIII and IX hereof.

(c) Valuation Notices and Acceptance or Rejection of Valuation Determinations. Within 90 days after each Plan Payment Date relating to a Project, the Company shall deliver to each Participant who holds a Participation Interest with respect to such Project a written notice (the "Valuation Notice") setting forth the Plan Payment Date and the Committee's determination of the Net Construction Value, Net Project Value or Net Transfer Proceeds, as applicable, relating to such Project as of such date. On or before the date which is 15 days after the delivery of the Valuation Notice, each Participant who has received a Valuation Notice shall deliver to the Committee the form attached to such notice indicating whether such Participant accepts or rejects the Committee's Valuation Determination which is the subject of such Valuation Notice. A Participant who fails to timely return such form shall be conclusively deemed to have accepted such Valuation Determination. If Affected Participants with an aggregate Sharing Ratio pertaining to such Valuation Determination of 50% or more reject such Valuation Determination, then no Plan Payments that are dependent on such Valuation Determination shall be made to any Participant until such time as a final determination of such Net Construction Value, Net Project Value or Net Transfer Proceeds, as applicable, is made pursuant to the procedures set forth in paragraphs (d) and (e) below, which final determination

shall be binding on all Participants who received such Valuation Notice. If such Valuation Determination is not rejected by Affected Participants with an aggregate Sharing Ratio pertaining to such Valuation Determination of 50% or more, then such determination shall be final and binding on all Participants who received such Valuation Notice (including those who timely rejected such determination).

(d) Review of Valuation Determinations. If Affected Participants with an aggregate Sharing Ratio pertaining to a Valuation Determination of 50% or more elect to reject such Valuation Determination (with such election to be made in a written notice filed with the Committee within 15 days after delivery of the Valuation Notice setting forth such Valuation Determination), then such Affected Participants (acting as a single group) and the Committee shall each appoint and pay the costs and expenses of one Valuation Expert and each submit to such two Valuation Experts their opinion of what the exact Net Construction Value, Net Project Value or Net Transfer Proceeds, as applicable, which is the subject of such Valuation Determination should be, and the reasons therefor. Such Valuation Experts must select one of those two valuations and no other as the valuation that will be used for purposes of the Plan. If the two representatives so appointed cannot agree on one of the two valuations within 30 days after their appointment, then such two representatives shall agree by the end of such period on the appointment of a third Valuation Expert, and the determination of the majority of the three Valuation Experts as to which valuation is correct shall be final and binding.

(e) Costs and Expenses of Review. If a determination by the Committee which is reviewed pursuant to paragraph (d) above is upheld on such review, then the Affected Participants who requested such review shall be jointly and severally liable to reimburse or otherwise bear all costs and expenses of the Company and the Committee incurred during the dispute resolution process with respect to the Committee's retention of its Valuation Expert (and, if utilized, the third Valuation Expert). If such a determination is not upheld on such review, then the Company shall reimburse or otherwise bear all costs and expenses of the Affected Participants incurred during the dispute resolution process with respect to their retention of their appointed Valuation Expert (and, if utilized, the third Valuation Expert).

VIII. Form of Plan Payments

(a) Cash or Common Stock. Subject to paragraph (b) below, all Plan Payments to be made under the Plan to a Participant shall, in the sole discretion of the Company, be paid either (i) in cash, (ii) in shares of Common Stock or (iii) in a combination of cash and shares of Common Stock; provided, however, that the payment of all or any portion of a Plan Payment in shares of Common Stock shall be subject to the consent and approval of Enron. If the Company, with the consent and approval of Enron, elects to pay all or a portion of a Plan Payment in shares of Common Stock, the number of shares of Common Stock shall be determined by dividing the amount of the Plan Payment to be paid in shares of Common Stock by the average of the Quoted Prices of a share of Common Stock on the five consecutive Trading Days immediately preceding the payment date for such Plan Payment, and rounding such number to the nearest whole share.

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(b) Participant Elections Regarding Payments in Common Stock. If the Company, with the consent and approval of Enron, elects to pay all or a portion of a Participant's Plan Payment in shares of Common Stock, then the Company shall, nevertheless, pay at least 25% of such Plan Payment in cash to such Participant, unless such Participant elects, by executing Attachment I to the Award Agreement and delivering it to the Company at least 10 days prior to the payment date for such Plan Payment, to have such Plan Payment payable in Common Stock to the fullest extent so elected by the Company.

(c) Registration Requirements. Prior to any payment date relating to a Plan Payment all or a portion of which is to be paid in shares of Common Stock, Enron shall file and cause to become effective with the Securities and Exchange Commission (the "SEC"), and Enron shall use its reasonable best efforts to maintain such effectiveness until such shares of Common Stock are issued, one or more Registration Statements on Form S-8 (or such other equivalent forms as may be adopted from time to time by the SEC) registering the issuance of such shares of Common Stock under the Securities Act of 1933, as amended. The Company or Enron will bear all expenses incurred by Enron in connection with the filing of the registration statements pursuant to this Section VIII (other than underwriting discounts and commissions and brokerage commissions and fees and expenses, if any, payable with respect to shares of Common Stock sold by Participants and fees and expenses of counsel for any Participant).

IX. Effect of Participant's Termination of Employment

(a) For purposes of this Section IX, the following capitalized words and phrases shall have the meanings indicated below:

(i) "Cause" means a determination by the Board that a Participant (1) has engaged in gross negligence or willful misconduct in the performance of his or her duties with respect to the Company, Enron or any of their respective Subsidiaries, (2) has been convicted of a felony (which, through lapse of time or otherwise, is not subject to appeal), (3) has willfully refused without proper legal reason to perform his or her duties and responsibilities to the Company, Enron or any of their respective Subsidiaries, (4) has materially breached any material provision of a written employment agreement or corporate policy or code of conduct established by Enron, the Company and/or any of their respective Subsidiaries, or (5) has willfully engaged in conduct which he or she knows or should know is materially injurious to the Company, Enron or any of their respective Subsidiaries.

(ii) "Disability" means, with respect to a Participant, such Participant's disability entitling him or her to benefits under Enron's long-term disability plan; provided, however, that if such Participant is not eligible to participate in such plan, then such Participant shall be considered to have incurred a "Disability" if he or she is permanently and totally unable to perform his or her duties for the Company, Enron or any of their respective Subsidiaries as a result of any medically determinable physical or mental impairment as supported by a written medical opinion to the foregoing effect by a physician selected by the Committee.

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(iii) "Involuntary Termination" means the termination by the Company, Enron or any of their respective Subsidiaries of a Participant's employment with the Company on any grounds whatsoever other than for Cause or by reason of such Participant's death, Disability, Retirement, or Performance Based Termination. No action (other than the actual termination of a Participant's employment by the Company, Enron or any of their respective Subsidiaries) with respect to the terms and conditions of a Participant's employment (including, without limitation, changing such Participant's principal place of employment to any location in the world) or with respect to such Participant's duties and responsibilities shall be construed or interpreted as giving rise to an Involuntary Termination. If, following any such action, a Participant's employment with the Company is terminated as a result of such Participant's failure or refusal to accept such new terms and conditions of employment and/or such new duties and responsibilities, then such termination of employment shall be considered a Performance Based Termination unless such termination occurs by reason of such Participant's resignation, in which case it shall be considered a Voluntary Termination.

(iv) "Performance Based Termination" means either (1) the delivery by the Company to a Participant of a notice informing such Participant that he or she will no longer be working on Company business based upon a determination by the Board that such Participant has failed to perform his or her duties and responsibilities to the Company, Enron or any of their respective Subsidiaries in a satisfactory manner, or (2) the termination by the Company, Enron or any of their respective Subsidiaries of a Participant's employment with the Company based upon a determination by the Board that such Participant has failed to perform his or her duties and responsibilities to the Company, Enron or any of their respective Subsidiaries in a satisfactory manner; provided, however, that a termination for Cause shall not constitute a Performance Based Termination.

(v) "Retirement" means termination of employment with the Company after the earlier of (1) attaining age 65 or (2) both attaining age 55 and completing five years of accrual service under the Enron Corp Retirement Plan as in effect on the date this Plan is adopted by the Board.

(vi) "Voluntary Termination" means the termination of the employment of a Participant with the Company that is not an Involuntary Termination, a termination for Cause, a Performance Based Termination, or the result of death, Disability or Retirement. Notwithstanding the preceding provisions of this paragraph (a)(vi), such a termination of employment shall not be considered a Voluntary Termination if, at any time during the six-month period ending on the date of such termination, such Participant's employment with the Company could have been terminated for Cause.

(b) Terminations for Cause and Certain Other Terminations. If a Participant's employment with the Company is terminated (i) for Cause or (ii) for any other reason whatsoever other than Involuntary Termination or such Participant's death, Disability, Retirement, Performance Based Termination, or Voluntary Termination, then such Participant shall forfeit all Participation Interests then held by such Participant, such Participation Interests

shall be cancelled, and no amounts (including, without limitation, deferred Plan Payments payable under Section VII hereof) shall be payable under the Plan to such Participant from and after the date of such termination of employment.

(c) Involuntary Termination, Death, Disability or Retirement. If a Participant's employment with the Company is terminated in an Involuntary Termination or by reason of such Participant's death, Disability, or Retirement, the Participation Interests of such Participant shall remain intact and not be forfeited and such Participant (or his or her estate in the case of death) shall continue to be entitled to receive incentive compensation, if any, as provided in the Plan with respect to such Participation Interests.

(d) Performance Based or Voluntary Termination. If a Participant's employment with the Company is subject to a Performance Based Termination or is terminated by reason of such Participant's Voluntary Termination, the Committee shall determine the portion (which may be 100%) of such Participant's Participation Interest relating to each Project that shall be forfeited and cancelled and with respect to which no amounts shall be payable under the Plan to such Participant from and after the date of such termination of employment. The portion of such Participant's Participation Interest relating to a particular Project that is not so forfeited and cancelled shall remain intact and such Participant (or his or her estate in the case of death) shall continue to be entitled to receive incentive compensation, if any, as provided in the Plan with respect to such portion of such Participation Interest. The Committee's determinations with respect to forfeitures of Participation Interests (or portions thereof) upon a Performance Based Termination or Voluntary Termination may vary among individual Participants and may vary among the Participation Interests held by a Participant. The Committee shall consider such factors as it deems relevant in determining the portion of a Participant's Participation Interest relating to a particular Project that shall be forfeited upon his or her Performance Based Termination or Voluntary Termination. Such factors may include the Participant's contributions towards the success of such Project and the time spent by such Participant working on such Project. Notwithstanding the preceding provisions of this paragraph (d), but subject to the provisions set forth in an Award Agreement, in no event shall the Committee cause the forfeiture of, and a Participant (or his or her estate in the case of death) shall continue to be entitled to receive, all deferred Plan Payments payable to such Participant under Section VII hereof that relate to a Plan Payment Date that has occurred prior to the date of such Participant's Performance Based Termination or Voluntary Termination. Further, in no event shall the Committee cause the forfeiture of more than 50% of a Participant's Participation Interest relating to a particular Project upon such Participant's Performance Based Termination or Voluntary Termination if such termination occurs after the date upon which the key contractual agreements with respect to such Project are finalized and executed.

(e) Award Agreement Provisions and No New Project Interests. Notwithstanding the provisions of paragraphs (b), (c) and (d) above, a Participant's Participation Interest relating to a Project (and his or her rights to any amounts, including deferred amounts, payable with respect thereto) shall also be forfeitable in accordance with the provisions of such Participant's Award Agreement relating to such Participation Interest, including a post-employment confidentiality and/or noncompetition covenant. Further, the Committee may include provisions in a Participant's Award Agreement that override the provisions of paragraph (d) above. Finally,

upon a Participant's termination of employment with the Company for any reason whatsoever, such Participant shall not have or obtain a Participation Interest (including but not limited to a fixed Participation Interest within the meaning of Section V(a) hereof) with respect to any Project that arises on or after the date of such termination.

X. Interests Nontransferable

No Participation Interest or any other right, title, interest, or benefit under the Plan shall ever be assignable or transferable or liable for or charged with any of the torts or obligations of any Participant or any person claiming under a Participant. No Participant or any person claiming under a Participant shall have any power to anticipate or dispose of any right, title, interest, or benefit hereunder in any manner until the same shall have actually been distributed free and clear of the terms of the Plan.

Term, Amendment and Termination of Plan

(a) Term. The Plan will have a term of three years beginning on January 1, 1993. Except with respect to Projects then subject to the Plan, the Plan shall terminate on December 31, 1995, and no Projects that arise after such date shall become subject to the Plan or any Participation Interest awarded pursuant to the Plan. Termination of the Plan shall not affect or cause a termination of any Participation Interest theretofore awarded pursuant to the Plan; provided, however, that the provisions of Section XIV hereof shall no longer apply and shall be of no further force or effect upon termination of the Plan. Upon termination of the Plan, the Committee shall remain in existence and all other provisions of the Plan (other than the provisions of Section XIV hereof) that are necessary, in the opinion of the Committee, for equitable operation of the Plan as it applies to Projects subject to the Plan and outstanding Participation Interests shall remain in force. Further, the Committee may, at any time and from time to time after the termination of the Plan, grant a specific Participation Interest (within the meaning of Section V(b) hereof) to an Employee with respect to one or more Projects then subject to the Plan.

(b) Amendment and Termination. The Board may not terminate the Plan prior to December 31, 1995. The Board may alter or amend the Plan or any part thereof from time to time; provided, however, that (i) no change in the Plan may be made that would affect the rights or obligations of Enron without the consent of Enron and (ii) no change in the Plan with respect to Participation Interests theretofore awarded may be made that would impair the rights of Participants with respect to existing Projects covered by such Participation Interests as of the effective date of such change without the consent of affected Participants.

Nature of Plan

The Plan shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to certain individuals from its general assets in accordance with the Plan. Participation Interests awarded under the Plan and the Closed Project Account maintained by the Company merely constitute mechanisms for measuring such incentive compensation and do not constitute a property right or interest in any Project or Enron Entity

asset. Neither the establishment of the Plan, the awarding of Participation Interests nor the creation or maintenance of the Closed Project Account shall be deemed to create an escrow or trust fund of any kind. No Participant shall have any security or other interest in any assets of an Enron Entity, in Common Stock, or otherwise. The Participant and any person claiming under Participant shall rely solely on the unsecured promise of the Company set forth herein, and nothing in the Plan or Award Agreement shall be construed to give the Participant or anyone claiming under the Participant any right, title, interest or claim in or to any specific asset, fund, entity, reserve, account, or property of any kind whatsoever owned by an Enron Entity or in which an Enron Entity may have an interest now or in the future; but the Participant shall have the right to enforce any claim hereunder in the same manner as a general creditor.

Employment Relationship

For all purposes of the Plan, a Participant shall be considered to be in the employment of the Company as long as he or she remains employed on a full-time basis by the Company, Enron, or any of their respective Subsidiaries. Nothing in the adoption of the Plan nor the award of Participation Interests or crediting of amounts with respect thereto shall confer on any person the right to continued employment by the Company or affect in any way the right of the Company to terminate such employment at any time. The employment of each Participant shall be on an at-will basis, and the employment relationship may be terminated at any time by either the Participant or the Participant's employer for any reason whatsoever, with or without cause. Any question as to whether and when there has been a termination of a Participant's employment, and the reason for such termination, shall be determined solely by the Committee, and its determination shall be final and conclusive.

Reductions in Geographic Scope of Company's Development Activities

(a) Relevant Reductions. As of the date the Plan is adopted by the Board, the Company is authorized by Enron to develop power, pipeline, liquids, gas storage, gas processing and other energy projects or systems throughout the world, excluding, however, Canada, the United Kingdom, and the United States of America. If Enron shall cause a reduction in the geographic scope of the Company's development activities other than in Mexico and/or Argentina, then the provisions set forth in this Section XIV shall apply. This Section XIV shall not apply to a reduction in the Company's development activities in Mexico and/or Argentina. Enron shall be considered to have caused a reduction in the geographic scope of the Company's development activities only if Enron (i) prohibits the Company and its Subsidiaries from pursuing development activities in a country in which a Project has been developed or is being developed or with respect to which a General AFE has been issued for purposes of identifying projects to be developed by the Company, and (ii) assigns the development activities with respect to such country to another Subsidiary of Enron (other than a Subsidiary of the Company) within 6 months after the effective date of the action described in clause (i) above. For purposes of this Section XIV, the term "Affected Country" shall mean a country with respect to which Enron has caused a reduction in the geographic scope of the Company's development activities as described in this paragraph.

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(b) Reduction Notices. If a reduction in the geographic scope of the Company's development activities occurs as described in paragraph (a) above with respect to a particular country, then the Committee shall determine the net value to Enron created by the Company's development activities in such Affected Country prior to the effective date of such reduction (the "Reduction Date"). Such net value (the "Country Valuation") shall be determined based on such factors and information as the Committee deems relevant; provided, however, that (i) the value of any Projects subject to the Plan that are located in the Affected Country shall be completely disregarded for purposes of determining the Country Valuation, and (ii) all amounts spent and committed to be spent as of the Reduction Date pursuant to General AFEs issued with respect to development activities of the Company in such Affected Country shall be considered in determining the Country Valuation. Any amount relating to a General AFE that is considered pursuant to clause (ii) of the preceding sentence shall be disregarded for purposes of Section VI(b) hereof. Within 90 days after each Reduction Date, the Company shall deliver to each Affected Participant a written notice (the "Reduction Notice") setting forth the Reduction Date, the Affected Country or Countries relating to such Reduction Date and the Committee's determination of the Country Valuation for each Affected Country relating to such Reduction Date. On or before the date which is 15 days after the delivery of the Reduction Notice, each Affected Participant shall deliver to the Committee the form attached to such notice indicating whether such Affected Participant accepts or rejects the Committee's determination of the Country Valuation for each Affected Country. An Affected Participant who fails to timely return such form shall be conclusively deemed to have accepted the Committee's determinations. If the Committee's determination of a Country Valuation is not rejected by Affected Participants with an aggregate Proportionate Interest (as such term is defined in paragraph (e) below) of 50% or more, then such determination shall be final and binding on all Affected Participants who received such Reduction Notice (including those who timely rejected such determination).

(c) Review of Country Valuations. If Affected Participants with an aggregate Proportionate Interest pertaining to a Country Valuation of 50% or more elect to reject such Country Valuation (with such election to be made in a written notice filed with the Committee within 15 days after delivery of the Reduction Notice setting forth such Country Valuation), then such Affected Participants (acting as a single group) and the Committee shall each appoint and pay the costs and expenses of one Valuation Expert and each submit to such two Valuation Experts their opinion of what the Country Valuation should be, and the reasons therefor. Such Valuation Experts must select one of those two valuations and no other as the valuation that will be final and binding and used for purposes of the Plan. If the two representatives so appointed cannot agree on one of the two valuations within 30 days after their appointment, then such two representatives shall agree by the end of such period on the appointment of a third Valuation Expert, and the determination of the majority of the three Valuation Experts as to which valuation is correct shall be final and binding. If a determination by the Committee which is reviewed pursuant to this paragraph (c) is upheld on such review, then the Affected Participants who requested such review shall be jointly and severally liable to reimburse or otherwise bear all costs and expenses of the Company and the Committee incurred during the dispute resolution process with respect to the Committee's retention of its Valuation Expert (and, if utilized, the third Valuation Expert). If such a determination is not upheld on such review, then the Company shall reimburse or otherwise bear all costs and expenses of the Affected Participants

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incurred during the dispute resolution process with respect to their retention of their appointed Valuation Expert (and, if utilized, the third Valuation Expert).

(d) Reduction Payments. On or before the date which is 105 days after the last day of the Plan Year in which there has been a final and binding determination (pursuant to either paragraph (b) or (c) above) of a Country Valuation, the Company shall pay, as incentive compensation to each Affected Participant, an amount equal to (i) such Affected Participant's Proportionate Interest with respect to the Affected Country to which such Country Valuation relates, multiplied by (ii) an amount equal to the difference, if any, between (1) 8% of the amount of such Country Valuation, and (2) the amount that the Company determines, in its sole discretion, shall be used to pay bonuses to employees and consultants who are not Affected Participants with respect to the Company's cessation of development activities in such Affected Country. Notwithstanding the foregoing, the preceding sentence shall be applied by substituting "9%" for "8%" if the Reduction Date relating to such Affected Country occurs during a Plan Year for which the Company's net income for such year equals or exceeds the Company's net income target for such year, as established by Enron.

(e) Additional Section XIV Definitions. For purposes of this Section XIV, an "Affected Participant" means, with respect to a particular Affected Country, each Participant who is employed by the Company on the Reduction Date relating to such Affected Country and who has a fixed Participation Interest (within the meaning of Section V(a) hereof) in effect on such Reduction Date. For purposes of this Section XIV, "Proportionate Interest" means, with respect to each Affected Participant for an Affected Country, the ratio (expressed as a percentage) of such Affected Participant's outstanding fixed Participation Interest in effect as of the Reduction Date relating to such Affected Country to the aggregate outstanding fixed Participation Interests of all such Affected Participants in effect as of such date.

XV. Withholding and Headings

(a) Withholding. Any payment provided for hereunder shall be made by the Company as provided herein and shall be reduced by any amount required to be withheld by the Company under applicable local, state or federal withholding requirements.

(b) Headings. The headings of Sections and paragraphs herein are included solely for convenience and if there is any conflict between such headings and the text of the Plan, the text shall control.

XVI. Applicable Law

The Plan shall be governed in all respects by the laws of the State of Texas.

**EXHIBIT A
TO
ENRON DEVELOPMENT CORP.
PROJECT PARTICIPATION PLAN**

**[PROJECTS SUBJECT TO THE PLAN
— FOR THE PERIOD PRIOR TO
THE DATE THE PLAN IS ADOPTED BY THE BOARD.]**

CANADA

Toronto District Heating

ASIA/MIDDLE EAST

Subic Bay Power Plant
Thailand - Bangpakong
East Kalamantan
East Java
Dabhol India - Phase I
Dabhol India - Phase II

EUROPE

Yemen LNG
Ansaldo Italy
Bitterfeld
Latvian Storage
Plock Poland

LATIN AMERICA

Mexico - Yucatan - Merida
Mexico - ALFA
Mexico - Mineras De Mexico
Mexico - Pemex Cogeneration
Guatemala II
Puerto Barrios - Guatemala
El Salvador - RFP
Honduras - RFP
Argentina - La Rioja
Brazil/Bolivia Pipeline Integrated
Motto Grosso Do Sul
Brazil - CVRD
Ecuador - Electroquil
Colombia - TERMO
Colombia - INDUSTRIAL

CARIBBEAN

Trinidad - Acquisition
Puerto Rico - Penuelas
Puerto Rico - Repowering
Dominican Republic - Smith
CoGen

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EXHIBIT B
EDC COMPENSATION PLAN PROJECTS
ACTIVE DEFERRED DEVELOPMENT COSTS
EXPENDITURES FOR THE PERIOD JANUARY - AUGUST 31, 1993

AFE NAME	EDC ACTIVITY	EPC ACTIVITY	TOTAL 1993
CANADA			
Toronto District Heat	346,000	67,358	413,358
LATIN AMERICA			
Mexico - General	39,000	30,751	69,751
Yucatan	247,000	141,818	388,818
Alpha Mexico	C 31,000	56,063	87,063
Mineras De Mexico	79,000	60,323	139,323
Pemex Cogeneration	C 34,000	50,376	84,376
Guatemala II	112,000	319,058	431,058
Puerto Barrios - Guatemala	C 131,000	147,662	278,662
Central America	0	0	0
El Salvador	19,000	809	19,809
Honduras	74,000	9,790	83,790
Puerto Plata, D.R.	94,000	26,445	120,445
Argentina - La Rioja	6,500	989	7,489
Bolivia/Brazil Integrated	171,000	20,928	191,928
Motto Grosso Do Sul	17,624	0	17,624
Cubatao, Brazil	1,442	0	1,442
Belo Horizonte, Brazil	2,866	0	2,866
Brazil - CVRD	35,000	5,011	40,011
Maraven, Venezuela	4,896	0	4,896
Trinidad	52,000	28,324	80,324
Ecuador	275,000	24,920	299,920
South America - Hale	2,314	0	2,314
Latin America - Steele	39,000	6,791	45,791
Peru	27,414	0	27,414
Colombia - Pipeline	63,000	18,971	81,971
Colombia - TERMO	195,000	79,916	274,916
Colombia - INDUSTRIAL	94,000	78,950	172,950
TOTAL LATIN AMERICA	<u>1,847,056</u>	<u>1,107,895</u>	<u>2,954,951</u>
ASIA/MIDDLE EAST			
Subic Bay Operating Lease	0	0	0
Subic Bay Power Plant	0	0	0
Indonesia - Office	435,000	19,027	454,027
Asia - Sutton	36,195	0	36,195
Vietnam	104,593	0	104,593
Thailand - Bangpakong	80,000	57,437	137,437
Taiwan	1,000	867	1,867
East Kalamantan	32,000	19,523	51,523
East Java	78,000	110,929	188,929
India (Net)	2,286,000	385,173	2,671,173
Wilt - South East Asia	16,698	0	16,698
China	238,000	32,361	270,361
New Zealand	21,545	0	21,545
TOTAL ASIA/MIDDLE EAST*	<u>3,329,031</u>	<u>625,317</u>	<u>3,954,348</u>
SUBTOTAL	<u>5,522,087</u>	<u>1,800,570</u>	<u>7,322,657</u>
EUROPE			
Yemen	Expenditures for plan		0
Spain	purposes begin		0
Italy	September 1, 1993		0
Bitterfeld			0
Latvian Storage			0
Plock Poland			0
TOTAL EUROPE COSTS	0	0	0
TOTAL PLAN DEVELOPMENT COSTS	<u>5,522,087</u>	<u>1,800,570</u>	<u>7,322,657</u>

*Turkey & Kuwait are omitted because of unique treatment in the EDC

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**EXHIBIT C
TO
ENRON DEVELOPMENT CORP.
PROJECT PARTICIPATION PLAN**

[EXAMPLE OF PLAN PAYMENT AMOUNT COMPUTATION.]

Assumptions

All dollar figures are in millions. The Closed Project Account begins at \$0. Pursuant to Section VI(b), \$10 is added to such account during Year 1 and \$20 is added to such account during Year 2 due to the closing of various Projects during such Years.

The following Project Incentive Amounts are generated for Projects A, B and C during Years 1 and 2:

	<u>Project Incentive Amount</u>	
	<u>Year 1</u>	<u>Year 2</u>
Project A	\$ 9	\$19
Project B	\$ 6	\$ 5
Project C	\$13	\$24

The Project Incentive Amounts set forth above were determined after reduction for the following bonuses to be paid to employees and consultants who are not Participants:

	<u>Bonus Amounts</u>	
	<u>Year 1</u>	<u>Year 2</u>
Project A	\$1	\$1
Project B	\$0	\$1
Project C	\$2	\$1

Computation of Plan Payment Amounts

Year 1

$$\text{APLA} = \$9 + \$6 + \$13 = \$28 \qquad \text{CPA} = \$10$$

$$\text{Plan Payment Amount for Project A} = 9 - (9/28 \times 10) = \$5.786$$

$$\text{Plan Payment Amount for Project B} = 6 - (6/28 \times 10) = \$3.857$$

$$\text{Plan Payment Amount for Project C} = 13 - (13/28 \times 10) = \$8.357$$

Pursuant to Section VI(b), immediately after the last day of Year 1, the Closed Project Account is reduced to \$0 (\$10 - \$28; but not less than \$0).

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Year 2

$$\text{APIA} = \$19 + \$5 + \$24 = \$48$$

$$\text{CPA} = \$20$$

Preliminary Plan Payment Amount Calculations for:

$$\text{Project A} = 19 - (19/48 \times 20) = \$11.083$$

$$\text{Project B} = 5 - (5/48 \times 20) = \$2.917$$

$$\text{Project C} = 24 - (24/48 \times 20) = \$14.000$$

However, the Section VI(c) limit applicable to Project C equals \$17 (\$20 - \$3 (the sum of the Project C non-Participant bonuses for Years 1 and 2)). Since \$8.357 is payable with respect to Project C for Year 1, only \$8.643 (\$17 - \$8.357) can be paid with respect to Project C for Year 2. Thus, Project C has an Excess Amount equal to \$5.357 (\$14 - \$8.643). This Excess Amount is then reallocated to Projects A and B.

Reallocation of Project C Excess Amount:

Project A's Allocable Share of the Closed Project Account for Year 2 =

$$19/48 \times 20 = \$7.917$$

Project B's Allocable Share of the Closed Project Account for Year 2

$$5/48 \times 20 = \$2.083$$

Project A's Share of the Project C Excess Amount =

$$\$5.357 \times (7.917 \div (7.917 + 2.083)) = \$4.241$$

Project B's Share of the Project C Excess Amount =

$$\$5.357 \times (2.083 \div (7.917 + 2.083)) = \$1.116$$

However, the Section VI(c) limit applicable to Project A equals \$18 (\$20 - \$2 (the sum of the Project A non-Participant bonuses for Years 1 and 2)). Since \$5.786 is payable with respect to Project A for Year 1, only \$12.214 (\$18 - \$5.786) can be paid with respect to Project A for Year 2. Thus, Project A now has an Excess Amount equal to \$3.11 (\$11.083 + \$4.241 - \$12.214). This Excess Amount can then be entirely reallocated to Project B. However, only \$0.967 (\$5 - \$2.917 - \$1.116) of the Project A Excess Amount can be used with respect to Project B because the Plan Payment Amount for Project B cannot exceed the Project Incentive Amount for Project B for Year 2.

Pursuant to Section VI(b), immediately after the last day of Year 2, the Closed Project Account is reduced to \$0 (\$20 - \$48; but not less than \$0).

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C Summary

YEAR 1

YEAR 2

	Plan Payment Amount	Bonuses to Non-Participants	Plan Payment Amount	Bonuses to Non-Participants TOTAL	
Project A	\$5.786	\$1	\$12.214	\$1	\$20.000
Project B	\$3.857	\$0	\$ 5.000	\$1	\$ 9.857
Project C	\$8.357	\$2	\$ 8.643	\$1	\$20.000

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