

The Blackstone Group

May 24, 2002

Mr. Stephen Cooper
Chief Executive Officer
Enron Corp.
1400 Smith Street
Houston, TX 77002

Dear Stephen:

This letter confirms the understanding and agreement (the "Agreement") between The Blackstone Group L.P. ("Blackstone") and Enron Corp. and its subsidiaries (together, "Enron", the "Debtors" or the "Company") regarding the retention of Blackstone by Enron effective as of December 2, 2001 (the "Effective Date") as its financial advisor for the purposes set forth herein.

Under this Agreement, Blackstone will provide various financial advisory services to Enron. Such services will include, but not be limited to, services in connection with (a) a sale, merger, joint venture, sale of a majority or minority interest, lease arrangement or any similar transaction involving the Company's wholesale trading operations (a "Trading Transaction"); (b) the possible sale, merger or other disposition of the Company or any of its assets, other than assets comprising the "trading book" of the Company (a "Divestiture / Merger Transaction"); (c) a Restructuring (defined below) of the liabilities of the Company; and (d) the possible issuance by the Company of debt or equity securities (a "Financing"). Blackstone will assist Enron in analyzing, structuring, negotiating, and effecting all of the transactions specified in the preceding sentence, pursuant to the terms and conditions of this Agreement. As used in this Agreement, the term "Restructuring" shall mean, collectively, any restructuring, reorganization (whether or not pursuant to chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and/or recapitalization of existing or potential debt obligations, preferred stock of or other claims against the Company, any affiliates of the Company or special purpose entities created by the Company, including, without limitation, senior debt, junior debt, trade claims, general unsecured claims, contingent obligations and preferred stock (collectively, the "Obligations"), or any amendments to the terms or conditions of any of the Obligations.

The financial advisory services to be rendered by Blackstone include, at the Company's request, the following:

- (a) Assist in the evaluation of the Company's businesses and prospects;

- (b) Review and critique the Company's long-term business plan;
- (c) Assist in the development of financial data and presentations to the Company's Board of Directors, various creditors, any official committees formed in the Debtors' chapter 11 cases, including the Official Committee of Unsecured Creditors of Enron Corp., et al. (the "Creditors' Committee"), other official committees formed in these cases and other third parties;
- (d) Analyze the Company's financial liquidity and evaluate alternatives to improve such liquidity;
- (e) Analyze various restructuring scenarios and the potential impact of these scenarios on the value of the Company and the recoveries of those stakeholders impacted by the Restructuring;
- (f) Provide strategic advice with regard to restructuring or refinancing the Company's Obligations;
- (g) Evaluate the Company's debt capacity and alternative capital structures;
- (h) Participate in negotiations among the Company and its creditors, suppliers, lessors and other interested parties with respect to any of the transactions contemplated in this Agreement, including the Creditors' Committee and other committees formed in these cases;
- (i) Value securities offered by the Company in connection with a Restructuring;
- (j) Advise the Company and negotiate with lenders with respect to potential waivers or amendments of various credit facilities;
- (k) Assist in the arranging of Financings, including identifying potential sources of capital, assisting in the due diligence process, and negotiating the terms of any proposed Financing, as requested; assist the Company in evaluating and executing both a Trading Transaction and a Divestiture / Merger Transaction, including identifying potential buyers or parties in interest, assisting in the due diligence process, and negotiating the terms of any proposed Trading Transaction or Divestiture / Merger Transaction, as requested;
- (l) Provide testimony in the chapter 11 cases concerning any of the subjects encompassed by the other financial advisory services, if appropriate and as required; and

- (m) Provide such other advisory services as are customarily provided in connection with the analysis and negotiation of any of the transactions contemplated in this Agreement, as requested and mutually agreed.

Notwithstanding anything contained in this agreement to the contrary, Blackstone shall have no responsibility for designing or implementing any initiatives to improve the Company's operations, profitability, cash management or liquidity. Blackstone makes no representations or warranties about the Company's ability to (i) successfully improve its operations, (ii) maintain or secure sufficient liquidity to operate its business, or (iii) successfully complete a Restructuring. Blackstone is retained under this Agreement solely to provide advice and services regarding the transactions contemplated in this Agreement. Blackstone's engagement does not encompass providing "crisis management".

The Company agrees to pay the following fees ("Fees") to Blackstone for its financial advisory services:

- (i) An initial monthly advisory fee (the "Initial Monthly Fee") in the amount of \$350,000, due and payable on December 2, 2001 and January 2, 2002, with the first Initial Monthly Fee to be due upon the execution of this Agreement;
- (ii) The interim monthly advisory fee (the "Interim Monthly Fee") in the amount of \$300,000, due and payable on the first day of the third through ninth month of our engagement (i.e., for the period commencing February 2, 2002 and ending August 1, 2002);
- (iii) The ongoing monthly advisory fee (the "Ongoing Monthly Fee") in the amount of \$250,000 per month for the remainder of our engagement pursuant to this Agreement; provided, however, that (x) Blackstone may request an upward adjustment to the Ongoing Monthly Fee up to an amount not in excess of the Interim Monthly Fee based upon the level of activity in any particular month, subject to approval by the Company, in consultation with the Creditors' Committee, or by order of the Bankruptcy Court as defined below, and (y) the Company, in consultation with the Creditors' Committee, may request a downward adjustment to the Ongoing Monthly Fee based upon the level of activity in any particular month, subject to approval by Blackstone or entry of an order of the Bankruptcy Court (as defined below). The Company and Blackstone agree that any upward or downward adjustment to the Ongoing Monthly Fee shall not be based upon individual monthly deviations in hours worked by Blackstone professionals but, rather, shall be based upon trends over a two consecutive month period in aggregate hours worked by Blackstone professionals; it being understood and agreed that such upward or downward adjustment may further consider the level and seniority of Blackstone professionals working during such period. Blackstone shall provide to the Debtors and the Creditors' Committee a

summary of hours worked in each month in connection with the filing of monthly fee statements for such month with the court. The Debtors further acknowledge that the monthly hour commitment by Blackstone professionals through March 2002 on matters pertaining to the Debtors significantly exceeds the hourly commitment necessary to support Blackstone's continued receipt of a monthly fee consistent with the Interim Monthly Fee. Each party agrees that, in the event of a disagreement over a downward or upward request, the party making the request has the burden of proof that the adjustment should be granted;

- (iv) Upon the consummation of a Trading Transaction, cash fees (the "Trading Transaction Fees") equal to 2% of the proceeds received by the Company or any of its subsidiaries at any time, whether received in cash or other forms of consideration, which Trading Transaction Fees shall be payable in cash to Blackstone within fifteen (15) days of the receipt of proceeds by the Company; provided that the aggregate of the payments received by Blackstone pursuant to this paragraph shall not exceed \$10,000,000;
- (v) Upon the consummation of a Divestiture / Merger Transaction in circumstances where the Company, with the written consent of the Creditors' Committee, has requested Blackstone, and Blackstone has agreed, to serve as the Company's financial advisor for such Divestiture / Merger Transaction as outlined below in this Agreement (other than those transactions set forth on Attachment C hereto which are addressed in the proviso immediately below), a transaction fee (a "Divestiture / Merger Transaction Fee") due upon the closing of such Divestiture / Merger Transaction equal to the percentage of the aggregate Consideration paid to the Company in such Divestiture / Merger Transaction as outlined pursuant to Attachment B annexed to this Agreement; provided that the Company agrees that Blackstone has been engaged to serve as the Company's financial advisor and will be entitled to separate Divestiture / Merger Transaction Fees, for the Divestiture / Merger Transactions outlined pursuant to Attachment C (including the specific fees contained therein) annexed to this Agreement, payable upon the closing of such Divestiture / Merger Transactions without the need for further application to the court, provided however, that Blackstone will include the amounts payable pursuant to this paragraph in all required filings with the court;
- (vi) Upon consummation of a debt Financing in circumstances where the Company, with the written consent of the Creditors' Committee, has requested Blackstone, and Blackstone has agreed, to serve as the Company's financial advisor for such debt Financing transaction, a debt Financing fee (the "Debt Financing Fee") equal to 0.5% of the total facility size of any debt Financing arranged by Blackstone due upon receipt of a binding commitment letter for such a facility without the need for further application to the court, provided however, that Blackstone will include the amounts payable pursuant to this paragraph in all required filings with

the court. In the event a debt Financing takes the form of a committed facility that is not initially fully drawn, the Debt Financing Fee shall be calculated based on the committed amount;

- (vii) Upon consummation of an equity Financing in circumstances where the Company, with the written consent of the Creditors' Committee, has requested Blackstone, and Blackstone has agreed, to serve as the Company's financial advisor for such equity Financing transaction, an equity Financing fee (the "Equity Financing Fee") upon the raising of new equity arranged by Blackstone, in an amount to be agreed upon, which amount will represent a percentage of the gross proceeds to the Company due upon the closing of an equity Financing without the need for further application to the court, provided however, that Blackstone will include the amounts payable pursuant to this paragraph in all required filings with the court;
- (viii) A Transaction Fee equal to \$10 million payable upon the consummation of a plan of reorganization of the Debtors, which fee shall be prorated in a manner to be determined in the event of consummation of plans of reorganization for separate Debtors; provided however that Blackstone shall earn and be entitled to receive a portion of the Transaction Fee on an interim basis as follows:
 - (a) \$5.0 million, payable on a pro-rata basis, (i) upon the consummation of a plan of reorganization of the Debtors or (ii) upon the closing of a transaction or transactions effecting the transfer of assets or stock in exchange for the payment of cash or issuance of any securities or other form of Consideration by an entity, whether affiliated or not with the Debtors or any subsidiary of any Debtor, for the individual assets as initially identified by the Debtors' in its May 3, 2002 presentation to the Creditors' Committee, changes to which may be made from time to time in writing by the Company to Blackstone and the Creditors' Committee (collectively, the "OpCo Assets"); it being further understood that any intermediate transfer in preparation for a section 363 sale process (or similar process) shall not give rise to such fee, but the transfer of OpCo Assets to an entity that issues securities to a trust or other entity for the benefit of the Company or its creditors shall give rise to such fee. The pro-rata portion of the \$5.0 million earned and payable to Blackstone pursuant to this paragraph at any time shall be based upon a fraction, the numerator of which shall be the aggregate Consideration received for the aforementioned transfer of the specific OpCo Assets, and the denominator of which shall be the sum of (i) the aggregate Consideration received for the transfer of the OpCo Assets and (ii) the aggregate value of the then remaining OpCo Assets (as set forth in the valuation to be prepared by Blackstone and Batchelder & Partners, Inc. in consultation with the

Creditors' Committee); provided, however, that if Blackstone is engaged and acting as the company's financial advisor pursuant to a Divestiture / Merger Transaction for which Blackstone is to receive a Divestiture / Merger Transaction Fee, then Blackstone shall credit either 100% or 50% of Divestiture / Merger Transaction Fees payable to Blackstone for either an OpCo or a non-OpCo Asset, respectively against the \$5 million fee payable pursuant to this paragraph up to a maximum aggregate credit of \$3 million; and provided, further, that the fees payable to Blackstone pursuant to Attachment C shall not be credited against any fees payable to Blackstone pursuant to this paragraph; and

- (b) For Divestiture / Merger Transactions for which Blackstone is not entitled to receive a Divestiture / Merger Transaction Fee as provided for herein, up to \$3.0 million upon the receipt by any Debtor, or any other subsidiary or affiliate of any Debtor, including the receipt by any special purpose entities, of Consideration from Divestiture / Merger Transactions earned at a rate of 0.125% per Divestiture / Merger Transaction. A list of Divestiture / Merger Transactions closed as of May 24, 2002 is attached hereto as Attachment D.
- (ix) Reimbursement of all reasonable out-of-pocket expenses incurred during this engagement, including, but not limited to, travel, lodging, direct identifiable data processing and communication charges, courier services, working meals, reasonable fees and expenses of Blackstone's counsel and other necessary expenditures, due upon rendition of invoices setting forth in reasonable detail the nature and amount of such expenses.

The Initial Fee received by Blackstone in the amount of \$1,000,000, as defined in the pre-petition engagement letter dated November 24, 2001, executed by the Company and Blackstone, shall be credited against the aggregate fees payable pursuant to paragraphs (iv), (v), (vi) and (vii) above as such fees become payable, until such credit equals \$1,000,000. The fees payable pursuant to paragraphs (v), (vi) and (vii) above shall be payable in cash from the proceeds of the transaction giving rise to such fees, at the close of such transaction without the need for further application to the court, provided however, that Blackstone will include the amounts payable pursuant to this paragraph in all required filings with the court.

In this Agreement, Consideration means the gross value of all cash, securities and other properties paid or payable, directly or indirectly, in one transaction or in a series or combination of transactions, in connection with a Trading Transaction or Divestiture / Merger Transaction or a transaction related thereto (including, without limitation, amounts paid to holders of any warrants, stock purchase rights, convertible securities or similar rights and to holders of any options or stock appreciation rights, whether or not vested and the aggregate amount of any

extraordinary dividend or distribution made in contemplation of the closing of the Divestiture / Merger Transaction). Consideration shall also include the fair market value of any short and long-term liabilities or preferred stock (including the value of contractual arrangements assumed and indebtedness for borrowed money and the amount set forth for any pension liabilities and guarantees) indirectly or directly assumed or acquired, or otherwise repaid or retired, in connection with or in anticipation of the Trading Transaction or Divestiture / Merger Transaction. If the Trading Transaction or Divestiture / Merger Transaction takes the form of a purchase of assets, Consideration shall not include (i) the value of any current assets not purchased or (ii) the value of any current liabilities not assumed. If the Consideration to be paid is computed in any foreign currency, the value of such foreign currency shall, for purposes hereof, be converted into U.S. dollars at the prevailing exchange rate on the date or dates on which such Consideration is paid.

Fees on amounts paid into escrow pursuant to the transaction documentation will be payable only upon the release of such funds, or any portion thereof, to the Company from such escrow; provided, however, that Consideration placed into "escrow" or segregated by the Company at the closing of a Divestiture / Merger Transaction pursuant to the protocol between the Debtors and the Creditors' Committee or otherwise escrowed or segregated (whether by order of the Bankruptcy Court or otherwise) pending determination of the appropriate allocation of such Consideration among Company constituents shall be deemed to have been received by the Debtors when placed into "escrow" or segregated. If the Consideration in connection with any transaction may be increased by payments related to future events, the portion of Blackstone's fees relating to such contingent payments will be calculated and payable if and when such contingent payments are made.

In this Agreement, the value of any securities (whether debt or equity) or other property paid or payable as part of the Consideration shall be determined as follows: (1) the value of securities that are freely tradable in an established public market will be determined on the basis of the last market closing price prior to the public announcement of the Divestiture / Merger Transaction; and (2) the value of the securities that are not freely tradable or have no established public market or, if the Consideration utilized consists of property other than securities, the value of such other property shall be the fair market value thereof as mutually agreed by the parties hereto.

With respect to any Divestiture / Merger Transaction (other than such transactions as outlined in Attachment C, for which Blackstone is already serving as advisor) related to specific assets or subsidiaries pursued by the Company after the Effective Date in which the Company elects, with the written consent of the Creditors' Committee, to retain an investment banker or other financial advisor to assist with such Divestiture / Merger Transaction, the Company shall first consult with Blackstone to assess Blackstone's qualifications and the propriety of the fee structure for the particular Divestiture / Merger Transaction. If the Company, with the written consent of the Creditors' Committee, thereafter elects to retain Blackstone for such Divestiture / Merger Transaction, Blackstone shall serve as the Company's exclusive financial advisor for

such Divestiture / Merger Transaction and shall receive the fee referred to in paragraph (v) above; provided, however, that if the Company, with the written consent of the Creditors' Committee, wishes to retain Blackstone and a co-advisor for any such Divestiture / Merger Transaction, Blackstone and such co-advisor shall serve as co-advisors for such assignment and each firm shall receive 50% of the total transaction fees, subject to a minimum fee for Blackstone of 50% of the Divestiture / Merger Transaction Fee otherwise payable to Blackstone pursuant to paragraph (v) above.

The Company shall use its best efforts to promptly file this agreement with the United States Bankruptcy Court having jurisdiction over the Debtors' chapter 11 cases (the "Bankruptcy Court") for the approval pursuant to sections 327 and 328 of the Bankruptcy Code of (A) this Agreement and (B) Blackstone's retention by the Company under the terms of this Agreement and subject to the standard of review provided in section 328(a) of the Bankruptcy Code and not subject to any other standard of review under section 330 of the Bankruptcy Code. The Company shall supply Blackstone with a draft of such notice and any proposed order authorizing Blackstone's retention sufficiently in advance of the filing of such notice and proposed order to enable Blackstone and its counsel to review and comment thereon. Blackstone shall have no obligation to provide any services under this Agreement unless Blackstone's retention under the terms of this Agreement is approved under section 328(a) of the Bankruptcy Code by a final order of the Bankruptcy Court no longer subject to appeal, rehearing, reconsideration or petition for certiorari, and which order is acceptable to Blackstone in all respects.

Notwithstanding the standard of review of section 328(a), the Company and the Creditors' Committee shall each retain the right to object to Blackstone's fees in the event that the Company or the Creditors' Committee can establish that such amount (given the entire compensation to be received by Blackstone pursuant to the terms of this Agreement) was not reasonable, consistent with the standards of section 330 of the Bankruptcy Code, based on the services actually provided by Blackstone. Blackstone acknowledges that, in the event that the Bankruptcy Court approves its retention by the Company, Blackstone's fees and expenses shall be subject to the jurisdiction and approval of the Bankruptcy Court under section 328(a) of the Bankruptcy Code and any applicable fee and expense guideline orders; provided, however, that because Blackstone shall be retained on a fixed monthly fee, Blackstone shall not be required to maintain detailed time records. However, in the event that Blackstone requests that its monthly fee be increased pursuant to paragraph (iii), supra, Blackstone will be required to provide summary time records (in half hour increments) to the Company in support of such request. The Company shall pay all fees and expenses of Blackstone hereunder as promptly as practicable in accordance with the terms hereof.

With respect to Blackstone's retention under sections 327 and 328 of the Bankruptcy Code, the Company acknowledges and agrees that Blackstone's restructuring expertise as well as its capital markets knowledge, financing skills and mergers and acquisitions capabilities, some or all of which may be required by the Company during the term of Blackstone's engagement hereunder, were important factors in determining the amount of the various fees set forth herein,

and that the ultimate benefit to the Company of Blackstone's services hereunder could not be measured merely by reference to the number of hours to be expended by Blackstone's professionals in the performance of such services. The Company also acknowledges and agrees that the various fees set forth herein have been agreed upon by the parties in anticipation that a substantial commitment of professional time and effort will be required of Blackstone and its professionals hereunder over the life of the engagement, and in light of the fact that such commitment may foreclose other opportunities for Blackstone and that the actual time and commitment required of Blackstone and its professionals to perform its services hereunder may vary substantially from week to week or month to month, creating "peak load" issues for the firm. In addition, given the numerous issues which Blackstone may be required to address in the performance of its services hereunder, Blackstone's commitment to the variable level of time and effort necessary to address all such issues as they arise, and the market prices for Blackstone's services for engagements of this nature in an out-of-court context, the Company agrees that all of the fee arrangements specified herein are reasonable under the standards set forth in 11 U.S.C. Section 328(a).

Except as contemplated by the terms hereof or as required by applicable law or legal process, Blackstone shall keep confidential all material non-public information provided to it by or at the request of the Company, and shall not disclose such information to any third party or to any of its employees or advisors except to those persons who have a need to know such information in connection with Blackstone's performance of its responsibilities hereunder and who are advised of the confidential nature of the information and who agree to keep such information confidential.

The Company will furnish or cause to be furnished to Blackstone such information as Blackstone believes is appropriate to its assignment (all such information so furnished being the "Information"). The Company recognizes and confirms that Blackstone (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated by this Agreement without having independently verified the same, (b) does not assume responsibility for the accuracy or completeness of the Information and such other information, (c) is entitled to rely upon the Information without independent verification, and (d) will not make an appraisal of any assets in connection with its assignment.

In the event that the Information belonging to the Company is stored electronically on Blackstone's computer systems, Blackstone shall not be liable for any damages resulting from unauthorized access, misuse or alteration of such information by persons not acting on its behalf, provided that Blackstone exercises the same degree of care in protecting the confidentiality of, and in preventing unauthorized access to, the Company's information that it exercises with regard to its own most sensitive proprietary information.

Except as required by applicable law, any advice to be provided by Blackstone under this Agreement shall not be disclosed publicly or made available to third parties (other than the Company's other professional advisors or, if appropriate in the Company's judgment, in any filings in the Debtors' chapter 11 cases) without the prior written consent of Blackstone. All services, advice and information and reports provided by Blackstone to the Company in connection with this assignment shall be for the sole benefit of the Company and shall not be relied upon by any other person.

The Company acknowledges and agrees that Blackstone has been retained to act solely as financial advisor to the Company and does not in such capacity act as a fiduciary for the Company or any other person. Blackstone shall act as an independent contractor, and any duties of Blackstone arising out of its engagement pursuant to this Agreement shall be owed solely to the Company. Because Blackstone will be acting on the Company's behalf in this capacity, it is customary for us to receive indemnification. A copy of our standard form of indemnification agreement is attached to this Agreement as Attachment A.

In the event that, as a result of or in connection with Blackstone's engagement for the Company, Blackstone becomes involved in any legal proceeding or investigation or is required by government regulation, subpoena, or other legal process to produce documents, or to make its current or former personnel available as witnesses at deposition or trial, the Company will reimburse Blackstone for the reasonable fees and expenses of its counsel incurred in responding to such a request. Nothing in this paragraph shall affect in any way the Company's obligations pursuant to the separate indemnification agreement attached hereto.

Blackstone's engagement hereunder may be terminated upon 30 days written notice without cause by either the Company or Blackstone; termination for cause by either party will occur forthwith. Notwithstanding the foregoing, (a) the provisions relating to the payment of fees and expenses accrued through the date of termination, the status of Blackstone as an independent contractor, and the limitation as to whom Blackstone shall owe any duties will survive any such termination, (b) any such termination shall not affect the Company's obligations under the indemnification agreement attached as Attachment A and (c) if this Agreement is terminated without cause by the Company, Blackstone shall be entitled to the Trading Transaction Fees specified in paragraph (iv) for the period specified therein, the Divestiture / Merger Transaction Fees, Debt Financing Fee, and Equity Financing Fee specified in paragraph (v), (vi) and (vii), respectively, for specific Divestiture / Merger, debt Financing and equity Financing Transactions for which Blackstone has been engaged as the Company's financial advisor prior to the date of such termination pursuant to the terms of this Agreement, and the Transaction Fee specified in paragraph (viii); provided that with respect to the fees payable pursuant to paragraphs (v), (vi), (vii) and (viii), any such transaction is consummated at any time prior to the expiration of twelve full months following such termination without cause by the Company of this Agreement.

Notwithstanding anything to the contrary provided elsewhere herein, none of the provisions of this Agreement shall in any way limit the activities of the private equity businesses of Blackstone and its affiliates in their businesses distinct from the restructuring and mergers and acquisitions advisory businesses of Blackstone provided that the Information is not shared with representatives of Blackstone and its affiliates who are not involved in the restructuring or mergers and acquisitions advisory businesses of Blackstone and that appropriate "Chinese wall" measures are taken to insure confidentiality. Notwithstanding the immediately preceding sentence, neither Blackstone nor any of its affiliates shall purchase, advise any third-party regarding a purchase or otherwise participate in the purchase of the Company's or any of its subsidiaries' stock, assets, claims or securities without the prior written consent of the Company.

This Agreement (including the attached indemnification agreement) embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect, which will remain in full force and effect. No waiver, amendment or other modification of this Agreement shall be effective unless in writing and signed by each party to be bound thereby. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in that state.

The Company hereby agrees that any action or proceeding brought by the Company against Blackstone based hereon or arising out of Blackstone's engagement hereunder, shall be brought and maintained by the Company exclusively in the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, provided, due to the Company's commencement of the Debtors' chapter 11 cases, all legal proceedings pertaining to this engagement arising after such case is commenced may be brought in the Bankruptcy Court handling such case. The Company irrevocably submits to the jurisdiction of the courts of the State of New York located in the City and County of New York and the United States District Court for the Southern District of New York and appellate courts from any thereof for the purpose of any action or proceeding based hereon or arising out of Blackstone's engagement hereunder and irrevocably agrees to be bound by any judgment rendered thereby in connection with such action or proceedings. The Company hereby irrevocably waives, to the fullest extent permitted by law, any objection it may have or hereafter may have to the laying of venue of any such action or proceeding brought in any such court referred to above and any claim that such action or proceeding has been brought in an inconvenient forum and agrees not to plead or claim the same.

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to Blackstone the duplicate copy of this Agreement, the indemnification agreement attached hereto as Attachment A and the Schedules attached hereto as Attachments B ,C and D.

Very truly yours,

Enron Corp.
May 9, 2002
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THE BLACKSTONE GROUP L.P.

By: /s/ Steve Zelin_____

Name: Steven Zelin
Title: Senior Managing Director

Accepted and Agreed to as
of the date first written above:
ENRON CORP.

By: /s/ Stephen F. Cooper_____

Name: Stephen F. Cooper
Title: Interim CEO

The Blackstone Group

ATTACHMENT A

May 9, 2002

The Blackstone Group L.P.
345 Park Avenue
New York, NY 10154

INDEMNIFICATION AGREEMENT

Gentlemen:

This letter will confirm that Enron Corp. (the "Company") has engaged The Blackstone Group L.P. ("Blackstone") to advise and assist the Company in connection with the matters referred to in our letter of agreement dated as of March 13, 2002 (the "Engagement Letter"). In consideration of your agreement to act on our behalf in connection with such matters, the Company agrees to indemnify and hold harmless you and your affiliates and your and their respective partners (both general and limited), members, officers, directors, employees and agents and each other person, if any, controlling you or any of your affiliates (you and each such other person being an "Indemnified Party") from and against any losses, claims, damages, expenses and liabilities whatsoever, whether they be joint or several, related to, arising out of or in connection with the engagement (the "Engagement") under the Engagement Letter and will reimburse each Indemnified Party for all expenses (including reasonable fees, expenses and disbursements of counsel) as they are incurred in connection with investigating, preparing, pursuing, defending or assisting in the defense of any action, claim, suit, investigation or proceeding related to, arising out of or in connection with the Engagement or this agreement, whether or not pending or threatened, whether or not any Indemnified Party is a party, whether or not resulting in any liability and whether or not such action, claim, suit, investigation or proceeding is initiated or brought by the Company. The Company will not, however, be liable under the foregoing indemnification provision for any losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined by a court of competent jurisdiction to have primarily resulted from the bad faith, self dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct of Blackstone. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or

ATTACHMENT A

otherwise) to the Company or its owners, parents, affiliates, security holders or creditors for or in connection with the Engagement except for any such liability for losses, claims, damages or liabilities incurred by the Company that are finally judicially determined by a court of competent jurisdiction to have primarily resulted from the bad faith, self dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct of Blackstone.

If the indemnification provided for in the preceding paragraph is for any reason, other than bad faith, self dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct, unavailable to an Indemnified Party in respect of any losses, claims, damages or liabilities referred to herein, then, in lieu of indemnifying such Indemnified Party hereunder, the Company shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (and expenses relating thereto) (i) in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by you, on the one hand, and the Company, on the other hand, from the Engagement or (ii) if and only if the allocation provided by clause (i) above is for any reason not available, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of each of you and the Company, as well as any other relevant equitable considerations; provided, however, to the extent permitted by applicable law, in no event shall your aggregate contribution to the amount paid or payable exceed the aggregate amount of fees actually received by you under the Engagement Letter. For the purposes of this agreement, the relative benefits to the Company and you of the Engagement shall be deemed to be in the same proportion as (a) the total value its security holders and its creditors in the transaction or transactions that are subject to the Engagement, whether or not any such transaction is consummated, bears to (b) the fees paid or to be paid to Blackstone under the Engagement Letter.

Neither party to this agreement will, without the prior written consent of the other party (which consent will not be unreasonably withheld), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (a "Judgment"), whether or not the Company or any Indemnified Party is an actual or potential party to such claim, action, suit or proceeding. In the event that the Company seeks to settle or compromise or consent to the entry of any Judgment, the Company agrees that such settlement, compromise or consent shall include an unconditional release of Blackstone and each other Indemnified Party hereunder from all liability arising out of such claim, action, suit or proceeding.

Promptly after receipt by an Indemnified Party of notice of any complaint or the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such person will notify the Company in writing of such complaint or of the commencement of such action or proceeding, but failure to so notify the Company will not relieve the Company from any liability which it may have hereunder or otherwise, except to the extent that such failure materially prejudices its rights. If the Company so elects or is requested by such Indemnified Party, the Company will assume the defense of such action or proceeding,

ATTACHMENT A

including the employment of counsel reasonably satisfactory to Blackstone and the payment of the fees and disbursements of such counsel.

In the event, however, such Indemnified Party reasonably determines in its judgment that having common counsel would present such counsel with a conflict of interest or if the Company fails to assume the defense of the action or proceeding in a timely manner, then such Indemnified Party may employ separate counsel reasonably satisfactory to the Company to represent or defend it in any such action or proceeding and the Company will pay the reasonable fees and disbursements of such counsel; provided, however, that the Company will not be required to pay the fees and disbursements of more than one separate counsel for all Indemnified Parties in any jurisdiction in any single action or proceeding. In any action or proceeding the defense of which the Company assumes, the Indemnified Party will have the right to participate in such litigation and to retain its own counsel at such Indemnified Party's own expense.

The foregoing reimbursement, indemnity and contribution obligations of the Company under this agreement shall be in addition to any rights that an Indemnified Party may have at common law or otherwise, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company and such Indemnified Party.

The provisions of this agreement shall apply to the Engagement and any written modification of the Engagement and shall remain in full force and effect regardless of any termination or the completion of your services under the Engagement Letter.

This agreement and the Engagement Letter shall be governed by and construed in accordance with the laws of the state of New York applicable to contracts executed in and to be performed in that state.

ATTACHMENT A

Very truly yours,

ENRON CORP.

By: /s/ Stephen F. Cooper
Name: Stephen F. Cooper
Title: Interim CEO

Accepted and Agreed
to as of the date first
written above:

THE BLACKSTONE GROUP L.P.

By: /s/ Steven Zelin

The Blackstone Group

ATTACHMENT B

Divestiture / Merger Transaction Fee Schedule

The Divestiture / Merger Transaction Fees shall be calculated by multiplying (1) the applicable Fee Percentage and (2) the Aggregate Transaction Value Consideration, as indicated in the table below. For Aggregate Transaction Value Consideration that falls between any of the points shown in the table below, the Fee Percentage will be interpolated between the relevant intervals of the Aggregate Transaction Value Consideration amounts shown.

Aggregate Transaction Value Consideration (\$ in millions)	Fee Percentage (%)	Divestiture / Merger Transaction Fee (\$ in millions)
\$Less than \$70	N/A	TBD
70	1.429	1.00
80	1.350	1.08
90	1.300	1.17
100	1.200	1.20
125	1.150	1.44
150	1.100	1.65
175	1.050	1.84
200	1.000	2.00
250	0.950	2.38
300	0.905	2.72
350	0.860	3.01
400	0.815	3.26
450	0.770	3.47
500	0.725	3.62
600	0.680	4.08
700	0.635	4.44
800	0.590	4.72
900	0.545	4.91
1,000	0.500	5.00
2,000	0.475	9.50
3,000	0.370	11.10
4,000 and above	0.345	13.80 and above

ATTACHMENT B

Accepted and Agreed:

THE BLACKSTONE GROUP L.P.

ENRON CORPORATION

By: /s/ Steven Zelin

Steven Zelin

Senior Managing Director

By: /s/ Stephen Cooper

Stephen Cooper

CEO

The Blackstone Group

ATTACHMENT C

Divestiture / Merger transactions for which The Blackstone Group has been retained as exclusive advisor:

Transaction	Fee
Arcos	\$2.1 million
Broadband Services	1.0% of Consideration
Coal	1.0% of Consideration
Forest Products	1.0% of Consideration
LNG Global	1.0% of Consideration
Longview & Roseville	1.0% of Consideration
Metals	1.0% of Consideration
Steel	1.0% of Consideration

ATTACHMENT C

Accepted and Agreed:

THE BLACKSTONE GROUP L.P.

ENRON CORPORATION

By: /s/ Steven Zelin

By: /s/ Stephen Cooper

Steven Zelin

Stephen Cooper

Senior Managing Director

CEO

The Blackstone Group

ATTACHMENT D

Divestiture / Merger transactions for which The Blackstone Group has not been retained as exclusive advisor and which have closed as of May 24, 2002 for which fees are payable to Blackstone pursuant to Paragraph (viii) b:

Completed Transactions as of May 24, 2002
 (\$ millions)

	<u>Consideration</u>	<u>Blackstone Earned Amount</u>
NETCo Joint Venture (a)	-	n.a.
Wessex	1,809.0	2.3
ARCOS Site (a)	329.0	n.a.
Enron Wind	280.3	0.4
EOGIL	274.0	0.3
Trailblazer	68.0	0.4
Enron Wind Project – Indian Mesa	91.0	0.1
Steel (a)	67.5	n.a.
Falcon / Mariner Project Interest	53.6	0.1
Enron Metals & Commodity Corp. (a)	36.1	n.a.
Henry Bath & Sons	12.0	0.0
LRCI Pad Gas	6.0	0.0
Applied Terravision	0.8	0.0
Total (b)	3,027.3	3.0

Notes:

(a) Blackstone fee earned separately.

(b) Blackstone earned amount capped at \$3 million.