

COLLATERAL AGREEMENT

THIS AGREEMENT is made and entered into by the undersigned as owner (the "Owner") of Insurance Contract Number 92474662 ("Insurance Contract") issued by TransAmerica Occidental (the "Insurance Company") on the joint lives of Kenneth L. Lay (the "Participant") and his wife Linda Phillips Lay (the "Participant's Spouse"), which Insurance Contract shall herein be assigned to Enron Corp. ("Enron"), as collateral security for those liabilities which may arise under the terms of the Split Dollar Agreement between the Owner and Enron dated as of 22nd April, 1994 (the "Split Dollar Agreement"), subject to the terms and conditions in the Insurance Contract.

WHEREAS, in consideration of Enron's agreement to make certain premium payments (the "Agreed Premium Amounts") under the Insurance Contract, the Owner agrees to grant Enron a security interest in the Insurance Contract as collateral security for the repayment of the aggregate Agreed Premium Amounts paid under the Split Dollar Agreement by Enron for the Insurance Contract, until the Split Dollar Agreement terminates in accordance with its provisions.

NOW, THEREFORE, the undersigned Owner hereby assigns, transfers and sets over to Enron the following specific rights in the Insurance Contract subject to the following terms and conditions:

1. This Agreement is made, and the Insurance Contract is to be held as collateral security, for all liabilities of the Owner to Enron, either now existing or that may hereafter arise, pursuant to the terms of the Split Dollar Agreement.

2. Enron's interest in the Insurance Contract, while the Split Dollar Agreement is in force, shall be strictly limited to the right to collect from the Insurance Company when the Insurance Contract becomes a claim by death or surrender an amount equal to the aggregate of the Agreed Premium Amounts paid by Enron pursuant to the Split Dollar Agreement.

3. Subject to the terms and conditions of the Split Dollar Agreement, the Owner shall retain all incidents of ownership in the Insurance Contract, including, but not limited to, the sole and exclusive right to:

- (a) designate and change the beneficiary of the Insurance Contract; and
- (b) exercise settlement options.

4. If, at any time, Enron has possession of the original of the Insurance Contract, Enron shall make the Insurance Contract available to the Owner, at any time and from time to time, to enable the Owner to exercise any right reserved by the Owner.

5. Enron covenants and agrees with the Owner that any amounts, which may be paid to Enron by the Insurance Company pursuant to the terms of the Insurance Contract and this Agreement and which are in excess of the then existing liabilities of the Owner under the Split Dollar

Agreement, shall be paid by Enron to the persons who would have been entitled thereto under the Insurance Contract had this Agreement not been executed.

6. Upon the full payment of all liabilities, which are then due and owing to Enron under the Split Dollar Agreement, Enron shall execute an appropriate instrument of release of this Agreement. However, notwithstanding anything to the contrary contained above, if the Split Dollar Agreement shall terminate in accordance with its provisions on the 30 days following the ninth (9th) anniversary of the issue date of the Insurance Contract, or the January following the retirement of Owner from Enron, whichever is later, then in such situation, Enron shall have no further right to receive any payment under the Split Dollar Agreement, and Enron shall execute an appropriate instrument of release of this Agreement.

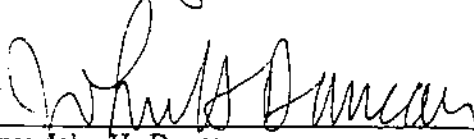
7. The Insurance Company shall be fully protected and discharged from further obligation by paying in reliance upon the terms of the Insurance Contract and/or the terms of this Agreement.

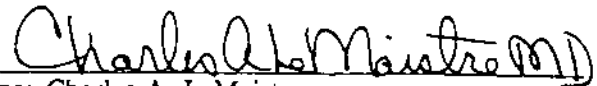
IN WITNESS WHEREOF, the Owner and Enron have executed this Agreement effective this 22 day of April, 1994.

KLL & LPL Family Partnership, Ltd.

By: 
Kenneth L. Lay, General Partner

4/22/94
ENRON CORP. Job 4-22-94

By: 
Name: John H. Duncan
Title: Chairman, Executive Committee of Board of Directors

By: 
Name: Charles A. LeMaistre
Title: Chairman, Compensation Committee of Board of Directors