

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF TEXAS

**NOTICE OF PROPOSED PARTIAL CLASS ACTION
SETTLEMENT**

In re Enron Corporation ERISA Litigation
No. H-01-3913 (Consolidated Cases)

TO ALL MEMBERS OF THE FOLLOWING CLASS

All persons who were participants or beneficiaries in the Enron Corp. Savings Plan (401(K)), the Enron Corp. Employee Stock Ownership Plan (ESOP) and/or the Enron Corp. Cash Balance Plan and any and all predecessors and successors to such plans (the "Plans") during the period January 21, 1998 through December 2, 2001.

**PLEASE READ THIS NOTICE CAREFULLY.
A FEDERAL COURT AUTHORIZED THIS NOTICE.
THIS IS NOT A SOLICITATION.**

This Notice advises you of a proposed partial class action settlement. The Settlement will allow a claim in Enron's bankruptcy proceedings in the amount of \$356.25 million for the benefit of a Settlement Class consisting of persons who were participants or beneficiaries in the Plans during the period from January 21, 1998 through December 2, 2001 ("Class Period"). The partial Settlement resolves claims against Enron and its affiliated debtor entities ("Enron") who allegedly breached its fiduciary duties by violating the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001 et seq. You should read the entire Notice carefully because your legal rights are affected whether you act or not.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

YOU ARE NOT REQUIRED TO DO ANYTHING	You do not need to do anything to receive a payment. Under the Settlement, the Settlement or Plan Administrator will calculate the portion, if any, of the Settlement you are entitled to receive. If you are a current Plan participant and are authorized to receive a payment, the Plan Administrator will deposit the payment into your Plan(s) account(s).
NO ACTION IS NECESSARY TO RECEIVE A PAYMENT	If you are a Class Member, and no longer participate in the Plan(s), your Settlement proceeds will be deposited into a money market account pending instructions from you. If no instructions are received, the amount will be sent to you in a check. Amounts distributed should be treated as qualified Plan distributions and can be "rolled over" tax-free.
YOU CAN OBJECT	You can write to the Court about why you don't like the Settlement.
YOU CAN GO TO A HEARING	You can ask to speak in Court about the fairness of the Settlement.

Your rights and options, and the date by which you must object if you are opposed to the Settlement are explained in this notice.

**QUESTIONS? CALL 1-866-560-4043 TOLL FREE, OR VISIT www.enronerisa.com,
www.erisafraud.com, or www.hbsslaw.com.**

**Do not call the Court, or Enron.
They cannot answer your questions.**

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Mail the objection to all of the four different places below postmarked no later than September 2, 2005. You must mail your objection by this date. If you fail to do so, the Court will not consider your objections.

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Basic Information

1. Why did I get this notice package?

You or someone in your family was a participant or beneficiary in the Enron Corp. Savings Plan (401(K)), the Enron Corp. Employee Stock Ownership Plan (ESOP) and/or the Enron Cash Balance Plan (the "Plans") during the Class Period.

You have been sent this Notice because you have a right to know about a proposed partial Settlement of a class action lawsuit and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement and after objections and appeals, if any, are resolved, the Plan and Settlement Administrators will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Courts in charge of the case are the United States Southern District Court of Texas, and the case is known as *In re Enron Corp. ERISA Litigation*, Case No. H-01-3913 and the United States Bankruptcy Court for the Southern District of New York, as jointly administered, *In re Enron Corp., et al.*, Case No. 01-16034 (AJG) (hereinafter the "Court".) The people who sued are called Plaintiffs, and the company and the people they sued, Enron Corp., among others, are called the Defendants.

2. How do I get more information?

You can call 1-866-560-4043 toll-free, or visit any of the following websites: www.enronerisa.com, www.erisafraud.com, or www.hbsslaw.com, where you will find answers to common questions about the partial Settlement, plus other information to help you determine whether you are a Class Member and whether you are eligible for a payment. **Please do not contact the Court, or Enron. They will not be able to answer your questions.**

3. What is this lawsuit about?

In the Second Amended Consolidated Class Action Complaint filed January 2, 2004, Plaintiffs allege that the Defendants breached their fiduciary duties and otherwise violated ERISA, by using employer and employee contributions to the Plan to purchase Enron Stock at a time when, according to Plaintiffs, the Enron Stock was an unsuitable and imprudent investment for the Plan. Plaintiffs further allege that Defendants violated ERISA by misrepresenting to Plaintiffs and Plan participants the financial status of Enron and, consequently, the true value of the Enron Stock. The Complaint seeks to recover from the Defendants losses to the Plan, and indirectly, to its participants and beneficiaries caused by Defendants' alleged conduct. This recovery for losses will include attorney fees and expenses.

4. Why is this a class action?

In a class action, one or more persons called Class Representatives sue on behalf of people who have similar claims. All of these people who have similar claims make up the Class and are Class members. One court resolves the issues for all Class members. Because the wrongful conduct alleged by Plaintiffs in this case affected a large group of people in a similar way, Plaintiffs filed this case as a class action.

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5. Why is there a Partial Settlement?

The Court has not decided in favor of Plaintiffs or Defendants. Instead, Enron has agreed to a partial Settlement. By agreeing to this partial Settlement, the settling parties avoid the costs and risk of a trial, and the Class will get compensation. The Class Representatives and their attorneys believe that the partial Settlement is best for all Class members.

6. How do I know if I am part of the Settlement?

The Court has conditionally certified this case as a class action, in which everyone who fits the following description is a Class Member:

All persons who were, at any time, participants in the Enron Plans during the period from January 21, 1998 up to and including December 2, 2001, and his or her beneficiaries, alternate payees (including spouses of deceased persons who were Plan participants), representatives and successors-in-interest; provided however, that the Settlement Class shall not include any Defendant in the Tittle Action, or any of their immediate family, beneficiaries, alternate payees (including spouses of deceased persons who were Plan participants), representatives or successors-in-interest, except for spouses and immediate family members who themselves are or were participants in any of the Enron Plans, who shall be considered members of the Settlement Class with respect to their own Enron Plan accounts.

7. Are there exceptions to being included?

You are not a Class Member if you were named as a Defendant or are associated with a named Defendant in any of the ways provided for in the description of the Settlement Class in response to No. 6 above.

8. I'm still not sure if I'm included.

If you are still not sure whether you are included, you can ask for free help. Please call 1-866-560-4043 or visit www.enronerisa.com, www.erisafraud.com, or www.hbsslaw.com.

9. Can I exclude myself from the Settlement?

In some class actions, Class Members have the opportunity to exclude themselves from a Settlement. This is sometimes referred to as "opting out" of the Settlement. **You do not have the right to exclude yourself from the Settlement in this case.** The case was certified under Fed. R. Civ. P. 23(b)(1) as a "non opt-out" class action because of the way ERISA operates. Breach of fiduciary duty claims must be brought by participants on behalf of the Plan, and any judgment or resolution necessarily applies to all Plan participants and beneficiaries. As such, it is not possible for any participants or beneficiaries to exclude themselves from the benefits of the Settlement. **Therefore, you will be bound by any judgments or orders that are entered in this Action, and, if the partial Settlement is approved, you will be deemed to have released Enron from any and all claims that were or could have been asserted in the Tittle action on your behalf or on behalf of the Plan or otherwise included in the release in the partial Settlement, other than your right to obtain the relief provided to you, if any, by the partial Settlement.**

Although you cannot opt-out of partial Settlement, you can object to the partial Settlement and ask the Court not to approve the Settlement. See question 17 on page 6.

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THE SETTLEMENT BENEFITS

10. What does the Settlement provide?

Enron has agreed to grant the Plaintiffs an allowed unsecured claim in its bankruptcy proceedings of \$356.25 million to resolve Plaintiffs' claims against it; \$50.89 million of which shall be allocated to resolving the claims involving the Cash Balance Plan in the Tittle action. The remaining \$305.36 million shall be allocated to the resolution of the Department of Labor ("DOL") Action, the claims filed by State Street as independent fiduciary on behalf of the Settling Plans and Counts I through III and V of the Tittle action, which include the claims for the 401(K) and the ESOP. Under Enron's bankruptcy plan of reorganization, cash distributions are to be made with respect to allowed unsecured claims over time. In its disclosure statement with respect to its plan of reorganization, Enron estimates that the aggregate amount of those distributions will be approximately 17% of the amount of the claims. Because there is uncertainty with respect to the amount to be ultimately distributed with respect to allowed unsecured claims and when the distributions will occur, named plaintiffs have obtained a commitment to purchase the allowed claim for 27.35% of its face amount (\$97,434,375) in cash. The commitment is subject to obtaining approval of the transaction by the United States Department of Labor and by the Independent Fiduciary. At the time of the Fairness Hearing Plaintiffs will ask the Court to authorize the sale and transfer of the allowed claim to a buyer. Plaintiffs anticipate that at the Court's hearing on final approval of this partial settlement, they will request the Court approve the sale of the claim. The amounts received with respect to the allowed unsecured claim, whether in the form of distributions from the bankruptcy estate or the cash proceeds of the sale of the allowed unsecured claim, plus accrued interest on these monies, will form a fund referred to in this notice as the "Settlement Fund." Certain fees and expenses, including those incurred by Plaintiffs' Counsel that are approved by the Court, will be deducted from the Settlement Fund.

The Settlement does not release any claim you may have under the state or federal securities laws.

When this settlement becomes final and non-appealable Enron shall withdraw its objection to the use of insurance proceeds to fund a prior partial settlement in the Tittle action for \$85 million and shall release any claim to such proceeds.

11. How much will my payment be?

401(K) and ESOP Participants

Your share of the Net Settlement Fund will depend on the number of shares of Enron Stock you held in your Plan account(s) during the Class Period, and the amount that you lost as a result of this holding. The formula will take into account your purchases or sales of Enron Stock in your Plan(s) account(s). The more you lost because of Enron Stock in your Plan account(s), the larger your share of the Net Settlement Fund will be. Your share of the Net Settlement Fund, however, will be *less* than your actual losses. **You are not responsible for calculating the amount you may be entitled to receive under the Settlement – this will be done by the Settlement Administrator.**

Cash Balance Plan Participants

Your share of that portion of the Net Settlement Fund allocated to participants in the Cash Balance Plan will depend upon two things. First, you will be entitled to payment only if you were affected by the offset arrangement in the Cash Balance Plan by which participants gained access to vested shares in their ESOP Retirement and Special Subaccount beginning January 15, 1996. Second, if you were affected by the offset arrangement, you will receive a proportionate share of the Net Settlement Fund allocated to Cash Balance Plan participants based upon a formula included in the plan of allocation.

If you are entitled to receive payment under this section, it will be deposited into your 401(K) account. If you no longer participate in the 401(K), your payment will be deposited into a money market account pending instructions from you.

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