

ZILKHA SELIM K  
Form DFAN14A  
May 29, 2003

**SCHEDULE 14A**

**(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

**EL PASO CORPORATION**

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(Names of Registrant as Specified in Its Charters)

**SELIM K. ZILKHA**

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(Names of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.  
(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**Selim K. Zilkha**

**Investor Presentation**

**regarding**

**El Paso Corporation**

**May 2003**

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## Agenda

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Introduction

Shareholder Viewpoint

El Paso Board Accountability

Zilkha Board Capability

**OUR** Business Plan

Smooth Transition

Q & A

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**Introduction**

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Shareholders

Directors

Management

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**Shareholder Viewpoint   Selim K. Zilkha**

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The Results of Current El Paso Leadership

Shareholder Decline of over 90%

Repeatedly Endorsed Failed Business Strategies

Inability to Define and Execute a Clear Plan Going Forward

Continuing Lack of Transparency in Financial Disclosures

El Paso's Flawed Culture

Fundamental Change is Required

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## Shareholder Scorecard

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Performance v. Standard & Poors Multi-Utilities & Unregulated Power Index (from April 1, 2002 to February 18, 2003)

El Paso's stock price has underperformed several other indices and stocks from April 1, 2002 to February 18, 2003 (the date that Mr. Zilkha started this proxy contest):

EP down 72.07 percentage points versus AMEX Natural Gas Index.

EP down 65.54 percentage points versus Standard and Poor's 500 Index.

EP down 3.46 percentage points versus The Williams Companies Inc.

EP down 31.06 percentage points versus Duke Energy Corporation.

EP down 100.79 percentage points versus Kinder Morgan Energy Partners LP.<sup>1</sup>

<sup>1</sup> Kinder Morgan's stock price has increased while El Paso's stock price has plummeted.

**Shareholder Viewpoint   Selim K. Zilkha**

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**Our Nominees**

World class group with wealth of industry specific experience

Committed to restoring credibility

Determined to regain shareholder value

Not beholden to anyone, focused on shareholders

The Zilkha slate has demonstrated leadership in corporate governance

According to John Olson, this proposed Board is as deep a bench of energy talent available in Houston at large.

**Issues Regarding The Current El Paso Board**

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Lack of focus by continually pursuing and then abandoning high risk strategies, including telecommunications, LNG and energy trading

Inability to execute a sustainable business strategy as they continue to spend more cash than they generate and over-leverage the company

Continuing an approach to disclosure that makes it almost impossible to understand El Paso's true financial position

Result this Board and Management are suffering from a lack of credibility

Threats of golden parachute severance plans are disingenuous the current Board has the authority to eliminate this economic threat

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**Issues Regarding The Current El Paso Board**

**(cont.)**

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It is time to hold this Board accountable

For more details about our Issues, see Appendix A

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**Zilkha Slate** *Our Philosophy*

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A return to good basic management.

The Board will establish a corporate culture based upon sustainable profitability, efficiency and full disclosure.

All assets must earn the cost of capital or greater.

We will rebuild the financial structure so that El Paso can withstand the inevitable business cycles to which all businesses are exposed.

Management must be competent and reliable.

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**Zilkha Slate** *Our Philosophy (cont.)*

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Our first step will be a thorough evaluation of all El Paso assets.

Productive assets are defined by their ability to generate returns on invested capital.

Assets that generate returns that equal or exceed the cost of capital will be supported and encouraged to grow and provided with the necessary capital.

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**Zilkha Slate** *Our Philosophy (cont.)*

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If an asset is not productive, our nominees will

Determine with management strategies to make the asset productive.

If an asset cannot be made productive, we will sell the asset and use the proceeds to fund growth or retire debt. If it cannot be sold, it will be shut down and its working capital reinvested.

Asset review will be headed by a board member with expertise in that asset category.

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**Zilkha Slate** *Our Philosophy (cont.)*

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Non-productive assets will be addressed systematically, taking those with the most value first. The first review will be of all assets with \$50 million in net book value and greater.

First set of asset reviews within 30 days of being seated.

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**Zilkha Slate Director Compensation**

**Philosophy**

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\$80,000 annual retainer and a \$15,000 Committee Chairperson annual retainer paid entirely in El Paso stock. Stock cannot be sold until Director no longer serves on the Board.

One time stock option grant for shares with a market value equal to 50% of the annual retainer.

Must own 3 times annual retainer in company stock within 3 years.

All other Director plans will be cancelled.

Existing El Paso Long-Term Incentive Compensation Plan will be reviewed and any changes will be reviewed and any changes will be submitted for shareholder approval.

No longer provide loans and/or guarantees to company officers.

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**Zilkha Slate CEO Compensation**

**Philosophy**

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Annual base salary of \$900,000.

Maximum Annual incentive award not to exceed 1.5 times base salary and payable only upon attainment of Board performance objectives.

Long term incentive compensation.

A grant of 400,000 stock options at the current market price vesting over three years.

A grant of 100,000 restricted shares vesting over three years.

No additional grants during the first three years.

Must own 5 times annual base in company stock within 5 years.

No golden parachute severance package.

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**Zilkha Slate** *Our Management Plan*

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Elect John J. Murphy Chairman of the Board.

Elect Stephen D. Chesebro CEO.

Retain all members of management who are committed to rebuilding El Paso.

Build a team focused on shareholder value.

Aggressively review all existing management arrangements.

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**Zilkha Slate** *Our Business Plan*

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Immediately focus on core (productive) assets to maximize fundamental cash earnings and improve return on equity. **WE** define core assets as Exploration and Production, Pipeline and Midstream assets that earn their required returns on invested capital.

Exit non-core (non-productive) assets and related overhead costs on sound economic terms.

Aggressively reduce administrative costs to be equal to, or below, industry norms.

Set reasonable, but aggressive, operating and financial targets for each business unit, and hold them accountable for their performance. Reward exceptional performance.

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**Zilkha Slate** *Our Business Plan (cont.)*

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Maintain adequate pipeline expenditures to ensure safe, reliable and efficient operations.

Enhance capital available for Exploration and Production through partnerships, farm-outs and other financial arrangements.

Reduce El Paso's leverage, primarily through improved operating performance.

Work to restructure existing debt to consolidate and extend maturities where practicable.

Immediately enhance El Paso's financial and business disclosure.

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## **Our Nominees Will Bring Stability to El Paso in a Smooth Management Transition**

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We believe the management transition to the new board will be a smooth one because of the broad energy industry expertise that exists within the slate and the personal knowledge of significant portions of El Paso's core businesses and assets.

Mr. Chesebro was CEO of Tenneco Energy, which is an important part of El Paso's natural gas transmission system. Tenneco Energy owned and operated a large portion of El Paso's current Midstream Business. Mr. Chesebro established the base for most of El Paso's international operations including Australia, Indonesia and Brazil. In addition, Mr. Chesebro managed South Texas exploration and production activities for both Tenneco Oil Company and Pennzoil. Mr. Chesebro was operations manager for Tenneco's Gulf of Mexico operations when it was the largest and most active in the industry. Mr. Chesebro also led the energy industry in achieving increased reliability and transparency in energy trading practices by forming the Gas Industries Standards Board, where he was chairman for the first three years of the organization's existence.

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**Our Nominees Will Bring Stability to El Paso in a Smooth Management Transition (cont.)**

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Mr. Murphy has worked with most, if not all of the major pipeline and Exploration and Production companies building refineries, providing pipeline components, or directly contributing to the exploration, production, and processing of oil and gas.

Mr. Zilkha owned and operated a significant part of what is now El Paso's Exploration and Production Business Segment.

Mr. Burns and Mr. Bennett both have extensive experience directly related to El Paso's natural gas business, including trading.

Mr. Davis has extensive Exploration and Production plus Midstream experience, and like Mr. Black and Mr. Bowman has led successful Exploration and Production organizations in the United States and worldwide.

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**Our Nominees Will Bring Stability to El Paso in a Smooth Management Transition (cont.)**

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We also expect a smooth transition because we do not plan mass firings.

**Given the current management turmoil at El Paso, we believe that far from bringing disruption, the election of our slate will help stabilize the situation.**

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## Conclusion

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Our nominees have superior experience.

Our nominees have superior credibility.

As the largest individual shareholder in El Paso, Mr. Zilkha is committed to maximizing the value of your and his investment.

**Only fundamental change can fix El Paso's problems!**

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**Cautionary Statement Regarding Forward**

**Looking Information    Additional Information**

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*Some of the statements contained in this presentation may constitute forward-looking statements, which for this purpose includes all statements that are not of historical fact. The actual future financial performance of El Paso could differ materially from those anticipated by these forward-looking statements. Particularly given the condition to which El Paso has been reduced under the current Board, there can be no assurance that Mr. Zilkha or the nominees will succeed in their efforts to turn El Paso around.*

*On May 12, 2003, Selim K. Zilkha filed with the Securities and Exchange Commission a definitive proxy statement relating to his solicitation of proxies with respect to the 2003 El Paso annual meeting of stockholders. Mr. Zilkha has furnished the definitive proxy statement to El Paso's stockholders and may file other proxy solicitation materials.*

***Investors and security holders are urged to read the proxy statement and any other proxy solicitation materials, when they become available, because they contain important information.***

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**Cautionary Statement Regarding Forward Looking**

**Information    Additional Information (cont.)**

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*Investors and security holders may obtain a free copy of the definitive proxy statement and other documents filed by Mr. Zilkha with the Commission at the Commission's website at <http://www.sec.gov>. You may also access a copy of Mr. Zilkha's definitive proxy statement by accessing [www.saveelpasonow.com](http://www.saveelpasonow.com). In addition, you may obtain a free copy of the definitive proxy statement by contacting Innisfree M&A Incorporated toll free at (877) 750-5837 (banks and brokers call collect at (212) 750-5833).*

*Detailed information regarding the names, affiliations and interests of individuals who may be deemed participants in the solicitation of proxies of El Paso stockholders is included in the proxy statement and Mr. Zilkha's DFAN14A filed with the Commission on May 21, 2003.*

*This presentation may quote or refer to independent industry research reports, financial analyst reports and newspaper articles. To the extent such a quote is included in this presentation, Mr. Zilkha has not sought or obtained the consent of the quoted source to the use of such quote as proxy soliciting material.*

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