

TEXAS COMMERCE BANK  
NATIONAL ASSOCIATION

June 29, 1993

MARTHA D. VOSS  
Private Banking  
Vice President

Mr. Kenneth L. Lay  
Chairman and Chief Executive Officer  
Enron Corp.  
1400 Smith Street  
Houston, Texas 77002 - 7369

Dear Mr. Lay:

First, I would like to "introduce" myself as your new Private Banking officer at Texas Commerce Bank and I look forward to working with you in the future. I have been with Texas Commerce Bank for 12 years, most recently working in Gary Wright's Houston Corporate Banking Department.

I have met with Sally Keepers to discuss the pending issue of the renewal and consolidation of your two personal lines at TCB (including the \$1.5 Million line formerly at First City and the \$250,000 line at TCB). Sally requested that I write you a brief letter for our mutual discussion in order to outline the proposed terms and conditions as well as to point out the major differences between the existing and proposed line.

Attached you will find a brief summary of the proposed terms and conditions of a new combined \$1.75 Million line. I believe there are several major advantages (both economic and administrative) of this proposed structure including:

- (1) the two separate facilities are combined into one new facility;
- (2) all fundings will be under one master note for a one-year period versus separate notes required every 90 days on the First City line;
- (3) interest rate of Prime on a 365 day basis versus the current rate of Prime + 1% on a 360 day basis on the First City line (TCB's current rate on the \$250,000 line is also Prime);
- (4) collateral coverage of 150% on total outstandings versus the current "split" requirement of First City based on the type of stock pledged, i.e. "restricted" stock requires 175% coverage and "non-restricted" stock requires 150% coverage (TCB's \$250,000 line is unsecured).

With regards to the latter point, the issue of "excess collateral" under your existing lines versus the current structure is worthy of a brief discussion. As of June 29th (see the attached Collateral Valuation), the collateral coverage of the total outstandings under both lines (\$1,541,939 outstanding) would be 191% (\$2,920,636 collateral value). Under either the existing or proposed structure, you would currently have the ability to borrow up to the full \$1.75 Million line. However, it is fair to point out that the "excess" collateral is slightly different. Under the existing collateral and outstandings on the First City line, there is approximately \$850M of excess collateral whereas under the new structure there would be slightly less excess collateral of approximately \$625M.

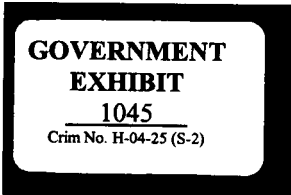
*dilly - This all looks fine except I would think I should support \$2.9 million in collateral. K- Jay Chapman has received a promotion, hence our new office. Please advise.*

7/1

Allert Center Branch  
500 D...  
Houston, Texas 77002  
(713) 752-...



Texas Commerce Bank National Association  
Member FDIC  
Member Texas Commerce Bancshares, Inc.



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Mr. Lay, I feel the structure outlined on the attached sheet is a much simpler arrangement for both parties with economic advantages to you on pricing and a mutually beneficial collateral coverage requirement. As I noted earlier, this is for discussion purposes only and I would welcome the opportunity to discuss this matter with you in person or over the phone. Also, I would like to discuss your financing needs over the coming year to ensure that the amount of the line is sufficient to meet your borrowing needs. I would also like to clarify a couple of items on your financial statement in light of the changes caused by the large exercise of Enron stock options. I will wait to hear from you or Sally before I proceed further with the renewals and I look forward to hearing from you soon.

As you know, Texas Commerce Bank has always valued its relationship with you and I am pleased to have the opportunity to be part of this fine relationship.

Sincerely,



Martha D. Voss

LAY-G34 0555

**PROPOSED SUMMARY OF TERMS AND CONDITIONS**

- Borrowers:** Kenneth L. Lay and Linda P. Lay
- Facility:** \$1,750,000 secured revolving line of credit. Fundings will be made pursuant to one master promissory revolving note.
- Maturity:** June 30, 1994.
- Pricing:** Texas Commerce Bank Prime as it changes, interest payable quarterly on a 365/366 day basis.
- Collateral:** Marketable securities acceptable to Texas Commerce Bank in the bank's sole discretion. The market value of securities held will be greater than 150% of the outstanding balance under the line of credit at all times (to be governed pursuant to the bank's standard collateral maintenance agreement). All of borrowers' indebtedness and guarantees at Texas Commerce Bank will be cross-collateralized to the security held under this line.

**For Discussion Purposes Only.** This proposal is subject to the approval of TCB's Loan & Discount Committee and completion and execution of documentation satisfactory to the bank.

# Kenneth Lay - Collateral Evaluation

(As of 6/29/93)

<u>Security</u>	<u>Exchange</u>	<u>Registered Name</u>	<u># of shares</u>	<u>52 Week Range</u>	<u>Price per Share</u>	<u>Total Value</u>
Enron Oil & Gas Co.	NYSE	Kenneth & Linda Lay	15,000	\$45.00 - \$24.875	\$40.38	\$605,625
Enron Corp.	NYSE	Kenneth Lay	21,491	\$68.25 - \$40.50	\$68.25	\$1,466,761
Baker Hughes Inc.	NYSE	Kenneth Lay	1,000	\$29.625 - \$17.75	\$26.38	\$26,375
Compaq Computer Corp.	NYSE	Kenneth Lay	15,000	\$61.75 - \$23.25	\$49.75	\$746,250
Fiberchem, Inc.	NASDAQ (Small Cap)	Kenneth & Linda Lay	10,000	N/A	\$1.25	\$12,500
Copytele, Inc.	NASDAQ	Kenneth & Linda Lay	5,000	\$15.50 - \$9.38	\$12.63	\$63,125
<b>TOTAL</b>						<b>\$2,920,636</b>

## CURRENT FIRST CITY \$1.5MM LINE:

Outstandings - First City \$1.5MM Line: \$1,282,264  
 Collateral Value: \$2,920,636

Value/Line Outstandings: 227.8%

Current First City Line:  
 "Restricted" Stock Value: \$1,466,761  
 Max. Borrowings at 175%: \$838,149  
 "Non-Rest." Stock Value: \$1,453,875  
 Max. Borrowings at 150%: \$969,250  
 Total Maximum Borrowings (plus the \$250M TCB unsecured line): \$1,807,399 (1)  
 "Blended" Coverage Ratio Required: 161.6%

Current Borrowings: \$1,282,264  
 Collateral Required (162%): \$2,072,139  
 Current Collateral Value: \$2,920,636  
 Excess Collateral: \$848,497

(1) However, borrowings would be limited to the maximum amount of the line i.e. \$1.5 MM on the First City Line and \$1.75MM on the combined line.

## UNDER NEW COMBINED \$1.75MM LINE:

O/S - First City \$1.5MM Line: \$1,282,264  
 Current TCB Outstandings: \$249,675  
 Total Line O/S (F.City+TCB): \$1,531,939  
 Collateral Value: \$2,920,636

Value/Total Line Outstandings: 190.6%

Total Maximum Borrowings: \$1,947,091 (1)  
 Coverage Required: 150.0%

Current Borrowings: \$1,531,939  
 Coverage Required (150%): \$2,297,909  
 Current Collateral Value: \$2,920,636  
 Excess Collateral: \$622,727

**For Discussion Purposes Only**

**Borrowers:** Kenneth L. Lay and Linda P. Lay

**Facility:** \$1,750,000 secured revolving line of credit. Fundings will be made pursuant to one master promissory revolving note.

**Maturity:** June 30, 1994.

**Pricing:** Texas Commerce Bank Prime as it changes, interest payable quarterly on a 365/366 day basis.

**Collateral:** Marketable securities acceptable to Texas Commerce Bank in the bank's sole discretion. The market value of securities held will be greater than 150% of the outstanding balance under the line of credit at all times (to be governed pursuant to the bank's standard collateral maintenance agreement). All of borrowers' indebtedness and guarantees at Texas Commerce Bank will be cross-collateralized to the security held under this line.

# Kenneth L. Lay - Loan Relationship Summary

<u>Borrower</u>	<u>Facility</u>	<u>Current Outstanding Maturity</u>	<u>Pricing</u>	<u>Collateral</u>	<u>Guarantor</u>
Kenneth L. & Linda P. Lay	\$1,500,000 Revolving Line **	\$1,262,264 6/30/93	PAC + 1% (PAC until 3/31/93)	Marketable securities: 150% coverage on non-restricted stock (125% until 3/31/93)	None
	Loan # 4040903 Note # 1002			175% coverage on restricted stock Current Coverage: 221.1% (See attached collateral evaluation as of 6/14/93)	
Kenneth L. Lay	\$250,000 Revolving Line Loan # 2061420 Note # 1001	\$249,875 6/30/93	PAC	Unsecured	None
Kenneth L. & Linda P. Lay	\$67,500 Home Improvement Loan ** (Orig. amt: \$250M, 6/96) Loan # 5041769 Note#	\$67,500 6/29/94	PAC + 1/2% Monthly principal (\$6,250) + Interest (10 yr. amortization)	Cross collateralized to \$1.5MM line. Unperfected lien on Inwood home.	None
Linda P. Lay	\$95,891 Term Loan ** (Purchase duplex for son. -- Orig. amt. - \$96.4M, 4/90) Loan # 8001414 (Mortgage)	\$95,891 4/30/95	PAC + 1/2% (adjusted semi-annually). Monthly principal incl. interest (\$619.05 - 30 year amortization)	First lien D/T on property located at 1741 Sul K. Lay Ross, Houston, Texas. Appraised in 1990 @ \$192M. Cross collateralized to \$1.5mm line.	
**Loans acquired from First City.					
<b>TOTAL</b>		<b>\$1,833,831</b>			
					<b>\$1,715,270</b>

# Kenneth Lay - Collateral Evaluation

( As of 6/14/93 )

<u>Security</u>	<u>Exchange</u>	<u>Registered Name</u>	<u># of shares</u>	<u>52 Week Range</u>	<u>Price per Share</u>	<u>Total Value</u>
Enron Oil & Gas Co.	NYSE	Kenneth & Linda Lay	15,000	\$45.00 - \$24.875	\$41.00	\$615,000
Enron Corp.	NYSE	Kenneth Lay	21,491	\$63.50 - \$40.125	\$59.25	\$1,273,342
Baker Hughes Inc.	NYSE	Kenneth Lay	1,000	\$29.50 - \$17.75	\$27.25	\$27,250
Compaq Computer Corp.	NYSE	Kenneth Lay	15,000	\$61.75 - \$23.125	\$55.88	\$838,125
Fiberchem, Inc.	NASDAQ (Small Cap)	Kenneth & Linda Lay	10,000	N/A	\$1.31	\$13,125
Copytele, Inc.	NASDAQ	Kenneth & Linda Lay	5,000	\$15.50 - \$8.75	\$13.75	\$68,750
<b>TOTAL</b>						<b>\$2,835,592</b>

**Outstanding Loans:**

Revolver **\$1,282,264**  
 Home Improvement Loan **\$87,500**  
 Duplex @ 1747 Sul Ross **\$95,831**  
 Total Outstanding Loans **\$1,465,595**

Collateral Value: **\$2,835,592**

Value/Line Outstandings: **221.1%**

Coverage incl. TCB \$250M line:

Current TCB outstandings: **\$249,675**  
Value/Line Outstandings: **185.1%**

Current First City Line:  
 Restricted Stock Value: **\$1,273,342**  
 Max. Borrowings at 175% **\$727,624**  
 Non-Rest. Stock Value: **\$1,562,250**  
 Max. Borrowings at 150% **\$1,041,500**  
  
 Total Maximum Borrowings: **\$1,769,124**  
 Current Borrowings: **\$1,282,264**  
 Excess Borrowing Capacity: **\$486,860**

"Blended" Coverage Ratio  
 Required: **160.3%**

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