

NationsBank

Credit Approval Report for the General Bank

Bank Nations Bank of Texas	City/Unit Houston / Private Client Group	Profit Center No. 3055	Effective Date 9/1/97	Ownership/Stock Traded N/A
Borrower Name & Address Kenneth L. & Linda Lay Houston, TX	Tax ID No./SS No. [REDACTED]	Officer No. 236	Customer No. 4419073 (\$30mm) 4324810 (\$750m)	SIC/NB Industry Code 1312 (Natural Gas Independent)

Principals/Guarantors	Title	Amount of Gty	GTR ONW	GTR CB Score	Lotus Notes ID#	CRA Code:
1.					1).BS70711134511 (\$30mm) ✓	
2.					2).BS70711134309 (\$750m) ✓	Company Revenues:
3.					3).BS70730150227 Terf \$1,578m ✓	
					4).BS70730152851 Terf \$4.5mm ✓	

Nature of Business Chairman & CEO of Enron Corp. (NYSE-ENE)	Credit Exposure Strategy Inc. <input type="checkbox"/> Dec. <input type="checkbox"/> Main. <input checked="" type="checkbox"/> Out. <input type="checkbox"/>	Borrower Risk Rating Existing Rating <u>5</u> Proposed Rating <u>5</u>	DOD Pre Approved Limits <i>(MARKETABLE SECURITIES)</i>	CB Score <u>758/777</u> Public Debt Rating
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New Credit Requests	Amount	Type	Projected Avg. Outstanding	Rate	Maturity Date	Collateral Description	GL Code	Loan Value	Basis of Loan Value	Liquidation Value	Risk Rating
1.	\$30,000,000	CLN	\$28,000,000	Labor +100	9/1/98	Marketable sec 70%/75% adv/call	100	\$31.2mm	70% MV		4
2.	\$750,000	CLN	\$600,000	P - 1/4	9/1/98	Unsecured	100	n/a			5
3.											
4.	\$30,750,000	Subtotal									
5.	\$37,868,150	Existing Commitment Totals (from Page 2, Section I)									

6. \$68,618,150	Total Amount (sum lines 5 & 6)	Total Corporate Exposure \$41,134,150	Seasonal Line Activity
7. \$30,750,000	Less: Existing Credit Renewed/Replaced by New Request	Pre Authorized Limit (PAL)	Payout Req'd/# of days:
8. \$37,868,150	Total Proposed Direct Exposure (This name only, this state only)	Amount <u>\$42mm</u>	Was it met? _____
9. \$3,266,000	Plus: Indirect & Related Exposure (from Page 2, Section II)	Effective Date <u>Sept 1, 1997</u>	When? _____
10. _____	Plus: Other NationsBank Exposure (from Page 2, Section III)	Maturity Date <u>Sept 1, 1998</u>	12 mo. avg. O/S _____
11. _____	Plus: Trading Exposure (Page 3 required)		
12. \$41,134,150	Sum of lines 9, 10, 11 & 12, Equals TCE		

Multi-Bank Facility	Is Coll. Specifically Cross Pledged?	Credit Assessment (must check one)	Yes	No
Agent _____	Yes _____ No <u>X</u>	1. Existing or Proposed Policy Exception?	<input checked="" type="checkbox"/>	
Total Facility _____	Yes Except Nos. _____	Address in CAR Comments to Justify Exception		
NB Underwritten _____	Are Notes Cross Defaulted?	2. Material Doc or Collateral Exception or	<input checked="" type="checkbox"/>	
NB Hold _____	Yes <u>X</u> No _____	Approved Underwriting Variance? (See Page 2)		
Syndication Rtg: _____	Yes Except Nos. _____	3. Proposed Loan Agreement Covenants Attached?		<input checked="" type="checkbox"/>

Loan/Commitment Fee Agreement(s) (By requested Facility No.)	1) None	2) None	4. Covenant Compliance Form Attached?	<input checked="" type="checkbox"/>
			5. Base memo prepared/updated? Date _____	<input checked="" type="checkbox"/>
			6. Annual Exposure Review Prepared?	<input checked="" type="checkbox"/>
			7. Borrower has subsidiaries/affiliates not party to credit	<input checked="" type="checkbox"/>

Purpose of Credit (By requested Facility No.)	1) To renew an existing \$30mm Line of Credit which will continue to be used to finance business investments & personal expenses (non-purpose)	8. Is this an HLT transaction?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	2) To renew an existing \$750m Line of Credit which will continue to be used for business investments	9. Does borrower have foreign guarantor? (Country of Risk _____)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Terms of Payment (By requested Facility No.)	1) Interest only payable quarterly with full principal due at maturity	10. Is Credit related to NationsBank Correspondent bank insider or related interest?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	2) Interest only payable quarterly with full principal due at maturity	11. Is Credit related to a NationsBank Director or related interest? (Director Credit Limit \$ _____) (Date Approved: _____)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Source of Repayment (By Requested Facility No. - Primary & Alternate)	1 & 2) Primary: Conversion of assets & cash flow of Borrower	12. Is loan Real Estate Dependent?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	1 & 2) Alternate: Liquidation of collateral	13. Is this a Shared National Credit?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Loan Agreement Yes: _____ Tickler Date: _____ Drawn By: BK Counsel coll. maint. agree.		14. Pledged Securities qua. SEC Rule 17-f-1?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Req: No: <u>X</u> Frequency: _____ Bank Standard Form _____ Bk Outside Counsel _____		15. Is this transaction permitted by General Bank Bulletin #GB006-95 and the referenced Firewalls flowchart?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Annual Exp. Review: Tickler Date: _____		16. Does Cust use derivatives in its operations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Annually Renew. LC Yes: _____ No: _____ Date Notice Req'd: _____ Tickler Dt: _____		17. Is a CPM or CRISP form attached?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Was credit committed/funded prior to proper approval? Yes _____ No <u>X</u>		18. Does loan exceed FDICA Supervisory LTV Limits? (CPG B-35) If yes, which one? (circle one) Raw Land (65%); Land Dev (75%); Approved Prop (85%); Owner Occ 1-4 Fam & Home Eqty (90%); Const Cml, Multifamily & Other Non-Res (80%); Const 1-4 Family Residential (85%)		

Line Officers (Concurred/Approved)		Credit Policy (Concurred/Approved)	
Name	Initial Date	Name	Initial Date
J. Shelton	JAS 9/16/97	J. Burns	[Signature] 9/12/97
T. Pruden	TAP 9/16/97	M. Washington	[Signature] 9/15/97
B. Scott	[Signature] 9/16/97	F. Lindholm	[Signature] 9/23/97
J. Morton	[Signature] 10/6/97		

Approving Officer's Comments & Conditions (Initialed) (Continued on page 2 if necessary)

Serves as Term loan review for
Cust# 4539664: Notes: 5311493
Cust# 4419073: Notes: 5008057, 5231485
Cust# 4380143: Notes: 4933636, 5147475

Customer: Ken & Linda Lay		Risk Rating: 5		CPM Analysis Date: 12-Sep-97	
Relationship Profitability				Summary Statistics	
	Inc/Exp.	After Tax Cont. to ROA	After Tax Cont. to ROE	Balance Summary	
Net Interest Spread	\$423,589	0.75%	41.02%	Average Commitments	\$37,707,500
Loan Fees	\$3,550	0.01%	0.34%	Average Funded Loans	\$35,357,500
Equity Funding Credit	\$40,040	0.07%	3.88%	Total Assets	\$35,249,129
Reserve Funding Credit	\$6,806	0.01%	0.66%	Allocated Equity-Assets	\$637,580
Net Interest Income-Credits	\$473,985	0.83%	45.90%	Allocated Equity-Other	\$2,639
Other Fee Income	\$0	0.00%	0.00%	Total Book Deposits	\$0
Less: Provision Expense	\$43,348	-0.08%	-4.20%	Total Collected Deposits	\$0
Net Credit Income-Assets	\$430,637	0.76%	41.70%	IMA Outstandings	\$0
Less: Loan & LC Prod. Costs	\$783	0.00%	-0.08%	NationsFund Balances	\$0
Total Product Margin-Assets	\$429,854	0.76%	41.63%		
				Services Used by Customer	
Net Credit Income-Liabilities	\$0	0.00%	0.00%	Proj. Ann. Fees	
Treas. Mgt/Analysis/Other Dep Fees	\$0	0.00%	0.00%	Letters of Credit Fees	\$0
Less: FDIC Insurance	\$0	0.00%	0.00%	Treas. Mgmt. & Dep. Fees	\$0
Treas. Mgt/Dep Prod. Costs	\$0	0.00%	0.00%	Funds Management Fees	\$0
Total Product Margin-Liabilities	\$0	0.00%	0.00%	Investment Banking Fees	\$0
				Trust Fees	\$0
Other Service Fees	\$0	0.00%	0.00%	Foreign Exchange Fees	\$0
Equity Credit from Other Services	\$0	0.00%	0.00%	IMA Trust Fees	\$0
Other Service Production Costs	\$0	0.00%	0.00%	NationsFund Fees	\$0
Total Product Margin-Services	\$0	0.00%	0.00%		
				Products/Services Not Incl. in Relationship Profitability	
Total Products Contribution Margin	\$429,854	0.76%	41.63%	Lease Outstandings of	\$0
Equity Credit-Fixed Assets, etc.	\$166	0.00%	0.02%	Factoring Outstandings of	\$0
Less: Profit Center Expense	\$20,000	-0.04%	-1.94%	Consumer Credit Outs. of	\$0
Contribution Before Overhead	\$410,019	0.72%	39.71%	Residential Mtg. Outs. of	\$0
				Other Significant Profit of	\$0
Less: Corporate Overhead	\$4,911	-0.01%	-0.48%	(Merchant Visa, Indirect Loans, etc.)	
Tax Expense	\$153,941	#N/A	#N/A		
Total Relationship Earnings	\$251,167	0.71%	39.23%		
				Key Variables	
After Tax ROE Analysis Summary				1 Year Prime COF	5.87%
Total Products Contribution Margin	\$429,854		41.63%	Commercial Float %	14.36%
Contribution Before Overhead	\$410,019		39.71%	Prime Rate	8.50%
Total Relationship Earnings	\$251,167		39.23%	Corporate OH Rate	23.63%
Target Earnings and ROE	\$160,055		25.00%	Tax Rate	38.00%
Earnings and ROE Variance	\$91,112		14.23%		

Existing or Proposed Policy/Collateral Exceptions:

Approving Officer:

CREDIT APPROVAL REPORT - COLLATERAL VALUATION

BORROWER: Kenne & Linda Lay
 Law Firm & Attorney Preparing Collateral Documentation: Sewell & Riggs (Gary Rachlin) DATE: 8/25/97

(Amounts in '000's)

COLLATERAL DESCRIPTION (* Denotes New Collateral)	VALUATION METHOD & SOURCE (brief description of valuation method and identify source of value i.e. appraisal date or financial state date). Include borrowing base formula, and both ADVANCE and CALL ratios for each marketable security category.	BOOK VALUE OR APPRAISED VALUE Amount	POLICY LOAN %	LOAN VALUE Amount
SEE ATTACHED PAGE				
Total Debt Secured by Above Collateral	Total Collateral Value			

RESPOND (Y/N) TO EACH QUESTION (NA) means not applicable to collateral listed above. If "N", please explain below.

- N 1. Is all debt (direct and indirect) cross collateralized?
2. Have UCC-11 searches reported a perfected senior lien position for the bank?
3. Have liens on real property (real estate, oil & gas, fixtures, etc.) indicating proper priority been confirmed by:
- Title binder?
 Title Policy?
 Attorney's opinion?
- Y 4. Has collateral requiring possession for perfection been received?
- Y 5. Does collateral include Marketable Securities?
 Collateral to be held;
 Loan Admin. Collat. Vault XXXXX Trust Custody _____ Other (specify) _____
 NsB Discount Brokerage _____ NsB Securities _____
- Y Is a Margin Maintenance Agreement in effect? If yes, number of days to cure margin default. 2
 If collateral is held by an outside party, has an acknowledgment of pledge form been received from outside party?
- Y 6. Have legal opinions been received?

Explanation: Items marked (Y) to be obtained.

Names of Add'l Support Entity (Guarantors, Endorsers, Co-Makers, General Partners)	For This Request (Y/N)	Capacity (Guarantor, Co-Maker, etc.)	INDIRECT LIABILITY		NET WORTH		TOTAL NATIONSBAN K EXPOSURE
			Limit	Date	Amount	Statement Date	