

MEM

NOTE DATE 06/01/99	FINAL MATURITY DATE 06/01/2000	ACCOUNT NO. 0801	NOTE NO. 710002	AMOUNT OF NOTE \$12,000,000.00	OFFICER CAB
BORROWERS' NAMES: KENNETH L. LAY LINDA. P. LAY					

FOR VALUE RECEIVED, on or before June 1, 2000 ("Final Maturity Date"), the undersigned ("Borrowers") jointly, severally and unconditionally promise to pay to the order of Chase Bank of Texas, National Association with offices in Houston, Harris County, (together with all subsequent owners and/or holders hereof, "Bank") at its offices at 712 Main Street, P.O. Box 2558, Houston, Texas 77252 the lesser of (i) the principal sum of TWELVE MILLION and NO/100THS DOLLARS (\$12,000,000.00) ("Maximum Loan Total") in lawful money of the United States of America, ("Maximum Loan Total"); or (ii) the aggregate unpaid principal amount of all loans made by Bank (each such loan being a "Loan"), which may be outstanding on the Final Maturity Date. Subject to the terms and conditions of this Note and the Loan Documents, Borrowers may borrow, repay and reborrow all or any part of the credit provided for herein at any time before the Final Maturity Date, there being no limitation on the number of Loans made so long as the total unpaid principal amount at any time outstanding does not exceed the Maximum Loan Total.

"Adjusted LIBOR Rate" for each day means the LIBOR Rate for that day. "LIBOR Rate" means means, for any day, the rate of interest per annum which is equal to the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) determined by The Chase Manhattan Bank (which is an affiliate of Bank) to be the average of the interest rates available to it in accordance with the then-existing practices in the interbank market in London, England at approximately 11:00 AM London time for that day for the offering to The Chase Manhattan Bank by leading dealers in such interbank market for delivery on that day of U. S. Dollar deposits of One Million Dollars (\$1,000,000) each for a one (1) month period. If for any reason Bank cannot determine that rate for any day, then LIBOR for that day shall be the rate of interest per annum that is equal to the average of the rates appearing on the Reuters Screen LIBO Page as of 11:00 AM, London time, on that date for the offering by such institutions as are named therein to prime banks in the Eurodollar interbank market in London, England, for delivery on that day of U.S. dollar deposits of One Million Dollars (\$1,000,000) each for a one (1) month period. Any rate of interest based on LIBOR shall be (a) computed on the basis of a year of three hundred sixty (360) days applied for the actual number of days for which the borrowing to which it applies is outstanding and bears interest in accordance with this Agreement at such rate of interest based on LIBOR Rate (i.e., on the 360 day basis) and (b) adjusted as of the effective date of each change in LIBOR. The Bank's determination of LIBOR for each day shall be conclusive and binding, absent manifest error. For purposes of this Note, LIBOR shall fluctuate upward and downward automatically and concurrently with day-to-day changes in such applicable average and in the amount of the change. "Reuters Screen LIBO Page" means the display designated as page LIBO on the Reuters Monitor Money Rates Service or such other internationally-recognized service as Bank shall select from time to time, or such other page, if any, as shall replace the LIBO page on any such selected service for the purpose of displaying London interbank offered rates of major banks, the interest rate determined from time to time by Bank, based on the one month LIBOR rate by reference to the British Bankers' Association Interest Settlement Rates (as set forth by any service selected by Bank which has been nominated by the British Bankers' Association as an authorized information vendor for the purpose of displaying such rates including but not limited to Bloomberg, Reuters or Teletype) to be the rate at approximately 11:00 a.m. London time, two Business Days prior to the commencement of such Interest Period for dollar deposits in an amount comparable to such Loan with a maturity comparable to such Interest Period. "Board" means the Board of Governors of the Federal Reserve System of the United States.

"Borrowing Date" means any Business Day on which Bank shall make or continue a Loan hereunder.
 "Business Day" means a day: (i) on which Bank and commercial banks in New York City are generally open for business; and (ii) with respect to determination of the LIBOR Rate, on which dealings in United States Dollar deposits are carried out in the London interbank market.
 "Highest Lawful Rate" means the maximum nonusurious rate of interest from time to time permitted by applicable law. To the extent that Texas law determines the Highest Lawful Rate, the Highest Lawful Rate is the weekly rate ceiling as defined in Chapter 1D of the Texas Credit Title, Article 5069-ID.001 et seq., Title 79 of the Texas Revised Civil Statutes, as amended. Bank may from time to time, as to current and future balances, elect and implement any other ceiling under applicable law by notice to Borrower, if and to the extent permitted by, and in the manner provided in applicable law. If the Stated Rate ever exceeds the Highest Lawful Rate, the actual rate of interest to accrue on the unpaid principal amount of this Note will be limited to the Highest Lawful Rate.
 "LIBOR Loan" means a Loan which bears interest at a rate determined by reference to the Adjusted LIBOR Rate.
 "Loan Documents" means this Note and any document or instrument evidencing, securing, guaranteeing or given in connection with this Note.
 "Obligations" means all principal, interest and other amounts which are or become owing under this Note or any other Loan Document.
 "Obligor" means each Borrower, jointly and severally and any guarantor, surety, co-signer, general partner or other person who may now or hereafter be obligated to pay all or any part of the Obligations.

Loans shall be LIBOR Loans. Borrowers shall pay interest on the unpaid principal amount of each LIBOR Loan with respect thereto at a rate per annum equal to the lesser of: (i) the Adjusted LIBOR Rate plus nine-tenths of one percent (.90%) ("Effective LIBOR Rate"); or (ii) the Highest Lawful Rate. Accrued and unpaid interest on each LIBOR Loan hereunder is due and payable quarterly, beginning on September 1, 1999, on the first day of each third month thereafter, and at the Final Maturity Date. All principal is finally due and payable at the Final Maturity Date.

If at any time the effective rate of interest which would otherwise be payable on any Loan evidenced by this Note exceeds the Highest Lawful Rate, the rate of interest to accrue on the unpaid principal balance of such Loan during all such times shall be limited to the Highest Lawful Rate, but any subsequent reductions in such interest rate shall not become effective to reduce such interest rate below the Highest Lawful Rate until the total amount of interest accrued on the unpaid principal balance of such Loan equals the total amount of interest which would have accrued if the Effective LIBOR Rate, whichever is applicable, had at all times been in effect.

Each LIBOR Loan shall be in an amount not less than \$100,000.00 and an integral multiple of \$1,000.00 ("LIBOR Minimum Amounts"). Interest shall be computed on the basis of the actual number of days elapsed and a year comprised of 360 days, unless such calculation would result in a usurious interest rate, in which case such interest shall be calculated on the basis of a 365 or 366 day year, as the case may be.

The unpaid principal balance of this Note at any time will be the total amounts advanced by Bank, less the amount of all payments or prepayments of principal. Absent manifest error, the records of Bank will be conclusive as to amounts owed.

Loans shall be made on any Borrower's irrevocable notice to Bank, given not later than 10:00 A.M. (Houston time) on the proposed Borrowing Date (in each case, a Business Day). Each notice of a requested borrowing (a "Notice of Requested Borrowing") under this paragraph may be oral or written, and shall specify: (i) the requested amount; (ii) proposed Borrowing Date; and (iii) that the requested Loan is to be a LIBOR Loan. If any Notice of Requested Borrowing shall be oral, Borrower shall deliver to Bank prior to the Borrowing Date a confirmatory written Notice of Requested Borrowing.

All past-due principal and interest on this Note, will, at Bank's option, bear interest at the Highest Lawful Rate, or if applicable law does not provide for a maximum nonusurious rate of interest, at a rate per annum equal to 18%.

Borrowers and Bank intend to conform strictly to applicable usury laws. Therefore, the total amount of interest (as defined under applicable law) contracted for, charged or collected under this Note will never exceed the Highest Lawful Rate. If Bank contracts for, charges or receives any excess interest, it will be deemed a mistake. Bank will automatically reform the contract or charge to conform to applicable law, and if excess interest has been received, Bank will either refund the excess to Borrowers or credit the excess on the unpaid principal amount of this Note. All amounts constituting interest will be spread throughout the full term of this Note in determining whether interest exceeds lawful amounts.

Each of the following events or conditions is an "Event of Default": (1) any Obligor fails to pay any of the Obligations when due; (2) any warranty, representation or statement now or hereafter contained in or made in connection with any Loan Document was false or misleading in any respect when made; (3) any Obligor violates any covenant, condition or agreement contained in any Loan Document; (4) any Obligor fails or refuses to submit financial information requested by Bank or to permit Bank to inspect its books and records on request; (5) any event of default occurs under any other Loan Document; (6) any individual Obligor dies, or any Obligor that is an entity dissolves; (7) a receiver, conservator or similar official is appointed for any Obligor or any Obligor's assets; (8) any petition is filed by or against any Obligor under any bankruptcy, insolvency or similar law; (9) any Obligor makes an assignment for the benefit of creditors; (10) a final judgment is entered against any Obligor and remains unsatisfied for 30 days after entry, or any property of any Obligor is attached, garnished or otherwise made subject to legal process; (11) any material adverse change occurs in the business, assets, affairs or financial condition of any Obligor; and (12) any Borrower is in default of any other obligation to or any other agreement with Bank.

