

# Investment Advisory Agreement

Goldman, Sachs & Co.  
85 Broad Street  
New York, NY 10004-2456  
212-902-1000



MULTPSA:7/3/97

THIS AGREEMENT (the "Agreement") is made as of the 5 day of Aug, 1999 between Goldman, Sachs & Co., a limited partnership organized under the laws of New York ("Goldman Sachs"), and Kenneth & Linda Lay (together, the "Client").

1. Appointment of Investment Adviser; Acceptance of Appointment. Goldman Sachs is hereby appointed as investment adviser to the Investment Account (as defined in Section 2 (a) below) and Goldman Sachs hereby accepts such appointment.

2. Management; Investment Guidelines; Powers of Goldman Sachs. (a) Goldman Sachs is hereby authorized to supervise and direct, with full authority and at its discretion (without reference to the Client), on the Client's behalf and at the Client's risk, the investment of the assets contained in the "Investment Account" which term, as used herein, shall mean the account consisting of such cash, securities and other assets as are delivered to Goldman Sachs (or if Goldman Sachs is not acting as the custodian, as are otherwise identified to Goldman Sachs), for management hereunder, including all investments, reinvestments and proceeds of the sale thereof as well as all interest, dividends and appreciation thereon. The Client hereby authorizes Goldman Sachs to open accounts and execute documents and representation letters in the name of, binding against, and on behalf of, the Client for all purposes necessary or desirable in Goldman Sachs' view to effectuate Goldman Sachs' activities under this Agreement.

(b) The Investment Account shall be managed under the terms of this Agreement and subject to the written investment guidelines and investment objectives attached hereto as Appendix A (the "Investment Guidelines"), as such Investment Guidelines may be amended from time to time by written agreement of the parties. All transactions effected for the Investment Account will be deemed to be in compliance with such investment guidelines and investment objectives unless written notice to the contrary is received by Goldman Sachs from the Client within ten (10) days following the first issuance of the confirmation or periodic report containing such transactions. The Investment Guidelines apply only to the Investment Account and shall have no applicability to any other account(s) maintained by Client with Goldman Sachs or any of its affiliates. The ranking of investment objectives and the establishment of investment guidelines for any such account(s) shall have no application or relevance to the Investment Account.

(c) Goldman Sachs' authority and discretion hereunder shall include, without limitation, the power to buy, sell, retain, tender and exchange investments and effect transactions and other powers as Goldman Sachs deems appropriate in relation to investing and executing transactions for the Investment Account. Unless otherwise specifically agreed by the parties, Goldman Sachs' duties shall not include the voting of proxies on behalf of the Client (except as otherwise permitted by applicable NYSE or other regulations) and all materials relating to corporate actions and voting will be forwarded to Client in accordance with Goldman Sachs' normal practices. The Client agrees that Goldman Sachs may, but shall not be required to, aggregate orders for the Investment Account with orders of other clients and, in so doing, Goldman Sachs need not designate any of the Client's orders as "individual" when submitting orders via the DOT systems. Client authorizes Goldman Sachs to assign to the Investment Account the average price resulting from such "bunched" orders. Goldman Sachs will make available to the Client, upon the Client's request, the underlying records reflecting the actual transaction prices.

LAY-G20 0893

GOVERNMENT  
EXHIBIT

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Crim. No. H-04-25 (S-2)

3. Charges and Fees. (a) For its advisory services hereunder, Goldman Sachs shall be entitled to the fees and terms of payment as set forth in Appendix B to this Agreement, as such Appendix may be amended from time to time by written agreement of the parties. Goldman Sachs may, at its discretion, make payments out of such fees to any affiliate or other person(s). The Client is responsible for payment of brokerage commissions, commission equivalents, transfer fees, registration costs, taxes and other costs and transaction-related expenses and fees arising out of transactions in the Investment Account, and the Client hereby authorizes Goldman Sachs to incur such expenses for the Investment Account.

(b) Goldman Sachs and its affiliates shall be entitled to retain any commissions, commission equivalents and/or dealer spreads that may be realized in connection with transactions effected for the Investment Account. Goldman Sachs personnel, including those persons primarily responsible for management of the Investment Account, may receive compensation consisting of a portion of the advisory fees and any commissions or commission equivalents and/or dealer spreads charged to the Investment Account pursuant to this Agreement. The Client therefore understands that a potential conflict of interest exists because Goldman Sachs and/or its personnel have an economic interest in transactions effected for the Investment Account, whether effected with or through Goldman Sachs or its affiliates under a directed brokerage arrangement as described in Section 5(a), or otherwise. Furthermore, the Client acknowledges and agrees that, to the extent that the Client has been referred to Goldman Sachs by an employee of Goldman Sachs or any of its affiliates, or by a third party, Goldman Sachs may, in its discretion, make payments out of such fees, commissions or commission equivalents directly or indirectly to said person(s) as compensation for such referral.

(c) If Goldman Sachs is acting as custodian, custodial fees for the Investment Account, if any, will be charged separately by Goldman Sachs and are not included in Appendix B unless specifically set forth therein.

(d) If Goldman Sachs is acting as custodian, the Client authorizes and directs Goldman Sachs to either debit the Investment Account or bill the Client directly for all remuneration and expenses payable hereunder. If a third party acts as custodian for the Investment Account, the Client authorizes Goldman Sachs to invoice such third party for all remuneration and expenses payable hereunder.

(e) The Client hereby authorizes Goldman Sachs to charge and retain commissions on all exchange transactions effected for the Investment Account. Goldman Sachs shall, with respect to transactions subject to Section 11(a) of the U.S. Securities Exchange Act of 1934, as amended, annually provide the Client with information disclosing any such commissions charged and retained by Goldman Sachs.

4. Reports and Other Information. Goldman Sachs shall provide the Client with reports containing information regarding the status of the Investment Account on a quarterly basis, or otherwise as the Client and Goldman Sachs may from time to time agree. Such reports will include a measure of performance based upon the change in valuation of the Investment Account during the reporting period. Valuations reflect Goldman Sachs' good faith effort to ascertain fair market values based on pricing and valuation information believed by Goldman Sachs to be reliable. However, these valuation levels may not be realized upon liquidation and Goldman Sachs will not be responsible for any errors with respect thereto. Market conditions and transaction size may affect liquidity and the price received upon liquidation.

5. Execution of Transactions. (a) Client understands that it is not obligated to direct Goldman Sachs to execute transactions for the Investment Account through Goldman Sachs or its affiliates. However, in consideration of the receipt by the Investment Account of valuable research, reporting, and other account services from Goldman Sachs and the individualized service, advice, overall performance, and expertise to be provided by Goldman Sachs hereunder, Client hereby authorizes and directs Goldman Sachs to execute all transactions for the Investment Account through Goldman Sachs or its affiliates. Client acknowledges that, by so directing, commission rates and execution for Investment Account transactions may not be as favorable as those that could be obtained if Goldman Sachs opened an account for the Client at another broker-dealer.

(b) Client hereby authorizes and directs Goldman Sachs to execute transactions for the Investment Account in its capacity of agent or principal, as Goldman Sachs shall determine, in accordance with applicable regulations and Goldman Sachs' internal policies. Client acknowledges that Goldman Sachs' determination of the capacity in which it will act in a given situation may not result in the best price for the Client with respect to a particular transaction. Transactions in underwritten securities, as well as transactions in most fixed income securities and certain less liquid securities, generally will be effected directly with Goldman Sachs or its affiliates as principal. Other principal transactions may be effected directly with Goldman Sachs or its affiliates in limited circumstances. Client acknowledges that current regulatory requirements may limit Goldman Sachs' ability to deal with the Investment Account on a principal basis. Goldman Sachs will normally comply with such regulatory requirements by following the procedures described in this Section 5(b) and Appendix C. However, inasmuch as such procedures are not the exclusive means of complying with the applicable regulatory requirements, Goldman Sachs reserves the right to take any other actions that would result in compliance with the applicable regulatory requirements. In addition, Client agrees that, in the event of changes in applicable regulations relating to principal transactions, or Goldman Sachs' interpretation thereof, the provisions of this Section 5(b) and/or Appendix C may be modified by Goldman Sachs in any manner which, in its judgment, complies with the then existing regulatory requirements. Client understands that such modifications may include, for example, Goldman Sachs' ability to effect principal transactions with the Investment Account in any or all types of securities without prior notice to, or consent from, Client. Client agrees that any modifications anticipated by this Section 5(c) will become effective upon Goldman Sachs' giving written notice thereof to Client. Goldman Sachs will normally charge the Client a commission when it acts as agent in executing a transaction for the Investment Account. When acting as principal, Goldman Sachs will normally charge the Client a "mark-up," or a "mark-down," (or other commission equivalent) in the net price at which transactions are executed.

(c) In addition to all other permissible investments, Goldman Sachs may, in its sole discretion, invest the Investment Account in any open-end or closed-end investment company, unit investment trust or other collective investment fund, registered or non-registered, for which Goldman Sachs or any of its affiliates serves as investment adviser ("Affiliated Fund"). In connection with such investments, the Client will pay all fees pertaining to the Affiliated Fund and no portion of any Affiliated Fund's advisory, administrative or 12b-1 fee will be offset against fees payable in accordance with the fee schedule hereunder; provided, however, that Goldman Sachs will not charge the advisory fee, as set forth on Appendix B attached hereto, in respect of that portion of the Client's assets (other than those assets consisting of short-term cash balances) invested in any Affiliated Fund. The Client may revoke its consent to investment in Affiliated Funds at any time by written notice to Goldman Sachs.

6. Agency Cross Transactions Client authorizes Goldman Sachs and its affiliates to execute agency cross transactions (i.e., transactions where Goldman Sachs or its affiliates act as broker for both the Client and the counterparty to the transaction) for the Investment Account when so permitted by Goldman Sachs' policies. Client understands and agrees that, when so acting, Goldman Sachs or its affiliates may receive commissions or commission equivalents from, and may have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such transactions. Client's authorization to Goldman Sachs to execute agency cross transactions for the Investment Account is terminable at will without penalty, effective upon receipt by Goldman Sachs of written notice from the Client.

7. Custodian. Unless Client specifically directs otherwise, Client authorizes Goldman Sachs to serve as the custodian for the Investment Account. If Client directs that an entity other than Goldman Sachs serve as the custodian for the Investment Account, the Client agrees to require the custodian to send to the Client and to Goldman Sachs, no less than quarterly, a statement showing all transactions between the Investment Account and the Client's account at the custodian. Client also agrees to instruct such custodian to provide Goldman Sachs with such additional periodic reports concerning the status of the Investment Account as Goldman Sachs may reasonably request from time to time.

8. Representations and Warranties of Goldman Sachs. Goldman Sachs hereby represents, warrants to and agrees with the Client that (i) this Agreement has been duly authorized, executed and delivered by Goldman Sachs and constitutes its legal, valid and binding obligation and (ii) Goldman Sachs is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"). No representation or warranty is given by Goldman Sachs as to the performance or profitability of the Investment Account or any part thereof.

9. Representations and Warranties. Certain Agreements of the Client. (a) The Client hereby represents, warrants to and agrees with Goldman Sachs that (i) no one other than the Client has any interest in the Investment Account unless such interest is revealed in the definition of "Client" in the preamble to this Agreement; (ii) this Agreement (including the transactions contemplated hereunder) has been duly authorized, executed and delivered by the Client, constitutes the Client's legal, valid and binding obligation, and will not violate the constituent documents of the Client, or any law, rule or regulations binding on the Client, or any order or judgment of any court or governmental authority applicable to the Client; (iii) except as has otherwise been disclosed in writing to Goldman Sachs by Client, the Client is not an officer, director or controlling person of any entity whose securities fall within the Investment Guidelines; (iv) the Client will not deal or authorize anyone other than Goldman Sachs to deal with the Investment Account; and (v) Client has had an opportunity to discuss with Goldman Sachs the risks associated with the use of margin, and the use of margin by the Investment Account, if approved by Goldman Sachs, is consistent with the Investment Guidelines, including, if applicable, the designation of safety of principal as Client's primary investment objective. In addition, the Client acknowledges that the Client received Part II of Goldman Sachs' Form ADV at least 48 hours prior to executing this Agreement. (b) If the Investment Account is owned jointly or is represented by multiple fiduciaries (such joint owners and multiple fiduciaries being collectively referred to hereinafter as "Co-owners"), each Co-owner represents and warrants that each of the other Co-owners has the full power and authority to act on behalf of the Client including, without limitation, the authority to give and receive instructions, notices, and communications of every kind, and to generally deal with Goldman Sachs on behalf of the Client, all without the approval of or notice to the other Co-owners. Notwithstanding the foregoing, each of the Co-owners agrees that Goldman Sachs may, in its sole discretion: (i) require joint instructions from some or all of the Co-owners before taking any action hereunder and (ii) if Goldman Sachs should receive instructions from any one of the Co-owners that are, in the opinion of Goldman Sachs, in conflict with instructions received from any other Co-owner, Goldman Sachs may comply with any such instructions and/or advise the Co-owners of the apparent conflict and/or take no action as to any such instruction until Goldman Sachs receives instructions from any one or more of the Co-owners that Goldman Sachs deems satisfactory. (c) Client agrees to inform Goldman Sachs promptly in writing if any representation, warranty or agreement made by the Client in this Agreement is no longer true or requires exception or modification to remain true.

10. Limitation of Liability; Indemnification. (a) Goldman Sachs shall not be liable for any expenses, losses, damages, liabilities, demands, charges and claims of any kind or nature whatsoever (including without limitation any legal expenses and costs and expenses relating to investigating or defending any demands, charges and claims) (collectively "Losses") by or with respect to the Investment Account except to the extent that such Losses are actual investment losses (and not incidental Losses or expenses) which are the direct result of an act or omission taken or omitted by Goldman Sachs during the term of the Agreement hereunder which constitutes gross negligence or bad faith with respect to Goldman Sachs' obligations to select and execute transactions in accordance with the Investment Guidelines as described in Section 1 hereof.

(b) The Client shall reimburse, indemnify and hold harmless Goldman Sachs, its affiliates and their partners, directors, officers and employees and any person controlled by or controlling such persons ("indemnitees") for, from and against any and all Losses (i) relating to this Agreement or the Investment Account arising out of any misrepresentation or act or omission or alleged act or omission on the part of the Client or any of its agents; or (ii) arising or relating to any demand, charge or claim in respect of an indemnitee's acts, omissions, transactions, duties, obligations or responsibilities arising pursuant to this Agreement, unless (1) a court with appropriate jurisdiction shall have determined by a final judgment which is not subject to appeal that such indemnitee is liable in respect of the demands, charges and claims referred to in this paragraph or (2) such indemnitee shall have settled such demands, charges and claims without the Client's consent

11. Assignment. Neither Client nor Goldman Sachs may assign its rights or delegate its obligations under this Agreement, in whole or in part, without the prior written consent of the other party, provided that Goldman Sachs may transfer its rights and obligations under this Agreement to any subsidiary, affiliate or successor by merger or consolidation or otherwise if such transaction does not constitute an "assignment" for purposes of the Investment Advisers Act of 1940. Upon any such delegation and the assumption of obligations by such successor entity, Goldman Sachs shall be relieved of, and fully discharged from, all of its obligations hereunder, whether such obligations arose before or after the date of such delegation and assumption.

12. Services to Other Clients: Certain Affiliated Activities: Conflicts of Interest. (a) The relationship between Goldman Sachs and the Client is as described in this Agreement. Client acknowledges that, as a result of such relationship, there may be circumstances in which Goldman Sachs and its affiliates act as agent for the Client and another person, and effect transactions with or for the Investment Account in instances in which Goldman Sachs and its affiliates have multiple interests. Without limiting the generality of the foregoing, Goldman Sachs and its affiliates may act as adviser to clients in investment banking, financial advisory, underwriting, asset management and other capacities with respect to investments that may be made or are held in the Investment Account, and Goldman Sachs, its affiliates and their personnel may act in a proprietary capacity, with long or short positions, and may issue or underwrite investments of all types, including those which the Investment Account may invest in or hold. Such personnel may serve as directors of companies the securities of which the Investment Account may invest in or hold. Client authorizes Goldman Sachs and its affiliates to provide the advisory services described herein, notwithstanding such conflicts, or potential conflicts, of interest.

(b) Client acknowledges and agrees that Goldman Sachs and its affiliates, in its or their sole discretion, may refrain from recommending or effecting transactions in certain circumstances due to: (i) applicable regulatory requirements; (ii) Goldman Sachs' or its affiliates' internal policies designed to comply with such requirements; (iii) the conflicts, or potential conflicts, of interest, described in Section 12(a) above or otherwise (notwithstanding Client's above-stated authorization to act irrespective of such conflicts or potential conflicts); or (iv) for any other reason.

13. Effectiveness: Termination. Client understands and agrees that, notwithstanding the execution of this Agreement by Client and Goldman Sachs, Goldman Sachs may refrain from providing the advisory services described herein for the Investment Account until such time as all of Goldman Sachs' internal procedures with regard to the establishment of such accounts have been completed. Such procedures may include, without limitation, the obtaining of certain internal approvals. The Agreement may be terminated by Goldman Sachs or the Client without penalty or other additional payment, save that the Client will pay the fees of Goldman Sachs referred to in Section 3 of the Agreement, prorated to the date of termination. Termination shall be effective immediately upon one party's receipt of written notice of termination from the other party, provided that the Client shall be responsible for any trades entered for the Investment Account before such termination is effective. Section 3 and Sections 8 through 15, and Sections 17 and 18 shall survive the termination of this Agreement.

14. Notices. All notices and instructions with respect to securities transactions or any other matters contemplated by this Agreement shall be deemed duly given when delivered in writing to the appropriate party at the addresses set forth in this Section 14, or to such other address as shall be notified in writing by that party to the other party from time to time or, if sent by facsimile, upon transmission, as the case may be. In the event that the facsimile number and/or address set forth below differs from that/those set forth on Appendix C, the facsimile number and address set forth on Appendix C shall govern as to sending of Principal Trade Letters.

For Goldman, Sachs & Co.:

Notice Address:

1000 Louisiana, Ste. 550  
Houston, TX 77002  
Attention: Robert Mueller  
Phone: 713-654-8470  
Fax: 713-658-2608

For Client:

Notice Address:

[REDACTED]

Attention: Ken Lay  
Phone: [REDACTED]  
Fax: [REDACTED]

15. Entire Agreement; Amendment This Agreement, including the Appendices attached hereto and incorporated herein by reference, constitutes the entire agreement of the parties with respect to management of the Investment Account and may not be amended except by a writing signed by the parties. If any provision or any part of a provision of this Agreement shall be found to be void or unenforceable, it shall not affect the remaining provisions which shall remain in full force and effect. In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of any other agreement between Client and Goldman Sachs pertaining to the Investment Account, the terms and conditions of this Agreement shall govern.

16. Margin. Client acknowledges and agrees that Goldman Sachs is authorized to trade on margin for the Investment Account. In connection with such trading, Client agrees to maintain margins for the Investment Account as Goldman Sachs may require from time to time. Client agrees to pay interest charges which are imposed, in accordance with Goldman Sachs' usual custom, with respect to the Investment Account and to pay on demand any debit balance owing with respect to the Investment Account. Client agrees that securities and other property in the Investment Account may be carried in Goldman Sachs' general loans and may be pledged or hypothecated separately or in common with other securities and any other property for the sum due to Goldman Sachs thereon or for a greater sum and without Goldman Sachs retaining in its possession and control for delivery a like amount of similar securities or other property.

17. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK. Nothing herein shall constitute a waiver or limitation of any rights which the Client may have, if any, under any applicable U.S. federal and state securities laws.

18. Arbitration.

- (a) Arbitration is final and binding on the parties.
- (b) The parties are waiving their right to seek remedies in court, including the right to a jury trial.
- (c) Pre-arbitration discovery is generally more limited than and different from court proceedings.
- (d) The arbitrators' award is not required to include factual findings or legal reasoning and any party's rights to appeal or to seek modification of rulings by the arbitrators is strictly limited.
- (e) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

Any controversy between Goldman Sachs (together with any of its affiliates also involved in such controversy) or any of its or their partners, officers, directors or employees on the one hand, and the Client or Client's agents on the other hand, arising out of or relating to this Agreement, the transactions contemplated hereby, or the accounts established hereunder shall be settled by arbitration, in accordance with the rules then obtaining of any one of the American Arbitration Association or The New York Stock Exchange, Inc., or any other exchange of which Goldman Sachs or its affiliates is a member, or the National Association of Securities Dealers, Inc. or The Municipal Securities Rulemaking Board, as the Client may elect. If the Client does not make such election by registered mail addressed to Goldman Sachs at the address listed on the signature pages hereto within ten (10) days after receipt of notification from Goldman Sachs requesting such election, then the Client authorizes Goldman Sachs to make such election on behalf of the Client. The award of the arbitrator shall be final, and judgment upon the award rendered may be entered in any court, state or federal, having jurisdiction.

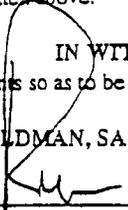
No person shall bring a putative or certified class action to arbitration, nor seek to enforce any predispute arbitration agreement against any person who has initiated in court a putative class action or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; (ii) the class is decertified; or (iii) the Client is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

19. Effective Date. Subject to the provisions of Section 13, this Agreement shall become effective on the day and year first written above.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly appointed agents so as to be effective as provided herein.

GOLDMAN, SACHS & CO.

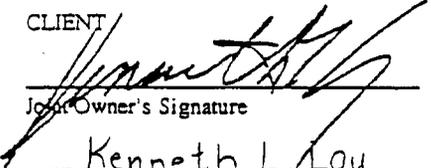
  
\_\_\_\_\_  
Signature

VICE PRESIDENT  
Title

8/10/99  
Date

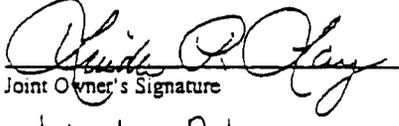
A predispute arbitration clause is contained in Section 18 hereof.

CLIENT

  
\_\_\_\_\_  
Joint Owner's Signature

Kenneth L. Lay  
Name of Joint Owner (Please Type or Print)

8/5/99  
Date

  
\_\_\_\_\_  
Joint Owner's Signature

Linda P. Lay  
Name of Joint Owner (Please Type or Print)

8/5/99  
Date

APPENDIX A

INVESTMENT GUIDELINES AND ADDITIONAL DISCLOSURES

I. Investment Objectives

THE FOLLOWING PRIORITIZATION OF INVESTMENT OBJECTIVES APPLIES ONLY TO THE INVESTMENT ACCOUNT; SUCH INFORMATION DOES NOT APPLY TO ANY OTHER ACCOUNT(S) MAINTAINED BY CLIENT WITH GOLDMAN SACHS OR ANY OF ITS AFFILIATES. SIMILARLY, THE RANKING OF INVESTMENT OBJECTIVES AND/OR THE ESTABLISHMENT OF INVESTMENT GUIDELINES FOR ANY SUCH ACCOUNT(S) SHALL HAVE NO APPLICATION OR RELEVANCE TO THE INVESTMENT ACCOUNT.

While individual transactions may vary, Client's investment objectives with respect to the Investment Account are set forth below. Please rank all applicable objectives in order of preference ("1" indicates the highest preference, "5" indicates the lowest preference).

- 1 Growth: Client is more interested in having the market value of the portfolio grow over the long term than in current income from portfolio; Client is prepared to accept additional risk to principal to achieve this growth.
- 4 ~~3~~ Income: Client is more interested in obtaining a steady stream of current income from the portfolio than in growth of the portfolio.
- 3 ~~4~~ Safety of Principal: Client is interested primarily in preserving the value of the account assets, and is willing to forego more growth or higher income.
- 5 ~~2~~ Trading Profits: Client wants to take advantage of short-term trading opportunities, which may involve establishing and liquidating positions quickly.\*
- 2 Speculation: Client is interested in taking above-average risks to principal in an attempt to achieve above-average returns.\*
- \* PLEASE SEE SECTION III BELOW IF "TRADING PROFITS" OR SPECULATION" IS RANKED FIRST OR SECOND.

8/04/99

Per Rob Mueller, this election per the investment advisory agreement supersedes statements of investment objectives for accounts 014-07661-6 & 014-078422-041.

SBJ

## II. Investment Guidelines

Goldman Sachs is hereby granted and shall have full power and discretionary authority to invest and reinvest the assets constituting the Investment Account in such manner as it may deem advisable including, but not limited to, the authority to trade, buy, sell (long or short) or otherwise acquire (including on a when-issued or forward-delivery basis), hold or dispose of the following domestic and foreign securities and instruments in the following categories:

- Equity securities including without limitation common and ordinary stock (including ADRs and GDRs), and limited partnership interests, and rights, warrants, and convertible and non-convertible preferred stocks.
- Open-end or closed-end investment companies, unit investment trusts or other collective investment funds, registered or non-registered.
- Evidences of indebtedness including, without limitation, any bonds, debentures, notes and convertible and non-convertible debt obligations.
- Restricted or privately placed securities, including investments not traded on a recognized investment exchange. Such investments are ordinarily "illiquid" and may at times be difficult to value and sell.
- Any non-investment grade rated obligation (i.e., rated less than Baa3 by Moody's Investors Service, Inc. and less than BBB - by Standard & Poor's Corporation) or unrated debt obligation. Issuers of such speculative grade securities (commonly referred to as "junk bonds") generally have highly leveraged capital structures, subjecting investors to a high degree of risk.
- Options on securities (covered or uncovered) and on securities indexes (including, without limitation, over the counter options); and forwards, swaps and other derivative transactions relating to securities, currencies and interest rates.
- Any foreign currencies.
- Goldman Sachs shall have the power to borrow on behalf of the Client without limitation (including trading on margin) and to collateralize such borrowings with assets in the Investment Account.

Notwithstanding the broad grant of power and discretionary authority described above, Client acknowledges and agrees that Goldman Sachs may, from time to time, adopt policies restricting the activities of investment advisory accounts, including those of the Investment Account.

THE FOLLOWING SECTION APPLIES ONLY TO INVESTMENT ACCOUNTS THAT HAVE RANKED "SPECULATION" OR TRADING PROFITS" FIRST OR SECOND IN SECTION I ABOVE:

III. Disclosures and Representations Regarding "Speculation" and "Trading Profits"

Disclosure of Risk

An Investment Account identifying "Speculation" or "Trading Profits" as its first or second investment priority may be traded aggressively in an attempt to maximize short-term gains, and less conservative positions may be established with the objective of achieving above-average returns. As a result, activity in the Investment Account may be more risky and the volume may be substantially higher than that of accounts with objectives such as safety of principal or income, and there may be considerable use of leverage.

Additional Representations by Fiduciaries

Since the activity described in the immediately preceding paragraph may not always be appropriate for all fiduciary accounts, each of the fiduciaries of the Investment Account (collectively, the "Fiduciaries") represents that the above-described selection and ranking of investment objective is suitable for the Investment Account and is in conformity with the Investment Account's purpose and financial condition, applicable law, governing documents and applicable fiduciary responsibilities. In addition, each of the Fiduciaries agrees that i) any one or more of the Fiduciaries is authorized to reaffirm the above representation and to make such other representations as are requested by Goldman Sachs and ii) Goldman Sachs is entitled to rely on such representations as the duly authorized act of all of the Fiduciaries which will be binding on the Investment Account and all the Fiduciaries.

APPENDIX B

FEE SCHEDULE

The Client shall pay or cause to be paid to Goldman Sachs as remuneration for its investment management services an annual investment management fee pursuant to the schedule set forth below:

For equity, balanced or opportunistic accounts:

First \$10 million of assets	1.00%
Next \$10 million of assets	75 basis points ("bp")

For fixed income accounts:

First \$10 million of assets	40 bp
Next \$10 million of assets	30 bp

Each quarter a base fee will be calculated on the average of the value of the Investment Account on the last business day of each month. The quarterly fee will be billed in arrears and payable, or debited from the Investment Account, within 30 days after the end of each quarter. Fees will be prorated upon establishment of the Investment Account and upon termination of the Investment Account.

Any amounts invested in a registered open-end investment company for which Goldman Sachs or an affiliate serves as investment adviser, other than amounts reflecting short-term cash balances invested in Goldman Sachs money market funds, will be excluded in calculating the value of the Investment Account.

## APPENDIX C

### PRINCIPAL TRADE LETTER

The purpose of this letter is to confirm the Client's authorization to the herein described procedures pursuant to which the Client may consent or object to specific purchases and sales of portfolio securities or other instruments for the Client's account ("Investment Account") and consent or object to such purchases and sales being executed by Goldman, Sachs & Co. or any of its affiliates (individually and collectively, "Goldman Sachs") as principal transactions. A principal transaction is a transaction where Goldman Sachs sells a security it owns to the Client, or where Goldman Sachs purchases a security from the Client for its own account.

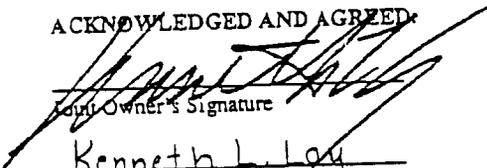
1. Before transmitting an order for execution of a principal transaction for the Investment Account, the Client's Financial Adviser will transmit a facsimile notice to the Client or the Client's designated representative. For such purpose the Client designates facsimile number 719-630-0574 Attention: Sherry Gibe and agrees that a notification sent to such facsimile number will be deemed received by the Client. This notice shall inform the Client of the proposed terms of the transaction as follows:
  - (a) the principal capacity in which Goldman Sachs proposes to act;
  - (b) a description of the security to be purchased or sold;
  - (c) the maximum number of shares involved; and
  - (d) that the purchase or sale will be made at the market price of the security (which may be determined by Goldman Sachs) at the time of purchase or sale, or, in the case of a purchase of an underwritten offering, at the public offering price therefor.
2. The Client or the Client's designated representative may consent or object to the transaction itself and/or to the execution of the transaction on a principal basis by notifying the Client's Financial Adviser either orally or in writing within three hours following receipt of the notification.
3. If the Client or the Client's designated representative, within three hours following receipt of the written notification: i) objects to the transaction, the transaction will be not be executed; ii) consents to the transaction, but objects to its execution on a principal basis, the transaction may be executed by the Client's Financial Adviser on an agency basis; or iii) consents both to the transaction and to its execution on a principal basis, the transaction will be executed as soon as practicable after the Client's Financial Adviser receives such consent, subject to the availability of securities and market conditions.
4. If the Client or the Client's designated representative does not object or consent to the transaction or to its execution on a principal basis within three hours following receipt of notification of the proposed transaction, the Client will have constructively consented to the transaction and to its execution on a principal basis, and the transaction will be executed for the Investment Account, subject to the availability of securities and market conditions.

5. The Client agrees to timely inform Goldman Sachs as to an alternative facsimile number or other means of contacting number set forth above; if the Client or the Client's designated representative is not available to receive transmission at the facsimile number set forth above and the Client does not timely inform Goldman Sachs of an alternate means of contacting the Client (or the Client's designated representative), the Client agrees that a transmission sent to the facsimile number above will be deemed the Client if the Client (or the Client's designated representative) will not be available to receive transmissions at the facsimile received by the Client. If the Client's designated facsimile machine is inoperable or otherwise unavailable, the written notice contemplated by this letter may be sent by messenger or courier service to the address set forth below, and receipt of such written notice will occur when delivery of such notice is made:

Sherrie Gibson  
2001 Kirby Drive, Suite 1240  
Houston, TX 77019

6. The Client acknowledges that Goldman Sachs will normally include a "mark-up" or "mark down" or other commission equivalent in the net price at which principal transactions are executed, and that Goldman Sachs thereby may receive a profit or other income from the transaction.
7. As described in Section 5(c) of the attached Investment Advisory Agreement, the provisions of, and the procedures set forth in, this letter may be modified by Goldman Sachs, effective upon Client's receipt of written notice thereof, in the event of changes in applicable regulations relating to principal transactions or changes in Goldman Sachs' interpretation of such regulations.
8. The procedures described in this letter are a non-exclusive means by which Goldman Sachs may comply with the regulatory requirements applicable to principal transactions. Goldman Sachs reserves the right to take any other actions that would result in compliance with the such requirements.

ACKNOWLEDGED AND AGREED:

  
Joint Owner's Signature

Kenneth L. Lay  
Name of Joint Owner (Please Type/Print)

8/5/99  
Date

  
Joint Owner's Signature

Linda P. Lay  
Name of Joint Owner (Please Type/Print)

8/5/99  
Date