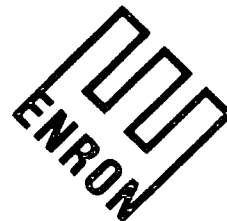


Houston Economic Opportunity Fund ("HEOF")



2012-0043-S
DETERMINED TO BE AN
ADMINISTRATIVE MARKING
INITIALS: MM DATE: 12-6-11



Confidential

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Equity - The Missing Link

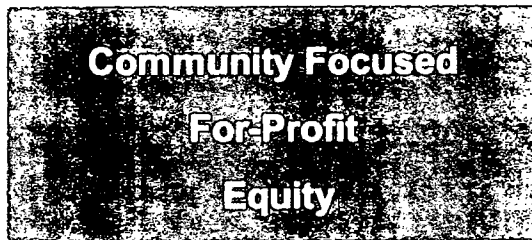
Sources

Uses

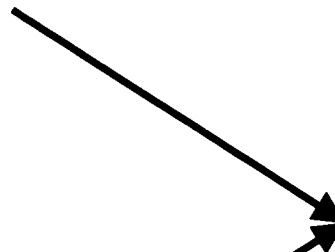
Federally Mandated and
Voluntary Senior Debt

\$

Identified
Community
Investment
Opportunities



"Houston Economic Opportunity Fund, L.P."
(HEOF)

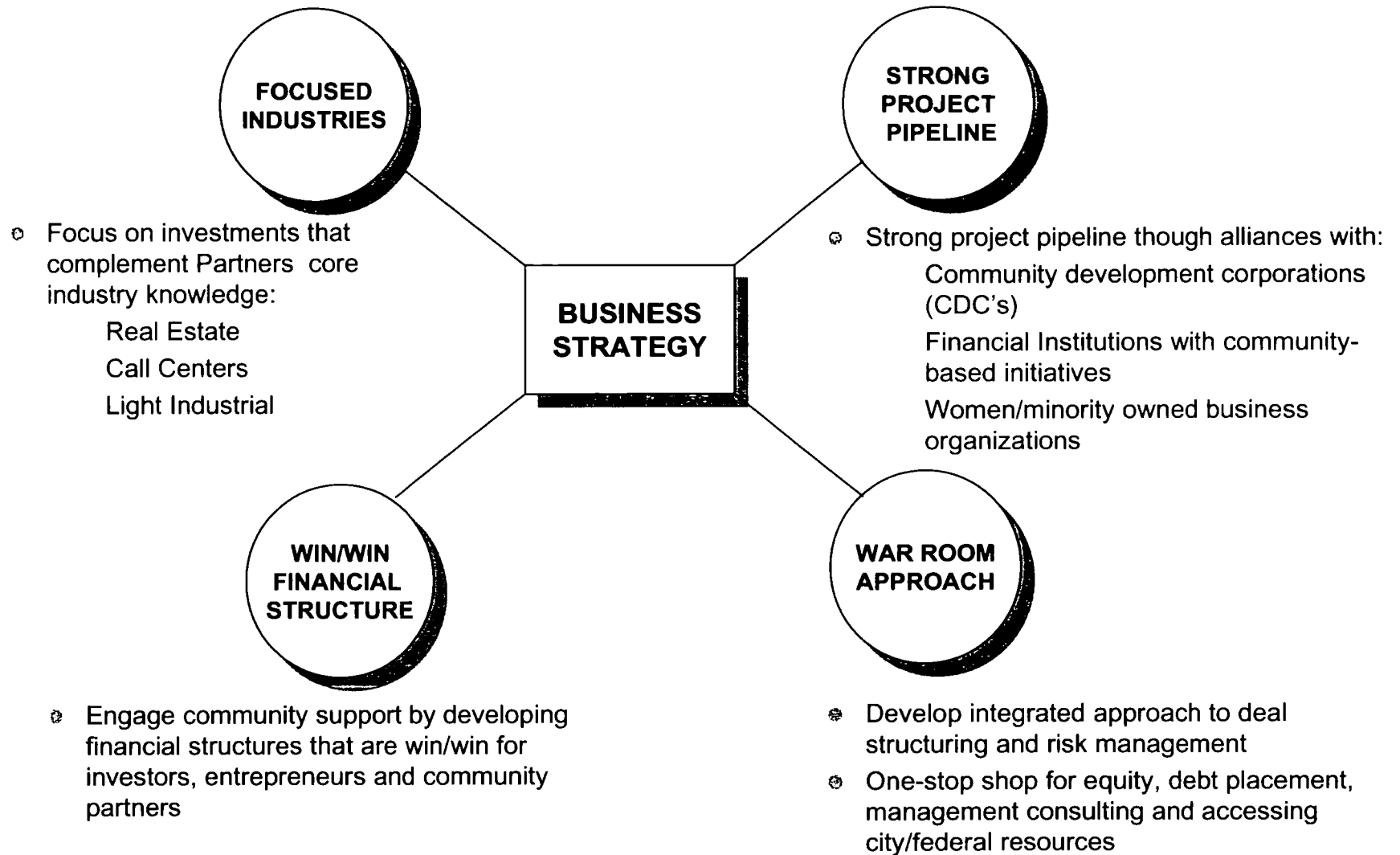


HEOF Objectives

- Develop a premier for-profit community investment vehicle, creating significant value for investors, community partners and local entrepreneurs.
- Employ community-proven, public-private partnerships that utilize a market-based model and genuine competitive advantages.
- Leverage Partners' core industry and structuring competencies with other key competitive advantages in Houston's inner city.



HEOF Business Strategy

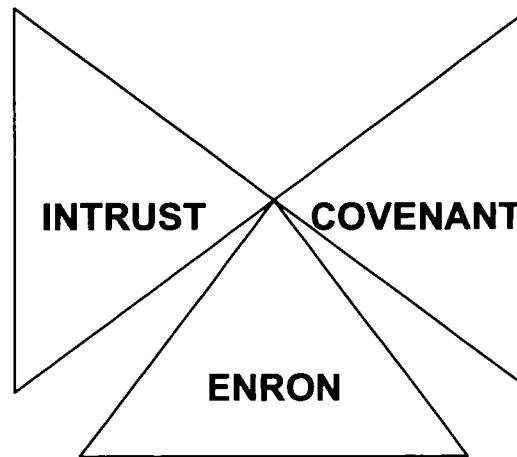


Partnership Strengths

“PUBLIC/PRIVATE PARTNERSHIP MODEL”

“INTERMEDIARY”

- Significant experience in community development financing
- Institutional network of community development investors
- Industry experience in real estate and call center development



“COMMUNITY PARTNER”

- Market-driven community partner
- Large network of community development organizations and deal flow
- Access to city, state and federal resources
- Understands community needs and political landscape
- Board has significant experience in small business lending

“LEAD SPONSOR (CATALYST)”

- Capital partner (lead sponsor)
- Innovative/entrepreneurial culture
- Considerable experience in risk management, financial structuring and asset management
- Significant experience in private equity investments

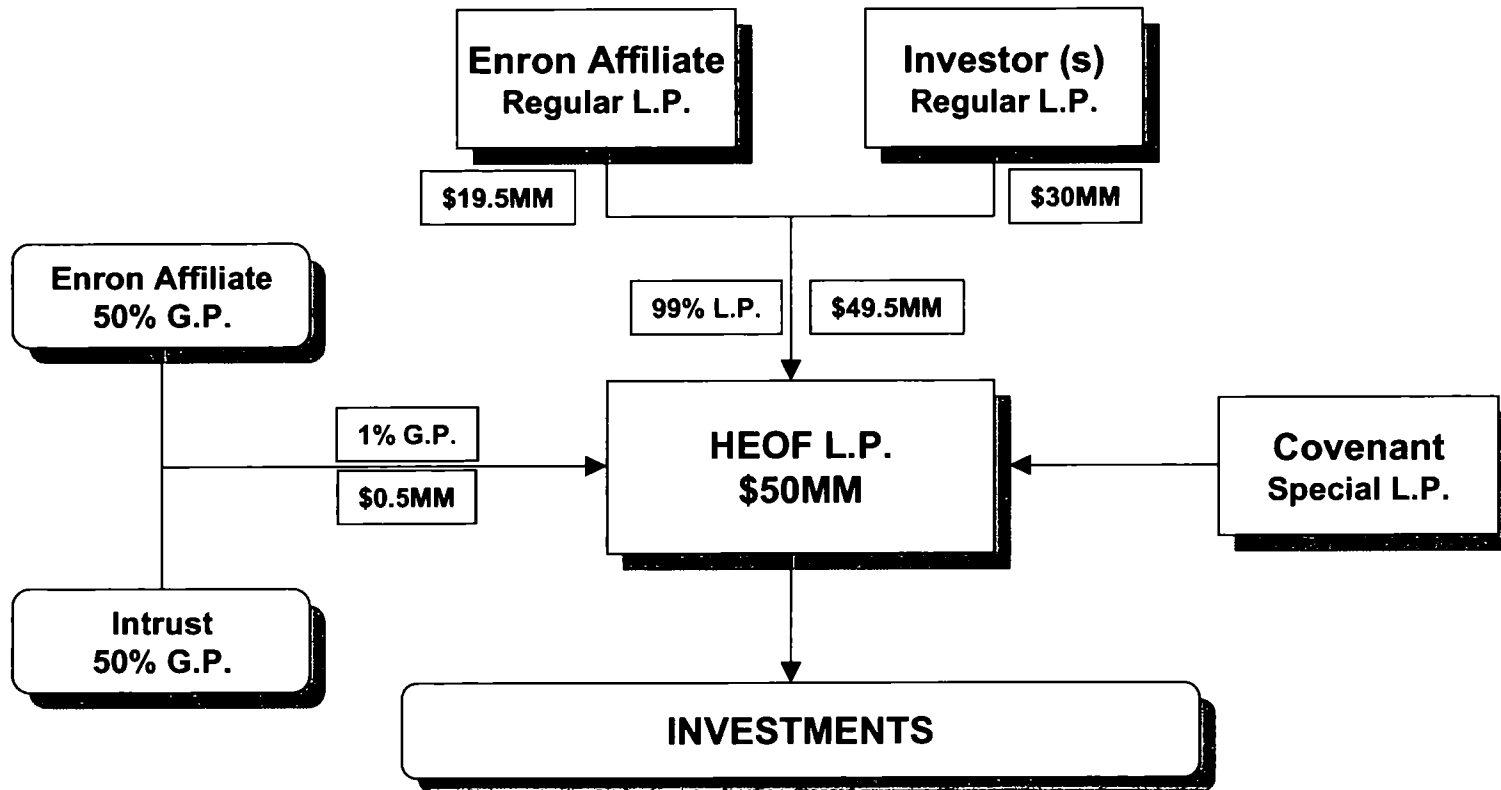
Strong Investment Performance

	JEDI I	JEDI II
Closing Date:	June 1993	December 1997
Committed Capital:	\$500MM	\$1,000MM
Partners:	Enron/CalPERS	Enron/CalPERS
Credit Facility Size:	\$500MM	\$500MM
Total Capital Invested: ¹	\$1,600MM	\$750MM
Date of Limited Partner's Exit:	November 1997	N/A
Target IRR:	15.0%	20.0%
Limited Partner's Return at Exit: ²	22.5%	30-34% ³
Comparable Market Returns:		
E&P Equity Basket ⁴	12.8%	N/A
S&P500	22.8%	28.8%

1 Includes reinvestment of capital from dispositions during the commitment period.
 2 Net of carried interest and expenses.
 3 Returns for non-realized investments based on valuations as of December 31, 1998.
 4 Comprised of 33 small-to-mid-cap E&P companies.



Fund Structure Diagram



Overview of Fund Terms

<i>Description:</i>	Houston Economic Opportunity Fund, L.P. (“HEOF”, the “Fund”) Delaware Limited Partnership sponsored jointly by Enron Corp., Intrust USA and Covenant Community Capital.
<i>Capital Contributions:</i>	\$50 million
<i>General Partners:</i>	Enron and Intrust to act as Co-General Partners.
<i>Special Limited Partner:</i>	Covenant will be the Designated Community Partner through an advisory relationship with the Fund.
<i>Regular Limited Partners:</i>	Financial institutions, federal agencies and other corporate entities with interest in program strategy.
<i>Permitted Portfolio Investments:</i>	Defined as Investments in woman- and minority-owned businesses or in Project Entities located in the following: <ul style="list-style-type: none">i.) Houston Enhanced Enterprise Community (“EEC”);ii.) State enterprise zones; andiii.) Within census tracts in which 50% or more of households earn 80% or less than the area median income.



Overview of Fund Terms

Types of Industries: Light industrial projects, residential and commercial real estate, retail-based businesses, call centers and women/minority-owned vendors to Houston corporations.

Investment Structure: Common stock, preferred and convertible preferred stock, income participation certificates and subordinated debt.

Investment Diversification: No single investment will exceed the greater of \$5 million or 10% of the Fund commitments, and no less than \$50,000 initial funding.

<i>Distributions:</i>	<u>Capitalized Gen. Partners & Reg. Limited Partners</u>	<u>Earned Interest</u>		
		<u>Enron/Co-GP</u>	<u>Intrust/Co-GP</u>	<u>Covenant/Special LP</u>
<i>Before a Return of Capital plus 8% Return on Capital</i>	100%	0%	0%	0%
<i>After a Return of Capital plus 8% Return on Capital is Achieved by the Reg. Ltd. Partners</i>	80%	10%	5%	5%



Overview of Fund Terms

- Investment Decisions:* Limited to Enron and Intrust with appropriate input from Covenant.
- Commitment Period:* Three years from the date of first closing with option to extend for two successive one-year periods by the General Partners.
- Term:* The first to occur of:
- i). the third anniversary of the expiration of the Commitment period; or
 - ii). the sale of the Partnership Interest resulting in a single owner ; or
 - iii). withdrawal or bankruptcy of the last remaining General Partner.
- Management Fees:* 2.5% per annum payable by the Regular Limited Partners based on the total of funded and unfunded Commitments.
- Formation Expenses:* 2% of the Commitments for reimbursement of General Partners' and Special Limited Partner's previously incurred organizational expenses.



HEOF Transaction Approval and Asset Management Process



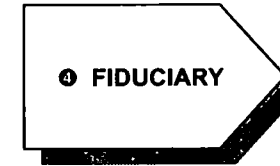
- **Transaction Identification**
 - Intrust
 - Covenant
 - Enron
- **Screening of Initial Investments**
 - Intrust
 - Covenant
 - Enron
- **Preliminary Due Diligence**
 - Market/Project Analysis
 - Credit Analysis
 - Deal Summary Report
 - Base Case Model
- **Preliminary Approval**
 - Confidentiality/LOI
 - Preliminary Term Sheet



- **Deal Structuring**
 - Legal
 - Tax/Accounting
 - Enron/Intrust
 - Final Term Sheet
- **Final Approval**
 - Intrust
 - Covenant (input)
 - Enron
- **Closing/Funding**
 - Documentation
 - Press Release
 - Funding



- **Asset Compliance**
 - Covenant Compliance
 - Project Financial Reporting
 - Operational Reports/Budgets
- **Account Management**
 - Asset Performance
 - Risk Management
 - Board Representation
 - Client Visits
 - Restructuring/Liquidation

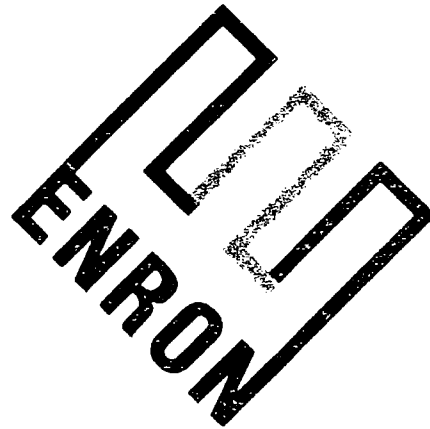


- **Financial Reporting**
 - Quarterly/Annual Financial Statements
 - Portfolio Performance Reporting
 - Ongoing Monitoring of Assets
- **Investor Meetings**
 - Regular Investor Meetings
 - Arbitration/Resolutions



Enron Corp.

Risk Assessment & Control



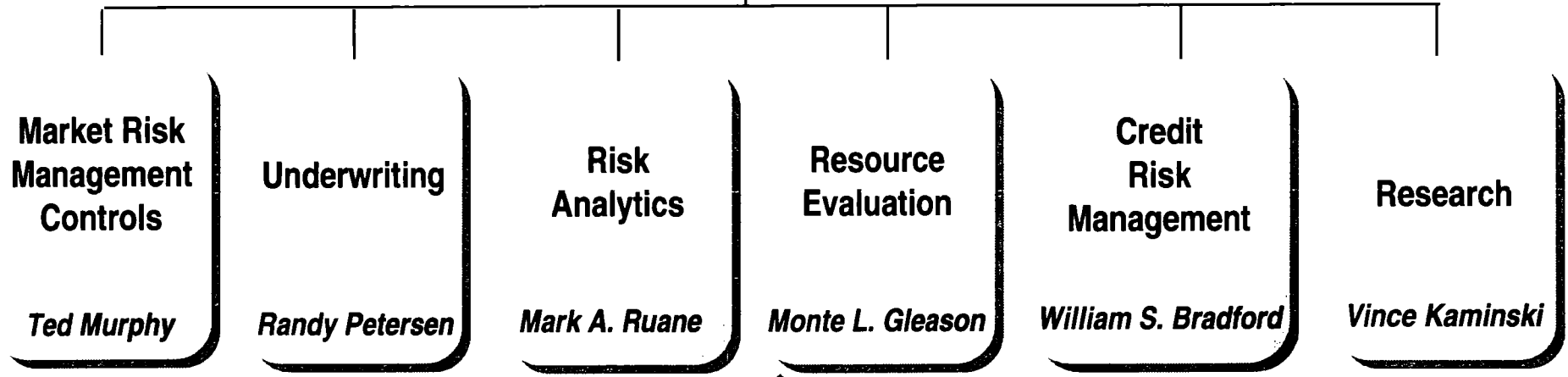
Risk Assessment & Control Group (“RAC”)

126
Professionals

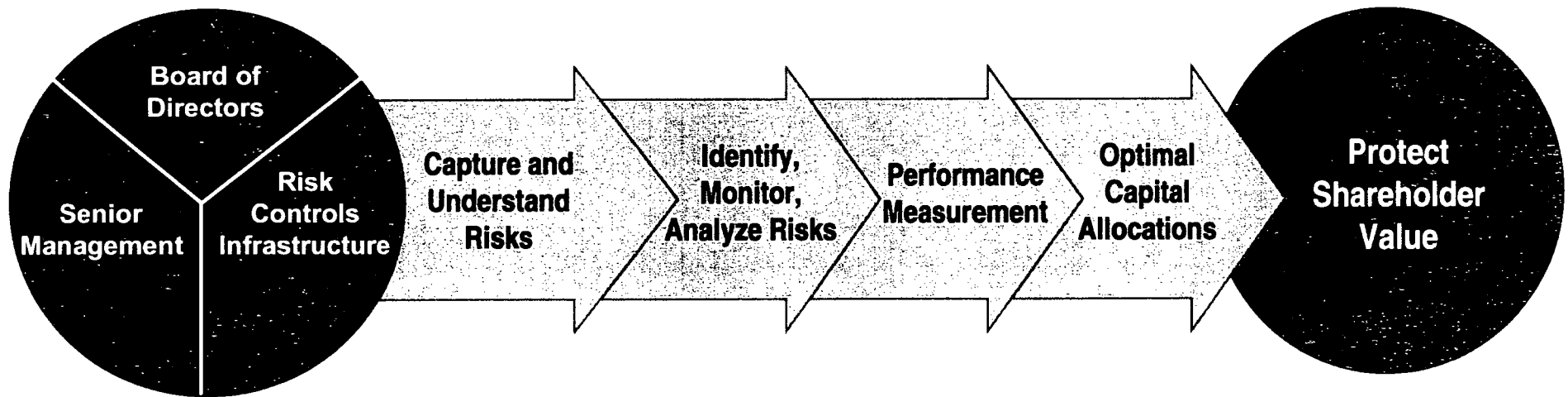
Enron Board of Directors

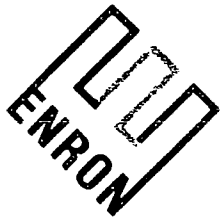
President & COO Enron
Jeffrey K. Skilling

Chief Risk Officer
Richard B. Buy



Evaluating Risk





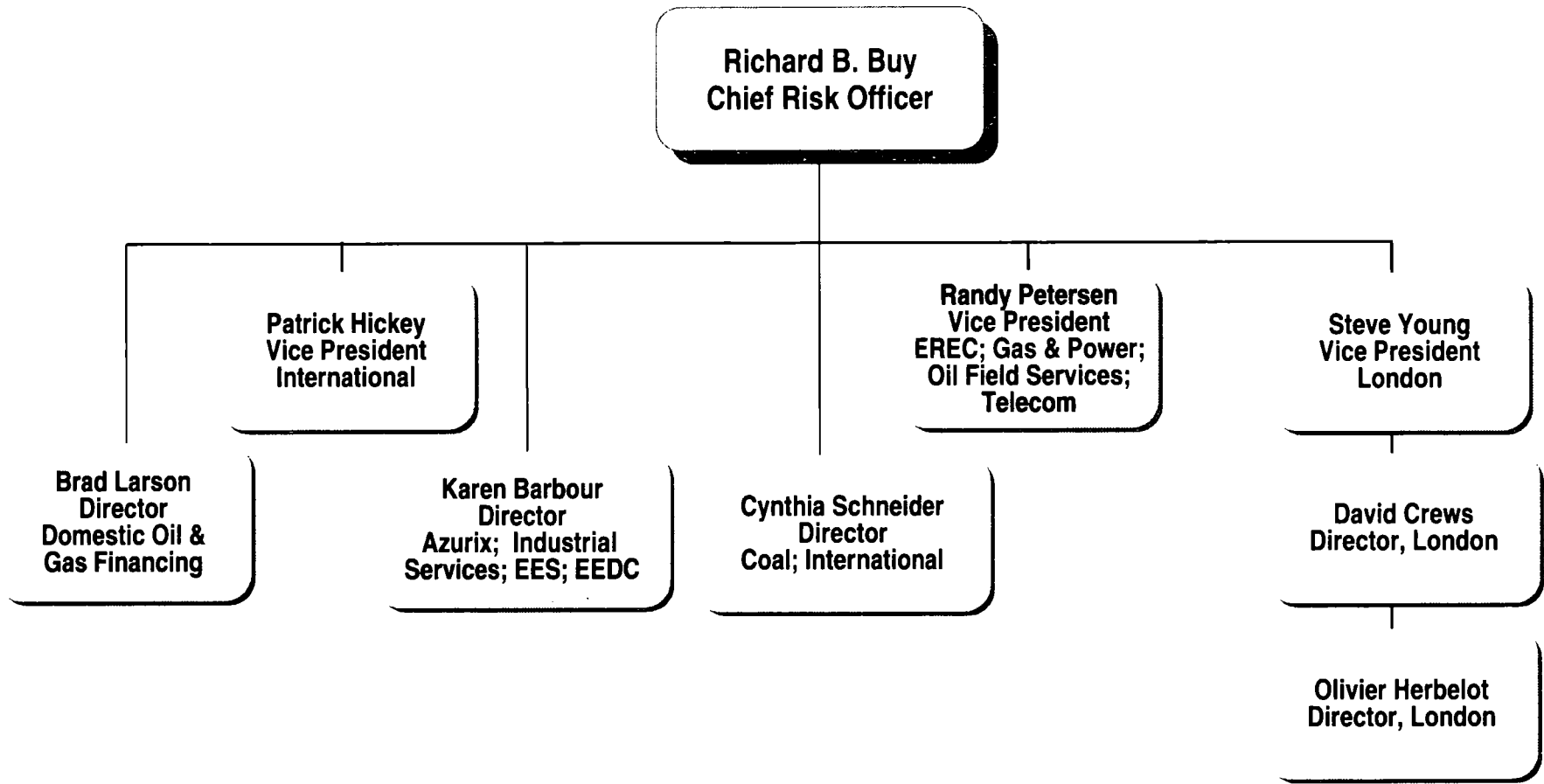
Enron Corp. - Risk Assessment & Control

Underwriting

Presented by:

Randy Petersen
Vice President

Underwriting Group

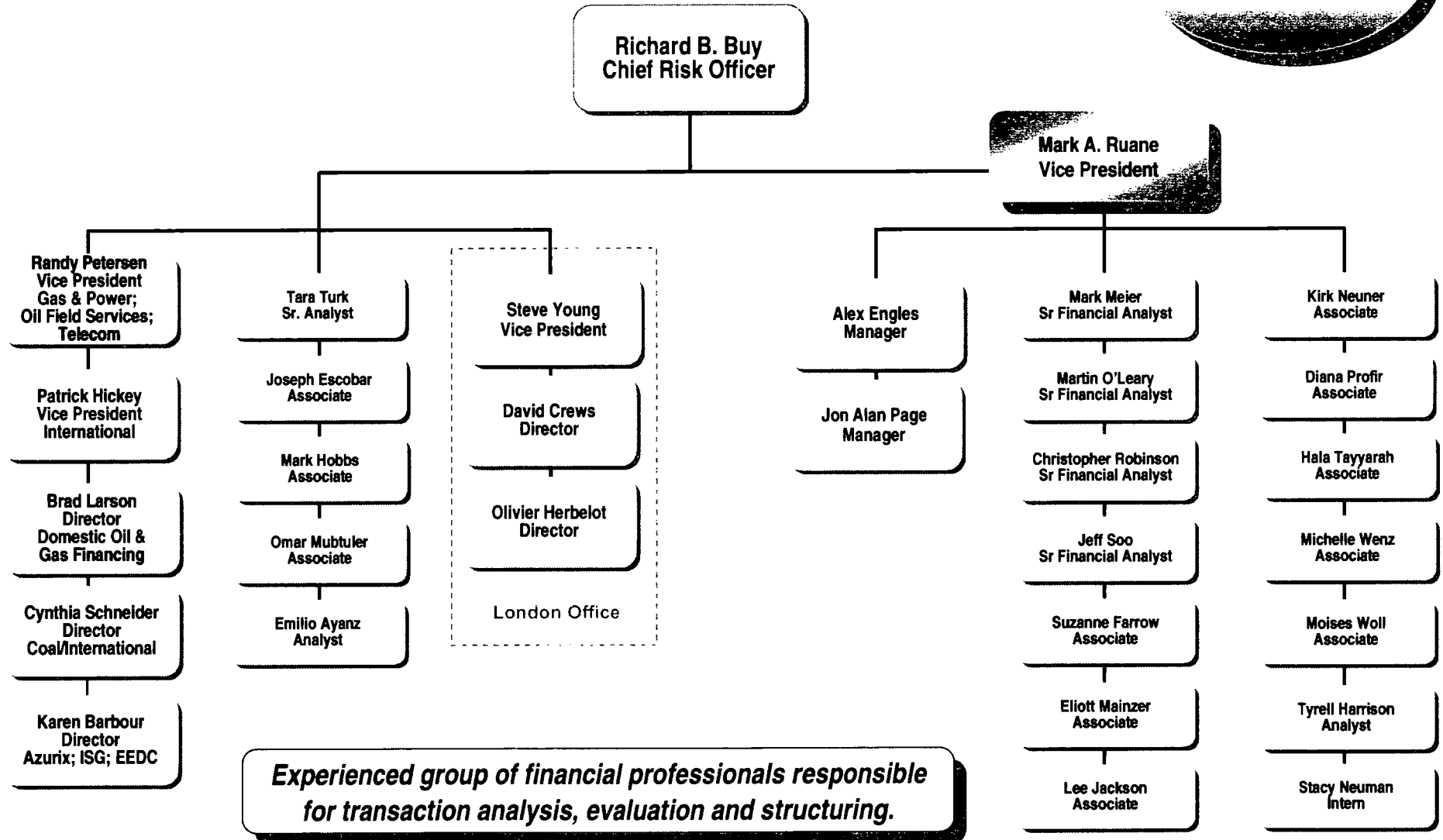


Experienced group of financial professionals responsible for transaction analysis, evaluation and structuring.



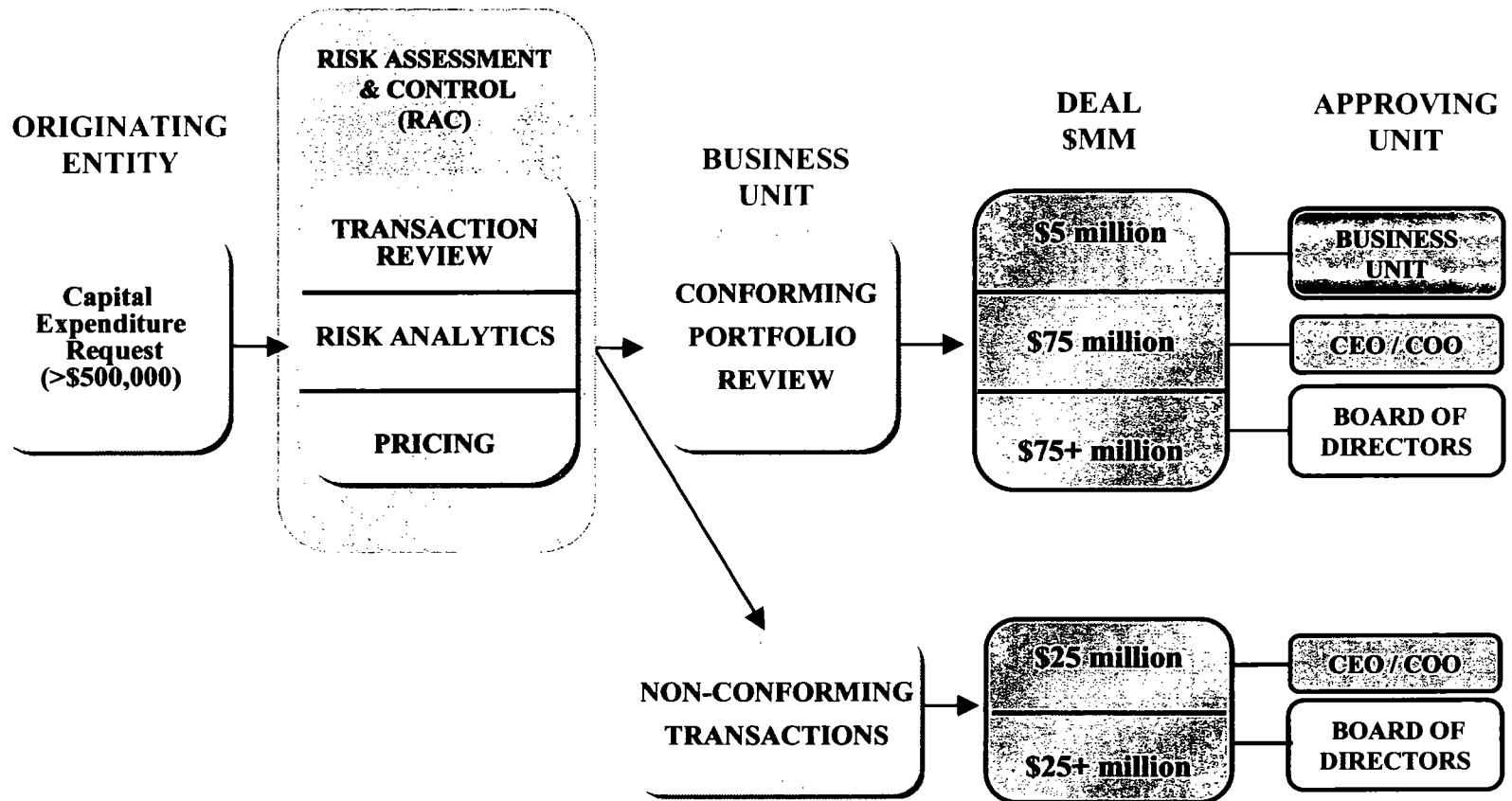
Underwriting & Risk Analysis Group

**30
Professionals**



Transaction Approval Process

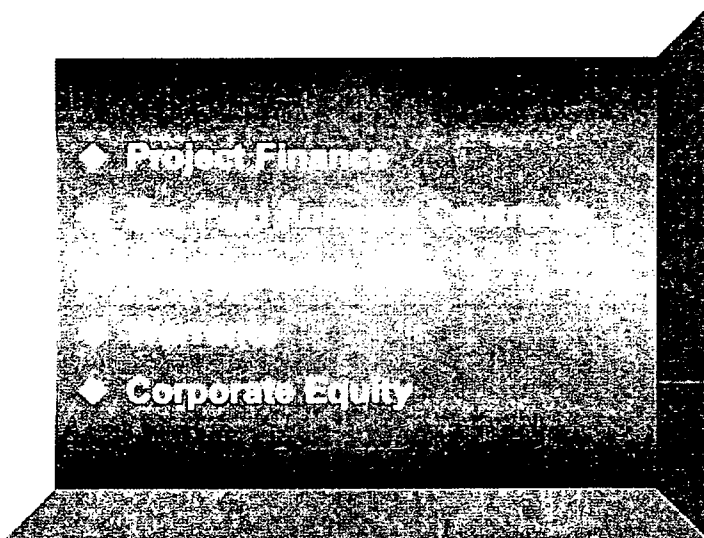
Enron Board of Directors Actively Reviews Capital Transactions



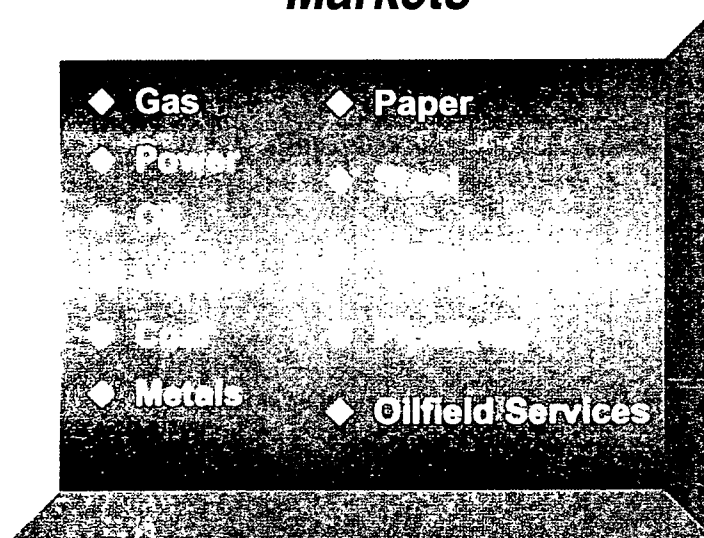
Transaction Universe

Underwriting

Products

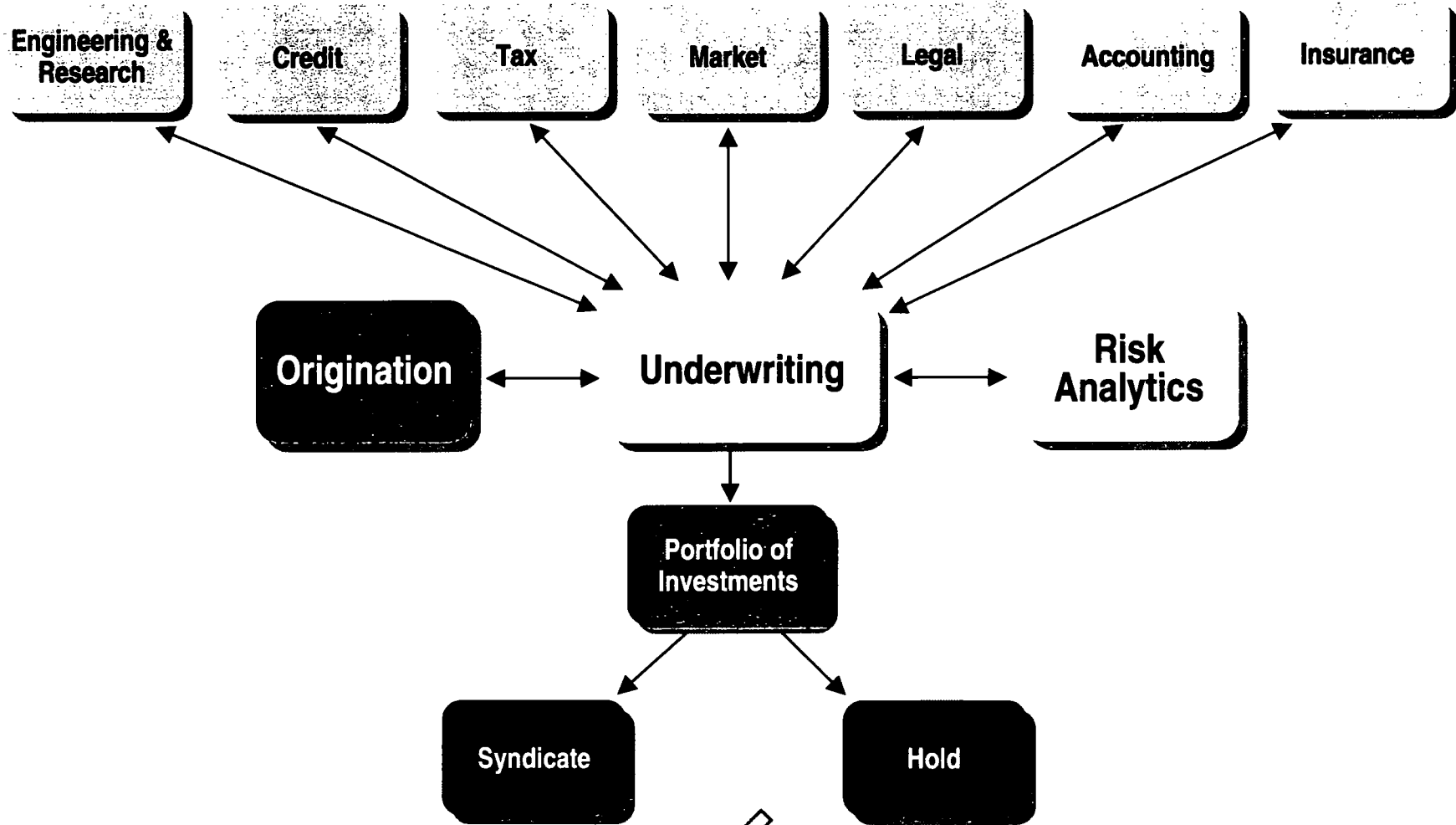


Domestic and International Markets



Transaction Review

TRANSACTION REVIEW
RISK ANALYTICS
PRICING



Transaction Review

- Financial Projects
 - Evaluation of critical assumptions
 - Realistic vis-à-vis historical
 - Accurate (modeling mistakes)
 - Risk Analytics (RAROC)
- Structure Review
 - Cash flow matches debt amortization
 - Cash flow risk matches pricing for investment
 - Review of contract
 - Documentation of credit provisions in contracts
 - Collateral/ Security
- Character Review
 - Transaction consistent with Enron philosophy
 - Management reputable
 - Value to customer and Enron
- Sovereign Risk
 - Repatriation
 - Currency devaluation
 - Inflation
 - Insurance
 - Political Climate
 - Economic environment



Example Transaction Approval Document

ENRON RISK ASSESSMENT AND CONTROL DEAL APPROVAL SHEET

DEAL NAME: EXAMPLE TRANSACTION Date DASH Completed: 12/18/98
 Counterparty: RAC Analyst:
 Business Unit: Azurix Investment Type:
 Business Unit Originator: J. Paul Oxer Capital Funding Source(s):
 Public Private Expected Closing Date:
 Merchant Strategic Expected Funding Date:

Conforming Nonconforming Board Approval: Pending Received N/A

DEAL DESCRIPTION

Strategic Interest is a water and sewage company in a South American Country (SAC). Acquire an interest from the SAC government of between 39.8% and 50% of the Strategic Interest, and through a Shareholders' Agreement be granted control over all but a limited number of corporate matters. It serves a population of 2.0 million and has approximately 400,000 water customers and 300,000 wastewater customers. All customers are metered with a collection rate at approximately 95%. Average water losses of 40% can be reduced to 30% in five years. Azurix requests approval to acquire the Strategic Interest for cash consideration of up to \$150 million.

TRANSACTION SOURCES AND USES OF FUNDS (\$ Thousands)

	Sources	Uses
Enron Equity	\$140,000	Acquisition
Total	\$140,000	\$140,000

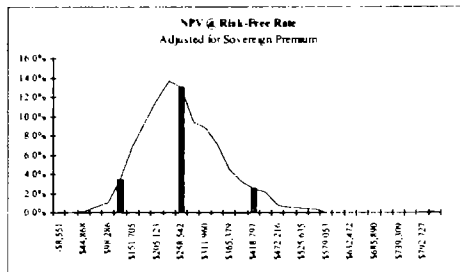
SUMMARY (note - each instrument must be shown - options must be shown separately)

Capital Commitment: \$140,000 Weighted Average Life (yrs.): 19.00
 Bid Bond Amount: \$10,000

Return Components:	PY @ Capital Price	Cumulative IRR	Capital Price Components	
Cash Outflows	148,737	N/A	Risk free rate (%)	5.50
Fees	0	0.00%	Equity/Credit premium (%)	5.00
Intermed. Cash Flows	140,014	11.95%	Country Premium (%)	3.50
Terminal Value	54,983	18.50%	Other (%)	3.00

Total NPV 66,169 18.50% RAC CAPITAL PRICE: 17.00%

EXISTING EXPOSURE



NON-HEDGABLE (IDIOSYNCRATIC) RISKS

RISK	DESCRIPTION	MITIGATION/COMMENTS
Construction Cost Overruns and Delays		
Management Risk		
Heat Rate Risk		
Operator Risk		
Operating Expense Risk		
Trapped Cash Risk		
Bid Bond Risk		
Equity Syndication Risk		
Country Risk		

HEDGABLE OR MARKET RISKS

Foreign Exchange Risk	Include curves used, description of hedges in place, functional currency of the transaction.
Interest Rate Risk	Include interest rate basis of outstanding or projected debt. Describe hedges in place at transaction level. Does not include issues related to Enron's funding of the transaction. Note that all transactions carry interest rate exposure through the discount rate.
Equity Risk	Include for all non-structured credit transactions. Include discussion of adjustments to value made for lack of liquidity. Note that equity market risk is reflected as a component both of the exit multiple and the discount rate. Market comparables are required for all private merchant transactions. List comps and the associated multiples used if applicable.
Credit Risk	Include for all structured credits. Describe rating (implied or otherwise) for the counterparty. Include discussion of how credit risk is modeled. Note that credit risk is reflected as a component of the discount rate.
Inflation Risk	Discuss impact of inflation on cash flows
Commodity Risk	Include commodity volumes, base curves, source of curves, relative market liquidity, hedges in place at transaction level. Include attachments if necessary.

SYNDICATION (ECM):

- Immediately syndicable at current capital price
- Syndication within one year at current capital price
- Not syndicable at current capital price
- N/A

APPROVALS:

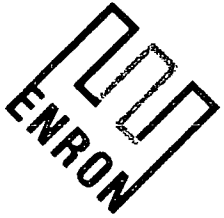
	Name	Signature	Date
RAC Management	John Hopley	<i>John Hopley</i>	1-21-99
Enron Capital Management	Andy Fastow/Jeff McMahon	<i>Andy Fastow</i>	1-21-99
Business Unit Originator	J. Paul Oxer	<i>J. Paul Oxer</i>	1-21-99
Business Unit Legal	Sheila Tweed	<i>Sheila Tweed</i>	1-21-99
Portfolio Manager	Jere Overdyke/Chiff Shedd	<i>Jere Overdyke</i>	1-21-99
Business Unit Mgmt	Joe Sutton	<i>Joe Sutton</i>	1-21-99
ENE Management	Jeffrey Skilling	<i>Jeffrey Skilling</i>	1-21-99



Underwriting Summary

- Assurance that returns are evaluated relative to the risks assumed and provide independent quantitative and qualitative feedback to senior management.
- Mitigate risks in transactions where appropriate.
- Provide input to enhance the quality of the transaction.
- Coordinate other internal resources (tax, legal, accounting, insurance, trading, etc.) for transaction evaluation and capital allocation.
- Participate in negotiations with origination as necessary.
- Assist in syndication efforts when appropriate.





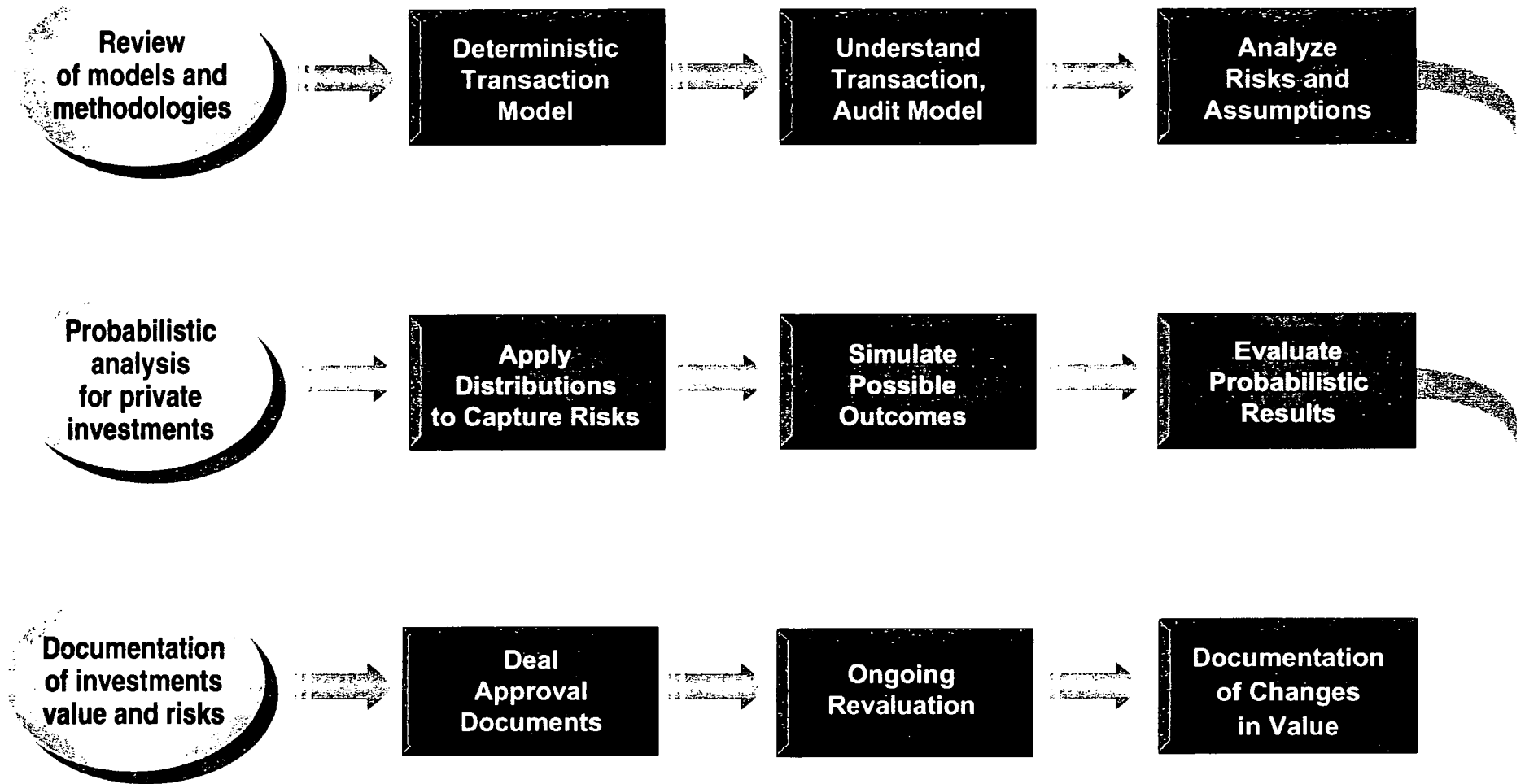
Enron Corp. - Risk Assessment & Control

Risk Analytics

Presented by:

Mark Ruane
Vice President

Risk Analytics Process



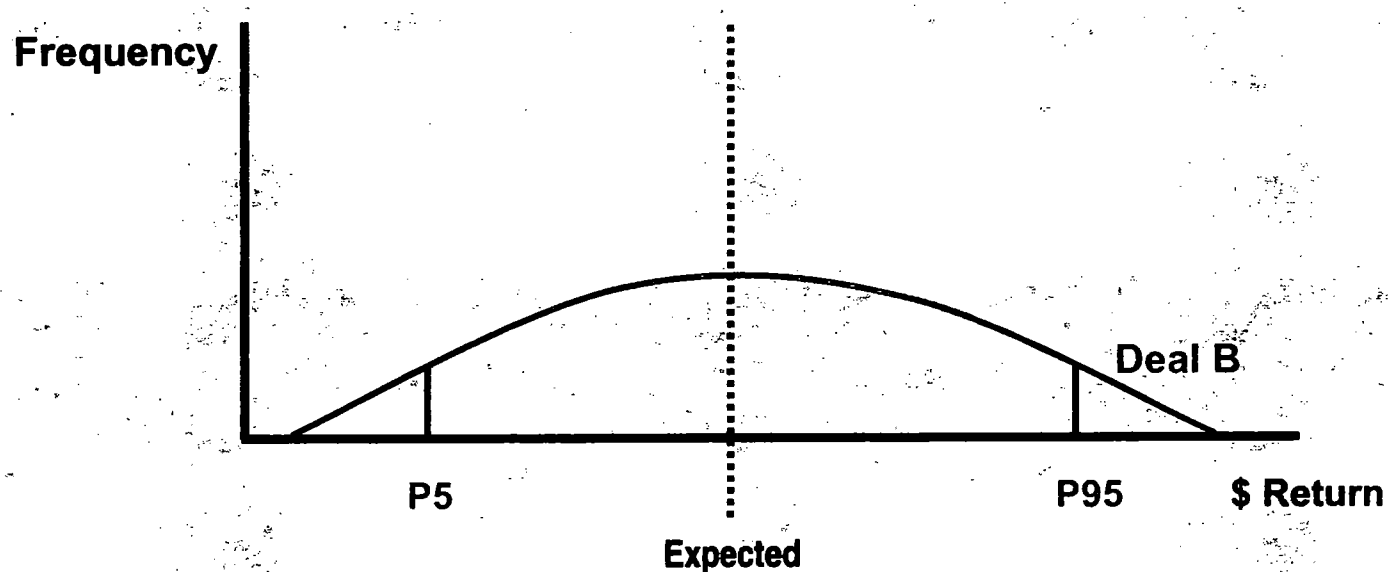
Audit of Models and Methodologies

- Identification transaction risks
- Review of transaction models to insure integrity of assumptions and analysis
- Fundamental Analysis
- Provide valuation and modeling standards for all capital transactions
 - Third party review (research, auditors, consultants)
 - Modeling policies documented and distributed
 - Training provided for analysts



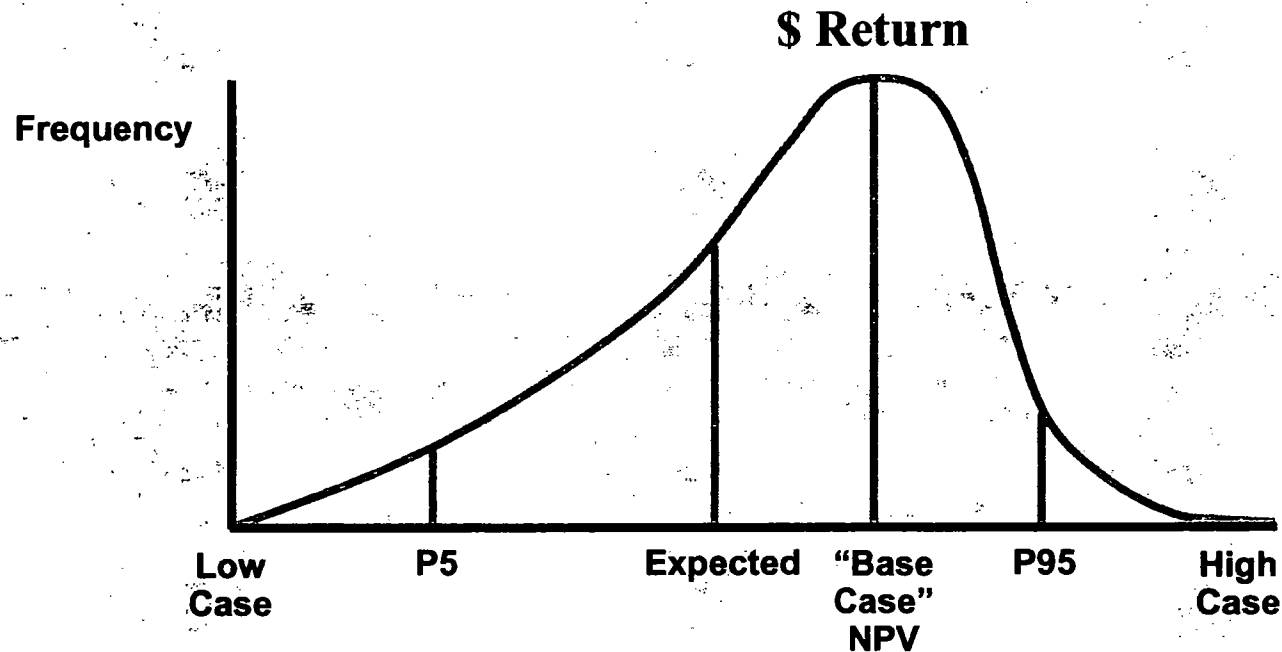
Probabilistic Analysis

- Recognizes the uncertainty inherent in non-traded asset values
- Equivalent to running numerous cases for every transaction
- Allows determination of embedded option value (“real option” valuation)
- Enables estimation of probabilities associated with different outcomes



Example of two transactions which have the same expected return, and the probabilistic analysis shows that Deal B is riskier than Deal A.

Deterministic vs. Probabilistic Analysis



P5 - The point on the distribution below which 5% of the occurrences lie. An approximation of transaction downside potential

Expected - The average NPV for the distribution

P95 - The point on the NPV distribution below which 95% of the values lie; an approximation of transaction upside potential.



Documentation of Investment Value and Risks



Conclusion

- Enron has invested in the people, tools, and systems necessary for effective risk management.
- Enron highly values an independent group focused on controls.
- Integration of multiple disciplines in Risk Management Controls Group enhances overall effort.
- The Board of Directors' involvement indicative of Enron's focus and commitment to monitor risk.
- Commitment includes applying sophisticated concepts (relative to financial securities industry) that are appropriate for Enron's unique markets and risks.



Houston Economic Opportunity Fund, L.P. - Funded Transactions

Investment	Summary	Type of Investment	Size
Community Call Centers, L.P.	Startup call center in partnership with Fifth Ward and AAMA. Creates approximately 400 jobs with duplication potential to other communities.	Equity	\$2.7 MM
MFR Group, Inc.	Acquisition of equity ownership in Mir, Fox, Rodriguez parent company. Capital to be used for development of educational software and internet access business.	Equity	\$2.0 MM
International Commerce, Inc.	Second round financing for MFR lead development of internet access for Hispanic and Latin American communities.	Equity	\$1.0 MM



Transactions Under Review

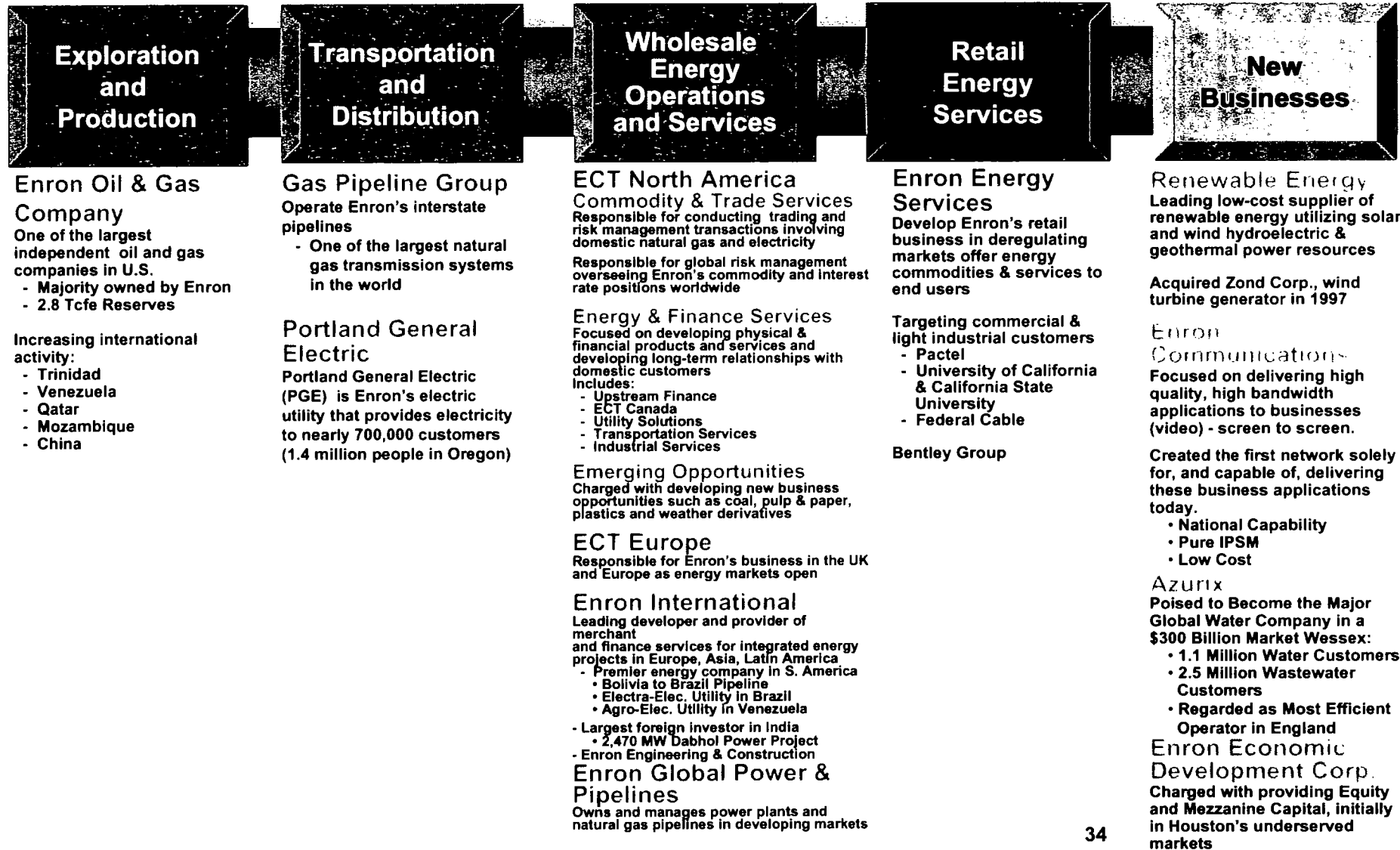
Investment	Summary	Type of Investment	Size
Limousine Service	Working capital for eight-year-old limousine service.	Equity	\$300,000
Restaurant	Expansion capital for positive earnings downtown Houston.	Equity	\$300,000
Network Cable Installation Co.	Expansion/working capital for five-year-old network cable installation firm.	Equity	\$300,000 to \$500,000
Restaurant	Startup capital for community backed restaurant entrepreneur.	Equity/ Sub-Debt	\$500,000



APPENDIX



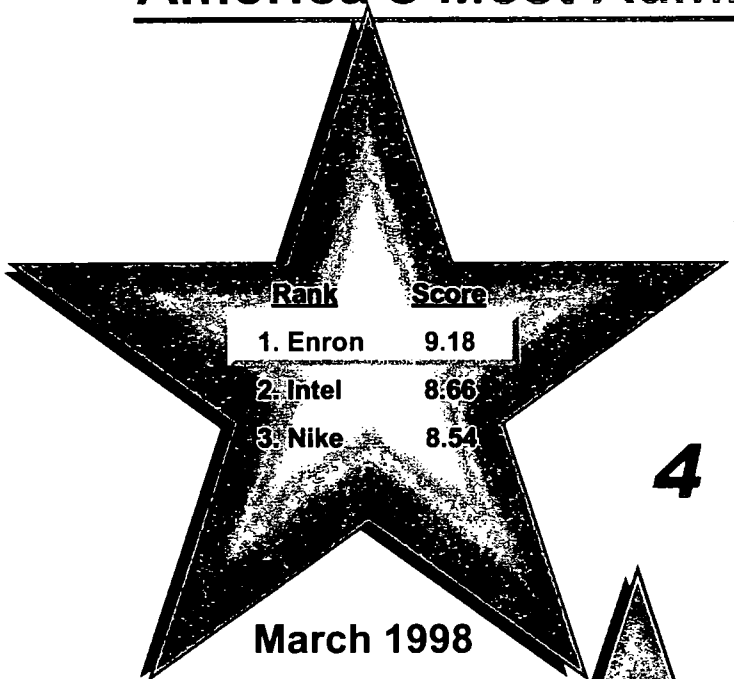
Total Assets: \$30 Billion
Total Revenues: \$31 Billion



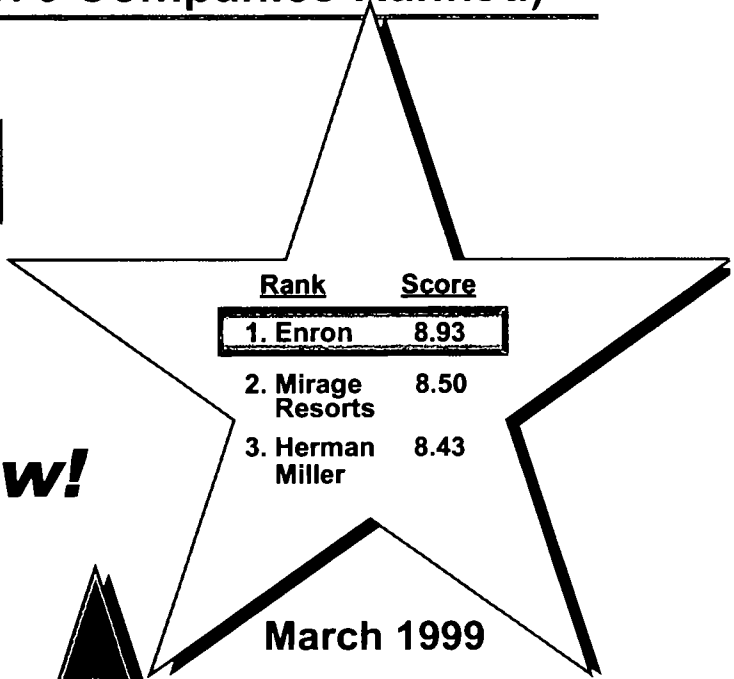
1999 Fortune's America's Most Admired Companies (476 Companies Ranked)

INNOVATIVENESS

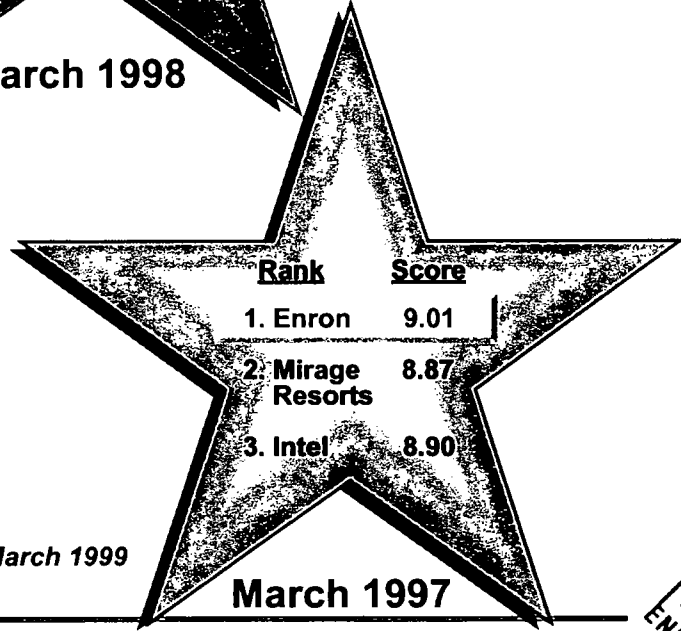
4 Years In a Row!



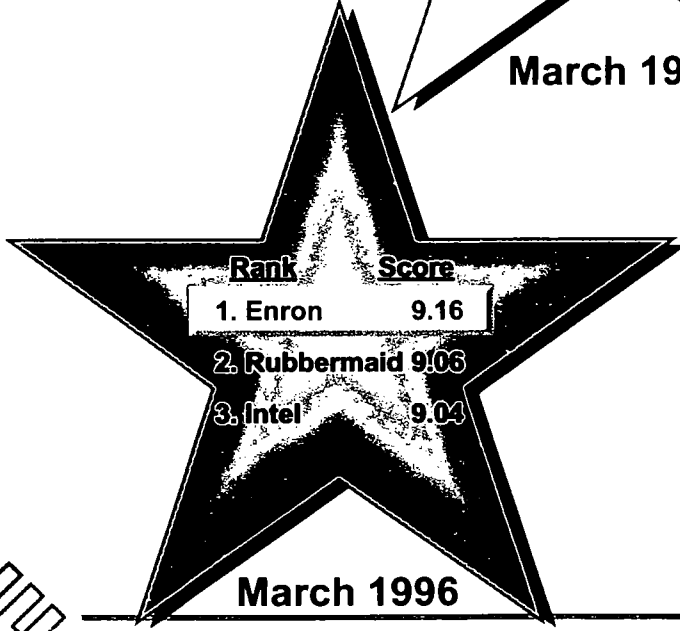
March 1998



March 1999



March 1997



March 1996

Source: Fortune, March 1999



Enron Core Competencies

Cash/Physical

- Provides wholesale commodity services
- Backed by gas, power and liquids assets
- Asset management and operation

Natural Gas

Electricity

Other Energy
Commodities

Risk Management

- Structures long-term, integrated transactions

Asset Development and Construction

- Project development and construction

Finance

- Provides debt and equity capital to producers and other energy companies



Finance

- ECT has provided approximately \$4 billion in debt and equity to our customers and suppliers since 1991
- Relationships with producers and end users of energy and increasing open access leads to energy-based finance opportunities
 - Oil and gas producers
 - Oil field services
 - Independent power producers
 - Industrials (aluminum, paper, chemicals)
 - Utilities (municipal & investor owned)



HEOF Partners - Intrust USA

- Intrust USA, founded in 1985 by James F. Mingey, President and CEO.
- Collective experience includes over 70 years in banking, real estate, asset management, finance, marketing and community development.
- Certified by the U.S. Treasury as a Community Development Financial Institution (CDFI).
- Principal office in Wilmington, Delaware
- Since inception, raised approximately \$200 million in private equity for investments in more than 85 projects nationwide.
- Currently managing partnerships totaling over \$30 million for projects located in New York, New Jersey and Pennsylvania.
- Clients include Chase Manhattan Bank, J.P Morgan Community Development Corporation, Bank of New York, Texas Housing Finance Corp. and the 5th Ward Community Development Corporation.



HEOF Partners - Covenant Community Capital

- Nonprofit organization founded in 1997 by Stephan Fairfield, Founder and President.
- Mission: To enhance the beauty, safety and economic vitality of low-income communities through the development of affordable housing, growing business enterprises and the building of community assets.
- Current Board Members include the follow:
 - Marlon Mitchell*, Executive Director of the Houston Small Business Development Corp.;
 - Tina Moore*, Executive Director of Pyramid Community Development Corp.;
 - John Cochran*, a Houston lawyer and longtime supporter of community development activities;
 - Marshall Tyndall*, Senior Program Director of Houston's Local Initiative Support Corporation ("LISC").
- Collectively the Board of Directors has extensive experience in banking, small business lending, real estate, taxation and law.



**SUMMARY OF INVESTMENT TERMS
FOR
HOUSTON ECONOMIC OPPORTUNITY FUND, L.P.**

January 26, 1999

Investment Entity: Houston Economic Opportunity Fund, L.P., a Delaware limited partnership (“HEOF” or the “Fund”), sponsored jointly by Enron Corp. (“Enron”), Intrust USA (“Intrust”), and Covenant Community Capital Corporation (“Covenant”).

Investment Objective: To achieve long-term capital appreciation through investments in economically viable projects in Houston’s underserved and economically disadvantaged communities. The Fund will target investments with entities (a “Project Entity”) that will achieve compensatory returns for the risks undertaken through investments in equity and mezzanine securities and/or loans with equity features.

Partners: An affiliate of Enron Corp. (the “Enron General Partner”) and Intrust will act as the Fund’s general partners (the “General Partners”). Covenant will act as the Fund’s Designated Community Partner through an advisory relationship with the Fund and a holder of a special limited partnership interest (in such capacity, the “Special Limited Partner”).

Enron and a number of institutional investors will invest in the Fund through their purchase of regular partnership interests (the “Regular Limited Partners” and, together with the Special Limited Partner, the “Limited Partners”). The General Partners and the Limited Partners are hereinafter collectively referred to as the “Partners.”

Under certain circumstances to be set forth in the Limited Partnership Agreement, a General Partner may convert its General Partnership Interest into a Limited Partnership Interest.

Capital Commitments: The Fund is seeking aggregate capital commitments (the “Commitments”) from Accredited Investors as Regular Limited Partners of \$50 million. The Fund will be capped at a maximum of \$50 million in aggregate Commitments. Enron is expected to provide an initial Commitment of approximately

\$20 million. At the initial Closing, each General Partner will commit its proportionate share for its 0.5% General Partnership Interest. In addition to their capital commitments, Regular Limited Partners shall pay a formation fee equal to 2.0% of their respective capital commitments.

Closing:

The initial closing will occur at the election of the General Partners, but not earlier than the commitment of \$50 million or April 30, 1999. Notwithstanding the foregoing, the General Partners may elect to have several closings.

Commitment Period:

From the date of initial Closing through the third anniversary thereafter (the "Commitment Period"). The General Partners shall have the right, upon 90 days notice to the Partners, to extend the Commitment Period for up to two (2) successive one-year periods. Upon expiration of the Commitment Period (including any extensions thereof, if any), Regular Limited Partners will have no further obligation with respect to their unfunded Commitments, except to the extent necessary to: (i) pay the expenses of the Fund and (ii) complete investments by the Fund in transactions which were in process as of the end of the Commitment Period.

Term:

The Fund shall begin an orderly liquidation of its investments with the first to occur of the following:

- (i) the third anniversary of the expiration of the Commitment Period;
- (ii) the closing of a sale, merger or exchange of the Partnership Interests that results in a single person owning all of the Partnership Interests; or
- (iii) removal, bankruptcy or withdrawal of the last remaining General Partner unless a substitute General Partner is elected as provided by law.

Drawdowns:

It is anticipated that the Commitments will be drawn pro rata during the Commitment Period on an as-needed basis upon ten business days' prior written notice to the Regular Limited Partners.

**Commitments Made
Subsequent to the Initial
Closing:**

Regular Limited Partners may be admitted at any time in the one-year period subsequent to the initial closing. Any such

additional Regular Limited Partners will be required to fund: (i) their proportionate share of any legal, other organizational, and Fund expenses to date plus interest at Prime plus 2%, and (ii) their proportionate share of the original cost of any Portfolio Investment made prior to their admission plus interest at Prime plus 2%. For purposes of this provision, Portfolio Investments generally will be valued at original cost, unless there has been a material change or significant event relating to the portfolio company which would justify a different valuation.

Leverage:

The Fund may elect to enter into a credit facility (the “Credit Facility”) with a group of financial institutions subject to the approval of the General Partners. If required by the financial institutions providing the Credit Facility, the Regular Limited Partners’ commitments may be pledged to secure the Credit Facility.

Permitted Portfolio Investments:

Any business investment involving a Project Entity located in Houston’s Enhanced Enterprise Community (“EEC”), state enterprise zones, or within census tracts in which 50% or more of the households earn 80% or less than the Area median income. Area shall be defined as the Greater Houston Standard Metropolitan Statistical Area.

Permitted Portfolio Investments will include commercial and residential real estate, financial services institutions, light industrial projects, call centers, retail-based businesses and women/minority-owned businesses which supply goods and services to Houston corporations, including the Partners. A Project Entity must not be primarily engaged in the sale of pornography, firearms, liquor, or gaming. Investment structures will include, but are not limited to, common stock, preferred and convertible preferred stock, income participation certificates, limited liability company membership interests, partnership interests, warrants, subordinated debt, and loans with equity features.

Any business investment which involves the displacement of households earning less than 50% of the area median income will require the project company to prepare a relocation plan for approval by the General Partners with advice from Covenant.

Social Objectives:

The social objectives of the Fund include:

- (a) creating or expanding profitable business enterprises in the targeted areas;
- (b) creating living-wage job opportunities within targeted areas; and
- (c) expanding the availability of retail services and affordable housing within the targeted area.

The Fund will give additional consideration for investments in enterprises owned and managed by minorities and women.

Investment Size;
Targeted Small
Investments:

No single investment may exceed the greater of \$5 million or 20% of total funded and unfunded Commitments (including any amounts that may be raised under the Credit Facility), nor less than \$500,000 in investment size. However, approximately 10% of the Fund's committed capital, or \$5 million, will be earmarked for investments of less than \$500,000, of which no more than 20% (i.e., \$1 million) may be investments of between \$50,000 to \$100,000.

Origination:

Intrust shall be responsible for identifying Permitted Portfolio Investments for the Fund. Intrust will grant the Fund a right of first refusal to fund any investment originated or sourced by Intrust which satisfies the definition of a Permitted Portfolio Investment. Intrust will conduct origination, due diligence and deal structuring functions for the Fund with appropriate input from the Enron General Partner. Intrust will be responsible for initiating and coordinating meetings with prospective businesses, performing preliminary due diligence analysis and coordinating meetings with financial institutions, including meetings with funding sources from city and state organizations. Intrust will also coordinate any deal flow that may originate through Covenant or the Enron General Partner.

Covenant will be responsible for confirming that transactions identified by the Fund have community support and participation. Covenant will pre-select neighborhood entrepreneurs with viable business plans. Viable projects identified by Covenant will be submitted to the Fund for analysis and evaluation. However, the Fund shall not be obligated to fund any such projects identified by Covenant. Any pre-development expenses incurred by Covenant with

respect to a potential investment will be reimbursed only to the extent that such investment is funded by the Fund and thus meets the Fund's underwriting guidelines.

Transaction Structuring and Final Due Diligence:

The Enron General Partner will provide transaction-structuring support and perform final due diligence analysis on all investments submitted to the Fund. Transaction structuring support will include the negotiation of investment terms, valuation, negotiation of documents, structuring for tax purposes, and other duties in connection with underwriting activities. Due diligence analysis by the Enron General Partner will include, but not be limited to (a) the evaluation of the Project Entity's management team; (b) assessment of project viability; (c) identification and mitigation of risk factors; (d) capital pricing; and (e) pro-forma financial analysis. The Fund will not make any investment that has not been approved through the Enron General Partner's due diligence process.

Asset Management:

Asset Management functions will be provided by Intrust and overseen by the Enron General Partner. Intrust will be responsible for monitoring all investments made by HEOF. Asset management functions will include monitoring the performance of the asset by reviewing financial and operational reports, covenant compliance, attending board meetings, and conducting visits to the client company. Within 15 days after the end of each fiscal quarter, Intrust will prepare or cause to be prepared a financial report showing a comparison of actual to projected cash flow on a Project-by-Project basis as well as on a Program basis. Within 30 days of the end of each fiscal year, Intrust will calculate the portfolio rate of return for each investment (provided, however, that formal property valuations or appraisals will not be required in most cases). Intrust will also be responsible for providing the Enron General Partner and the Regular Limited Partners with a Management Discussion and Analysis of significant events occurring in the current quarter for each Fund portfolio investment.

Investor Relations:

The Enron General Partner will be responsible for investor relations and for coordinating any meetings with Regular Limited Partners.

Reporting:

Intrust will be responsible for financial reporting of the Fund, overseen by the Enron General Partner. Reporting functions of

the Fund will include furnishing the Regular Limited Partners with quarterly and audited (except for Targeted Small Investments) annual financial statements concerning the Project Entities in which the Fund has made investments as well as providing quarterly reports on the overall performance of the Fund.

Investment Decisions:

Investment decisions with respect to Permitted Portfolio Investments as defined herein will be made by the General Partners, based upon the advice from Covenant as to the community and social aspects of any Permitted Portfolio Investment.

Fund Administration:

The Enron General Partner shall have veto rights over all functions which include: (a) any final decisions involving the initial outlay of capital by the Fund to make a Permitted Portfolio Investment; (b) decisions regarding the establishment of both asset management and financial reporting systems (including working capital accounts); and (c) the disposition of Fund Investments.

Management Fee:

During the Commitment Period, the General Partners shall be paid a management fee equal to 2.5% per annum payable quarterly in advance based on the total of funded and unfunded Commitments. Management fees will be shared equally between the Intrust and the Enron General Partner. After the Commitment Period, the management fee will equal 2.5% per annum of the amount of funded Commitments, reduced by distributions constituting return of capital, payable quarterly in advance.

Operational Expenses:

The Fund will pay all third party costs and expenses relating to the Fund's on-going activities (to the extent not reimbursed by a Project Entity), including legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of the Fund's financial statements, tax returns, and K-1's), expenses of the meetings of the Fund, insurance, other expenses associated with the acquisition, holding and disposition of Portfolio Investments, all third party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation).

Distributions:

The Fund will not make distributions during the Commitment Period. The Fund may retain net proceeds from the disposition

of Portfolio Investments during the Commitment Period for reinvestment in Portfolio Investments, to repay any Fund debt obligations, or to meet other obligations or expenses of the Fund.

After the Commitment Period expires, the Partners will receive distributions out of the proceeds from Investments (which shall include all proceeds from dispositions, less expenses, as well as any dividends, distributions or interest income received from investments), net of debt service requirements and any reserves that the General Partners deem necessary to meet obligations of the Fund.

Investment distributions and allocations will be distributed in the following order of priority; first, 99% to the Regular Limited Partners until such owners have received return of capital (including formation and management fees) and a preferential return on capital of 8.00%. Thereafter, all distributions and allocations will be made in accordance with the following "Sharing Ratios":

	<u>Reg. Ltd. Partners</u>	<u>Intrust</u>	<u>Covenant</u>	<u>Enron Gen. Partner</u>
After return of capital plus 8.00% return on capital is achieved by the Regular Limited Partners	80%	5%	5%	10%

Allocation of Income and Losses:

Net profits or losses of the Fund will generally be allocated among the Members in a manner consistent with the distribution of proceeds described above.

Investment Limitation:

Intrust may not form any new entity whose primary purpose is making Permitted Portfolio Investments in the Greater Standard Metropolitan Statistical Area (SMSA) until the earliest of:

- i) the date on which 75% of the aggregate Commitments has been invested or committed for investment in Portfolio Investments; or
- ii) the expiration of the Commitment Period.

Related Party Interest:

Enron and its affiliates may choose to negotiate with Project Entities to supply fuel, electrical power and other energy-related services. All Enron related services would be provided to projects identified by the Fund on an arms-length basis.

Structuring and Related Fees:

Intrust and the Enron General Partner (or an affiliate) will be entitled to receive structuring fees from the Project Entities customary for underwriting equity and equity-like transactions as compensation for their efforts in analyzing, structuring and successfully closing each Fund Investment. Services include, but are not limited to, investment selection, negotiation of investment terms, valuation, due diligence, negotiation of documents, structuring for tax purposes, and other duties in connection with investment activities. Structuring fees will be shared equally between Intrust and the Enron General Partner. Intrust and the Enron General Partner may elect to provide debt placement services to projects identified by the Fund. Fees associated with debt placement advisory services will also be shared by Intrust and the Enron General Partner.

Removal of Intrust as General Partner and the Designated Community:

In the event of (i) a breach by Intrust or Covenant of any of their respective material obligations under the Limited Partnership Agreement that has not been cured within 60 days after notice of such breach from a majority in interest of the Regular Limited Partnership interests, or (ii) the occurrence of any action, omission or course of conduct by Intrust or Covenant in the performance of their duties that constitutes gross negligence, willful misconduct, fraud or criminal activity (other than activity resulting in immaterial fines and penalties), Intrust may be removed in its capacity as General Partner and Covenant removed in its capacity as Special Limited Partner by a vote of the Regular Limited Partners holding at least two-thirds of the Regular Limited Partnership Interests.

Removal of the Enron General Partner:

In the event of (i) a breach by the Enron General Partner of any its material obligations under the Limited Partnership Agreement that has not been cured within 60 days after notice of such breach from Intrust and the Regular Limited Partners (excluding Enron) or (ii) the occurrence of any action, omission or course of conduct by the Enron General Partner in the performance of its duties that constitutes gross negligence, willful misconduct, fraud or criminal activity (other than activity resulting in immaterial fines and penalties), the Enron General Partner may be removed by a vote of the Regular Limited Partners holding at least two-thirds of the Regular

Limited Partnership Interests (excluding Enron). However, if the Enron General Partner is removed, Intrust shall be required to purchase all of the Interests held by the Enron both as a General Partner and a Regular Limited Partner at an amount to be determined in accordance with the provision of the Limited Partnership Agreement.

Withdrawal and Transfer:

Regular Limited Partners may not sell, assign or transfer their Interests without the prior written consent of the General Partners. In addition, Regular Limited Partners may not withdraw from the Fund prior to its termination without the written consent of the General Partners. Intrust may not withdraw from the Fund without the consent of the Enron General Partner.

The General Partnership Interests will be subject to certain buy/sell obligations between the General Partners, and any transfer of a General Partnership Interest from one General Partner to the other pursuant to such provisions shall not be subject to the consent or approval of the Regular Limited Partners.

Reports and Meetings:

Each Partner will receive (i) audited annual financial reports of the Fund; (ii) quarterly unaudited financial reports of the Fund; and (iii) a quarterly report on the Portfolio Investments.

The Fund will provide for annual meetings of the Regular Limited Partners.

Indemnification:

Intrust, Covenant and the Enron General Partner will not be liable to the Fund or the Regular Limited Partners for any act or omission in the absence of gross negligence, willful misconduct, fraud or criminal activity, or for losses due to any of the foregoing by brokers or other agents of the Fund. The Fund will indemnify Intrust, Covenant and the Enron General Partner for any loss or damage incurred by them acting on behalf of the Fund or in furtherance of the objectives of the Fund or arising out of or in connection with the Fund, except for losses incurred by any of Intrust, Covenant and the Enron General Partner arising from their own gross negligence, willful misconduct, fraud or criminal activity.

ERISA Considerations:

Partners subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), or Partners that constitute plans within the meaning of Section 4975(e)(1) of the Internal Revenue

Code of 1986, as amended (the Code”) should consult their own advisors as to the effect of the fiduciary responsibility rules of ERISA and/or the prohibited transaction rules under Section 4975 of the Code. The Fund may require certain representations or assurances from investors subject to ERISA to determine compliance with ERISA provisions.

Tax Considerations:

Members should consult their advisors concerning the U.S. Federal, state, local tax consequences of an investment in the Fund.

HEOF Contact List

Inquiries Regarding this Transaction should be directed to:

Enron Economic Development Corp.

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Mark Lay, Vice President	(713) 853-7408
Jim Timmins, Director	(713) 853-6501
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