UNIVERSITY OF HOUSTON
INTER-OFFICE MEMORANDUM

COPY

DATE: February 14, 2000

TO: Paula Kelleher
Treasurer

FROM: Nancy V. Clark
Director of Donor Relations

RE: Endowment Establishment Request

The attached endowment agreement meets the financial and development acceptance guidelines of the University of Houston System and the University of Houston.

An endowment account may be established to receive gifts designated for the **ENRON Scholarship Endowment.**

APPROVALS:

AVC/AVP for Development — Date 4/17/00

VC/VP Administration and Finance — Date 2/17/00

VC/VP Academic Affairs - Provost — Date 2/21/00

- o Endowment Agreement Attached
- o Account Create Form Attached

ENRON Scholarship Endowment
at the
UNIVERSITY OF HOUSTON SYSTEM

COPY

1.

This agreement dated February 14, 2000 between ENRON and the University of Houston System establishes the **ENRON Scholarship Endowment**.

This endowment account consists of money irrevocably given, and to be given, to the University of Houston by ENRON.

This endowment account was established with an original gift of $620,000 given by ENRON between March 1996 and August 1998 which resides in UHS Account #4-0-67086.

ENRON is one of the world's leading electricity, natural gas and communications companies. The company, which owns approximately $34 billion in energy and communications assets, produces electricity and natural gas, develops, constructs and operates energy facilities worldwide, delivers physical commodities and financial and risk management services to customers around the world, and is developing an intelligent network platform to facilitate online business. ENRON ranks in the top quarter of Fortune magazine's "Best 100 Companies to Work For in America, "and has been named "Most Innovative Company" for the past five years. The stock is traded under the ticker symbol, "ENE."

2.

The annual distributed income from this endowment will be used to provide scholarship funding throughout the University of Houston System (UHS).

The recipient(s) of the scholarship will be determined by the Scholarship Selection Committee of each university.

The annual distributed income shall be spent for student scholarship(s) based on the following criteria:

a. Scholarship prospect is a recognized Project Grad student.
b. Scholarship prospect has been accepted by a university in the University of Houston System.
c. Scholarship prospect is a certified full-time undergraduate degree-seeking student in good standing.
d. Scholarship recipient must maintain a GPA in accordance with the standards set by the Project Grad Scholarship Committee.

COPY

e. Scholarship recipient may accept other scholarships and grants in conjunction with the **ENRON Scholarship.**

f. Funds can be used to cover expenses for tuition, books, fees, and/or supplies for the coming academic semester. Any expenses of a recipient in excess of the amount deposited must be borne by the student.

The Treasurer of the University of Houston System will have administrative control over the annual distributed income from this endowment.

If it is determined by the Chancellor of the University of Houston System that any portion of earned income is not spent for the designated purpose within a reasonable timeframe after a fiscal year, it may be returned to principal.

An annual stewardship report on the **ENRON Scholarship Endowment** will be provided to ENRON each November for the prior fiscal year (FY99 is September 1, 1998 - August 31, 1999) from the Office of Development at the University of Houston. This report will contain financial information regarding the market value of the endowment.

Each spring, the University will work with ENRON to create an opportunity for ENRON representatives to meet with the scholarship recipients. At that time, ENRON will be provided with the names of the students who have received ENRON scholarships and the amounts awarded to them.

3.

The University of Houston System agrees to:

(a) Hold and preserve the fund as a permanent endowment fund. The University of Houston System Chancellor and the University of Houston System Board of Regents fully intend to direct the income from the endowment for the purpose(s) outlined above. However, if the purpose(s) for which the endowment income is spent should cease to exist, the President and the Board reserve the right to direct the income of the endowment to a purpose as close as possible to the donor's original intent;

(b) Invest and manage the fund consistent with guidelines outlined by the UHS Board of Regents; endowment funds will be pooled for investment purposes.

(c) Not expend any of the principal sum of the fund without approval of the UHS Chancellor and the UHS Board of Regents.

This agreement is made on February 14, 2000 by:

COPY

Kenneth L. Lay
Chairman and CEO, ENRON

Arthur K. Smith
Chancellor, University of Houston System
President, University of Houston

Reviewed as to form by:

2-15-2000

Dennis P. Duffy Date
General Counsel for
University of Houston and
University of Houston System

Original to: Paula Kelleher, Treasurer, UHS

cc: Kenneth L. Lay
UH Office of Development