MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

The Board of Directors of The University of Texas Investment Management Company (the "Corporation") convened in a special meeting on the 11th day of October, 1996, at the offices of Hicks, Muse, Tate & Furst Incorporated, 200 Crescent Court, Suite 1600, Dallas, Texas, said meeting having been called by the Chairman, with notice provided to each Director in accordance with the Bylaws. Participating in the meeting were the following members of the Board of Directors:

Thomas O. Hicks, Chairman
Robert H. Allen
Susan M. Byrne
William H. Cunningham
Donald L. Evans
Richard W. Fisher
J. Luther King, Jr.
Tom Loeffler
Homer L. Luther, Jr.

thus, constituting a majority and quorum of the Board of Directors. Also participating in the meeting were Bernard Rapoport, Chairman of the Board of Regents (the U.T. Board") of the University of Texas System (the "System"); Thomas G. Ricks, President of the Corporation; and Jerry E. Turner, Secretary of the Corporation. Mr. Hicks called the meeting to order at 9:20 a.m.

Approval of Minutes

The first matter to come before the Board of Directors was approval of the minutes of the meeting of the Board of Directors held on June 10, 1996, copies of which had been previously furnished to each Director. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that the minutes of the Meeting of the Board of Directors held on June 10, 1996, be and are hereby approved with minor editorial revisions requested by the Board.

The Board of Directors then reviewed the minutes for the Meeting of the Board of Directors held on August 30, 1996. Mr. Ricks stated that the minutes before the Board of Directors did not include reference to Mr. Fisher's recusal from the Corporation's consideration of The 1996 KKR Fund. The minutes would be revised to include the reference, the text of which had been approved by Mr. Fisher. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Board of Directors held on August 30, 1996, be and are hereby approved with revisions as requested by the Board.

Approval of Long Term Fund Asset Allocation Policy

Mr. Ricks reported that a new Investment Policy Statement ("Policy Statement") for the Long Term Fund was being proposed by the management of the Corporation. The new Policy Statement contemplated the delegation to the Board of Directors of specific asset-allocation targets, ranges and performance objectives for each asset class subject to general asset-allocation guidelines. These general guidelines were based on the 5.5% real return objective contained in the Policy Statement and provided that broadly defined equities (including alternative assets) over the long term should range between 70% and 90% of the Fund's value. Additionally, fixed income investments should range between 10% and 30% of the Fund and alternative assets should not exceed 40% of the Fund. Mr. Ricks then presented proposed asset allocation targets, ranges and performance objectives, a copy of which is attached hereto as Exhibit A. Following discussion by the Board of Directors and upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the adoption of the specific asset allocation targets, ranges, and performance objectives for the Long Term Fund is hereby approved; and

RESOLVED, FURTHER, that the specific asset allocation targets, ranges, and performance objectives for the Long Term Fund be reported to the U.T. Board when submitting the Policy Statement to the U.T. Board for approval at the next meeting of the U.T. Board; and

RESOLVED, FURTHER, that the proper officers of the Corporation be and they are hereby authorized and directed to take such other action and execute such documents as they in their sole discretion may determine advisable to accomplish the purposes of the foregoing resolution.

Approval of Long Term Fund Investment Policy Statement

The next item to come before the Board of Directors was consideration of the Policy Statement for the Long Term Fund as proposed by the Corporation's management, a copy of which is attached hereto as Exhibit B. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the adoption of the Policy Statement is hereby approved, subject to the approval of the U.T. Board; and

RESOLVED, FURTHER, that the Policy Statement be submitted to the U.T. Board for approval at the next meeting of the U.T. Board and that the Board recommend to the U.T. Board the approval of the Policy Statement; and

RESOLVED, FURTHER, that the proper officers of the Corporation be and they are hereby authorized and directed to take such other action and execute such documents as they in their sole discretion may determine advisable to accomplish the purposes of the foregoing resolution.

Approval of International Small Cap Equity Manager for the Long Term Fund

Mr. Ricks introduced this item by stating that the current investment policy statement for the Long Term Fund contained a target allocation of 4% of the market value of the Fund for international small cap equity investments. The Board of Directors had heard a presentation on August 30, 1996 from the Corporation's management recommending Capital Guardian Trust Company to manage the allocation. It had also heard a presentation from representatives of Capital Guardian Trust Company concerning their firm and its success in managing international small cap equity portfolios. Action concerning this item had been delayed pending consideration of the Policy Statement and specific asset allocation policy for the Long Term Fund at this meeting of the Board. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the terms and provisions of the proposed Investment Advisory Agreement with Capital Guardian be approved; and be it further

RESOLVED, that the President and any Vice President of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the Investment Advisory Agreement as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of fees to be paid to Capital Guardian; and be it further

RESOLVED, that the President, any Vice President, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, the negotiation, execution and delivery of the Investment Advisory Agreement and all notices and certificates required or permitted to be given or made under the terms of the Investment advisory Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the agreements and instruments referred to therein.

Consideration of Fiscal Year 1997 Business Plan and Budget

The next item to come before the Board of Directors was the review of the Corporation's business plan and budget for the fiscal year beginning September 1, 1996. The consensus of the Board was that consideration of this item should be deferred until the next meeting of the Board in order to allow for a more comprehensive discussion of this item.

Report of the Compensation Committee

Mr. Fisher reported that the Committee had met earlier in the day. The Committee had approved an officers compensation policy for the Corporation. In addition, it had approved the compensation elements of the fiscal year budget resulting in a budget increase of 5% versus the preceding year. Mr. Fisher also reported that the Committee would be reviewing bonus awards for the annual performance period ended September 30, 1996. Finally, Mr. Fisher reported that the Committee had also approved a recommendation to engage William Mercer & Co. to assess the Corporation's compensation programs. The firm would be reporting directly to the Committee with the final report expected in mid-January, 1997.

Update on Audit and Ethics Issues

Mr. Ricks reported that representatives of the System and the Corporation had met with the Texas Attorney General's Office to seek its opinion regarding the accounting treatment of partnership expenses and carried interests for the PUF as recommended by the State Auditor's Office. The Attorney General's Office had informed both the System and the State Auditor's Office that it was in agreement with the opinion of Vinson & Elkins L.L.P. supporting the accounting method used by the Corporation. Given the resolution of this issue, the State Auditor's Office had agreed to delete its finding and recommendation regarding this issue from its final report concerning System investment practices.

(At this point, Mr. Ricks left the meeting.)

Mr. Evans disclosed that he was a personal friend of Ed Austin, a principal with Austin Calvert & Flavin, Inc. ("ACF"), an investment manager for UTIMCO, and that ACF owned approximately 5.0% of the common stock of Tom Brown, Inc. ("TBI"), as of June, 1996. Mr. Evans further stated that he had been advised by Vinson & Elkins L.L.P. that while it was not necessary for UTIMCO to terminate its investment management agreement with ACF because of Mr. Evans' relationship with Mr. Austin and the ACF ownership of TBI, Mr. Evans would recuse himself from all matters relating to ACF because of the relationship and ACF's stock ownership.

(At this point, Mr. Turner left the meeting.)

Executive Session

The Board held a brief executive session during which no action was taken.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 12:00 p.m.

Secretary

APPROVED:

Chairman

VEAUS01:2220.1

LONG TERM FUND

SPECIFIC ASSET ALLOCATION TARGETS, RANGES, AND PERFORMANCE OBJECTIVES

	Target	Range	Performance Objective
Cash and Equivalents	0%	0.0%-5.0%	91 day T-Bill Ave. Yield
Equities			
U. S. Common Stocks:			
Med/Large Capitalization Stocks	25%	20%-30%	S&P 500 Index
Small Capitalization Stocks	10%	5%-15%	Russell 2500 Index
sub-total	35%	25%-45%	
International Common Stocks:			
Established Markets	12%	5%-20%	FT Actuaries World (ex-U.S.)
Emerging Markets	3%	0%-10%	MSCI-Emerging Mkts. Free
sub-total	15%	5%-30%	
Total Common Stocks	50%	55%-75%	
Alternative Assets:			
Liquid	10%	5%-15%	C.P.I. + 8%
Illiquid	10%	5%-15%	S&P500 Index + 5%
Inflation Hedging	10%	5%-15%	C.P.I. + 5%
Total Alternative Equities	30%	5%-35%	
TOTAL EQUITIES	**80%**	**75%-85%**	
Fixed Income			
U. S. (Domestic)	15%	15%-25%	Lehman Govt. Long Index
International	5%	0%-5%	JPM Global Govt. Bond (ex U.S.)
TOTAL FIXED INCOME	**20%**	**15%-25%**	
TOTAL ASSETS	**100%**		

Achievement of these performance objectives is most appropriately evaluated over a full market cycle of roughly five years.

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
INVESTMENT POLICY STATEMENT

Purpose
The Long Term Fund (the "LTF" or "Fund"), succeeded the Common Trust Fund in February, 1995, and was established by the Board of Regents of The University of Texas System (the "Board") as a pooled fund for the collective investment of private endowments and other long term funds supporting various programs of The University of Texas System. The LTF provides for greater diversification of investments than what might be possible if each account were managed separately.

LTF Organization
The LTF is organized as a mutual fund in which each eligible account purchases and redeems Fund units as provided herein. The ownership of LTF assets shall at all times be vested in the Board. Such assets shall be deemed to be held by the Board, as a fiduciary, regardless of the name in which the assets may be registered.

LTF Management
Ultimate fiduciary responsibility for the LTF rests with the Board. The LTF shall be governed through The University of Texas Investment Management Company ("UTIMCO") which shall a) recommend long term investment objectives and risk tolerances for the LTF, b) develop investment policies consistent with LTF objectives, and c) monitor LTF performance against LTF objectives. UTIMCO shall invest the LTF assets in conformity with this policy statement and employ an investment staff in the management of the Fund.

Unaffiliated investment managers may be hired by UTIMCO to improve the Fund's return and risk characteristics. Such managers shall have complete investment discretion unless restricted by the terms of their management contracts. Managers shall be monitored for performance and adherence to investment disciplines.

LTF Administration
UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of LTF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase LTF Units
No fund shall be eligible to purchase units of the LTF unless it is under the sole control, with full discretion as to investments, by the Board and/or UTIMCO.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the LTF.

The funds of a foundation which is structured as a supporting organization described in Section 509(a) of the Internal Revenue Code of 1986 which supports the activities of the U. T. System and its component institutions, may purchase units in the LTF provided that:

a) the purchase of LTF units by foundation funds is approved by the chief investment officer,
b) all members of the foundation's governing board are also members of the Board,
c) the foundation has the same fiscal year as the LTF,
d) a contract between the Board and the foundation has been executed authorizing investment of foundation funds in the LTF, and,
e) no officer of such foundation, other than members of the Board, the Chancellor, the chief investment officer or his or her delegate shall have any control over the management of the LTF other than to request purchase and redemption of LTF units.

LTF Investment Objectives
The primary investment objective shall be to preserve the purchasing power of LTF assets annual distributions by earning an average annual total return after inflation of 5.5% over rolling ten year periods or longer. The LTF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objectives are to generate a fund return in excess of the Policy Portfolio benchmark and the average median return of the universe of the college and university endowments as reported annually by Cambridge Associates and NACUBO over rolling five-year periods or longer. The Policy portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect LTF asset allocation policy targets.

Asset Allocation
Asset allocation is the primary determinant of investment performance and subject to the asset allocation ranges specified herein is the responsibility of UTIMCO. Asset allocation may be changed from time to time based on the economic and investment outlook.

LTF assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

1. Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.

2. Fixed Income Investments - offer the best protection for hedging against the threat of deflation by providing a dependable and predictable source of LTF income. Such bonds

should be high quality, and intermediate to long term duration with reasonable call protection in order to ensure the generation of current income and preservation of nominal capital even during periods of severe economic contraction.

3. Equities - provide both current income and growth of income, but their principal purpose is to provide appreciation of the LTF. Historically, returns for equities have been higher than for bonds over all extended periods. As such, equities represent the best chance of preserving the purchasing power of the Fund.

4. Alternative Assets - generally consist of alternative marketable investments and alternative illiquid investments. Alternative asset investments shall be considered to be equities and expected to earn equity-level returns over extended periods. The advantages of alternative investments is that they enhance long term returns through investment in inefficient, complex markets. They offer reduced endowment volatility through their low correlation characteristics. The disadvantages of this asset class are that they are illiquid, require higher and more complex fees, and are dependent on the quality of external managers. In addition, they possess a limited return history versus traditional stocks and bonds. The risk of alternative investments shall be controlled with extensive due diligence and diversification over time and across funds.

    Alternative Marketable Investments -
    These investments are broadly defined to include hedge funds, arbitrage and special situation funds, high yield bonds, distressed obligations and other non-traditional investment strategies whose underlying securities are traded on public exchanges or are otherwise readily marketable. As such, they offer faster drawdown and earlier realization potential than alternative "illiquid" investments. Alternative marketable investments may be made through partnerships, but they will generally provide investors with liquidity at least annually.

    Alternative Illiquid Investments -
    These investments are generally held through limited partnership interests. They include private equity, buyout, mezzanine debt, and venture capital investments that are privately held and which are not registered for sale on public exchanges. In general, these investments require a commitment of capital for extended periods of time with no liquidity.

    Inflation Hedging Assets -
    This category includes oil and gas interests, real estate, commodities and other assets whose current incomes and principal values generally increase as inflation accelerates. These investments may be made through marketable securities or illiquid investments.

Asset Allocation Policy
The asset allocation policy and ranges herein recognize that the LTF's return/risk profile can be enhanced by diversifying the LTF's investments across different types of assets whose returns are not closely correlated. The targets and ranges seek to protect the LTF against both routine illiquidity in normal markets and extraordinary illiquidity during a period of extended deflation.

The long term asset allocation policy targets for the Fund recognizes that the 5.5% real return objective implies a high allocation to broadly defined equities, including domestic, international stocks and alternative asset investments, of 70% to 90%. Alternative asset investments should not generally exceed 40% of the LTF. The allocation to Fixed Income should be between 10% and 30% of the fund.

The Board delegates authority to UTIMCO to establish specific asset allocation targets and ranges within the broad policy guidelines described above. UTIMCO may establish specific asset allocation targets and ranges for large and small capitalization U.S. stocks, established and emerging market international stocks, marketable and illiquid alternative asset investments and other asset classes as well as the specific performance objectives for each asset class. Specific asset allocation policies and asset class performance objectives developed by UTIMCO shall be reported to the Board upon adoption and subject to its review.

Performance Measurement
The investment performance of the Fund will be measured by an unaffiliated organization, with recognized expertise in this field or LTF's custodian bank, and compared against the stated investment objectives of the Fund. Such measurement will occur at least annually, and evaluate the results of the total Fund, major classes of investment assets, and individual portfolios.

Investment Guidelines
The Fund must be invested at all times in strict compliance with applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment guidelines include the following:

General
- All investments will be U. S. dollar denominated assets unless held by an internal or external portfolio manager with discretion to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund assets in such liquid investment fund. No requirement exists that such funds conform to the restrictions on money market instruments and other cash equivalent securities below.
- No securities may be purchased or held which would jeopardize the Fund's tax-exempt status.
- No securities may be purchased on margin or leverage unless specifically authorized by the UTIMCO Board.

- No transactions in short sales may be made unless specifically authorized by the UTIMCO Board.
- The Fund may utilize Derivative Securities to simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes, to facilitate trading, to reduce transaction costs, or to seek higher investment returns when a Derivative Security is priced more attractively than the underlying security or index or to hedge risks associated with Fund investments. Such Derivative Securities shall be defined to be those instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts. The Fund may enter into Derivative Security contracts provided that no more than 5% of Fund assets are required as a margin deposit for such contracts. Additionally, the Fund's investments in warrants shall not exceed more than 5% of the Fund's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges. Under no circumstances may Derivative Securities be used for speculative purposes, to leverage the Fund's net assets or to otherwise increase the risk of the Fund above the level appropriate for the Fund if Derivative Securities were not being utilized.

UTIMCO shall attempt to minimize the risk of an imperfect correlation between the change in market value of the securities held by the Fund and the prices of Derivative Security investments by investing in only those contracts whose behavior is expected to resemble that of the Fund's underlying securities. UTIMCO also shall attempt to minimize the risk of an illiquid secondary market for a Derivative Security contract and the resulting inability to close a position prior to its maturity date by entering into such transactions on an exchange with an active and liquid secondary market. Derivative Securities purchased or sold over the counter may not represent more than 15% of the net assets of the Fund.

In the event that there are no Derivative Securities traded on a particular market index such as MSCI EAFE, the Fund may utilize a composite of other Derivative Security contracts to simulate the performance of such index. UTIMCO shall attempt to reduce any tracking error from the low correlation of the selected Derivative Securities with its index by investing in contracts whose behavior is expected to resemble that of the underlying securities.

UTIMCO shall minimize the risk that a party will default on its payment obligation under a Derivative Security agreement by entering into agreements that mark to market no less frequently than monthly and where the counterparty is an investment grade credit. UTIMCO also shall attempt to mitigate the risk that the Fund will not be able to meet its obligation to the counterparty by investing the Fund in the specific asset for which it is obligated to pay a return or by holding adequate short-term investments.

The Fund may be invested in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index or to protect against anticipated adverse changes in exchange rates between foreign currencies and the U.S. dollar.

Cash and Cash Equivalents

- Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.

Fixed Income

Holdings of domestic fixed income securities shall be limited to those securities a) issued by or fully guaranteed by the U.S. Treasury, U.S. Government-Sponsored Enterprises, U.S. Government Agencies and b) corporate bonds. Within this overall limitation :

- Not less than 85% of the market value of domestic fixed income securities shall be invested in direct obligations of the U.S. Treasury.
- Not more than 5% of the market value of domestic fixed income securities may be invested in corporate bonds of a single issuer provided that such bonds are a) rated, not less than Baa or BBB, or the equivalent, by any two nationally-recognized rating services, such as Moody's Investors Service, Standard & Poor's Corporation, Fitch Investors Service; or b) in the event that a corporate bond is not rated, it is determined by UTIMCO's investment staff to be at least equal in credit quality and liquidity to the above mentioned ratings.
- The duration of the domestic fixed income portfolio shall be not less than four years unless approved in advance by the UTIMCO Board.
- Up to 25% of the Fund's fixed income portfolio may be invested in non-dollar bonds. International currency exposure may be hedged or unhedged at UTIMCO's discretion. No more than 15% of the Fund's fixed income portfolio may be invested in bonds denominated in any one of the following currencies: Japanese Yen, German Mark, British Pound. No more than 5% may be invested in bonds denominated in any other currency. Non-dollar bond investments shall be restricted to bonds rated Aa or better.

Equities

- No more than 5% of the voting shares of publicly traded securities of a corporation (calculated for all U.T. Board funds) may be owned in the name of the U.T. Board unless ownership in excess of 4.5% is specifically authorized by the chief investment officer.
- The Fund shall:
  a) hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market
  b) hold no more than 5% of its equity securities in the securities of one corporation at market unless authorized by the chief investment officer.

Alternative Assets
Investments in alternative assets may be made through management contracts with unaffiliated organizations (including but not limited to limited partnerships, trusts, and joint ventures) so long as such organizations:

- possess specialized investment skills,
- possess full investment discretion subject to the management agreement,
- are managed by principals with a demonstrated record of accomplishment and performance in the investment strategy being undertaken,
- align the interests of the investor group with the management as closely as possible, and
- charge fees and performance compensation which do not exceed prevailing industry norms at the time the terms are negotiated

Investments in alternative assets also may be made directly by UTIMCO in co-investment transactions sponsored by and invested in by a management firm or partnership in which the Fund has invested prior to the co-investment or in transactions sponsored by investment firms well known to UTIMCO management, provided that such direct investments shall not exceed 25% of the market value of the total committed capital of the alternative assets portfolio at the time of the direct investment.

UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Fund assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and applied against UTIMCO management fees. Furthermore, UTIMCO Board approval of UTIMCO management's service as a director of an investee company shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's service as a director of an investee company.

Fund Distributions
The Fund shall balance the needs and interests of present beneficiaries with those of the future. Fund spending policy objectives shall be to:

a) provide a predictable, stable stream of distributions over time,

b) ensure that the inflation adjusted value of distributions is maintained over the long term, and
c) ensure that the inflation adjusted value of Fund assets after distributions is maintained over the long term.

The goal is for the Fund's average spending rate over time not to exceed the Fund's average annual investment return after inflation in order to preserve the purchasing power of Fund distributions and underlying assets.

Pursuant to the Uniform Management of Institutional Funds Act, a governing board may distribute for the uses and purposes for which the fund is established the net realized appreciation in the fair market value of the assets of an endowment fund over the historic dollar value of the fund to the extent prudent under the standard provided by the Act. In addition, income may be distributed for the purposes associated with the endowments/foundations.

UTIMCO shall be responsible for establishing the Fund's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise established by UTIMCO and approved by the Board or prohibited by the Act, fund distributions shall be based on the following criteria:

- **Step 1**
  The annual unit distribution amount (currently $0.175 per unit) shall remain constant until this per unit amount is less than or equal to a distribution percentage of 4.5% calculated as follows:
  a) Using the most recent August 31st year-end, determine an average unit market value using the trailing 12 quarters including the year-end selected.
  b) Using the most recent August 31st year-end, determine an average per unit distribution amount using the trailing 12 quarters including the year end selected.
  c) Divide step b) by step a) to determine the distribution percentage. If this result is less than or equal to 4.5%, the distribution amount per unit for the next fiscal year shall be established as provided in step 2.

- **Step 2**
  a) Increase the prior year's per unit distribution amount by the average inflation rate (C.P.I.) for the past three years. This is the per unit distribution amount for the next fiscal year beginning with the fiscal year immediately following the date of the distribution recommendation by the UTIMCO Board.
  b) If the inflationary increase in Step 2 results in a distribution rate below 3.5%, the UTIMCO Board, at its sole discretion, may grant an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 4.5%.
  c) If the distribution rate exceeds 5.5%, the UTIMCO Board at its sole discretion, may reduce the per unit distribution amount.

Distributions from the Fund to the unitholders shall be made quarterly as soon as practicable on or after the last day of November, February, May, and August of each fiscal year.

Fund Accounting
The fiscal year of the LTF shall begin on September 1st and end on August 31st.

Market value of the Fund shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, or industry guidelines, whichever is applicable.

Asset write-offs or write-downs shall be approved by the chief investment officer.

Valuation of Assets
As of the close of business on the last business day in November, February, May, and August of each fiscal year (the quarterly valuation date), UTIMCO shall determine the fair market value of all Fund net assets and the net asset value per unit of the Fund. Such valuation of Fund assets shall be based on the bank trust custody agreement in effect at the date of valuation.

The fair market value of the Fund's net assets shall include all related receivables and payables of the Fund on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Reporting
As soon as reasonably available after the end of each fiscal year, UTIMCO shall deliver to the UTIMCO Board an investment report presenting activity and the performance of the LTF for the immediately preceding year and any other reports requested by the UTIMCO Board pursuant to the Investment Management Services Agreement.

Purchase of LTF Units
Purchase of Fund units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the Fund or contribution of assets approved by the chief investment officer, at the net asset value per unit of the Fund as of the most recent quarterly valuation date.

In order to permit complete investment of funds and to avoid fractional units, any purchase amount will be assigned a whole number of units in the Fund based on the appropriate per unit value of the Fund. Any fractional amount of purchase funds which exceeds the market value of the units assigned will be transferred to the Fund but no units shall be issued. Each fund whose monies are invested in the Fund shall own an undivided interest in the Fund in the proportion that the number of units invested therein bears to the total number of all units comprising the Fund.

Redemption of LTF Units

Redemption of Units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than $10 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the Fund's net asset value, the Board may redeem the requested units in installments and on a pro-rata basis over a reasonable period of time that takes into consideration the best interests of all Fund unitholders. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: Withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred. To be considered an administrative error, the contribution shall have been invested in the Fund for a period less than or equal to one year determined from the date of the contribution to the Fund. This provision does not apply to transfer of units between endowment unitholders.

Securities Lending

The LTF may enter into a securities lending contract with a bank or nonbank security lending agent for either short-term or long-term purposes of realizing additional income. Loans of securities by the Fund shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate. The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the agent shall be reviewed by UTIMCO to insure compliance with contract provisions.

Segregation of Investments

If any investment contained in the LTF shall be subsequently determined by the UTIMCO Board to be an ineligible investment, such investment may, prior to any further admissions to or withdrawals from such Fund, at the discretion of the chief investment officer, be sold or segregated and set apart in a liquidating account solely for the benefit of Fund unitholders at the time of such segregation. Each such liquidating account shall be administered in such manner and the proceeds thereof distributed at such time or times as the chief investment officer deems to be in the best interests of Fund unitholders.

Investor Responsibility

As a shareholder, the Fund has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Fund. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the Fund solely in the interest of Fund unitholders and shall not invest the Fund so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement
The Board of Regents reserves the right to amend the LTF Policy Statement as it deems necessary or advisable.

Effective Date
The effective date of this policy shall be November 24, 1996.