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MEMORANDUM OF PROCEDURES FOR INVESTMENT AND ALLOCATIoli 0
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EARNINGS ON ASSETS OF THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS jesse t. Clark, Clerk
FOR THE COURT REGISTRY INVESTMENT SYSTEM@ By Deputy@t@m@@ TERM
PORTFOLIO

ORDER NO. 90-47

This memorandum sets forth the procedural and fee arrangements for certain trading and accounting services to be rendered by Texas Commerce Bank National Association ("Texas Commerce") to the United States District Court for the Southern District of Texas (the "Court") with respect to certain assets held by the Court on behalf of its own cases and on behalf of cases pending in other United States District Courts. The method of investment set forth herein shall be known as the Court Registry Investment System - Term Portfolio and the assets governed hereby are referred to herein as the "Term Portfolio".

This arrangement shall be effective commencing December 31, 1990.

1. Identification and Allocation of Initial Funds to be Invested. The Designated Representative (as described below) shall deliver to Texas Commerce a statement identifying the initial cash balance of funds to be invested. Such statement shall further include an allocation of such funds by court and case number.

2. Investment. Texas Commerce is authorized to execute, on behalf of the Court, purchase and/or sale transactions in United States treasury bills, United States treasury notes and securities representing separate trading of registered interest and principal ("STRIPS") of United States Treasury securities (hereinafter referred to collectively as "Securities") as instructed by a Designated Representative. On each trade date or the next business

day following, Texas Commerce will provide to any one of the Designated Representatives written documentation of the purchase and/or sale transaction.

All investments will be made in book entry form through the Federal Reserve Bank of Dallas-Houston Branch. The Securities transactions on behalf of the Court will be delivered versus payment by Fed Wire.

3. Allocations.

(a) Texas Commerce shall allocate all income earned on the Term Portfolio between the cases that are a part thereof in the same proportions that the total balance of the assets attributable to each case bears to the total balance of assets of all such cases comprising the principal of the Term Portfolio as of the date such income is earned.

(b) Texas Commerce shall allocate all disbursements made by the Court from the Term Portfolio to the case or cases which a Designated Representative directs pursuant to Item 5 below.

4. Quarterly Reports. On a quarterly basis, Texas Commerce will provide quarter ending and quarter beginning reports regarding asset values and allocation between cases as described herein. Quarter end dates will be selected by a Designated Representative. The quarter ending reports provide the quarter end balances available for disbursement and allow the court to make additions to, withdrawals from or reinvestments in the Term Portfolio. Quarter ending reports will be available by 2:00 p.m. C.S.T. one business day before quarter end. The quarter beginning reports will reflect the additions to, withdrawals from and reinvestments

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made in the Term Portfolio at the beginning of the new quarter. Quarter beginning reports will be available within 20 business days of the new quarter. There will be two types of quarter ending reports: the Quarter Ending Asset Report and the Quarter Ending Allocation Report. There will be two types of quarter beginning reports: the Quarter Beginning Asset Report and the Quarter Beginning Allocation Report. The purpose and content of each of these four reports are as follows:

(a) Asset Reports

(1) Quarter Ending Asset Report

The Quarter Ending Asset Report will include a list

of assets held in the Term Portfolio showing updated market values for all Securities held at quarter end, priced for regular settlement. The total value of the Term Portfolio in such report shall equal the market value of all Securities held, based on regular settlement, plus odd dollars on deposit at the Federal Reserve Bank at quarter end.

(2) Quarter Beginning Asset Report

The Quarter Beginning Asset Report will include a list of assets held in the Term Portfolio showing updated market values for all Securities held at the beginning of the new quarter. The total value of the Term Portfolio in such report should equal the sum of the market value of Securities held plus odd dollars on deposit at the Federal Reserve Bank at the beginning of the new quarter.

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(b) Allocation Reports

(1) Quarter Ending Allocation Report

The Quarter Ending Allocation Report will identify, for each case which is a participant in the Term Portfolio, the pro-rata portion of the assets shown on the Quarter Ending Asset Report attributable to such case. The sum of all balances shall equal the total value of the Term Portfolio as shown on the Quarter Ending Asset Report.

(2) Quarter Beginning Allocation Report

Quarter Beginning Allocation Report will identify, for each case which is a participant in the Term Portfolio, the pro-rata portion of the assets shown on the Quarter Beginning Asset Report attributable to such case. The sum of all case balances shall equal the total value of the Term Portfolio as shown on the Quarter Beginning Asset Report.

5. Additions and Withdrawals. From time to time the Court may make

additions to the Term Portfolio. In such event, a Designated Representative shall provide the information described in Item 1 above within five (5) business days after the beginning of the quarter for which such addition is made. From time to time the Court may make withdrawals from the Term Portfolio. In such event, a Designated Representative shall advise Texas Commerce of the amount of the withdrawal and shall allocate such withdrawal between specified court and case number or numbers within five (5)

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business days after the beginning of the quarter for which such withdrawal is made.

6. Designated Representatives. All investment decisions, asset and case data referenced hereunder shall be the responsibility of one or more of the individuals specified in writing by Judge James DeAnda, Chief Judge for the United States District Court for the Southern District of Texas, such persons to be hereinafter referred to as "Designated Representatives". The initial Designated Representatives for the Court, until Texas Commerce is notified otherwise in writing, shall be Jesse E. Clark, Michael N. Milby and James H. Suchma. Texas Commerce shall be entitled to rely upon information from or instructions of any one of such persons.

7. Fees and Expenses. Texas Commerce agrees to provide the trading, accounting and reporting services described herein for a fee limited to five (5) basis points per annum (one basis point is 1/100th of one percentage point) . This fee arrangement assumes not more than three specific court cases participate in the Term Portfolio. The fee shall be charged by adjusting the yield on securities transactions for the Term Portfolio and is assessed at the time of the transactions.

8. Errors in Accounting. In the event that Texas Commerce or the Court (or a Designated Representative) makes an error in the earnings allocations or in the allocation of receipts and disbursements, such an error shall be corrected as of the next quarter end report or within 10 business days immediately following

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the discovery of the error, whichever is deemed most appropriate by the party

discovering the error. The Court acknowledges that Texas Commerce has the authority to adjust, either up or down, the account balances of all cases for which an accounting error was made. In the event that an error results in a case receiving less than its allocable portion of earnings or other receipts (reduced by losses or disbursements), damages, if any, shall be limited to the difference between the amount erroneously allocated and the amount which was properly allocable to that particular case. Texas Commerce will not be responsible for errors resulting from erroneous or unclear information supplied by a Designated Representative.

9. Limitations. No party other than the Court, and subject to the limitations set forth in Section 8, shall have any cause of action against Texas Commerce for any investment decisions or allocations made pursuant to the terms of this arrangement.

10. Termination and Notice. Texas Commerce or the Court may terminate this arrangement at any time upon thirty (30) days written notice delivered to the other party. All notices referenced herein shall be delivered to the appropriate party listed below. The address for notice purposes provided herein may be changed by written notice provided to the other parties at the addresses listed below:

Texas Commerce:

Daniel L. Austin
Texas Commerce Bank National
Association
P. O. Box 2558
Houston, Texas 77252-8032

Designated Representatives:

Jesse E. Clark
Clerk for the
United States District Court
for the Southern District of Texas
515 Rusk
Houston, Texas 77002

Michael N. Milby
Deputy Clerk
United States District Court
for the Southern District of Texas
515 Rusk
5th Floor - Financial Section
Houston, Texas 77002

James H. Suchma
Deputy Clerk
United States District Court
for the Southern District of Texas
515 Rusk
5th Floor - Financial Section
Houston, Texas 77002

The trading, allocation procedures and fee arrangements referenced herein
are agreed to and approved of by the undersigned parties.

TEXAS COMMERCE BANK NATIONAL
ASSOCIATION

By:
Allene S. Lucas
Senior Vice President

UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF TEXAS

By:
c @ f Judge James DeAnda

Attached hereto as proof of authorization by Judge James DeAnda, Chief Judge
for the United States District Court for the Southern District of Texas, is a
certified copy of the Court Order authorizing Texas Commerce Bank National
Association to invest assets of the Court, and to provide for certain accounting
services as provided herein.

SIGNED at Houston, Texas on this the 27th day of December, 1990.

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