

RESOLUTION OF THE MINNESOTA STATE BOARD OF INVESTMENT

Whereas, funds under the direction of the Minnesota State Board of Investment (SBI) contain investments in companies that derive revenues from the manufacture of consumer tobacco products;

Whereas, by Resolution dated December 12, 1997, the SBI determined it prudent to monitor the exposure of funds under management by the SBI to the risk of higher volatility and lower annualized returns which have been associated with investments in companies that derive revenue from the manufacture of consumer tobacco products;

Whereas, in May, 1998, the State of Minnesota settled its lawsuit with a number of tobacco companies pursuant to which the State of Minnesota will receive scheduled payments in perpetuity with scheduled payments over 25 years of \$6.1 billion and the tobacco companies agreed to significant changes in their marketing practices, particularly with respect to marketing to young replacement smokers;

Whereas, by resolution dated June 11, 1998, the Board directed its external and internal managers for its actively managed stock portfolios to purchase no new or additional shares of any company which obtains more than 15 percent of its revenues from the manufacture of consumer tobacco products;

Whereas, in the course of the litigation with the State of Minnesota over 30 million pages of previously secret tobacco industry files have been made public;

Whereas, tobacco companies continue to be the subject of similar actions brought by over 40 other states, a number of cities, counties and foreign governments, each similarly seeking large monetary recoveries and changes in the operations of companies that derive revenue from the manufacture of consumer tobacco products and additional governmental jurisdictions, both within and without the United States, continue to file or are exploring the possibility of filing, similar legal actions against the tobacco companies;

Whereas, companies that derive revenue from the manufacture of consumer tobacco products continue to be the subject of significant private actions and private class actions, including the Blue Cross Blue Shield plans in over 31 states, and Allina and Health Partners, and over 30 actions filed by Taft-Hartley health care plans operated by unions;

Whereas, according to published reports, the activities of tobacco companies currently are under criminal investigation by one or more federal grand juries;

Whereas, federal Food and Drug Administration (FDA) regulations promulgated in 1996 were upheld by the U.S. district court in North Carolina, overturned on appeal to a U.S. Fourth Circuit Court of Appeals panel, and are now on appeal to the entire Fourth Circuit. Those regulations, if ultimately upheld will alter the marketing, manufacturing and other business activities of those tobacco companies in significant respects;

Whereas, to date all bills in Congress that would restrict the FDA's authority to regulate tobacco or that would provide liability protection to the tobacco industry have failed to pass;

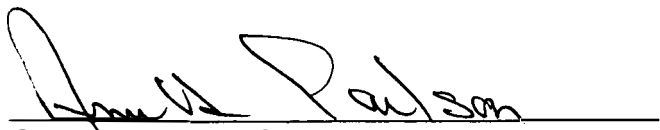
Whereas, the Board has determined it is prudent to limit the exposure of its funds to the excessive and unnecessary risk resulting from the current litigation, legislative, regulatory and investment environment with respect to companies that derive revenue from the manufacture of consumer tobacco products; and

Whereas, the Board considers it prudent to reduce the exposure of all its stock funds, both externally and internally managed, to the foregoing risks in light of the Board's fiduciary responsibility.

NOW THEREFORE be it resolved:

1. SBI's external or internal managers for its actively managed stock portfolios shall be directed to divest shares of any company which obtains more than 15 percent of its revenues from the manufacture of consumer tobacco products by September 2001.
 - a. As soon as practicable after the date of approval of this Resolution, the State Board of Investment staff shall notify its internal and external active stock managers of this Resolution.
 - b. The process of divesting stocks held in the State Board of Investment's active stock managed portfolios must be conducted to the extent practicable consistent with fiscal prudence and so as to minimize financial market disturbance.
2. To identify the tobacco companies covered by paragraph 1 hereinabove, the State Board of Investment executive director and State Board of Investment stock managers are directed to rely on information compiled by the Investor Responsibility Research Center (IRRC), Washington, D.C., as published in the most recent edition of the IRRC publication entitled "The Tobacco Industry."
3. The State Board of Investment staff shall report on the progress of the divestment process at each quarterly meeting, and report on any significant difficulties or problems encountered.

Adopted the 2nd day of September, 1998.



Governor Arne H. Carlson
Chair, Minnesota State Board of Investment