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Master Repurchase Agreement

Guidance Notes

September 1996 Version

Guidance Notes Summarizing Key Changes from August 1987 Version

The Bond Market Association (the Association), is publishing a revised version of its Master Repurchase Agreement (the “Agreement”), which was last amended in August 1987. The revisions to the Agreement are designed to reflect a number of important legal and marketplace developments since the last amendments, while at the same time preserving the key features of the August 1987 version of the Agreement that have led to its widespread acceptance by market participants.

As in the past, the Agreement will continue to provide, on a reciprocal basis, the basic legal protections that are essential for repo market participants, including (i) explicit characterization of transactions as purchases and sales, (ii) mark-to-market procedures and (iii) express liquidation rights and other default remedies, particularly in the bankruptcy context. The Agreement has been refined, however, to reflect user experience with its provisions and has been updated in the following significant respects —

Expansion of Repo Market. The revised Agreement includes changes designed to reflect the substantial expansion of the repo market since 1987. While prior versions of the Agreement were developed in the context of a repo market predominantly focused on U.S. Treasury and agency securities, the revised Agreement now encompasses a broad range of debt and other securities of both public and private issuers and sets out in a new Annex III detailed terms and conditions for international transactions.

Legal Developments. The Agreement has been revised to incorporate a number of changes that reflect market participants’ experience in exercising liquidation and similar closeout rights in the context of counterparty insolvency. In addition, revisions have been made to address changes in law, including anticipated amendments to Article 8 of the New York Uniform Commercial Code.

Standardization of Frequently Negotiated Provisions. A new Schedule of Optional Provisions attached hereto has been prepared for use in connection with Annex I to the Agreement (Supplemental Terms and Conditions). This Schedule contains standard language that parties may elect to use in connection with frequently negotiated supplemental terms, such as provisions defining “business day,” establishing “repricing” conventions different from those set out in the Agreement and specifying designated branches or offices through which the parties may be acting. In addition, an optional Annex IV has been prepared for use in Transactions where a party is acting as agent for one or more disclosed principals. An optional Annex V containing margin provisions for use with “forward start” repos has also been prepared. In addition, an Annex VI has been developed to address Buy/Sell Back Transactions, which have become a growing part of the international market.

The Association wishes to emphasize that the publication of the revised Agreement should not be construed as a suggestion that counterparties no longer conduct business pursuant to the August 1987 version of the Agreement — which has in fact been very effective in meeting its intended objectives and continues to be endorsed by the Association. Nevertheless, the Association views the revised Agreement as better suited to current market conditions than the August 1987 version and strongly encourages its use in establishing new counterparty relationships. The Association does not, however, consider it necessary for counterparties to abandon existing contractual arrangements based on the August 1987 version absent a mutual determination that the revised Agreement would be preferable.

To assist users of the Agreement, the Association has prepared the following guidance notes that explain and summarize on a section-by-section basis the key changes from the August 1987 version. These guidance notes should not be relied upon by any party to determine, without appropriate legal, accounting or other relevant professional advice, whether the Agreement is suitable to its particular circumstances and needs. Capitalized terms not otherwise defined have the meanings given to them in the Agreement.

Paragraph 1: Applicability

Paragraph 1 of the Agreement has been revised to accommodate the growing breadth of the repo market. The definition of “Securities” has been modified to cover all financial instruments and other assets, including commercial paper and unsecuritized receivables, regardless of whether they are “securities” under commercial, regulatory or bankruptcy law or for other purposes. Because the definition of “Transaction” in the Agreement remains unchanged and covers a broad range of transactions, if parties desire to exclude particular types of transactions from the Agreement, a supplemental provision to that effect should be included in Annex I to the Agreement. As in the 1987 version, however, “dollar rolls” are not intended to be covered by the Agreement.

Paragraph 2: Definitions

Act of Insolvency

The language of this definition has been revised to clarify that an “Act of Insolvency” includes (i) the commencement of any case or proceeding under moratorium and delinquency laws, (ii) the appointment or election of a conservator, and (iii) the convening of a creditors’ meeting for the purposes of commencing a voluntary case or proceeding. Although the Association views the current definition as encompassing each of these events, the revisions are intended to eliminate any potential ambiguity and confirm the broad coverage of the definition, and are not intended to constitute a substantive change.

Buyer’s Margin Amount and Seller’s Margin Amount

The definition of “Buyer’s Margin Amount” has been restructured and simplified through the use of a newly-defined term, “Buyer’s Margin Percentage.” This change, and a parallel change in the definition of “Seller’s Margin Amount,” is intended to highlight the distinction between the margin percentage for a Transaction (which is now separately defined as the Buyer’s/Seller’s Margin Percentage) and the number obtained by applying that percentage to the Repurchase Price (which is defined as the Buyer’s/Seller’s Margin Amount). As in the August 1987 version of the Agreement, “Buyer’s Margin Percentage” and “Seller’s Margin

Percentage” are defined as percentages (which may be equal) agreed to by Buyer and Seller. The definitions explicitly confirm, moreover, that in the absence of any such agreement, the applicable percentage will be calculated by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for the relevant Transaction. As in the past, parties typically will find it desirable to establish appropriate margin percentages in Annex I.

Income

This definition has been revised to make it clear, in accordance with market practice and consistent with the intent of the drafters of the prior versions of the Agreement, that distributions in respect of any Security are not treated as Income under the Agreement unless and until such distributions are paid by the issuer.

Margin Notice Deadline

This new definition is used in the new margin maintenance provision (Paragraph 4(c)) described below.

Prime Rate

This definition, which applies in certain default situations under Paragraph 11, has been revised to provide that if more than one prime rate for U.S. commercial banks is published in *The Wall Street Journal*, the average of such rates shall be treated as the Prime Rate under the Agreement.

Purchase Date

A minor revision to this definition has been made to clarify its application to Transactions that are agreed to by the parties on a date prior to applicable Purchase Date for such Transactions.

Purchase Price

This definition has been amended to address the issue of “repricing” Transactions. The revised definition expressly confirms the ability of the parties to agree that the Purchase Price for a Transaction will not be adjusted as a result of transfers of cash under Paragraph 4 (Margin Maintenance) or Paragraph 5 (Income) of the Agreement. In the absence of any such agreement between the parties, the Purchase Price will continue to be adjusted to reflect such transfers in the manner prescribed under the August 1987 version of the Agreement. For the convenience of parties agreeing not to adjust the Purchase Price in some or all of their Transactions, the Schedule of Optional Provisions includes an optional form of “Purchase Price Maintenance” provision for inclusion in Annex I.

Paragraph 4: Margin Maintenance

New Paragraph 4(c) clarifies timing issues arising under the margin maintenance provisions by establishing a specific “Margin Notice Deadline” for same-day satisfaction of margin calls. If a notice of a margin call is given at or before the Margin Notice Deadline, the party receiving such notice must satisfy its margin maintenance obligation no later than the close of business in the relevant market on the business day on which notice is given. If the Margin Notice Deadline is not met, the party receiving such notice has until the close of business in the relevant market on the next business day following such notice. “Margin Notice

Deadline” is defined as the time agreed to by the parties as the deadline for giving notice requiring same-day satisfaction of the margin maintenance obligations. In the absence of an agreement by the parties, the deadline is established in accordance with market practice.

Paragraph 5: Income Payments

Paragraph 5 has been revised to make clear its application in the context of Securities that pay Income to holders on a payment date other than the record date. As amended, the Paragraph confirms that Seller is entitled to receive from Buyer an amount equal to all payments or distributions of Income made on or in respect of the Purchased Securities to the full extent it would be so entitled if the Purchased Securities had not been sold to Buyer (except insofar as Seller may have otherwise received them). The Paragraph has also been amended to address the possibility of non-cash distributions in respect of the Purchased Securities. In addition, to avoid any ambiguity, language has been added in the final sentence of the Paragraph to make clear that Buyer is not obligated to transfer or credit Income to Seller if an Event of Default with respect to Seller has occurred and is then continuing. These changes codify market practice in this area and confirm the sale treatment of Transactions. In accordance with this sale treatment, it is intended that Buyer would have the right to vote or provide any consent with respect to the Purchased Securities.

Paragraph 6: Security Interest

Paragraph 6 contains a technical change intended to confirm that the term “proceeds” includes all Income in respect of the Purchased Securities.

Paragraph 7: Payment and Transfer

The provision giving the term “transfer” the same meaning contained in Section 8-313 of the New York Uniform Commercial Code has been deleted in response to anticipated revisions to the New York Uniform Commercial Code. The Association continues to view New York law as well suited to serve as the governing law of the Agreement, based on the determination that New York has, in comparison with other available U.S. jurisdictions, a significant percentage of repo transactions occurring within it and a highly developed body of commercial and securities law. Parties may wish to provide delivery instructions in Annex I or Annex II to the Agreement.

Paragraph 8: Segregation of Purchased Securities

The segregation provisions have been amended in response to anticipated revisions to the New York Uniform Commercial Code. In addition, the Buyer’s right to sell or transfer the Purchased Securities, consistent with existing market practice, has been expressly confirmed.

Paragraph 10: Representations

The representations in Paragraph 10 remain unchanged in substance. A technical change has been made, however, to reflect that parties may wish to utilize new Annex IV in Transactions where a party is acting as agent for one or more disclosed principals.

As in the August 1987 version of the Agreement, it is intended that neither party to the Agreement will be relying on the advice of the other, that each party will have made its own decisions regarding the entering into of Transactions under the Agreement and that each party understands the risks, terms and conditions of each Transaction. If a party does wish to rely on the other party, a supplemental provision to that effect should be included in Annex I to the Agreement.

Paragraph 11: Events of Default

A number of revisions have been made to Paragraph 11 to reflect user experience with the Agreement in the default context.

Definition of “Event of Default”

The definition of “Event of Default” has been revised to include a failure by Buyer or Seller to perform on the Purchase Date. This Event of Default could be triggered either in a conventional Transaction or in a “forward start” repo.

In addition, the applicable cure periods for other Events of Default have been revised. In the case of a failure to pay Income under Paragraph 5, a one business day cure period has been added. In the case of a failure to meet a margin call under Paragraph 4, the cure period previously contained in Paragraph 11 has been eliminated and the deadline for meeting margin calls is established pursuant to new Paragraph 4(c) described above.

In the case of a failure by Buyer or Seller to perform on the Repurchase Date, the nondefaulting party’s right to exercise its default rights will no longer be subject to a one business day notice requirement. This change has been made because market participants have found the notice requirement contained in the August 1987 version of the Agreement to be a potential obstacle to the swift exercise of their rights where a default occurs in the context of an impending Act of Insolvency. In this regard, the Association notes that Paragraph 11 has not generally been invoked under the August 1987 version of the Agreement to deal with “fails” that occur in the ordinary course of business.

Notice and Declaration of Default

The notice requirements that previously were set forth in Paragraphs 11(a) and 11(d) (and which overlapped to some extent) have been consolidated into a single notice requirement in Paragraph 11(a) in connection with the declaration of an Event of Default. The notice provision has also been revised to make clear that, while the nondefaulting party is required to give notice as promptly as practicable, its inability to do so (e.g., as a result of a failure by the defaulting party to answer its telephones or maintain other lines of communication) will not preclude the immediate exercise of the nondefaulting party’s rights.

As in the August 1987 version of the Agreement, the option to declare an Event of Default is automatically deemed to be exercised immediately and the notice requirement does not apply upon the occurrence of an Act of Insolvency. A conforming change has also been made in Paragraph 11(a) to provide for the cancelation of Transactions for which the Purchase Date has not yet occurred.

Recognized Market and Sources for Quotations

Paragraph 11(d) has been revised to address issues that may arise in connection with the exercise by the nondefaulting party of its liquidation rights in light of the substantial expansion of the categories of Securities for which there is an active repo market.

Paragraph 11(d) now contains an express acknowledgment that, unless otherwise agreed by the parties, the Securities subject to any Transaction under the Agreement are instruments traded in a “recognized market.” This express acknowledgment is consistent with market participants’ understanding under the August 1987 version of the Agreement that they would have the right upon the occurrence of an Event of Default to effect “deemed” purchases and sales of Securities. Moreover, because the existence of an active repo market for a class of Securities also tends to demonstrate the existence of a “recognized market,” the presumption established by the Agreement (which applies absent an agreement to the contrary between the parties) conforms to underlying market reality.

Paragraph 11(d) also now expressly provides that, in the absence of a generally recognized source for prices or bid or offer quotations for any Security, the nondefaulting party is entitled in its sole discretion to establish the source therefor and the provision clarifies that all prices, bids and offers shall be determined together with accrued Income except to the extent contrary to market practice with respect to the relevant Securities (e.g., Government National Mortgage Association (GNMA) securities). In addition, Paragraph 11(d)(ii) has been revised to refer to closing “offer” quotations rather than closing “bid” quotations in the context of the acquisition of Replacement Securities.

Clarifications and Conforming Changes

A number of clarifying and conforming changes have also been made in Paragraph 11. The Association views these changes as generally consistent with its understanding of the parties’ rights under the August 1987 version of the Agreement.

Paragraph 11(b) has been revised to make clear that upon the exercise or deemed exercise of the option in Paragraph 11(a), the Repurchase Price of the Purchased Securities is determined on the Repurchase Date as determined in accordance with Paragraph 11(a). In addition, all Income paid after such exercise or deemed exercise is retained by the nondefaulting party and applied to the aggregate unpaid Repurchase Prices and other amounts owing by the defaulting party.

A clause has been added to Paragraph 11(d)(i) to make it clear that any sale of Purchased Securities by the nondefaulting party must be conducted in a commercially reasonable manner and Paragraph 11(d)(ii) has been revised to make it reciprocal to Paragraph 11(d)(i).

Paragraphs 11(e) and 11(f) have been revised to eliminate unnecessary wording and to make other clarifying changes.

Paragraph 11(g) has been revised to include, in subclause (ii), a specific reference to the nondefaulting party’s right to recover damages equal to the cost (including fees, expenses and commissions) of entering into replacement transactions and entering into or terminating hedge transactions. Subclause (iii) continues to make clear, consistent with the August 1987 version of the Agreement, the nondefaulting party’s right to recover any

other loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a Transaction, regardless of whether the nondefaulting party enters into or terminates, as the case may be, any such replacement or hedge transaction. This revised language is intended, among other things, to clarify the nature of the nondefaulting party's rights with respect to Transactions for which the Purchase Date has not yet occurred.

Paragraph 11(h) has been added to consolidate all of the references to the nondefaulting party's right to interest on deficiencies (previously contained in Paragraphs 11(b), 11(e) and 11(g)) in a single provision.

Paragraph 13: Notices and Other Communications

The revisions to Paragraph 13 are intended to be clarifying in nature and to conform the notice provision of the Agreement to the provisions of other Association standard agreements. It is intended that notices will generally be effective upon receipt, with standard exceptions used by market participants covering circumstances in which a notice is received by a party on a day on which it is not open for business or in which the sender of the notice uses reasonable efforts to provide notice but is unable to prove receipt. In addition, the parties may wish to provide in Annex II for additional instructions for wire transactions or other deliveries.

Paragraph 15: Non-assignability; Termination

A provision has been added as subparagraph (b) permitting a party to assign its right in all or any part of its interest in any sum payable to it following an Event of Default. In addition, a clause has been added to Paragraph 15(a) to make clear that any assignment without the prior written consent of the other party is null and void.

Paragraph 18: Use of Employee Plan Assets

This Paragraph has not been revised from the August 1987 version of the Agreement. It contains only those provisions that the Association views as essential in light of U.S. Department of Labor Prohibited Transaction Exemption 81-8, which may apply to written repurchase agreements with pension plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Some parties may find the inclusion of additional provisions relating to ERISA desirable under some circumstances.

Paragraph 19: Intent

In light of the expanded scope of the Agreement, a technical change has been made in Paragraph 19(a) to provide that a Transaction is not intended to fall within the Bankruptcy Code definition of a "securities contract" if the assets subject to such Transaction would render such definition inapplicable.

A new Paragraph 19(c) has been added to confirm the parties' understanding that, if one or both of them is an "insured depository institution" (as defined in the Federal Deposit Insurance Act ("FDIA")), then each Transaction is a "qualified financial contract" (as defined

in FDIA), to the extent applicable. This provision is intended to assist parties involved in Transactions with an insured depository institution in obtaining the benefits of FDIA protections applicable in the event that the Federal Deposit Insurance Corporation is appointed conservator or receiver.

A new Paragraph 19(d) has been added to confirm the parties' understanding that, if both of them are "financial institutions" (as defined in the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA")), then the Agreement is a "netting contract" (as defined in FDICIA) and each payment entitlement and payment obligation is a "covered contractual payment entitlement" or "covered contractual payment obligation," respectively. This provision is intended to assist financial institutions in obtaining netting of their obligations under the Agreement in the context of a bankruptcy or other default.

Paragraph 20: Disclosure Relating to Certain Federal Protections

Paragraph 20(c) has been revised to reflect the dissolution of the Federal Savings and Loan Insurance Corporation.

Guidance Notes for Annexes

Designation of Annexes to Form a Part of the Agreement

The Annexes to the Agreement have been formatted with blank spaces at the beginning in which to insert the names of the parties and the date of the Agreement. Parties should consider whether they also wish to require separate signatures on each Annex, in particular to help prove, as an evidentiary matter, that a particular party has entered into a particular Annex. Even if not all Annexes are signed, the parties may wish to sign Annex I, which has been revised to permit the parties to designate the Annexes that will apply to Transactions under the Agreement.

Annex I: Use of Optional Provisions

The Schedule of Optional Provisions attached hereto contains forms of clauses that parties may elect to use in connection with Annex I of the Agreement. These clauses provide standard language for frequently negotiated supplemental terms.

Business Day. A standard “business day” definition has been provided.

Margin Maintenance for International Transactions. For counterparties that elect to use Annex III, a margin maintenance clause provides for next-day satisfaction of margin calls with respect to International Transactions. If the Margin Notice Deadline is met, the party receiving a notice of a margin call must satisfy its margin maintenance obligation no later than the close of business in the relevant market on the next business day following the business day on which notice is received. If the Margin Notice Deadline is not met, the party receiving such notice has until the close of business on the second business day following the business day on which notice is received. This provision applies, as the parties may designate, to either (i) any International Transaction in which the Purchase Price and the Repurchase Price are denominated in the official currency of any country designated by the parties in the Schedule, or (ii) any International Transaction cleared and settled in any country so designated by the parties.

Purchase Price Maintenance. A Purchase Price maintenance clause has been provided for use by parties who choose not to “reprice” some or all of their Transactions under Paragraph 4(c) of the Agreement. In the event that Income payments are transferred pursuant to Paragraph 5 of the Agreement, the Purchase Price will not be adjusted and Buyer will instead transfer to or credit to the account of Seller such payments. The parties may also provide that in the event cash is transferred under Paragraph 4 (Margin Maintenance), the Purchase Price will not be adjusted and such cash will instead be treated as Additional Purchased Securities.

Security-Specific Haircuts. A Market Value provision has been included for parties who wish to use margin “haircuts” when making Market Value determinations under the margin maintenance provisions. The parties are free to specify both the types of Securities and the percentage reductions to be applied to the price obtained in making the determination with respect to the specified Securities. An alternative provision allows the parties to use a uniform “haircut” percentage to be agreed by the parties.

Branches and Offices. A designated offices provision allows the parties to specify the branches or offices through which they will enter into Transactions to be governed by the Agreement. If the parties agree to use Annex III, a Transaction involving a branch or office designated by a party is treated as an International Transaction to which the provisions of Annex III apply.

Consent to Jurisdiction. The Schedule includes a provision under which the parties submit to the non-exclusive jurisdiction of any United States Federal or New York State court and waive any immunity (sovereign or otherwise) with respect to actions brought under the Agreement. This provision is designed to address in particular the possibility that foreign parties using the Agreement might not otherwise be subject to such jurisdiction. Parties may in some cases also wish to require non-U.S. signatories to appoint an agent in the United States for purposes of receiving service of process.

Additional Event of Default. An additional Event of Default has been included in the Schedule that parties may elect to use. A failure to perform as a result of sovereign action or inaction (directly or indirectly) would trigger an Event of Default. In addition, parties may find it desirable to include a cross-default provision that covers the default by either party with respect to any other indebtedness or any other agreement between the parties.

In general, parties should also keep in mind the need to specify the circumstances in which the failure to perform any covenant contained in an Annex to the Agreement will constitute an Event of Default.

Counterparty Netting in Connection with Annex III. An alternative termination mechanism has been prepared with respect to Paragraph 11 of the Agreement for use with counterparties that have agreed to use Annex III and who are subject to the Capital Adequacy Directive (the “CAD”) of the United Kingdom Securities and Futures Authority. This mechanism, which offers alternative remedies in lieu of the otherwise applicable subparagraphs (b), (c), (d) and (e) of Paragraph 11, is designed to qualify the Agreement for netting treatment in the United Kingdom under the CAD.

Annex III: International Transactions

Annex III contains additional terms and conditions that govern International Transactions. The central objective of Annex III is to provide guidance with respect to issues presented by payments or parties in different jurisdictions. It has been prepared in conjunction with a review of the revised Global Master Repurchase Agreement published in November 1995 by PSA and the International Securities Market Association (the “PSA/ISMA Global Master Repurchase Agreement”). The Bond Market Association continues to encourage market participants to consider usage of the PSA/ISMA Global Master Repurchase Agreement, where appropriate, as the standard master repurchase transaction agreement involving International Transactions. Annex III is presented, however, as an alternative contract that facilitates the substantive provisions of the Master Agreement, governed under New York law, to be used in the international context.

Definitions

Base Currency. The parties may agree on a currency as the base currency for purposes of calculating the Margin Deficit and Margin Excess pursuant to the margin maintenance provisions. In the absence of any such agreement between the parties, the U.S. dollar is designated as the base currency.

Business Day. This definition modifies the definition included in the Schedule of Optional Provisions to the Agreement to apply more precisely in relation to payments in different jurisdictions.

International Security. An International Security is defined broadly to include any Security denominated in a currency other than U.S. dollars, capable of being cleared through a clearing facility outside the United States or issued by an issuer organized under the laws of a jurisdiction other than the United States (or any political subdivision thereof). The intent of this definition is to provide parties with the flexibility to use Annex III for a wide range of Transactions if they so desire.

International Transaction. An International Transaction is defined to include any Transaction involving an International Security, a party organized under the laws of a jurisdiction other than the United States (or any political subdivision thereof) or having its principal place of business outside the United States or a branch or office outside the United States designated in Annex I by a party organized under the laws of the United States (or any political subdivision thereof) as an office through which that party may act when entering into Transactions governed by the Agreement.

Manner of Transfer

Paragraph 2 of Annex III sets forth the requirements for transfers of International Securities, which may be made by transfer through Euroclear or CEDEL, any other agreed securities clearing system or such other means as the parties may agree.

Contractual Currency

Paragraph 3 of Annex III requires all payments to be made in the Contractual Currency (defined as the currency in which the relevant International Securities are denominated unless otherwise agreed). The party entitled to receive a payment may, at its option, accept payment in a currency other than the Contractual Currency, in which case this Paragraph seeks to minimize the exchange risks to which the party receiving payment is subject. Payments made in any currency other than the Contractual Currency discharge the payor's payment obligation only to the extent the recipient is able to purchase the Contractual Currency with the amount tendered in the other currency. Except where an Event of Default with respect to the payee has occurred, the party making payment remains liable for any shortfalls in amounts due in the Contractual Currency, including shortfalls after any judgments or orders against that party in another currency have been converted to the Contractual Currency. If the amount in the Contractual Currency received upon conversion of the tendered currency exceeds the amount due, the recipient, except where an Event of Default with respect to the payor has occurred, must refund the difference. The enforceability of these provisions will be subject to applicable law and judicial practice.

Taxes

Because payments made by one party to a party in another country may be subject to withholding tax, Paragraph 5 of Annex III provides, consistent with similar provisions in other types of agreements involving cross-border payments under financial instruments, that if a party obligated to make a payment (the "Payor") is required to withhold tax on that payment, the Payor must "gross up" the payment so that the other party (the "Payee") will be made whole. For this purpose, a tax imposed by reason of a connection between the Payee and the taxing jurisdiction generally is excluded from the definition of a "Tax" for which a gross-up payment is required to be made. Similarly, any change in such a tax will not trigger the change of tax law provision of Paragraph 6.

In those cases where the delivery of a certificate or other document by the Payee would reduce or eliminate the rate of withholding tax, the Payee is required to deliver that document or certificate upon reasonable request by the Payor and to notify the Payor if the certificate or document ceases to be true for reasons other than a change in tax law. The Payor is not required to gross up to the extent that the Payee fails to comply with those requirements. Paragraph 5 thus places the risk of withholding tax upon the Payor in the first instance, but shifts that risk to the Payee to the extent that the imposition of withholding tax results from a failure by the Payee to take reasonable steps to reduce or eliminate the tax, including advising the Payor of facts likely to be within the sole knowledge of the Payee. It is anticipated that the parties will agree to alternative arrangements should they so desire.

Paragraph 5 also provides a general rule that the amount required to be paid or credited to Seller by Buyer under Paragraph 5 of the Agreement (relating to Income payments) is equal to the amount of Income required to be paid under the terms of a Security in the absence of withholding tax, regardless of whether either party receives or would receive a lesser amount due to a deduction or withholding made on the underlying Income payments by the issuer of the Security. Alternative approaches were considered, including a rule limiting the amount that Buyer is required to pay or credit to Seller to the amount of after-tax Income that Seller would have received had Seller continued to hold the Security, as is provided in The Bond Market Association Master Securities Loan Agreement (May 1993 version). This alternative approach was not adopted for several reasons, including the advantages of providing a default rule based upon facts within the knowledge of both Buyer and Seller rather than a rule based upon Seller's individual tax situation, the difficulty of providing a simple and unambiguous rule in cases where Seller's net after-tax income may be greater than the cash receivable from Seller from the issuer of the Security (e.g., where the withholding tax that would be imposed upon Income paid to Seller is refundable, or where Seller is entitled to foreign tax credits or benefits under an integrated tax system), and the use of a "gross" approach by some market participants. It is expected that the parties will negotiate alternative payment obligations with respect to a Security where Seller would have received Income payments from the issuer of the Security subject to deduction or withholding of tax if Seller had continued to hold the Security, which alternative may include the alternative "net" approach described in this paragraph.

Tax Event

Paragraph 6 of Annex III allows a party to terminate an International Transaction, upon notice to the other party, in the event that any action relating to withholding tax taken by a revenue authority or brought in a court of competent jurisdiction or any change in tax law or practice has a material adverse effect on that party in the context of the International Transaction. This provision is based upon the comparable provision of the PSA/ISMA Global Master Repurchase Agreement, but provides that the tax must be one required to be collected by withholding or deduction (e.g., a gross income tax) and that the action or change of law must take place after the date the International Transaction is entered into.

In order to ensure that an International Transaction is not terminated unless there is a substantial likelihood that the change of tax law will have a material adverse effect on the notifying party, the other party may require the notifying party to provide an opinion of counsel that a change of tax law has taken place and affects the notifying party. The parties may wish to consider adding a provision requiring the affected party to use reasonable efforts to transfer any affected International Transaction to another branch or office if the International

Transaction would no longer be affected by the change of tax law after the transfer, as is provided in the Master Agreement published by the International Swap Dealers Association, Inc. (now the International Swaps and Derivatives Association, Inc.). Such a provision was not included in Paragraph 6 because repos generally are of a shorter term than transactions documented under an ISDA Master Agreement and because market participants have different views as to the desirability of such a transfer provision.

In some cases, a party may prefer to bear the cost of a change of tax law rather than terminate an International Transaction. If that party is the party affected by the change of tax law, such party may elect not to provide the notice referred to above, in which case the provisions of Paragraph 6 will not be invoked. If that party is the other party, such other party may override the notifying party's election to terminate the International Transaction, but in so doing such other party will agree to indemnify the notifying party against the relevant adverse effect. The relevant adverse effect may include, for example, a gross up obligation on payments made by the notifying party to the other party under Paragraph 5 of Annex III.

Events of Default

Paragraph 8 of Annex III provides an additional Event of Default for International Transactions: the failure, after one business day's notice, to perform any covenant or obligation required under Annex III. The nondefaulting party is also entitled, in addition to its rights under Paragraph 11 of the Agreement, to convert any currency into a different currency and offset obligations of the defaulting party denominated in different currencies against each other.

Annex IV: Party Acting as Agent

Annex IV adapts the terms of the Agreement to govern agency Transactions and addresses a number of practical and legal issues in this context. The central objective of Annex IV is to assist parties entering into Transactions in determining who, as between the agent and its principal(s), is liable for performance under the Agreement. It has been modeled after an annex to The Bond Market Association Master Securities Loan Agreement (May 1993 version) covering agency securities loan transactions.

Paragraphs 1 and 2 require the party acting as agent to disclose the identity of the principal(s) for whom it intends to act as agent and to represent and warrant that each such principal has authorized it to execute and deliver the Agreement, to enter into the Transactions and to perform the obligations of the principal(s) thereunder.

Paragraph 3 sets forth general rules limiting the agent's liability under the Agreement. Where the agent has, through compliance with the provisions of the Agreement, taken the steps necessary to permit the other party to the Agreement to assess the creditworthiness of its principal(s), the agent's obligations do not include a guarantee of performance by its principal(s) and the other party's remedies do not include a right of setoff with respect to any obligations between the agent, acting for its own account, and the other party.

Paragraph 4 provides that when an agent acts on behalf of multiple principals, the Agreement presumes that the Transactions will be treated as multiple Transactions on behalf of separate principals, unless the parties agree in writing to treat the Transactions as if they

were Transactions by a single principal. This Paragraph also sets forth the rights and obligations of the agent with respect to each situation.

Paragraph 5 sets forth a general rule of construction for the term “Seller” or “Buyer,” as the case may be, in the Agreement in the context of agency Transactions, subject to the limitation of an agent’s liability in Paragraph 3 of Annex IV. This Paragraph explicitly acknowledges that each principal has the rights, responsibilities, privileges and obligations of a “Seller” or “Buyer,” as the case may be, that enters directly into Transactions with another party, and that the agent has been designated as the sole agent of each principal for performance of Seller’s obligations to Buyer or Buyer’s obligations to Seller, as the case may be, and for receipt of performance by Buyer of its obligations to Seller or Seller of its obligations to Buyer, as the case may be. The terms “party” and “either party” are deemed to refer to both the agent and the principal(s), including *inter alia*, in the context of a default. The effect of this construction of the terms “party” and “parties” is that a bankruptcy or similar default by the agent will also be deemed a default by the principal(s).

Annex V: Margin for Forward Transactions

Annex V contains several provisions that can be used to adapt the margin maintenance provisions of the Agreement to govern Forward Transactions. A Forward Transaction is defined as any Transaction agreed to by the parties as to which the Purchase Date has not yet occurred. The central objective of these provisions is to assist parties entering into Forward Transactions in determining the exposure each party has prior to the occurrence of the Purchase Date and imposing margin obligations during the period between the date the parties agree to enter into the Forward Transaction and the Purchase Date for the Forward Transaction.

The parties may agree upon a minimum dollar amount or percentage threshold below which margin calls will not be permitted. The parties may also agree, with respect to any or all Forward Transactions, to provide for Transaction-by-Transaction margin maintenance obligations. Finally, the parties may agree that one party will deposit a minimum dollar amount or percentage with the other party, either on an initial or ongoing basis.

This Annex incorporates the Margin Notice Deadline requirement for same-day satisfaction of margin maintenance obligations in connection with Forward Transactions. A provision requires Forward Collateral (together with any Income thereon and proceeds thereof) to be transferred by the holder thereof upon the occurrence of the relevant Purchase Date and the performance by the parties of their respective obligations on such date. The transfer need not be made if such transfer would trigger margin maintenance obligations.

Annex V provides an additional Event of Default for Forward Transactions: the failure, after one business day’s notice, to perform any covenant or obligation required under Annex V. The nondefaulting party is also entitled, in addition to its rights under Paragraph 11 of the Agreement, to sell any or all Forward Collateral and apply the proceeds thereof to, or give the defaulting party credit for such Forward Collateral against, any amounts owing by the defaulting party, to receive any Forward Collateral (together with any Income thereon and proceeds thereof) held by the defaulting party and to purchase Replacement Securities in the event that any Forward Collateral is not so transferred.

Annex VI: Buy/Sell Back Transactions

Buy/Sell Back Transactions have become common in many foreign markets and are recognized in other standard agreements such as the PSA/ISMA Global Master Repurchase Agreement. Accordingly, PSA has prepared a new Annex VI to adapt the Agreement for use in connection with Buy/Sell Back Transactions. The principal economic difference between Buy/Sell Back Transactions and more traditional repo Transactions covered by the Agreement is that, in Buy/Sell Backs, Income payments on the Purchased Securities are retained by the Buyer rather than paid to the Seller (and the Sell Back Price is adjusted accordingly).

The Bond Market Association encourages U.S. counterparties to take particular care in assessing whether to enter into Buy/Sell Back Transactions. Because such Transactions are documented as “buys” and “sells” yet retain many of the economic features of a financing, they may raise authority, accounting and recordkeeping issues for some counterparties. The Bond Market Association considered it desirable, however, to provide a form of documentation that could be used to avoid uncertainty in cases where documentation for such Transactions is required. In this regard, the Annex requires that at least one Confirmation in a Transaction identify it as a Buy/Sell Back.

The Annex has been modeled after a similar annex prepared as part of the PSA/ISMA Global Master Repurchase Agreement. As in the case of the PSA/ISMA Global Master Repurchase Agreement, the Annex requires that each Transaction be identified as a Buy/Sell Back Transaction in the relevant Confirmation and permits the Confirmation to be in the form of either a single document or two separate documents. The provisions of the Annex relating to Accrued Interest, while substantively conforming to the economic terms of the PSA/ISMA Global Master Repurchase Agreement, have been redrafted to reflect the prevailing market convention in the United States of including accrued interest in the Purchase Price for a Transaction (as is contemplated under the definition of “Purchase Price” currently set out in Paragraph 2 of the Agreement).

Annex VII: Transactions with Registered Investment Companies

Annex VII is intended for use in transactions involving registered investment companies or any series or portfolio thereof (“Funds”). Funds have become major participants in the repo market, and are subject to various restrictions imposed by the Investment Company Act of 1940 (the “1940 Act”) and related interpretations by the Securities and Exchange Commission (the “SEC”) and its staff. Annex VII addresses these concerns by providing standardized language that parties may elect to use in connection with transactions involving Funds as either Buyers or Sellers. The Annex has been prepared by The Bond Market Association in consultation with the Investment Company Institute.

The Bond Market Association has also prepared, for use in connection with Annex VII to the Agreement, a new Schedule of Optional Provisions that parties may elect to use in connection with frequently negotiated supplemental terms, such as provisions specifying representations regarding the financial condition of Buyer and Seller, providing additional representations to be made by the parties, designating authorized persons who may act for the parties and establishing limitations on liability for Transactions involving certain Funds.

Paragraph 1: Multiple Funds

Paragraph 1 of Annex VII addresses the requirement contained in the 1940 Act that the assets and liabilities of each Fund, including any Fund that is a series or portfolio of an investment company, be segregated from the assets and liabilities of all other Funds. Funds must identify the particular Fund to which each Transaction relates and such Fund should be specified in the related Confirmation. The rights, obligations and remedies of either party with respect to a particular Fund are deemed distinct from those applicable to any other Fund, including the margin maintenance obligations of the parties contained in Paragraph 4 of the Agreement, the single agreement provisions of Paragraph 12 of the Agreement and the parties' remedies upon the occurrence of an Event of Default. In addition, Annex VII makes clear that the parties have no right to set off claims related to Transactions entered into by a particular Fund against claims related to Transactions entered into by any other Fund.

In the event the Agreement does apply to multiple Funds, the first page of the Agreement should include a cross-reference to Schedule VII.A where the Fund(s) would be designated as a party. Alternatively, Funds may wish to have the Agreement denominated in the name of the Fund's investment adviser, on behalf of the various Funds identified in Schedule VII.A to Annex VII.

Paragraph 2: Margin Percentage

To address the SEC requirement that Funds engage in repo transactions only if the repo is fully collateralized and the Funds adopt appropriate standards in connection therewith, Paragraph 2 of Annex VII requires that, in any Transaction in which a Fund is acting as Buyer, the Buyer's Margin Percentage may be designated by the parties in the Annex or otherwise agreed by the parties. In any transaction in which a Fund is acting as Seller, the Buyer's Margin Percentage is to be agreed to by Buyer and Seller. In each case, however, such percentage cannot be fixed at less than 100%.

Paragraph 3: Confirmations

Paragraph 3 of the Annex provides that, for any Transaction in which a Fund is acting as Buyer, Seller will provide the Fund with a Confirmation, as is the customary practice in repos involving Funds.

Paragraph 4: Financial Condition

The SEC requires a Fund's investment adviser, following guidelines approved by the Fund's board of directors or trustees, to assure itself periodically that the brokers and dealers with whom it is entering into repos continue to maintain a sound financial condition. To address this concern, Paragraph 4 of Annex VII requires that the Fund periodically be provided with appropriate financial information and imposes a reciprocal obligation upon the Fund to make available and deliver to the other party upon request such information. In addition, this Paragraph contains an acknowledgment that, with respect to each Transaction entered into under the Agreement, each Fund has made an independent evaluation of the creditworthiness of the other party.

Paragraph 5: Segregation of Purchased Securities

To address the 1940 Act requirement that Funds maintain their assets with their designated custodians, Paragraph 6 of the Annex provides that, for any Transaction in which a Fund is acting as Buyer, the Purchased Securities must be maintained in the Fund's custodial account as designated by the Fund in Schedule VII.A to Annex VII.

Schedule of Optional Provisions

The Schedule of Optional Provisions attached hereto contains forms of clauses that parties may elect to insert in Schedule VII.A and use in connection with Annex VII. These clauses provide standard language for frequently negotiated terms used by market participants in connection with repos involving Funds.

Alternative reciprocal representations have been included regarding the financial condition of the parties. The first representation provides that, as of the date a party agrees to enter into each Transaction under the Agreement, there has been no material adverse change in its financial condition which was not disclosed to the other party in writing since the date of the latest statement of financial condition provided pursuant to Paragraph 4 of Annex VII. The second representation is limited to only those changes in financial condition that would materially adversely affect a party's ability to perform its obligations under the Agreement.

A clause containing additional representations has also been prepared, providing that, with respect to each Transaction under the Agreement, each of Seller and Buyer has the right to transfer the Purchased Securities in accordance with the terms of the Agreement and that, upon such transfer, such Securities will be free and clear of any prior liens on the Purchase Date and on the Repurchase Date, respectively.

The Schedule includes alternative provisions relating to authorized persons of the parties. The first permits each party to designate in the Schedule those persons who are authorized to act on its behalf under the Agreement. The second requires each party to provide the other with a list of persons so authorized, which list may be supplemented or amended from time to time.

A limitation of liability clause has been provided that limits the potential liability applicable to the trustees, officers, employees and interestholders of Funds that are organized as business trusts (or series thereof).

An additional Event of Default has been included in the Schedule that parties may elect to use. Under this provision, the revocation or suspension of any authorization referred to in Paragraph 10(iv) of the Agreement would trigger an Event of Default.

In addition, the Schedule contains an optional provision relating to payments and transfers of cash and Securities.

Schedule of Optional Provisions for Annex I

- []. **Definitions.** For purposes of the Agreement and this Annex I, the following terms shall have the following meanings:

“Margin Notice Deadline”, _____ ([relevant city] time).

“Business Day” or “business day”, with respect to any Transaction (other than an International Transaction) hereunder, a day on which regular trading [may] occur in the principal market for the Purchased Securities subject to such Transaction[, which includes shortened trading days, days on which trades are permitted to occur but do not in fact occur and days on which the Purchased Securities are subject to percentage of movement or volume limitations]; provided, however, that for purposes of calculating Market Value, such term shall mean a day on which regular trading occurs in the principal market for the assets the value of which is being determined. Notwithstanding the foregoing, (i) for purposes of Paragraph 4 of the Agreement, “business day” shall mean any day on which regular trading occurs in the principal market for any Purchased Securities or for any assets constituting Additional Purchased Securities under any outstanding Transaction hereunder and “next business day” shall mean the next day on which a transfer of Additional Purchased Securities may be effected in accordance with Paragraph 7 of the Agreement, and (ii) in no event shall a Saturday or Sunday be considered a business day.

- []. **Margin Maintenance.** Notwithstanding Paragraph 4 of the Agreement, with respect to any International Transaction [in which the Purchase Price and the Repurchase Price are denominated in the official currency of] [cleared and settled in] one of the following countries, transfers required to be made by Seller of cash or Additional Purchased Securities and Buyer of cash or Purchased Securities pursuant to Paragraph 4 of the Agreement shall be made by the close of business on the next business day following the business day on which notice is given, in the case of notice given at or before the Margin Notice Deadline, or by the close of business on the second business day following the business day on which notice is given, in the case of notice given after the Margin Notice Deadline:

- []. **Purchase Price Maintenance.**

- (a) The parties agree that in any Transaction hereunder whose term extends over an Income payment date for the Securities subject to such Transaction, Buyer shall on the date such Income is paid transfer to or credit to the account of Seller an amount equal to such Income payment or payments pursuant to Paragraph 5(i) and shall not apply the Income payment or payments to reduce the amount to be transferred to Buyer or Seller upon termination of the Transaction pursuant to Paragraph 5(ii) of the Agreement.

- (b) Notwithstanding the definition of Purchase Price in Paragraph 2 of the Agreement and the provisions of Paragraph 4 of the Agreement, the parties agree (i) that the Purchase Price will not be increased or decreased by the amount of any cash transferred by one party to the other pursuant to Paragraph 4 of the Agreement and (ii) that transfer of such cash shall be treated as if it constituted a transfer of Securities (with a Market Value equal to the U.S. dollar amount of such cash) pursuant to Paragraph 4(a) or (b), as the case may be (including for purposes of the definition of “Additional Purchased Securities”).

[]. **Market Value.**

[Notwithstanding Paragraph 2(j) of the Agreement, the parties agree that in determining Market Value for purposes of Paragraph 4 of the Agreement, the price obtained pursuant to Paragraph 2(j) of the Agreement for the following types of Securities shall be reduced by the applicable percentage:

Security	Percentage Reduction
_____	_____
_____	_____
_____	_____
_____	_____]

[Notwithstanding Paragraph 2(j) of the Agreement, the parties agree that in determining Market Value for purposes of Paragraph 4 of the Agreement, the price obtained pursuant to Paragraph 2(j) of the Agreement shall be reduced by a percentage agreed to by Buyer and Seller.]

[]. **Designated Offices.**

- (a) The parties agree that Seller may act through the following branches or offices when entering into Transactions governed by the Agreement:

- (b) The parties agree that Buyer may act through the following branches or offices when entering into Transactions governed by the Agreement:

[]. **Submission to Jurisdiction and Waiver of Immunity.**

- (a) Each party irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in Manhattan, and any appellate court from any such court, solely for the purpose of any suit, action or proceeding brought to enforce its obligations under the Agreement or relating in any way to the Agreement or any Transaction under the Agreement and (ii) waives, to the fullest extent it may effectively do so, any defense of an inconvenient forum to

the maintenance of such action or proceeding in any such court and any right of jurisdiction on account of its place of residence or domicile.

- (b) To the extent that either party has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set off or any legal process (whether service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property, such party hereby irrevocably waives and agrees not to plead or claim such immunity in respect of any action brought to enforce its obligations under the Agreement or relating in any way to the Agreement or any Transaction under the Agreement.

[]. **Additional Event of Default.** In addition to the Events of Default set forth in Paragraph 11 of the Agreement, it shall be an additional “Event of Default” if, as a result of sovereign action or inaction (directly or indirectly), Buyer or Seller becomes unable to perform any absolute or contingent obligation to make a payment or transfer or to receive a payment or transfer in respect of any Transaction under the Agreement or to comply with any other material provision of the Agreement relating to such Transaction.

[]. **Alternative Termination Provision for U.K. and Certain Other Counterparties Seeking Regulatory Netting Treatment Under Capital Adequacy Directive.** The parties agree that a nondefaulting party that exercises or is deemed to exercise its right to declare an Event of Default under Paragraph 11(a) of the Agreement may elect, in lieu of application of subparagraphs (b) through (e) of Paragraph 11, to exercise its remedies through application of the following provisions:

- “(b) Upon the nondefaulting party’s exercise or deemed exercise of the option referred to in subparagraph (a) of this Paragraph (and the deemed occurrence of the Repurchase Date as provided therein), the performance of the respective obligations of the parties with respect to Transactions shall be effected only in accordance with the provisions of subparagraphs (c) through (i) of this Paragraph.
- (c) The value of the Purchased Securities to be transferred and the aggregate Repurchase Prices to be paid by each party, and any other amounts owed or owing in connection with Transactions under this Agreement, shall be established by the nondefaulting party for all outstanding Transactions as at the Repurchase Date determined in accordance with subparagraph (a) of this Paragraph (and for this purpose, the value of Purchased Securities transferable by the nondefaulting party shall be the price therefor, obtained from a generally recognized source or the most recent closing bid from such source and the value of Purchased Securities transferable by the defaulting party shall be the price therefor, obtained from a generally recognized source or the most recent closing offer quotation from such source, in each case as determined by the nondefaulting party).
- (d) On the basis of the values and other amounts established in accordance with subparagraph (c) of this Paragraph, an account shall be taken (as at the Repurchase Date determined in accordance with subparagraph (a) of this Paragraph) of the amounts owing by each party to the other under this Agreement (which amounts shall be equal, in the case of each party’s claims against the other in respect of transfers of

Securities, to the value of such Securities established in accordance with subparagraph (c) of this Paragraph) and the amounts owing by one party shall be set off and applied against the amounts owing by the other, and only the balance of the account shall become immediately due and payable (by the party owing the greater amount pursuant to the foregoing). For purposes of this calculation, all sums not denominated in the Base Currency shall be converted into the Base Currency on the relevant date at the Spot Rate prevailing at the relevant time.

- (e) Unless otherwise provided in Annex I, the parties acknowledge and agree that (1) the Securities subject to any Transaction hereunder are instruments traded in a recognized market, (2) in the absence of a generally recognized source for prices or bid or offer quotations for any Security, the nondefaulting party may establish the source therefor in its sole discretion and (3) all prices, bids and offers shall be determined together with accrued Income (except to the extent contrary to market practice with respect to the relevant Securities).”

Schedule of Optional Provisions for Annex VII

[]. **Financial Condition. [Alternative 1]** [Each of the parties acknowledges that its agreement to enter into each Transaction under the Agreement shall constitute a representation and warranty that there has been no material adverse change in its financial condition that such party has not disclosed to the other party in writing since the date of the latest statement provided by such party to the other party pursuant to Paragraph 4 of Annex VII.]

[Alternative 2] [Each of the parties acknowledges that its agreement to enter into each Transaction under the Agreement shall constitute a representation and warranty that there has been no change in its financial condition that would materially adversely affect its ability to perform its obligations under the Agreement that such party has not disclosed to the other party in writing since the date of the latest statement provided by such party to the other party pursuant to Paragraph 4 of Annex VII.]

[]. **Additional Representations.** In addition to the representations and warranties set forth in Paragraph 10 of the Agreement, (a) Seller represents and warrants to Buyer that, with respect to each Transaction, it will have the right to transfer the Purchased Securities (including any substituted or Additional Purchased Securities) to Buyer in accordance with the terms of the Agreement and that, upon such transfer, such Securities will be free and clear of any prior lien, claim, security interest or other encumbrance on the Purchase Date, and (b) Buyer represents and warrants to Seller that, with respect to each Transaction, it will have the right to transfer the Purchased Securities (after adjustment for any substituted or Additional Purchased Securities) to Seller in accordance with the terms of the Agreement and that, upon such transfer, such Securities will be free and clear of any prior lien, claim, security interest or other encumbrance on the Repurchase Date.

[]. **Authorized Persons. [Alternative 1]** [The following persons, and such other persons as are designated by such persons, are authorized to act for Seller (or Buyer, as the case may be) under the Agreement, until notice to the Fund by Seller (or Buyer, as the case may be):

The following persons, and such other persons as are designated by such persons, are authorized to act for the Fund under the Agreement, until notice to Seller (or Buyer, as the case may be) by such Fund:

_____]

[Alternative 2] [Each party shall provide the other with a list of persons authorized to act for such party under the Agreement, which list of authorized persons may be supplemented or amended from time to time.]

- []. **Limitation of Liability.** For any Transaction involving a Fund organized as a business trust (or a series thereof) where the trustees, officers, employees or interestholders of such business trust (or series thereof) may be held personally liable for its obligations, Seller (or Buyer, as the case may be) acknowledges and agrees that, to the extent such trustees are regarded as entering into the Agreement, they do so only as trustees and not individually and that the obligations of the Agreement are not binding upon any such trustee, officer, employee or interestholder individually, but are binding only upon the assets and property of said Fund (or series thereof). Seller (or Buyer, as the case may be) hereby agrees that such trustees, officers, employees or interestholders shall not be personally liable under the Agreement and that Seller (or Buyer, as the case may be) shall look solely to the property of the Fund (or series thereof) for the performance of the Agreement or payment of any claim under the Agreement.

- []. **Additional Event of Default.** In addition to the Events of Default set forth in Paragraph 11 of the Agreement, it shall be an additional “Event of Default” if a revocation or suspension of any authorization obtained by Buyer or Seller pursuant to Paragraph 10(iv) of the Agreement occurs.

- []. **Payment and Transfer.** In accordance with Paragraph 7 of the Agreement, the parties agree that (i) Buyer shall pay the Purchase Price and Seller shall pay the Repurchase Price only against delivery or transfer of the Purchased Securities (after adjustment for any substituted or Additional Purchased Securities); (ii) any transfer of Securities or cash required by Paragraph 4 of the Agreement shall be made free to the other party; and (iii) any release of Purchased Securities permitted by Paragraph 9 of the Agreement shall be made only against delivery or transfer of the substituted Securities. Any transfer on a book-entry system shall be made in compliance with the rules of such system and applicable law.



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