

EXHIBIT A

FORM OF OPINION OF INTERNAL COUNSEL FOR PARTY A

[Date]

City of Pasadena
117 East Colorado Boulevard, Fifth Floor
Pasadena, California 90017

Ladies and Gentlemen:

I have acted as counsel to [Party A] ("Party A") in connection with the execution and delivery by Party A of the ISDA Master Agreement, the Schedule and the Credit Support Annex, each dated as of [], 2005 (collectively, the "Master Agreement"), by and between Party A and the City of Pasadena ("Party B"). The Master Agreement is to be supplemented by the confirmation of the swap transaction entered into by Party A and Party B on December _____, 2005 (the "Confirmation") and the Master Agreement together with the Confirmation shall constitute one agreement (the "Agreement").

In such capacity I have examined a copy of the Agreement and the form of Confirmation attached thereto. I have also reviewed certain corporate proceedings of Party A and I have examined originals, or copies certified or otherwise identified to my satisfaction, of such corporate records of Party A, certificates of public officials and of officers and representatives of Party A, and such other documents as I have deemed necessary as a basis for the opinions hereinafter expressed. In such examination, I have assumed the authenticity of all documents submitted to me as originals and the conformity with the originals of all documents submitted to me as certified or otherwise satisfactorily identified copies. I have also assumed that the Agreement has been duly executed and delivered by Party B pursuant to appropriate corporate authority. The opinions given below are limited to matters concerning the laws of the United States of America and the State of New York.

Based upon the foregoing and having regard for such legal considerations as I deem relevant, I am of the opinion that:

1. Party A is a [], duly organized and existing under the laws of [].
2. Party A has full corporate power to authorize, execute and deliver the Master Agreement and the Confirmation, and to perform its obligations thereunder.
3. Such execution, delivery and performance have been duly authorized by all necessary corporate action and do not violate, and are not in conflict with, any law or regulation applicable to Party A or the constitutional documents of Party A or any order of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting any of its assets.
4. No authorizations of, exemptions by or filings with any governmental or other authority are required to be obtained or made in connection with Party A's execution, delivery and performance of the Master Agreement and the Confirmation.
5. Each of the Master Agreement and the Confirmation has been duly executed and delivered by Party A, and constitutes the legal, valid and binding obligations of Party A, enforceable against Party A in accordance with their terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect). The enforceability of Party A's obligations is also subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

EXHIBIT B-1

FORM OF OPINION OF THE CITY ATTORNEY FOR PARTY B

[Date]

[Party A]
[Address]

Ladies and Gentlemen:

This opinion is furnished to you in connection with the execution and delivery of the ISDA Master Agreement, the Schedule and the Credit Support Annex, each dated as of December [], 2005 (collectively, the "Master Agreement"), by and between [Party A] ("Party A") and the City of Pasadena ("Party B"), as supplemented by the confirmation of the transaction (the "Confirmation") entered into on December [], 2005, by and between Party A and Party B. The Master Agreement together with the Confirmation shall constitute one agreement (the "Agreement")

I am the City Attorney for Party B and in that capacity have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such investigations of fact and law as we have deemed necessary or advisable for the opinions expressed herein.

Upon the basis of the foregoing, we are of the opinion that:

1. Party B is a municipal corporation of the State of California organized and validly existing under the Constitution, its Charter and laws of the State of California.
2. The Agreement has been duly authorized, executed and delivered by Party B, and constitutes the valid and binding obligation of Party B, subject to the issues with respect to Article XVI, Section 18 of the Constitution of the State of California discussed in the opinion of Party B's special counsel.
3. The Agreement does not conflict with, violate, or constitute a breach of or default under, any instrument relating to the creation, authorization, organization, existence, or operations of Party B, any commitment, agreement, or other instrument to which Party B is a party or by which it or its property or assets is bound or affected, or any judgment, order, writ, decree, or ruling to which Party B (or any of its officials in their respective capacities as such) or its property is subject.
4. To the best of my knowledge, all federal, state, and local governmental, public and regulatory authority approvals, consents, notices, authorizations, registrations, licenses, exemptions and filings that are required to have been obtained or made by Party B with respect to the authorization, execution, delivery and performance by, or the enforcement against or by, Party B of the Agreement have been obtained and are in full force and effect and all conditions of such approvals, consents, notices, authorizations, registrations, licenses, exemptions and filings have been fully complied with.
5. Party B is not immune from suit with respect to the Agreement or, subject to numbered paragraph 2 above, judgment for amounts due and payable pursuant to the Agreement.
6. The obligations of Party B to make payments to Party A under the Agreement constitute general obligations of Party B, payable from taxes, income, revenue, cash receipts and other moneys of Party B legally available therefor in Party B's General Fund. The faith and credit of Party B are not pledged to its obligations under the Agreement.

We have relied as to certain matters on information obtained from public officials, officers of Party B and other sources believed by us to be responsible and we have assumed that the signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

This opinion is limited to the laws of the State of California and the federal laws of the United States. The opinions in this letter are expressed solely as of the date hereof for your benefit and for the benefit of your successors and permitted assigns under the Agreement and may not be relied upon in any manner or for any other purpose or by any other person.

Very truly yours,

By: _____
Name:
Title:

EXHIBIT B-II

FORM OF OPINION OF SPECIAL COUNSEL FOR PARTY B

[Date]

[Party A]
[Address]

Re: City of Pasadena

Dear Ladies and Gentlemen:

We have acted as special counsel to the City of Pasadena ("Party B") with respect to certain matters related to the execution and delivery of a Master Agreement, dated as of [], 2005 (the "Master Agreement"), the U.S. Municipal Counterparty Schedule, dated [], 2005 (the "Schedule"), Credit Support Annex to the Schedule, dated [], 2005 (the "Annex") and the Confirmation, dated [], 2005 (the "Confirmation" and, together with the Master Agreement, the Schedule and the Annex, collectively, the "Swap Agreement"), by and between Party B and [Party A] ("Party A"). You have asked us to advise you whether, under existing laws, regulations, rulings and court decisions, the Swap Agreement constitutes a valid and binding obligation of Party B. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Swap Agreement.

In such connection, we have reviewed the Swap Agreement, Resolution No. [], adopted by the City Council of Party B on December [], 2005 (the "Resolution"), an opinion of the City Attorney of Party B, dated [], 2005 and addressed to you, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken to verify independently, and have assumed, (i) the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, (ii) the accuracy of the factual matters represented, warranted or certified and of the legal conclusions contained in the aforementioned opinion of the City Attorney of Party B, (iii) the due and legal authorization, execution and delivery thereof by Party B and by any parties other than Party B, and (iv) the validity and enforceability of the Swap Agreement against Party A.

The opinions expressed herein apply only to the interest rate swap transaction established by the Confirmation (the "Swap Transaction") and not to any other swap or other transaction whether entered into pursuant to the Master Agreement or otherwise. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or other matters coming to our attention after the date hereof, and we disclaim any obligation to update this letter. Furthermore, except as noted below, we have assumed compliance by all parties with the covenants and agreements contained in the Swap Agreement. We express no opinion with respect to any indemnification, penalty, choice of law, choice of forum or waiver provisions (except waiver of sovereign immunity) contained in the Swap Agreement. The opinions expressed herein are limited to matters of the laws of the State of California and do not cover any other laws, except federal laws. We call attention to the fact that the rights and obligations under the Swap Agreement may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, arrangement and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California.

Party B is entering into the Swap Agreement in connection with its base rental payment obligations under a lease transaction with the Pasadena Public Financing Authority. Party B does not wish to take the interest rate risk attendant with the variable interest component of such base rental payment. Accordingly, Party B has entered into the Swap Agreement and has agreed to pay a fixed rate to Party A and Party A, in turn, has agreed to pay a variable rate to Party B.

Section 5922 of the Government Code (the "Code") of the State of California provides as follows:

Notwithstanding any other provision of law, all of the following apply:

- (a) In connection with, or incidental to, the issuance or carrying of bonds, or acquisition or carrying of any investment or program of investment, any state or local government may enter into any contracts which the state or local government determines to be necessary or appropriate to place the obligation or investment of the state or local government, as represented by the bonds, investment or program of investment and the contract or contracts, in whole or in part, on the interest rate, currency, cash-flow, or other basis desired by the state or local government,

including, without limitation, contracts commonly known as interest rate swap agreements, currency swap agreements, forward payment conversion agreements, futures, or contracts providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, or contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency, rate, spread, or similar exposure. These contracts or arrangements may also be entered into by state or local governments in connection with, or incidental to, entering into or maintaining any agreement which secures bonds, including bonds issued by private entities. These contracts and arrangements shall be entered into with the parties, selected by the means, and contain the payment, security, default, remedy, and other terms and conditions, determined by the state or local government, after giving due consideration for the creditworthiness of the counterparties, where applicable, including any rating by a nationally recognized rating agency or any other criteria as may be appropriate.

No local government shall enter into any of the contracts or arrangements pursuant to this subdivision, unless its governing body first determines that the contract or arrangement or program of contracts is designed to reduce the amount or duration of payment, currency, rate, spread, or similar risk or result in a lower cost of borrowing when used in combination with the issuance of bonds or enhance the relationship between risk and return with respect to the investment or program of investment in connection with, or incident to, the contract or arrangement which is to be entered into. (emphasis supplied)

Pursuant to the Resolution, the City Council of Party B has made the determination that the Swap Agreement is designed to reduce the amount of interest rate risk, and reduce the cost of borrowing, with respect to the variable rate interest component of the base rental payments with respect to which Party B is entering into the Swap Agreement, as required by Section 5922(a) of the Code. Party B has not sought the assent of the electors of Party B to the execution and delivery of the Swap Agreement by Party B.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the Swap Agreement constitutes a valid and binding agreement of Party B, payable from its general fund, unless the Swap Agreement constitutes an “indebtedness” or “liability” of Party B prohibited by Article XVI, Section 18 of the Constitution of the State of California.

Article XVI, Section 18 provides that “[n]o . . . county . . . shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the qualified electors thereof, voting at an election to be held for that purpose” This constitutional provision was designed to prevent “municipal extravagance”; that is, borrowing funds for current use that would have to be repaid by future governing bodies or taxpayers or otherwise out of the income and revenues of future years. San Francisco Gas Company v. Brickwedel, 62 Cal. 641 (1882). The provision has been interpreted to mean that any indebtedness or liability incurred in any fiscal year that is not voter approved and that is not payable, and paid, from unencumbered funds available that year is unenforceable and cannot be required to be paid from funds attributable to a later year. McBean v. County of Fresno, 112 Cal. 159 (1896). The cases considering the provision do not distinguish “indebtedness” from “liability.”

Under the terms of the Swap Agreement, Party B may be obligated to make net payments to Party A out of the income or revenues attributable to fiscal years following the fiscal year in which the Swap Agreement is executed. Because the Swap Agreement has not been assented to by the qualified electors of Party B, the Swap Agreement would be prohibited by Article XVI, Section 18 if it constitutes an “indebtedness or liability” of Party B within the meaning of Article XVI, Section 18. Interest rate swaps are a relatively new class of financial arrangement. There is no direct authority on whether an interest rate swap is an “indebtedness” or “liability” within the meaning of Article XVI, Section 18. Tax or accounting treatment is not dispositive, there being (for example) a number of instruments that are clearly debt for tax or accounting purposes but not debt for purposes of Article XVI, Section 18. Interest rate swaps are essentially sui generis (i.e., unique and not like anything else), and as a result there are also no clear analogous authorities upon which to reliably base characterization for purposes of Article XVI, Section 18. In fact, apart from the provisions of Section 5922(a) of the Code set forth above and similar provisions in California Section 5903(c), there is little direct authority in California addressing interest rate swaps for any purpose.

A court could conclude that the Swap Agreement is not prohibited by Article XVI, Section 18 by determining that the obligations of Party B under the Swap Agreement fit within one of the articulated “exceptions” to the Constitutional prohibition. Because the Swap Agreement may involve net payments by Party B from the income and revenues of future fiscal years, the single year/annual appropriation exception to Article XVI, Section 18 is not applicable, and because Party B is obligated to make any net payments required under the Swap Agreement from monies in its general fund, the “special fund” exception articulated in City of Oxnard v. Dale, 45 Cal. 2d 729 (1955), does not apply. The Article XVI, Section 18 “exception” arguably most applicable is the “contingent obligation” exception.

The contingent obligation exception to the prohibition of Article XVI, Section 18 is based upon the proposition that a contingency does not become a debt until the contingency happens. Doland v. Clark, 143 Cal. 176 (1904). Contingent obligation cases require, among other things, the provision of consideration by the non-city party in each year in which payments by Party B are required. McBean v. City of Fresno, 112 Cal. 159 (1896); Starr v. City and County of San Francisco, 72 Cal. App. 3d 164 (1977). Under the Swap Agreement, no net payment obligation on the part of Party B for any period is certain and any payment obligation in future fiscal years is “contingent” upon the fixed rate set forth in the Confirmation being greater than the floating rate set forth in the Confirmation and/or upon the Settlement Amount being a negative number. However, the potential overbreadth of the contingent obligation exception and its unclear basis in the Constitutional provision requires an examination of the particular circumstances under which it has been most often applied.

The subcategory of the contingent obligation exception most fully developed by California courts and for which the judicial authorities are the strongest is the lease exception articulated in City of Pasadena v. Offner, 19 Cal. 2d 483 (1942), Dean v. Kuchel, 35 Cal. 2d 444 (1950) and Rider v. City of San Diego, 18 Cal. 4th 1035 (1998). In Offner, the court stated the general rule as follows:

[I]f the lease or other agreement is entered into in good faith and creates no immediate indebtedness for the aggregate installments therein provided for but, on the contrary, confines liability to each installment as it falls due and each year’s payment is for the consideration actually furnished that year, no violence is done to the constitutional provision. (citations omitted) If, however, the instrument creates a full and complete liability upon its execution, or if its designation as a “lease” is a subterfuge and it is actually a conditional sales contract in which the “rentals” are installment payments on the purchase price for the aggregate of which an immediate and present indebtedness or liability exceeding the constitutional limitation arises against the public entity, the contract is void. (citations omitted)

19 Cal. 2d at 486. Leases are not treated by California courts as “indebtedness or liability” within the meaning of Article XVI, Section 18 if each rental payment is conditioned on use and occupancy of the premises during the period with respect to which such rental is payable. In a number of cases holding that a lease is not an “indebtedness or liability,” California courts have cited the absence of an acceleration clause as a relevant factor in finding a lease to be in conformance with the lease exception. City of Desert Hot Springs v. County of Riverside, 91 Cal. App. 3d 441 (1979); Starr v. City and County of San Francisco, 72 Cal. App. 3d 164 (1977); Ruane v. City of San Diego, 267 Cal. App. 2d 548 (1968); County of Los Angeles v. Nesvig, 231 Cal. App. 2d 603 (1965); Lagiss v. County of Contra Costa, 223 Cal. App. 2d 77 (1963).

Even though interest rate swaps are essentially sui generis, there is some useful analogy to the types of leases approved under the Offner-Dean-Rider line of cases. Like those leases, the Swap Agreement is executory, and each year’s performance by Party B is conditioned upon the readiness and ability of Party A to perform its obligations in such year and upon Party A’s actual performance under the Swap Agreements both currently and over the prior term of the Swap Agreement. Unlike the lease situation, in which the public entity receives use and occupancy of property, however, the consideration under the Swap Agreement to be provided by each party is the same -- a monetary payment. Moreover, the Swap Agreement requires payment of the Settlement Amount upon an Early Termination Date which reflects the value of Party B’s obligation (net of Party A’s obligation) under the Swap Agreement in future years and has some similarity to conventional lease acceleration remedies after taking into account the ability of the lessor to mitigate its damages by releasing the property. However, the acceleration remedies in effect prohibited by the lease exception cases either did not have a mitigation requirement or it was not mentioned in the case, so it is not clear how the courts would treat a lease with an acceleration remedy subject to mitigation. Also, unlike an acceleration remedy in a lease, any requirement to pay the Settlement Amount does not require Party B to pay future years’ “principal,” but is rather in the nature of damages for breach of contract, and could be zero or could require payment by Party A to Party B.

While there is no judicial authority directly on point and no assurance can be given that a court could not hold otherwise, based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that if the matter were properly briefed and presented to a court, the court (a) would hold that the Swap Agreement taken as a whole (taking into account the provisions therein respecting the severability of invalid, illegal or unenforceable provisions) does not constitute an indebtedness or liability of Party B prohibited by Article XVI, Section 18 of the Constitution of the State of California, and (b) should hold that the provisions of the Swap Agreement respecting the payment of the Settlement Amount by Party B do not make the Swap Agreement an indebtedness or liability of Party B prohibited by Article XVI, Section 18 of the Constitution of the State of California and therefore need not be severed, except that we express no opinion as to Party B’s obligation to pay any Settlement Amount to Party A upon the occurrence of an Event of Default with respect to Party A or a Termination Event for which Party A is the sole Affected Party or to be governed by the laws of the State of New York as regards the enforceability of the Swap Agreement against Party B.

This letter is furnished by us as special counsel to Party B. No attorney-client relationship has existed or exists between our firm and yourselves in connection with the Swap Agreement or by reason of this letter. This letter is delivered to you solely for your benefit and is not to be relied upon for any other purpose or by any other person.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT C
[Form of Confirmation]

EXHIBIT D

FORM OF PARTY A CERTIFICATE

This certificate is being delivered by [Party A] (the “Swap Counterparty”) in connection with an interest rate swap (the “Swap”) entered into under an ISDA Master Agreement and Schedule, dated as of [DATE], and a Confirmation, dated as of [DATE], for the swap (the “Swap Agreement”), between the City of Pasadena (the “Issuer”) and the Swap Counterparty. The Swap relates to the Issuer’s [BONDS] (the “Bonds”).

Pursuant to the Swap Agreement, (i) the Issuer will pay to the Swap Counterparty amounts calculated based upon a fixed rate of [RATE]% per annum multiplied by a notional amount set forth in the Swap Agreement (which notional amount is initially \$[AMOUNT]), on the dates set forth in the Swap Agreement (commencing on [DATE]) until termination of the Swap Agreement, and (ii) the Swap Counterparty will pay (a) to the Issuer amounts calculated based upon a floating rate per annum of [NUMBER]% of USD-LIBOR-BBA with a designated maturity of one month plus [RATE]% (the “LIBOR Rate”) multiplied by the same notional amount, on the dates set forth in the Swap Agreement (commencing on the same date) until termination of the Swap Agreement, and (b) to [ADVISOR] (the “Advisor”), on behalf of the Issuer, a fee of \$[AMOUNT].

In connection with the foregoing, the Swap Counterparty hereby certifies and represents as follows:

- (i) The terms of the Swap Agreement were agreed to on an arm’s length basis.
- (ii) Amounts paid or payable by the Issuer to the Swap Counterparty pursuant to the Swap Agreement do not include any payment for underwriting or other services unrelated to the performance by the Swap Counterparty of its obligations under the Swap Agreement. [The Swap Counterparty acknowledges that, in connection with the Bonds, an affiliate of the Swap Counterparty is serving as the [underwriter/ remarketing agent/ letter of credit bank] for the Bonds.]
- (iii) No payments have been or are expected to be made by the Swap Counterparty to or on behalf of the Issuer or by or on behalf of the Issuer to the Swap Counterparty in connection with the Swap Agreement, except as set forth in the Swap Agreement or as described herein.
- (iv) Neither the Swap Counterparty nor any affiliate of the Swap Counterparty has made or expects to make any payments to third parties for the benefit of the Issuer in connection with the Swap Agreement other than as specified in the Swap Agreement or as described herein.
- (v) The LIBOR Rate in effect on the date hereof is _____%.
- (vi) On [PRICING DATE], the LIBOR Rate was _____%.
- (vii) As of the date that the Swap Counterparty priced the Swap Agreement, the “on-market fixed payer rate” for an interest rate swap with terms and conditions substantially identical to the Swap Agreement, but without regard to the payments to the Advisor described above, was ___% per annum. As used in this paragraph, the term “on-market

fixed payer rate” means the fixed rate that the Swap Counterparty would have quoted to receive the applicable LIBOR Rate for the Swap, with terms, conditions and a counterparty substantially identical to those set forth in the Swap Agreement, but without regard to such payments to the Advisor.

(viii) The Swap Counterparty reasonably believes that the Swap Counterparty is a reasonably competitive provider of interest rate swap agreements such as the Swap Agreement.

(iv) [DESCRIBE ANY BACK, MIRROR OR HEDGING SWAP THAT COUNTERPARTY HAS WITH ANOTHER PARTY, THAT IS NOT A INTER-DEALER HEDGING SWAP].

The undersigned understands and acknowledges that the Issuer and Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, may rely on this certificate, including for the purpose of rendering certain opinions relating to the Bonds. In such connection, the undersigned has personal knowledge or has conducted sufficient inquiry regarding the matters set forth in this certificate to make these representations on behalf of the Swap Counterparty.

Dated: [DATE]

[SWAP COUNTERPARTY]

By: _____
Name, Title

ISDA®

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

ISDA Master Agreement

dated as of December ____, 2005

between

[SWAP PROVIDER]

and

CITY OF PASADENA

("Party A")

("Party B")

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:-

Paragraph 1. Interpretation

(a) **Definitions and Inconsistency.** Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) **Secured Party and Pledgor.** All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; *provided, however*, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

Paragraph 3. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Delivery Amount**" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount
exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Return Amount**" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party
exceeds

(ii) the Credit Support Amount.

"Credit Support Amount" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; *provided, however*, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after

the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) **Substitutions.**

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"); *provided* that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

Paragraph 5. Dispute Resolution

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; provided that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

Paragraph 6. Holding and Using Posted Collateral

(a) **Care of Posted Collateral.** Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) **Eligibility to Hold Posted Collateral; Custodians.**

(i) **General.** Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) **Failure to Satisfy Conditions.** If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) **Liability.** The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) **Use of Posted Collateral.** Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) **Distributions and Interest Amount.**

(i) **Distributions.** Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local

Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) **Interest Amount.** Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

(i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;

(ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or

(iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies

(a) **Secured Party's Rights and Remedies.** If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

(i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;

(iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) ***Pledgor's Rights and Remedies.*** If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

(i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) ***Deficiencies and Excess Proceeds.*** The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) ***Final Returns.*** When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

Paragraph 9. Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control

of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

Paragraph 10. Expenses

(a) **General.** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).

(c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

(a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) **Further Assurances.** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) **Further Protection.** The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).

(d) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(e) **Demands and Notices.** All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

Paragraph 12. Definitions

As used in this Annex:-

“Cash” means the lawful currency of the United States of America.

“Credit Support Amount” has the meaning specified in Paragraph 3.

“Custodian” has the meaning specified in Paragraphs 6(b)(i) and 13.

“Delivery Amount” has the meaning specified in Paragraph 3(a).

“Disputing Party” has the meaning specified in Paragraph 5.

“Distributions” means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

“Eligible Collateral” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

“Eligible Credit Support” means Eligible Collateral and Other Eligible Support.

“Exposure” means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of “Market Quotation”).

“Independent Amount” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

“Interest Amount” means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

- (x) the amount of that Cash on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

“Interest Period” means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

“Interest Rate” means the rate specified in Paragraph 13.

“Local Business Day”, unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

“Minimum Transfer Amount” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

“Notification Time” has the meaning specified in Paragraph 13.

“Obligations” means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

“Other Eligible Support” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

“Other Posted Support” means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

“Pledgor” means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

“Posted Collateral” means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

“Posted Credit Support” means Posted Collateral and Other Posted Support.

“Recalculation Date” means the Valuation Date that gives rise to the dispute under Paragraph 5; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the “Recalculation Date” means the most recent Valuation Date under Paragraph 3.

“Resolution Time” has the meaning specified in Paragraph 13.

“Return Amount” has the meaning specified in Paragraph 3(b).

“Secured Party” means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

“Specified Condition” means, with respect to a party, any event specified as such for that party in Paragraph 13.

“Substitute Credit Support” has the meaning specified in Paragraph 4(d)(i).

“Substitution Date” has the meaning specified in Paragraph 4(d)(ii).

“Threshold” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

“Transfer” means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments

of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

“Valuation Agent” has the meaning specified in Paragraph 13.

“Valuation Date” means each date specified in or otherwise determined pursuant to Paragraph 13.

“Valuation Percentage” means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

“Valuation Time” has the meaning specified in Paragraph 13.

“Value” means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

(i) Eligible Collateral or Posted Collateral that is:

(A) Cash, the amount thereof; and

(B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;

(ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and

(iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

Paragraph 13. Elections and Variables

(a) **Security Interest for "Obligations"**. The term "**Obligations**" as used in this Annex includes the following additional obligations:

With respect to Party A: None

With respect to Party B: None

(b) **Credit Support Obligations.**

(i) **Delivery Amount, Return Amount and Credit Support Amount.**

(A) "**Delivery Amount**" has the meaning specified in Paragraph 3(a).

(B) "**Return Amount**" has the meaning specified in Paragraph 3(b).

(C) "**Credit Support Amount**" has the meaning specified in Paragraph 3, unless otherwise specified here.

(ii) **Eligible Collateral.** The following items will qualify as "**Eligible Collateral**" for the party specified:

	Valuation Percentage
(A) cash;	100%
(B) negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of one year or less from the Valuation Date;	99%
(C) negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than one year but not more than five years from the Valuation Date;	98%
(D) negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than five years but not more than ten years from the Valuation Date;	97%
(E) negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity more than ten years from the Valuation Date;	96%
(F) Agency Securities having a remaining maturity of one year or less from the Valuation Date;	97%
(G) Agency Securities having a remaining maturity of more than one year from the Valuation Date;	95%

For purposes of the foregoing:

“Agency Securities” means negotiable debt obligations that are fully guaranteed as to both principal and interest by the Federal National Mortgage Association, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, but excluding (i) interest only and principal only securities and (ii) Collateralized Mortgage Obligations and Real Estate Mortgage Investment Conduits and similar derivative securities.

(iii) **Other Eligible Support.** The following items will qualify as **“Other Eligible Support”** for the party specified: None

(iv) **Thresholds.**

(A) **“Independent Amount”** means with respect to Party A: \$0

“Independent Amount” means with respect to Party B: Not applicable.

(B) **“Threshold”** as of any date shall be the amount set forth in Schedule I hereto with respect to a party under the caption “Party A Collateral Threshold” or “Party B Collateral Threshold,” as applicable, and shall be, with respect to a party, the amount set forth opposite the rating classification assigned to any long-term unsecured, unsubordinated, debt securities of such party by any Relevant Rating Agency. If at any time all outstanding long term unsecured, unsubordinated debt securities of a party shall not be rated by any of the Relevant Rating Agencies, the Threshold for such party shall be zero (USD 0.00). In the event of a split rating classification by the Relevant Rating Agencies the Threshold shall be the amount opposite the lowest of the ratings on Schedule I hereto. “Relevant Rating Agency” for the purposes hereof means S&P, Moody’s and Fitch.

(C) **“Minimum Transfer Amount”** means \$100,000.

(D) **Rounding.** The Delivery Amount and the Return Amount will be rounded up or down to the nearest \$10,000. Amounts \$5,000 or higher shall be rounded up.

(c) **Valuation and Timing.**

(i) **“Valuation Agent”** means, for purposes of Paragraphs 3 and 5, the party making the demand under Paragraph 3, and, for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable.

(ii) **“Valuation Date”** means: each Local Business Day

(iii) **“Valuation Time”** means:

the close of business in the city of the Valuation Agent on the Valuation Date or date of calculation, as applicable;

the close of business on the Local Business Day before the Valuation Date or date of calculation, as applicable;

provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) **“Notification Time”** means 1:00 p.m., New York time, on a Local Business Day.

(d) **Conditions Precedent and Secured Party’s Rights and Remedies.** The following Termination Event(s) will be a **“Specified Condition”** for the party specified (that party being the Affected Party if the Termination Event occurs with respect to that party):

Illegality

Party A

Party B

Not applicable

Credit Event Upon Merger	[X]	Not applicable
Additional Termination Event(s)	[X]	Not applicable

(e) ***Substitution.***

(i) ***“Substitution Date”*** has the meaning specified in Paragraph 4(d)(ii).

(ii) ***Consent.*** If specified here as applicable, then the Pledgor must obtain the Secured Party’s consent for any substitution pursuant to Paragraph 4(d): Not applicable.

(f) ***Dispute Resolution.***

(i) ***“Resolution Time”*** means 1:00 p.m., New York time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5.

(ii) ***Value.*** For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated as follows: by the Valuation Agent in accordance with standard market practice using third party sources (such as, by way of example only, Bloomberg or Reuters) where available.

(iii) ***Alternative.*** The provisions of Paragraph 5 will apply, unless an alternative dispute resolution procedure is specified here.

(g) ***Holding and Using Posted Collateral***

(i) ***Eligibility to Hold Posted Collateral; Custodians.***

Party B and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); *provided* that the following conditions applicable to it are satisfied:

(1) Party B is not a Defaulting Party.

(2) Posted Collateral may be held only in the following jurisdiction: New York.

(3) Initially, the Custodian for Party B is: [insert name of Custodian].

(4) Party B hereby covenants and agrees that it will cause all Posted Collateral received from Party A to be entered in one or more accounts (each, a “Collateral Account”) at the New York office of a commercial bank, trust company or financial institution organized under the laws of the United States (or any state or a political subdivision thereof) having capital and surplus aggregating at least \$100 million and a long term debt or deposit rating of at least (i) Baa2 from Moody’s and (ii) BBB from S&P (a “Qualified Institution”), each of which accounts may include property of other parties but will bear a title indicating the Secured Party’s interest in said account and the Posted Collateral in such account. In addition, the Secured Party may direct the Pledgor to transfer or deliver Eligible Collateral directly into the Secured Party’s Collateral Account(s). The Secured Party shall cause statements concerning the Posted Collateral transferred or delivered by the Pledgor to be sent to the Pledgor on request, which may not be made more frequently than once in each calendar month; unless there is a dispute between the parties with respect to said statements.

(ii) ***Use of Posted Collateral.*** The provisions of Paragraph 6(c) will apply.

(h) ***Distributions and Interest Amount.***

(i) ***Interest Rate.*** The “Interest Rate” will be, with respect to Eligible Collateral in the form of Cash, for any day, the rate equal to the rate opposite the caption “Federal Funds (Effective)” for such day as published for such day in Federal Reserve Publication H.15(519) (or any successor publication) as

published by the Board of Governors of the U.S. Federal Reserve System and is not subject to compounding.

(ii) **Transfer of Interest Amount.** The Transfer of the Interest Amount will be made on the first Local Business Day of each calendar month and on any Local Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).

(iii) **Alternative to Interest Amount.** The provisions of Paragraph 6(d)(ii) will apply, unless otherwise specified here: Not Applicable.

(i) **Additional Representation(s).** None

(j) **Other Eligible Support and Other Posted Support**

(i) "Value" with respect to Other Eligible Support and Other Posted Support means: Not applicable.

(ii) "Transfer" with respect to Other Eligible Support and Other Posted Support means: Not applicable.

(k) **Demands and Notices.** Any demand, specification or notice under this Annex (each, a "Notice"), other than a Notice pursuant to Paragraph 4(d), may be delivered orally, including by telephone. If such Notice is delivered orally, such oral Notice shall be confirmed promptly in writing (a "Notice Confirmation") by tested telex, facsimile or actual delivery. Failure to provide that Notice Confirmation will not affect the validity of that oral Notice. All Notices shall be delivered pursuant to the Notices section of this Agreement.

(l) **Addresses for Transfers.** Addresses for Transfers of Collateral for each party shall be supplied on or before the date of initial Transfer hereunder.

(m) **Other Provisions.**

Notwithstanding any provision in this Agreement to the contrary, all references to Secured Party shall be to Party B and all references to Pledgor shall be to Party A. Party B shall not be required to post collateral hereunder.

The parties agree that the text of the body of this Annex is intended to be the printed form of 1994 ISDA Credit Support Annex (Bilateral Form – ISDA Agreements Subject to New York Law Only version) as published and copyrighted by the International Swaps and Derivatives Association, Inc.

This Credit Support Annex is a Security Agreement under the New York UCC.

Notwithstanding anything to the contrary anywhere in this Annex, Paragraph 1(b) or Paragraph 2 or the definitions in Paragraph 12, (a) the term "Secured Party" as used in this Annex means only Party B; (b) the term "Pledgor" as used in this Annex means only Party A; (c) only Party A makes the pledge and grant in Paragraph 2, the acknowledgment in the final sentence of Paragraph 8(a) and the representations in paragraph 9; and (d) only Party A will be required to make transfers of Eligible Credit Support hereunder.

WHEREAS, the parties hereto have executed this Credit Support Annex including Paragraph 13 as of the date set forth above.

[SWAP PROVIDER]

Name:
Title:
Date: December ____, 2005

CITY OF PASADENA

Name: Jay M. Goldstone
Title: Director of Finance
Date: December ____, 2005

Schedule I

<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>	<u>Party A Collateral Threshold (USD)</u>	<u>Party B Collateral Threshold (USD)</u>
Aa3 or higher	AA- or higher	AA- or higher	Infinite	Infinite
A1	A+	A+	\$8,000,000	Infinite
A2	A	A	\$8,000,000	Infinite
A3	A-	A-	\$6,000,000	Infinite
Baa1	BBB+	BBB+	\$4,000,000	Infinite
Baa2	BBB	BBB	\$4,000,000	Infinite
Baa3	BBB-	BBB-	\$2,000,000	Infinite
Below Baa3	Below BBB-	Below BBB-	\$0	\$0