

Additional Provisions for  
Credit Derivative Transactions - U.S. Municipal Entity as Reference Entity<sup>1</sup>  
(published September 17, 2004)

Additional Provisions

(a) **Method for Determining Obligations.** Section 2.19(b) is hereby amended by:

(1) deleting the word “and” after the word “Listed” in the introductory paragraph thereof and inserting a comma in lieu thereof;

(2) adding “, Full Faith and Credit Obligation Liability, General Fund Obligation Liability and Revenue Obligation Liability” after “Not Domestic Issuance” in the introductory paragraph thereof;

(3) adding “(in the case of a Revenue Obligation Liability, with respect to the revenues from which the Reference Obligation is payable)” after “Subordinated” in the second line of clause (i)(A) thereof;

(4) deleting “most senior” in the second line and “in priority of payment” in the second and third line of clause (i)(A) thereof;

(5) adding the following sentence at the end of clause (i)(B) thereof:

“Notwithstanding the foregoing, a Full Faith and Credit Obligation Liability of a Reference Entity that is payable, in whole or in part, from ad valorem taxes (where the amount of such taxes that may be levied is subject to applicable constitutional, statutory and other legal limits) shall be deemed to be Subordinated to any Full Faith and Credit Obligation Liability of such Reference Entity that is payable, in whole in part, from ad valorem taxes that are not so limited.”

(6) deleting the word “and” at the end of clause (vi) and adding the following clauses (viii), (ix) and (x) at the end thereof:

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<sup>1</sup> The “Additional Provisions for Credit Derivative Transactions - U.S. Municipal Entity as Reference Entity”, published on September 17, 2004, (“Additional Provisions”) may be incorporated into a relevant confirmation (including in electronic form) by wording in the document indicating that the Additional Provisions, published on September 17, 2004, are so incorporated by reference thereto.

The Additional Provisions are intended for credit default swap transactions where (i) the Reference Entity is a State of the United States, or political subdivision of a State of the United States, or any agency, instrumentality, department or other authority of any of the foregoing, and (ii) “Form of Confirmation for Credit Derivative Transactions - U.S. Municipal Entity as Reference Entity” is used to document such credit default swap transaction.

“(viii) “Full Faith and Credit Obligation Liability” means any liability of the Reference Entity:

- (A) the payment of which in accordance with its terms or applicable law is backed by the “full faith and credit” (or similar language) of the Reference Entity; or
- (B) that is payable from ad valorem taxes required to be levied on all taxable property within the taxing jurisdiction of the Reference Entity for the payment thereof, whether or not subject to any applicable constitutional, statutory and other legal limits with respect to the amount of such taxes that may be so levied.

Notwithstanding the foregoing, in addition to any of the sources described above, any Full Faith and Credit Obligation Liability may be backed by any other source of funds.”

(ix) (A) “General Fund Obligation Liability” means any liability of the Reference Entity that is payable from the general fund of the Reference Entity and that is not a Moral Obligation Liability. For avoidance of any doubt, a Full Faith and Credit Obligation Liability that is payable from the general fund of the Reference Entity shall also constitute a General Fund Obligation Liability;

(B) “Moral Obligation Liability” means any liability of the Reference Entity that is contingent upon an appropriation being made by the governing body or other official of the Reference Entity; and

(x) “Revenue Obligation Liability” means any liability of the Reference Entity that is payable, in whole or in part, from the same source of revenues as the Reference Obligation and that is not a Moral Obligation Liability.”

(c) **Method for Determining Deliverable Obligations.** Section 2.20(b) is hereby amended by (1) deleting the word “and” after the phrase “Accelerated or Matured” in the introductory paragraph thereof and inserting a comma in lieu thereof, and (2) adding “, Full Faith and Credit Obligation Liability, General Fund Obligation Liability and Revenue Obligation Liability” after “Not Bearer” in the introductory paragraph thereof.

(d) **Provisions for Determining a Successor.** Section 2.2(h) is hereby amended by adding the following sentence at the end thereof:

“Notwithstanding the foregoing, in the event that Revenue Obligation Liability is specified as an Obligation Characteristic or Deliverable Obligation Characteristic, “Successor” shall mean an entity or public official that (a) succeeds to the principal functions of, or powers and duties

granted to, the Reference Entity with respect to the project, program or other enterprise from which revenues are derived for the payment, in whole or in part, of the Reference Obligation, and (b) assumes the Reference Obligation.”

- (e) **Substitute Reference Obligation.** Section 2.30(a) is hereby amended by adding “or defeased” after “redeemed” and “in accordance with its terms” after “in whole” in the first line thereof.<sup>2</sup> In addition, Section 2.30(b) is hereby amended by (1) deleting “and” after “Credit Derivative Transaction” in the ninth line of the first sentence thereof and inserting a comma in lieu thereof, and (2) adding the following words at the end of the first sentence thereof:

“and (4) is a Full Faith and Credit Obligation Liability (if Full Faith and Credit Obligation Liability is specified as an Obligation Characteristic in the related Confirmation), is a General Fund Obligation Liability (if General Fund Obligation Liability is specified as an Obligation Characteristic), or is a Revenue Obligation Liability (if Revenue Obligation Liability is specified as an Obligation Characteristic in the related Confirmation)”.

- (f) **Publicly Available Information.** Section 3.5(a) is hereby amended by:

(1) adding “, or a Sovereign in respect of a Reference Entity which is a Sovereign Agency” after “or a Sovereign Agency in respect of a Reference Entity which is a Sovereign” in clause (ii)(A) thereof;

(2) inserting “(x)” after “or filed with” in clause (iv) thereof; and

(3) adding the following words at the end of clause (iv) thereof:

“, or (y) a nationally recognized municipal securities information repository, as recognized by the United States Securities and Exchange Commission.”

- (g) **Public Source.** Section 3.7 is hereby amended by inserting “,The Bond Buyer” after “Dow Jones News Wire”.

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<sup>2</sup> No inference should be made as to whether, in the absence of this modification, defeasance of a Reference Obligation would otherwise fall within the scope of Section 2.30.