

ISDA[®] International Swaps and Derivatives Association, Inc.

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MEMORANDUM

TO: Operations Committee; Asset Managers and Hedge Funds group

FROM: Robert Pickel and Karel Engelen

DATE: October 21, 2005

RE: ISDA Novation Protocol Follow-up

On the buy side call this morning, ISDA agreed to give further feedback on several points:

The current number of adherents to the protocol is over 500. 400 Parties are listed on the ISDA website as of 8:00 pm on Friday; the remainder will be listed by Sunday evening. All information on Transferee location and contact details communicated to ISDA is listed on the website.

There was a proposal for ISDA, potentially together with other trade associations, to send a letter to the FED advocating a delay in the implementation of the protocol. ISDA decided not to send such a letter nor, as we understand it, will the MFA.

The Novations Protocol is not intended to supersede section 7 of the ISDA Master Agreement. Parties therefore can always follow the requirements of section 7 if they desire to do so, even if they have signed up to the Protocol. We believe this addresses concerns about whether, once parties adhere, they can only follow protocol procedures.

Deem remaining party's consent effective if a reply is not received in a specified time frame. This issue was raised with the ISDA board, but this is not something that we can get agreement on.

ISDA will provide standalone language for parties to incorporate into the Master Agreement for Master Agreements entered into after the November 30 deadline of the Protocol. This is to address the concern expressed today on how new funds could sign up after the end of the adherence period.

6 PM deadline: As stated earlier, ISDA provides the ability for each participant adherent to the protocol and for the instances where a party acts as Transferee in a novation, to specify the Transferee location for purposes of the protocol. Additionally, the guide to the protocol will be changed to reflect that Parties may wish to consider, if the Remaining Party's consent is received by the day following the deadline noted above, collapsing the relevant trade between the Transferor and the Remaining Party with that between the Transferor and the Transferee.

The implementation of the Protocol will proceed on Monday October 24.