

LANTRONIX INC  
Form 4  
February 26, 2007

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
NUSSBAUM MARC H

(Last) (First) (Middle)  
15353 BARRANCA PARKWAY  
(Street)

IRVINE, CA 92618

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
LANTRONIX INC [LTRX]

3. Date of Earliest Transaction  
(Month/Day/Year)  
02/22/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_ 10% Owner  
\_X\_ Officer (give title below) \_\_\_ Other (specify below)

Chief Executive Officer

6. Individual or Joint/Group Filing(Check Applicable Line)

\_X\_ Form filed by One Reporting Person  
\_\_\_ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount Underlying Security (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount Number Shares
Stock Options (Right to Buy)	\$ 1.69	02/22/2007	A	102,000					02/22/2008 <sup>(1)</sup>	02/22/2017	Common Stock	102,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
NUSSBAUM MARC H 15353 BARRANCA PARKWAY IRVINE, CA 92618			Chief Executive Officer	

## Signatures

/s/ Marc  
Nussbaum

02/26/2007

\*\*Signature of  
Reporting Person

Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) On 02/22/2007, the Reporting Person was granted an option to purchase 102,000 shares of Common Stock, 25% of which vests on 02/22/2008, and the remaining 75% vest monthly at 1/36 per month for the next 36 months.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. %"> **YEAR ENDED**

**OCTOBER 31, 2010 Distributions paid from:** Ordinary income \$ 71,413,706 Long-term capital gains

As of October 31, 2010, the components of accumulated earnings/(loss) on a tax basis were as follows:

Undistributed ordinary income	\$3,157,581
Undistributed capital gains	
Total undistributed earnings	3,157,581
Accumulated capital and other losses	(69,299,703)
Net unrealized gains/(losses)	(14,288,618)
Total accumulated earnings/(losses)	(80,430,740)
Other	(124,087)

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Paid-in capital	1,001,833,273
Net assets applicable to common shareholders	\$921,278,446

As of October 31, 2010, the Fund had capital loss carryforwards which, if not used, will expire as follows:

2017	\$(65,477,489)
2018	(3,822,214)

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**Note 5 Common Shares**

There are unlimited common shares of beneficial interest authorized and 71,831,525 shares outstanding at April 30, 2011. Calamos Advisors owned 28,943 of the outstanding shares at April 30, 2011. Transactions in common shares were as follows:

	<b>PERIOD ENDED</b>	<b>YEAR ENDED</b>
	<b>APRIL 30, 2011</b>	<b>OCTOBER 31, 2010</b>
Beginning shares	70,707,940	69,837,235
Shares sold	993,592	676,079
Shares issued through reinvestment of distributions	129,993	194,626
Ending shares	71,831,525	70,707,940

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may from time to time purchase its shares of common stock in the open market.

The Fund also may offer and sell common shares from time to time at an offering price equal to or in excess of the net asset value per share of the Fund's common shares at the time such common shares are initially sold. Transactions for the first six months of the fiscal year had net proceeds received in excess of net value of \$135,971.

**Note 6 Derivative Instruments**

**Foreign Currency Risk.** The Fund engaged in portfolio hedging with respect to changes in currency exchange rates by entering into foreign currency contracts to purchase or sell currencies. A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include, among other things, movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The net unrealized gain, if any, represents the credit risk to the Fund on a forward foreign currency contract. The contracts are valued daily at forward foreign exchange rates and an unrealized gain or loss is recorded. The Fund realizes a gain or loss when a position is closed or upon settlement of the contracts. There were no open forward currency contracts at April 30, 2011.

**Equity Risk.** The Fund engages in option transactions and in doing so achieves the similar objectives to what it would achieve through the sale or purchase of individual securities. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller of the option the obligation to sell, the underlying security, index or other instrument at the exercise price. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the seller the obligation to buy, the underlying security, index, or other instrument at the exercise price.

To seek to offset some of the risk of a potential decline in value of certain long positions, the Fund may also purchase put options on individual securities, broad-based securities indexes or certain exchange traded funds (ETFs). The Fund may also seek to generate income from option premiums by writing (selling) options on a portion of the equity securities (including securities that are convertible into equity securities) in the Fund's portfolio, on broad-based securities indexes, or certain ETFs.

When a Fund purchases an option, it pays a premium and an amount equal to that premium is recorded as an asset. When a Fund writes an option, it receives a premium and an amount equal to that premium is recorded as a liability. The asset or liability is adjusted daily to reflect the current market value of the option. If an option expires unexercised, the Fund realizes a gain or loss to the extent of the premium received or paid. If an option is exercised, the premium received or paid is recorded as an adjustment to the proceeds from the sale or the cost basis of the purchase. The difference between the premium and the amount received or paid on a closing purchase or sale transaction is also treated as a realized gain or loss. The cost of securities acquired through the exercise of call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid. Gain or loss on written options and purchased options is presented separately as net realized gain or loss on written options and net realized gain or loss on purchased options, respectively.

As of April 30, 2011, the Fund had outstanding purchased options and/or written options as listed on the Schedule of Investments.

**Interest Rate Risk.** The Fund engages in interest rate swaps primarily to hedge the interest rate risk on the fund's borrowings (see Note 7 - Borrowings). An interest rate swap is a contract that involves the exchange of one type of interest rate for another type of interest rate. If interest rates rise, resulting in a diminution in the value of the Fund's portfolio, the Fund would receive payments under

## Notes to Financial Statements

the swap that would offset, in whole or in part, such diminution in value; if interest rates fall, the Fund would likely lose money on the swap transaction. Unrealized gains are reported as an asset, and unrealized losses are reported as a liability on the Statement of Assets and Liabilities. The change in value of swaps, including accruals of periodic amounts of interest to be paid or received on swaps, is reported as change in net unrealized appreciation/depreciation on interest rate swaps in the Statement of Operations. A realized gain or loss is recorded in net realized gain (loss) from interest rate swaps in the Statement of Operations upon payment or receipt of a periodic payment or termination of the swap agreements. Swap agreements are stated at fair value. Notional principal amounts are used to express the extent of involvement in these transactions, but the amounts potentially subject to credit risk are much smaller. In connection with these contracts, securities may be identified as collateral in accordance with the terms of the respective swap contracts in the event of default or bankruptcy of the Fund.

Premiums paid to or by a Fund are accrued daily and included in realized gain (loss) when paid on swaps in the accompanying Statement of Operations. The contracts are marked-to-market daily based upon third party vendor valuations and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses are realized upon early termination of the contract. Risks may exceed amounts recognized in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts terms, counterparty s creditworthiness, and the possible lack of liquidity with respect to the contracts.

As of April 30, 2011, the Fund had outstanding interest rate swap agreements as listed on the Schedule of Investments.

Below are the types of derivatives in the Fund by gross value as of April 30, 2011:

	ASSETS		LIABILITIES	
	STATEMENT OF ASSETS & LIABILITIES LOCATION	VALUE	STATEMENT OF ASSETS & LIABILITIES LOCATION	VALUE
Derivative Type:				
Equity	Investments in securities	\$ 7,870,450		
Purchased options				
Interest Rate Swaps	Unrealized appreciation on swaps		Unrealized depreciation on swaps	\$ 6,550,727

**Volume of Derivative Activity for the Six Months Ended April 30, 2011\***

Equity:		
Purchased options		6,960

\* Activity during the period is measured by opened number of contracts for options and opened notional amount for swap contracts.

**Note 7 Borrowings**

The Fund, with the approval of its board of trustees, including its independent trustees, has entered into a financing package that includes a Committed Facility Agreement (the Agreement ) with BNP Paribas Prime Brokerage, Inc. (as successor to Bank of America N.A.) ( BNP ) that allows the Fund to borrow up to an initial limit of \$400,000,000, and a Lending Agreement, as defined below. Borrowings under the Agreement are secured by assets of the Fund that are held with the Fund's custodian in a separate account (the pledged collateral ). Interest is charged at the quarterly LIBOR (London Inter-bank Offered Rate) plus .65% on the amount borrowed and .55% on the undrawn balance. For the period ended April 30, 2011, the average borrowings and the average interest rate were \$270,265,193 and 1.18%, respectively. As of April 30, 2011, the amount of such outstanding borrowings is \$286,000,000. The interest rate applicable to the borrowings on April 30, 2011 was 0.92%.

The Lending Agreement is a separate side-agreement between the Fund and BNP pursuant to which BNP may borrow a portion of the pledged collateral (the Lent Securities ) in an amount not to exceed the outstanding borrowings owed by the Fund to BNP under the Agreement. The Lending Agreement is intended to permit the Fund to significantly reduce the cost of its borrowings under the Agreement. BNP may re-register the Lent Securities in its own name or in another name other than the Fund, and may pledge, re-pledge, sell, lend or otherwise transfer or use the Lent Securities with all attendant rights of ownership. (It is the Fund's understanding that BNP will perform due diligence to determine the creditworthiness of any party that borrows Lent Securities from BNP.) The Fund may designate any security within the pledged collateral as ineligible to be a Lent Security, provided there are eligible securities within the pledged collateral in an amount equal to the outstanding borrowing owed by the Fund. During the period in which the Lent Securities

are outstanding, BNP must remit payment to the Fund equal to the amount of all dividends, interest or other distributions earned or made by the Lent Securities.

Under the terms of the Lending Agreement, the Lent Securities are marked to market daily, and if the value of the Lent Securities exceeds the value of the then-outstanding borrowings owed by the Fund to BNP under the Agreement (the Current Borrowings), BNP must, on that day, either (1) return Lent Securities to the Fund's custodian in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings; or (2) post cash collateral with the Fund's custodian equal to the difference between the value of the Lent Securities and the value of the Current Borrowings. If BNP fails to perform either of these actions as required, the Fund will recall securities, as discussed below, in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings. The Fund can recall any of the Lent Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to the Fund's custodian no later than three business days after such request. If the Fund recalls a Lent Security pursuant to the Lending Agreement, and BNP fails to return the Lent Securities or equivalent securities in a timely fashion, BNP shall remain liable to the Fund's custodian for the ultimate delivery of such Lent Securities, or equivalent securities, and for any buy-in costs that the executing broker for the sales transaction may impose with respect to the failure to deliver. The Fund shall also have the right to apply and set-off an amount equal to one hundred percent (100%) of the then-current fair market value of such Lent Securities against the Current Borrowings.

#### **Note 8 Synthetic Convertible Securities**

The Fund may establish a synthetic convertible instrument by combining separate securities that possess the economic characteristics similar to a convertible security, i.e., fixed-income securities (fixed-income component), which may be a convertible or non-convertible security and the right to acquire equity securities (convertible component). The fixed-income component is achieved by investing in fixed income securities such as bonds, preferred stocks, and money market instruments. The convertible component is achieved by investing in warrants or purchased options to buy common stock at a certain exercise price, or options on a stock index. In establishing a synthetic instrument, the Fund may pool a basket of fixed-income securities and a basket of warrants or purchased options that produce the economic characteristics similar to a convertible security. Within each basket of fixed-income securities and warrants or options, different companies may issue the fixed-income and convertible components, which may be purchased separately and at different times.

The Fund may also purchase synthetic securities created by other parties, typically investment banks, including convertible structured notes. Convertible structured notes are fixed-income debentures linked to equity. Convertible structured notes have the attributes of a convertible security; however, the investment bank that issued the convertible note assumes the credit risk associated with the investment, rather than the issuer of the underlying common stock into which the note is convertible. Purchasing synthetic convertible securities may offer more flexibility than purchasing a convertible security.

#### **Note 9 When-Issued and Delayed Delivery Securities**

The Fund may purchase securities on a when-issued or delayed-delivery basis. Although the payment and interest terms of these securities are established at the time the Fund enters into the commitment, the securities may be delivered and paid for a month or more after the date of purchase, when their value may have changed. The Fund makes such commitments only with the intention of actually acquiring the securities, but may sell the securities before the settlement date if Calamos Advisors deems it advisable for investment reasons. The Fund may utilize spot and forward foreign currency exchange transactions to reduce the risk inherent in fluctuations in the exchange rate between one currency and another when securities are purchased or sold on a when-issued or delayed-delivery basis.



At the time when the Fund enters into a binding obligation to purchase securities on a when-issued basis, liquid assets (cash, U.S. Government securities or other high-grade debt obligations) of the Fund having a value at least as great as the purchase price of the securities to be purchased will be segregated on the books of the Fund and held by the custodian throughout the period of the obligation. The use of this investment strategy may increase net asset value fluctuation.

**Note 10 Structured Equity-Linked Securities**

The Fund may also invest in structured equity-linked securities created by third parties, typically investment banks. Structured equity-linked securities created by such parties may be designed to simulate the characteristics of traditional convertible securities or may be designed to alter or emphasize a particular feature. Traditional convertible securities typically offer stable cash flows with the ability to

## Notes to Financial Statements

participate in capital appreciation of the underlying common stock. Because traditional convertible securities are exercisable at the option of the holder, the holder is protected against downside risk. Structured equity-linked securities may alter these characteristics by offering enhanced yields in exchange for reduced capital appreciation or less downside protection, or any combination of these features. Structured equity-linked instruments may include structured notes, equity-linked notes, mandatory convertibles and combinations of securities and instruments, such as a debt instrument combined with a forward contract. Income received from these securities is recorded as dividends on the Statement of Operations.

**Note 11 Valuations**

Various inputs are used to determine the value of the Fund's investments. These inputs are categorized into three broad levels as follows:

Level 1 Prices are determined using inputs from unadjusted quoted prices from active markets (including securities actively traded on a securities exchange) for identical assets.

Level 2 Prices are determined using significant observable market inputs other than unadjusted quoted prices, including quoted prices of similar securities, fair value adjustments to quoted foreign securities, interest rates, credit risk, prepayment speeds, and other relevant data.

Level 3 Prices reflect unobservable market inputs (including the Fund's own judgments about assumptions market participants would use in determining fair value) when observable inputs are unavailable.

Debt securities (including U.S. government and government agency obligations) are valued based upon evaluated prices received from an independent pricing service or from a dealer or broker who makes markets in such securities. Pricing services utilize various observable market data and as such, debt securities are generally categorized as Level 2. The levels are not necessarily an indication of the risk or liquidity of the Fund's investments.

The following is a summary of the inputs used in valuing the Fund's holdings at fair value:

	<b>CONVERTIBLE AND HIGH INCOME FUND</b>			
	<b>LEVEL</b>			
	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>3</b>	<b>TOTAL</b>
<b>Assets:</b>				
Corporate Bonds	\$	\$ 752,295,117	\$	\$ 752,295,117
Convertible Bonds		199,201,585		\$ 199,201,585
U.S. Government and Agency Securities		6,896,987		\$ 6,896,987
Sovereign Bonds		15,182,287		\$ 15,182,287
Synthetic Convertible Securities (Corporate Bonds)		43,327,747		\$ 43,327,747
Synthetic Convertible Securities (U.S. Government and Agency Securities)		397,420		\$ 397,420
Synthetic Convertible Securities (Sovereign Bonds)		873,488		\$ 873,488

Synthetic Convertible Securities (Purchased Options)	7,870,450		\$	7,870,450
Convertible Preferred Stocks	132,790,447	23,524,675	\$	156,315,122
Structured Equity-Linked Securities		25,534,340	\$	25,534,340
Common Stocks	27,760,173		\$	27,760,173
Short Term Investment	39,094,079		\$	39,094,079
	\$ 207,515,149	\$ 1,067,233,646	\$	\$ 1,274,748,795
<b>Liabilities:</b>				
Interest Rate Swaps		6,550,727	\$	6,550,727
<b>Total</b>	\$	\$ 6,550,727	\$	\$ 6,550,727

**Note 12 Legal Proceedings**

The Fund, the Fund's Board of Trustees, Calamos Advisors LLC, (the Adviser), and the corporate parent of the Adviser have been named as defendants in a putative class action complaint currently pending in the United States District Court for the Northern District of Illinois related to the Fund's redemption of its Auction Rate Cumulative Preferred Shares (the ARPS) at their liquidation preference. The

complaint captioned *Rutgers Casualty Ins. Co. v. John P. Calamos, Sr., Nick P. Calamos, Weston W. Marsh, Joe F. Hanauer, John E. Neal, William R. Rybak, Stephen B. Timbers, David D. Tripple, Calamos Advisors, LLC, Calamos Asset Management, Inc., Calamos Convertible and High Income Fund, and John and Jane Does 1-100* generally alleges that the Fund's Board of Trustees breached certain fiduciary duties owed to the common shareholders of the Fund by approving the redemption of the Fund's ARPS at their liquidation preference, and by recapitalizing the Fund with debt-based borrowings that were allegedly less advantageous to the Fund's common shareholders. The complaint also alleges that Calamos, the corporate parent of Calamos, and the Fund itself aided and abetted the Trustees' alleged breaches of fiduciary duty and were unjustly enriched as a result. The suit seeks indeterminate monetary and punitive damages from the named defendants, as well as injunctive relief. The defendants believe that the complaint is without merit, and intend to defend themselves vigorously against these charges.

Calamos and the corporate parent of Calamos, among other persons, also have been named as defendants in putative class action complaints captioned *Christopher Brown v. John P. Calamos, Sr., Weston W. Marsh, Joe F. Hanauer, John E. Neal, William R. Rybak, Stephen B. Timbers, David D. Tripple, Calamos Advisors, LLC, Calamos Asset Management, Inc., Calamos Convertible Opportunities and Income Fund, and John and Jane Does 1-100* and *Russell Bourrienne v. John P. Calamos, Sr., Weston W. Marsh, Joe F. Hanauer, John E. Neal, William R. Rybak, Stephen B. Timbers, David D. Tripple, Calamos Advisors, LLC, Calamos Asset Management, Inc., and John and Jane Does 1-100*, which relate to the redemption of ARPS by Calamos Convertible Opportunities and Income Fund (CHI). The complaints, which are similar to the *Rutgers* complaint also were filed by the plaintiffs in the Circuit Court of Cook County, Illinois and removed by the defendants to the United States District Court for the Northern District of Illinois. The *Brown* and *Bourrienne* complaints generally allege that CHI's Board of Trustees breached certain fiduciary duties owed to the common shareholders of CHI by approving the redemption of CHI's ARPS at their liquidation preference, and by recapitalizing CHI with debt-based borrowings that were allegedly less advantageous to CHI's common shareholders. The complaints also allege that Calamos, the corporate parent of Calamos, and in the case of the *Brown* complaint, CHI itself, aided and abetted the CHI Trustees' alleged breaches of fiduciary duty and were unjustly enriched as a result. Both complaints allege identical causes of action and encompass materially identical putative classes and class periods. The suits seek indeterminate monetary and punitive damages from the named defendants, as well as injunctive relief. On March 14, 2011, the judge assigned to the *Brown* case dismissed it, and the plaintiff filed a Notice of Appeal in the United States Court of Appeals for the Seventh Circuit, where the case is currently pending. The *Bourrienne* case remains pending in the United States District Court for the Northern District of Illinois. The defendants believe that the *Brown* and *Bourrienne* complaints are without merit, and intend to defend themselves vigorously against these charges.

The Fund believes that the litigation does not have any present material adverse effect on the Fund or on the ability of Calamos to perform its obligations under its investment advisory contract with the Fund.

## Financial Highlights

Selected data for a share outstanding throughout each period were as follows:

	(Unaudited) Six Months Ended		Year Ended October 31, 2010			
	April 30, 2011	2010	2009	2008	2007	2006
Net asset value, beginning of period	\$ 13.03	\$ 11.92	\$ 8.30	\$ 15.64	\$ 15.44	\$ 15.21
Income from investment operations:						
Net investment income (loss)	0.44**	0.96**	0.82**	1.05**	1.27**	1.34
Net realized and unrealized gain (loss)	0.59	1.17	3.82	(6.63)	0.75	0.75
Distributions to preferred shareholders from:						
Net investment income (common share equivalent basis)			(a)	(0.12)	(0.30)	(0.29)
Net realized gains (common share equivalent basis)				(0.07)	(0.03)	(0.02)
Total from investment operations	1.03	2.13	4.64	(5.77)	1.69	1.78
Less distributions to common shareholders from:						

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Net investment income	(0.51)	(1.02)	(1.00)	(1.34)	(1.22)	(1.29)
Net realized gains			(0.02)	(0.23)	(0.27)	(0.26)
Capital charge resulting from issuance of common and preferred shares and related offering costs	(a)	(a)	(a)	(a)		(a)
Premiums from shares sold in at the market offerings	(a)	(a)				
Net asset value, end of period	\$ 13.55	\$ 13.03	\$ 11.92	\$ 8.30	\$ 15.64	\$ 15.44
Market value, end of period	\$ 13.73	\$ 13.19	\$ 11.01	\$ 8.74	\$ 14.67	\$ 16.98
Total investment return based on:(b)						
Net asset value	8.13%	18.88%	60.83%	(39.96)%	11.31%	12.16%
Market value	8.24%	30.29%	41.07%	(32.59)%	(5.06)%	20.88%
Net assets, end of period (000)	\$ 973,047	\$ 921,278	\$ 832,769	\$ 563,187	\$ 1,054,614	\$ 1,030,741
Preferred shares, at redemption value (\$25,000 per share liquidation preference) (000 s omitted)	\$	\$	\$	\$ 80,000	\$ 430,000	\$ 430,000
Ratios to average net assets applicable to common shareholders:						
Net expenses(c)	1.62%(d)	1.73%	3.01%	1.91%	1.18%	1.20%
	1.66%(d)	1.79%	3.10%	2.04%	1.33%	1.34%

Gross expenses prior to expense reductions(c)						
Net expenses, excluding interest expense	1.16%(d)	1.20%	2.37%	1.29%	1.18%	1.20%
Net investment income (loss)(c)	6.75%(d)	7.75%	8.56%	7.77%	8.20%	8.76%
Preferred share distributions	%	%	0.04%	0.87%	1.95%	1.88%
Net investment income (loss), net of preferred share distributions from net investment income	6.75%(d)	7.75%	8.52%	6.90%	6.25%	6.88%
Portfolio turnover rate	19%	39%	29%	55%	57%	38%
Average commission rate paid	\$ 0.0121	\$	\$	\$	\$	\$
Asset coverage per preferred share, at end of period(e)	\$	\$	\$	\$ 201,006	\$ 86,333	\$ 84,945
Asset coverage per \$1,000 of loan outstanding(f)	\$ 4,402	\$ 4,412	\$ 4,084	\$ 3,438	\$	\$

\*\* Net investment income allocated based on average shares method.

(a) Amount equated to less than \$0.005 per common share.

(b) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of the period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return is not annualized for periods less than one year. Brokerage commissions are not reflected. NAV per share is determined by dividing the value of the Fund's portfolio securities, cash and other assets, less all liabilities, by the total number of common shares outstanding. The common share market price is the price the market is willing to

pay for shares of the Fund at a given time. Common share market price is influenced by a range of factors, including supply and demand and market conditions.

- (c) Does not reflect the effect of dividend payments to Preferred Shareholders.
- (d) Annualized.
- (e) Calculated by subtracting the Fund's total liabilities (not including Preferred Shares) from the Fund's total assets and dividing this by the number of Preferred Shares outstanding.
- (f) Calculated by subtracting the Fund's total liabilities (not including Note payable) and preferred shares from the Fund's total assets and dividing this by the amount of note payable outstanding, and by multiplying the result by 1,000.



## Schedule of Investments April 30, 2011 (Unaudited)

PRINCIPAL AMOUNT		VALUE
<b>CORPORATE BONDS (77.3%)</b>		
	<b>Consumer Discretionary (14.5%)</b>	
1,931,000	American Axle & Manufacturing, Inc. 7.875%, 03/01/17	\$ 1,993,758
4,373,000	Asbury Automotive Group, Inc. 7.625%, 03/15/17	4,493,257
6,461,000	Cooper Tire & Rubber Company 8.000%, 12/15/19	6,937,499
1,808,000	Dana Holding Corp. 6.750%, 02/15/21	1,832,860
7,092,000	DISH Network Corp.µ 7.875%, 09/01/19	7,712,550
5,957,000	7.125%, 02/01/16	6,373,990
7,092,000	Exide Technologies* 8.625%, 02/01/18	7,641,630
2,364,000	Express, LLC 8.750%, 03/01/18	2,597,445
3,773,000	GameStop Corp.µ 8.000%, 10/01/12	3,857,892
4,255,000	Goodyear Tire & Rubber Company 8.250%, 08/15/20	4,749,644
1,786,000	7.000%, 03/15/28µ	1,723,490
6,855,000	Hanesbrands, Inc.µ 3.831%, 12/15/14	6,889,275
8,794,000	Hasbro, Inc.µ 6.600%, 07/15/28	9,320,119
1,768,000	Interpublic Group of Companies, Inc. 10.000%, 07/15/17	2,117,180
2,944,000	J.C. Penney Company, Inc. 6.375%, 10/15/36	2,664,320
2,713,000	7.125%, 11/15/23	2,807,955
1,418,000	7.650%, 08/15/16	1,573,980
7,167,000	Jarden Corp.µ 7.500%, 05/01/17	7,731,401
3,309,000	Liberty Media Corp.µ 8.250%, 02/01/30	3,226,275
2,837,000	Limited Brands, Inc. 7.600%, 07/15/37	2,815,722
1,464,000	6.625%, 04/01/21	1,522,560
946,000	6.950%, 03/01/33	882,145
3,499,000	Live Nation Entertainment, Inc.* 8.125%, 05/15/18	3,586,475

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5,513,000	NetFlix, Inc.μ	
	8.500%, 11/15/17	6,257,255
4,476,000	Perry Ellis International, Inc.	
	7.875%, 04/01/19	4,688,610
11,252,000	Royal Caribbean Cruises, Ltd.	
	7.500%, 10/15/27μ	11,280,130
946,000	7.000%, 06/15/13μ	1,022,863
378,000	7.250%, 06/15/16	405,405
	Service Corp. International	
8,037,000	7.500%, 04/01/27μ	7,846,121
1,891,000	7.000%, 05/15/19	2,018,643
946,000	7.625%, 10/01/18μ	1,064,250
946,000	Speedway Motorsports, Inc.	
	8.750%, 06/01/16	1,040,600
3,841,000	Vail Resorts, Inc.*	
	6.500%, 05/01/19	3,937,025
5,550,000	Wynn Las Vegas, LLC	
	7.750%, 08/15/20	6,091,125
		140,703,449
	<b>Consumer Staples (2.9%)</b>	
4,019,000	Chiquita Brands International, Inc.	
	8.875%, 12/01/15	4,159,665
	Constellation Brands, Inc.	
4,576,000	7.250%, 09/01/16μ	5,010,720
867,000	8.375%, 12/15/14	990,548
3,206,000	Darling International, Inc.*	
	8.500%, 12/15/18	3,510,570
142,000	Elizabeth Arden, Inc.	
	7.375%, 03/15/21	150,165
4,141,000	Reynolds American, Inc.~	
	7.250%, 06/15/37	4,525,703
9,455,000	Smithfield Foods, Inc.μ	
	7.750%, 07/01/17	10,235,037
		28,582,408
	<b>Energy (17.2%)</b>	
	Arch Coal, Inc.	
6,146,000	8.750%, 08/01/16μ	6,914,250
1,938,000	7.250%, 10/01/20	2,100,308
1,120,000	Arch Western Finance, LLC	
	6.750%, 07/01/13	1,132,600
	Basic Energy Services, Inc.	
7,371,000	7.750%, 02/15/19*	7,757,977
1,418,000	7.125%, 04/15/16	1,455,223
	Berry Petroleum Company	
6,309,000	8.250%, 11/01/16	6,703,312

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1,891,000	10.250%, 06/01/14	2,207,743
1,418,000	Bill Barrett Corp. 9.875%, 07/15/16	1,620,065
4,623,000	Brigham Exploration Company 8.750%, 10/01/18	5,177,760
7,446,000	Bristow Group, Inc.µ 7.500%, 09/15/17	7,892,760
8,037,000	Calfrac Holdings, LP* 7.500%, 12/01/20	8,438,850
7,493,000	Carrizo Oil & Gas, Inc.* 8.625%, 10/15/18	8,036,242
3,782,000	Chesapeake Energy Corp. 9.500%, 02/15/15	4,571,493
3,054,000	6.625%, 08/15/20	3,305,955
946,000	Clayton Williams Energy, Inc.* 7.750%, 04/01/19	950,730
4,728,000	Complete Production Services, Inc.µ 8.000%, 12/15/16	5,011,680
7,753,000	Comstock Resources, Inc.µ 8.375%, 10/15/17	8,218,180

See accompanying Notes to Schedule of Investment

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## Schedule of Investments April 30, 2011 (Unaudited)

PRINCIPAL AMOUNT		VALUE
5,125,000	Concho Resources, Inc. 8.625%, 10/01/17	\$ 5,688,750
1,891,000	Continental Resources, Inc.μ 8.250%, 10/01/19	2,108,465
5,673,000	EXCO Resources, Inc. 7.500%, 09/15/18	5,779,369
6,850,000	Frontier Oil Corp. 8.500%, 09/15/16μ	7,466,500
924,000	6.875%, 11/15/18	970,200
4,424,000	GulfMark Offshore, Inc.μ 7.750%, 07/15/14	4,534,600
6,619,000	Helix Energy Solutions Group, Inc.μ* 9.500%, 01/15/16	7,049,235
2,879,000	Holly Corp.μ 9.875%, 06/15/17	3,260,468
3,730,000	Hornbeck Offshore Services, Inc.μ 8.000%, 09/01/17	3,869,875
4,255,000	Pride International, Inc.μ 8.500%, 06/15/19	5,353,173
5,200,000	SEACOR Holdings, Inc.μ 7.375%, 10/01/19	5,628,896
7,186,000	SESI, LLCμ 6.875%, 06/01/14	7,374,632
4,124,000	SM Energy Company* 6.625%, 02/15/19	4,268,340
6,524,000	Swift Energy Company 8.875%, 01/15/20	7,176,400
2,269,000	7.125%, 06/01/17	2,337,070
5,169,000	Trinidad Drilling, Ltd.* 7.875%, 01/15/19	5,504,985
2,703,000	Whiting Petroleum Corp. 6.500%, 10/01/18	2,838,150
3,448,000	Williams Companies, Inc. 7.750%, 06/15/31	4,195,888
		166,900,124
	<b>Financials (4.1%)</b>	
2,775,000	AON Corp. 8.205%, 01/01/27	3,149,922
2,608,000	Host Hotels & Resorts, Inc. 7.125%, 11/01/13	2,656,900
2,175,000		2,384,344

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	Janus Capital Group, Inc.	
	6.700%, 06/15/17	
	Leucadia National Corp.	
10,278,000	8.125%, 09/15/15 $\mu$	11,459,970
2,260,000	7.000%, 08/15/13 $\mu$	2,457,750
1,818,000	7.125%, 03/15/17	1,917,990
5,673,000	Nuveen Investments, Inc.	
	10.500%, 11/15/15	5,935,376
	OMEGA Healthcare Investors, Inc.	
3,640,000	7.500%, 02/15/20	3,903,900
1,418,000	6.750%, 10/15/22*	1,448,132
4,728,000	Senior Housing Properties Trust $\mu$	
	8.625%, 01/15/12	4,930,075
		40,244,359
	<b>Health Care (7.7%)</b>	
1,891,000	Bio-Rad Laboratories, Inc.	
	8.000%, 09/15/16	2,113,192
2,364,000	Community Health Systems, Inc.	
	8.875%, 07/15/15	2,423,100
6,284,000	DaVita, Inc. $\mu$	
	6.625%, 11/01/20	6,480,375
8,510,000	Endo Pharmaceuticals Holdings, Inc. $\mu$ *	
	7.000%, 12/15/20	8,765,300
8,510,000	Giant Funding Corp. $\mu$ *	
	8.250%, 02/01/18	8,871,675
2,837,000	HCA, Inc.*	
	7.750%, 05/15/21	2,978,850
	HealthSouth Corp. $\mu$	
3,073,000	7.750%, 09/15/22	3,276,586
2,364,000	7.250%, 10/01/18	2,505,840
	Mylan, Inc.*	
5,541,000	7.625%, 07/15/17 $\mu$	6,095,100
3,073,000	7.875%, 07/15/20	3,411,030
5,957,000	Talecris Biotherapeutics Holdings Corp.	
	7.750%, 11/15/16	6,582,485
	Valeant Pharmaceuticals International, Inc.*	
7,092,000	7.000%, 10/01/20	7,003,350
3,309,000	7.250%, 07/15/22	3,271,774
1,229,000	6.750%, 10/01/17	1,229,000
9,217,000	Warner Chilcott Company, LLC*	
	7.750%, 09/15/18	9,758,499
		74,766,156
	<b>Industrials (11.5%)</b>	
2,837,000	Abengoa, SA*	
	8.875%, 11/01/17	2,893,740

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5,200,000	BE Aerospace, Inc.	5,811,000
414,000	8.500%, 07/01/18 $\mu$	437,805
	6.875%, 10/01/20	
3,782,000	Belden, Inc.	4,245,295
2,832,000	9.250%, 06/15/19	2,938,200
2,068,000	7.000%, 03/15/17 $\mu$	
	Boart Longyear Management Pty., Ltd.*	
	7.000%, 04/01/21	2,150,720
2,836,000	Clean Harbors, Inc.*	
	7.625%, 08/15/16	3,048,700
	Deluxe Corp.	
5,716,000	7.375%, 06/01/15 $\mu$	5,951,785
5,673,000	7.000%, 03/15/19*	5,743,912
4,565,000	Dycom Investments, Inc. $\mu$ *	
	7.125%, 01/15/21	4,741,894
2,837,000	Esterline Technologies Corp.	
	7.000%, 08/01/20	3,042,682
2,600,000	FTI Consulting, Inc.*	
	6.750%, 10/01/20	2,665,000
3,309,000	Gardner Denver, Inc.	
	8.000%, 05/01/13	3,321,409

See accompanying Notes to Schedule of Investment

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## Schedule of Investments April 30, 2011 (Unaudited)

PRINCIPAL AMOUNT		VALUE
2,364,000	GEO Group, Inc.* 6.625%, 02/15/21	\$ 2,369,910
4,573,000	GeoEye, Inc.μ 8.625%, 10/01/16	4,870,245
4,728,000	Great Lakes Dredge & Dock Corp.μ* 7.375%, 02/01/19	4,858,020
1,768,000	H&E Equipment Services, Inc. 8.375%, 07/15/16	1,845,350
247,000	Huntington Ingalls Industries, Inc.* 7.125%, 03/15/21	261,203
236,000	6.875%, 03/15/18	249,570
5,150,000	Interline Brands, Inc.μ 7.000%, 11/15/18	5,330,250
1,891,000 GBP	Iron Mountain, Inc.* 7.250%, 04/15/14	3,213,907
1,891,000	Manitowoc Company, Inc. 8.500%, 11/01/20	2,080,100
4,950,000	Oshkosh Corp. 8.500%, 03/01/20	5,544,000
1,149,000	8.250%, 03/01/17	1,273,954
8,983,000	Spirit AeroSystems Holdings, Inc.μ 7.500%, 10/01/17	9,791,470
7,564,000	Terex Corp. 8.000%, 11/15/17	8,036,750
2,591,000	Triumph Group, Inc. 8.000%, 11/15/17	2,778,847
2,364,000	8.625%, 07/15/18	2,626,995
7,564,000	Tutor Perini Corp.* 7.625%, 11/01/18	7,753,100
1,891,000	WESCO Distribution, Inc. 7.500%, 10/15/17	1,961,913
		111,837,726
	<b>Information Technology (7.3%)</b>	
7,092,000	Advanced Micro Devices, Inc. 7.750%, 08/01/20	7,428,870
3,394,000	8.125%, 12/15/17	3,606,125
9,739,000	Amkor Technology, Inc. 9.250%, 06/01/16μ	10,274,645
3,782,000	7.375%, 05/01/18	3,990,010
2,458,000	Equinix, Inc. 8.125%, 03/01/18	2,673,075

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567,000	Fidelity National Information Services, Inc. 7.875%, 07/15/20	629,370
284,000	Hynix Semiconductor, Inc.* 7.875%, 06/27/17	302,119
8,983,000	iGATE Corp.µ* 9.000%, 05/01/16	9,252,490
946,000	Jabil Circuit, Inc. 7.750%, 07/15/16	1,078,440
5,673,000	Lender Processing Services, Inc.µ 8.125%, 07/01/16	5,871,555
2,770,000	Lexmark International, Inc.µ 6.650%, 06/01/18	3,010,270
7,184,000	MEMC Electronic Materials, Inc.* 7.750%, 04/01/19	7,498,300
5,673,000	Sanmina-SCI Corp.* 7.000%, 05/15/19	5,651,726
3,309,000	Seagate Technology* 6.875%, 05/01/20	3,375,180
3,120,000	ViaSat, Inc. 8.875%, 09/15/16	3,373,500
2,501,000	Xerox Corp. 8.000%, 02/01/27	2,543,437
		70,559,112
	<b>Materials (6.8%)</b>	
1,986,000	Airgas, Inc. 7.125%, 10/01/18	2,172,188
3,546,000	Allegheny Ludlum Corp.µ 6.950%, 12/15/25	3,861,431
823,000	Ashland, Inc. 9.125%, 06/01/17	955,709
2,259,000	Boise Cascade Holdings, LLC 7.125%, 10/15/14	2,264,647
5,232,000	Clearwater Paper Corp.µ* 7.125%, 11/01/18	5,467,440
6,505,000	Greif, Inc.µ 7.750%, 08/01/19	7,171,762
1,015,000	Kraton Polymers LLC* 6.750%, 03/01/19	1,037,838
3,373,000	Nalco Holding Company 8.250%, 05/15/17	3,689,219
6,030,000	Neenah Paper, Inc. 7.375%, 11/15/14	6,150,600
6,619,000	Sealed Air Corp.µ* 6.875%, 07/15/33	6,678,339
4,179,000	Silgan Holdings, Inc.µ 7.250%, 08/15/16	4,518,544
8,921,000	Steel Dynamics, Inc. 7.750%, 04/15/16µ	9,590,075



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1,631,000	7.625%, 03/15/20	1,794,100
2,364,000	Texas Industries, Inc.	
	9.250%, 08/15/20	2,559,030
	Union Carbide Corp.μ	
4,586,000	7.875%, 04/01/23	5,258,353
3,073,000	7.500%, 06/01/25	3,422,173

66,591,448

**Telecommunication Services (4.5%)**

5,711,000	CenturyLink, Inc.μ	
	6.875%, 01/15/28	5,507,917
	Frontier Communications Corp.	
7,753,000	9.000%, 08/15/31μ	8,024,355
2,837,000	8.250%, 04/15/17	3,088,784

See accompanying Notes to Schedule of Investment

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## Schedule of Investments April 30, 2011 (Unaudited)

<b>PRINCIPAL AMOUNT</b>		<b>VALUE</b>
8,037,000	MetroPCS Wireless, Inc. 7.875%, 09/01/18	\$ 8,700,052
6,619,000	Qwest Communications International, Inc.μ 7.750%, 02/15/31	7,098,877
8,132,000	Windstream Corp. 7.750%, 10/15/20	8,660,580
2,837,000	7.500%, 04/01/23	2,893,740
		43,974,305
	<b>Utilities (0.8%)</b>	
4,964,000	Calpine Corp.* 7.875%, 07/31/20	5,373,530
2,600,000	7.500%, 02/15/21	2,762,500
		8,136,030
	<b>TOTAL CORPORATE BONDS</b> (Cost \$710,775,654)	752,295,117
	<b>CONVERTIBLE BONDS (20.5%)</b>	
	<b>Consumer Discretionary (2.4%)</b>	
13,000,000	Liberty Media Corp. (Time Warner, Inc.)μ\$ 3.125%, 03/30/23	15,990,000
8,820,000	Liberty Media Corp. (Viacom, CBS Corp. - Class B)μ\$ 3.250%, 03/15/31	7,452,900
		23,442,900
	<b>Energy (1.5%)</b>	
11,000,000	Chesapeake Energy Corp. 2.250%, 12/15/38	10,340,000
3,000,000	SM Energy Companyμ 3.500%, 04/01/27	4,350,000
		14,690,000
	<b>Financials (0.6%)</b>	

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5,500,000	Affiliated Managers Group, Inc.μ 3.950%, 08/15/38	6,400,625
	<b>Health Care (2.3%)</b>	
16,500,000	Life Technologies Corp.μ 3.250%, 06/15/25	18,810,000
3,250,000	LifePoint Hospitals, Inc.μ 3.500%, 05/15/14	3,518,125
		22,328,125
	<b>Industrials (1.5%)</b>	
13,000,000	Trinity Industries, Inc.μ 3.875%, 06/01/36	14,283,750
	<b>Information Technology (8.8%)</b>	
1,800,000 GBP	Autonomy Corp., PLCμ 3.250%, 03/04/15	3,402,016
3,699,000	Blackboard, Inc.μ 3.250%, 07/01/27	3,735,990
7,000,000	Euronet Worldwide, Inc.μ 3.500%, 10/15/25	7,026,250
41,000,000	Intel Corp.μ 2.950%, 12/15/35	43,921,250
23,500,000	Linear Technology Corp.μ 3.000%, 05/01/27	25,526,875
1,317,000	Rovi Corp. 2.625%, 02/15/40	1,624,849
		85,237,230
	<b>Materials (3.4%)</b>	
5,200,000	Anglo American, PLCμ 4.000%, 05/07/14	10,255,200
7,400,000	AngloGold Ashanti, Ltd.μ 3.500%, 05/22/14	9,333,243
10,090,000	Newmont Mining Corp. 3.000%, 02/15/12	13,230,512
		32,818,955
	<b>TOTAL CONVERTIBLE BONDS</b> (Cost \$183,600,393)	199,201,585
	<b>U.S. GOVERNMENT AND AGENCY SECURITIES (0.7%)</b>	
3,546,000	United States Treasury Note~ 0.875%, 01/31/12	3,564,702

3,309,000	1.000%, 03/31/12	3,332,285
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**TOTAL U.S. GOVERNMENT AND  
AGENCY SECURITIES**

(Cost \$6,894,334)		6,896,987
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**SOVEREIGN BONDS (1.6%)**

	Federal Republic of Brazil	
1,749,000 BRL	10.000%, 01/01/12	11,300,817
615,000 BRL	10.000%, 01/01/13	3,881,470

**TOTAL SOVEREIGN BONDS**

(Cost \$13,790,263)		15,182,287
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**SYNTHETIC CONVERTIBLE SECURITIES (5.3%)**

**Corporate Bonds (4.4%)**

	<b>Consumer Discretionary (0.8%)</b>	
111,000	American Axle & Manufacturing, Inc. 7.875%, 03/01/17	114,608
252,000	Asbury Automotive Group, Inc. 7.625%, 03/15/17	258,930
372,000	Cooper Tire & Rubber Company 8.000%, 12/15/19	399,435
104,000	Dana Holding Corp. 6.750%, 02/15/21	105,430
408,000	DISH Network Corp.µ 7.875%, 09/01/19	443,700
343,000	7.125%, 02/01/16	367,010
408,000	Exide Technologies* 8.625%, 02/01/18	439,620
136,000	Express, LLC 8.750%, 03/01/18	149,430
217,000	GameStop Corp.µ 8.000%, 10/01/12	221,882

See accompanying Notes to Schedule of Investment

## Schedule of Investments April 30, 2011 (Unaudited)

PRINCIPAL AMOUNT		VALUE
245,000	Goodyear Tire & Rubber Company 8.250%, 08/15/20	\$ 273,481
103,000	7.000%, 03/15/28μ	99,395
395,000	Hanesbrands, Inc.μ 3.831%, 12/15/14	396,975
506,000	Hasbro, Inc.μ 6.600%, 07/15/28	536,272
102,000	Interpublic Group of Companies, Inc. 10.000%, 07/15/17	122,145
170,000	J.C. Penney Company, Inc. 6.375%, 10/15/36	153,850
156,000	7.125%, 11/15/23	161,460
82,000	7.650%, 08/15/16	91,020
413,000	Jarden Corp.μ 7.500%, 05/01/17	445,524
191,000	Liberty Media Corp.μ 8.250%, 02/01/30	186,225
163,000	Limited Brands, Inc. 7.600%, 07/15/37	161,777
84,000	6.625%, 04/01/21	87,360
54,000	6.950%, 03/01/33	50,355
201,000	Live Nation Entertainment, Inc.* 8.125%, 05/15/18	206,025
317,000	NetFlix, Inc.μ 8.500%, 11/15/17	359,795
258,000	Perry Ellis International, Inc. 7.875%, 04/01/19	270,255
648,000	Royal Caribbean Cruises, Ltd. 7.500%, 10/15/27μ	649,620
54,000	7.000%, 06/15/13μ	58,388
22,000	7.250%, 06/15/16	23,595
463,000	Service Corp. International 7.500%, 04/01/27μ	452,004
109,000	7.000%, 05/15/19	116,358
54,000	7.625%, 10/01/18μ	60,750
54,000	Speedway Motorsports, Inc. 8.750%, 06/01/16	59,400
221,000	Vail Resorts, Inc.* 6.500%, 05/01/19	226,525
320,000	Wynn Las Vegas, LLC 7.750%, 08/15/20	351,200
		8,099,799

<b>Consumer Staples (0.2%)</b>		
231,000	Chiquita Brands International, Inc. 8.875%, 12/01/15	239,085
264,000	Constellation Brands, Inc. 7.250%, 09/01/16 $\mu$	289,080
50,000	8.375%, 12/15/14	57,125
185,000	Darling International, Inc.* 8.500%, 12/15/18	202,575
8,000	Elizabeth Arden, Inc. 7.375%, 03/15/21	8,460
238,000	Reynolds American, Inc.~ 7.250%, 06/15/37	260,110
545,000	Smithfield Foods, Inc. $\mu$ 7.750%, 07/01/17	589,963
		1,646,398

<b>Energy (1.0%)</b>		
354,000	Arch Coal, Inc. 8.750%, 08/01/16 $\mu$	398,250
112,000	7.250%, 10/01/20	121,380
64,000	Arch Western Finance, LLC 6.750%, 07/01/13	64,720
424,000	Basic Energy Services, Inc. 7.750%, 02/15/19*	446,260
82,000	7.125%, 04/15/16	84,153
363,000	Berry Petroleum Company 8.250%, 11/01/16	385,687
109,000	10.250%, 06/01/14	127,258
82,000	Bill Barrett Corp. 9.875%, 07/15/16	93,685
266,000	Brigham Exploration Company 8.750%, 10/01/18	297,920
429,000	Bristow Group, Inc. $\mu$ 7.500%, 09/15/17	454,740
463,000	Calfrac Holdings, LP* 7.500%, 12/01/20	486,150
432,000	Carrizo Oil & Gas, Inc.* 8.625%, 10/15/18	463,320
218,000	Chesapeake Energy Corp. 9.500%, 02/15/15	263,507
176,000	6.625%, 08/15/20	190,520
54,000	Clayton Williams Energy, Inc.* 7.750%, 04/01/19	54,270
272,000	Complete Production Services, Inc. $\mu$ 8.000%, 12/15/16	288,320
447,000	Comstock Resources, Inc. $\mu$ 8.375%, 10/15/17	473,820
295,000		327,450

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	Concho Resources, Inc.	
	8.625%, 10/01/17	
109,000	Continental Resources, Inc.µ	
	8.250%, 10/01/19	121,535
327,000	EXCO Resources, Inc.	
	7.500%, 09/15/18	333,131
	Frontier Oil Corp.	
395,000	8.500%, 09/15/16µ	430,550
53,000	6.875%, 11/15/18	55,650
255,000	GulfMark Offshore, Inc.µ	
	7.750%, 07/15/14	261,375
381,000	Helix Energy Solutions Group, Inc.µ*	
	9.500%, 01/15/16	405,765
166,000	Holly Corp.µ	
	9.875%, 06/15/17	187,995
215,000	Hornbeck Offshore Services, Inc.µ	
	8.000%, 09/01/17	223,063
245,000	Pride International, Inc.µ	
	8.500%, 06/15/19	308,232
	See accompanying Notes to Schedule of Investment	

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## Schedule of Investments April 30, 2011 (Unaudited)

PRINCIPAL AMOUNT		VALUE
300,000	SEACOR Holdings, Inc.μ 7.375%, 10/01/19	\$ 324,744
414,000	SESI, LLCμ 6.875%, 06/01/14	424,867
237,000	SM Energy Company* 6.625%, 02/15/19	245,295
376,000	Swift Energy Company 8.875%, 01/15/20	413,600
131,000	7.125%, 06/01/17	134,930
298,000	Trinidad Drilling, Ltd.* 7.875%, 01/15/19	317,370
156,000	Whiting Petroleum Corp. 6.500%, 10/01/18	163,800
199,000	Williams Companies, Inc. 7.750%, 06/15/31	242,164
		9,615,476
	<b>Financials (0.2%)</b>	
160,000	AON Corp. 8.205%, 01/01/27	181,617
150,000	Host Hotels & Resorts, Inc. 7.125%, 11/01/13	152,812
125,000	Janus Capital Group, Inc. 6.700%, 06/15/17	137,031
592,000	Leucadia National Corp. 8.125%, 09/15/15μ	660,080
130,000	7.000%, 08/15/13μ	141,375
105,000	7.125%, 03/15/17	110,775
327,000	Nuveen Investments, Inc. 10.500%, 11/15/15	342,124
210,000	OMEGA Healthcare Investors, Inc. 7.500%, 02/15/20	225,225
82,000	6.750%, 10/15/22*	83,743
272,000	Senior Housing Properties Trustμ 8.625%, 01/15/12	283,625
		2,318,407
	<b>Health Care (0.4%)</b>	
109,000	Bio-Rad Laboratories, Inc. 8.000%, 09/15/16	121,808



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136,000	Community Health Systems, Inc. 8.875%, 07/15/15	139,400
362,000	DaVita, Inc.µ 6.625%, 11/01/20	373,313
490,000	Endo Pharmaceuticals Holdings, Inc.µ* 7.000%, 12/15/20	504,700
490,000	Giant Funding Corp.µ* 8.250%, 02/01/18	510,825
163,000	HCA, Inc.* 7.750%, 05/15/21	171,150
177,000	HealthSouth Corp.µ 7.750%, 09/15/22	188,726
136,000	7.250%, 10/01/18	144,160
319,000	Mylan, Inc.* 7.625%, 07/15/17µ	350,900
177,000	7.875%, 07/15/20	196,470
343,000	Talecris Biotherapeutics Holdings Corp. 7.750%, 11/15/16	379,015
408,000	Valeant Pharmaceuticals International, Inc.* 7.000%, 10/01/20	402,900
191,000	7.250%, 07/15/22	188,851
71,000	6.750%, 10/01/17	71,000
531,000	Warner Chilcott Company, LLC* 7.750%, 09/15/18	562,196
		4,305,414
	<b>Industrials (0.7%)</b>	
163,000	Abengoa, SA* 8.875%, 11/01/17	166,260
300,000	BE Aerospace, Inc. 8.500%, 07/01/18µ	335,250
24,000	6.875%, 10/01/20	25,380
218,000	Belden, Inc. 9.250%, 06/15/19	244,705
163,000	7.000%, 03/15/17µ	169,112
119,000	Boart Longyear Management Pty., Ltd.* 7.000%, 04/01/21	123,760
164,000	Clean Harbors, Inc.* 7.625%, 08/15/16	176,300
329,000	Deluxe Corp. 7.375%, 06/01/15µ	342,571
327,000	7.000%, 03/15/19*	331,087
263,000	Dycom Investments, Inc.µ* 7.125%, 01/15/21	273,191
163,000	Esterline Technologies Corp. 7.000%, 08/01/20	174,817
150,000	FTI Consulting, Inc.* 6.750%, 10/01/20	153,750
191,000		191,716

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	Gardner Denver, Inc.	
	8.000%, 05/01/13	
136,000	GEO Group, Inc.*	
	6.625%, 02/15/21	136,340
263,000	GeoEye, Inc.µ	
	8.625%, 10/01/16	280,095
272,000	Great Lakes Dredge & Dock Corp.µ*	
	7.375%, 02/01/19	279,480
102,000	H&E Equipment Services, Inc.	
	8.375%, 07/15/16	106,463
	Huntington Ingalls Industries, Inc.*	
14,000	7.125%, 03/15/21	14,805
14,000	6.875%, 03/15/18	14,805
297,000	Interline Brands, Inc.µ	
	7.000%, 11/15/18	307,395
109,000 GBP	Iron Mountain, Inc.*	
	7.250%, 04/15/14	185,254
109,000	Manitowoc Company, Inc.	
	8.500%, 11/01/20	119,900
	Oshkosh Corp.	
285,000	8.500%, 03/01/20	319,200
66,000	8.250%, 03/01/17	73,178

See accompanying Notes to Schedule of Investment

## Schedule of Investments April 30, 2011 (Unaudited)

PRINCIPAL AMOUNT		VALUE
517,000	Spirit AeroSystems Holdings, Inc.μ 7.500%, 10/01/17	\$ 563,530
436,000	Terex Corp. 8.000%, 11/15/17	463,250
149,000	Triumph Group, Inc. 8.000%, 11/15/17	159,803
136,000	8.625%, 07/15/18	151,130
436,000	Tutor Perini Corp.* 7.625%, 11/01/18	446,900
109,000	WESCO Distribution, Inc. 7.500%, 10/15/17	113,088
		6,442,515
	<b>Information Technology (0.4%)</b>	
408,000	Advanced Micro Devices, Inc. 7.750%, 08/01/20	427,380
196,000	8.125%, 12/15/17	208,250
561,000	Amkor Technology, Inc. 9.250%, 06/01/16μ	591,855
218,000	7.375%, 05/01/18	229,990
142,000	Equinix, Inc. 8.125%, 03/01/18	154,425
33,000	Fidelity National Information Services, Inc. 7.875%, 07/15/20	36,630
16,000	Hynix Semiconductor, Inc.* 7.875%, 06/27/17	17,021
517,000	iGATE Corp.μ* 9.000%, 05/01/16	532,510
54,000	Jabil Circuit, Inc. 7.750%, 07/15/16	61,560
327,000	Lender Processing Services, Inc.μ 8.125%, 07/01/16	338,445
160,000	Lexmark International, Inc.μ 6.650%, 06/01/18	173,878
414,000	MEMC Electronic Materials, Inc.* 7.750%, 04/01/19	432,113
327,000	Sanmina-SCI Corp.* 7.000%, 05/15/19	325,774
191,000	Seagate Technology* 6.875%, 05/01/20	194,820
180,000	ViaSat, Inc. 8.875%, 09/15/16	194,625

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144,000	Xerox Corp. 8.000%, 02/01/27	146,443
		4,065,719
	<b>Materials (0.4%)</b>	
114,000	Airgas, Inc. 7.125%, 10/01/18	124,688
204,000	Allegheny Ludlum Corp.µ 6.950%, 12/15/25	222,147
47,000	Ashland, Inc. 9.125%, 06/01/17	54,579
130,000	Boise Cascade Holdings, LLC 7.125%, 10/15/14	130,325
301,000	Clearwater Paper Corp.µ* 7.125%, 11/01/18	314,545
375,000	Greif, Inc.µ 7.750%, 08/01/19	413,437
58,000	Kraton Polymers LLC* 6.750%, 03/01/19	59,305
194,000	Nalco Holding Company 8.250%, 05/15/17	212,187
347,000	Neenah Paper, Inc. 7.375%, 11/15/14	353,940
381,000	Sealed Air Corp.µ* 6.875%, 07/15/33	384,416
241,000	Silgan Holdings, Inc.µ 7.250%, 08/15/16	260,581
514,000	Steel Dynamics, Inc. 7.750%, 04/15/16µ	552,550
94,000	7.625%, 03/15/20	103,400
136,000	Texas Industries, Inc. 9.250%, 08/15/20	147,220
264,000	Union Carbide Corp.µ 7.875%, 04/01/23	302,705
177,000	7.500%, 06/01/25	197,112
		3,833,137
	<b>Telecommunication Services (0.3%)</b>	
329,000	CenturyLink, Inc.µ 6.875%, 01/15/28	317,301
447,000	Frontier Communications Corp. 9.000%, 08/15/31µ	462,645
163,000	8.250%, 04/15/17	177,466
463,000	MetroPCS Wireless, Inc. 7.875%, 09/01/18	501,197
381,000	Qwest Communications International, Inc.µ 7.750%, 02/15/31	408,623

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	Windstream Corp.*	
468,000	7.750%, 10/15/20	498,420
163,000	7.500%, 04/01/23	166,260
		2,531,912
	<b>Utilities (0.0%)</b>	
	Calpine Corp.*	
286,000	7.875%, 07/31/20	309,595
150,000	7.500%, 02/15/21	159,375
		468,970
	<b>TOTAL CORPORATE BONDS</b>	<b>43,327,747</b>

See accompanying Notes to Schedule of Investment

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## Schedule of Investments April 30, 2011 (Unaudited)

<b>PRINCIPAL AMOUNT</b>		<b>VALUE</b>
<b>U.S. Government and Agency Securities (0.0%)</b>		
204,000	United States Treasury Note~ 0.875%, 01/31/12	\$ 205,076
191,000	1.000%, 03/31/12	192,344
	<b>TOTAL U.S. GOVERNMENT AND AGENCY SECURITIES</b>	<b>397,420</b>
 <b>Sovereign Bonds (0.1%)</b>		
101,000 BRL	Federal Republic of Brazil 10.000%, 01/01/12	652,591
35,000 BRL	10.000%, 01/01/13	220,897
	<b>TOTAL SOVEREIGN BONDS</b>	<b>873,488</b>
 <b>NUMBER OF CONTRACTS</b>		
<b>Purchased Options (0.8%) #</b>		
310	<b>Consumer Discretionary (0.1%)</b> Amazon.com, Inc. Call, 01/19/13, Strike \$180.00	1,301,225
180	<b>Information Technology (0.7%)</b> Apple, Inc. Call, 01/19/13, Strike \$290.00	1,697,850
3,150	EMC Corp. Call, 01/19/13, Strike \$25.00	1,787,625
2,000	Oracle Corp. Call, 01/19/13, Strike \$30.00	1,730,000
1,500	QUALCOMM, Inc. Call, 01/19/13, Strike \$55.00	1,353,750
		6,569,225
	<b>TOTAL PURCHASED OPTIONS</b>	<b>7,870,450</b>
	<b>TOTAL SYNTHETIC CONVERTIBLE SECURITIES</b>	<b>52,469,105</b>

(Cost \$48,230,123)

NUMBER OF SHARES		VALUE
<b>CONVERTIBLE PREFERRED STOCKS (16.1%)</b>		
	<b>Consumer Discretionary (0.6%)</b>	
46,760	Stanley Black & Decker, Inc.µ 4.750%	5,515,342
	<b>Consumer Staples (3.7%)</b>	
555,000	Archer-Daniels-Midland Companyµ 6.250%	25,985,100
90,600	Bunge, Ltd.µ 4.875%	9,671,550
		35,656,650
	<b>Energy (1.6%)</b>	
225,000	Apache Corp.µ 6.000%	15,835,500
	<b>Financials (6.3%)</b>	
310,000	Affiliated Managers Group, Inc.µ 5.150%	13,853,125
19,500	Bank of America Corp.µ 7.250%	20,358,000
168,000	MetLife, Inc. 5.000%	14,706,720
11,600	Wells Fargo & Companyµ 7.500%	12,521,968
		61,439,813
	<b>Materials (2.7%)</b>	
272,200	Vale, SAµ 6.750%	25,948,982
	<b>Utilities (1.2%)</b>	
229,650	NextEra Energy, Inc.µ 7.000%	11,918,835
	<b>TOTAL CONVERTIBLE PREFERRED STOCKS</b>	
	(Cost \$141,988,571)	156,315,122

NUMBER OF UNITS		VALUE
<b>STRUCTURED EQUITY-LINKED SECURITIES (2.6%)+*</b>		
	<b>Energy (1.4%)</b>	
270,000	Barclays Capital, Inc. (Nabors Industries, Ltd.) 12.000%, 06/04/11	6,804,000
196,000	Deutsche Bank, AG (Chesapeake Energy Corp.) 8.000%, 01/24/12	6,468,000
		13,272,000
	<b>Materials (1.2%)</b>	
117,000	Credit Suisse Group (Barrick Gold Corp.) 11.000%, 05/24/11	5,957,640
134,000	Goldman Sachs Group, Inc. (Goldcorp, Inc.) 12.000%, 07/20/11	6,304,700
		12,262,340
	<b>TOTAL STRUCTURED EQUITY-LINKED SECURITIES</b> (Cost \$23,960,909)	25,534,340

NUMBER OF SHARES		VALUE
<b>COMMON STOCKS (2.9%)</b>		
	<b>Financials (0.1%)</b>	
17,300	American International Group, Inc.#	538,895
	<b>Health Care (1.8%)</b>	
496,671	Merck & Company, Inc.µ	17,855,323

See accompanying Notes to Schedule of Investment



## Schedule of Investments April 30, 2011 (Unaudited)

NUMBER OF SHARES		VALUE
224,388	<b>Industrials (1.0%)</b> Avery Dennison Corp.μ	\$ 9,365,955
	<b>TOTAL COMMON STOCKS</b> (Cost \$30,422,064)	27,760,173
	<b>SHORT TERM INVESTMENT (4.0%)</b>	
39,094,079	Fidelity Prime Money Market Fund - Institutional Class (Cost \$39,094,079)	39,094,079
	<b>TOTAL INVESTMENTS (131.0%)</b> (Cost \$1,198,756,390)	1,274,748,795
	<b>LIABILITIES, LESS OTHER ASSETS (-31.0%)</b>	(301,701,501)
	<b>NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS (100.0%)</b>	\$ 973,047,294

**NOTES TO SCHEDULE OF INVESTMENTS**

- μ Security, or portion of security, is held in a segregated account as collateral for note payable aggregating a total value of \$698,705,991. \$241,718,613 of the collateral has been re-registered by the counterparty.
- \* Securities issued and sold pursuant to a Rule 144A transaction are excepted from the registration requirement of the Securities Act of 1933, as amended. These securities may only be sold to qualified institutional buyers ( QIBs ), such as the fund. Any resale of these securities must generally be effected through a sale that is registered under the Act or otherwise exempted from such registration requirements. At April 30, 2011, the value of 144A securities that could not be exchanged to the registered form is \$97,997,606 or 10.1% of net assets applicable to common shareholders.
- Variable rate or step bond security. The rate shown is the rate in effect at April 30, 2011.
- ~ Security, or portion of security, is segregated as collateral (or potential collateral for future transactions) for written options and swaps. The aggregate value of such securities aggregate a total value of \$8,302,064.
- Security or a portion of the security purchased on a delayed delivery or when-issued basis.
- § Securities exchangeable or convertible into securities of one or more entities that are different than the issuer. Each entity is identified in the parenthetical.
- # Non-income producing security.

- + Structured equity-linked securities are designed to simulate the characteristics of the equity security in the parenthetical.

#### FOREIGN CURRENCY ABBREVIATIONS

**BRL** Brazilian Real  
**GBP** British Pound Sterling

Note: Value for securities denominated in foreign currencies is shown in U.S. dollars. The principal amount for such securities is shown in the respective foreign currency. The date on options represents the expiration date of the option contract. The option contract may be exercised at any date on or before the date shown.

#### INTEREST RATE SWAPS

<b>COUNTERPARTY</b>	<b>FIXED RATE (FUND PAYS)</b>	<b>FLOATING RATE (FUND RECEIVES)</b>	<b>TERMINATION DATE</b>	<b>NOTIONAL AMOUNT</b>	<b>UNREALIZED APPRECIATION/ (DEPRECIATION)</b>
BNP Paribas, SA	2.4300% quarterly	3 month LIBOR	04/14/14	\$ 115,000,000	\$(4,273,535)
BNP Paribas, SA	1.8650% quarterly	3 month LIBOR	04/14/12	75,000,000	(1,155,393)
BNP Paribas, SA	1.8525% quarterly	3 month LIBOR	09/14/12	53,000,000	(1,121,799)
					\$(6,550,727)

See accompanying Notes to Schedule of Investment

**APPENDIX A**  
**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**  
**AND FORM OF SUPPLEMENTAL INDENTURE**

The following is a summary of certain provisions of the indenture (the Original Indenture ) and the supplemental indenture ( Supplemental Indenture ) that the Fund expects to enter into in connection with the issuance of debt securities. This summary does not purport to be complete and is qualified in its entirety by reference to the indenture, a copy of which will be filed with the Commission in connection with an offering of debt securities by the Fund.

**DEFINITIONS**

**AA Composite Commercial Paper Rate** on any date means (i) the interest equivalent of (1) the 7-day rate, in the case of a Rate Period which is 7 days or shorter, (2) the 30-day rate, in the case of a Rate Period which is a Standard Rate Period greater than 7 days but fewer than or equal to 31 days, or (3) the 180-day rate, in the case of all other Rate Periods, on financial commercial paper on behalf of issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by another nationally recognized rating agency, as announced by the Federal Reserve Bank of New York for the close of business on the Business Day immediately preceding such date; or (ii) if the Federal Reserve Bank of New York does not make available such a rate, then the arithmetic average of the interest equivalent of such rates on financial commercial paper placed on behalf of such issuers, as quoted on a discount basis or otherwise by the Commercial Paper Dealers to the Auction Agent for the close of business on the Business Day immediately preceding such date (rounded to the next highest .001 of 1%). If any Commercial Paper Dealer does not quote a rate required to determine the AA Composite Commercial Paper Rate, such rate shall be determined on the basis of the quotations (or quotation) furnished by the remaining Commercial Paper Dealers (or Dealer), if any, or, if there are no such Commercial Paper Dealers, a nationally recognized dealer in commercial paper of such issues then making such quotations selected by the Issuer. For purposes of this definition, (A) Commercial Paper Dealers shall mean (1) \_\_\_\_\_ and \_\_\_\_\_; (2) in lieu of any thereof, its respective Affiliate or successor; and (3) in the event that any of the foregoing shall cease to quote rates for financial commercial paper of issuers of the sort described above, in substitution therefor, a nationally recognized dealer in financial commercial paper of such issuers then making such quotations selected by the Issuer, and (B) interest equivalent of a rate stated on a discount basis for financial commercial paper of a given number of days maturity shall mean a number equal to the quotient (rounded upward to the next higher one-thousandth of 1%) of (1) such rate expressed as a decimal, divided by (2) the difference between (x) 1.00 and (y) a fraction, the numerator of which shall be the product of such rate expressed as a decimal, multiplied by the number of days in which such commercial paper shall mature and the denominator of which shall be 360.

**Affiliate** means any person controlled by, in control of or under common control with the Issuer; provided that no Broker-Dealer controlled by, in control of or under common control with the Issuer shall be deemed to be an Affiliate nor shall any corporation or any person controlled by, in control of or under common control with such corporation one of the directors or executive officers of which is also a Director of the Issuer be deemed to be an Affiliate solely because such director or executive officer is also a Director of the Issuer.

**Agent Member** means a member of or participant in the Securities Depository that will act on behalf of a Bidder.

**All Hold Rate** means 80% of the AA Composite Commercial Paper Rate.

**Applicable Rate** means the rate determined in accordance with the procedures in Section 2.02(c)(i) of this Supplemental Indenture.

**Auction** means each periodic implementation of the Auction Procedures.

**Auction Agent** means \_\_\_\_\_ unless and until another commercial bank, trust company, or other financial institution appointed by a resolution of the Board of Directors enters into an agreement with the Issuer to follow the Auction Procedures for the purpose of determining the Applicable Rate.

**Auction Agreement** means the agreement between the Auction Agent and the Issuer pursuant to which the Auction Agent agrees to follow the procedures specified in Appendix A-I to this Supplemental Indenture, as such agreement may from time to time be amended or supplemented.

**Auction Date** means the first Business Day next preceding the first day of a Rate Period for each series of \_\_\_\_\_ Notes.

**Auction Desk** means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the \_\_\_\_\_ Notes, and units of the Broker-Dealer which are not separated by information controls appropriate to control, limit and monitor the inappropriate dissemination of information about Bids.

**Auction Period** means with respect to the \_\_\_\_\_ Notes, either a Standard Auction Period or a Special Auction Period, as applicable.

**Auction Procedures** means the procedures for conducting Auctions set forth in Appendix A-I hereto.

**Auction Rate** means for each series of \_\_\_\_\_ Notes for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the \_\_\_\_\_ Notes are the subject of Submitted Hold Orders, the All Hold Rate for such series of \_\_\_\_\_ Notes and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such series of \_\_\_\_\_ Notes.

**Authorized Denomination** means \$25,000 and any integral multiple thereof.

**Available \_\_\_\_\_ Notes** means for each series of \_\_\_\_\_ Notes on each Auction Date, the number of Units of \_\_\_\_\_ Notes of such series that are not the subject of Submitted Hold Orders.

**Beneficial Owner**, with respect to each series of \_\_\_\_\_ Notes, means a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a holder of such series of \_\_\_\_\_ Notes.

**Bid** shall have the meaning specified in Appendix A-I hereto.

**Bidder** means each Beneficial Owner, Potential Beneficial Owner and Broker Dealer who places an Order.

**Board of Directors** or **Board** means the Board of Directors of the Issuer or any duly authorized committee thereof as permitted by applicable law.

**Broker-Dealer** means any broker-dealer or broker-dealers, or other entity permitted by law to perform the function required of a Broker-Dealer by the Auction Procedures, that has been selected by the Issuer and that is a party to a Broker-Dealer Agreement with the Auction Agent.

**Broker-Dealer Agreement** means an agreement between the Auction Agent and a Broker-Dealer, pursuant to which such Broker-Dealer agrees to follow the Auction Procedures.

**Broker-Dealer Deadline** means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

**Business Day** means a day on which the New York Stock Exchange is open for trading and which is not a Saturday, Sunday or other day on which banks in the City of New York, New York are authorized or obligated by law to close, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the \_\_\_\_\_ Notes.

**Clerical Error** means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Holders or Potential Beneficial Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a Clerical Error is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

**Code** means the Internal Revenue Code of 1986, as amended.

**Commercial Paper Dealers** has the meaning set forth in the definition of AA Composite Commercial Paper Rate.

**Commission** means the Securities and Exchange Commission.

**Default Rate** means the Reference Rate multiplied by three (3).

**Deposit Securities** means cash and any obligations or securities, including short term money market instruments that are Eligible Assets, rated at least \_\_\_\_\_, \_\_\_\_\_ or \_\_\_\_\_ by \_\_\_\_\_, except that, such obligations or securities shall be considered Deposit Securities only if they are also rated at least P-2 by Moody's.

**Discount Factor** means the Moody's Discount Factor (if Moody's is then rating the \_\_\_\_\_ Notes), \_\_\_\_\_ Discount Factor (if \_\_\_\_\_ is then rating the \_\_\_\_\_ Notes) or an Other Rating Agency Discount Factor, whichever is applicable.

**Discounted Value** means the quotient of the Market Value of an Eligible Asset divided by the applicable Discount Factor, provided that with respect to an Eligible Asset that is currently callable, Discounted Value will be equal to the quotient as calculated above or the call price, whichever is lower, and that with respect to an Eligible Asset that is prepayable, Discounted Value will be equal to the quotient as calculated above or the par value, whichever is lower.

**Eligible Assets** means Moody's Eligible Assets or \_\_\_\_\_'s Eligible Assets (if Moody's or \_\_\_\_\_ are then rating the \_\_\_\_\_ Notes) and/or Other Rating Agency Eligible Assets, whichever is applicable.

**Error Correction Deadline** means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

**Existing Holder**, with respect to \_\_\_\_\_ Notes of a series, shall mean a Broker-Dealer (or any such other Person as may be permitted by the Issuer) that is listed on the records of the Auction Agent as a holder of \_\_\_\_\_ Notes of such series.

\_\_\_\_\_ means \_\_\_\_\_ Ratings and its successors at law.

\_\_\_\_\_ **Discount Factor** means the discount factors set forth in the \_\_\_\_\_ Guidelines for use in calculating the Discounted Value of the Issuer's assets in connection with \_\_\_\_\_'s ratings of \_\_\_\_\_ Notes.

\_\_\_\_\_ **Eligible Asset** means assets of the Issuer set forth in the \_\_\_\_\_ Guidelines as eligible for inclusion in calculating the Discounted Value of the Issuer's assets in connection with \_\_\_\_\_'s ratings of \_\_\_\_\_ Notes.

\_\_\_\_\_ **Guidelines** mean the guidelines provided by \_\_\_\_\_, as may be amended from time to time, in connection with \_\_\_\_\_'s ratings of \_\_\_\_\_ Notes.

**Hold Order** shall have the meaning specified in Appendix A-I hereto or an Order deemed to have been submitted as provided in paragraph (c) of Section 1 of Appendix A-I hereto.

**Holder** means, with respect to \_\_\_\_\_ Notes, the registered holder of notes of each series of \_\_\_\_\_ Notes as the same appears on the books or records of the Issuer.

**Index** means on any Auction Date with respect to \_\_\_\_\_ Notes in any Auction Period of 35 days or less the applicable LIBOR rate. The Index with respect to \_\_\_\_\_ Notes in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by the Trustee and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Issuer. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e., a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

**Interest Payment Date** when used with respect to any \_\_\_\_\_ Notes, means the date on which an installment of interest on such \_\_\_\_\_ Notes shall be due and payable which generally shall be the day next following an Auction Date.

**LIBOR** means, for purposes of determining the Reference Rate, (i) the rate for deposits in U.S. dollars for the designated Rate Period, which appears on display page 3750 of Moneyline's Telerate Service ( Telerate Page 3750 ) (or such other page as may replace that page on that service, or such other service as may be selected by Lehman Brothers Inc. or its successors) as of 11:00 a.m., London time, on the day that is the Business Day on the Auction Date or, if the Auction Date is not a Business Day, the Business Day preceding the Auction Date (the LIBOR Determination Date ), or (ii) if such rate does not appear on Telerate Page 3750 or such other page as may replace such Telerate Page 3750, (A) \_\_\_\_\_ shall determine the arithmetic mean of the offered quotations of the reference banks to leading banks in the London interbank market for deposits in U.S. dollars for the designated Rate Period in an amount determined by \_\_\_\_\_ by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such date made by \_\_\_\_\_ to the reference banks, (B) if at least two of the reference banks provide such quotations, LIBOR shall equal such arithmetic mean of such quotations, (C) if only one or none of the reference banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in The City of New York, New York selected by \_\_\_\_\_ (after obtaining the Issuer's approval) are quoting on the relevant LIBOR Determination Date for deposits in U.S. dollars for the designated Rate Period in an amount determined by \_\_\_\_\_ (after obtaining the Issuer's approval) that is representative of a single transaction in such market at such time by reference to the principal London office of leading banks in the London interbank market; provided, however, that if \_\_\_\_\_ is not a Broker-Dealer or does not quote a rate required to determine LIBOR, LIBOR will be determined on the basis of the quotation or quotations furnished by any other Broker-Dealer selected by the Issuer to provide such rate or rates not being supplied by \_\_\_\_\_ ; provided further, that if \_\_\_\_\_ and/or a substitute Broker-Dealer are required but unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be the most recently determinable LIBOR. If the number of Rate Period days shall be (i) 7 or more but fewer than 21 days, such rate shall be the seven-day LIBOR rate; (ii) more than 21 but fewer than 49 days, such rate shall be one-month LIBOR rate; (iii) 49 or more but fewer than 77 days, such rate shall be the two-month LIBOR rate; (iv) 77 or more but fewer than 112 days, such rate shall be the three-month LIBOR rate; (v) 112 or more but fewer than 140 days, such rate shall be the four-month LIBOR rate; (vi) 140 or more but fewer than 168 days, such rate shall be the five-month LIBOR rate; (vii) 168 or more but fewer 189 days, such rate shall be the six-month LIBOR rate; (viii) 189 or more but fewer than 217 days, such rate shall be the seven-month LIBOR rate; (ix) 217 or more but fewer than 252 days, such rate shall be the eight-month LIBOR rate; (x) 252 or more but fewer than 287 days, such rate shall be the nine-month LIBOR rate; (xi) 287 or more but fewer than 315 days, such rate shall be the ten-month LIBOR rate; (xii) 315 or more but fewer than 343 days, such rate shall be the eleven-month LIBOR rate; and (xiii) 343 or more days but fewer than 365 days, such rate shall be the twelve-month LIBOR rate.

**Market Value** means the market value of an asset of the Issuer determined as follows: For equity securities, the value obtained from readily available market quotations. If an equity security is not traded on an exchange or not available from a Board-approved pricing service, the value obtained from written broker-dealer quotations. For fixed-income securities, the value obtained from readily available market quotations based on the last sale price of a security on the day the Issuer values its assets or the market value obtained from a pricing service or the value obtained from a direct written broker-dealer quotation from a dealer who has made a market in the security. Market Value for other securities will mean the value obtained pursuant to the Issuer's valuation procedures. If the market value of a security cannot be obtained, or the Issuer's investment adviser determines that the value of a security as so

obtained does not represent the fair value of a security, fair value for that security shall be determined pursuant to the valuation procedures adopted by the Board of Directors.

**Maximum Rate** means, on any date on which the Applicable Rate is determined, the rate equal to the applicable percentage of the Reference Rate, subject to upward but not downward adjustment in the discretion of the Board of Directors after consultation with the Broker-Dealers, provided that immediately following any such increase the Issuer would be in compliance with the \_\_\_\_\_ Notes Basic Maintenance Amount.

**Minimum Rate** means, on any Auction Date with respect to a Rate Period of \_\_\_\_\_ days or fewer, 70% of the AA Composite Commercial Paper Rate at the close of business on the Business Day next preceding such Auction Date. There shall be no Minimum Rate on any Auction Date with respect to a Rate Period of more than the Standard Rate Period.

**Moody's** means Moody's Investors Service, Inc., a Delaware corporation, and its successors at law.

**Moody's Discount Factor** means the discount factors set forth in the Moody's Guidelines for use in calculating the Discounted Value of the Issuer's assets in connection with Moody's ratings of \_\_\_\_\_ Notes.

**Moody's Eligible Assets** means assets of the Issuer set forth in the Moody's Guidelines as eligible for inclusion in calculating the Discounted Value of the Issuer's assets in connection with Moody's ratings of \_\_\_\_\_ Notes.

**Moody's Guidelines** mean the guidelines provided by Moody's, as may be amended from time to time, in connection with Moody's ratings of \_\_\_\_\_ Notes.

**1940 Act \_\_\_\_\_ Notes Asset Coverage** means asset coverage, as determined in accordance with Section 18(h) of the Investment Company Act, of at least 300% with respect to all outstanding senior securities representing indebtedness of the Issuer, including all Outstanding \_\_\_\_\_ Notes (or such other asset coverage as may in the future be specified in or under the Investment Company Act as the minimum asset coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring dividends on its common stock), determined on the basis of values calculated as of a time within 48 hours next preceding the time of such determination.

**Notes** means Securities of the Issuer ranking on a parity with the \_\_\_\_\_ Notes that may be issued from time to time pursuant to the Indenture.

**Order** means a Hold Order, Bid or Sell Order.

**Original Issue Date** means, with respect to the \_\_\_\_\_ Notes, \_\_\_\_\_ .

**Other Rating Agency** means each rating agency, if any, other than Moody's or \_\_\_\_\_ then providing a rating for the \_\_\_\_\_ Notes pursuant to the request of the Issuer.

**Other Rating Agency Discount Factor** means the discount factors set forth in the Other Rating Agency Guidelines of each Other Rating Agency for use in calculating the Discounted Value of the Issuer's assets in connection with the Other Rating Agency's rating of \_\_\_\_\_ Notes.



**Other Rating Agency Eligible Assets** means assets of the Issuer set forth in the Other Rating Agency Guidelines of each Other Rating Agency as eligible for inclusion in calculating the Discounted Value of the Issuer's assets in connection with the Other Rating Agency's rating of \_\_\_\_\_ Notes.

**Other Rating Agency Guidelines** mean the guidelines provided by each Other Rating Agency, as may be amended from time to time, in connection with the Other Rating Agency's rating of \_\_\_\_\_ Notes.

**Outstanding** or **outstanding** means, as of any date, \_\_\_\_\_ Notes theretofore issued by the Issuer except, without duplication, (i) any \_\_\_\_\_ Notes theretofore canceled, redeemed or repurchased by the Issuer, or delivered to the Trustee for cancellation or with respect to which the Issuer has given notice of redemption and irrevocably deposited with the Paying Agent sufficient funds to redeem such \_\_\_\_\_ Notes and (ii) any \_\_\_\_\_ Notes represented by any certificate in lieu of which a new certificate has been executed and delivered by the Issuer. Notwithstanding the foregoing, (A) in connection with any Auction, any series of \_\_\_\_\_ Notes as to which the Issuer or any person known to the Auction Agent to be an Affiliate of the Issuer shall be the Existing Holder thereof shall be disregarded and deemed not to be Outstanding; and (B) for purposes of determining the \_\_\_\_\_ Notes Basic Maintenance Amount, \_\_\_\_\_ Notes held by the Issuer shall be disregarded and not deemed Outstanding but \_\_\_\_\_ Notes held by any Affiliate of the Issuer shall be deemed Outstanding.

**Paying Agent** means \_\_\_\_\_ unless and until another entity appointed by a resolution of the Board of Directors enters into an agreement with the Issuer to serve as paying agent, transfer agent, registrar, and redemption agent with respect to the \_\_\_\_\_ Notes, which Paying Agent may be the same as the Trustee or the Auction Agent.

**Person** or **person** means and includes an individual, a partnership, a trust, a company, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

**Potential Beneficial Owner**, with respect to a series of \_\_\_\_\_ Notes, shall mean a customer of a Broker-Dealer that is not a Beneficial Owner of \_\_\_\_\_ Notes of such series but that wishes to purchase \_\_\_\_\_ Notes of such series, or that is a Beneficial Owner of \_\_\_\_\_ Notes of such series that wishes to purchase additional \_\_\_\_\_ Notes of such series; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Beneficial Owner.

**Potential Holder**, with respect to \_\_\_\_\_ Notes of such series, shall mean a Broker-Dealer (or any such other person as may be permitted by the Issuer) that is not an Existing Holder of \_\_\_\_\_ Notes of such series or that is an Existing Holder of \_\_\_\_\_ Notes of such series that wishes to become the Existing Holder of additional \_\_\_\_\_ Notes of such series; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Holder.

**Rate Period** means, with respect to a series of \_\_\_\_\_ Notes, the period commencing on the Original Issue Date thereof and ending on the date specified for such series on the Original Issue Date thereof and thereafter, as to such series, the period commencing on the day following each Rate Period for such series and ending on the day established for such series by the Issuer.

**Rating Agency** means each of \_\_\_\_\_ (if \_\_\_\_\_ is then rating \_\_\_\_\_ Notes), Moody's (if Moody's is then rating \_\_\_\_\_ Notes) and any Other Rating Agency.

**Rating Agency Guidelines** mean \_\_\_\_\_ Guidelines (if \_\_\_\_\_ is then rating \_\_\_\_\_ Notes), Moody's Guidelines (if Moody's is then rating \_\_\_\_\_ Notes) and any Other Rating Agency Guidelines.

**Redemption Date**, when used with respect to any \_\_\_\_\_ Note to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture.

**Redemption Price**, when used with respect to any \_\_\_\_\_ Note to be redeemed, means the price at which it is to be redeemed pursuant to the Indenture.

**Reference Rate** means, with respect to the determination of the Maximum Rate and Default Rate, the greater of (i) the applicable AA Composite Commercial Paper Rate (for a Rate Period of fewer than 184 days) or the applicable Treasury Index Rate (for a Rate Period of 184 days or more), or (ii) the applicable LIBOR Rate.

**Securities Act** means the Securities Act of 1933, as amended from time to time.

**Securities Depository** means The Depository Trust Company and its successors and assigns or any successor securities depository selected by the Issuer that agrees to follow the procedures required to be followed by such securities depository in connection with the \_\_\_\_\_ Notes Series \_\_\_\_\_.

**Sell Order** shall have the meaning specified in Appendix A-I hereto.

**Special Auction Period** means an Auction Period that is not a Standard Auction Period.

**Special Rate Period** means a Rate Period that is not a Standard Rate Period.

**Specific Redemption Provisions** means, with respect to any Special Rate Period of more than one year, either, or any combination of a period (a Non-Call Period) determined by the Board of Directors after consultation with the Broker-Dealers, during which the \_\_\_\_\_ Notes subject to such Special Rate Period are not subject to redemption at the option of the Issuer consisting of a number of whole years as determined by the Board of Directors after consultation with the Broker-Dealers, during each year of which the \_\_\_\_\_ Notes subject to such Special Rate Period shall be redeemable at the Issuer's option and/or in connection with any mandatory redemption at a price equal to the principal amount plus accrued but unpaid interest plus a premium expressed as a percentage or percentages of \$25,000 or expressed as a formula using specified variables as determined by the Board of Directors after consultation with the Broker-Dealers.

**Standard Auction Period** means an Auction Period of \_\_\_\_\_ days.

**Standard Rate Period** means a Rate Period of \_\_\_\_\_ days.

**Stated Maturity** with respect to \_\_\_\_\_ Notes Series \_\_\_\_\_, shall mean \_\_\_\_\_.

**Submission Deadline** means 1:00 P.M., New York City time, on any Auction Date or such other time on such date as shall be specified by the Auction Agent from time to time pursuant to the Auction Agreement as the time by which the Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the SIFMA Recommendation) unless the Auction Agent is instructed otherwise in writing by the Issuer. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 A.M., instead of 1:00 P.M., New York City time.

**Submitted Bid** shall have the meaning specified in Appendix A-I hereto.

**Submitted Hold Order** shall have the meaning specified in Appendix A-I hereto.

**Submitted Order** shall have the meaning specified in Appendix A-I hereto.

**Submitted Sell Order** shall have the meaning specified in Appendix A-I hereto.

**Sufficient Clearing Bids** means for each series of \_\_\_\_\_ Notes, an Auction for which the number of Units of \_\_\_\_\_ Notes of such series that are the subject of Submitted Bids by Potential Beneficial Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of \_\_\_\_\_ Notes of such series that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Holders specifying rates higher than the Maximum Rate.

\_\_\_\_\_ **Notes Basic Maintenance Amount** as of any Valuation Date has the meaning set forth in the Rating Agency Guidelines.

\_\_\_\_\_ **Notes Series** \_\_\_\_\_ means the Series \_\_\_\_\_ Notes or any other Notes hereinafter designated as Series \_\_\_\_\_ of the \_\_\_\_\_ Notes.

**Treasury Index Rate** means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities having the same number of 30-day periods to maturity as the length of the applicable Rate Period, determined, to the extent necessary, by linear interpolation based upon the yield for such securities having the next shorter and next longer number of 30-day periods to maturity treating all Rate Periods with a length greater than the longest maturity for such securities as having a length equal to such longest maturity, in all cases based upon data set forth in the most recent weekly statistical release published by the Board of Governors of the Federal Reserve System (currently in H.15(519)); provided, however, if the most recent such statistical release shall not have been published during the 15 days preceding the date of computation, the foregoing computations shall be based upon the average of comparable data as quoted to the Issuer by at least three recognized dealers in U.S. Government securities selected by the Issuer.

**Trustee** means \_\_\_\_\_ or such other person who is named as a trustee pursuant to the terms of the Indenture.

**Unit** means, with respect to each series of \_\_\_\_\_ Notes, the principal amount of the minimum Authorized Denomination of the \_\_\_\_\_ Notes.

**Valuation Date** means every Friday, or, if such day is not a Business Day, the next preceding Business Day; provided, however, that the first Valuation Date may occur on any other date established by the Issuer; provided, further, however, that such first Valuation Date shall be not more than one week from the date on which \_\_\_\_\_ Notes Series \_\_\_\_\_ initially are issued.

**Winning Bid Rate** means for each series of \_\_\_\_\_ Notes, the lowest rate specified in any Submitted Bid of such series of \_\_\_\_\_ Notes which if selected by the Auction Agent as the Applicable Rate would cause the number of Units of \_\_\_\_\_ Notes of such series that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available \_\_\_\_\_ Notes of such series.

## NOTE DETAILS, FORM OF NOTES AND REDEMPTION OF NOTES

### Interest

(a) The Holders of any series of \_\_\_\_\_ Notes shall be entitled to receive interest payments on their \_\_\_\_\_ Notes at the Applicable Rate, determined as set forth in paragraph (c) of this Section 2.02, and no more, payable on the respective dates determined as set forth in paragraph (b) of this Section 2.02. Interest on the Outstanding \_\_\_\_\_ Notes of any series issued on the Original Issue Date shall accumulate from the Original Issue Date.

(b) (i) Interest shall be payable, subject to subparagraph (b)(ii) of this Section 2.02, on each series of \_\_\_\_\_ Notes, with respect to any Rate Period on the first Business Day following the last day of such Rate Period; provided, however, if the Rate Period is greater than 30 days then on a monthly basis on the first Business Day of each month within such Rate Period, not including the initial Rate Period, and on the Business Day following the last day of such Rate Period.

(ii) If a day for payment of interest resulting from the application of subparagraph (b)(i) above is not a Business Day, then the Interest Payment Date shall be the first Business Day following such day for payment of interest in the case of a series of \_\_\_\_\_ Notes designated as Series \_\_\_\_\_.

(iii) The Issuer shall pay to the Paying Agent not later than 3:00 p.m., New York City time, on the Business Day next preceding each Interest Payment Date for each series of \_\_\_\_\_ Notes, an aggregate amount of funds available on the next Business Day in the City of New York, New York, equal to the interest to be paid to all Holders of such \_\_\_\_\_ Notes on such Interest Payment Date. The Issuer shall not be required to establish any reserves for the payment of interest.

(iv) All moneys paid to the Paying Agent for the payment of interest shall be held in trust for the payment of such interest by the Paying Agent for the benefit of the Holders specified in subparagraph (b)(v) of this Section 2.02. Any moneys paid to the Paying Agent in accordance with the foregoing but not applied by the Paying Agent to the payment of interest, including interest earned on such moneys, will, to the extent permitted by law, be repaid to the Issuer at the end of 90 days from the date on which such moneys were to have been so applied.

(v) Each interest payment on a series of \_\_\_\_\_ Notes shall be paid on the Interest Payment Date therefor to the Holders of that series as their names appear on the security ledger or security records of the Issuer on the Business Day next preceding such Interest Payment Date. Interest in arrears for any past Rate Period may be declared and paid at any time, without reference to any regular Interest Payment Date, to the Holders as their names appear on the books or records of the Issuer on such date, not exceeding 15 days preceding the payment date thereof, as may be fixed by the Board of Directors. No interest will be payable in respect of any Interest Payment or payments which may be in arrears.

(c) (i) The interest rate on Outstanding \_\_\_\_\_ Notes of each series during the period from and after the Original Issue Date to and including the last day of the initial Rate Period therefor shall be equal to \_\_\_\_\_ %. For each subsequent Rate Period with respect to the \_\_\_\_\_ Notes Outstanding thereafter, the interest rate shall be equal to the rate per annum that results from an Auction; provided, however, that if an Auction for any subsequent Rate Period of a series of \_\_\_\_\_ Notes is not held for any reason or if Sufficient Clearing Bids have not been made in an Auction (other than as a result of all series of \_\_\_\_\_ Notes being the subject of Submitted

Hold Orders), then the interest rate on a series of \_\_\_\_\_ Notes for any such Rate Period shall be the Maximum Rate (except during a Default Period (as defined below) when the interest rate shall be the Default Rate, as set forth in Section 2.02(c)(ii) below). The All Hold Rate will apply automatically following an Auction in which all of the Outstanding series of \_\_\_\_\_ Notes are subject (or are deemed to be subject) to Hold Orders. The rate per annum at which interest is payable on a series of \_\_\_\_\_ Notes as determined pursuant to this Section 2(c)(i) shall be the Applicable Rate. For Standard Rate Periods or shorter periods only, the Applicable Rate resulting from an Auction will not be less than the Minimum Rate.

(ii) Subject to the cure provisions below, a Default Period with respect to a particular series will commence on any date the Issuer fails to deposit irrevocably in trust in same-day funds, with the Paying Agent by 12:00 noon, New York City time, (A) the full amount of any redemption price (the Redemption Price) payable on the date fixed for redemption (the Redemption Date) (a Redemption Default, which shall constitute an Event of Default pursuant to Section 5.1(7) of the Original Indenture) or (B) the full amount of any accrued interest on that series payable on the Interest Payment Date (an Interest Default and together with a Redemption Default, hereinafter referred to as Default). Subject to the cure provisions of Section 2(c)(iii) below, a Default Period with respect to an Interest Default or a Redemption Default shall end on the Business Day on which, by 12:00 noon, New York City time, all unpaid interest and any unpaid Redemption Price shall have been deposited irrevocably in trust in same-day funds with the Paying Agent. In the case of an Interest Default, the Applicable Rate for each Rate Period commencing during a Default Period will be equal to the Default Rate, and each subsequent Rate Period commencing after the beginning of a Default Period shall be a Standard Rate Period; provided, however, that the commencement of a Default Period will not by itself cause the commencement of a new Rate Period. No Auction shall be held during a Default Period with respect to an Interest Default applicable to that series of \_\_\_\_\_ Notes.

(iii) No Default Period with respect to an Interest Default or Redemption Default shall be deemed to commence if the amount of any interest or any Redemption Price due (if such default is not solely due to the willful failure of the Issuer) is deposited irrevocably in trust, in same-day funds with the Paying Agent by 12:00 noon, New York City time within three Business Days after the applicable Interest Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount of such non-payment based on the actual number of days comprising such period divided by 360 for each series. The Default Rate shall be equal to the Reference Rate multiplied by three (3).

(iv) The amount of interest per Unit of \_\_\_\_\_ Notes payable on each Interest Payment Date of each Rate Period of less than one (1) year (or in respect of interest on another date in connection with a redemption during such Rate Period) shall be computed by multiplying the Applicable Rate (or the Default Rate) for such Rate Period (or a portion thereof) by a fraction, the numerator of which will be the number of days in such Rate Period (or portion thereof) that such \_\_\_\_\_ Notes were outstanding and for which the Applicable Rate or the Default Rate was applicable and the denominator of which will be 360, multiplying the amount so obtained by \$25,000, and rounding the amount so obtained to the nearest cent. During any Rate Period of one (1) year or more, the amount of interest per Unit of \_\_\_\_\_ Notes payable on any Interest Payment Date (or in respect of interest on another date in connection with a redemption during such Rate Period) shall be computed as described in the preceding sentence.

(d) Any Interest Payment made on any series of \_\_\_\_\_ Notes shall first be credited against the earliest accrued but unpaid interest due with respect to such series.

## Redemption

(a) (i) After the initial Rate Period, subject to the provisions of this Section 2.03 and to the extent permitted under the Investment Company Act, the Issuer may, at its option, redeem in whole or in part out of funds legally available therefor a series of \_\_\_\_\_ Notes herein designated as (A) having a Rate Period of one year or less, on the Business Day after the last day of such Rate Period by delivering a notice of redemption not less than 15 days and not more than 40 days prior to the date fixed for such redemption, at a redemption price equal to the aggregate principal amount, plus an amount equal to accrued but unpaid interest thereon (whether or not earned) to the date fixed for redemption ( Redemption Price ), or (B) having a Rate Period of more than one year, on any Business Day prior to the end of the relevant Rate Period by delivering a notice of redemption not less than 15 days and not more than 40 days prior to the date fixed for such redemption, at the Redemption Price, plus a redemption premium, if any, determined by the Board of Directors after consultation with the Broker-Dealers and set forth in any applicable Specific Redemption Provisions at the time of the designation of such Rate Period as set forth in Section 2.04 hereof; provided, however, that during a Rate Period of more than one year no series of \_\_\_\_\_ Notes will be subject to optional redemption except in accordance with any Specific Redemption Provisions approved by the Board of Directors after consultation with the Broker-Dealers at the time of the designation of such Rate Period. Notwithstanding the foregoing, the Issuer shall not give a notice of or effect any redemption pursuant to this Section 2.03(a)(i) unless, on the date on which the Issuer intends to give such notice and on the date of redemption (a) the Issuer has available certain Deposit Securities with maturity or tender dates not later than the day preceding the applicable redemption date and having a value not less than the amount (including any applicable premium) due to Holders of a series of \_\_\_\_\_ Notes by reason of the redemption of such \_\_\_\_\_ Notes on such date fixed for the redemption and (b) the Issuer would have Eligible Assets with an aggregate Discounted Value at least equal the \_\_\_\_\_ Notes Basic Maintenance Amount immediately subsequent to such redemption, if such redemption were to occur on such date, it being understood that the provisions of paragraph (d) of this Section 2.03 shall be applicable in such circumstances in the event the Issuer makes the deposit and takes the other action required thereby.

(ii) If the Issuer fails to maintain, as of any Valuation Date, Eligible Assets with an aggregate Discounted Value at least equal to the \_\_\_\_\_ Notes Basic Maintenance Amount or, as of the last Business Day of any month, the 1940 Act \_\_\_\_\_ Notes Asset Coverage, and such failure is not cured within ten Business Days following such Valuation Date in the case of a failure to maintain the \_\_\_\_\_ Notes Basic Maintenance Amount or on the last Business Day of the following month in the case of a failure to maintain the 1940 Act \_\_\_\_\_ Notes Asset Coverage as of such last Business Day (each an Asset Coverage Cure Date ), the \_\_\_\_\_ Notes will be subject to mandatory redemption out of funds legally available therefor. The aggregate principal amount of \_\_\_\_\_ Notes to be redeemed in such circumstances will be equal to the lesser of (A) the minimum principal amount of \_\_\_\_\_ Notes the redemption of which, if deemed to have occurred immediately prior to the opening of business on the relevant Asset Coverage Cure Date, would result in the Issuer having Eligible Assets with an aggregate Discounted Value at least equal to the \_\_\_\_\_ Notes Basic Maintenance Amount, or sufficient to satisfy 1940 Act \_\_\_\_\_ Notes Asset Coverage, as the case may be, in either case as of the relevant Asset Coverage Cure Date (provided that, if there is no such minimum principal amount of \_\_\_\_\_ Notes the redemption of which would have such result, all \_\_\_\_\_ Notes then Outstanding will be redeemed), and (B) the maximum principal amount of \_\_\_\_\_ Notes that can be redeemed out of funds expected to be available therefor on the Mandatory Redemption Date at the Mandatory Redemption Price set forth in subparagraph (a)(iii) of this Section 2.03.

(iii) In determining the \_\_\_\_\_ Notes required to be redeemed in accordance with the foregoing Section 2.03(a)(ii), the Issuer shall allocate the aggregate principal amount of \_\_\_\_\_ Notes required to be redeemed to satisfy the \_\_\_\_\_ Notes Basic Maintenance Amount or the 1940 Act \_\_\_\_\_ Notes Asset Coverage, as the case may be, pro rata among the Holders of \_\_\_\_\_ Notes in proportion to the aggregate principal amount of \_\_\_\_\_ Notes they hold, by lot or by such other method as the Issuer shall deem equitable, subject to the further provisions of this subparagraph (iii). The Issuer shall effect any required mandatory redemption pursuant to subparagraph (a)(ii) of this Section 2.03 no later than 40 days after the Asset Coverage Cure Date (the Mandatory Redemption Date), except that if the Issuer does not have funds legally available for the redemption of, or is not otherwise legally permitted to redeem, the aggregate principal amount of \_\_\_\_\_ Notes which would be required to be redeemed by the Issuer under clause (A) of subparagraph (a)(ii) of this Section 2.03 if sufficient funds were available, or the Issuer otherwise is unable to effect such redemption on or prior to such Mandatory Redemption Date, the Issuer shall redeem those \_\_\_\_\_ Notes, and other Notes, on the earliest practicable date on which the Issuer will have such funds available, upon notice pursuant to Section 2.03(b) to record owners of the \_\_\_\_\_ Notes to be redeemed and the Paying Agent. The Issuer will deposit with the Paying Agent funds sufficient to redeem the specified aggregate principal amount of \_\_\_\_\_ Notes with respect to a redemption required under subparagraph (a)(ii) of this Section 2.03, by 1:00 p.m., New York City time, of the Business Day immediately preceding the Mandatory Redemption Date. If fewer than all of the Outstanding \_\_\_\_\_ Notes are to be redeemed pursuant to this Section 2.03(a)(iii), the aggregate principal amount of \_\_\_\_\_ Notes to be redeemed shall be redeemed pro rata from the Holders of such \_\_\_\_\_ Notes in proportion to the aggregate principal amount of such \_\_\_\_\_ Notes held by such Holders, by lot or by such other method as the Issuer shall deem fair and equitable, subject, however, to the terms of any applicable Specific Redemption Provisions. Mandatory Redemption Price means the Redemption Price plus (in the case of a Rate Period of one year or more only) a redemption premium, if any, determined by the Board of Directors after consultation with the Broker-Dealers and set forth in any applicable Specific Redemption Provisions.

(b) In the event of a redemption pursuant to Section 2.03(a), the Issuer will file a notice of its intention to redeem with the Commission so as to provide at least the minimum notice required under Rule 23c-2 under the Investment Company Act or any successor provision. In addition, the Issuer shall deliver a notice of redemption to the Auction Agent and the Trustee (the Notice of Redemption) containing the information set forth below (i) in the case of an optional redemption pursuant to subparagraph (a)(i) above, at least three Business Days prior to the giving of notice to the Holders and (ii) in the case of a mandatory redemption pursuant to subparagraph (a)(ii) above, on or prior to the 30th day preceding the Mandatory Redemption Date. The Trustee will use its reasonable efforts to provide notice to each Holder of \_\_\_\_\_ Notes called for redemption by electronic or other reasonable means not later than the close of business on the Business Day immediately following the day on which the Trustee determines the \_\_\_\_\_ Notes to be redeemed (or, during a Default Period with respect to such \_\_\_\_\_ Notes, not later than the close of business on the Business Day immediately following the day on which the Trustee receives Notice of Redemption from the Issuer). The Trustee shall confirm such notice in writing not later than the close of business on the third Business Day preceding the date fixed for redemption by providing the Notice of Redemption to each Holder of \_\_\_\_\_ Notes called for redemption, the Paying Agent (if different from the Trustee) and the Securities Depository. Notice of Redemption will be addressed to the registered owners of each series of \_\_\_\_\_ Notes at their addresses appearing on the books or records of the Issuer. Such Notice of Redemption will set forth (i) the date fixed for redemption, (ii) the principal amount and identity of \_\_\_\_\_ Notes to be redeemed, (iii) the redemption price (specifying the amount of accrued

interest to be included therein and any redemption premium, if any), (iv) that interest on the \_\_\_\_\_ Notes to be redeemed will cease to accrue on such date fixed for redemption, (v) applicable cusip number(s) and (vi) the provision under which redemption shall be made. No defect in the Notice of Redemption or in the transmittal or mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law. If fewer than all \_\_\_\_\_ Notes held by any Holder are to be redeemed, the Notice of Redemption mailed to such Holder shall also specify the principal amount of \_\_\_\_\_ Notes to be redeemed from such Holder.

(c) Notwithstanding the provisions of paragraph (a) of this Section 2.03, no \_\_\_\_\_ Notes may be redeemed unless all interest on the Outstanding \_\_\_\_\_ Notes and all Notes of the Issuer ranking on a parity with the \_\_\_\_\_ Notes, have been or are being contemporaneously paid or set aside for payment; provided, however, that the foregoing shall not prevent the purchase or acquisition of all Outstanding \_\_\_\_\_ Notes pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, Holders of all Outstanding \_\_\_\_\_ Notes.

(d) Upon the deposit of funds sufficient to redeem any \_\_\_\_\_ Notes with the Paying Agent and the giving of the Notice of Redemption to the Trustee under paragraph (b) of this Section 2.03, interest on such \_\_\_\_\_ Notes shall cease to accrue and such \_\_\_\_\_ Notes shall no longer be deemed to be Outstanding for any purpose (including, without limitation, for purposes of calculating whether the Issuer has maintained the requisite \_\_\_\_\_ Notes Basic Maintenance Amount or the 1940 Act \_\_\_\_\_ Notes Asset Coverage), and all rights of the Holder of the \_\_\_\_\_ Notes so called for redemption shall cease and terminate, except the right of such Holder to receive the redemption price specified herein, but without any interest or other additional amount. Such redemption price shall be paid by the Paying Agent to the nominee of the Securities Depository. The Issuer shall be entitled to receive from the Paying Agent, promptly after the date fixed for redemption, any cash deposited with the Paying Agent in excess of (i) the aggregate redemption price of the \_\_\_\_\_ Notes called for redemption on such date and (ii) such other amounts, if any, to which Holders of the \_\_\_\_\_ Notes called for redemption may be entitled. Any funds so deposited that are unclaimed at the end of two years from such redemption date shall, to the extent permitted by law, be paid to the Issuer, after which time the Holders of \_\_\_\_\_ Notes so called for redemption may look only to the Issuer for payment of the redemption price and all other amounts, if any, to which they may be entitled. The Issuer shall be entitled to receive, from time to time after the date fixed for redemption, any interest earned on the funds so deposited.

(e) To the extent that any redemption for which Notice of Redemption has been given is not made by reason of the absence of legally available funds therefor, or is otherwise prohibited, such redemption shall be made as soon as practicable to the extent such funds become legally available or such redemption is no longer otherwise prohibited. Failure to redeem any series of \_\_\_\_\_ Notes shall be deemed to exist at any time after the date specified for redemption in a Notice of Redemption when the Issuer shall have failed, for any reason whatsoever, to deposit in trust with the Paying Agent the redemption price with respect to any \_\_\_\_\_ Notes for which such Notice of Redemption has been given. Notwithstanding the fact that the Issuer may not have redeemed any \_\_\_\_\_ Notes for which a Notice of Redemption has been given, interest may be paid on a series of \_\_\_\_\_ Notes and shall include those \_\_\_\_\_ Notes for which Notice of Redemption has been given but for which deposit of funds has not been made.

(f) All moneys paid to the Paying Agent for payment of the redemption price of any \_\_\_\_\_ Notes called for redemption shall be held in trust by the Paying Agent for the benefit of Holders of \_\_\_\_\_ Notes to be redeemed.



(g) So long as any \_\_\_\_\_ Notes are held of record by the nominee of the Securities Depository, the redemption price for such \_\_\_\_\_ Notes will be paid on the date fixed for redemption to the nominee of the Securities Depository for distribution to Agent Members for distribution to the persons for whom they are acting as agent.

(h) Except for the provisions described above, nothing contained herein limits any right of the Issuer to purchase or otherwise acquire any \_\_\_\_\_ Notes outside of an Auction at any price, whether higher or lower than the price that would be paid in connection with an optional or mandatory redemption, so long as, at the time of any such purchase, there is no arrearage in the payment of interest on, or the mandatory or optional redemption price with respect to, any series of \_\_\_\_\_ Notes for which Notice of Redemption has been given and the Issuer is in compliance with the 1940 Act \_\_\_\_\_ Notes Asset Coverage and has Eligible Assets with an aggregate Discounted Value at least equal to the \_\_\_\_\_ Notes Basic Maintenance Amount after giving effect to such purchase or acquisition on the date thereof. If fewer than all the Outstanding \_\_\_\_\_ Notes of any series are redeemed or otherwise acquired by the Issuer, the Issuer shall give notice of such transaction to the Trustee, in accordance with the procedures agreed upon by the Board of Directors.

(i) The Board of Directors may, without further consent of the holders of the \_\_\_\_\_ Notes or the holders of shares of capital stock of the Issuer, authorize, create or issue any class or series of Notes, including other series of \_\_\_\_\_ Notes, ranking prior to or on a parity with the \_\_\_\_\_ Notes to the extent permitted by the Investment Company Act, if, upon issuance, either (A) the net proceeds from the sale of such Notes (or such portion thereof needed to redeem or repurchase the Outstanding \_\_\_\_\_ Notes) are deposited with the Trustee in accordance with Section 2.03(d), Notice of Redemption as contemplated by Section 2.03(b) has been delivered prior thereto or is sent promptly thereafter, and such proceeds are used to redeem all Outstanding \_\_\_\_\_ Notes or (B) the Issuer would meet the 1940 Act \_\_\_\_\_ Notes Asset Coverage, the \_\_\_\_\_ Notes Basic Maintenance Amount and the requirements of Section 2.08 hereof.

(j) If any \_\_\_\_\_ Notes are to be redeemed and such \_\_\_\_\_ Notes are held by the Securities Depository, the Issuer shall include in the notice of redemption delivered to the Securities Depository: (i) under an item entitled Publication Date for Securities Depository Purposes, the Interest Payment Date prior to the Redemption Date, and (ii) an instruction to the Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Depository participants whose Securities Depository positions will be redeemed and the principal amount of such \_\_\_\_\_ Notes to be redeemed from each such position (the Securities Depository Redemption Information), and (y) notify the Auction Agent immediately after such determination of (A) the positions of the Depository Participants in such \_\_\_\_\_ Notes immediately prior to such Auction settlement, (B) the positions of the Depository Participants in such \_\_\_\_\_ Notes immediately following such Auction settlement and (C) the Securities Depository Redemption Information. Publication Date shall mean three Business Days after the Auction Date next preceding such Redemption Date.

#### **Designation of Rate Period**

The initial Rate Period for each series of \_\_\_\_\_ Notes is as set forth under Designation in Section 2.01(a) above. The Issuer will designate the duration of subsequent Rate Periods of each series of \_\_\_\_\_ Notes; provided, however, that no such designation is necessary for a Standard Rate Period and, provided further, that any designation of a Special Rate Period shall be effective only if (i) notice thereof shall have been given as provided herein, (ii) any failure to pay

in a timely manner to the Trustee the full amount of any interest on, or the redemption price of, \_\_\_\_\_ Notes shall have been cured as provided above, (iii) Sufficient Clearing Bids shall have existed in an Auction held on the Auction Date immediately preceding the first day of such proposed Special Rate Period, (iv) if the Issuer shall have mailed a Notice of Redemption with respect to any \_\_\_\_\_ Notes, the redemption price with respect to such \_\_\_\_\_ Notes shall have been deposited with the Paying Agent, and (v) in the case of the designation of a Special Rate Period, the Issuer has confirmed that as of the Auction Date next preceding the first day of such Special Rate Period, it has Eligible Assets with an aggregate Discounted Value at least equal to the \_\_\_\_\_ Notes Basic Maintenance Amount, and the Issuer has consulted with the Broker-Dealers and has provided notice of such designation and otherwise complied with the Rating Agency Guidelines.

If the Issuer proposes to designate any Special Rate Period, not fewer than 7 (or two Business Days in the event the duration of the Rate Period prior to such Special Rate Period is fewer than 8 days) nor more than 30 Business Days prior to the first day of such Special Rate Period, notice shall be (i) made by press release and (ii) communicated by the Issuer by telephonic or other means to the Trustee and confirmed in writing promptly thereafter. Each such notice shall state (A) that the Issuer proposes to exercise its option to designate a succeeding Special Rate Period, specifying the first and last days thereof and (B) that the Issuer will by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such Special Rate Period, notify the Auction Agent and the Trustee, who will promptly notify the Broker-Dealers, of either (x) its determination, subject to certain conditions, to proceed with such Special Rate Period, subject to the terms of any Specific Redemption Provisions, or (y) its determination not to proceed with such Special Rate Period, in which latter event the succeeding Rate Period shall be a Standard Rate Period.

No later than 3:00 p.m., New York City time, on the second Business Day next preceding the first day of any proposed Special Rate Period, the Issuer shall deliver to the Auction Agent and Trustee, who will promptly deliver to the Broker-Dealers and Existing Holders, either:

(i) a notice stating (A) that the Issuer has determined to designate the next succeeding Rate Period as a Special Rate Period, specifying the first and last days thereof and (B) the terms of any Specific Redemption Provisions; or

(ii) a notice stating that the Issuer has determined not to exercise its option to designate a Special Rate Period. If the Issuer fails to deliver either such notice with respect to any designation of any proposed Special Rate Period to the Auction Agent or is unable to make the confirmation provided in clause (v) of Paragraph (a) of this Section 2.04 by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such proposed Special Rate Period, the Issuer shall be deemed to have delivered a notice to the Auction Agent with respect to such Rate Period to the effect set forth in clause (ii) above, thereby resulting in a Standard Rate Period.

**Restrictions on Transfer**

\_\_\_\_\_ Notes may be transferred only (a) pursuant to an order placed in an Auction, (b) to or through a Broker-Dealer or (c) to the Issuer or any Affiliate. Notwithstanding the foregoing, a transfer other than pursuant to an Auction will not be effective unless the selling Existing Holder or the Agent Member of such Existing Holder, in the case of an Existing Holder whose \_\_\_\_\_ Notes are listed in its own name on the books of the Auction Agent, or the Broker-Dealer or Agent Member of such Broker-Dealer, in the case of a transfer between persons holding \_\_\_\_\_ Notes through different Broker-Dealers, advises the Auction Agent of such transfer. The certificates representing the

\_\_\_\_\_ Notes issued to the Securities Depository will bear legends with respect to the restrictions described above and stop-transfer instructions will be issued to the Transfer Agent and/or Registrar.

**1940 Act \_\_\_\_\_ Notes Asset Coverage**

The Issuer shall maintain, as of the last Business Day of each month in which any \_\_\_\_\_ Notes are Outstanding, asset coverage with respect to the \_\_\_\_\_ Notes which is equal to or greater than the 1940 Act \_\_\_\_\_ Notes Asset Coverage; provided, however, that Section 2.03(a)(ii) shall be the sole remedy in the event the Issuer fails to do so.

**\_\_\_\_\_ Notes Basic Maintenance Amount**

So long as the \_\_\_\_\_ Notes are Outstanding and any Rating Agency is then rating the \_\_\_\_\_ Notes, the Issuer shall maintain, as of each Valuation Date, Eligible Assets having an aggregate Discounted Value equal to or greater than the \_\_\_\_\_ Notes Basic Maintenance Amount; provided, however, that Section 2.03(a)(ii) shall be the sole remedy in the event the Issuer fails to do so.

**Certain Other Restrictions**

For so long as any \_\_\_\_\_ Notes are Outstanding and any Rating Agency is then rating the \_\_\_\_\_ Notes, the Issuer will not engage in certain proscribed transactions set forth in the Rating Agency Guidelines, unless it has received written confirmation from each such Rating Agency that proscribes the applicable transaction in its Rating Agency Guidelines that any such action would not impair the rating then assigned by such Rating Agency to a series of \_\_\_\_\_ Notes.

For so long as any \_\_\_\_\_ Notes are Outstanding, the Issuer will not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares of, or options, warrants or rights to subscribe for or purchase, common shares or other shares of capital stock of the Issuer) upon any class of shares of capital stock of the Issuer, unless, in every such case, immediately after such transaction, the 1940 Act \_\_\_\_\_ Notes Asset Coverage would be achieved after deducting the amount of such dividend, distribution, or purchase price, as the case may be; provided, however, that dividends may be declared upon any preferred shares of capital stock of the Issuer if the \_\_\_\_\_ Notes and any other senior securities representing indebtedness of the Issuer have an asset coverage of at least 200% at the time of declaration thereof, after deducting the amount of such dividend.

A declaration of a dividend or other distribution on or purchase or redemption of any common or preferred shares of capital stock of the Issuer is prohibited (i) at any time that an Event of Default under the Indenture has occurred and is continuing, (ii) if after giving effect to such declaration, the Issuer would not have Eligible Assets with an aggregate Discounted Value at least equal to the \_\_\_\_\_ Notes Basic Maintenance Amount or the 1940 Act \_\_\_\_\_ Notes Asset Coverage, or (iii) the Issuer has not redeemed the full amount of \_\_\_\_\_ Notes required to be redeemed by any provisions for mandatory redemption contained herein.

**Compliance Procedures for Asset Maintenance Tests**

For so long as any \_\_\_\_\_ Notes are Outstanding and any Rating Agency is then rating such \_\_\_\_\_ Notes:

(a) As of each Valuation Date, the Issuer shall determine in accordance with the procedures specified herein (i) the Market Value of each Eligible Asset owned by the Issuer on that date, (ii) the Discounted Value of each such Eligible Asset using the Discount Factors, (iii) whether the \_\_\_\_\_ Notes Basic Maintenance Amount is met as of that date, (iv) the value of the total assets of the Issuer, less all liabilities, and (v) whether the 1940 Act \_\_\_\_\_ Notes Asset Coverage is met as of that date.

(b) Upon any failure to maintain the required \_\_\_\_\_ Notes Basic Maintenance Amount or 1940 Act \_\_\_\_\_ Notes Asset Coverage on any Valuation Date, the Issuer may use reasonable commercial efforts (including, without limitation, altering the composition of its portfolio, purchasing \_\_\_\_\_ Notes outside of an Auction or in the event of a failure to file a Rating Agency Certificate (as defined below) on a timely basis, submitting the requisite Rating Agency Certificate) to re-attain (or certify in the case of a failure to file on a timely basis, as the case may be) the required \_\_\_\_\_ Notes Basic Maintenance Amount or 1940 Act \_\_\_\_\_ Notes Asset Coverage on or prior to the Asset Coverage Cure Date.

(c) Compliance with the \_\_\_\_\_ Notes Basic Maintenance Amount and 1940 Act \_\_\_\_\_ Notes Asset Coverage tests shall be determined with reference to those \_\_\_\_\_ Notes which are deemed to be Outstanding hereunder.

(d) The Issuer shall deliver to each Rating Agency which is then rating \_\_\_\_\_ Notes and any other party specified in the Rating Agency Guidelines all certificates that are set forth in the respective Rating Agency Guidelines regarding 1940 Act \_\_\_\_\_ Notes Asset Coverage, \_\_\_\_\_ Notes Basic Maintenance Amount and/or related calculations at such times and containing such information as set forth in the respective Rating Agency Guidelines (each, a Rating Agency Certificate ).

(e) In the event that any Rating Agency Certificate is not delivered within the time periods set forth in the Rating Agency Guidelines, the Issuer shall be deemed to have failed to maintain the \_\_\_\_\_ Notes Basic Maintenance Amount or the 1940 Act \_\_\_\_\_ Notes Asset Coverage, as the case may be, on such Valuation Date for purposes of Section 2.09(b). In the event that any Rating Agency Certificate with respect to an applicable Asset Coverage Cure Date is not delivered within the time periods set forth in the Rating Agency Guidelines, the Issuer shall be deemed to have failed to have Eligible Assets with an aggregate Discounted Value at least equal to the \_\_\_\_\_ Notes Basic Maintenance Amount or to meet the 1940 \_\_\_\_\_ Notes Asset Coverage, as the case may be, as of the related Valuation Date, and such failure shall be deemed not to have been cured as of such Asset Coverage Cure Date for purposes of the mandatory redemption provisions.

#### **Delivery of Notes**

Upon the execution and delivery of this Supplemental Indenture, the Issuer shall execute and deliver to the Trustee and the Trustee shall authenticate the \_\_\_\_\_ Notes and deliver them to The Depository Trust Company and as hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the \_\_\_\_\_ Notes, there shall have been filed with or delivered to the Trustee the following:

(a) A resolution duly adopted by the Issuer, certified by the Secretary or other Authorized Officer thereof, authorizing the execution and delivery of this Supplemental Indenture and the issuance of the \_\_\_\_\_ Notes.

- (b) Duly executed copies of this Supplemental Indenture and a copy of the Indenture.
- (c) Rating letters from each Rating Agency rating the \_\_\_\_\_ Notes.
- (d) An Opinion of Counsel and an Officers Certificate pursuant to Sections 3.3 and 9.3 of the Original Indenture.

**Trustee s Authentication Certificate**

The Trustee s authentication certificate upon the \_\_\_\_\_ Notes shall be substantially in the forms provided in Appendix \_\_\_\_\_ hereto. No \_\_\_\_\_ Note shall be secured hereby or entitled to the benefit hereof, or shall be valid or obligatory for any purpose, unless a certificate of authentication, substantially in such form, has been duly executed by the Trustee; and such certificate of the Trustee upon any \_\_\_\_\_ Note shall be conclusive evidence and the only competent evidence that such Bond has been authenticated and delivered hereunder. The Trustee s certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized officer of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the \_\_\_\_\_ Notes issued hereunder.

**EVENTS OF DEFAULT; REMEDIES**

**Events of Default**

An Event of Default means any one of the following events set forth below (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest upon a series of \_\_\_\_\_ Notes when it becomes due and payable and the continuance of such default for thirty (30) days; or

(b) default in the payment of the principal of, or any premium on, a series of \_\_\_\_\_ Notes at its Stated Maturity; or

(c) default in the performance, or breach, of any covenant or warranty of the Company in the Indenture, and continuance of such default or breach for a period of ninety (90) days after there has been given, by registered or certified mail, to the Company by the Trustee a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a Notice of Default; or

(d) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(e) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree

or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(f) if, pursuant to Section 18(a)(1)(c)(ii) of the 1940 Act on the last business day of each of twenty-four (24) consecutive calendar months, the 1940 Act \_\_\_\_\_ Notes Asset Coverage is less than 100%; or

(g) any other Event of Default provided with respect to a series of \_\_\_\_\_ Notes, including a default in the payment of any Redemption Price payable on the date fixed for redemption.

Unless otherwise noted, an Event of Default that relates only to one series of \_\_\_\_\_ Notes will not affect any other series.

#### **Acceleration of Maturity; Rescission and Annulment**

If an Event of Default with respect to \_\_\_\_\_ Notes of a series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the holders of not less than a majority in principal amount of the Outstanding \_\_\_\_\_ Notes of that series may declare the principal amount of all the \_\_\_\_\_ Notes of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable. If an Event of Default specified in paragraphs (d) and (e) above with respect to \_\_\_\_\_ Notes of any series at the time Outstanding occurs, the principal amount of all the \_\_\_\_\_ Notes of that series shall automatically, and without any declaration or other action on the part of the Trustee or any holder, become immediately due and payable.

At any time after such a declaration of acceleration with respect to \_\_\_\_\_ Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in principal amount of the Outstanding \_\_\_\_\_ Notes of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

- (a) the Company has paid or deposited with the Trustee a sum sufficient to pay
  - (i) all overdue interest on all \_\_\_\_\_ Notes of that series,
  - (ii) the principal of (and premium, if any, on) any \_\_\_\_\_ Notes of that series which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such \_\_\_\_\_ Notes,
  - (iii) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such \_\_\_\_\_ Notes,
  - (iv) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(b) all Events of Default with respect to \_\_\_\_\_ Notes of that series, other than the non-payment of the principal of \_\_\_\_\_ Notes of that series which have become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

**Collection of Indebtedness and Suits for Enforcement by Trustee**

The Company covenants that if:

(a) default is made in the payment of any interest on any \_\_\_\_\_ Notes when such interest becomes due and payable and such default continues for a period of 90 days, or

(b) default is made in the payment of the principal of (or premium, if any, on) any \_\_\_\_\_ Notes at the Maturity thereof, the Company will, upon demand of the Trustee, pay to it, for the benefit of the holders of such \_\_\_\_\_ Notes, the whole amount then due and payable on such \_\_\_\_\_ Notes for principal and any premium and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and premium and on any overdue interest, at the rate or rates prescribed therefor in such \_\_\_\_\_ Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to \_\_\_\_\_ Notes of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the holders of \_\_\_\_\_ Notes of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted in the Indenture, or to enforce any other proper remedy.

**Application of Money Collected**

Any money collected by the Trustee pursuant to the provisions of the Indenture relating to an Event of Default shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or any premium or interest, upon presentation of the \_\_\_\_\_ Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under the Indenture;

and

SECOND: To the payment of the amounts then due and unpaid for principal of and any premium and interest on the \_\_\_\_\_ Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such \_\_\_\_\_ Notes for principal and any premium and interest, respectively.

**Limitation On Suits**

No holder of any \_\_\_\_\_ Notes of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(a) such holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the \_\_\_\_\_ Notes of that series;

(b) the holders of not less than a majority in principal amount of the Outstanding \_\_\_\_\_ Notes of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such holder or holders have offered to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the Outstanding \_\_\_\_\_ Notes of that series; it being understood and intended that no one or more of such holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner provided and for the equal and ratable benefit of all of such holders.

#### **Unconditional Right of Holders to Receive Principal, Premium and Interest**

Notwithstanding any other provision in the Indenture, the holder of any \_\_\_\_\_ Notes shall have the right, which is absolute and unconditional, to receive payment of the principal of and any premium and (subject to the provisions of any supplemental indenture) interest on such \_\_\_\_\_ Notes on the respective Stated Maturities expressed in such \_\_\_\_\_ Notes (or, in the case of redemption, on the Redemption Date), and to institute suit for the enforcement of any such payment and such rights shall not be impaired without the consent of such holder.

#### **Restoration of Rights and Remedies**

If the Trustee or any holder has instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the holders shall be restored severally and respectively to their former positions and thereafter all rights and remedies of the Trustee and the holders shall continue as though no such proceeding had been instituted.

#### **Rights and Remedies Cumulative**

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen \_\_\_\_\_ Notes, no right or remedy conferred upon or reserved to the Trustee or to the holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.



### **Control By Holders**

The holders of not less than a majority in principal amount of the Outstanding \_\_\_\_\_ Notes of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the \_\_\_\_\_ Notes of such series, provided that

- (1) such direction shall not be in conflict with any rule of law or with the Indenture, and
- (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

### **Waiver of Past Defaults**

The holders of not less than a majority in principal amount of the Outstanding \_\_\_\_\_ Notes of any series may on behalf of the holders of all the \_\_\_\_\_ Notes of such series waive any past default hereunder with respect to such series and its consequences, except a default

- (1) in the payment of the principal of or any premium or interest on any \_\_\_\_\_ Notes of such series, or
- (2) in respect of a covenant or provision which cannot be modified or amended without the consent of the holder of each Outstanding \_\_\_\_\_ Notes of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

### **SATISFACTION AND DISCHARGE OF INDENTURE**

The Indenture shall upon request of the Company cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of any \_\_\_\_\_ Notes expressly provided for herein or in the terms of such security), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of the Indenture, when

- (a) Either:
  - (i) all \_\_\_\_\_ Notes theretofore authenticated and delivered (other than (1) securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in the Indenture; and (2) \_\_\_\_\_ Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in the Indenture) have been delivered to the Trustee for cancellation; or
  - (ii) all such \_\_\_\_\_ Notes not theretofore delivered to the Trustee for cancellation have become due and payable, or will become due and payable at their Stated Maturity within one year, or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company, in the case of this subsection (ii) has deposited or caused to be deposited with the Trustee as trust funds in trust money in an amount sufficient to pay and discharge the entire indebtedness on such securities not theretofore delivered to the Trustee for cancellation, for principal and any premium and interest to the date of such deposit (in

the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Trust; and

(c) the Company has delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of the Indenture have been complied with.

Notwithstanding the satisfaction and discharge of the Indenture, the obligations of the Company to the Trustee under the Indenture and, if money shall have been deposited with the Trustee pursuant to subparagraph (ii) of paragraph (a) above, the obligations of the Trustee under certain provisions of the Indenture shall survive.

#### **THE TRUSTEE**

##### **Certain Duties and Responsibilities**

(1) Except during the continuance of an Event of Default,

(A) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and as required by the Trust Indenture Act, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(B) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(2) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(3) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(4) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(5) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(A) this Subsection shall not be construed to limit the effect of Subsection (1)(A) of this Section;

(B) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(C) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in principal amount of the Outstanding securities of any series, determined as provided in the Indenture, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture with respect to the Securities of such series; and

(D) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

**Notice of Defaults**

If a default occurs hereunder with respect to \_\_\_\_\_ Notes of any series, the Trustee shall give the Holders of \_\_\_\_\_ Notes of such series notice of such default as and to the extent provided by the Trust Indenture Act; provided, however, that in the case of any default with respect to \_\_\_\_\_ Notes of such series, no such notice to Holders shall be given until at least 90 days after the occurrence thereof. For the purpose hereof, the term default means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to \_\_\_\_\_ Notes of such series.

**Certain Rights of Trustee**

Subject to the provisions under Certain Duties and Responsibilities above:

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company shall be sufficiently evidenced by a Company Request or Company Order, and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee may, in the absence of bad faith on its part, rely upon an Officers Certificate;

(d) the Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders pursuant to the Indenture, unless such holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture;

(i) the Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the \_\_\_\_\_ Notes and the Indenture;

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including its rights to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder; and

(k) the Trustee may request that the Company deliver an Officers Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to the Indenture, which Officers Certificate may be signed by any person authorized to sign an Officers Certificate, including any person specified as so authorized in any such certificate previously delivered and not superceded.

#### **Compensation and Reimbursement**

The Company agrees:

(a) to pay to the Trustee from time to time such compensation as shall be agreed in writing between the parties for all services rendered by it (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of

its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify each of the Trustee or any predecessor Trustee for, and to hold it harmless against, any and all losses, liabilities, damages, claims or expenses including taxes (other than taxes imposed on the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim (whether asserted by the Company, a holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder.

When the Trustee incurs expenses or renders services in connection with an Event of Default, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

The provisions hereof shall survive the termination of the Indenture.

### **Conflicting Interests**

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and the Indenture. To the extent not prohibited by the Trust Indenture Act, the Trustee shall not be deemed to have a conflicting interest by virtue of being a trustee under the Indenture with respect to \_\_\_\_\_ Notes of more than one series.

### **Resignation and Removal; Appointment of Successor**

No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements.

The Trustee may resign at any time with respect to the \_\_\_\_\_ Notes of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 60 days after the giving of such notice of resignation, the resigning Trustee may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the \_\_\_\_\_ Notes of such series.

The Trustee may be removed at any time with respect to the \_\_\_\_\_ Notes of any series by Act of the holders of a majority in principal amount of the Outstanding \_\_\_\_\_ Notes of such series, delivered to the Trustee and to the Company. If the instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of a notice of removal pursuant to this paragraph, the Trustee being removed may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the \_\_\_\_\_ Notes of such series.

If at any time:

(a) the Trustee shall fail to comply after written request therefor by the Company or by any holder who has been a bona fide holder of \_\_\_\_\_ Notes for at least six months, or

(b) the Trustee shall cease to be eligible and shall fail to resign after written request therefor by the Company or by any such holder, or

(c) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all \_\_\_\_\_ Notes, or (ii) any holder who has been a bona fide holder of \_\_\_\_\_ Notes for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all \_\_\_\_\_ Notes and the appointment of a successor Trustee or Trustees.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the \_\_\_\_\_ Notes of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the \_\_\_\_\_ Notes of that or those series (it being understood that any such successor Trustee may be appointed with respect to the \_\_\_\_\_ Notes of one or more or all of such series and that at any time there shall be only one Trustee with respect to the \_\_\_\_\_ Notes of any particular series) and shall comply with the applicable requirements. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the \_\_\_\_\_ Notes of any series shall be appointed by Act of the holders of a majority in principal amount of the Outstanding \_\_\_\_\_ Notes of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements, become the successor Trustee with respect to the \_\_\_\_\_ Notes of such series and to that extent supersede the successor Trustee appointed by the Company.

If no successor Trustee with respect to the \_\_\_\_\_ Notes of any series shall have been so appointed by the Company or the holders and accepted appointment in the manner required, any holder who has been a bona fide holder of \_\_\_\_\_ Notes of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the \_\_\_\_\_ Notes of such series.

The Company shall give notice of each resignation and each removal of the Trustee with respect to the \_\_\_\_\_ Notes of any series and each appointment of a successor Trustee with respect to the \_\_\_\_\_ Notes of any series to all holders of \_\_\_\_\_ Notes of such series in the manner provided. Each notice shall include the name of the successor Trustee with respect to the \_\_\_\_\_ Notes of such series and the address of its Corporate Trust Office.

#### **Acceptance of Appointment by Successor**

In case of the appointment hereunder of a successor Trustee with respect to all \_\_\_\_\_ Notes, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

In case of the appointment hereunder of a successor Trustee with respect to the \_\_\_\_\_ Notes of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the \_\_\_\_\_ Notes of one or more series shall execute and deliver a supplemental indenture wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the \_\_\_\_\_ Notes of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all \_\_\_\_\_ Notes, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the \_\_\_\_\_ Notes of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing in the Indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the \_\_\_\_\_ Notes of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the \_\_\_\_\_ Notes of that or those series to which the appointment of such successor Trustee relates.

Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible.

#### **Merger, Conversion, Consolidation or Succession to Business**

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any \_\_\_\_\_ Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the \_\_\_\_\_ Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such \_\_\_\_\_ Notes.

#### **CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE**

##### **Company May Consolidate, Etc., Only On Certain Terms**

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company, unless:

(a) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of any domestic or foreign jurisdiction and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and any premium and interest on all the \_\_\_\_\_ Notes and the performance or observance of every covenant of the Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company or any subsidiary as a result of such transaction as having been incurred by the Company or such Subsidiary at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(c) the Company has delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply and that all conditions precedent in the Indenture provided for relating to such transaction have been complied with.

#### **Successor Substituted**

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor Person had been named as the Company in the Indenture, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under the Indenture and the \_\_\_\_\_ Notes.

### **DEFEASANCE AND COVENANT DEFEASANCE**

#### **Defeasance and Discharge**

Upon the Company's exercise of its option (if any) to have the provisions of the Indenture relating to Defeasance applied to any \_\_\_\_\_ Notes or any series of \_\_\_\_\_ Notes, as the case may be, the Company shall be deemed to have been discharged from its obligations, with respect to such \_\_\_\_\_ Notes as provided in the Indenture on and after the date the conditions set forth are satisfied (hereinafter called "Defeasance"). For this purpose, such Defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such \_\_\_\_\_ Notes and to have satisfied all its other obligations under such \_\_\_\_\_ Notes and the Indenture insofar as such \_\_\_\_\_ Notes are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), subject to the following which shall survive until otherwise terminated or discharged hereunder: (1) the rights of holders of such \_\_\_\_\_ Notes to receive, solely from the trust fund, payments in respect of the principal of and any premium and interest on such \_\_\_\_\_ Notes when payments are due, (2) the Company's obligations with respect to such \_\_\_\_\_ Notes, (3) the rights, powers, trusts, duties and immunities of the Trustee.



**Covenant Defeasance**

Upon the Company's exercise of its option (if any) to have provisions of the Indenture relating to Covenant Defeasance applied to any \_\_\_\_\_ Notes or any series of \_\_\_\_\_ Notes, as the case may be, (1) the Company shall be released from its obligations under certain provisions of the Indenture for the benefit of the holders of such \_\_\_\_\_ Notes and (2) the occurrence of any event specified in the Indenture, and any such covenants provided pursuant to certain provisions of the Indenture shall be deemed not to be or result in an Event of Default, in each case with respect to such \_\_\_\_\_ Notes as provided in the Indenture on and after the date the conditions are satisfied (hereinafter called "Covenant Defeasance"). For this purpose, such Covenant Defeasance means that, with respect to such \_\_\_\_\_ Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such specified section of the Indenture, whether directly or indirectly by reason of any reference elsewhere in the Indenture, or by reason of any reference in any such section or article of the Indenture to any other provision in the Indenture or in any other document, but the remainder of the Indenture and such \_\_\_\_\_ Notes shall be unaffected thereby.

**Conditions to Defeasance or Covenant Defeasance**

(a) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee which satisfies the requirements and agrees to comply with the provisions of the relevant Article of the Indenture applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefits of the holders of such \_\_\_\_\_ Notes, (i) money in an amount, or (ii) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (iii) such other obligations or arrangements as may be specified with respect to such \_\_\_\_\_ Notes, or (iv) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or any such other qualifying trustee) to pay and discharge, the principal of and any premium and interest on such \_\_\_\_\_ Notes on the respective Stated Maturities, in accordance with the terms of the Indenture and such \_\_\_\_\_ Notes. As used in the Indenture, "U.S. Government Obligation" means (x) any security which is (i) a direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged or (ii) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case (i) or (ii), is not callable or redeemable at the option of the Company thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the \_\_\_\_\_ Notes Act) as custodian with respect to any U.S. Government Obligation which is specified in Clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any U.S. Government Obligation which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

(b) In the event of an election to have Defeasance and Discharge apply to any \_\_\_\_\_ Notes or any series of \_\_\_\_\_ Notes, as the case may be, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date of this instrument,

there has been a change in the applicable Federal income tax law, in either case (i) or (ii) to the effect that, and based thereon such opinion shall confirm that, the holders of such \_\_\_\_\_ Notes will not recognize gain or loss for Federal income tax purposes as a result of the deposit, Defeasance and discharge to be effected with respect to such \_\_\_\_\_ Notes and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit, Defeasance and discharge were not to occur.

(c) In the event of an election to have Covenant Defeasance apply to any \_\_\_\_\_ Notes or any series of \_\_\_\_\_ Notes, as the case may be, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders of such \_\_\_\_\_ Notes will not recognize gain or loss for Federal income tax purposes as a result of the deposit and Covenant Defeasance to be effected with respect to such \_\_\_\_\_ Notes and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit and Covenant Defeasance were not to occur.

(d) The Company shall have delivered to the Trustee an Officers Certificate to the effect that neither such \_\_\_\_\_ Notes nor any other \_\_\_\_\_ Notes of the same series, if then listed on any \_\_\_\_\_ Notes exchange, will be delisted as a result of such deposit.

(e) No event which is, or after notice or lapse of time or both would become, an Event of Default with respect to such \_\_\_\_\_ Notes or any other \_\_\_\_\_ Notes shall have occurred and be continuing at the time of such deposit or, with regard to any such event specified, at any time on or prior to the 90th day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 90th day).

(f) Such Defeasance or Covenant Defeasance shall not cause the Trustee to have a conflicting interest within the meaning of the Trust Indenture Act (assuming all \_\_\_\_\_ Notes are in default within the meaning of such Act).

(g) Such Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which it is bound.

(h) Such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act unless such trust shall be registered under the Investment Company Act or exempt from registration thereunder.

(i) No event or condition shall exist that would prevent the Company from making payments of the principal of (and any premium) or interest on the \_\_\_\_\_ Notes of such series on the date of such deposit or at any time on or prior to the 90th day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 90th day).

(j) The Company shall have delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that all conditions precedent with respect to such Defeasance or Covenant Defeasance have been complied with.

(k) The Company shall have delivered to the Trustee an Opinion of Counsel substantially to the effect that (i) the trust funds deposited pursuant hereto will not be subject to any rights of any holders of indebtedness or equity of the Company, and (ii) after the 90th day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors rights generally, except that if a court were to rule under any such law in any case or

proceeding that the trust funds remained property of the Company, no opinion is given as to the effect of such laws on the trust funds except the following: (A) assuming such trust funds remained in the possession of the trustee with whom such funds were deposited prior to such court ruling to the extent not paid to holders of such \_\_\_\_\_ Notes, such trustee would hold, for the benefit of such holders, a valid and perfected security interest in such trust funds that is not avoidable in bankruptcy or otherwise and (B) such holders would be entitled to receive adequate protection of their interests in such trust funds if such trust funds were used.

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## APPENDIX B DESCRIPTION OF RATINGS

### Moody's Prime Rating System

Moody's short-term ratings are opinions of the ability of issuers to honor senior financial obligations and contracts. Such obligations generally have an original maturity not exceeding one year, unless explicitly noted.

Moody's employs the following designations, all judged to be investment grade, to indicate the relative repayment ability of rated issuers:

Prime-1: Issuers rated Prime-1 (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics:

Leading market positions in well-established industries. High rates of return on funds employed. Conservative capitalization structure with moderate reliance on debt and ample asset protection. Broad margins in earnings coverage of fixed financial charges and high internal cash generation. Well-established access to a range of financial markets and assured sources of alternate liquidity.

Prime-2: Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above, but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation than is the case for Prime-1 securities. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Prime-3: Issuers (or supporting institutions) rated Prime-3 have an acceptable ability for repayment of senior short-term obligations. The effect of industry characteristics and market compositions may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt-protection measurements and may require relatively high financial leverage. Adequate alternate liquidity is maintained.

Not Prime: Issuers rated Not Prime do not fall within any of the Prime rating categories.

In addition, in certain countries the prime rating may be modified by the issuer's or guarantor's senior unsecured long-term debt rating.

### Moody's Debt Ratings

Aaa: Bonds and preferred stock which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edged." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa: Bonds and preferred stock which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk in Aa-rated securities appear somewhat larger than those securities rated Aaa.

A: Bonds and preferred stock which are rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are

<sup>1</sup> The ratings indicated herein are believed to be the most recent ratings available at the date of this prospectus for the securities listed. Ratings are generally given to securities at the time of issuance. While the rating agencies may from time to time revise such ratings, they undertake no obligation to do so, and the ratings indicated do not necessarily represent ratings which will be given to these securities on the date of the fund's fiscal year-end.

B-1

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considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

Baa: Bonds and preferred stock which are rated Baa are considered as medium-grade obligations (i.e., they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba: Bonds and preferred stock which are rated Ba are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B: Bonds and preferred stock which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa: Bonds and preferred stock which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca: Bonds and preferred stock which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C: Bonds and preferred stock which are rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's assigns ratings to individual debt securities issued from medium-term note (MTN) programs, in addition to indicating ratings to MTN programs themselves. Notes issued under MTN programs with such indicated ratings are rated at issuance at the rating applicable to all pari passu notes issued under the same program, at the program's relevant indicated rating, provided such notes do not exhibit any of the characteristics listed below. For notes with any of the following characteristics, the rating of the individual note may differ from the indicated rating of the program:

- 1) Notes containing features which link the cash flow and/or market value to the credit performance of any third party or parties.
- 2) Notes allowing for negative coupons, or negative principal.
- 3) Notes containing any provision which could obligate the investor to make any additional payments.

Market participants must determine whether any particular note is rated, and if so, at what rating level.

Note: Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

#### **Standard & Poor's Short-Term Issue Credit Ratings**

A-1: A short-term obligation rated A-1 is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with

a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2: A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

B-2

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A-3: A short-term obligation rated A-3 exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B: A short-term obligation rated B is regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

C: A short-term obligation rated C is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

D: A short-term obligation rated D is in payment default. The D rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

### **Standard & Poor's Long-Term Issue Credit Ratings**

Issue credit ratings are based, in varying degrees, on the following considerations:

Likelihood of payment-capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;

Nature of and provisions of the obligation;

Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

The issue rating definitions are expressed in terms of default risk. As such, they pertain to senior obligations of an entity. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation applies when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.) Accordingly, in the case of junior debt, the rating may not conform exactly with the category definition.

AAA: An obligation rated AAA has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA: An obligation rated AA differs from the highest rated obligations only in small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A: An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB: An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.



Obligations rated BB, B, CCC, CC, and C are regarded as having significant speculative characteristics. BB indicates the least degree of speculation and C the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB: An obligation rated BB is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B: An obligation rated B is more vulnerable to nonpayment than obligations rated BB, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC: An obligation rated CCC is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC: An obligation rated CC is currently highly vulnerable to nonpayment.

C: A subordinated debt or preferred stock obligation rated C is **currently highly vulnerable** to nonpayment. The C rating may be used to cover a situation where a bankruptcy petition has been filed or similar action taken, but payments on this obligation are being continued. A C also will be assigned to a preferred stock issue in arrears on dividends or sinking fund payments, but that is currently paying.

D: An obligation rated D is in payment default. The D rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

Plus (+) or Minus (-): The ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

L: This symbol is attached to the ratings of instruments with significant noncredit risks. It highlights risks to principal or volatility of expected returns which are not addressed in the credit rating.

N.R.: This indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that Standard & Poor's does not rate a particular obligation as a matter of policy.

### **Local Currency and Foreign Currency Risks**

Country risk considerations are a standard part of Standard & Poor's analysis for credit ratings on any issuer or issue. Currency of repayment is a key factor in this analysis. An obligor's capacity to repay foreign currency obligations may be lower than its capacity to repay obligations in its local currency due to the sovereign government's own relatively lower capacity to repay external versus domestic debt. These sovereign risk considerations are incorporated in the debt ratings assigned to specific issues. Foreign currency issuer ratings are also distinguished from local currency issuer ratings to identify those instances where sovereign risks make them different for the same issuer.