

FEDERAL RESERVE BANK
OF NEW YORK

VOL. 58
PART 1
1984

[Circular No. 9609
January 6, 1984]

REVISED DISCOUNT WINDOW
OPERATING CIRCULAR

To All Depository Institutions, Branches and Agencies of Foreign
Banks, and Others Concerned, in the Second Federal Reserve District:

Enclosed is a revision of our Operating Circular No. 12, setting forth the terms under which we make advances to depository institutions. The revised circular becomes effective on January 26, 1984. *The terms of the enclosed circular will apply to all new borrowings and pledges of collateral after January 26, 1984, but any institution that has previously submitted borrowing documents to us need not provide new documents unless we specifically request them.* You should also note that, while the revised circular reflects various technical changes in the administration of the discount window, including a Federal Reserve System decision to extend credit only on a demand basis, our basic policies governing the availability of Federal Reserve credit are unchanged.

Operating circular and Continuing Lending Agreement

The new operating circular contains five parts. The first part — the circular itself — describes our general lending arrangements and contains our continuing lending agreement for borrowers. The second part — Appendix A to the circular — contains the letter agreement and directors resolutions for domestic depository institutions. The third part — Appendix B — contains supplemental provisions for foreign banks with branches or agencies in this Federal Reserve District, together with the required letter agreements, directors resolutions, and opinions of counsel.

A depository institution seeking to establish a borrowing arrangement with us for the first time should send to us the appropriate letter agreements, borrowing resolutions, and opinions of counsel, as set forth in Operating Circular No. 12 and its appendices.

Collateral arrangements

The final two parts govern the arrangements under which, with our prior approval, a borrower may pledge collateral to us by delivering it to an acceptable third-party custodian (Appendix C) or may hold its own collateral in limited circumstances to secure advances from us (Appendix D). Any institution that wishes to establish third-party custody or borrower-in-custody collateral arrangements should talk with us before completing the documents required in Appendix C or D.

To deposit collateral directly with us — as most borrowers do — an institution must submit the appropriate documents authorizing us to open a securities safekeeping account, as provided in our Operating Circular No. 7 (or 7A for a foreign bank). Thus, any institution filing the required documents under Operating Circular No. 12 should also submit (if it has not done so already) the documents necessary to open a securities account under Operating Circular No. 7 or 7A.

4510 68-8

Discount window hours

Our discount window is open on each business day of the Bank from 9 a.m. until 6:30 p.m. (Eastern time), or until the final close of our Fedwire funds transfer system if it closes after 6:30 p.m., to institutions with the appropriate documents on file and with sufficient collateral available to be pledged. On reserve settlement days, the discount window is open for an additional 15 minutes after the Fedwire close. Collateral may be deposited with us each business day between 9 a.m. and 3 p.m. Typically, large depository institutions wait until late in the day to request advances from us, while smaller ones usually arrange their advances by 3 p.m. If we are informed in a timely way that an institution is in unusual circumstances that require special borrowing arrangements, we shall try to accommodate the institution.

Questions

Any policy or procedural questions about Operating Circular No. 12 may be directed to one of the following persons:

New York Head Office:

Robert T. Falconer, Assistant Vice President, Loans and Credits Function (Tel. No. 212-791-6159)
Franklin T. Love, Manager, Credit and Discount Department (Tel. No. 212-791-6120)
Claudia K. Angelakes, Chief, Discount Division (Tel. No. 212-791-5394)

Buffalo Branch:

Gary S. Weintraub, Cashier (Tel. No. 716-849-5020)
Edwin E. Milliron, Chief, Collection, Loans, and Fiscal Agency Division (Tel. No. 716-849-5043)

Legal issues may be discussed with either Walker F. Todd (Tel. No. 212-791-5041) or Joyce E. Motylewski (Tel. No. 212-791-5024), both Assistant Counsel at our Head Office.

ANTHONY M. SOLOMON,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

Operating Circular No. 12
Revised effective January 26, 1984

ADVANCES AND DISCOUNTS

To All Depository Institutions in the Second Federal Reserve District, Foreign Banks Having Branches or Agencies in the Second Federal Reserve District, and Others Concerned:

General

1. This operating circular (including Appendices A through D) sets forth the general terms and procedures under which the Federal Reserve Bank of New York (the "Bank")* extends credit to a depository institution or a foreign bank with a branch or agency in the Second Federal Reserve District (the "Borrower"). It also contains the Bank's credit and security agreement with the Borrower, which is referred to as the Continuing Lending Agreement. For a foreign bank Borrower, the Continuing Lending Agreement is supplemented by the provisions in Appendix B.

2. In the ordinary course of business, the following types of institutions located in the Second Federal Reserve District may request extensions of credit from the Bank: a member of the Federal Reserve System or a nonmember depository institution that holds transaction accounts or nonpersonal time deposits as defined in Regulation D of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 204, Reserve Requirements of Depository Institutions), a United States branch of a foreign bank, and a United States agency of a foreign bank that has worldwide consolidated bank assets, either alone or together with affiliates, in excess of \$1 billion.

* All references in this operating circular to "the Bank" include its Buffalo Branch, which serves the following counties in the State of New York: Allegany, Cattaraugus, Chautauqua, Erie, Genessee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben, Wayne, Wyoming, and Yates. All other portions of the Second Federal Reserve District are in the Head Office territory. A Borrower should submit documents to, pledge collateral to, and request extensions of credit from the office serving the territory in which the Borrower's head office is located, except that a foreign bank borrower should deal with the Bank's Head Office.

[Enc. Cir. No. 9609]

Required documents

3. To be able to request extensions of credit from the Bank, a Borrower must submit properly executed documents in the form provided in Appendix A or B. If the Borrower is a domestic depository institution, it must submit a letter agreement and resolutions in the form of the exhibits in Appendix A. If the Borrower is a United States branch or agency of a foreign bank, it must submit a letter of agreement, resolutions, and legal opinions in the form of the exhibits in Appendix B. Any Borrower that submitted the required documents under a previous version of Operating Circular No. 12 or under a previous version of the Continuing Lending Agreement need not provide new documents unless specifically requested by the Bank.

Definitions

4. All terms defined in Regulation A of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 201, Extensions of Credit by Federal Reserve Banks) have the same meanings as in the regulation when used in this operating circular. Unless the text requires otherwise or the term is defined in Regulation A, the terms used in this operating circular have the meanings specified in the Uniform Commercial Code in effect in the State of New York at the time the relevant advance is made or other indebtedness or obligation is incurred or asset is pledged.

Agreement to be bound

5. The Borrower acknowledges that the Bank is not obligated to make any advance to or discount for the Borrower and that the Borrower does not assign to the Bank any obligation to perform or not to perform any act or forbearance regarding the collateral for an advance or discount. By requesting an advance or discount, the Borrower agrees to be bound by this operating circular and the Continuing Lending Agreement, each as amended from time to time.

Types of credit

6. The Bank usually extends credit in the form of an advance, payable on demand and secured by collateral acceptable to the Bank. In the Bank's sole discretion, however, it may discount eligible paper on terms similar to those that would apply to advances secured by such paper. Under the Federal Reserve Act (the "Act") and Regulation A, the Bank is authorized to extend credit by the following means:

- (a) Short-term adjustment credit pursuant to sections 10(b), 13, and 13a of the Act and section 201.3(a) of Regulation A;

(b) Seasonal credit pursuant to sections 10(b), 13, and 13a of the Act and Section 201.3(b)(1) of Regulation A; and

(c) Other extended credit pursuant to sections 10(b), 13, and 13a of the Act and Section 201.3(b)(2) of Regulation A.

Applying for credit and availability of credit

7. A request for an advance generally may be made by telephone by an authorized employee of the Borrower. The Bank reserves the right, however, to require that the Borrower submit a written application. Each request for an advance must specify the amount of the requested advance, the reason for the request, the expected duration of the funding need, the collateral offered as security, and, if suitable collateral is not already pledged to the Bank, the manner in which it will be pledged.

8. If the Bank approves a request for an extension of credit, it gives the Borrower immediate credit for the amount of the advance in its reserve account, clearing account, or other account on the Bank's books. If the Borrower does not maintain or does not actively use an account with the Bank, the amount of the advance may be transferred to the account of another institution designated by the Borrower or a wire transfer of funds may be made in accordance with the Borrower's instructions.

9. An advance is evidenced by an advice of credit that specifies the amount of the advance and the rate of interest. Generally, each advance is payable on demand. The Bank transmits the advice of credit to the Borrower at the time the advance is made. The Bank reserves the right, in its sole discretion, to require the Borrower to execute a promissory note at any time for a particular advance.

Collateral

10. Each advance must be secured fully by collateral that is acceptable to the Bank. The collateral must meet the requirements of the Continuing Lending Agreement and any applicable custody agreement and must be:

(a) endorsed or assigned in blank by the Borrower (except in the case of negotiable, bearer paper) and

(b) in such form, or accompanied by such documents, that it may be transferred readily to the Bank without further action by the Borrower.

11. In certain situations and only with the Bank's prior approval, collateral offered as security for an advance may be held by the Borrower, another

depository institution, another Federal Reserve Bank, or any other custodian acceptable to the Bank in lieu of actual delivery of the collateral to the Bank. The terms of third-party custody arrangements are set forth in Appendix C, and the terms of borrower-in-custody arrangements are set forth in Appendix D.

12. Securities issued by the United States and certain other securities may be maintained by the Bank in book-entry form under the terms of its Operating Circular No. 21, Department of the Treasury regulations in Subpart 0 of 31 C.F.R. Part 306, and comparable regulations issued by other agencies. Any transferable Treasury securities or securities issued by agencies that are listed in Appendix B to Operating Circular No. 21 that are deposited by the Borrower as collateral for an advance will be converted into book-entry form and maintained in a book-entry collateral account in accordance with Operating Circular No. 21. Definitive securities that the Bank holds in safekeeping for use as collateral for an advance are maintained in accordance with the Bank's Operating Circular No. 14.

Statements and reports

13. The Bank reserves the right to require a current report of the Borrower's condition, a recent balance sheet and profit-and-loss statement of each obligor on obligations offered as collateral for an advance or for discount, and any other report or statement that the Bank deems desirable.

CONTINUING LENDING AGREEMENT

Payment

14. (a) The Borrower promises to pay to the order of the Bank on demand in immediately available and finally collected funds the principal amount of each advance made to the Borrower by the Bank as specified in an advice of credit transmitted by the Bank to the borrower when an advance is made, together with accrued interest. The Borrower waives presentment, notice of dishonor, protest, notice of protest, and any other notice relating to any note executed by it as further evidence of the Bank's advance.

(b) The Borrower authorizes the Bank, without further notice, to charge the Borrower's reserve, clearing, or other account at the Bank in the amount of the unpaid principal balance of each advance, together with accrued but unpaid interest, when payment is demanded. If the Borrower does not maintain an account at the Bank or either knows or should have known that its account has insufficient immediately available and finally collected funds when payment is demanded, the Borrower shall make arrangements satisfactory to the Bank for repaying the amount of the advance, together with accrued interest, in immediately available and finally collected funds.

(c) The Borrower authorizes the Bank, in the Bank's sole discretion at any time and without prior notice, to deduct the amount of any indebtedness or other obligation of the Borrower to the Bank from any account balance of the Borrower on the Bank's books and to apply any of the Borrower's collateral to any indebtedness or other obligation of the Borrower to the Bank, whether or not the Bank has demanded that the Borrower repay its indebtedness or obligation to the Bank or the indebtedness or obligation is then due. If any such deduction is made, the Bank will mail notice of the deduction and the reasons for it to the Borrower by the close of the same business day.

(d) The Bank applies payments for advances first to accrued but unpaid interest and then to the unpaid principal balance.

Interest rate

15. Interest on an advance is payable to the Bank when repayment of principal is demanded at the applicable rate, or rate plus surcharge, indicated in the Bank's Operating Circular No. 13 in effect at the time the advance is made. If the interest rate stated in Operating Circular No. 13 is changed while an advance is outstanding, the new rate applies on and after the effective date of the change, unless the Borrower repays the advance, together with accrued but unpaid interest, in full in immediately available and finally collected funds before the Bank's close of business on the effective date of the rate change or on the Bank's next following business day if the Bank is closed on the effective date of the rate change. Interest is computed on the basis of 365 days to the year.

16. If all or any portion of an advance remains unpaid in immediately available and finally collected funds after the date on which repayment is demanded, interest continues to accrue on the unpaid portion of the advance until the advance, together with accrued but unpaid interest, is paid in full in immediately available and finally collected funds. After demand or upon default by the Borrower in the performance of any of its obligations under the Continuing Lending Agreement, interest on the unpaid portion of the advance is payable at a rate 5 percentage points higher than the rate then in effect (including any applicable surcharge) for such an advance under Operating Circular No. 13, unless the Bank agrees in writing that a different rate applies.

17. If the date on which repayment of an advance is demanded falls on a Saturday, Sunday, public holiday, or emergency public holiday, interest on the advance continues to accrue at the rate in effect when repayment was demanded. The Borrower shall arrange for repayment on the Bank's next business day if such postponement occurs.

Collateral

18. In consideration of each advance that is made to the Borrower by the Bank, the Borrower:

(a) Warrants that, under applicable law, the regulations and policies of its chartering authority, and its charter, bylaws, or similar governing documents, it is authorized to obtain advances from the Bank and to pledge or grant security interests in its assets to the Bank;

(b) Warrants that the security interest in all assets offered as collateral under this Continuing Lending Agreement is superior to any lien against those assets under any other agreement or any applicable law, and warrants in particular that the Borrower has good title to those assets and that it has not assigned, pledged, encumbered, or transferred its interests in, or created or suffered the creation of any lien against, those assets that is not subordinated to the Bank's security interest and lien, and agrees that it will not assign, pledge, encumber, or transfer its interest in, or create or suffer the creation of any further or additional lien against, those assets without the Bank's prior written approval;

(c) Assigns and pledges to the Bank the assets identified by the Borrower and accepted by the Bank (the "Collateral") as security for the repayment of the advance, together with accrued interest, and grants the Bank a security interest in the Collateral and its proceeds;

(d) Assigns and pledges to the Bank, and grants the Bank a security interest in, the Collateral and its proceeds as security for any indebtedness or other obligation owed by the Borrower to the Bank or that may be acquired by the Bank;

(e) As further security for any obligation of the Borrower to the Bank, assigns and pledges to the Bank, and grants the Bank a security interest in, all property (tangible and intangible) of the Borrower in the possession or under the control of the Bank, including, but not limited to, items in process of collection and their proceeds and any balance to the credit of the Borrower with the Bank;

(f) Assigns and pledges to the Bank, and grants the Bank a security interest in, all documents regarding the Collateral, including, but not limited to, appraisals or opinions of value, title or other insurance policies and their proceeds, abstracts, advices of credit, repayment records, and credit agreements;

(g) Warrants that each item of the Collateral is negotiable or transferable and that each mortgage securing any mortgage note or bond included in

the Collateral has been recorded in the Borrower's favor in proper form and in the proper place for recording the Borrower's interest in the particular real property described in the mortgage;

(h) Agrees, as requested by the Bank, to substitute Collateral, pledge additional Collateral, or both, as the Bank deems necessary to secure adequately any advance or other obligation of the Borrower to the Bank;

(i) Agrees that, as its sole responsibility, it shall take the steps necessary to preserve all of the Bank's rights in the Collateral and that it shall execute any other agreement or document that is necessary to grant or perfect the Bank's security interest in any Collateral; and

(j) Agrees to hold any item of the Collateral in trust for the Bank, in appropriate circumstances, until the Bank's security interest in that item of the Collateral is perfected under applicable law.

19. All dividends, interest payments, proceeds of sales or redemptions, and other payments received by the Borrower regarding any Collateral may be retained by the Borrower, in trust for the Bank, unless the Bank expressly directs otherwise. If the Bank directs that payments regarding the Collateral be paid to the Bank, the Borrower shall remit those payments promptly to the Bank.

20. The Borrower authorizes the Bank to file or record any document that the Bank deems necessary to perfect its security interest in any item of Collateral. At the Bank's request, the Borrower shall reimburse the Bank for any expense incurred by the Bank in perfecting its security interest in the Collateral, including, but not limited to, the cost of recording assignments of mortgages, filing financing statements, and obtaining lien searches. At the Bank's request, the Borrower also shall reimburse the Bank for any expense incurred in assembling, transporting, safekeeping, or managing potential Collateral or Collateral pledged to the Bank, whether the Collateral is held by the Bank, a third-party custodian, or the Borrower.

21. At any time, the Bank may inspect, copy, and require delivery of any document in the possession or under the control of the Borrower regarding any item of Collateral, including, but not limited to, appraisals or opinions of value, title or other insurance policies, abstracts, repayment records, credit agreements, and any other evidence of indebtedness.

22. The Bank will release any Collateral to the Borrower at the Borrower's request after the Bank has verified, in accordance with its normal customs and procedures, that any advance, together with accrued interest, has been repaid in full in immediately available and finally collected funds, provided that

the Borrower is not then in default regarding any other indebtedness or obligation to the Bank.

Default

23. (a) If the Borrower defaults in the performance of any of its obligations under the Continuing Lending Agreement, any other applicable provisions of this Operating Circular, and any other instrument or agreement delivered or executed in connection with the Continuing Lending Agreement, or if the Borrower fails to repay or satisfy any other indebtedness or advance or obligation to the Bank, together with accrued but unpaid interest, or if the Borrower becomes or remains insolvent, or if a receiver, custodian, or the like is appointed for the Borrower or for any of its United States or foreign branches or agencies, or if any part of the Borrower's business is suspended or the Borrower is closed (other than a voluntary, routine relocation or closing of an office), or if possession of any part of the Borrower's business is taken by any receiver, custodian, governmental authority, or the like, or if the Borrower, in whole or in part, is purchased, acquired, merged, nationalized, or taken over in any other way by any other person or entity, then the Bank, or the Bank's assignee:

- (i) may exercise all the rights of a secured creditor;
- (ii) in its sole discretion, may declare any indebtedness or other obligation of the Borrower to the Bank immediately payable without prior notice or further demand;
- (iii) may set off the unpaid principal balance of any advance, together with accrued but unpaid interest, against any indebtedness of the Bank to the Borrower, whether then due or not due; and
- (iv) shall have a banker's lien against all assets of the Borrower in the Bank's custody or control, including, but not limited to, items in process of collection and their proceeds and any balance to the credit of the Borrower with the Bank.

(b) In addition to any other available remedy, the Bank may sell all or any of the Collateral at private or public sale, free of any other claim to the extent permitted by law. In the case of any such sale, the Borrower waives notice of the time and place of the sale, except the notice that may be required by applicable law and may not be waived. The Bank may be a purchaser at any sale. After deducting all expenses of the sale, the net proceeds will be applied against the amount owed by the Borrower to the Bank, and any surplus will be paid to the Borrower. The Borrower appoints the Bank or the Bank's assignee as the Borrower's Attorney in Fact and authorizes the Attorney in Fact to conduct the sale, give the notices, and execute the documents that are necessary to convey good

title to the Collateral to any purchaser. This power of attorney is coupled with an interest, and full power of substitution is granted to the assignee or holder. As Attorney in Fact, the Bank or its assignee, at the Bank's or the assignee's option, may take any lawful action to collect all sums due in connection with the Collateral and, in case of full payment, may release any instruments or agreements securing or evidencing those debts as fully as the Borrower could do if acting for itself.

(c) On complying with the provisions of the Continuing Lending Agreement, any other applicable provision of this Operating Circular, and applicable Federal and State law, the Bank is relieved of, and fully discharged from, any liability or responsibility to any person regarding the Collateral. The Bank will account, however, to the Borrower or its successor or assignee for any Collateral and proceeds actually received by the Bank, but the Bank is not liable for any Collateral or proceeds that the Bank does not actually receive.

Continuing obligations of the Borrower

24. The Bank's rights, remedies, powers, security interests, and liens under this operating circular and Continuing Lending Agreement continue unimpaired, and the Borrower remains obligated in accordance with the operating circular and Continuing Lending Agreement, even if the Bank does not insist on strict performance, only partially exercises any right or remedy, substitutes or adds any party, makes any compromise, or grants any extension or indulgence regarding any indebtedness or other obligation of the Borrower to the Bank. The Borrower waives all notice of any extension, release, substitution, renewal, compromise, or other indulgence and consents to be bound thereby as fully and effectively as if the Borrower had agreed expressly to it.

Rights and remedies

25. (a) Each of the Bank's rights and remedies under this operating circular and Continuing Lending Agreement is cumulative to any others agreed to by the Borrower or that may exist at law or in equity.

(b) If any provision of this Continuing Lending Agreement or of any other applicable part of this operating circular and is held invalid or unenforceable, that invalidity or unenforceability does not affect any other provision of the Continuing Lending Agreement or operating circular.

(c) This operating circular and Continuing Lending Agreement is binding on the assignees, successors, and legal representatives of the Borrower and inures to the benefit of the Bank, its assignees, and successors.

Termination

26. The Borrower may terminate its consent to be bound by this operating circular and Continuing Lending Agreement by giving written notice to the Bank before termination.* However, this Operating Circular and Continuing Lending Agreement remain in effect and are binding on the Borrower and the Borrower's assignees, successors, and legal representatives until both (a) the Bank actually receives the written notice of termination and (b) all obligations of the Borrower to the Bank — past, present, or future — have been fully satisfied. The Bank may retain the Collateral pledged to it before termination of the Borrower's consent until the Bank has had a reasonable opportunity to verify, in accordance with its normal customs and procedures, that all of the Borrower's obligations to the Bank have been fully satisfied, unless the Borrower makes alternative arrangements that are acceptable to the Bank for continuing to secure the Borrower's obligations.

Amendments

27. The Bank reserves the right to amend this operating circular without notice and at any time, but the Bank will endeavor to give 14 calendar days' prior written notice of any amendment. Any amendment applies only to advances or pledges of collateral made and to indebtedness or other obligations incurred after the effective date of the amendment.

Governing law

28. This operating circular and any other agreements regarding the Borrower's obligations to the Bank are to be construed in accordance with, and governed by, the Federal law of the United States, and the law of the State of New York to the extent that the State law is not inconsistent with Federal law.

Effect of this operating circular on previous circulars

29. This operating circular supersedes Operating Circular No. 12, Revised effective December 19, 1980, and the appendices issued thereunder.

ANTHONY M. SOLOMON,
President.

* The termination of third-party custody or borrower-in-custody collateral arrangements is not subject to this paragraph, but is governed by the termination provisions of Appendices C and D, respectively.

**FEDERAL RESERVE BANK
OF NEW YORK**

Appendix A to
Operating Circular No. 12
January 26, 1984

**BORROWING DOCUMENTS
FOR DOMESTIC DEPOSITORY INSTITUTIONS**

*To All Depository Institutions in the Second
Federal Reserve District, and Others Concerned:*

This appendix contains the forms of documents authorizing a domestic depository institution to request advances from, and to pledge assets to, the Federal Reserve Bank of New York. To be able to request advances from the Bank, a domestic depository institution must execute and return to the appropriate office of the Bank (a) a letter on the institution's letterhead stationery in the form of Exhibit I, (b) a copy of resolutions of its governing board in the form of Exhibit II, and (c) a list containing the names, titles, and signatures of persons authorized to request advances and to pledge assets on behalf of the institution.

ANTHONY M. SOLOMON,
President.

EXHIBIT I

LETTER OF AGREEMENT

[Letterhead of Domestic Depository Institution]

[Date]

[Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
Attention: Discount Division
Credit and Discount Department]

or

[Buffalo Branch
Federal Reserve Bank of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, New York 14240
Attention: Collection, Loans, and
Fiscal Agency Division]

Gentlemen:

In order to be able to request advances and in consideration of your making advances to us, we agree to the provisions of your Operating Circular No. 12, as revised from time to time.

Enclosed is a copy of the resolutions that you requested, together with a list of the names, titles, and signatures of persons authorized to request advances from, and to pledge our assets to, you.

.....
[Name of depository institution]

By:
[Authorized signature(s)]

.....
[Title(s)]

Enclosures (2)

2

EXHIBIT II
RESOLUTIONS AUTHORIZING A DOMESTIC DEPOSITORY
INSTITUTION TO REQUEST ADVANCES
FROM, AND TO PLEDGE ASSETS TO, THE
FEDERAL RESERVE BANK OF NEW YORK

As evidenced by my signature and the corporate seal below, I certify that the following are correct and complete representations of the resolutions duly

adopted onat a
[Date]

meeting of the
[Type of governing body, e.g.,

.....of the
board of directors] [Official name of depository institution]

(the "Institution"), a
[Commercial bank, mutual savings bank,

.....duly
savings bank, savings and loan association, credit union]

established and operating under the law of

I further certify that the meeting at which the resolutions were adopted was properly convened and that a quorum of all [directors/trustees] was present and acting throughout the meeting. I also certify that the resolutions have not been modified, remain in effect, and are not in conflict with any provisions of the certificate of incorporation or by-laws of the Institution.

1. RESOLVED, that the Institution is authorized to request advances from, and to pledge assets to, the Federal Reserve Bank of New York (the "Reserve Bank").

2. RESOLVED, that the
[Indicate the titles of authorized officers]

of the Institution and each of their successors in office, any

.....of whom, is/are authorized to transmit to
[Indicate whether one or two, etc.]

the Reserve Bank the names and signatures of individuals who are authorized to issue instructions in the name and on behalf of the Institution and from time to time:

(a) To borrow money from the Reserve Bank and to incur indebtedness to the Reserve Bank on the terms and security that the Reserve Bank requires; and

(b) To discount, rediscount, or sell (with or without the Institution's agreement to repurchase) and, for any of those purposes, to endorse and assign notes, drafts, bills of exchange, acceptances, other bills receivable, evidences of indebtedness, and securities, now or hereafter acquired by the Institution, as the Reserve Bank now or hereafter is willing to acquire them; and

(c) To make, execute, and deliver any application, note, agreement (including any third-party custody or borrower-in-custody of collateral agreement and the appointment of any custodian and the agreement to act as custodian in connection with any such agreement), certificate, and other document that the Reserve Bank requires in connection with any transaction authorized by this resolution; and

(d) To grant to the Reserve Bank a security interest in any property of the Institution, whether now owned or hereafter acquired, and to endorse, assign, deposit, and pledge any of that property to the Reserve Bank as collateral security for the payment or performance of any obligation of the Institution to the Reserve Bank; and

(e) To do any other act that is necessary or incidental to any transaction authorized by this resolution or that is designed or intended to carry out the purposes of this resolution.

3. RESOLVED, that these resolutions and the powers and authorizations granted or confirmed by them shall continue in effect until written notice of the revocation of these resolutions is received by the Reserve Bank; and that a duly certified copy of these resolutions, with the seal of the Institution attached, be furnished to the Reserve Bank.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Institution.

.....
*[Signature of certifying official]**

.....
[Name and Title]

.....
[Date]

[CORPORATE SEAL]

* The certifying official must be the cashier, comptroller, or secretary of the Institution or another officer of similar or higher rank. The official also must have the authority to certify the statements in this document and may not be a person designated in paragraph 2.

**FEDERAL RESERVE BANK
OF NEW YORK**

Appendix B to
Operating Circular No. 12
January 26, 1984

**SUPPLEMENTAL CONTINUING
LENDING AGREEMENT AND
BORROWING DOCUMENTS
FOR FOREIGN BANKS**

*To All Foreign Banks Having Branches or Agencies in the Second
Federal Reserve District, and Others Concerned:*

This appendix sets forth the additional terms that supplement the Continuing Lending Agreement between a foreign bank with a branch or agency in the Second Federal Reserve District (the "Borrower") and the Bank. The appendix also contains the forms of documents authorizing a Borrower to request advances from, and to pledge assets to, the Bank.

To be able to request advances from the Bank, a Borrower must execute and return to the Bank (a) a letter on the Borrower's letterhead stationery in the form of Exhibit I, (b) with a certified copy of resolutions of its governing body in the form of Exhibit II, (c) opinions of domestic and foreign legal counsel in the forms of Exhibits III and IV, and (d) a list containing the names, titles, and signatures of persons authorized to request advances and to pledge assets on behalf of the Borrower. If a Borrower wishes to be able to request advances through its branches or agencies in more than one Federal Reserve District, the exhibits in this appendix may be modified to accommodate that arrangement. Before proceeding, however, the Borrower should consult with the Bank's Credit and Discount and Legal Departments.

**SUPPLEMENTAL TERMS OF
CONTINUING LENDING AGREEMENT**

General

1. Paragraphs 1 through 4 of this appendix supplement and are incorporated into the Continuing Lending Agreement contained in the Bank's Operating Circular No. 12 as that agreement applies to a foreign bank with a branch or agency in the Second Federal Reserve District.

Warranties

2. In consideration of each advance that is made to the Borrower by the Bank, the Borrower warrants that, under applicable law, the regulations and policies of its chartering authority, and its charter, bylaws, statutes, or other governing documents:

(a) it is eligible and authorized to obtain advances from the Bank, to pledge to the Bank all assets offered as collateral under this Operating Circular and Continuing Lending Agreement, and to grant to the Bank a security interest in, and a lien on, those assets that is superior to any other lien against those assets under any other agreement or applicable law;

(b) it is authorized to execute and carry out the provisions of this Operating Circular and Continuing Lending Agreement;

(c) it is bound fully by the Continuing Lending Agreement and the applicable terms of this Operating Circular in its entirety as a juridical entity and not merely as its branches or agencies located in the United States of America; and

(d) its assets, wherever located, may be executed on to recover a judgment against the Borrower that arises out of its obligations to the Bank.

Waiver of immunity

3. (a) All transactions involving the Borrower conducted under this Operating Circular and Continuing Lending Agreement constitute commercial activities. Regarding the Bank and the Borrower's obligations to the Bank, the Borrower and its assets are not entitled to any immunity, whether characterized as sovereign or otherwise (including, without limitation, immunity from setoff, from service of process, from jurisdiction of any court or tribunal, from attachment in aid of execution, from attachment prior to the entry of a judgment, or from execution upon a judgment) in any legal proceeding in Federal or State courts in the United States of America or, except as may be specified in the opinion of foreign legal counsel as set forth in the form of Exhibit 4, in the courts of the country where the Borrower is chartered, or in the courts of the country in which it principally conducts its banking business.

(b) If the Borrower or its assets are now (as may be specified in the opinion of foreign legal counsel as set forth in the form of Exhibit 4) or in the future become entitled to such immunity, then the Borrower, regarding the Bank and the Borrower's obligations to the Bank, to the maximum extent permitted by law, expressly and irrevocably waives any such immunity in any legal proceeding and expressly and irrevocably agrees that any legal action or proceeding

arising out of, or relating to, this Operating Circular and Continuing Lending Agreement may be brought in Federal or State courts in the United States of America or in the courts of the country where the Borrower is chartered or of the country in which it principally conducts its banking business.

Deposit and asset maintenance requirements

4. The Bank's lien under the Continuing Lending Agreement on any deposit balance held by the Bank for the account of the Borrower that is used to satisfy the special deposit requirement of section 202-b(1) of the New York Banking Law is subject to any separate written agreement regarding that requirement between the Bank and the Borrower. In addition, the Bank's lien under the Continuing Lending Agreement on any deposit balance that is used to satisfy the asset maintenance requirement of section 202-b(2) of the New York Banking Law is subject to the ninth paragraph of the Bank's Operating Circular No. 7A, as revised from time to time.

ANTHONY M. SOLOMON,
President.

EXHIBIT I
LETTER OF AGREEMENT

[Letterhead of Foreign Bank]

[Date]

Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

Attention: Discount Division
Credit and Discount Department

Gentlemen:

In order to be able to request advances through our [branch/agency] in New York City and in consideration of your making advances to us, we agree to the provisions of your Operating Circular No. 12, and Appendix B to that Circular, as revised from time to time.

Enclosed are copies of the resolutions and opinions of counsel that you requested, together with a list of the names, titles, and signatures of persons authorized to request advances from, and to pledge our assets to, you.

.....
[Name of foreign bank]

By:
[Authorized signature(s)]

.....
[Title(s)]

Enclosures (4)

EXHIBIT II

RESOLUTIONS AUTHORIZING A FOREIGN BANK
TO OBTAIN ADVANCES FROM, AND TO
PLEDGE ASSETS TO, A FEDERAL RESERVE BANK

As evidenced by my signature [and the corporate seal] below, I certify that the following are correct and complete representations of the resolutions duly adopted onat
[Date]

a meeting of the
[Type of governing body, e.g.,

.....of the
board of directors] [Official name of foreign bank]

(the "Institution"), a commercial bank duly established and operating under the law of I further certify that the meeting
[Country]

at which the resolutions were adopted was properly convened and that a quorum of all governing body members was present and acting throughout the meeting. I also certify that the resolutions have not been modified, remain in effect, and are not in conflict with the chartering statutes or instruments of the Institution.

* * *

1. RESOLVED, that the Institution is authorized to request advances from, and to pledge assets to, any Federal Reserve Bank in the United States of America (the "Reserve Bank").

2. RESOLVED, that the
[Indicate the titles of

.....of the Institution and each of their
authorized officers]*

successors in office, any
[Indicate whether one or two, etc.]

* The titles listed (for example, general manager, agent, controller) should reflect officer positions at the branch or agency through which advances would be requested and collateral pledged.

of whom, is/are authorized to transmit to each appropriate Reserve Bank the names and signatures of individuals who are authorized to issue instructions in the name and on behalf of the Institution and from time to time:

(a) To borrow money from the Reserve Bank and to incur indebtedness to the Reserve Bank on the terms and security that the Reserve Bank requires; and

(b) To discount, rediscount, or sell (with or without the Institution's agreement to repurchase) and, for any of those purposes, to endorse and assign notes, drafts, bills of exchange, acceptances, other bills receivable, evidences of indebtedness, and securities, now or hereafter acquired by the Institution, as the Reserve Bank now or hereafter is willing to acquire them; and

(c) To make, execute, and deliver any application, note, agreement (including any third-party custody of collateral agreement and the appointment of any custodian and the agreement to act as custodian in connection with any such agreement), certificate, and other document that the Reserve Bank requires in connection with any transaction authorized by this resolution; and

(d) To grant to the Reserve Bank a security interest in any property of the Institution or of any branch or agency of the Institution, whether now owned or hereafter acquired, and to endorse, assign, deposit, and pledge any of that property to the Reserve Bank as collateral security for the payment or performance of any obligation of the Institution or of any branch or agency of the Institution to the Reserve Bank; and

(e) To do any other act that is necessary or incidental to any transaction authorized by this resolution or that is designed or intended to carry out the purposes of this resolution.

3. RESOLVED, that the Institution, with respect to the Reserve Bank and the Institution's obligations to any Reserve Bank, to the maximum extent permitted by law, expressly and irrevocably waives any immunity that the Institution now has or that in the future it may become entitled to, whether characterized as sovereign or otherwise (including, without limitation, immunity from setoff, from service of process, from jurisdiction of any court or tribunal, from attachment in aid of execution, from attachment prior to the entry of a judgment, or from execution upon a judgment), in any legal proceeding in the United States of America, the country where the Institution is chartered, and the country in which the Institution principally conducts its banking business.

4. RESOLVED, that these resolutions and the powers and authorizations

granted or confirmed by them shall continue in effect until written notice of the revocation of these resolutions is received by the appropriate Reserve Bank; and that a duly certified copy of these resolutions [, with the seal of the Institution attached,] be furnished to each Reserve Bank to which the Institution wishes to apply for advances.

.....
[Signature of certifying official]*

.....
[Name and title]

.....
[Date]

[CORPORATE SEAL]

* * *

* The certifying official must be an officer of the Institution, must have the authority to certify the statements in this document, and may not be a person designated in paragraph 2.

EMBASSY OF THE UNITED STATES OF AMERICA

.....
[City, country]

On
[Date] [Name of certifying official signing above]

personally appeared before me, adequately identified [himself/herself], and,
after being duly sworn by me, stated that [he/she] is the
[Title]

of the Institution whose governing body adopted the resolutions set forth in this document and that [he/she] executed this document by authority of that governing body.

.....
[Signature of U.S. Consul*]

[SEAL]

* If appropriate, an apostille may be substituted for this consular certificate. If this certificate is used, it must be executed by an ambassador, a minister plenipotentiary, a minister extraordinary, a minister resident, a charge d'affaires, a consul general, a vice-consul general, a deputy consul general, a consul, a vice-consul, a deputy consul, a consular agent, a vice-consular agent, a commercial agent, or a vice-commercial agent of the United States of America within his or her jurisdiction. The seal of his or her office or the seal of the consulate or legation to which he or she is attached must be affixed.

the United States of America affecting it.* We have investigated those laws to the extent we believe necessary to render the opinions expressed in this letter.

We are of the opinion that:

(1) The Institution, through its[branch/
[City]

agency], is authorized to obtain advances from, to incur indebtedness to, to pledge assets to, and to grant a security interest in its assets to any Federal Reserve Bank.

(2) The Institution and its assets are not entitled to, or, if either is entitled, it has effectively waived to the maximum extent permitted by law, any immunity, whether characterized as sovereign or otherwise (including, without limitation, immunity from setoff, from service of process, from jurisdiction of any court or tribunal, from attachment in aid of execution, from attachment prior to the entry of a judgment, or from execution upon a judgment), in any legal proceeding brought in the Federal or State courts in the United States of America.

(3) The agreement of the Institution to the terms of Operating Circular No. 12 of the Federal Reserve Bank of New York is valid and binding on the Institution.

In rendering our opinion, we have assumed the correctness of the opinion addressed to you, dated, 19. . . , from, legal counsel to the Institution at its [place of incorporation or chartering/head office/principal place of business] in
[Country]

* If the branch or agency is a Federal branch or agency, the reference to State law should be omitted.

affairs and the laws of
[Chartering country]
affecting it.

We are of the opinion that:

(1) The Institution, a
[Describe type of institution]

including its [branch/agency], validly exists
[City]

under the laws of;
[Chartering country]

(2) Under those laws, the Institution, including its branches or agencies located in the United States of America, is eligible and authorized to enter into the agreement regarding advances (Continuing Lending Agreement), to obtain advances from, to incur indebtedness to, to pledge its assets to any Federal Reserve Bank, and to grant to any Federal Reserve Bank a security interest in its assets, as provided in Operating Circular No. 12 of the Federal Reserve Bank of New York;

(3) Assuming that the Continuing Lending Agreement is valid and binding under the laws of the State of New York and of the United States of America, then the Continuing Lending Agreement is valid and binding under the law of;
[Chartering country]

(4) Regarding any Federal Reserve Bank and the Institution's obligations to any Federal Reserve Bank, the Institution and its assets are not entitled to, or, if either is entitled, the Institution has effectively waived to the maximum extent permitted by law, any immunity, whether characterized as sovereign or otherwise, that it now has or that in the future it may become entitled to (including, without limitation, immunity from setoff, from service of process, from jurisdiction of any court or tribunal, from attachment in aid of execution, from attachment prior to the entry of a judgment, or from execution upon a judgment) in any legal proceeding in the United States of America, the country where the Institution is chartered, or the country in which the Institution principally conducts its banking business; and

(5) The resolutions of the governing body of the Institution, dated that authorize the incurring of indebtedness and pledges of assets to any Federal Reserve Bank, have been duly adopted.

**FEDERAL RESERVE BANK
OF NEW YORK**

Appendix C to
Operating Circular No. 12
January 26, 1984

**THIRD-PARTY CUSTODY
OF COLLATERAL AGREEMENT**

*To All Depository Institutions in the Second
Federal Reserve District, and Others Concerned:*

This appendix sets forth the agreement (the "Agreement") among the Federal Reserve Bank of New York (the "Bank"), a depository institution* (the "Borrower"), and another institution (the "Custodian") that acts as a custodian of the Borrower's assets that are pledged to the Bank to secure any advance to the Borrower by, or other indebtedness or obligation of the Borrower to, the Bank. For the Borrower to be able to pledge collateral under this Agreement, it must first obtain the Bank's prior approval and then both the Borrower and the Custodian must execute and return a letter to the Bank in the form set forth in the Exhibit to this Appendix. This Agreement supplements the Continuing Lending Agreement in the Bank's Operating Circular No. 12, as revised from time to time.

TERMS OF AGREEMENT

Rights in the Collateral

1. In consideration of the Bank's making an advance to the Borrower pursuant to the Continuing Lending Agreement and as security for the repayment of the advance or any other indebtedness with interest and the performance of any other obligation of the Borrower to the Bank, the Borrower assigns and pledges to the Bank and grants to the Bank a security interest in the collateral held by the Custodian and any collateral substituted for it, together with any proceeds of that collateral (collectively, the "Collateral"). The Borrower also assigns and pledges to the Bank and grants to the Bank a security interest in all documents

* For the purpose of this Agreement, the term "depository institution" includes a foreign bank that pledges collateral through any of its United States branches or agencies to secure any advance from, or any other obligation to, any Federal Reserve Bank.

regarding the Collateral, including, without limitation, certificates of ownership, promissory notes, security agreements, credit agreements, appraisals or opinions of value, title insurance policies and their proceeds, abstracts, advices of credit, and repayment records.

2. The pledge of Collateral under this Agreement takes effect when the Bank makes an advance to the Borrower or when the Borrower incurs any other indebtedness or obligation to the Bank, whichever occurs first. Each item of Collateral is deemed to be in the possession of the Bank as though the Collateral had been deposited at the Bank's premises. After the Collateral is pledged to the Bank, the Borrower and the Custodian shall not perform any act or fail to do anything regarding the Collateral that might impair the Bank's security interest in the Collateral.

3. The Custodian shall hold the Collateral free of all liens, security interests, safekeeping or other charges, demands, or other claims of, or on account of, the Custodian. Except as to the Collateral and subject to the preceding sentence, nothing in this Agreement prevents the Custodian from dealing in any other matter with the Borrower or the Bank or from taking any action that the Custodian lawfully may take regarding those dealings. The Custodian's duties regarding the Collateral are solely those set forth in this Agreement.

Pledge procedure

4. The Borrower shall consult with the Bank prior to any pledge of collateral. Unless prior, alternative arrangements have been made with the Bank, the borrower shall provide a schedule of Collateral to the Bank on the Bank's business day immediately preceding the day on which an advance is to be made. At the Bank's request, the Borrower shall supplement or revise the schedule of Collateral and provide written reports or statements concerning the status of any item of the Collateral.

5. By executing the Exhibit to this Appendix, the Borrower instructs the Custodian:

- (a) to establish a separate account for the Bank (the "Pledged Account");
- (b) to credit the Collateral to the Pledged Account, marking its records to show that the Collateral has been assigned and pledged to the Bank;
- (c) to segregate the Collateral from all other property in its custody or control; and
- (d) to issue an advice of receipt to the Bank in a format acceptable to

the Bank (each a "Custody Receipt" and, collectively, the "Custody Receipts") for each item of Collateral.

6. The Borrower shall ensure that its transfer of the Collateral to the Custodian includes the execution and delivery of any required endorsement, assignment, power of attorney, or other document necessary to make the Collateral available to the Bank and to perfect the Bank's security interest in the Collateral.

7. At the Bank's request, the Borrower, the Custodian, or both shall execute, acknowledge, endorse, and deliver immediately to the Bank or its designee any agreement, assignment, participation certificate, note, power of attorney, or other document and shall cooperate with the Bank and take any action that the Bank requests, in each instance to enable the Bank to:

- (a) record or otherwise perfect its security interest in the Collateral;
- (b) dispose of any item of the Collateral; or
- (c) otherwise secure the repayment of principal and interest of the Borrower's indebtedness to the Bank.

8. The Custodian shall deliver a Custody Receipt to the Bank only after the Custodian actually has received possession of the item of Collateral that is described on the Custody Receipt. By delivering a Custody Receipt to the Bank, the Custodian warrants that, as of the date of the Custody Receipt, the Collateral is registered in the name of the Custodian's nominee, is in bearer or other fully negotiable form, or, if registered in the Borrower's name, has been delivered to the Custodian together with a power of attorney executed in blank by the Borrower.

9. The Custodian shall describe each item of Collateral on a separate Custody Receipt as follows:

- (a) the name or the account number of each obligor or maker;
- (b) the face amount;
- (c) the current amount outstanding if different from the face amount;
- (d) the final maturity date;
- (e) the coupon or other nominal interest rate for any debt security; and
- (f) the State and county where any real property securing the item of Collateral is located.

10. Any Custody Receipt received by the Bank from the Custodian that

lacks the Custodian's manual signature or endorsement has the same force and effect as if issued and signed or endorsed manually by a duly authorized employee of the Custodian. Each Custody Receipt binds the Custodian and the Borrower and their successors and assigns.

11. The Bank may inspect the premises at which the Collateral is kept, as well as any item of Collateral, for the purpose of verifying the Custody Receipts and the Borrower's and Custodian's compliance with the terms of this Agreement. The Bank also may inspect, copy, and require delivery of any documents concerning the Collateral, including, but not limited to, certificates of ownership, promissory notes, security agreements, credit agreements, appraisals or opinions of value, title insurance policies, abstracts, advices of credit, and repayment records, whether in the Borrower's or the Custodian's possession or control. An inspection may be made during regular business hours or at another time agreeable to whichever of the Borrower or the Custodian actually has possession of the premises or documents that the Bank wishes to inspect.

Withdrawals

12. Except as provided in paragraphs 13 and 14 of this Agreement, the Custodian shall hold the Collateral subject exclusively to the Bank's written direction. The Borrower or the Custodian may withdraw assets from the Pledged Account only as provided in paragraphs 13, 14, and 15 of this Agreement.

13. (a) Regarding any Collateral other than mortgage notes, the Custodian may provide the Bank and the Borrower, at least three business days of the Bank prior to any expected redemption or payment, with a written notice that identifies each item of Collateral (other than a mortgage note) that the Custodian expects to be redeemed or paid, in whole or in part, on the date specified in the notice. Thereafter, unless the Bank otherwise advises the Custodian in writing before the specified date, the Custodian may withdraw from the Pledged Account, without obtaining the Bank's prior written or oral authorization, each item of Collateral and accompanying documents as to which the Custodian has provided the notice specified in the preceding sentence for the purpose of redemption or payment.

(b) Upon receiving notice that an item of Collateral (other than a mortgage note) is to be redeemed or paid, the Borrower shall arrange, prior to the redemption or maturity date, for the substitution in the Pledged Account of Collateral that is acceptable to the Bank and that has a value, as defined by the Bank, at least equal to the value of the Collateral to be withdrawn.

14. (a) Regarding any mortgage notes pledged as Collateral, the Borrower

may provide the Bank and the Custodian, at least three business days of the Bank prior to any proposed withdrawal, with a written notice that identifies each mortgage note that the Borrower proposes to withdraw for the sole purpose of issuing a satisfaction to the mortgagor. Thereafter, unless the Bank otherwise advises the Custodian in writing before the specified withdrawal date, the Custodian shall release from the Pledged Account, without obtaining the Bank's prior written or oral authorization, each mortgage note and accompanying documents as to which the Borrower has provided the notice specified in the preceding sentence.

(b) Prior to withdrawal of any mortgage note, as provided in paragraph 14(a), the Borrower shall arrange for the substitution in the Pledged Account of Collateral that is acceptable to the Bank and that has a value, as defined by the Bank, at least equal to the value of the mortgage notes to be withdrawn.

15. (a) Unless otherwise authorized in paragraph 13 or 14, if the Borrower wishes to withdraw Collateral from the Pledged Account, it shall notify the Bank of each item of Collateral that it wishes to withdraw and, when necessary, the Collateral that it intends to substitute for the item to be withdrawn. The Borrower's notice to the Bank shall indicate the value, as defined by the Bank, of each item to be withdrawn and the value of any Collateral to be substituted. The Borrower's notice to the Bank may be oral, but unless otherwise agreed by the Bank and the Borrower, the notice must be received by the Bank not later than 3:00 p.m. (New York time) on the Bank's business day immediately preceding the date on which the Borrower wishes to withdraw the Collateral.

(b) If the Bank consents to the proposed withdrawal pursuant to the notice provided in paragraph 15(a), the Bank will issue a written, manually-signed advice authorizing the Custodian to withdraw from the Pledged Account the items of Collateral specified in the advice. The advice also will state whether the withdrawal may be made without the pledging of other Collateral by the Borrower or whether the withdrawal is contingent on the Custodian's receipt from the Borrower of the substitute Collateral specified in the Bank's advice for inclusion in the Pledged Account. If the Bank does not consent to a proposed withdrawal pursuant to this paragraph 15, the Bank will notify the Borrower promptly by telephone.

Surrender of the collateral

16. (a) The Bank may demand and take possession of the Collateral without prior notice to, or the consent of, the Borrower or the Custodian, but the

Bank will notify the Borrower promptly by telephone after taking any such action.

(b) Upon receipt of written instructions from the Bank to deliver any or all of the Collateral to the Bank, the Custodian shall surrender immediately (or as soon after demand as access to the safekeeping premises where the Collateral is held becomes available) to the Bank or its designee that Collateral, together with any related documents and any relevant endorsements, assignments, or powers of attorney. The Custodian shall arrange for the transportation of the Collateral to the Bank or its designee in the manner that the Bank requests. The Bank is not responsible for the risk of loss of any Collateral until the Collateral actually is received by the Bank or its designee.

(c) Unless the Bank notifies the Borrower and the Custodian to the contrary in writing, the Bank or the Custodian, as the case may be, shall pay to the Borrower any interest or dividends received relating to the Collateral and any proceeds received relating to any complete or partial redemption, payment, sale, or other action regarding the Collateral.

Default

17. If the Borrower defaults in the performance of any of its obligations under this Agreement, then the Bank, at its option, without notice or demand, may exercise any of the remedies available to it by law or reserved by it under the Continuing Lending Agreement. The failure of the Bank to insist upon strict performance of any of the terms of this Agreement or to seek to enforce its rights or remedies if any default or breach occurs is neither a waiver of its rights or remedies nor a waives of any subsequent default or breach in the terms of this Agreement.

Indemnification of Bank

18. The Borrower shall indemnify the Bank for, and hold the Bank harmless from, any damages, liabilities, losses, and expenses (including attorneys' fees and litigation costs) incurred by the Bank in the course of, or arising out of, the performance of this Agreement, other than any damages, liabilities, losses, and expenses incurred by the Bank as a result of the Bank's failure to exercise ordinary care. The Bank will give the Borrower prompt written notice of any claim that the Bank may have under this paragraph 18. The Borrower is not liable for any claim that is compromised or settled by the Bank without the Borrower's prior written consent, provided that, to preserve its rights under this sentence, the Borrower shall respond promptly to the Bank's notice of claim.

19. The Custodian shall exercise ordinary care regarding the Collateral

and shall indemnify the Bank for, and hold the Bank harmless from, any damages, liabilities, losses, and expenses (including attorneys' fees and litigation costs) incurred by the Bank by reason of either the failure of the Custodian or its agent to exercise ordinary care or the willful misconduct of the Custodian or its agent regarding any obligation under this Agreement. The Custodian is not liable for any damages, liabilities, losses, and expenses incurred by the Bank as a result of the Bank's failure to exercise ordinary care. The Bank will give the Custodian prompt written notice of any claim that the Bank may have under this paragraph 19. The Custodian is not liable for any claim that is compromised or settled by the Bank without the Custodian's prior written consent, provided that, to preserve its rights under this sentence, the Custodian shall respond promptly to the Bank's notice of claim.

20. The Bank is subrogated to the rights of the Borrower against the Custodian to the extent of the Bank's claim concerning the Collateral held by, or under the control of, the Custodian.

Disposition of collateral after repayment

21. Subject to paragraph 22 of the Continuing Lending Agreement and provided that the Borrower is not then in default on any other obligation to the Bank, at the Borrower's request, the Bank will instruct the Custodian to release and return the Collateral to the Borrower when the Bank is satisfied that its advance, together with interest, has been repaid in full in immediately available and finally collected funds.

Miscellaneous

22. In the absence of contrary instructions, the Custodian may rely conclusively upon any document received by it from the Bank or the Borrower and signed, in the case of the Bank, by a person authorized to do so by the Bank, and, with respect to the Borrower, by an authorized person in accordance with a written list of signatures provided to the Custodian by the Borrower; and the Custodian shall have no duty of further inquiry regarding the authenticity of those documents. The Bank or the Borrower, as appropriate, will confirm to the Custodian in writing any oral instruction as to addition, cancellation, or other revision of signing authority within one business day after the issuance of that instruction.

23. The Custodian acts as the Bank's agent in holding the Collateral, but only for the purpose of securing obligations of the Borrower to the Bank, and the Custodian so acts without any right of compensation from the Bank.

24. The Borrower and the Custodian shall notify the Bank immediately of

any significant exceptions disclosed by any internal or external audit or by any examination of the Collateral.

25. If any inconsistency arises among the terms of this Agreement and any Custody Receipt, advice, or other notice issued by the Borrower or the Custodian, the terms of this Agreement, as interpreted in any written instructions that the Bank may issue, govern.

26. This Agreement supersedes any previous agreement relating to third-party custody of collateral pledged to the Bank to secure obligations of the Borrower and becomes effective when the Bank accepts the letter from the Borrower and the Custodian in the form specified in the exhibit to this appendix.

27. This Agreement is binding on the successors, assigns, and legal representatives of the Borrower and the Custodian, and inures to the benefit of the Bank, its successors, and assigns.

Termination of the Agreement

28. The Bank or the Borrower may terminate this Agreement by giving written notice of termination to the other parties. When given by the Bank, the notice is effective immediately. When given by the Borrower, the notice is effective when received by the Bank. The rights and liabilities of the parties under this Agreement survive any termination of the Agreement until all the obligations of the Borrower to the Bank that arose before such termination have been satisfied in full. Before termination of this Agreement becomes effective, the Custodian and the Borrower, at the Borrower's expense, shall deliver to the Bank or the Bank's designee the Collateral and all copies of records concerning the Collateral that the Bank requires to secure the Borrower's obligations to the Bank that remain outstanding as of the close of the Bank's business day on the date of termination.

Resignation of Custodian

29. The Custodian may resign by giving not less than 60 calendar days' prior written notice to both the Bank and the Borrower. On the effective date of its resignation, the Custodian shall deliver all the Collateral to the Bank or to any successor custodian designated to the Custodian by the Bank in writing. The resigning Custodian shall assign, transfer, and deliver to the Bank or the successor custodian all funds and other assets held at that time by the resigning Custodian under this Agreement without recourse, representations, or warrant-

ies of any kind, except as to acts or omissions of the resigning Custodian or claims against the resigning Custodian arising under this Agreement prior, to or on the effective date of, the Custodian's resignation.

ANTHONY M. SOLOMON,
President.

EXHIBIT

LETTER OF AGREEMENT

[Letterhead of Depository Institution]

[Date]

[Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
Attention: Discount Division
Credit and Discount Department]

or

[Buffalo Branch
Federal Reserve Bank of New York
160 Delaware Avenue, P.O. Box 961
Buffalo, New York 14240
Attention: Collection, Loans, and
Fiscal Agency Division]

Gentlemen:

In order to be able to request advances from you, in consideration of your making advances to us secured by our pledge to you of collateral that you will permit a third-party custodian to hold in safekeeping for you, and to secure any advance or other obligation to you that we may incur after making that pledge of collateral, we agree to the provisions of Appendix C to your Operating Circular No. 12, as revised from time to time. We designate as the Custodian under that agreement.

.....
[Name of depository institution]

By:
[Authorized signature (s)]

.....
[Name(s) and title(s)]

We agree to Act as Custodian for
[Name of depository institution]
and, as such, to be bound by the provisions of Appendix C to your Operating
Circular No. 12, as revised from time to time.

.....
[Name of custodian]

By:
[Authorized signature(s)]

.....
[Name(s) and title(s)]

Date:

**FEDERAL RESERVE BANK
OF NEW YORK**

[Appendix D to
Operating Circular No. 12
January 26, 1984]

**BORROWER-IN-CUSTODY OF COLLATERAL
AGREEMENT**

*To All Depository Institutions in the Second
Federal Reserve District, and Others Concerned:*

This appendix sets forth the agreement (the "Agreement") between a depository institution* (the "Borrower") and the Federal Reserve Bank of New York (the "Bank") regarding the Borrower's pledge of certain assets, which it physically retains, to the Bank to secure the repayment to the Bank of any advance or other indebtedness or the performance of any other obligation of the Borrower. To be able to pledge collateral under this Agreement, the Borrower must first obtain the Bank's prior approval and then must execute and return a letter to the Bank in the form set forth in the exhibit to this appendix. The terms of this Agreement supplement the terms of the Continuing Lending Agreement.

TERMS OF AGREEMENT

Acceptable assets

1. Assets pledged to the Bank under this Agreement are restricted to notes secured by first mortgages on one- to four-family residences, unless otherwise authorized by an officer of the Bank's Loans and Credits Function at the Head Office or an officer of the Bank's Buffalo Branch. In addition, payments of principal and interest relating to an asset must neither be nor have been delinquent for more than 60 consecutive days during the prior 12 months for that asset to be acceptable as collateral.

* For the purpose of this Agreement, the term "depository institution" includes a foreign bank that pledges collateral through any of its United States branches or agencies to secure any advance from, or any other indebtedness or obligation to, any Federal Reserve Bank.

Rights in the Collateral

2. In consideration of the Bank's making an advance to the Borrower pursuant to the Continuing Lending Agreement and as security for the repayment of the advance or any other indebtedness and the performance of any other obligation of the Borrower to the Bank, the Borrower grants to the Bank a security interest in, and assigns and pledges to the Bank, the collateral that is listed in each schedule of collateral (as described in paragraph 7) and any collateral substituted for it, together with any proceeds of that collateral (collectively, the "Collateral"). The Borrower also assigns and pledges to the Bank, and grants to the Bank a security interest in, all documents regarding the Collateral, including, without limitation, promissory notes, bonds, mortgages, deeds of trust, appraisals or opinions of value, title insurance policies and their proceeds, mortgage insurance policies (including Federal Housing Administration insurance and Veterans Administration guarantees) and their proceeds, abstracts, advices of credit, repayment records, and credit agreements.

3. The pledge of Collateral under this Agreement takes effect when the Borrower submits a schedule of Collateral to the Bank under paragraph 6 and either (a) the Bank makes an advance to the Borrower or (b) the Borrower incurs any other indebtedness or obligation to the Bank that remains unpaid at the close of the Bank's business day on which the indebtedness or other obligation is incurred.

4. The Borrower shall mark its records to show that the Collateral has been pledged to the Bank and is subject exclusively to the Bank's written instructions. Each item of Collateral is deemed to be in the possession of the Bank as though the Collateral had been deposited at the Bank's premises. After the Collateral is pledged to the Bank, the Borrower shall not perform any act or fail to do anything regarding the Collateral that might impair the Bank's security interest in the Collateral.

5. The Borrower shall hold the Collateral free of all liens, security interests, safekeeping or other charges, demands, or other claims of, or on account of, the Borrower.

Pledge procedure

6. The Borrower shall submit to the Bank a schedule of Collateral that the Borrower pledges. Each 90 days thereafter, the Borrower shall submit a revised schedule of Collateral. At the Bank's request, the Borrower shall supplement or revise the schedule of Collateral and provide written reports or statements concerning the status of any item of the Collateral.

7. The Borrower shall list in each schedule of Collateral: (a) the aggregate value of the Collateral in accordance with the Bank's definition of collateral value; and (b) a description of the Collateral that is sufficient to enable the Bank to identify and evaluate the Collateral in accordance with reasonable commercial practice regarding each item of Collateral:

- (a) the name of the obligor or maker or, if the item is a mortgage note, the account number;
- (b) the face amount;
- (c) the current amount outstanding, if different from the face amount;
- (d) the final maturity date;
- (e) the current interest rate, with a notation whether the interest rate is fixed or variable; and
- (f) the State and county where any real property securing the item is located.

8. The Borrower shall not transmit a schedule of Collateral or other notice regarding this Agreement to the Bank without the manual signature or endorsement of a duly authorized officer of the Borrower. Any schedule of Collateral or other notice issued by the Borrower under this Agreement shall bind the Borrower and its successors and assigns.

9. The Bank may inspect the Borrower's premises at which the Collateral is kept, as well as any item of Collateral, for the purpose of verifying the schedule of Collateral and the Borrower's compliance with the terms of this Agreement. An inspection of the Borrower's premises may be made during the Borrower's regular business hours or at another time agreeable to the Borrower.

Withdrawals

10. (a) During each 90 days between the submission of schedules of Collateral as provided in paragraph 6, the Borrower may withdraw assets from the Collateral with a total value, as defined by the Bank, of not more than ten percent of the aggregate value of the Collateral as specified on the most recent schedule of Collateral submitted to the Bank.

(b) If the Borrower wishes to withdraw assets from the Collateral, other than as authorized in paragraph 10(a), it must provide the Bank before noon (New York time) of the Bank's business day immediately preceding the date of the proposed withdrawal with a revised schedule of Collateral listing the Collat-

eral that would remain after the proposed withdrawal. If the Borrower complies with the requirements of the preceding sentence, it may withdraw from the Collateral the assets that it proposes to remove. If, however, before any withdrawal occurs, the Bank notifies the Borrower that, in the Bank's sole judgment, the Collateral remaining after the withdrawal would be insufficient to secure adequately the Bank's advances or the Borrower's other obligations to the Bank, then the Borrower, prior to the withdrawal, shall either pledge to the Bank sufficient Collateral acceptable to the Bank or reduce any outstanding advance by the Bank or other indebtedness owed to the Bank to an amount approved by the Bank.

11. The Borrower shall withdraw from the Collateral any mortgage note that has a payment of principal or interest past due, in whole or in part, for more than 60 consecutive days. Prior to the withdrawal, the Borrower shall pledge to the Bank sufficient Collateral acceptable to the Bank that has a value, as defined by the Bank, at least equal to the value of the mortgage note to be withdrawn, assuming that the note were being repaid according to its terms. Unless otherwise handled under paragraph 10(a) or 10(b), the Borrower shall notify the Bank in writing immediately of the items withdrawn and substituted pursuant to this paragraph 11.

Segregation and surrender of the Collateral

12. (a) At the Bank's request, the Borrower shall segregate the Collateral from all other assets in its possession or control.

(b) The Bank may demand and take possession of the Collateral without prior notice to, or the consent of, the Borrower. Upon receipt of written instructions from the Bank to deliver any or all of the Collateral to the Bank, the Borrower shall surrender immediately (or as soon after demand as access to the Borrower's safekeeping premises becomes available) to the Bank or its designee that Collateral, together with any related documents and any relevant endorsements, assignments, or powers of attorney executed in blank by an authorized officer of the Borrower for the transfer or other disposition of the Collateral. The Borrower shall arrange for the transportation of the Collateral to the Bank or its designee in the manner that the Bank requests. The Bank is not be responsible for the risk of loss of any Collateral until the Collateral actually is received by the Bank or its designee.

(c) Termination of this Agreement shall not preclude the Bank from taking possession of the Collateral at or within the borrower's premises or obviate the Borrower's duty to segregate the Collateral for the Bank's benefit or to allow the Bank to remove the Collateral from the borrower's premises, unless the

Bank has received payment in full, in immediately available and finally collected funds, of any advance to or other indebtedness or obligation owed by the Borrower.

Indemnification of Bank

13. The Borrower shall exercise ordinary care regarding the Collateral and shall indemnify the Bank for, and hold the Bank harmless from, any damages, liabilities, losses, and expenses (including attorneys' fees and litigation costs) incurred by the Bank in the course of, or arising out of, the performance of this Agreement or the pledge of the Collateral, other than any damages, liabilities, losses, and expenses incurred by the Bank as a result of its failure to exercise ordinary care. The Bank will give the Borrower prompt written notice of any claim that the Bank may have under this paragraph 13. The Borrower is not liable for any claim that is compromised or settled by the Bank without the Borrower's prior written consent, provided that, to preserve its rights under this sentence, the Borrower shall respond promptly to the Bank's notice of claim.

Miscellaneous

14. In the absence of contrary instructions, the Borrower may rely conclusively on any document received by it from the Bank that is signed by a person authorized by the Bank to do so. The Bank will confirm to the Borrower in writing any oral instruction as to addition, cancellation, or other revision of signing authority within one business day after the issuance of that instruction.

15. The Borrower acts as the Bank's agent in holding the Collateral, but only for the purpose of securing obligations of the Borrower to the Bank, and the Borrower so acts without any right of compensation from the Bank.

16. The Borrower shall notify the Bank immediately of any significant exceptions disclosed by any internal or external audit or by any examination of the Collateral.

17. If any inconsistency arises among the terms of this Agreement and any schedule of Collateral, advice, or other notice issued by the Borrower, the terms of this Agreement, as interpreted in any written instructions that the Bank may issue, govern.

18. This Agreement supersedes any previous agreement relating to the custody of collateral, physically retained by the Borrower, that is pledged to the Bank to secure advances to the Borrower and becomes effective when the Bank accepts the letter from the Borrower in the form specified in the exhibit to this appendix.

Termination of the Agreement

19. The Bank or the Borrower may terminate this Agreement by giving written notice of termination to the other party. When given by the Bank, the notice is effective immediately. When given by the Borrower, the notice is effective when received by the Bank. The rights and liabilities of the parties under this Agreement survive any termination of the Agreement until all obligations of the Borrower to the Bank that arose before the termination have been satisfied in full. Before termination of this Agreement becomes effective, the Borrower, at its expense, shall deliver to the Bank or its designee the Collateral and all records concerning the Collateral that the Bank requires to secure the Borrower's obligations to the Bank that remain outstanding as of the close of the Bank's business day on the date of termination.

ANTHONY M. SOLOMON,
President.

EXHIBIT

LETTER OF AGREEMENT

[Letterhead of Depository Institution]

[Date]

[Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
Attention: Discount Division
Credit and Discount Department]

or

[Buffalo Branch
Federal Reserve Bank of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, New York 14240
Attention: Collection, Loans, and
Fiscal Agency Division]

Gentlemen:

In order to be able to request advances from you, in consideration of your making advances to us secured by our pledge to you of collateral that you will permit us to hold in safekeeping for you, and to secure any advance or other obligation to you that we may incur after making that pledge of collateral, we agree to the provisions of Appendix D to your Operating Circular No. 12, as revised from time to time.

.....
[Name of depository institution]

By:
[Authorized signature(s)]

.....
[Name(s) and title(s)]