

Annex to 2(a)-7 Compliance and Procedures Manual

Procedures Governing Repurchase Agreements

This annex is intended to supplement the requirements for repurchase agreements contained in the Compliance and Procedures Manual and the Pool's Statement of Procedures as to the Valuation of Pool Securities and Stabilization of Net Asset Value for the Limited Term Pool (the "Pool")

Repurchase agreements are transactions in which the Pool purchases securities from a broker/dealer or bank counterparty and simultaneously commits to resell those securities to the counterparty at an agreed upon price on an agreed upon future date. The repurchase price reflects a market rate of interest and may be more or less than the interest rate on the underlying securities. If the seller of the securities fails to pay the agreed resale price to the Pool on the agreed delivery date, the Pool may incur costs and/or losses in disposing of the securities. The Pool may enter into repurchase agreements with respect to securities that it may purchase under its investment policies without regard to the maturity of the securities underlying the agreements. A repurchase agreement shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur, or where the agreement is subject to demand, the notice period applicable to a demand for the repurchase of the securities. It is the policy of the Pool that repurchase agreements be entered into with counterparties that present minimal credit risk, that the agreements be "Fully Collateralized" and that the agreements be documented in a manner that provides a high level of security for repurchase agreements in accordance with industry norms.

Counterparty Credit Criteria

For purposes of evaluating the creditworthiness of a repurchase agreement counterparty, the Office of Financial Management ("OFM") shall evaluate the financial strength of each counterparty and shall enter into a repurchase agreement with a counterparty if it determines, based upon such review, that a repurchase agreement with such party would present minimal credit risks under the procedures set forth in Section V of the [Rule 2a-7 Compliance Procedures]. In addition, the OFM must determine that the following requirements are met:

- The counterparty must be recognized as a "Primary Dealer" by the Federal Reserve Bank of New York.
- The OFM must approve the financial strength of the counterparty after considering, among other things, the overall quality of its assets and liabilities, its capital ratio, the diversity of its business, trends in its revenue and earnings, and its financial performance as compared with that of its industry peers.

Documentation Criteria

- Repurchase agreements and custodial arrangements must be documented in writing. Agreements with sellers shall be based on the Master Repurchase Agreement form of the Bond Market Association (now known as the Securities Industry and Financial Markets

Association) and obligate the Pool and the counter-party to specify securities eligible for purchase and re-sale and limit them to those which are “Government Securities” under Rule 2a-7.

- At the time of each repurchase agreement transaction, the underlying securities will have a market value at least equal to one hundred and two percent (102%) of the repurchase price. If an agreement is in effect for more than one day, the OFM shall be responsible for monitoring the value of the underlying securities and, in the event the value drops below one hundred and two percent (102%) of the repurchase price (including accrued interest), the counterparty to the repurchase transaction shall be required to provide additional securities or cash so that the value of the collateral is not less than one hundred and two percent (102%) of the repurchase price. OFM currently relies on the tri-party custodian for pricing information needed to meet this requirement.
- All securities underlying repurchase agreements shall be delivered to the Pool’s Custodian or to another custodian that satisfies the requirements of these procedures.

Dated: June 27, 2012