
DEMYSTIFYING DTC: THE DEPOSITORY TRUST COMPANY AND THE MUNICIPAL BOND MARKET

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Anyone who practices in the world of municipal securities has been there: in a closing room filled with executed documents, anxiously anticipating the funding of the transaction. Months, maybe years, of work, conference calls, drafting sessions, lack of sleep, all concluded. What then follows is a mysterious call on a speakerphone involving the underwriter, the trustee, and the Depository Trust Company (“DTC”). Some pleasantries are exchanged, the title of the securities, participant numbers and principal amounts are shared and agreed to, mention is made to “updating FRAC,” and the deal is closed. What just happened?

DTC plays a fundamental role in the municipal securities market. The bond community regularly encounters DTC and generally understands that it touches many stages of the life of a financing – from the closing, to payments, transfers, notices, and a variety of other elements. But how DTC actually works in these areas is far less understood, and in some cases greatly misunderstood, by lawyers and other market participants.

This paper bridges this information gap and provides an understanding of the core elements of DTC that affect municipal bond transactions.¹ Part I begins with a glossary of key terms used in this paper, followed by a brief history of DTC and how it became so integral to the municipal bond market. Part II describes how interests in and related to securities deposited with DTC are tracked within and outside DTC through the use of Participants. Part III explores key closing day and post-closing day features of DTC through a series of commonly asked questions and answers. Part IV summarizes and examines certain key provisions and operational requirements of DTC (e.g., transfers, record dates, and redemption notices), and how those get incorporated in the day-to-day functions of publicly traded municipal securities. Part V concludes by addressing redemptions, obtaining bondholder consents, withdrawing from DTC and other miscellaneous issues respecting DTC that from time to time affect issuers, bondholders, and other market participants.

This paper also includes several appendices. Appendix I includes information about requirements to be a DTC-eligible security. Appendix II contains DTC’s *Underwriting Standard Time Frames (Information and/or Materials Needed by DTC to Process an Underwriting and Notify DTC Participants in a Timely Fashion)*, which appears as Exhibit B to the Operational Arrangements. Appendix III contains the form of the DTC *Blanket Issuer Letter of Representations* (“BLOR”), which appears as Exhibit C to the Operational Arrangements. Appendix IV contains the form of the *Issuer Letter of Representations* (“ILOR”), which appears as Exhibit D to the Operational Arrangements. Finally, Appendix V contains DTC’s *Payment Time Frames*, which appears as Exhibit E to the Operational Arrangements.

DTC is a large, complex organization that covers many functions. It is important to stress at the outset that this is not a paper about DTC generally, nor does it explore in any detail the internal operations, working rules, or procedures of DTC. With the exception of a short background on DTC, this paper focuses solely on DTC’s role in a municipal bond financing from closing to maturity.

¹ The portions of this paper that address DTC operations are based primarily on publicly available materials obtained on DTC’s website. See, e.g., “*The Depository Trust Company Operational Arrangements (Necessary for Securities to Become and remain Eligible for DTC Services)*,” October 2016, (referred to herein as the “Operational Arrangements” or “OA”), <http://www.dtcc.com/search?q=operational%20arrangements>. It is possible that DTC may not operate strictly by its online posted procedures, and it is also possible that such procedures may be changed or modified from time to time without corresponding updates to printed materials, whether on DTC’s website or otherwise.

Part I Defined Terms and DTC History

(a) Defined Terms

“Beneficial Owner” means the actual purchaser of the securities.

“Book Entry-Only (“BEO”) Securities” means DTC-eligible securities for which physical certificates are not available to investors, and DTC (as defined herein), through its nominee, Cede & Co., will hold the entire balance of the offering, either at DTC or through a FAST Agent.

“Conventional Municipal Bond” means a bond without any derivatives attached to it and no inherent features that would prevent a redemption announcement from being provided in a timely manner.

“CUSIP” is an acronym for the Committee on Uniform Securities Identification Procedures.

“DTC” means the Depository Trust Company, a subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation (“NSCC”), and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC rules and procedures are required to be filed with, and approved by, the Securities and Exchange Commission, and they are publicly available.

“FAST” is the acronym for DTC’s Fast Automated Securities Transfer system.

“FAST Agent” is the agent (typically a trustee or paying agent) that is registered with DTC so that an exchange of physical securities with DTC is not required. In order to serve as a FAST Agent, the entity must have on file with DTC a completed and agreed to “Operational Arrangements Agent Letter,” pursuant to which the agent agrees to be bound by the terms and conditions required by DTC for securities to become and remain eligible for DTC services, and must have entered into a DTC “Balance Certificate Agreement” and an “Operational Criteria for FAST Transfer Agent Processing” with DTC.

“FRAC” is an acronym for DTC’s Fast Reject and Confirmation system. This is used to track securities held by DTC or FAST Agents. FRAC is used to confirm custody of security certificates.

“Letter of Representations” (“LOR”) are documents submitted by issuers to DTC. There are two types of LORs: the Blanket Issuer Letter of Representations (“BLOR”), which covers all DTC-eligible securities of a particular issuer, and the Issuer Letter of Representations (“ILOR”), which is applicable only to a particular issue.

“NIIDS Data Elements” are data needed for trade reporting, trade matching and to set up trade confirmations (also called “Trade Eligible Data”).

“Participant List,” “Security Position Report” and “Security Position Listing” are listings of the Participants holding a position in the issuer’s securities on a specific date.

“Participants” are U.S. broker-dealers and banks, holding one or more accounts through which they deposit and hold securities at DTC. Each Participant is an owner of DTC. Participants hold non-voting shares of DTC, which is how DTCC retains control of DTC.

“Registered Holder” is the person or entity named and recorded on the books of the issuer, trustee, or registrar as the holder of the bonds. This may be an individual, a corporation, a Participant, or, most likely, Cede & Co., the nominee of DTC in book-entry transactions.

(b) A Brief History of DTC

DTC is a U.S.-registered clearing agency for securities that provides depository, custody, book entry transfer and related asset servicing for U.S. and non-U.S. securities that satisfy the eligibility requirements provided in DTC operational arrangements. DTC is a subsidiary of DTCC. DTCC is the holding company for DTC, NSCC, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC rules and procedures (the “Rules”) are required to be filed with, and approved by, the Securities and Exchange Commission, and they are publicly available.²

DTC and NSCC were created in the early 1970s. Before then, banks and brokers typically held and exchanged physical securities certificates. The delivery and exchange of these certificates occurred upon initial original issuance and for subsequent trades. The mechanisms brokers used to record and transfer physical securities relied heavily on hundreds of delivery messengers, pen and paper, the U.S. mail, and overnight delivery systems. The associated process of exchange, transfer, registration and custody of physical certificates was often inefficient, time-consuming, expensive, and sometimes subject to loss or theft.

In-person bond closings were the norm. Bond counsel, issuer’s counsel, underwriter’s counsel and trustee’s counsel would orchestrate a relatively detailed process for the preparation, registration, execution and authentication of each individual physical bond certificate for each bond purchaser. This was followed by careful examination and approval of those physical certificates at closing by the purchaser or its representative (or through an arrangement for delivery in escrow for examination and approval) pending release upon closing, and, finally, release of the bond certificates against confirmation of payment, and arrangement for physical pick-up or delivery (or release from escrow if delivered in escrow in advance). Coordination of closing logistics necessitated physical proximity (including messengers with wheeled metal lock-boxes waiting at closing to pick up their assigned delivery of bonds), and sometimes made for uncertain closings (affected by weather and traffic in particular) and occasional loss or theft. As a result, most law firms with active bond practices were by necessity located in the New York Wall Street area, within walking distance of the custodian banks.

Against this backdrop, the U.S. securities industry experienced a dramatic surge in volume in the late 1960s (daily trading volume almost tripled between 1965 and 1968), creating a crisis in paperwork processing. Back offices could not keep pace with the volume of paperwork – closings were delayed, errors increased, and brokerage firms became overwhelmed. Stock exchanges were forced to shorten hours each day, closing one day each week to handle the volume.

DTC was created in 1973 by the securities industry as a direct response to this logistical and paperwork problem. DTC, by offering a single source for the deposit and electronic transfer of interests in securities, facilitates the distribution of public bond offerings by means of electronic delivery and settlement.³ The creation of DTC effectively eliminated the need for physical movement of securities for trading. It also simplified payments, the processing of redemptions and bond calls, and the administration of corporate actions. In each case, the DTC system reduces or eliminates costs of shipping and insurance associated with transporting certificates, risk of loss or delay in shipment, risk of theft, and associated replacement costs in the event of loss.

Securities may be made eligible for DTC’s full range of depository services (known as the “full book-entry service”) or the limited Custody Service offered by DTC in which DTC can, subject to its procedures, act as a custodian for securities on behalf of a transaction. This paper addresses aspects of the full book-entry service applicable to municipal securities.

² See <http://www.dtcc.com>. For the purposes of the Uniform Commercial Code (“UCC”) DTC is a “clearing corporation” and a “securities intermediary,” as defined therein.

³ A wide range of security types may be made eligible for deposit with DTC. These include, among others, equities, warrants, rights, corporate debt and notes, municipal bonds, government securities, asset-backed securities, collateralized mortgage obligations, equity and debt derivatives, variable-rate demand obligations, money market instruments, American/global depository receipts, shares of closed end funds, retail certificates of deposit, unit investment trust certificates, shares of exchange traded funds, and insured custodial receipts.

Part II

Participants and Beneficial Owners

Central to an understanding of DTC and its involvement in the municipal securities industry is the role played by Participants and Beneficial Owners.

(a) Participants

The Participant Defined. Participants consist of banks, broker-dealers, clearing corporations and other financial organizations approved by DTC to maintain an account in its system.⁴ DTC will only accept deposits of eligible securities from Participants.⁵

Eligibility of Securities for Deposit with DTC. As explained in greater detail below, Participants may deposit and hold interests in securities at DTC for their own account or for the accounts of others. Those for whom a Participant holds an account may, in turn, be holding for their own account or acting as intermediaries (*i.e.*, holding for the accounts of others).⁶ Only Participants may request that DTC make a security eligible for deposit. It is therefore necessary that an issuer have a relationship with a Participant (typically an underwriter) or an institution directly associated with a Participant willing to sponsor the eligibility process for the issuer's securities. A Participant may submit an eligibility request through DTC at the time a security is initially being offered, or at a later time (such as securities issued as private placements that are later to be DTC-registered for ease in public trading). A discussion of the procedures associated with becoming an eligible security is provided in Appendix I.

When eligible securities are deposited with DTC, DTC credits the account of the appropriate Participant with an interest in those securities. As such interests are subsequently transferred, DTC debits the account of a delivering Participant and credits the account of a receiving Participant.

Title to the Security and Related Interests. Participants do not hold title to a specific security. Rather, each Participant to which an interest in securities of that CUSIP is credited holds a ratable interest in the entire inventory of that security held by DTC. For purposes of Section 8-503 of the Uniform Commercial Code ("UCC"), the Participant owns a securities entitlement⁷ to a *pro rata* interest in the interest in that security held by DTC. Correspondingly, each customer of a Participant with respect to a particular security, for whom that Participant acts as a securities intermediary⁸ (sometimes referred to herein simply as an "intermediary"), owns a securities entitlement to a *pro rata* interest in such security held by the Participant and credited to such customer's account with the Participant.⁹ A Participant tracks this ownership by crediting an interest in the relevant CUSIP to the account it maintains for that customer. The customer essentially holds a ratable interest in the aggregate amount of that CUSIP held by that Participant (in the nature of a securities entitlement in a securities account).

⁴ See DTC Rules 2 and 3, available at: <http://www.dtcc.com/legal/rules-and-procedures.aspx>. A financial institution that meets the requirements set forth in DTC Rule 2 may, subject to Rule 3, apply for membership. The application is subject to evaluation by the DTC Risk Group, including analysis of the applicant's business model and credit condition, among other factors.

⁵ Most large U.S. broker-dealers and banks are Participants, holding one or more accounts through which they deposit and hold securities at DTC.

⁶ Participant accounts at DTC constitute "security accounts," as defined in the UCC. DTC, as a "securities intermediary," holds its deposited securities in "fungible bulk" meaning that there are no specifically identifiable securities directly owned by any single Participant.

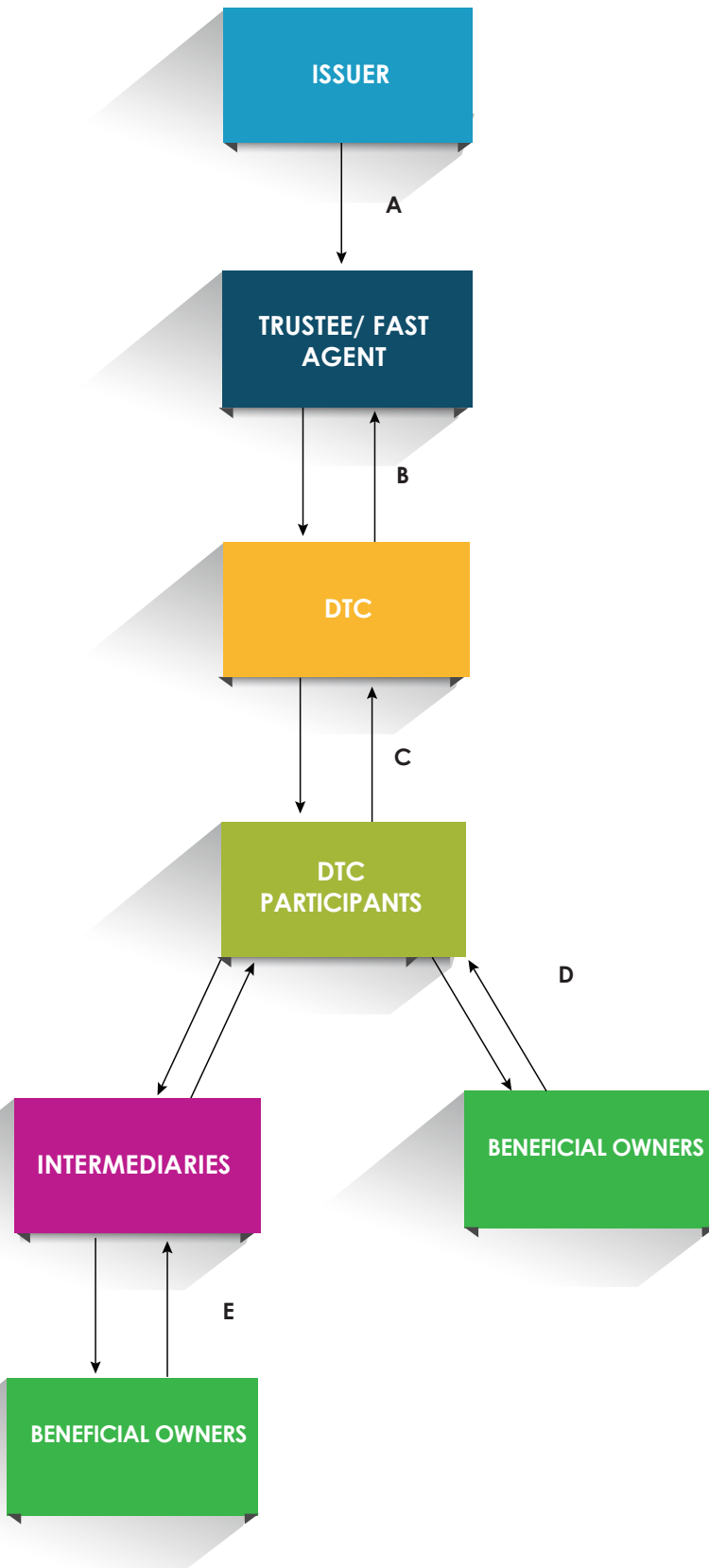
⁷ Defined in UCC section 8-102(a)(17).

⁸ Defined in UCC section 8-102(a)(14).

⁹ Under UCC Sections 8-501 and 8-503, a customer of a securities intermediary having a security credited to its securities account does not have an ownership interest in the security itself, but holds a securities entitlement in the securities account, representing a *pro rata* interest in the security held by the intermediary. See generally UCC Sections 8-501 through 8-511.

Participants have the legal relationship with DTC. The customers, direct or indirect, of the Participants do not. For such customers, legal privity - and thus legal recourse - is solely to their own securities intermediary.

Record and Known Ownership of Bonds



A - The bonds are registered in the name of “Cede & Co” as nominee for DTC and is held by the Trustee/FAST Agent.

B - The Trustee/FAST Agent holds the bonds in custody for DTC. The bond is registered in the name of “Cede & Co” as nominee for DTC.

C - DTC allocate positions for the bonds to the DTC Participants. DTC deals directly with the DTC Participants.

D - If a Beneficial Owner is a customer of a Participant, the Participant may be able to identify the Beneficial Owner.

E - If there are one or more Intermediaries between the Participants and the Beneficial Owners, the final Intermediary(ies) may be able to identify the Beneficial Owners.

Receipt of Payments and Other Rights. As title holder to the securities DTC is entitled to receive all payments of principal and interest. It also possesses all other “bondholder” rights, such as voting rights and the right to receive notices of redemption, for the securities in question. DTC, in turn, treats any Participant having securities credited to its DTC accounts as entitled to the full benefits of ownership, including the right to receive debt service payments, voting rights, notices of redemption, etc. respecting such securities.¹⁰ The process by which such payments and other rights flow from DTC to the Participant and the ultimate Beneficial Owner is explained in Part III below.

Immobilization. Simply stated, the DTC system immobilizes securities deposited with it. Through this electronic deposit system, securities (or interests therein) no longer need to be physically held by the bondholder or physically transferred in the secondary market.¹¹

(b) Beneficial Owners

The Beneficial Owner Defined. In layman’s terms, the Beneficial Owner is the actual purchaser of the security in question. If a Participant is acting on behalf of customers, the interest acquired by the Beneficial Owner must be credited to an account on the Participant’s records. If the customer of the Participant is itself a securities intermediary holding for a customer, the customer of the Participant would credit an interest in the securities to an account it maintains for its customer, and so on until reaching the Beneficial Owner of the securities. In this context it is noteworthy that, at any particular point in time, none of DTC, the trustee, the issuer, or the Participant (in most circumstances) will know the identity of a Beneficial Owner. The identity of a Beneficial Owner of a particular security exists solely on the books and records of the last securities intermediary in the chain that starts with the issuer and ends with the ultimate Beneficial Owner.

DTC’s Legal Relationship. Securities held by DTC are registered in the name of Cede & Co., as nominee of DTC. This is the only ownership interest of which the issuer and the trustee/paying agent have direct knowledge.¹² Within DTC, the aggregate principal amount of a security is divided among (and allocated in DTC’s books and records to) the Participants. Allocable portions of a security credited to a Participant’s account are referred to as “positions” in the bond issue.¹³

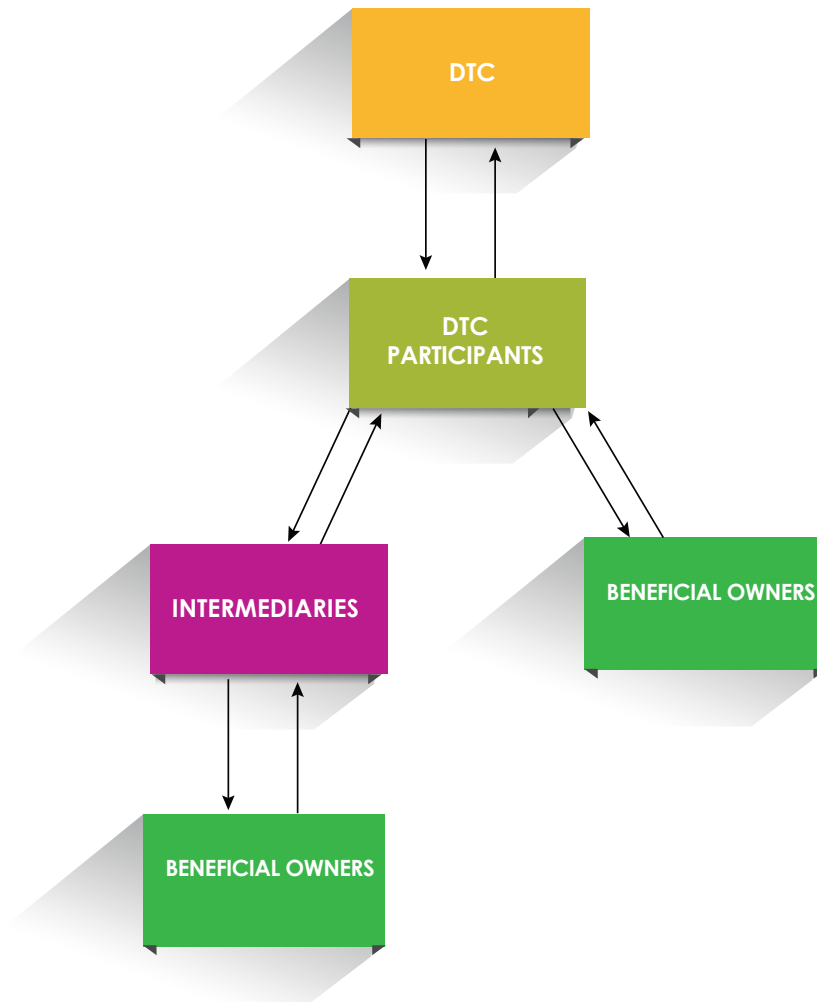
10 Participants are also entitled to receive any security certificates evidencing securities to the extent so credited if such security certificates are to be issued in the event of a withdrawal of the securities from DTC, which can happen under certain circumstances not addressed in this paper.

11 Subject to applicable state law requirements, eligible securities held at DTC may be certificated (that is, represented by one or more physical certificates) or un-certificated (that is, not represented by any physical certificate), so long as the Registered Holder is noted as such on the registration books of the issuer, or so long as it is Cede & Co., the nominee of DTC, which was created for the purpose of being the Registered Holder of the securities.

12 Governing bond documents (indenture, bond resolution, etc.) commonly provide that the trustee and the issuer are entitled to recognize only the record owner for all purposes.

13 DTC maintains a list of the Participants holding a position in the issuer’s securities as of a specific date. These are referred to as a “Participant List,” a “Security Position Report” (“SPR”), or a “Security Position Listing” (“SPL”). DTC charges a fee for providing each listing (per CUSIP number), and each request must be made for specific securities listed by CUSIP number. Information regarding these listings, including pricing, can be obtained from DTC’s website.

Identifying the Beneficial Owners. Anyone charged with identifying the Beneficial Owners of a class of securities will attest to how difficult and frustrating that task can be. Each Participant involved with a series of securities may or may not be the Beneficial Owner, and may or may not know the Beneficial Owner of the securities. As mentioned above, each Participant maintains accounts for its customers to which it credits applicable interests in the security. If that customer is not itself the Beneficial Owner, it is a securities intermediary that credits its customers, and so on down to the Beneficial Owner (*i.e.*, the last customer holding against the last securities intermediary). Each intermediary in the chain of ownership is responsible for keeping track of its holdings on behalf of its customers. Thus, for any particular security only the last intermediary in the chain of custody knows the identity of the Beneficial Owner as of any particular inquiry date.¹⁴



Complicating this process further is the fact that beneficial ownership can change on a frequent basis. These changes can be reflected at the Participant level on DTC’s system (*e.g.*, transfers of positions in the bond issue from one Participant account to another Participant account), or on the books and records of one or more intermediaries. In each case, neither the issuer nor the trustee will have direct knowledge of these movements. In fact, when securities are held indirectly in this manner, there are no means by which the issuer or trustee can unilaterally force disclosure of the identity of a Beneficial Owner or its holdings. Likewise, intermediaries will not disclose the identity or holdings of their customers without consent, so when securities are held indirectly through intermediaries, there is no way to identify a Beneficial Owner without its consent.

14 The trustee has no direct means to know the identities of the intermediaries or owners who may exist in the chain of ownership beneath the Participants.

Evidence of Ownership Received by Beneficial Owners. In DTC-held transactions, Beneficial Owners do not receive physical certificates. They only receive written confirmation from the Participant or intermediary with which the Beneficial Owner has its account providing details of the transaction, and periodic statements of their holdings. Indeed, DTC’s operational agreements require issuers to expressly acknowledge that: (i) DTC has no obligation to communicate to its Participants or any other person having an interest in the securities any information contained in the certificates representing the securities, (ii) and neither DTC’s Participants nor any other person having an interest in the securities are deemed to have notice of the provisions of the security certificates by virtue of their deposit with DTC.

Part III
Common Closing and Post-Closing Questions and Answers

(a) What is DTC’s cutoff time for closing a new issue?

In order to close a new issue, DTC or its agent must receive two items: (i) the security certificates for which DTC will serve as securities depository, and (ii) notice of closing. With respect to receipt of the security certificates, the deadline for receipt depends on whether DTC itself or a FAST agent will hold the certificates. If DTC will hold the security certificates, it must receive them by 12:00 p.m. eastern time on the day prior to the closing date. If an agent of DTC (for example, a trustee) will hold the security certificates on behalf of DTC, then DTC must receive electronic confirmation by the agent of the issue’s FAST balance by 12:00 p.m. eastern time on the closing date. DTC’s cutoff time for notice of closing a new issue, absent receipt of an extension from DTC, is 1:15 p.m. eastern time. Procedures for closing notification are discussed below.

(b) How are the bond certificates delivered to DTC?

The Operational Arrangements require deposit with DTC of one or more security certificates registered in the name of DTC’s nominee, Cede & Co., for each stated maturity of the securities, the total of which represents 100% of the principal amount of that issue. If, however, the aggregate principal amount of any maturity exceeds \$500 million, then individual certificates with respect to each principal amount of \$500 million must be created, and an additional certificate with respect to any remaining principal amount of such issue will be created to complete the aggregate principal amount of the bonds being issued.

Book-Entry-Only (“BEO”) securities are DTC-eligible securities for which physical certificates are not available to investors. DTC, through its nominee, Cede & Co., will hold the entire balance of the offering, either at DTC or through a FAST Agent. In order to utilize the FAST program, in the application to make a security eligible for deposit with DTC, the issuer must appoint a transfer agent which is able to serve as a FAST Agent under DTC’s procedures. Typically, the trustee serves as the FAST Agent and, therefore, takes delivery or holds custody of the deposited securities on behalf of DTC.

As an alternative to delivery of the registered securities to DTC the day prior to the closing date (or confirmation on the closing date by the trustee, acting as FAST Agent for DTC), DTC’s procedures allow the lead underwriter to submit to DTC a signed Letter of Securities Possession by or before 12:00 p.m. eastern time on the business day preceding the closing date, in order to process distribution of the issue by book entry on the closing date.

(c) For issues where DTC will hold the security certificates, where are certificates sent?

Securities certificates to be held by DTC, rather than a FAST Agent, must be sent to the following address:

The Depository Trust Company
570 Washington Blvd.
Jersey City, New Jersey 07310
Attn: Central Delivery/Deposits

The Operational Arrangements advise parties sending security certificates to DTC to “prudently monitor” delivery of the certificates by means of the courier’s tracking system.

(d) What is “FRAC” and why does it always need to be updated?

FRAC is a function by which the FAST Agent, using DTC’s Participant Terminal System, may monitor the balance held by a Participant or any transferees of securities. In those circumstances in which bonds are being held by a FAST Agent on behalf of DTC, the agent utilizes FRAC within DTC’s computerized FAST system to confirm custody of security certificates.

On the closing date of a new issue or secondary offering, the FAST Agent will use FRAC to confirm the shipment control list (“SCL”),¹⁵ or provide some other statement (such as an initial transaction statement), evidencing its receipt of the securities, recorded on its books and records in the name of Cede & Co., and its agreement with the aggregate original principal amounts (balance confirmation) and CUSIPs posted on FRAC for the securities. This is known as “updating FRAC.”

Generally, parties notify DTC of the closing of a new issue before the FAST agent “settles up” with DTC via the FAST system as to the agent’s security certificate holdings for the issue (*i.e.*, before the DTC agent has updated FRAC). If DTC has been notified of closing before the updating of FRAC, DTC will proceed to close the new issue on the condition that the DTC agent confirm the balance of its security certificates by updating FRAC - hence the admonition that “FRAC needs to be updated” when such circumstances arise.

(e) How is DTC notified of a new issue closing and what happens at closing?

Notice of Closing. To close a new issue, a Participant must call DTC’s Underwriting Closing Desk to report the closing. In addition to DTC and the Participant, the “closing call” includes the FAST Agent (typically the trustee), and sometimes bond counsel, underwriter’s counsel and trustee’s counsel. The call may be recorded, and DTC will begin by asking for identifying information from each of the representatives of the underwriter and the trustee (such as name, telephone number, and Participant number), followed by identification of the securities (typically by name and original aggregate principal amount).

On the closing call the Participant provides its DTC participant number and confirms the par amount of the issue (which, as part of the new issue intake process, the Participant will have already provided to DTC through FRAC). If DTC holds the security certificates, then upon such confirmation DTC will credit the Participant’s account with the par amount of the new issue. DTC will also request an affirmative statement from representatives of the underwriter and the trustee (acting as FAST Agent) that the closing has occurred.

What Happens at Closing. If a FAST Agent holds the new issue’s security certificates on behalf of DTC, the FAST Agent must be present on the closing call to confirm to DTC that the agent holds security certificates aggregating the par amount reported to DTC by the Participant. Once the FAST Agent has confirmed those holdings by “updating FRAC” and the transaction is reported as closed, DTC will credit the Participant’s account and release the book-entry holdings. DTC will typically close the call by stating that as soon as “FRAC is updated” the securities will be credited to the accounts of the Participants (as previously instructed by the underwriter).

¹⁵ A Shipment Control List (or “SCL”) is a form generated by DTC that lists identifying information about a shipped security certificate, including the number of shares or other interests, CUSIP number, and dollar value. An SCL serves as a manifest for a transfer agent receiving security certificates from DTC.

The following summarizes DTC’s time-frame requirements on the day of closing in order for the securities to be credited to the applicable Participant account(s) on that day:

(i) either:

(1) by 12:00 p.m. eastern time on the business day prior to the issue’s closing date, DTC must receive the security certificates representing the issue (properly registered, executed and authenticated) at its designated address in New Jersey for inspection (unless the lead underwriter has properly submitted a signed Letter of Securities Possession by that time, as described above);

or

(2) on the closing date, as early as the opening of business but no later than 12:00 p.m. eastern time, DTC must receive electronic confirmation from the FAST Agent via FRAC of the shipment control list and the FAST Agent’s agreement with the securities’ FAST (aggregate original principal) balance and CUSIP numbers;

and

(ii) no later than 1:15 p.m. eastern time on the closing date, DTC’s Underwriting Department must receive a closing call, as described above. Requests for limited time extensions of the closing call deadline will be considered by DTC for “high dollar value” issues, defined as \$100 million or more, but a request for extension must be received by DTC from the Underwriter prior to 1:00 p.m. eastern time.

(f) What are CUSIP numbers?

The term “CUSIP” is an acronym for the “Committee on Uniform Securities Identification Procedures” (the “Committee”), which refers to the committee of the American Bankers Association formed in 1964 to develop a standard method of identifying securities in order to improve operating efficiencies across the industry. DTC identifies and tracks municipal securities, along with many other types of securities, based upon CUSIP numbers, which are assigned to each security. DTC does not, however, assign CUSIP numbers. The CUSIP system is owned by the American Bankers Association and managed by Standard & Poor’s, with a board of trustees comprising representatives from leading financial institutions. Day-to-day operations in the CUSIP system are conducted by the CUSIP Service Bureau (the “CSB”), formed for this purpose by the Committee in 1968.

The Committee developed standard conventions for assigning CUSIP numbers. The convention for U.S. securities involves assigning nine characters that capture an issue’s important differentiating characteristics, as follows:

<u>Structure</u>	<u>Meaning</u>
First Six Characters	Identifies the unique name of the issuer. Sometimes this is referenced as the “base CUSIP.” (Note that an issuer is not necessarily assigned one set of unique characters for all its issuances. There may be numerous designations for a particular issuer. However, these characters will be the same for a particular issuance)
Next Two Characters	Identifies the type of instrument (<i>e.g.</i> , debt or equity) and uniquely identifies the issue within the issuer.
Final Character	Presence of this number indicates that CSB has verified and checked the accuracy of the previous 8 characters.

In most municipal bond transactions, a financial advisor or underwriter is the party that applies for a CUSIP on behalf of the issuer. Though not typical, occasionally a trustee/paying agent, or even the issuer, may acquire the CUSIP. Each request must be supported by the documentation then required by CSB, typically a copy of the related offering document. A CUSIP request can be submitted electronically at www.cusip.com. CSB analyzes the request in order to assign a proper CUSIP number and classification (*e.g.*, equity or fixed income). Once the assignment is complete, this descriptive information can be delivered to DTC in order to establish a municipal security as DTC-eligible.

Each serial and term bond for municipal issues must be assigned a distinct CUSIP number. This number must be printed on each security certificate that is part of such issue. DTC may require the issuer or FAST Agent to obtain a new CUSIP number from the CSB to facilitate the adequate processing of a corporate action event (such as the additional issuance of securities with an interest accrual date that is different than the original issuance).

(g) How are payments made through DTC?

Payments on securities held through DTC are made by the trustee/FAST Agent directly to DTC as the holder of record. DTC's procedures require that DTC must receive payments and the related CUSIP-specific detail in a timely manner. All payments must be received by DTC in immediately available funds and must equal the full amount due on the payment date. No fees, such as wire fees, may be deducted from any payments due to DTC.

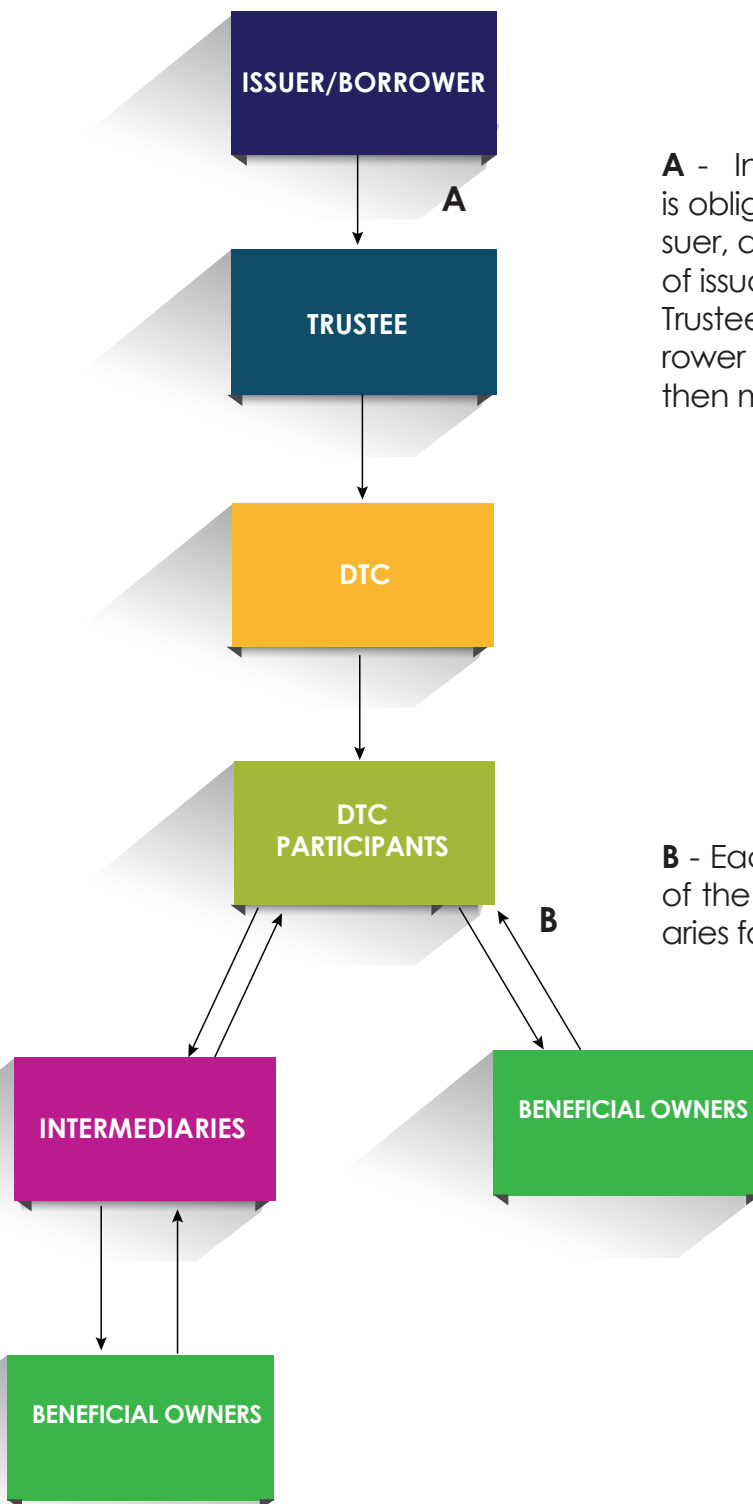
Upon receipt of a payment, DTC allocates the aggregate amount received among Participants holding an interest in the applicable security and credits these ratable amounts to those Participant accounts, depending on (i) whether a single Participant holds the entire position, or several Participants hold partial positions, in the securities, and (ii) whether the payment in question is allocable among all Participants, or only among certain Participants, as described further below.

Cash payments of interest and scheduled periodic principal payments (*e.g.*, scheduled amortization, sometimes referred to as “pay-downs”) are referred to by DTC as “Income Payments.” Redemption payments (including sinking fund payments) and payments of principal upon maturity are referred to by DTC as “Redemption and Maturity Payments.”

Income Payments, *full* redemption payments, and final maturity payments are distributed by DTC *pro rata* among the Participants holding positions in the bond issue.

By contrast, unless the option for *pro rata* pass-through distribution of principal is selected by the underwriter at the time the issue is first made eligible, DTC processes and allocates *partial* redemption payments by means of a random lottery (meaning that DTC allocates the partial redemption among a limited number of Participants selected by lot, using its computerized random lottery selection system). See *infra* Part IV(c).

Payments



A - In conduit financings, the Borrower is obligated to make payments to the Issuer, and the Issuer, typically, at the time of issuance assigns that obligation to the Trustee. Absent that assignment, the Borrower would pay the Issuer, who would then make payment to the Trustee.

B - Each DTC Participant keeps a record of the Beneficial Owners and Intermediaries for whom they hold their interest.

With regard to any Income Payments or Redemption and Maturity Payments due and payable, DTC must receive CUSIP-specific informational detail from the issuer or paying agent (typically the trustee acting in that capacity) no later than 2:50 p.m. eastern time, and must receive the applicable payment (in immediately available funds) prior to 3:00 p.m. eastern time, on the applicable payment due date. The dollar amount contained in the detail must correspond exactly with the actual dollar payment received.

Upon compliance with these requirements, DTC will credit the accounts of the Participants holding positions in the issue, in their allocable amounts, on the same day. Failure to make payment to DTC in accordance with these requirements can jeopardize the same-day distribution of these payments to Participants (and ultimately to Beneficial Owners).

To facilitate compliance with these requirements, DTC's procedures require that issuers must remit necessary funds to the paying agent (typically the trustee, acting in that capacity), in immediately available funds by 1:00 p.m. eastern time on the payment date, or by such earlier time as may be required by the paying agent in order to guarantee that the paying agent will be able to remit payment to DTC in same-day funds prior to 3:00 p.m. eastern time on the payment date.

Except for special arrangements agreed to by DTC in advance, all payments made to DTC must be made in same-day funds via Fedwire to DTC's Dividend Deposit Account, in the case of Income Payments, or to DTC's Redemption Deposit Account, in the case of Redemption and Maturity Payments. DTC monitors payment performance and may reserve the right to refuse eligibility if a record of failing to comply with these payment standards is identified.

Each applicable Participant is then responsible for transmitting those payments to its customer or customers; and to the extent that those recipients are acting as intermediaries, they must likewise do the same to their underlying customers, each in accordance with its own internal procedures and records.¹⁶

Attached to this paper for reference as Appendix V is a copy of DTC's "Payment Time Frames," which appears as Exhibit E to the Operational Arrangements.

(h) How are bondholder notices communicated through DTC?

Since securities held through DTC are registered to its nominee Cede & Co., compliance with governing document requirements for distribution of notices to "record holders" is carried out by transmission of notices to DTC, pursuant to its procedures. These procedures require that any notice must include all relevant information pertaining to the issue (including but not limited to CUSIP numbers, payment information, if applicable, and any related instructions), and must be sent by secure means (*e.g.*, registered or certified mail, overnight delivery, or e-mail) in a timely manner to assure that the notice is in DTC's possession by the close of business on the business day before, or if possible, two business days before, DTC's publication date.

Upon receipt from the Trustee/FAST Agent, DTC posts the notice where it can be accessed by Participants. Participants will have those postings listed in a format pre-determined by the current operations utilized by DTC and, should a Participant require it, a statement that further information can be obtained upon request.

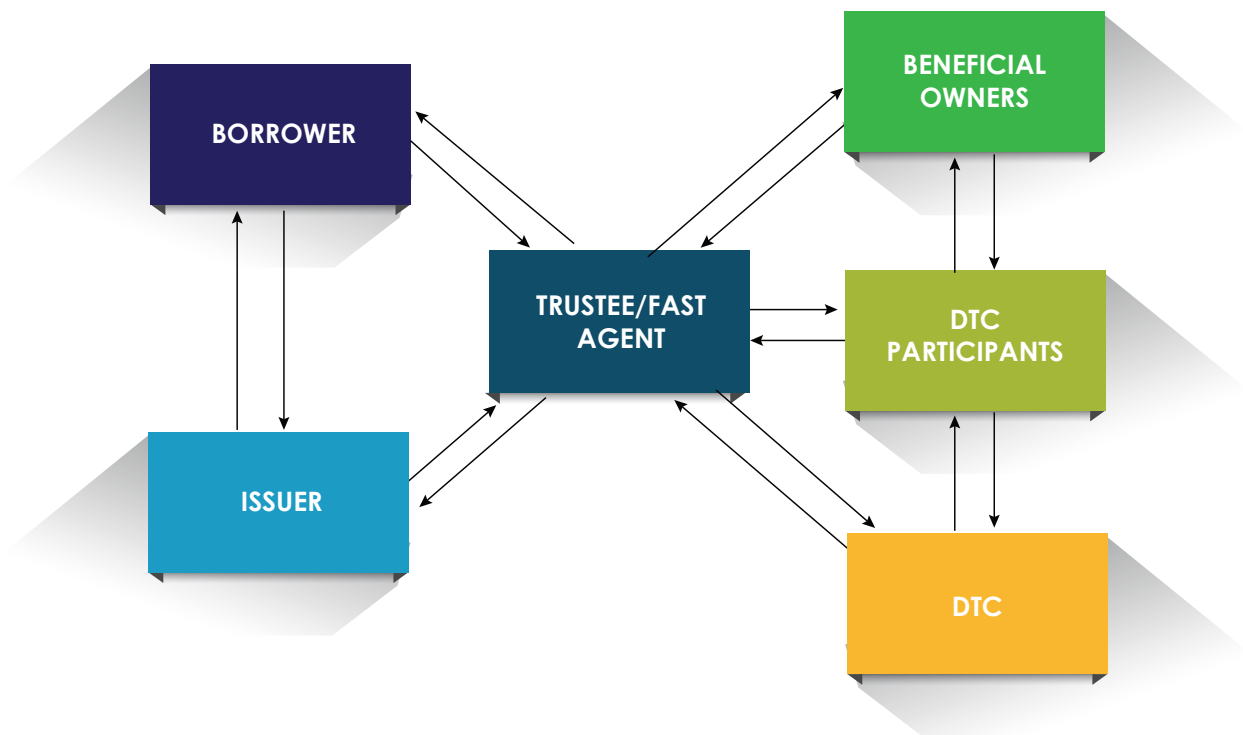
DTC also posts legal notices it receives to its Legal Notice System ("LENS") service, where it can be accessed by all LENS subscribers. LENS is a centralized information service offered by DTC allowing access to a comprehensive online library maintained by DTC of notices it receives from, or is aware have been published by, issuers, trustees, third-party agents and courts concerning DTC-eligible securities. LENS users can search all notices posted to the service by CUSIP, keyword, notice type or LENS document number. Prospective users must register for the LENS service. All Participants can use the service and certain non-Participants may be eligible by special agreement and fee schedule. The LENS library includes informational notices received by DTC as holder of record which are posted for reference purposes.

¹⁶ See paragraph 8 of the BLOR and ILOR.

Once they access posted notices, Participants are responsible for further distribution of notices to their customers. In turn, those customers, if acting as intermediaries, are responsible for further distribution of the information to their underlying customers, and so on to the ultimate Beneficial Owners. As a result, it often cannot be known when (or even whether) a notice sent to bondholders will actually be received by the ultimate Beneficial Owners, and sometimes the completeness of the forwarded information may be uncertain. The following chart highlights the direct lines of communication between the various parties with interests in the bonds. Each line represents typical paths of communication. It is not typical for communication to be held between parties other than as indicated.

Communications

Each line in the chart below represents a direct line of communication between market participants.



(i) Why are record dates important?

DTC requires the issuer or the FAST Agent (acting pursuant to issuer instruction or the terms of the transaction documents) to set or identify a “record date” in connection with payments and notices. A record date is the date that the holder of an issue of securities must be registered on the books of the issuer in order to receive the applicable cash distribution, or to be entitled to exercise the applicable rights addressed in a notice (such as the right to vote in a consent solicitation). Using a record date ensures that DTC, the Participants and beneficial owners are each able to determine the appropriate holders entitled to receive the cash distribution, or to exercise the applicable rights, as the case may be, based upon their holdings in the security at a set point in time. The Participants, beneficial owners and intermediaries likewise use the record dates for their allocation of payments, for determining the proper treatment of accrued (but unpaid) interest in the purchase/sale price of a bond, and to determine the party entitled to exercise voting rights, when a bond is transferred.

(j) What Happens if Problems Occur?

Occasionally, a problem (either technical or operational, which is typically a notice- or a payment-related issue) may arise with either an issuer or its securities on deposit at DTC. Should such a circumstance occur, DTC may need to address the issue administratively through the use of either a “hold” or a “suspension” on the securities.

A “hold” is an administrative restriction placed by DTC on one or more of its services with respect to the securities in question. One example would be DTC limiting a Participant’s ability to make a deposit or withdrawal. The duration of a hold can vary. A hold may last for a few days, or it may last for an extended period of time. The duration is dependent upon the reasons for the hold and whether the issuer or transfer agent corrects the problem.

A “suspension” is an administrative restriction placed by DTC in which all services at DTC are discontinued with respect to a given security. The duration of a suspension is dependent upon the circumstances that required DTC to impose the restriction. A suspension may last a few days or for an extended period of time. In the extreme circumstance that the reason for the suspension cannot be corrected, the security will likely be removed from DTC, and the accompanying securities transactions in that security will no longer be eligible to be cleared by any registered clearing agency.

Should DTC find it necessary to place a hold or suspend a security, it will issue a Participant Notice to its Participants, which is available on DTC’s website. In circumstances where securities are either held or suspended, DTC will also provide optional automated notifications to its Participants. These processes allow Participants the ability to update their systems to automatically block future trading of affected securities, in addition to alerting their underlying customers.

(k) How is DTC Compensated?

DTC assesses charges for a variety of functions, including initial eligibility fees for each new underwritten issue and certain event-based fees for existing issues. For example, DTC presently assesses an \$800.00 fee per new municipal issue with two or more CUSIPs; a \$400.00 per-issue fee to process a late closing (*i.e.*, a closing after 2:00 p.m. eastern time); and a \$100.00 per-issue fee for each failed remarketing of a variable rate demand obligation. Initial eligibility fees are generally paid in advance by the underwriter and passed along to the issuer as a cost of issuance item at closing. A complete guide to DTC’s fee structure is available from DTC at: <http://www.dtcc.com/matching-settlement-and-asset-services/edl-fees>.

Part IV
Incorporating DTC into Financing Documents

As described in more detail in Appendix I, an issuer must have a signed “Letter of Representations” (“LOR”) on file with DTC for the issuer’s securities to be book-entry eligible. Both forms of LOR include the representation by the issuer that it “will comply with the requirements stated in DTC’s Operational Arrangements, as they may be amended from time to time.”

The Operational Arrangements cover a variety of topics, but of primary interest to bond counsel and others in municipal finance are those provisions concerning security standards, transfers, notices and redemptions.

(a) Security Standards

The Operational Arrangements require an issuer to obtain a distinct CUSIP number for each maturity of an issue (whether term or serial), a requirement that, for underwritten transactions, is also imposed by MSRB Rule G-34.¹⁷ Furthermore, each security certificate to be deposited with DTC must be registered in the name of “Cede & Co.” and must bear a standard transfer restrictions legend.¹⁸ The Operational Arrangements also state that, for municipal securities, “any required legal opinion should be printed on the [security] certificate.” In practice, in lieu of printing the opinions on the certificates, an original executed copy of the approving opinion of bond counsel is typically attached to the bonds taken into custody by the FAST Agent.

(b) Transfers and Record Date

The Operational Arrangements require assignment of a record date to each issue. While the Operational Arrangements specify only that, with respect to book-entry-only municipal securities, the record date “must fall within the interest accrual period,” in practice the standard record date is approximately fifteen days prior to each interest payment date. Bond authorizing documents should, therefore, incorporate the required record date provisions. As a practical matter, the record date, as it applies to an issuer, is unlikely to have much significance, given that Cede & Co. will likely be the sole registered owner of the security for the life of the bond issue.

(c) Redemptions

The Operational Arrangements also prescribe certain requirements for redemptions and notifications of redemptions. For a Conventional Municipal Bond, redemption notices are to be sent to DTC, by email to redemption-notification@dtcc.com, no later than two business days prior to the “Publication Date,” which for a redemption is no fewer than twenty calendar days and no more than sixty calendar days prior to the redemption date. Accordingly, bond documents with redemption provisions that fall outside of the 20- to 60-day range (for example, “not less than forty-five days nor more than ninety days”), or that provide for notice to parties other than DTC (for example, notice to beneficial owners), conflict with the Operational Arrangements.¹⁹ Further, provisions requiring that notice of redemption be

¹⁷ See MSRB Rule G-34, paragraph (a)(i)(A).

¹⁸ The required legend is:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

¹⁹ A common method of resolving conflicts between standard bond provisions and the Operational Arrangements is to include a provision

provided by registered or certified mail would appear to be unnecessary, given DTC's acceptance of electronic redemption notifications.

The Operational Arrangements also address procedures for partial redemptions of a single maturity. By default, DTC processes partial redemptions by means of a random lottery conducted by DTC among Participants holding the securities being redeemed. Consequently, provisions in bond documents indicating that any party other than DTC will conduct the random lottery (for example, the paying agent or trustee), as well as provisions providing for partial redemptions by means other than by lot (for example, pro-rata partial redemptions), generally conflict with the Operational Arrangements. DTC will facilitate partial redemptions by means of pro-rata pass-through distributions, but only if DTC is made aware of this election when the new issue is submitted for eligibility through a Participant. Accordingly, if pro rata distributions are preferred, bond counsel should confirm in writing with the underwriter that the underwriter has clearly elected pro-rata pass-through distribution when submitting the new issue eligibility application.

(d) DTC Disclosure in the Issuer's Offering Statements

An issuer's use of DTC's depository services raises two fundamental disclosure questions. First, given that the book-entry-only system passes responsibility for debt service payments (a fundamental concern of prospective purchasers) to DTC, what should an issuer disclose about DTC, both as an entity and with respect to DTC's payment system? Second, what should an issuer disclose about DTC's Operational Arrangements, with which the issuer has agreed to comply?

With respect to the first question, DTC provides sample offering document language that describes both DTC generally and DTC's process for facilitating debt service payments and transfers. The current sample language, which appears as "Schedule A" to both forms of LOR, can be most readily obtained from the DTC website, www.dtcc.com, and is frequently included as a subsection of the portion of an offering statement describing the securities being offered or as a stand-alone appendix. While DTC does not often revise the sample language, issuers and their counsel should periodically review the website, as well as the schedule attached to the forms of LOR in the event of update. This disclosure language has been authorized by DTC and cannot be changed in any way, unless DTC has been consulted and has provided the alternative language.

The second question is indirectly related to DTC and primarily concerns the accurate description of an issuer's operative financing documents. As noted earlier, both forms of LOR include an issuer representation that the issuer will comply with the Operational Arrangements. Therefore, to the extent the financing documents, and the description of the financing documents contained in offering documents, conflict with the Operational Arrangements, DTC will follow the provisions specified in the Operational Arrangements. DTC requires that both interest and principal payments be made via wire transfer to DTC, for subsequent distribution to Participants. For example, if an Official Statement indicates that interest payments will be made by check or draft mailed by the paying agent to the registered holders of the securities and that principal will be payable at the offices of the paying agent or trustee, it may be advisable to include some clarification as to how the payments are made by DTC, as DTC only effects payments by wire transfers. Similarly, offering document descriptions of partial redemptions within a single maturity should reflect that DTC, rather than the paying agent, will conduct the random lotteries for such redemptions.

Part V
Redemptions; Obtaining Bondholder Consents;
Withdrawing from DTC and Other Miscellaneous Issues

(a) Redemptions and Advance Refundings

DTC's procedures call for notice of full or partial redemptions or advance refundings to be sent to DTC electronically, and for the notice to contain the following:

1. A general description of the security and corresponding CUSIP numbers
2. The amount of the redemption or refunding (and, in the case of a refunding, the maturity date(s) established under the refunding)
3. The publication date of any related notices
4. The redemption date
5. The redemption agent's name and address
6. Contact information for the issuer
7. Interest rate information
8. Any other descriptive information that accurately identifies the security

These notices should be sent electronically to DTC at the following email address: redemptionnotification@dtcc.com.

DTC's procedures call for the above-described notices of redemption or advance refunding to be delivered to DTC no later than the close of business two business days before the DTC publication date. The DTC publication date for this purpose is no fewer than thirty calendar days (or twenty calendar days, in the case of a Conventional Municipal Bond), nor more than sixty calendar days, prior to the redemption date, or, in the case of an advance refunding, the date that the refunding proceeds are deposited in escrow with the notice indicating the final payment date.

The Operational Arrangements do not provide for notice by reference, and therefore, notices posted by an issuer on the MSRB's Electronic Municipal Market Access ("EMMA") system pursuant to an issuer's continuing disclosure undertaking will not satisfy the independent requirement to notify DTC. Paying agents and trustees are generally required to distribute redemption notices to DTC, in light of Cede & Co. being the registered holder of securities being redeemed. However, unless specifically directed to do so, such parties are unlikely to voluntarily disseminate notices of an advance refunding/defeasance to DTC.

Upon receipt of notice of a full redemption, or upon otherwise verifying an upcoming full redemption, DTC posts notification of the redemption to Participants via the Reorganization Inquiry for Participants ("RIPS") and Redemption Inquiry ("ACLIP") functions of DTC's Participant Terminal System. In addition to notices that it receives, DTC does review many publications in order to uncover redemption notices, but this should not be relied upon as provision of official notice to DTC.

Upon receipt of the full call redemption payment proceeds, DTC allocates the proceeds to the Participants having positions in the issue on a *pro rata* basis and deletes the Participants' positions from DTC's records. The Participants are then responsible for remitting payments to their customers (and, in turn, those acting as intermediaries are responsible for remitting to their customers).

DTC does two things upon the receipt of the redemption notice. First, it suspends all deposit and withdrawal activity on fully called issues upon receipt or verification of the call notice, and second, it suspends all book-entry activities two business days prior to the redemption date, except Deliver Orders on Same-Date Funds Settlement-eligible ("SDFS-eligible") issues, which are held at the opening of business on the redemption date.

In the event of a partial redemption (including sinking fund payments), DTC will process a computerized random lottery to determine the Participants to whose individual holdings the partial redemption will be applied. Upon receipt of the partial redemption payment proceeds, DTC allocates the proceeds to the Participants covered by the redemption (according to the call lottery) and, if paid in full, deletes those Participants' positions from DTC's records. Participants can obtain lottery information via the ACLP function of DTC's Participant Terminal System.

Redemptions, like maturities, are considered mandatory activities by DTC, meaning that DTC processes the activities without receiving instruction from its Participants.

(b) Obtaining Bondholder Consents and Votes

Neither DTC nor Cede & Co. will vote or provide consents or waivers for securities deposited with DTC unless authorized by a Participant. This presents a bit of a quandary in a consent solicitation where the issuer and the trustee are operating under transaction documents that call for consents, votes or waivers to be approved by the "record" holders of the bonds. To help address this issue, DTC makes available its Omnibus Proxy Service, which enables issuers to receive votes directly from Participants. The proxy service effectively transfers the right to vote the securities to the Participants that hold record date positions in the securities.

Upon receiving notice of a solicitation, on the day after the record date, DTC provides the Omnibus Proxy to the issuer along with a Security Position Report, which lists each Participant holding a position, its closing balance in the security, and the name, address, telephone number and proxy contact person, according to DTC's records, for each listed Participant, so that the issuer may then communicate directly with those firms. In this way, the issuer and trustee can focus communications on the identified Participants and can determine voting results based on votes received from those Participants.

At the same time that the Omnibus Proxy is provided to the issuer, DTC notifies its Participants holding positions in the security of their entitlement to vote. The Participants are responsible for distribution of the related solicitation information to their customers, and to arrange for any necessary instruction to the Participants from the beneficial owners that they may deem necessary in order to exercise rights under the Omnibus Proxy on behalf of those beneficial owners. This "downstream" process may be simple or complicated, and may or may not be prone to delay or other communications issues, depending upon how widely dispersed the beneficial owners are, who they are, and how many intermediaries are involved.

Understanding these mechanics, and in order to expedite and facilitate robust communication, issuers will often contact DTC, or request that the trustee do so, to obtain Participant information, with the intent of creating a parallel path of communication. For example, a typical sequence of events involving distribution of a notice to solicit consent might look like this:

- Issuer contacts DTC (or requests trustee to do so) to request a Securities Position Listing containing the list of Participants (*e.g.*, "street name" holders: custodians, banks, brokers) holding positions in the securities.

- DTC provides the SPL to the issuer, with mailing addresses and contact information for the listed Participants.
- Issuer contacts each Participant to request information concerning its customers, including respondent banks and any beneficial owners who have consented in advance to have their identities disclosed to facilitate communications.
- Participants respond (or not) to the issuer’s request.
- Issuer may repeat this step by making further inquiry to the identified respondent banks requesting information concerning their customers (*e.g.*, retail brokers).
- Issuer provides notice and consent solicitation materials to the trustee for distribution, with necessary instructions.
- Notice and solicitation materials are sent to DTC per its procedures and are posted by DTC.
- To the extent it has obtained information from its inquiries described above, the issuer simultaneously sends the notice and solicitation materials (or instructs the trustee to do so) directly to the Participants, respondent banks and/or retail brokers (and any identified beneficial owners who have consented to disclosure of their identities).
- When possible, the trustee may also post the notice on its own investor website, making it available to investors who have registered with, and have access to, its website.
- When possible, the trustee may also post the notice on EMMA’s issuer homepage, making the information available to investors who have registered with, or have access to, the website.
- Participants receiving the notice and materials, or seeing the same posted at DTC, transmit the same downstream to their customers (*e.g.*, respondent banks, retail brokers).
- Respondent banks and retail brokers receiving the notice and materials transmit the same downstream to their customers (*e.g.*, beneficial owners, including any mutual funds and advisors having authority to vote for investors).
- Beneficial owners, or those having authority to act for an investor, receiving the notice and materials, and choosing to respond, execute and return the completed proxy or voting instruction upstream to the retail broker, etc.
- Proxy cards/voting instructions work their way back upstream to the Participants, to authorize the Participant to vote per the Omnibus Proxy Service.

(c) Changing a Trustee or Transfer Agent

In compliance with Rule 17Ad-16 of the Securities Exchange Act of 1934, as amended, registered transfer agents are required to provide written notice to DTC when terminating or assuming transfer agent services on behalf of an issuer or when changing their name or address. These notices should be sent no fewer than ten calendar days prior to the effective date if related to a transfer agent’s change of name or address and DTC should be notified of termination or assumption of transfer agent services the day the transfer agent is notified of the effective date, if ten calendar days’ notice is impossible.

Transfer agents are required to use the *DTC Transfer Agency Change Form*. This form is intended to be used for all required change notifications. The completed form must be printed on the transfer agent’s letterhead and executed by the transfer agent. A portable data format (“PDF”) copy of the completed form should be e-mailed to DTC’s Transfer Agent Services area at TAServices@dtcc.com.

All notices of termination of transfer agent services shall include the following information:

- The transfer agent’s contact information (*i.e.*, full name, address, and telephone number);
- The Financial Industry Number Standard (“FINS”) identifying number of the transfer agent performing the transfer agent services for the issuer;
- The issuer’s name for each issuer with respect to which such transfer agent’s services are terminated; and
- The issue(s) for which the transfer agent will no longer be responsible and the CUSIP number(s) of all affected securities.

If the contact information of the successor transfer agent is known, it must also be included in the notice. If no successor transfer agent is known at the time the notice is sent, the notice must include the name and address of a contact person at the issuer.

All notices relating to the assumption of transfer agent services on behalf of an issuer of securities must include the following information:

- The assuming transfer agent’s contact information (*i.e.*, full name, address, and telephone number);
 - The FINS number of the transfer agent assuming the transfer agent services for the issuer;
 - The issuer’s name; and
 - The issue(s) for which the assuming transfer agent shall be responsible and the CUSIP number(s) of all affected securities.
- All notices relating to the change of name or address of a transfer agent shall include the following information:
- The transfer agent’s new contact information (*i.e.*, full name, address, telephone number);
 - The FINS number of the transfer agent; and
 - The location where security certificates shall be received for transfer and re-registration.

(d) Transfer Restrictions

The realities of the DTC system present certain challenges and limitations when a security is subject to transfer restrictions or limited to authorized denominations. By way of example, for “private placements” to financial institutions or other single holders, a legend on the face of the debt instrument, and related governing trust agreement or indenture, may provide that it may only be transferred to an “accredited investor”²⁰ or a “qualified institutional buyer.”²¹ When such instruments are placed with DTC, such a restriction is problematic for the simple reason that DTC, and the trustee/transfer agent, for that matter, do not at any time know the identity of any proposed transferee of the security, or even necessarily know when transfers are made.

20 As defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”).

21 As defined under Rule 144A of the Securities Act.

Consequently, DTC's Operational Arrangements and other applicable arrangements expressly provide that DTC will not enforce or even monitor many of the provisions that appear in financing documents and debt instruments deposited with DTC. Provided below is a summary of provisions where these limitations are addressed.

Legend. Section II.A.3. of DTC's Operational Arrangements requires that any restrictive legend on a security deposited with DTC (*e.g.*, one limiting transfers only to accredited investors or qualified institutional buyers) be removed, and, instead, that the legend provided in footnote 18 above appear on any bond that will be registered in the name of Cede & Co.

Purchaser's Letter and Authorized Denominations. In the event that transfer of a bond is restricted under an indenture, resolution or other governing document requiring any purchaser of such bond to sign an investor or purchaser letter (a "Purchaser's Letter"), DTC will not monitor or ascertain compliance with the Purchaser's Letter requirement.²² Likewise, DTC will not monitor or ensure that the securities are held in accordance with authorized denominations.²³ According to Section VI.A.2.f. of DTC's Operational Arrangements, the Agent (trustee) is responsible for ensuring that securities are held in accordance with minimum denomination requirements.²⁴

Rule 144A Securities. DTC will accept securities in which transfer is restricted under Rule 144A of the Securities Act; however, such securities must be accompanied by a rider that contains the following provisions:

Issuer represents that at the time of initial registration in the name of DTC's nominee, Cede & Co., the [securities] were Legally or Contractually Restricted Securities, eligible for transfer under Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and identified by a CUSIP or CINS identification number that was different from any CUSIP or CINS identification number assigned to any [securities] of the same class that were not Legally or Contractually Restricted Securities. Issuer shall ensure that a CUSIP or CINS identification number is obtained for all unrestricted securities of the same class that is different from any CUSIP or CINS identification number assigned to a Legally or Contractually Restricted Security of such class and shall notify DTC promptly in the event that it is unable to do so. Issuer represents that it has agreed to comply with all applicable information requirements of Rule 144A.

Issuer and Agent acknowledge that, so long as Cede & Co. is a record owner of the Securities, Cede & Co. shall be entitled to all applicable voting rights and receive the full amount of all distributions payable with respect thereto. Issuer and Agent acknowledge that DTC shall treat any DTC Participant ("Participant") having Securities credited to its DTC accounts as entitled to the full benefits of ownership of such Securities. Without limiting the generality of the preceding sentence, Issuer and Agent acknowledge that DTC shall treat any Participant having Securities credited to its DTC accounts as entitled to receive distributions (and voting rights, if any) in respect of the Securities, and to receive from DTC certificates evidencing Securities. *Issuer and Agent recognize that DTC does not in any way undertake to, and shall not have any responsibility to, monitor or ascertain the compliance of any transactions in the Securities with any of the provisions: (a) of Rule 144A; (b) of other exemptions from registration under the Securities Act or any other state or federal securities laws; or (c) of the offering documents.*²⁵ (emphasis added)

22 See DTC Operational Arrangements Section I.B.4.

23 *Id.* at VI.A.2.e

24 *Id.*

25 See DTC Rule 144A Securities Rider, available at <http://www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/riders/144A-Rider.aspx> (last accessed November 2, 2016). As emphasized above, like other restrictions on transfer, DTC disclaims any responsibility for monitoring or ascertain compliance with such restrictions.

(e) Handling Securities at Maturity

Prior to the maturity date for a bond, DTC will present the certificates (or in the case of a FAST closing, the portion corresponding to the presenting owners) to the paying agent for payment. Upon receipt of the maturity payment proceeds, DTC allocates the proceeds to the Participants holding position in the issue, and deletes the Participants' positions from DTC's records. The Participants are then responsible for remitting payments to their customers (and, in turn, those acting as intermediaries are responsible for remitting to their customers). Maturities are considered mandatory activities by DTC, meaning that DTC processes the activities without receiving instruction from its Participants.

DTC holds all deposit and withdrawal activity on maturing issues thirty business days prior to maturity date, and holds all book-entry activities (deliver orders, pledges, segregations) two business days prior to maturity date, except for Deliver Orders on SDFS-eligible issues, which are held at the opening of business on the maturity date.

(f) Discontinuing use of DTC

Both forms of LOR state that DTC may discontinue serving as securities depository with respect to an issue by giving reasonable notice to the issuer or to a paying agent bank. In addition, an issuer can decide to discontinue use of DTC. In either case, subject to the provisions of DTC's Operational Documents, the security certificates registered in the names of the beneficial owners of the securities will be printed and delivered to such owners.

Appendix I

Becoming a DTC-Eligible Security

The Operational Arrangements of DTC (the “Operational Arrangements”) and Rule G-34 of the Municipal Securities Rulemaking Board place primary responsibility for ensuring DTC eligibility with underwriters.²⁶ DTC only accepts eligibility requests from its Participants. Thus, to have a DTC-eligible security an issuer must have a relationship with an underwriter that is either a DTC Participant or has an approved correspondent relationship with a DTC Participant.

In submitting an eligibility request, the underwriter is the party responsible for providing evidence to DTC that a security satisfies the criteria for DTC eligibility. Among other eligibility requirements, a Participant must submit a preliminary offering document (or similar disclosure document prepared by the issuer for distribution to potential purchasers) and a request for eligibility to DTC for each new issue of securities through an online system, which is accessible only by Participants. Information about registering to become Participant can be found at: <https://dtcclearing.com/content/137-fixed-income-clearing/corporate-municipal-and-uits-cmu/cmu-onboarding.html>.

Generally, securities that may be made eligible for DTC’s full book-entry services are those that have been issued in a transaction that: (i) has been registered under the Securities Act, (ii) was exempt from registration pursuant to a Securities Act exemption that does not involve ownership restrictions; or (iii) permits resale of the securities pursuant to Rule 144A or Regulation S. In all cases, such securities must also meet DTC’s eligibility criteria. In its discretion, DTC will review for eligibility securities that are identified as having unique terms or processing requirements on a case-by-case basis.

Securities that are exempt from registration under the Investment Company Act of 1940 (the “’40 Act”) in reliance on Section 3(c)(7) of the ‘40 Act may be made eligible if those securities are eligible for resale without transfer restrictions under an exemption from registration under the Securities Act. DTC supports Participants in identifying those issues that are exempt on this basis by posting an “Important Notice.” The applicable Important Notice will also remind Participants that sales and resales of these securities must be restricted to “Qualified Purchasers,” as defined in the ‘40 Act.

Securities represented by physical certificates that do not fall into categories mentioned above but that otherwise meet DTC’s eligibility criteria may be made eligible for DTC’s Custody Services.

In addition, there must also be on file with DTC a Letter of Representations (“LOR”) executed by an authorized representative of the issuer. There are two types of LOR: the Blanket Issuer Letter of Representations (“BLOR”), which covers all DTC-eligible securities of a particular issuer, and the Issuer Letter of Representations (“ILOR”), which is applicable only to a particular issue. Both forms of LOR provide DTC with contact information for the issuer and, of particular note for the bond practitioner, include a representation by the issuer that it will comply with the Operational Arrangements, which are discussed throughout this paper. While Participants are responsible for satisfying the eligibility requirements of DTC, bond counsel may be asked to assist in procuring a signed LOR from the issuer. DTC’s required forms of Letters of Representation may not be altered or reformatted.²⁷

²⁶ See MSRB Rule G-34, paragraph (a)(ii).

²⁷ Current drafts of the BLOR and the ILOR are presently available online from DTC at the following internet addresses:
Blanket Issuer Letter of Representations (“BLOR”): <http://www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/eligibility/BLOR-template.pdf>

Issuer Letter of Representations (“ILOR”): <http://www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/eligibility/ILOR-template.pdf>

Appendix I

After an issuer has completed the LOR, it should be sent to DTC, no later than one business day prior to closing, either by email (uwmunilor@dtcc.com) or by fax (212-855-3274); or by overnight courier.²⁸ First-Class mail may also be used, but a surcharge will be incurred when it is delivered the day of closing. Walk-ins are allowed only under extenuating circumstances and may be subject to a processing fee. If a LOR is delivered to DTC before 12:00 p.m. eastern time by e-mail or telecopy, DTC will acknowledge receipt by the same method on a same-day basis. If it arrives at DTC after 12:00 p.m. eastern time, same-day acknowledgement will be on a best-efforts basis.

Once DTC has reviewed the information provided by the sponsoring Participant, DTC will advise the Participant whether an opinion of counsel to the issuer is also required to substantiate the legal basis for eligibility. Any such opinion must be provided by an experienced securities practitioner who is licensed to practice law in the relevant jurisdiction; who is in good standing in any bar to which such practitioner is admitted; who must be engaged in an independent private practice (*i.e.*, not in-house counsel); and who may not have a beneficial ownership interest in the security for which the opinion is being provided or be an officer, director, or employee of issuer.

DTC has established deadlines by which underwriters of new issues must submit the following information to it so that DTC can timely transmit the same to its Participants.²⁹ Below is a table summarizing the standard timeframes in which underwriters must deliver this information to DTC:

Time Frame	Required Information
10 business days before Closing Date	Preliminary Offering Document in electronic format (preferably PDF) Draft Letter of Representations Trade and Settlement eligible data through NIIDS
7 business days before Closing Date	Identity of lead underwriter (if not identified in Preliminary Offering Document) CUSIP Numbers Principal amount, interest rate and maturity date per CUSIP number
1 business day before Closing Date	<i>Signed</i> Letter of Representations
12:00 p.m. eastern time on business day before Closing Date	Receipt of Securities, or Confirmation by DTC's Agent of compliance with DTC's Operational Arrangements
10 business days after Closing Date	Final Offering Documents

28 See Procedures for Submitting a DTC Letter of Representations, Special Letter or Rider ("Form Letters"), with attached Memorandum from DTC Underwriting Department to All Security Issuers Legal Representatives, dated November 28, 2008, re: Delivery Methods for Legal Eligibility Documentation, <http://www.dtcc.com/globals/pdfs/2008/august/01/issue%20eligibility%20-%20letter%20of%20representation> (accessed Nov. 4, 2016).

29 See OA at Section I.A.4.

Appendix I

Additional DTC eligibility requirements for municipal securities

DTC has mandated the use of the New Issue Identification Dissemination System (“NIIDS”) in connection with eligibility processing of municipal securities issuances in order to assist underwriters in meeting the reporting standards set forth by the MSRB. NIIDS acts as a central collection point for standardized electronic files of new issue information provided by underwriters for dissemination in real-time to information vendors. MSRB Rule G-34 requires dealers to use NIIDS and to successfully test NIIDS prior to acting as an underwriter on a new issue of municipal securities with a maturity of nine months or greater. NIIDS requires underwriters to deliver the information necessary to report trades with respect to new securities, so that NIIDS can deliver data on municipal securities, equities and corporate securities that are DTC-eligible to vendors, dealers and market participants.

NIIDS has been incorporated into DTC’s underwriting system. To commence the process, the Dissemination Agent for a newly issued municipal security must input the key data elements required for the reporting, comparison, confirmation, and settlement of trades in municipal securities (“NIIDS Data Elements”) into NIIDS. NIIDS Data Elements are defined as data needed for trade reporting, trade matching and to set up trade confirmations (“Trade Eligible Data”). Additional data elements as indicated in UW SOURCE which are needed for a municipal security to settle at DTC are Settlement Eligible Data.

Inputting NIIDS Data Elements constitutes a request to DTC that DTC make the input information available to the industry through NIIDS. Data vendors may then disseminate the information to the industry, thereby enabling dealers to make timely and accurate reporting of their municipal trades. DTC records the name of the Dissemination Agent that inputs the NIIDS Data Elements and the time such information is submitted. DTC disseminates the data when it has received authorization from the Dissemination Agent through NIIDS. In addition, NIIDS contains the contact information for the Dissemination Agent that populated the NIIDS Data Elements for each issue to enable users of the data to contact them with questions or comments.

Appendix II
DTC Operational Arrangements

Exhibit B

UNDERWRITING STANDARD TIME FRAMES

Information and/or Materials Needed by DTC to Process an Underwriting and Notify DTC Participants in a Timely Fashion

Information and/or Materials Needed	Time Frame
Preliminary offering document (e.g., official statement, prospectus, offering memorandum) which provides issue information (e.g., Issuer name, description of the Security, denominations, name of the trustee, paying agent, transfer agent, underwriter, and if applicable, put option/tender/ redemption features, whether the issue is multi-purpose) (See Note 1.) and for municipal issues required trade and settlement eligible data submitted through the New Issue Information Dissemination System (“NIIDS”) (See Note 2.).	Submitted to DTC’s Underwriting Department, Eligibility section, in electronic form, at least 10 business days prior to the Closing Date. (See Note 1.)
For BEO issues, a Letter of Representations (i.e., BLOR or ILOR).	At least 10 business days prior to the Closing Date; a draft is required and one business day prior to the Closing Date, a final copy is required.
Identity of the lead underwriter (normally identified from the preliminary offering statement in negotiated deals), and CUSIP number(s) and principal amount per CUSIP(s), and interest rates and maturity dates.	Submitted to DTC’s Underwriting Department, Eligibility section, at least seven business days prior to the Closing Date. (With respect to corporate issues, interest rates and maturity should be provided to DTC upon pricing of the issue).
For IPO tracked issues: Lead underwriter indicates in UW SOURCE, as part of the eligibility submission to include the issue in DTC’s IPO Tracking System.	By no later than 3:00 p.m. ET, two business days prior to the Closing Date.
Receipt of Securities, or Confirmation by Agent of the issue’s FAST balance utilizing DTC’s FRAC function available on PBS.	By 12:00 noon ET on the business day prior to the Closing Date. On the Closing Date, as early as the opening of business, but no later than 12:00 noon ET. (Balance confirmation must be received from Agent before DTC will credit securities to a Participant’s account. <i>In addition, in no event will credit be given to a Participant’s account without the Underwriting Department having received closing call information from the underwriter and Agent.</i>)
Closing information	The underwriter and Agent must notify DTC of the issue’s closing by 1:15 p.m. ET on the Closing Date. (Requests for extensions will be considered for issues of \$100 million or more. Such requests must be received by DTC no later than 1:00 p.m. ET).
Final offering documents (e.g., official statement, prospectus, offering memorandum) (See Note 1.) including exception processing letters on Non-Conforming Structured Securities.	If not submitted prior to issue’s closing, must be submitted no later than 10 business days after the Closing Date. Underwriters failing to submit a final in this timeframe may be subject to a surcharge.

Appendix II
DTC Operational Arrangements

Exhibit B, continued

- Note 1:** Offering documents must be submitted electronically, preferably in portable data format (“PDF”), by uploading the document to the underwriting application, UW SOURCE.
- Note 2:** In 2008, the SEC approved an amendment to MSRB Rule G-34, which requires dealers to register to use NIIDS with DTC and successfully test NIIDS prior to acting as underwriter on a new issue of municipal securities with nine months or greater effective maturity. The provisions of this rule shall not apply to short-term instruments including, variable rate instruments, auction rate products, and commercial paper. NIIDS is an automated, electronic system that receives comprehensive new issue information on a market-wide basis for the purposes of establishing depository eligibility and real-time re-disseminating such information to information vendors supplying formatted municipal securities information for use in automated processing systems.

Appendix III
DTC Operational Arrangements

Exhibit C

The Depository Trust Company
A subsidiary of the Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS
[To be completed by Issuer and Co-Issuer(s), if applicable]

[Name of Issuer and Co-Issuer(s), if applicable]

[Date]

Attention: Underwriting Department
The Depository Trust Company
55 Water Street, 1SL
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the “Securities”) that Issuer shall request to be made eligible for deposit by The Depository Trust Company (“DTC”).

Issuer is: *[Note: Issuer shall represent one and cross out the other.]*

[incorporated in] [formed under the laws of] _____.

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC’s Rules with respect to the Securities, Issuer represents to DTC that issuer and its agents will comply with the requirements stated in DTC’s Operational Arrangements, as they may be amended from time to time.

Note:
Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted
THE DEPOSITORY TRUST COMPANY

By: _____



The Depository Trust & Clearing Corporation

Very truly yours,

(Issuer)

By: _____
(Authorized Officer’s Signature)

(Print Name)

(Street Address)

(City) (State) (Country) (Zip Code)

(Phone Number)

(E-mail Address)

Appendix III
DTC Operational Arrangements

The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

**Additional Signature Page to
BLANKET ISSUER LETTER OF REPRESENTATIONS
For use with Co-Issuers**

[Name of Issuer and Co-Issuer(s)]

In signing this Blanket Issuer Letter of Representations dated as of _____, _____
Co-Issuer agrees to and shall be bound by all “Issuer” representations.

(Co-Issuer)

By: _____
(Authorized Officer’s Signature)

(Print Name)

(Street Address)

(City) (State) (Country) (Zip Code)

(_____) _____
(Phone Number)

(E-mail Address)

Appendix III DTC Operational Arrangements

SCHEDULE A (To Blanket Issuer Letter of Representations)

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC--bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Appendix III DTC Operational Arrangements

SCHEDULE A

(To Blanket Issuer Letter of Representations)

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. [Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Appendix IV
DTC Operational Arrangements

Exhibit D

The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

ISSUER LETTER OF REPRESENTATIONS

[To be completed by Issuer and Co-Issuer(s), if applicable]

[Name of Issuer and Co-Issuer(s), if applicable]

[Security Description, including series designation if applicable]

[CUSIP Number(s) of the Securities]

[Date]

Attention: Underwriting Department
The Depository Trust Company
55 Water Street, 15L
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to the Securities represented by the CUSIP number(s) referenced above (the “Securities”). Issuer requests that The Depository Trust Company (“DTC”) accept the Securities as eligible for deposit at DTC.

Issuer is: *[Note: Issuer must represent one and cross out the other.]*

[incorporated in] [formed under the laws of] _____.

The DTC Clearing Participant _____ will distribute the Securities through DTC.

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC’s Rules with respect to the Securities, Issuer represents to DTC that Issuer and its agents will comply with the requirements stated in DTC’s Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted
THE DEPOSITORY TRUST COMPANY

By: _____



The Depository Trust & Clearing Corporation

Very truly yours,

(Issuer)

By:

(Authorized Officer’s Signature)

(Print Name)

(Street Address)

(City) (State) (Country) (Zip Code)

(Phone Number)

(E-mail Address)

Appendix IV
DTC Operational Arrangements

The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

**Additional Signature Page to
ISSUER LETTER OF REPRESENTATIONS
For use with Co-Issuers**

[Name of Issuer and Co-Issuer(s)]

In signing this Issuer Letter of Representations dated as of _____, _____
Co-Issuer agrees to and shall be bound by all “Issuer” representations.

(Co-Issuer)

By: _____
(Authorized Officer’s Signature)

(Print Name)

(Street Address)

(City) (State) (Country) (Zip Code)

() _____
(Phone Number)

(E-mail Address)

Appendix IV DTC Operational Arrangements

SCHEDULE A (To Issuer Letter of Representations)

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC--bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Appendix IV DTC Operational Arrangements

SCHEDULE A

(To Issuer Letter of Representations)

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. [Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Appendix V
DTC Operational Arrangements

Exhibit E

Payment Time Frames

The following table provides a summary of important notices and required time frames for Income, Redemption and Maturity, and Reorganization payments.

Notifications/Payments	Time Frame
<p>Payment of income including cash dividends, interest and periodic principal distributions (“Income Payments”) paid to holders of record.</p> <p>Payment of Redemption proceeds including cash and principal proceeds due to redemptions and maturities (“Redemption and Maturity Payments”).</p>	<p>DTC must receive CUSIP-specific detail of payments, no later than 2:50 p.m. ET. The dollar amount associated such detail must correspond with the actual dollar payment received prior to 3:00 p.m. ET. All Income payments must be delivered to Cede & Co., as nominee of DTC, or its registered assigns in immediately available funds prior to 3:00 p.m. ET on the payable date.</p> <p>To facilitate this payment standard, Issuers shall remit all funds to paying agent or intermediaries in immediately available funds. Issuer shall make available all funds relating to Income Payments due paying agent or intermediaries by 1:00 p.m. ET on the payable date or by such earlier time as may be required by paying agent to guarantee that DTC shall receive payment in same-day funds prior to 3:00 p.m. ET on the payable date.</p>
<p>Reorganization payments include cash payments resulting from reorganization activities (for example, but not limited to, tender offers, put options, mergers, conversions, rights offer subscriptions, early Certificate of Deposit withdrawals (“Reorganization Payments”).</p>	<p>Reorganization payments must be delivered to Cede & Co. as nominee of DTC, or its registered assigns in same-day funds no later than 1:00 p.m. ET on the payable or effective date, or the day on which funds are first made available. Payments of \$1 billion or more must be received by 12:00 noon ET. Concurrently, all CUSIP-specific detail or other payment detail must accompany each such payment.</p>
<p>Notification of rates on Issues that pay principal and income periodically; or interest at a variable rate other than Structured Securities (including CMOs and ABSs).</p>	<p>Provide the rate information calculated on the original principal amount of \$1,000 per bond (or other minimum authorized amount if less than \$1,000 face value), preferably five business days but no fewer than two business days prior to the payable date.</p>
<p>Notification of rate information on Structured Securities.</p>	<p>Provide the rate information calculated on the original principal amount of \$1,000 per bond (or other minimum authorized amount if less than \$1,000 face value), preferably two business days prior to payable date but no later than 3:00 a.m. ET on the payable date.</p>
<p>Notification of American/Global Depository Receipts payment information</p>	<p>Provide the rate information preferably five business days but no fewer than two business days prior to the payable date.</p>
<p>Notification of a dividend or interest rate change.</p>	<p>Issuer or Agent shall give DTC notice of each such change in the dividend or interest rate, on the same day that the new rate is determined.</p>

Appendix V
DTC Operational Arrangements

Exhibit E, continued

Notification to holders of an invitation to tender Securities to the Issuer and/or its Agent.	Provide notification on Publication Date of the source document that must be no fewer than 10 business days prior to the expiration date of the applicable tender period.
Notification on all “one-time-only” puts and all puts occurring on a regular cycle such as quarterly, semiannually, annually, or less frequently. This applies to both puts with instruction windows (i.e., optional repayments and mandatory tenders with retainment) and mandatory tenders without retainment.	Provide notification on Publication Date of the source document that must be no fewer than 10 business days prior to payable date on mandatory tenders without retainment and no fewer than 10 business days prior to the expiration date of the applicable tender period for puts with instruction windows.
Notification of a rights subscription offer.	Provide notification on Publication Date of the source document that must be no fewer than 10 business days prior to the expiration date of the applicable tender period.
Changes to terms and/or conditions of a conversion privilege, warrant, or right (other than a notice of an extension to a warrant expiration date).	Provide notification no fewer than 30 calendar days prior to the effectiveness of such change.
Extensions to a warrant expiration date.	Provide notification as promptly as possible but in no event later than 30 calendar days after the original expiration date.
Notification of a mandatory reorganization such as reverse split or exchange.	Provide notification on Publication Date of the source document that must be no fewer than 10 business days prior to the effective date of the transaction.
Notification of a Units mandatory separation.	Provide notification on Publication Date of the source document that must be no fewer than 10 business days prior to the effective date of the transaction.
Notification of any solicitation of consents from or voting by holders of the Securities.	Provide notification on Publication Date of the source document that must be no fewer than 10 business days prior to the expiration date of the applicable consent/voting period.

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