

United States Senate

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Committee on Homeland Security and Governmental Affairs

Carl Levin, Chairman

John McCain, Ranking Minority Member

E X H I B I T S

Part 3 of 4 (Exhibits 38-51)

Hearing On

***ABUSE OF STRUCTURED
FINANCIAL PRODUCTS:
Misusing Basket Options to
Avoid Taxes and Leverage Limits***

July 22, 2014

EXHIBIT LIST

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***ABUSE OF STRUCTURED FINANCIAL PRODUCTS:
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Avoid Taxes and Leverage Limits***

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1. a. *The Fiction of Independence*, charts prepared by the Permanent Subcommittee on Investigations.
 - b. *Rentec Control of Palomino*, quotes taken from 6/24/2009 Barclays Memorandum to PwC. [BARCLAYS-PSI-139757-766, at 763-764, Exhibit #53, below.]
 - c. *Medallion Master Funds* [RT-PSI-00363694]
 - d. *Signatories to Franconia-Rentec Investment Advisory Agreement* [RT-PSI-0396355, Exhibit #6, below.]
Signatories to Mosel Limited Partnership Agreement [RT-PSI-00396411-412, Exhibit #8, below.]
Signatories to Bass-Rentec Investment Advisory Agreement [RT-PSI-00396321, Exhibit #35, below.]
Signatories to Badger Holdings Ltd. Partnership Agreement [RT-PSI-00396313-314, Exhibit #4, below.]
2. Internal Revenue Service Generic Legal Advice Memorandum (GLAM), released November 12, 2010, re: *Hedge Fund Basket Option Contracts (The contract does not function like an option, and should not be treated as such.)*. [BARCLAYS-PSI-748148-158]

Documents Related to Renaissance Technologies (RenTec):

3. RenTec email, dated September 2008, re: *Re-shuffle- Follow-up (I confirmed that there is no prohibition against end-of-day transfers in our new MAPS documentation. We may reshuffle the constituents of the underlying options at the end of the day, at the current closing price. * * * Mark Silver was going [to] discuss with you the ability to optimize the end of day re-shuffle process in order to keep the number of position re-shuffles to a manageable amount and below the radar of DB.)*. [RT-PSI-00068362]
4. RenTec/Deutsche Bank email, dated November 2008, re: *DB counteroffer (Daniel Koranyi wrote: ... Colin points out that the Optimal Execution paper supports our contention that any portfolio they would find themselves having to liquidate would be low-risk, and could be liquidated slowly if required. The portfolio would be well diversified, market-neutral, and with low liquidity imbalance....)*. [RT-PSI-00368695-697]

5. RenTec email, dated August 2011, re: *US portfolio shift - overrides? (Management has decided to shift some portfolio from the Palomino loss-protected managed account to the Deutsche (DBAG) loss-protected managed accounts. The total amount of portfolio to shift, for now, is USD 4e9).* [RT-PSI-00364418]

Documents Related to MAPS Transactions:

6. *Investment Advisory Agreement* between Renaissance Technologies Corp. and Franconia Equities Ltd., dated March 30, 2000. (*Advisor is authorized, without further approval by or notice to the Client, to make all investment decisions concerning the Account....*) [RT-PSI-00396351-355]
7. *Barrier Option Transaction* confirmation, dated March 14, 2012, between Deutsche Bank AG, London Branch and Franconia Equities Ltd. (*Buyer has made an independent judgment of the experience and expertise of the Investment Advisor. *** Other than as provided above, Buyer agrees that it shall not contact directly the Investment Advisor regarding the terms or subject matter of this Transaction.*). [DB-PSI 00123196-208]
8. *Mosel Equities L.P., Limited Partnership Agreement*, dated October 26, 2007. (*[T]he General Partner shall have complete and exclusive responsibility for managing and administering the affairs of the Partnership, and shall have the power and authority to do all things necessary or proper to carry out its duties hereunder.*) [RT-PSI-00396394-413]
9. *Amended & Restated Investment Advisory Agreement*, dated November 16, 2007, between Deutsche Bank AG London and Renaissance Technologies LLC. [RT-PSI-00000914-931]
10. RenTec/Deutsche Bank email, dated December 2007, re: *Buy Back Request (We've been unable to maintain a borrow to fully cover your following short position. Please confirm your willingness to buy this position back as we're exposed to being bought in (any cost/short sale fines will be passed on)[.] Due to the illiquidity of this stock at present I must also ask you not to short any more.*) [RT-PSI-00004630-632]
11. RenTec/Deutsche Bank email, dated February 2008, re: *UK MAPS (However, what you described faced some general objection where DB could be argued to have been effectively fronting for an unregulated fund.... Not thought to be a good idea then and following the Soc. Gen. fiasco I imagine there would be even more twitching now.)*. [RT-PSI-00062957-959]
12. *Deutsche Bank Maps: New Process/Procedures As of May 15, 2008 (Portfolio rebalancing due to Option Exercise *** Rentec Fund Operations group will reallocate the positions in the sub-account underlying the exercised option to the remaining options based on their relative cash settlement amounts....)*. [RT-PSI-00002319-322]

13. RenTec/Deutsche Bank email, dated June 2008, re: *Language (Staggering options: You wish to staffer options once every 3 months. My suggestion is that you stagger options by NAV also, so there is at least 6 points in NAV difference between different options.)*. [RT-PSI-00054256-257]
14. Deutsche Bank email, dated June 2008, re: *What we need coded on PEAS apart from guidelines (The anticipated leverage amt is not randomly chosen. It is chosen so that the funding cost (which we will call the "optionality value") on the long side.... ...is between 20-25% of the initial premium (100 in the above)*. [DB-PSI 00010767-769]
15. *Managed Account Products, Option Account Profile, DBAG MAPS Rentech Mosel Equities LP Option Account 1*, dated June 24, 2008. [DB-PSI 00001599]
16. Deutsche Bank email, dated June 2008, re: *Tentative: MAPS Working Group... (...if one option is near breaching the barrier and they [RenTec] want to reallocate trades from that options to others that are at capacity while still being under the 33bn GMV [Gross Market Value] threshold. Based on prior conversations they want to keep their flexibility around allocations.)*. [DB-PSI 00025033-034]
17. GWA/Deutsche Bank email, dated July 2008, re: *George Weiss MAPS Investment Guidelines - PLEASE READ (Please transfer all the positions mentioned in Rule 11 and Rule 12 to OGI account from the MAPS account *** He will be able to do the crosses requested under Rule 11 & Rule 12 in the AM)*. [GWALLC-PSI-0002504-505]
18. RenTec/Deutsche Bank email, dated July 2008, re: *Optionality Value (While this formula will give a desired result at the current interest levels, as interest rates increase (and we could potentially require a longer dated option) the Optionality Value could get prohibitively high even to the point of exceeding the total amount of premium. I played around with other formulas but still came up against the same conundrum)*. [RT-PSI-00046119-121]
19. Excerpt of *Deutsche Bank, GPF Business Development, CTB Program Portfolio, September 2008*. *(The object of this initiative is to provide a New Multiple MAPS structure that will more closely resemble a traditional options structure – premium risk.)*. [DB-PSI 00116157-160, 177]
20. GWA email, dated October 2008, re: *db maps account inbalance (just got a call from db claiming we have too much net long exposure in maps and want just to bring the portfolio back within 5% exposure within a week ... maybe we can cross some position over to ybs next week)*. [GWALLC-PSI-0002328]

21. Deutsche Bank/RenTec email, dated October 2008, re: *DB-Rentec - Response to Issues Discussed on 10/16 (In any event, expanding this to 20 Exchange Business Days does not work from a tax standpoint. 20 Exchange Business Days to make a termination decision under a 13-month options tilts the balance strongly in favor of viewing the accrual of this termination right into the effective conversion of the option into an American style option.)*. [DB-PSI 00079017-021]
22.
 - a. Excerpt of transcript of telephone conversation on November 7, 2008, between Satish Ramakrishna and William Broeksmit (Mr. Ramakrishna: *[S]o that's the way option is supposed to work ... this is structured as an option because* Mr. Broeksmit: *Yeah for tax reasons* Mr. Ramakrishna: *For tax reason but the ... option make it clear that the premium is only ... commitment that the option holder has*). [DB-PSI 00122458]
 - b. Excerpt of transcript of telephone conversation on November 6, 2008, between Peter Brown and Satish Ramakrishna (*[T]he models don't see the government intervention but we do and we are nervous that something could happen. ... So we have actually intervened and we do that from time to time when things like this happen.*). [DB-PSI 00122457]
23. RenTec/Deutsche Bank email, dated December 2008, re: *Test of representations (It will be operationally feasible for DB to create Designed Positions, both by not executing transactions directed by the Advisor and by unwinding or liquidating Effected Positions without the direction of the Advisor.)*. [RT-PSI-00236253-258]
24. *Master Investment Advisory Agreement*, dated December 15, 2008, between Deutsche Bank AG London and Renaissance Technologies LLC (*...supervise and direct the investment and reinvestment of all assets in the Account, and engage in such transactions on behalf of the Client's Account, in the Advisor's discretion and without prior consultation with the Client, subject only to the terms of this Agreement, in any and all forms of securities or other property....*) [DB-PSI-00000001-047]
25. Deutsche Bank/GWA email, dated February 2009, re: *MAPs comments (Loss of the cross collateralization (ability to borrow against the excess equity) of the option. Historically, we have been able to fund the operating expenses of our business by borrowing against the excess equity value of the option.)*. [DB-PSI 00033762-765]
26. Deutsche Bank email, dated August 2009, re: *RenTech MAPS (If client started the day with maximum leverage (it has never done so), longs would have to underperform shorts by 11% to burn through capital and put us into non-recourse loss territory. We have triggers in place that allow us to seize control of the portfolio at any point during the day if half of the capital is depleted (ie, 5.5% long underperformance of shorts.)*). [DB-PSI 00006983-984]
27. *Barrier Option Transaction confirmation*, October 8, 2009, between Deutsche Bank AG, London Branch and Mosel Equities L.P. (*Buyer has made an independent judgment of the experience and expertise of the Investment Advisor. Buyer agrees that it shall not attempt to direct or influence the choice of investments in the Basket.*). [DB-PSI 00000181-209]

28. Deutsche Bank/GWA email, dated October 2009, re: *DB Options - possible new developments (...codification of the economic substance doctrine which, if enacted, could have serious implications with respect to the DB option transaction.)*.
[DB-PSI 00036241-244]
29. Deutsche Bank/GWA email, dated October 2009, re: *DB/Weiss MAPS option (Cross selling: DB will not allow Weiss to cross sell positions held in the DB account to other prime brokers in connection with its routine rebalancing activities.)*.
[DB-PSI 00036700-701]
30. Deutsche Bank email, dated November 2009, re: *Rentec Mosel EurOption #4 (Problem is they were targeting the 7X Init Leverage again but that only gets us to a 16.6% Optionality Val. We either need 8.45X Init Leverage or Libor + 133bps Term Rate?????)*.
[DB-PSI 00008625-627]
31. Deutsche Bank email, dated February 2012, re: *Two Sigma Follow-up (Non-recourse financing is one option (MAPS is just a name for that)....)*. [DB-PSI 00045265-266]
32. Deutsche Bank email, dated September 2011, re: *quick summary on Rentec (Im hoping you have a rough idea of the situation re the MAPS trades. In order to resolve the question of[:] - Owner of option controlling the entire underlying - Option (really the earliest version) looks like a margin account[.] I was thinking of using a CPPI like structure[.])*.
[DP-PSI 00112132-133]
33. Deutsche Bank email, dated November 2011, re: *Rentec (That's the result of having a real option.)*. [DB-PSI 00112522-523]
34. Deutsche bank email, dated December 2011, re: *Rentec confirm and IMAs (Please see below the changes to the Rentec confirm suggested by U.S. tax. I note that some of these changes are in response to changes suggested by Rentecs counsel, Winston & Strawn. I have not been privy to such communications. I trust you have been involved.)*.
[DB-PSI 00020740-748]

Documents Related to COLT Transactions:

35. *Investment Advisory Agreement* between Renaissance Technologies Corp. and Bass Equities Ltd., dated September 1, 2002. (*Advisor is authorized, without further approval by or notice to the Client, to make all investment decisions concerning the Account....*)
[RT-PSI-00396318-321]
36. Barclays *Project Colt, New Product Proposal*, dated May 28, 2002, (*COLT provides an after tax benefit to these investors through the conversion of their return from the fund from short term capital gains (taxed at 39.6%) to long term capital gains (taxed at 20%).*).
[BARCLAYS-PSI-212544-557]

37. Correspondence between Barclays and Financial Services Authority re: *PROJECT COLT*, dated July 4, August 16, September 5, and September 13, 2002. [BARCLAYS-PSI-005241-243, 255-257, 260-261, and 258-259]
38. Barclays Memo, dated August 22, 2002, re: *SCM [Structured Capital Markets] Approvals paper - Project COLT (COLT provides an after tax benefit to these investors [RenTec] through the conversion of their return from the fund from short term capital gains (taxed at 39.6%) to long term capital gains (taxed at 20%). This would be achieved by substituting the Fund's direct execution of its trading strategy with the cash settled call option over a Barclays proprietary account whose performance substantially replicates the Fund's trading strategy.)*. [BARCLAYS-PSI-212590-598]
39. Letter Agreement, dated September 30, 2002, between Barclays Bank PLC and Bass Equities Ltd. (COLT Transaction). [BARCLAYS-PSI-212918-932]
40. Barclays Memo, dated April 4, 2003, re: *SCM Approvals paper - Project COLT (Renaissance II) (Palomino will not have any credit risk or market risk in the transaction, due to the fact that ... its PB account is hedged by the Synthetic Call Option and Prime Brokerage effectively has taken the downside risk. The risk borne by Prime Brokerage is akin to the risks taken in a normal collateralised [sic] Prime Brokerage relationship.)*. [BARCLAYS-PSI-213947-953]
41. *Badger Holdings L.P., Limited Partnership Agreement*, dated August 17, 2004. ([T]he General Partner shall have complete and exclusive responsibility for managing and administering the affairs of the Partnership, and shall have the power and authority to do all things necessary or proper to carry out its duties hereunder.) [RT-PSI-00396296-315]
42. Barclays Capital Memo to SCM Approvals Committee, dated September 3, 2004, re: *Approvals paper – COLT V: Renaissance Restructuring (The risk borne by Prime Brokerage is akin to the risks taken in a normal collateralised [sic] Prime Brokerage relationship, where the risks generally are confined to catastrophic losses occurring over a short period of time.)*. [BARCLAYS-PSI-004161-165]
43. *Indemnity Agreement*, dated October 1, 2004, among Barclays Bank PLC, Palomino Limited, Badger Holdings L.P., Medallion International Limited, Medallion Capital Investments Ltd., Medallion Associates L.P., Medallion Fund L.P., and Medallion RMP Fund L.P. [BARCLAYS-PSI-632877-904]
44. Letter Agreement, dated December 21, 2005, between Barclays Bank PLC and Palomino Limited (COLT Transaction). [BARCLAYS-PSI-002879-896]
45. *Investment Management Agreement*, effective October 1, 2004, between Palomino Limited and Renaissance Technologies Corporation ([T]he Manager shall have full discretion and authority, without obtaining the Client's prior approval, to manage the investment and trading of the Accounts....]. [BARCLAYS-PSI-574664-686]

46. Barclays email, dated April 2009, re: *June Balance sheet targets (Rentec wasn't comfortable with directly signing off on the deconsolidation, as they didn't view this to be their problem. They are now considering a proposal to include some new language in their investment management document which would require them to sign off should we seek to reconsolidate at a later date.)*. [BARCLAYS-PSI-025382-383]
47. Barclays email, dated April 2009, re: *Colt (Marty Malloy spoke with RenTec today and they have indicated that they are fine with the proposal in principle, although they apparently mentioned that their tax counsel would also be putting together a letter agreement of some kind for us to review in the next couple days.)*. [BARCLAYS-PSI-588643]
48. Barclays email, dated April 2009, re: *Palomino letter*, attaching April 29, 2009 letter from Renaissance Technologies to Barclays Bank re: Palomino Limited Investment Management Agreement. *(Please find the attached letter highlighting our concerns and representations that Renaissance would like Barclays to make in connection with the changes you are contemplating for Palomino.)*. [BARCLAYS-PSI-326572-575]
49. Barclays/RenTec email, dated May 2009 *(My guys have some comment on the letter and would like to discuss with our lawyers and Ed.)*. [BARCLAYS-PSI-285585-586]
50. Barclays/PwC email, dated May 2009, re: *Palomino to PwC 20/5/09 (...set up for the benefit of Renaissance, who are exposed to the majority of risks and reward.)*. [BARCLAYS-PSI-328074-077]
51. Barclays email, dated June 2009, re: *Project COLT - articles amendment (...restrict the activities of Palomino to those it is currently engaged in under the COLT transaction.)*. [BARCLAYS-PSI-577747]
52. Rentec/Barclays/Winston Strawn/OrrickHerrington/WalkersGlobal/ email, dated June 2009, re: *Palomino Limited - side letter (with attachments)*. [RT-PSI-00361844-847, RT-PSI-00361879-881, RT-PSI-00235499-500]
53. Barclays Capital Memo, dated June 24, 2009, re: Palomino Limited *(RenTec controls the major activities of Palomino and is exposed to substantially all significant risks and rewards arising from the activities carried out through the PB Accounts, being the only permitted activities of Palomino. Consequently, under IAS 27.13 and SIC 12, BBPLC should de-consolidate Palomino from the date these proposed amendments are effective because they give rise to a loss of control (IAS 27.32.)*. [BARCLAYS-PSI-139757-766]
54. Barclays email and Memo, dated June 2009, re: *Project COLT - Orphan Note (It has been agreed with BarCap Finance and PricewaterhouseCoopers ("PwC") that, following proposed amendments to Palomino's memorandum and articles of association (the "Articles") and the giving of a covenant by Barclays, as sole shareholder of Palomino, that it will not seek to amend the Articles in the future without the consent of Renaissance Technologies LLC ("RenTec"), Barclays will cease to consolidate Palomino under IFRS.)*. [BARCLAYS-PSI-026163-165]

55. Renaissance Technologies LLC letters, both dated June 26, 2009, re: *Palomino Limited (Barclays hereby further covenants to Renaissance that it shall not make any amendments or modifications to the Memorandum and Articles of Association of Palomino after the date hereof without first obtaining the prior written consent thereto of Renaissance.)*. [RT-PSI-00236651-655 and 00236914-918]
56. Letter Agreement, dated June 26, 2009, between Barclays Banks PLC, Badger Holdings L.P, Renaissance Technologies LLC and Palomino Limited. [BARCLAYS-PSI-730031-032]
57. *The Companies Laws ... Memorandum and Articles of Association of Palomino Limited*, dated June 26, 2009. [RT-PSI-00234974-998]
58. Barclays emailed, dated June 2010, re: *Renaissance*, attaching *Barclays Capital, Portfolio Analysis of Renaissance Portfolios, CRA*, dated June 2010. [BARCLAYS-PSI-330659-682]
59. Barclays email, dated May 2010, re: *COLT XIX - Draft SCM Approvals Notification (The options reference the value of these PB [Prime Brokerage] accounts, which is equivalent to them referencing the assets directly, and therefore there is no leakage between the value of the assets ... and the value of the options. Thus, the net effect is that Barclays is extending senior financing to RenTec.)*. [BARCLAYS-PSI-010082-083]
60. Barclays email, dated November 2010, re: *Privileged - Colt (This [the GLAM] is a detailed write up of Colt concluding it doesn't work. We can discuss on MDs [managing directors] call but I intend to reach out to RenTec and Ed Cohen this morning to make sure they are aware. We will also confirm it does not impact Barclays. The only issue for Barclays I could see is some deemed wht [withholding] agent issue as the memo concludes that RenTec are the legal owner of the stocks. To me this would signal that IRS is inevitably going to litigate Colt.)*. [BARCLAYS-PSI-748506-507]
61. Barclays Memo to SCM US Approvals Committee, dated October 3, 2012, re: *COLT XXVII (The tax risk is assumed by the Client. The New Option Transaction does not meaningfully increase Barclays' reputation risk in relation to the Option Transactions, because writing a new option (or exercising an existing one) should be viewed as the maintenance of a longstanding structure.)*. [BARCLAYS-PSI-016946-947]
62. Barclays Memo to Tax Risk Committee, dated October 3, 2012: re: *COLT (There is a reputation risk for Barclays, especially if the matter proceeds to court and the IRS's challenge and Barclays' role become publicly disclosed.)*. [BARCLAYS-PSI-016951-952]
63. Barclays email, dated October 2012, re: *COLT SCM Transaction/Important (The SCM US Approvals Committee recently approved an option transaction in which US tax reputation risk is an issue, and the Committee has engaged in the Tax Risk Committee on the transaction.)*. [BARCLAYS-PSI-748590]

64. Barclays Memo to Tax Risk Committee, dated October 12, 2012, re: *COLT (This memo explains the background to an investment structure which has been in place for 10 years and explains why, notwithstanding the publicity risk that Barclays is subject to as a witness to the case if the Client proceeds to litigate in court, we believe it remains an appropriate transaction for Barclays to be a party to.)*. [BARCLAYS-PSI-018114-116]
65. Barclays Memo to SMC US Approvals Committee, dated November 2012, re: *Project COLT XXVII (Renaissance Technologies) - Approvals Notification (SCM has notified and received approval from the following in relation to proceeding with the proposed transaction: Tax, Finance, Credit Risk, Market Risk, Regulatory, Legal, Compliance, and Operations.)*. [BARCLAYS-PSI-017091-093]
66. Barclays email, dated November 2012, re: *Palomino options (...it was agreed that any exit from this structure would not result in the 60 days notice would be given, rather there would be more notice meaning that Reny would not have to close out the option and suffer short term capital gains tax.)*. [BARCLAYS-PSI-322103]
67. *BARCLAYS, New COLT Transaction, Transaction Review Committee, December 2013, (A reputational risk may arise to Barclays if the Original COLT Transaction proceeds to court or is included in a public hearing. However, it is considered that the New COLT Transaction does not meaningfully increase Barclays' reputation risk in relation to the COLT Transactions, especially as it eliminate the Rate Differential Benefit.)*. [BARCLAYS-PSI-748587-589]
68. Excerpts of *Securities and Exchange Commission Form 20-F*, Annual Reports for Barclays PLC, Barclays Bank PLC, reflecting that Palomino was not controlled by Barclays.
 - a. Fiscal year ended December 31, 2009;
 - b. Fiscal year ended December 31, 2010;
 - c. Fiscal year ended December 31, 2011;
 - d. Fiscal year ended December 31, 2012; and
 - e. Fiscal year ended December 31, 2013.*(...they are excluded from consolidation because the Group either cannot direct the financial and operating policies of these entities, or on the grounds that another entity has a superior economic interest in them.)*

Memo

Barclays Capital

To Iain Abrahams, Alex Cameron, Patrick Clackson,
Paul Emney, David Fail, Roger Jenkins, Linda King,
Ian Menzies-Conacher, Robert Nowicki, Jon Taylor,
David Williams

Cc Helen MacGregor

From Jonathan Zenios,
Jerry Smith,
Structured Capital Markets

Date Thursday, 22 August 2002

Subject SCM Approvals paper – Project COLT

BARCLAYS

1. BACKGROUND

Structured Capital Markets ('SCM') is seeking approval for Project COLT, a new investment opportunity for US Hedge Funds ('Funds'). It should be noted that SCM Approvals Committee previously approved Colt on 27 March 2002, but it has since gone through a number of changes. The purpose of this further memorandum is to present the final Colt Structure. It should further be noted that the **global NPSO Committee (including NY NPC) approved this new structure on 30 July 2002.**

COLT is targeted at those funds with a high proportion of US individual investors, stable year-on-year returns and strategies involving short-term trading. This gives rise to significant short-term capital gains for the investors regardless of whether or not they are invested in the fund for the shorter or longer term.

COLT provides an after tax benefit to these investors through the conversion of their return from the fund from short term capital gains (taxed at 39.6%) to long term capital gains (taxed at 20%).

This would be achieved by substituting the Fund's direct execution of its trading strategy with a cash settled call option over a Barclays proprietary account whose performance *substantially* replicates the Fund's trading strategy. Any gain on the call option would be long-term gain provided the call option is held by the Fund for at least 12 months.

Due to the Call Premium (defined below) and rigorous controls (explained below), including de-leveraging and daily risk monitoring, the economic risk to Barclays in the transaction would be confined to a one-day catastrophic risk (i.e. gap risk). Structurally, this risk would reside in the prime brokerage business ('PB') of Barclays Capital Securities Limited ('BCSL') and Barclays Capital Incorporated ('BCI'). Importantly, PB currently takes this type of risk for existing clients.

SCM would earn fee income at the onset of the transaction of \$9.5m. Further, it is anticipated that increased revenue will be created in certain other areas within Barclays Capital: approximately \$7m p.a. to \$10m p.a. from increased clearing charges and funding revenue for Prime Brokerage. Further, Renaissance (the Fund that is the first target) has indicated that it will move its account to

another bank if we do not provide them with this product, which would result in approx. \$6m per year of lost revenue to Prime Brokerage.

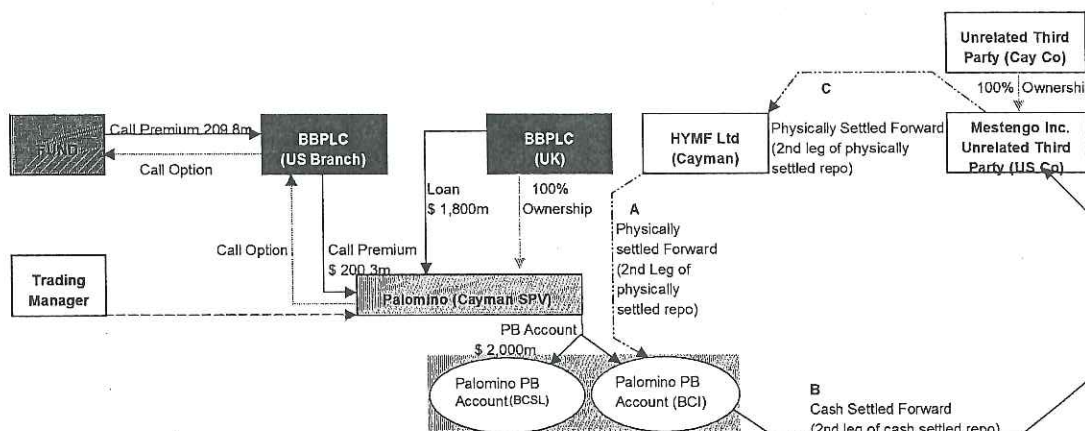
COLT is based largely on the Prime Brokerage business that has received NPSO approval.

Key financial data is set out below:

Proposed product limit	TBD
Estimated revenue	\$9.5 million one off Fee Income for SCM \$7m - \$10m per annum revenue for PB
Tax capacity	N/A
Return on tax capacity	N/A
WRAs	N/A
Return on WRAs	N/A

2. DETAILED TRANSACTION DESCRIPTION

Structure Diagram:



Establishment of Palomino (Cayman) Ltd and HYMF (Cayman) Ltd; Transaction with Mestengo Inc.

BB PLC would form two entities: Palomino Ltd, a Cayman Island company ("Palomino"), and HYMF Ltd, a Cayman Island Company ("HYMF"). Further, our Cayman Island lawyers would set up a Cayman Island company ("Cay Co"), which would in turn set up a US corporation ("Mestengo") to participate in the transaction.

Palomino is utilized to 1) eliminate trade reporting obligations that would be required if BB PLC participated in the transaction directly, and 2) to create a US tax resident entity that is not confined by US regulatory rules that apply to US-formed entities.

HYMF and Mestengo Inc would be used as part of a cost-efficient structure that would enable Palomino to sell US securities without being subject to the "up tick" rules that restrict short sales of US securities.

Group Treasury, through Capital Application and/or LERC process, has approved each of Palomino, HYMF and Mestengo.

Loan from BBPLC (UK)

Palomino would borrow \$1,800m from BB PLC (UK) on an unsecured basis. Note that this would be from EFG's existing line with BB PLC. Therefore, this transaction does not require a new loan and does not create any new issues with respect to large exposure reporting (as EFG's line is already within existing limits).

Establishment of PB Account

Palomino would establish a prime brokerage trading account with both BCSL and BCI (collectively referred to as the '**PB Account**').


Palomino would place \$2,000m into the PB Account to be used as collateral for a strategy identical to that utilized by the Fund ('**Trading Strategy**'). To replicate the Fund's strategy, Palomino would hire the Fund's own investment manager ('**Trading Manager**') to manage the investments. The Trading Strategy would be confined to sales and purchases of equity securities.

Back-to-Back Call Options

- a. Simultaneous with the establishment of the PB Account, the US branch of BB PLC would write an American-style call option to the Fund with respect to the value of the PB Account (the '**Call Option**'), for which the Fund would pay a premium ('**Call Premium**') of \$209.8m comprising:
 - \$200.3m representing the collateral for the Trading Strategy; and
 - an amount representing SCM's fee from the transaction (\$9.5m in the diagram).
- b. The Call Option would have a term of 3 years and would be cash settled. The effective strike price of the Call Option would be \$1,800, plus an appropriate charge for leverage ('**Call Strike**').
- c. Simultaneous with its writing of the Call Option, BB PLC would purchase an identical option from Palomino. The only difference being that the call premium would be \$200.3m, as opposed to \$209.8m.

Arrangement between Palomino, Mestengo, and HYMF to address "up tick" restriction

Absent the arrangement between Palomino, Mestengo and HYMF, short sales of US securities by Palomino (i.e., borrow stock from BCI or BCSL and sell it on the open market) would be restricted by the "up tick" rule, which generally prevents short sales of a US security at the current market price if the share price has been declining. To manage this restriction, Palomino would create identical amounts of physically long and synthetically short positions in a large number of US securities so that where Palomino makes sales of securities they will always be from the pool of long equity positions. As a result, for NYSE purposes they will be treated as sales of long positions (not affected by up tick rules), not short sales.



As a result of a series of simultaneous transactions, each of Palomino, Mestengo and HYMF would have equal long and short positions (interests in cash or equity settled forward contracts) in the same basket of US equity securities. A reduction by Palomino of its long position in certain US equity securities would create the synthetic short position discussed above.

Risk Mitigation and Acceleration:

All market risk from the transaction is borne by the Fund (to extent of \$200m premium from the Call Option) and by Prime Brokerage (to the extent the value of the PB Account drops below \$1,800m). Prime Brokerage's risk is triggered by the fact that it will in all cases pay at least \$1,800m (i.e., the value of the loan between Palomino and BB PLC) back to Palomino at the end of the transaction. This risk borne by Prime Brokerage has been approved by GFRM (market and credit risk) in the NPSO process.

Generally speaking, the Trading Strategy will be monitored using the traditional risk parameters approved for the Prime Brokerage group¹ (similar but slightly more restrictive). Although the technical equity in the PB Account would be \$2,000m, collateral for risk monitoring purposes will be limited to the \$200m provided by the Fund as premium. As a result, all numbers related to risk analysis will assume only \$200m of collateral. With that in mind, Prime Brokerage's risk to the Trading Strategy will be managed in the following ways:

- De-leveraging: Suppose that the \$200m of collateral (determined as discussed above) supports \$600m of long and \$600m of short positions (i.e., six times gross multiple, split evenly between long and short positions) in the Trading Strategy. If the Trading Strategy loses \$10m, only \$190m of collateral would remain. Since \$190m would only support \$570m of long/short positions, the Trading Manager would be forced to liquidate enough of its positions to meet those parameters. (This is because the only structural way to obtain more collateral would be through increasing the Call Premium and this significantly weakens the Fund's tax analysis). Although more labour intensive, the deleveraging process should manage risk as effectively as requesting more collateral.
- Removal of Manager: The Trading Manager could be fired and the positions could be liquidated at any point with 10 business days notice and immediately for cause.

The Trading Strategy will allow the Trading Manager to execute trades with other broker-dealers that are cleared with Prime Brokerage. That ability to "trade away" would be controlled to ensure that the Trading Manager does not exceed certain investment guidelines during the course of any day. All trades will be reported to Prime Brokerage at the end of the day, and if limits are exceeded Prime Brokerage would have the right, at its discretion, to reject the trades that exceed the limits and transfer the trades into a Prime Brokerage Account held by the Trading Manager (i.e., trades will be for Trading Managers account). In addition, the executing brokers that could be used by the Trading Manager will be limited and pre-approved before trading. The ability to reject trades exceeding investment guidelines and limited executing brokers will be used to control the execution risk for the structure.

¹ Prime Brokerage clears trades for hedge funds and provides leverage with respect to trading levels, based upon i) collateral received from the hedge fund, ii) ongoing risk analysis of the strategies employed, and iii) the market environment. As losses reduce collateral on hand, Prime Brokerage manages risk of loss in two ways: i) it can request increased collateral to rationalize the same trading level, or ii) it can force a reduction of positions to conform the trading level to an acceptable risk profile.

Targeted Funds²

This approval is confined to Funds that trade equities (long and/or short). In the current case, Renaissance employs a strategy or portfolio construction general known as "Statistical Arbitrage" or equity relative value trading. They have a proprietary (and closely guarded) trading model which generates short, medium, and long term buy and sell signals based on statistically significant historical indicators. While the trading crosses many asset classes for the fund, it is only their equity specific models that we are considering for the initial COLT product.

The trading we see currently crosses the major European markets and Japan. The volume varies from 1000 to 2000 transactions per day.

3. ECONOMICS AND ECONOMIC DRIVERS

BBPLC & BCSL

SCM's structuring fee would be \$9.5m.

In addition, BCSL would earn i) increased revenue from additional volume in Prime Brokerage, which has been estimated at between \$7m p.a. and \$10m p.a. ii) increased revenue from volumes of trades executed with Barclays' traders, and iii) increased exposure for our hedge fund sales team.

Further, this trade with Renaissance has the added benefit that it would prevent Prime Brokerage from losing their account, which accounts for approximately \$6m p.a.

Fund

US individual investors of a Fund would obtain 1) operational and cost efficiencies due to certain regulatory efficiencies (including lack of up tick restriction on short sales), 2) no withholding tax on dividends from US securities, and 3) a post-tax benefit, because all the gain on the Call Option would be treated as a long-term gain for US tax purposes and would therefore be taxed at 20%, as opposed to 39.6%.

4. TAX ANALYSIS

BB PLC³

UK Tax (See attached opinion from David Taylor of Freshfields)

The transaction will utilize the US branch of BB PLC and two subsidiaries of BB PLC located in the Cayman Islands. [REDACTED]

[REDACTED]
US tax as described below).

US Tax (See attached opinion from Stuart Leblang of Akin, Gump and related opinion from Ed Cohen of Coudert Brothers on [REDACTED])

² Strategies for the "Targeted Funds" would be limited by BB PLC's FSA-imposed limitation related to investments in financial institutions. In that regard, BB PLC has received a trading book concession from the FSA, which allows BB PLC to invest up to 10% of its share capital (estimated limit is £880m) into shares of financial institutions. The FSA will be approached to extend this concession to the SPV. Once accomplished, part of the concession must be allocated to this trade. A further limitation would relate to how much BB PLC stock could be acquired by the SPV. Since this is a scarce resource, SPV will be prohibited from acquiring BB PLC stock.

³ See attached tax opinion for a more detailed discussion.

The following entities in the transaction are US taxpayers – US branch, Palomino (check-the-box election will be made to disregard as separate entity and therefore treated as part of US branch of BB PLC), HYMF (check-the-box election will be made to disregard as separate entity and therefore treated as a branch of HYMF, Inc., a US corporation) and Mestengo (as it is a US corporation).

SCM's profit from the transaction will be earned in the US branch of BB PLC and therefore will be taxed in the US.

[REDACTED]

[REDACTED]

Tax Shelter Disclosure/List-Keeping –

SCM has taken the position that COLT would be subject to the proposed Tax Shelter List-Keeping Regulations issued in February 2000, as amended, and COLT will be covered by its existing policies on this.

Fund⁴

Investors in Funds, rather than the Funds themselves, are subject to US tax with respect to the Fund's annual net income. For US individual investors, that income is typically taxed at a 39.6% federal rate of tax, because Fund investments mainly trigger 'short-term capital gains' and 'ordinary income'. By changing the investment of the Fund from various positions that turn-over frequently during the year to a single Call Option that remains outstanding for at least one year, COLT accomplishes two goals:

- a. Conversion - the Fund recognizes only long-term capital gains (i.e., gains recognized for an asset held more than 12 months), which are taxed to the individual investors in the Fund at a maximum federal rate of 20%; and
- b. Deferral - income is recognized only in the year in which the Call Option is recognized (i.e., in year 3).

5. TAX RISK

There is no tax risk for BB PLC from COLT [REDACTED].

6. ACCOUNTING

London Finance (Pritesh Pankhania) has provided advice, which has been agreed by PWC.

⁴ See attached tax opinion for a more detailed discussion.

- a. Palomino (Cayman), HYMF (Cayman) Ltd and Mestengo Inc, as a quasi-subsiary, will be consolidated with BB PLC.
- b. Palomino (Cayman) will be accounted for on trading book.
- c. Fee income of \$9.5m should be recognizable immediately.
- d. The Call Option and the PB Account would be marked to market and should offset in the income statement (i.e., there is no intrinsic value to the Call Option).
- e. On the balance sheet, the mark-to-market value of the option and the Call Premium would be reported as "Amounts Arising from Off-Balance Sheet Derivatives", and the positions in Palomino would be reported as "Equity Securities" or other, depending upon the nature of the investments.

7. REGULATORY CAPITAL

Regulatory treatment has been agreed with Financial Control (John Shone and Michael Blackburn). FSA approval has been sought for the following:

1. Palomino may be treated as a trading book;
2. Since Position Risk Requirements for Palomino will in all cases be nil, there is no need to calculate such on a daily basis;
3. Since Large Exposures for Palomino to equity names will in all cases be nil, there is no need to calculate such on a daily basis.
4. The catastrophic risk passed on to Prime Brokerage should be treated in the same manner as a typical P.B. account.

Although approval is outstanding, preliminary indications show that a positive response should be achievable.

8. CREDIT

As discussed above, Palomino will not have any credit risk or market risk in the transaction, due to the fact that the its PB Account is hedged by the Call Option and Prime Brokerage effectively has taken the downside risk (since it must in all cases return at least \$1,800m to Palomino.). The risk borne by Prime Brokerage is akin to the risks taken in a normal collateralised Prime Brokerage relationship, where the risks generally are confined to catastrophic losses occurring over a short period of time.

Therefore, risks of COLT generally are reduced by the risk management techniques approved for use by BCSL's and BCI's Prime Brokerage group when transacting with hedge funds. In addition to those techniques, specific investment guidelines will be agreed with each prospective Trading Manager, and the Market Risk/Credit teams will undertake daily risk monitoring.

Prime Brokerage Risk Management Techniques

Trading levels will be constantly monitored and will be reduced as trading strategies become more risky.

In a Prime Brokerage relationship, a Fund would post collateral, say \$200. BB PLC's internal risk analysts (both credit and market) would assign a multiple to the Fund based upon the relative risk of

the strategy to be traded and the current market conditions. In the example of \$200 collateral, a multiple of 10 would mean that the Fund could acquire up to \$1,000 long positions and \$1,000 short positions (note that the multiple is for gross positions, or \$2,000 gross, but that is generally split between long and short positions, or \$1,000 each side). Two events could cause the maximum trading positions to be affected: i) BB PLC's internal risk analysts decide to lower the multiple to reflect increased risk in the strategy or in the market (i.e., lowering the multiple to 4 times means that at the same \$200 of collateral trading levels of only \$400 would be warranted), or ii) the Fund's strategy loses money, in which case the collateral is decreased and it can no longer support the same trading level (i.e., loss of \$10 means \$190 of collateral remaining, times gross multiple of 10 = gross maximum of \$1,900, or \$950 long and \$950 short positions).

The only meaningful difference between a typical prime brokerage relationship and COLT relates to the possible remedies available with respect to the trading level. In a typical relationship, a Fund could do one of two things: i) provide more collateral to rationalize the same trading level (i.e., pay \$10 to bring the collateral up from \$190 to \$200 if the multiple remains at 10 times), or ii) remove positions to reduce the trading level to the currently authorized level (i.e., bring the long/short positions down from \$2,000 to \$1,900). For COLT, only the second remedy exists. Notwithstanding the fact that both remedies address the same concerns, risk limits typically rely more heavily on the notion that a Fund would be able to access more cash to increase collateral.

Since COLT eliminates the ability to access more collateral from the Fund, the risk limits in the case of COLT would be slightly more conservative when compared to its existing prime brokerage business.

Specific Investment Guidelines

A limited framework must be agreed within which the portfolio will be managed and stress risks controlled. This framework will include measures to encourage portfolio diversification and minimise related market risk, event risk and gap risk exposures. It is expected that the agreed mandate will be similar to general risk limits previously agreed for the Hedge Fund Derivatives Business, though specific limits will be agreed on a case-by-case basis.

Risk Management and Credit Risk will sign-off on each proposed Trading Manager Agreement and proposed PB Account.

Daily Risk Monitoring (Trading Strategy)

- a. Risk Management will be involved in the initial and continual due diligence of the strategies employed by the Trading Manager.
- b. Risk Management will reconcile Prime Brokers reports on a daily basis and immediately report any issues to Prime Brokerage.
- c. High levels of liquidity and full transparency are provided by the fact that assets would be held directly by a subsidiary of BB PLC.

9. NPSO APPROVAL

NPSO approval was obtained on 30 July 2002.

10. APPENDICES

- a. Minutes from NPSO meeting on 30 July 2002
- b. NPSO approvals Paper (original paper from 28 May 2002 and addendum from 30 July 2002)
- c. BB PLC US tax opinion from Akin Gump
- d. US tax ownership opinion from Coudert Brothers (referred to within US tax opinion)
- e. BB PLC UK tax opinion from Freshfields (David Taylor)
- f. Memo from Counsel Davis Polk [REDACTED]
- g. SCM Internal Memo on Coudert Brothers Tax Opinion.

September 30, 2002

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c/o MQ Services Ltd.
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Hamilton HM12
Bermuda

Barclays Bank PLC
200 Park Avenue
New York NY 10166

Tel: +1 (212) 412 4000

BARCLAYS

Dear Sirs:

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the Transaction entered into between Barclays Bank PLC ("Party A"), New York Branch, and Bass Equities Ltd. ("Party B") on the Trade Date specified below (the "Transaction").

This Confirmation constitutes a complete and binding agreement between Party A and Party B as to the terms and conditions of the Transaction to which this Confirmation relates, and it supercedes all prior or contemporaneous written or oral agreements between Party A and Party B in relation to the Transaction (except to the extent explicitly stated in any other written agreement between the parties hereto executed contemporaneously herewith). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2000 ISDA Definitions (the "Swap Definitions") and in the 1996 ISDA Equity Derivatives Definitions (the "Equity Definitions", and together with the Swap Definitions, the "Definitions"), in each case as published by the International Swaps and Derivatives Association, Inc., are incorporated by reference into this Confirmation. In the event of any inconsistency between the Swap Definitions and the Equity Definitions, the Equity Definitions will govern, and in the event of any inconsistency between either set of Definitions and this Confirmation, this Confirmation will govern. For purposes of the Equity Definitions, this Transaction shall constitute an Index Option Transaction.

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of September 30, 2002, as amended and supplemented from time to time (the "Agreement"), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

NEWYORK 4236686v16

CONFIDENTIAL & PROPRIETARY

Permanent Subcommittee on Investigations

EXHIBIT #39

BARCLAYS-PSI-212918

1. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date:	October 1, 2002
Option Style:	American
Option Type:	Call
Seller:	Party A
Buyer:	Party B
Index:	The Basket Value
Number of Options:	One
Multiple Exercise:	Inapplicable
Strike Price:	USD 1,250 million
Premium:	USD 131,237,500, of which USD 50,000,000 constitute and are referred to herein as "Amortizable Premium".
Premium Payment Date:	The 3 rd (third) Business Day immediately following the Trade Date.
Premium Payment Time:	The date and time at which the Premium is paid.
Reference Accounts:	The BCSL Account, the BCI Account and the Synthetic Account, as defined below.
Trading Strategy:	A trading strategy to be exclusively implemented based on and in accordance with the Investment Guidelines, as defined below.
Exchange(s):	Each exchange or quotation system, which constitutes with respect to any of the Shares, the principal exchange or quotation system on which such Share is actively traded, as reasonably determined by the Calculation Agent.
Business Day:	New York

Procedure for Exercise:

Latest Exercise Time: 5 p.m. (local time in New York City)

Expiration Time: 5 p.m. (local time in New York City)

Expiration Date: The date which is the earlier of:

- (i) September 30, 2005 (the "Scheduled Expiration Date"), or
- (ii) an Early Termination Date designated by either party in respect of this Transaction.

Exercise Date: The Exchange Business Day during the Exercise Period on which the Option is or is deemed to be exercised by Party B.

Automatic Exercise: Applicable

Designated Agent's Telephone Number and Telex and/or Facsimile Number and Contact Details for Purpose of Giving Notice to Seller: Attn: Mark D'Andrea
Tel: (212) 412-7673
Fax: (212) 412-1775

Valuation:

Valuation Time: At the close of trading on each Exchange.

Valuation Date: The earlier of: (i) the 4th (fourth) Valuation Exchange Business Day immediately following the Exercise Date, or (ii) the ninth (9th) Business Day immediately following the Exercise Date.

Valuation Period: The period commencing on the Trade Date and ending at the Valuation Time on the Valuation Date.

Valuation Exchange Business Day: An Exchange Business Day during which there has not been (i) a Trading Suspension in securities that comprise, on the commencement of such day, more than 20 percent, in value, of (A) the long Designated Positions, or (B) the short Designated Positions then credited to, included or deemed included within the Reference Accounts,

or (ii) an event of force majeure beyond the control of Party A (or any Affiliate thereof) occurring after the Trade Date, preventing the execution of transactions within the Reference Accounts or making the execution of such transactions impossible or impracticable.

For purposes of this Confirmation, the term "Trading Suspension" means, with respect to any security a suspension of trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise) on the relevant Exchange for a period of more than one (1) hour.

Settlement Terms:

Cash Settlement:	Applicable
Cash Settlement Amount:	An amount equal to the <u>greater of</u> (i) zero, and (ii) the sum of (A) the Settlement Price, <u>minus</u> (B) the Strike Price, <u>plus</u> (C) the Premium Settlement Amount.
Settlement Price:	The level of the Index at the Valuation Time on the Valuation Date.
Basket Value:	The sum of (i) the amount of the Initial Funds, <u>plus</u> (ii) Basket Gains, <u>minus</u> (iii) Basket Losses, <u>minus</u> (iv) Basket Cost.
Federal Funds Rate:	For any day, the rate set forth in H.15(519) for the first Business Day immediately preceding such day, opposite the caption "Federal funds (effective)". If for any relevant Business Day such rate is not so published by 5:00 p.m., New York City time, on the first New York City Banking Day immediately following such relevant Business Day, the rate for such Business Day will be the arithmetic mean of the rates for the last transaction in overnight U.S. Dollar Federal funds arranged by each of three leading brokers of U.S. Dollar Federal funds transactions in New York City selected by the Calculation Agent, prior to 9:00 a.m., New York City time, on that Business Day.

Settlement Currency: USD

Cash Settlement Payment Date: The 3rd (third) Business Day immediately following the Valuation Date.

Adjustments:

Method of Adjustment: Calculation Agent Adjustment

Extraordinary Events:

Consequences of Potential Adjustment Events, Merger Events, Nationalization or Insolvency: The Calculation Agent shall use reasonable best efforts to determine, in good faith, based on commercially reasonable judgment and upon consultation with Party B, the consequences of Potential Adjustment Events, Merger Events, Nationalization or Insolvency in respect of Shares, and the adjustments to the Basket Gains, Basket Losses, Basket Value and any other variable relevant to this Transaction.

Shares: Equity interests and other securities which, at any time during the Valuation Period, constitute (or underlie) Designated Positions.

Issuer: The issuer of the relevant Shares.

2. Calculation Agent: Party A shall be the Calculation Agent. The Calculation Agent will notify Party B promptly after the Valuation Date of the determined Cash Settlement Amount and of the determination of each variable and component used to calculate, or affecting, directly or indirectly, the Cash Settlement Amount.

3. Account Details:

Account for payments to Party A:

Bank: Federal Reserve Bank of New York, New York
ABA No: 026-0025-74
A/C: Barclays Bank PLC, New York
Favor: Barclays Swaps & Options Group, New York
A/C No: 050-01922-8
Swift: BARCUS33

Account for payments to Party B:
To be, and as, provided by Party B.

4. Additional Terms and Definitions:

For purposes of this Confirmation, the following terms shall have the meaning specified or referred to in this Section 4:

a. "BCSL Account" means the prime brokerage account established by and in the name of Palomino Limited ("Palomino") with Barclays Capital Securities Limited ("BCSL"), account no. 400262 pursuant to the Prime Brokerage Agreement, dated September 26, 2002 (the "BCSL Agreement").

b. "BCI Account" means the prime brokerage account established by and in the name of Palomino with Barclays Capital Inc. ("BCI"), account no. 21000200 pursuant to the Prime Broker Margin Account Agreement, dated September 26, 2002 (the "BCI Agreement").

c. "Synthetic Account" means a record prepared by the Calculation Agent and titled "Reference Synthetic Positions", identifying, at all times, (A) the outstanding Repos and CSFs effected by Palomino pursuant to the Trading Strategy and designated by Palomino to be included in such record, and (B) the outstanding Synthetic Positions (as defined in paragraph 7 below).

d. "Investment Guidelines" means the Investment Guidelines set forth in Annex A to the Investment Management Agreement entered into between Palomino and Renaissance Technologies Corp. (the "Advisor"), dated September 30, 2002, a copy of which is attached hereto as Annex A (the "Investment Management Agreement").

e. "Designated Positions" means equity securities, Repos, CSFs, Synthetic Positions and other financial positions (whether long or short), excluding cash, credited to, included or deemed included within the Reference Accounts at any time during the Valuation Period.

For purposes of this Confirmation, the terms "Repos" and "CSFs" shall have the meanings ascribed to these terms in the Investment Guidelines.

f. "Basket Gains" means the sum of all (i) gains realized in respect of Designated Positions credited to, included or deemed included in the Reference Accounts at any time during the Valuation Period, (ii) unrealized gains (at the Valuation Time on the Valuation Date) in respect of Designated Positions credited to, included or deemed included in the Reference Accounts at the Valuation Time on the Valuation Date, (iii) dividends accrued (based on ex-dividend dates) at any time during the Valuation Period in respect of long Designated Positions, adjusted as set forth below, and (iv) interest and other income received or accrued on or in respect of Designated Positions credited to, included or deemed included in the Reference Accounts at any time during the Valuation Period.

g. "Basket Losses" means the sum of all (i) losses realized in respect of Designated Positions credited to, included or deemed included in the Reference Accounts at any time during the Valuation Period, (ii) unrealized losses (at the Valuation Time on the Valuation Date) in respect of Designated Positions credited to, included or deemed included in the Reference Accounts at the Valuation Time on the Valuation Date, and (iii) dividend and interest equivalent amounts paid or accrued (based on ex-dividend and ex-interest dates, as applicable) at any time during the Valuation Period in respect of short Designated Positions.

h. "Basket Cost" means the (positive or negative) sum of (i) all commissions and fees in connection with the execution of transactions to acquire, create, dispose of or otherwise terminate Designated Positions, to the extent authorized under the Investment Management Agreement (excluding any fees paid to the Advisor), paid or accrued in connection with the trading of Designated Positions in accordance with the Investment Management Agreement during the Valuation Period, plus (ii) the product obtained by multiplying (A) the Strike Price, by (B) the Applicable Factor, minus (iii) the Total Amortized Premium, minus (iv) any realized and unrealized (at the Valuation Time on the Valuation Date) gains, interest and other income received or accrued in respect of cash, property or other financial positions credited to, included or deemed included in the Reference Accounts or otherwise credited to the Reference Accounts (excluding gain and income items included in Basket Gains) during the Valuation Period.

For purposes of determining Basket Gains, Basket Losses and Basket Cost, (i) gain, loss and any other income or expense items will be computed and taken into account without giving effect to any Tax that might be imposed in respect or by reason thereof, (ii) any portion of a dividend paid or accrued in respect of shares of stock of a corporation incorporated in any of the countries listed in Annex B hereto (as amended from time to time by the parties hereto), which will be subject to withholding tax by the country in which such corporation is incorporated, shall be adjusted by multiplying the original amount of such portion by the percentage set forth next to the name of the applicable country in the column "Percentage of Dividends Received on Long Positions", and (iii) any dividend equivalent amount paid or accrued in respect of a short position in stock of a corporation incorporated in any of the countries listed in Annex B hereto (as amended from time to time by the parties hereto) shall be adjusted by multiplying the original amount of such dividend equivalent amount by the percentage set forth next to the name of the applicable country in the column "Percentage of Dividends Paid on Short Liabilities".

"Applicable Factor" means the number, denoted by AF , calculated in accordance with the following formula:

$$AF = \left\{ \sum_{k=1}^K \left[\prod_{n_k=1}^{N_k} \left(1 + \frac{FFR_{n_k}^k}{365} \right) - 1 \right] \right\} \times 0.9, \text{ where:}$$

" K " is the number of calendar months fully or partially included within the period commencing on, but excluding, the Premium Payment Date and ending on, and including, the Valuation Date (the "Applicable Period", and each such calendar month an "Applicable Month");

" k " is a series of whole numbers from one to K , each representing the corresponding k th Applicable Month, where all of such calendar months are arranged in chronological order from, and including, the first calendar month (fully or partially) included within the Applicable Period to, and including, the last calendar month (fully or partially) included within the Applicable Period;

" N_k " is the number of calendar days in the portion of the k th Applicable Month included within the Applicable Period;

" n_k " is, for each Applicable Month, a series of whole numbers from one to N_k , each representing the corresponding day in the portion of the Applicable Month included within the Applicable Period, where all of the days in such period are arranged in chronological

order from, and including, the first day of such Applicable Month which is included in the Applicable Period to, and including, the last day of such Applicable Month which is included within the Applicable Period; and

“ $FFR_{n_k}^k$ ”, for any day in the Applicable Period, is equal to the Federal Funds Rate for the n_k th day of the k th Applicable Month plus 25 basis points.

i. “Premium Settlement Amount” means USD 125 million minus the Total Amortized Premium.

j. “Total Amortized Premium” means the product obtained by multiplying (i) the Amortized Daily Premium, by (ii) the number of calendar days in the period commencing on, and including, the Trade Date and ending on, and including, the Exercise Date.

k. “Amortized Daily Premium” means the quotient obtained by dividing (i) the Amortizable Premium, by (ii) the number of calendar days in the period commencing on, and including, the Trade Date, and ending on, and including, the Scheduled Expiration Date.

5. This Option and the rights and obligations thereunder are not transferable by either party without the prior written consent of the other party.

6. Additional Representations:

Party A and Party B each makes (and as indicated, only Party A or only Party B makes) the following additional representations:

a. It is entering into this Transaction as principal and not as agent or in any other capacity, fiduciary or otherwise, and no other person has any interest herein.

b. Its execution and delivery of this Confirmation and its entering into the Transaction to which this Confirmation relates have been authorized by all required internal actions and do not violate any laws of its jurisdiction of organization or residence, or the terms of any agreement to which it is a party.

c. Upon due execution and delivery of this Confirmation, this Confirmation will constitute its legal, valid and binding obligations, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors’ rights generally, and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or in law).

d. It is acting for its own account, and has made its own independent decision to enter into this Confirmation and to participate in the Transaction to which this Confirmation relates and as to whether this Confirmation and the Transaction is appropriate or proper for it based upon its own judgment and upon advice of such advisors as it deems necessary.

e. It acknowledges, agrees and confirms that (i) it has not received any advice or counsel from, and is not relying, and has not relied, upon any communication (written or oral) of, the other party or any Affiliate thereof with respect to the legal, accounting, tax or other implications of this Confirmation or the Transaction (including the expiration, sale, assignment or other termination thereof), and that it has conducted its own due diligence review and analyses of the legal, accounting, tax, regulatory and other implications of this Confirmation

and the Transaction, including, without limitation, registration or disclosure requirements in respect of the Transaction under any applicable securities, tax or other laws, (ii) information and explanations related to the terms and conditions of this Confirmation and the Transaction shall not be considered investment advice or a recommendation to enter into this Confirmation or to participate in the Transaction, (iii) it has taken independent tax advice with respect to this Confirmation and the Transaction, (iv) it is entering into this Confirmation and is participating in the Transaction with a full understanding of all of the terms and risks hereof (economic and otherwise), is capable of evaluating and understanding (on its own behalf or through independent professional advice), and understands and accepts, such terms and risks, and is capable of assuming (financially and otherwise), and assumes, those risks, (v) neither the other party nor any Affiliate thereof is acting as a fiduciary for or an advisor to it in respect of this Confirmation or the Transaction, (vi) it has a valid business purpose for entering into this Confirmation and participating in the Transaction, and the transactions contemplated herein are consistent with its overall business and investment strategy, and (vii) it participated with the other party in the structuring of the Transaction, and in the negotiation and drafting of the Confirmation and the other agreements, documents and instruments to be entered into in connection with the Transaction.

f. Party B further represents that more than 50 percent of (i) the voting power of the voting stock thereof is owned, and (ii) the value of the stock thereof is ultimately beneficially owned, by persons which are not U.S. persons. The Parties hereto agree that each will comply with all applicable tax and other laws (including such laws applicable upon termination) in connection with the Transaction.

g. Party A represents and agrees that (i) at the Premium Payment Time, the aggregate cash amount held on deposit by Palomino in the Reference Accounts is USD 1,250 million (the "Initial Funds"), (ii) the Initial Funds constitute the only assets or other property credited to or included within the Reference Accounts at the Premium Payment Time (except for Designated Positions executed in accordance with the Investment Guidelines on or after the Trade Date), (iii) no liability or any other obligation is included in any of the Reference Accounts at the Premium Payment Time (except for those incurred at the instruction of the Advisor on or after the Trade Date), (iv) the Initial Funds will be used exclusively to effect transactions based on the Trading Strategy in accordance with the Investment Guidelines, (v) Palomino is an existing corporation, incorporated under the laws of the Cayman Islands, and will remain in existence and in good standing throughout the term of this Transaction, (vi) it directly owns, and will directly own at all times during the term of this Transaction, all of the outstanding stock of Palomino, (vii) the BCSL Agreement and the BCI Agreement will not be amended or modified in any way during the term of this Transaction, unless a written notice has been delivered to the Advisor at least ten (10) Business Days prior to the effective date of the relevant amendment or modification, (viii) the BCSL Agreement and the BCI Agreement will not be terminated prior to the close of the Cash Settlement Payment Date, (ix) until the close of the Cash Settlement Payment Date, no cash, securities, any other property or any financial positions (whether long or short) will be (A) distributed or withdrawn from any of the Reference Accounts (except for (x) cash withdrawals in an aggregate amount with all prior such cash withdrawals not to exceed at any time the product obtained by multiplying the Strike Price by the Applicable Factor (computed by deeming the Applicable Period to end on, but exclude, the day immediately preceding the relevant time considered, and (y) transfers of cash, securities or other property between the Reference Accounts)), or (B) deposited, contributed or assigned to any of the Reference Accounts, except in connection with the settlement of transactions effected within the

Reference Accounts based on the Trading Strategy, and (x) Palomino will be the sole title and legal beneficial owner of all of the Designated Positions and of any other assets or other positions that may be included within the Reference Accounts, and (xi) Palomino has elected to be "disregarded as an entity separate from its owner" for U.S. federal income tax purposes and will retain this status throughout the entire term of the Option.

7. The parties agree, that if the Advisor designates the execution of any transaction in accordance with the Investment Guidelines and the execution of such transaction is denied by Party A (or any Affiliate thereof), such transaction will be treated as if it were actually executed; any stock, securities and other financial positions (whether long or short) that would have been credited to or included in the Reference Accounts if such transaction were actually executed will be treated as included in the Synthetic Account as of the date on which the Advisor designated the execution of the relevant transaction (a "Synthetic Position") and will be treated as disposed of or otherwise terminated on the day so designated by the Advisor; any stock, securities and other financial positions (whether long or short) that would have been disposed of or otherwise terminated if such transaction were actually executed shall be treated as if actually disposed of or otherwise terminated, and excluded from the relevant Reference Account, on the day so designated by the Advisor; and any dividend, interest or any other income that would have been received or accrued on or in respect of Synthetic Positions if such transaction were actually executed will be credited to the relevant Reference Account in which such transaction would have been executed.

8. Upon exercise or deemed exercise of the Option hereunder, Party A shall cause the commencement of an orderly liquidation and reduction to USD cash of the assets and financial positions (whether long or short) then credited to, included or deemed included within the Reference Accounts over the period commencing on the Exercise Date to and including the Valuation Date, with the objective of minimizing risk and preserving the equity value of the Designated Positions (the "Liquidation" and the "Liquidation Period", respectively). In the event that Palomino has replaced the Advisor with respect to any of the Reference Accounts, Palomino has otherwise assumed management of any of the Reference Accounts or the Advisor is prevented, for any reason from effectively managing the Reference Accounts, Party A shall cause the Liquidation to be effected in an "equal dollar weighted" manner in approximately equal proportions over the Liquidation Period, such that approximately 25% of the Designated Positions credited to, included or deemed included within the Reference Accounts at the beginning of the Liquidation Period are liquidated on each Valuation Exchange Business Day during such period, and with due regard to effecting proportionate reductions of "long" positions and corresponding "short" positions, provided, however, that the Liquidation may be effected in a different commercially reasonable manner that would minimize risk and preserve the equity value of the Designated Positions, if and to the extent so consented to by the Advisor (which for the avoidance of any doubt does not include any replacement advisor); and provided further that no such consent of the Advisor will be required if the estimated Cash Settlement Amount, calculated by valuating all of the Designated Positions as set forth in section 9 below on the Exercise Date, payable to Party B is equal to zero.

9. Party A and Party B agree that for purposes of this Confirmation and the Transaction, including, without limiting the foregoing, for purposes of determining the Basket Gains and Basket Losses, Designated Positions and any other relevant stock, securities or other financial positions (whether long or short) will be valued according to the following valuation

methods: (i) stock, securities and other financial positions which are traded on an Exchange shall be valued at any time at the last sales price quoted for the securities on (A) the consolidated tape on the date and at the time for which value is being determined, or (B) if no sale occurred on such date, at the mean between the "bid" and the "asked" prices on such date as reported in a recognized interdealer quotation system, (ii) stock, securities and other financial positions which are not traded on an Exchange, but are traded over the counter, shall be valued at the mean between the "bid" and the "asked" prices quoted for such securities, and (iii) stock, securities and other financial positions that are not described in subsections (i) and (ii) above, shall be valued based on a method of valuation to be agreed upon by Party A and Party B.

10. Each of Party A and Party B agrees that for accounting, regulatory, tax and all other purposes, it and any Affiliate thereof will treat and report the Transaction as a derivative financial instrument and treat and report the Designated Positions and any other assets or positions that may be credited to or included within the Reference Accounts as assets and positions of which Party A or Palomino is the sole legal and beneficial owner and to which Palomino is the sole party, as the case may be, provided, however, that if any party hereto reasonably determines that due to a Change in U.S. Tax Law, as defined in Section 14 below, the Designated Positions and any other assets or positions included within the Reference Accounts are required to be treated and reported for U.S. federal income tax purposes as assets and positions of which Party B (or any Affiliate thereof) is the beneficial owner, Party A and Party B shall consult with each other and agree, in good faith and with the objective of preserving, to the maximum extent possible, the objectives of this Transaction and the tax and economic implications that would have resulted to each party had such a Change in U.S. Tax Law not occurred, regarding the appropriate treatment and reporting of such assets and positions.

11. Party B shall pay any and all documentary, stamp, registration or similar taxes and charges that may be payable in respect of (i) the execution of this Confirmation, (ii) the exercise of the Option, and (iii) the Payment of the Premium.

12. This Confirmation shall be governed by and construed in accordance with the laws of the State of New York.

13. Each of Party A and Party B shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper and advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Confirmation and the Transaction to which it relates in accordance with the terms and conditions hereof and thereof, including (a) using reasonable best efforts to remove any legal impediment to the consummation of such transactions, and (b) the execution and delivery of all such deeds, agreements, assignments and further instruments of transfer and conveyance, necessary, proper or advisable to consummate and make effective the transactions contemplated by this Confirmation and the Transaction in accordance with the terms and conditions hereof and thereof, provided that any such action or thing would not materially prejudice the legal or commercial position of the relevant party.

14. Notwithstanding anything to the contrary in this Confirmation, Party A may, in its sole discretion, terminate this Confirmation upon ten (10) Business Days prior written notice to Party B, in the event that (i) any change in applicable law (including, without limitation, any laws, treaties, ordinances, rules, regulations, rulings, interpretations and authorizations of the

United States or the United Kingdom or of any political subdivision, regulatory body having authority over Party A or taxing authority thereof or therein) materially and adversely affects Party A's capital charges directly resulting from this Transaction, or (ii) due to the enactment, promulgation, execution or ratification of, or any change in or amendment to, the U.S. Internal Revenue Code of 1986, as amended, or the Treasury Regulations promulgated thereunder (or in the application or official interpretation thereof by the United States Internal Revenue Service or the United States Department of the Treasury, as the context requires) that occurs on or after the date on which the Transaction is entered into (a "Change in U.S. Tax Law"), Party A is required to treat and report the Designated Positions and any other assets or positions included within the Reference Accounts as assets and positions of which Party B (or an Affiliate thereof) is the beneficial owner for U.S. federal income tax purposes.

15. Except as otherwise hereinafter set forth, the parties hereto agree that the structure and tax aspects of the Transaction and all materials provided by either party with respect to such structure and tax aspects are non-confidential, are not the proprietary information of either party and may be disclosed to any and all persons, and used, by either party (and each employee, representative, or other agent thereof), without limitation of any kind of disclosure and without the consent of the other party (provided, however, that the names and all other identifying information of all entities and persons have been properly erased from such materials prior to the disclosure thereof). Each party otherwise agrees not to disclose any proprietary, non-public information regarding the other party ("Confidential Information") it may have received in connection with this Transaction, including, without limitation, that such party has entered into this Transaction with the other party, and agrees that it shall not disclose or use the name of the other party (or any Affiliate thereof) for marketing or other purposes not directly relating to the implementation of the Transaction hereunder. Notwithstanding the foregoing, either party may disclose any such Confidential Information if required by law or any judicial, governmental or other regulatory body, provided it gives prior written notice of such required disclosure to the other party. Confidential Information of a party shall not include any information in the public domain or information obtained from any third party not under a duty not to disclose it.

[Signature page follows]

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us to the attention of Mark D'Andrea, c/o Barclays Bank PLC, New York Branch, 200 Park Avenue, New York, NY 10166, Facsimile no.: (212) 419-1775.

Yours sincerely,

BARCLAYS BANK PLC,
NEW YORK BRANCH

By: _____
Name:
Title:

Confirmed as of the date
first above written:

BASS EQUITIES LTD.

By: _____
Name:
Title:

ANNEX A
INVESTMENT MANAGEMENT AGREEMENT

ANNEX B

DIVIDENDS AND DIVIDEND EQUIVALENT AMOUNTS ADJUSTMENT SCHEDULE

Country of Company Paying a Dividend	Percentage of Dividends Received on Long Positions	Percentage of Dividends Paid on Short Liabilities	
ARGENTINA	TBD	TBD	
AUSTRALIA	100	100	
AUSTRIA	85	100	
BELGIUM	85	100	
BRAZIL	TBD	TBD	
CANADA	85	85	
DENMARK	85	85	
FINLAND	100	100	
FRANCE	100	100	
GERMANY	85	85	
HONG KONG	100	100	
INDONESIA	TBD	TBD	
IRELAND	100	100	
ITALY	100	100	Risp 87.5 (long and short)
JAPAN	85	85	
MEXICO	TBD	TBD	
NETHERLANDS	85	85	
NEW ZEALAND	85	85	
NORWAY	85	85	
PHILIPPINES	TBD	TBD	
PORTUGAL	TBD	TBD	
SINGAPORE	100	100	
SOUTH AFRICA	TBD	TBD	
SOUTH KOREA	TBD	TBD	
SPAIN	85	85	
SWEDEN	95	95	
SWITZERLAND	85	100	
UNITED STATES	45	100	

Memo

Barclays Capital

To SCM Approvals Committee

Cc

From Structured Capital Markets

Date Friday, 04 April 2003

Subject SCM Approvals paper – Project COLT
(Renaissance II)

BARCLAYS

1. BACKGROUND

Structured Capital Markets ('SCM') is seeking approval to transact a further Project COLT transaction with a fund managed by Renaissance Technologies ('Fund'). This transaction (the '**Second Renaissance Transaction**') would be almost identical to the first COLT transaction, which was with the same Fund. Importantly, the Second Renaissance Transaction would use the same entities and accounts used for the previous transaction, so there would be minimal impact on infrastructure areas. Slight changes from the original transaction are as follows –

1. **Synthetic Call Option Between BB PLC and Palomino (as opposed to an explicit call option)** This creates a neutral risk position for BB PLC and Palomino, but the components of the synthetic call option allow all trades to occur in the same accounts as in the first transaction (which is a tremendous selling point for the client). The reference point for the Call Option in this transaction is a total return swap, which is one component of the synthetic call option. That total return swap represents [20%] of the value of the prime brokerage accounts set up for the First Renaissance Transaction (defined below). This insures that the new option relates only to an appropriate part of the prime brokerage account AND that the old option does not include activity appropriately targeted for the Second Renaissance Transaction; AND
2. **Removal of Manager for No Reason** – In the first transaction, we have the right to remove the investment manager immediately for cause and at any time upon 10 business days' notice. The client has requested that we amend the notice period from 10 business days to 60 calendar days for situations where cause is not relevant. Since these types of structures take a long time to structure, they have requested this extra time to help transition to another provider if we decide we no longer want to be in the transaction.

The first Project COLT was approved by the SCM Approvals Committee on 2 September, 2002 and by the NPC (both Global and US) on 30 July, 2002, and it was executed on 30 September, 2002 (the '**First Renaissance Transaction**').

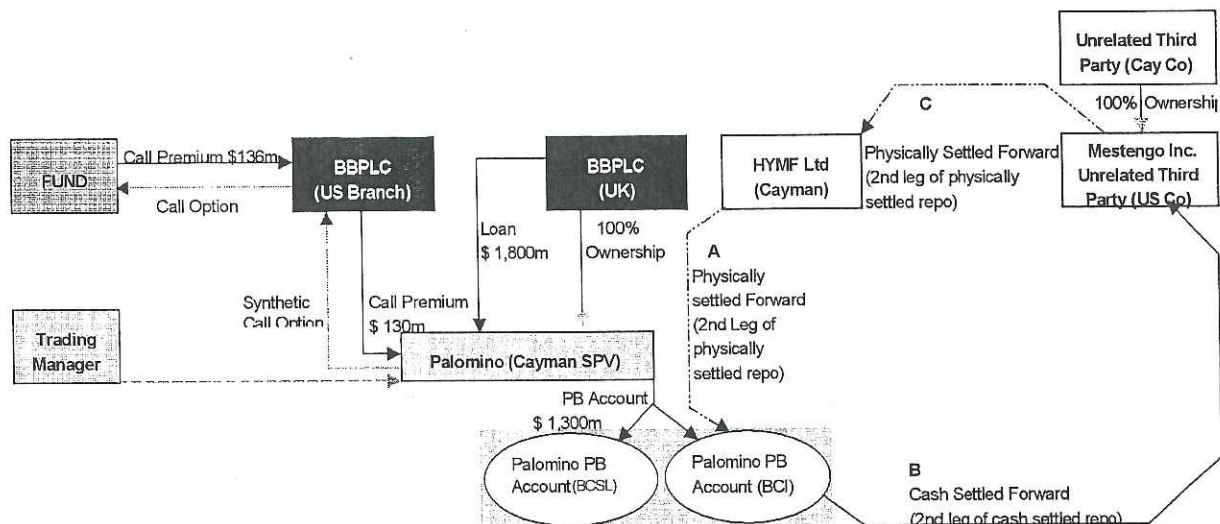
During the first six months after signing the First Renaissance Transaction, the transaction has been running as expected with no infractions by the investment manager hired to perform the trading strategy. Further, internal audit has reviewed the First Renaissance Transaction and has only minor comments related to the execution and ongoing maintenance of the transaction.

SCM would earn fee income at the onset of the Second Renaissance Transaction of [\$6m]. Further, it is anticipated that increased revenue will be created in certain other areas within Barclays Capital: approximately [\$5m] p.a. to [\$7m] p.a. from increased clearing charges and funding revenue for the Collateralized Finance Group ('CFG').

Key financial data is set out below:

Estimated revenue	[\$6m] one off Fee Income for SCM [\$5m – \$7m] per annum revenue for CFG
Tax capacity	N/A
Return on tax capacity	
WRAs	N/A
Return on WRAs	

2. DETAILED TRANSACTION DESCRIPTION



Use of Palomino (Cayman) Ltd ('Palomino'), HYMF Ltd ('HYMF'), and Mestengo, Inc. ('Mestengo')

Palomino, HYMF and Mestengo are existing entities that were used for the First Renaissance Transaction.

Palomino is utilized to 1) eliminate trade reporting obligations that would be required if BB PLC participated in the transaction directly, and 2) to create a US tax resident entity that is not confined by US regulatory rules that apply to US-formed entities.

HYMF and Mestengo are used as part of a cost-efficient structure that enables Palomino to sell US securities without being subject to the "up tick" rules that restrict short sales of US securities. The structure involving these entities has already been created, so no new structuring would be required for the Second Renaissance Transaction.

Loan from BBPLC (UK)

[APG]

Palomino has already borrowed \$1,800m from BB PLC (UK) on an unsecured basis (out of CFG's existing line with BB PLC and within the treasury concession). CFG believes that this existing loan would be sufficient to fund the Second Renaissance Transaction, so no new funding would be required.

Use of existing PB Accounts

The Second Renaissance Transaction would utilize the existing prime brokerage trading accounts held with both BCSL and BCI (collectively referred to as the '**PB Account**').

Back-to-Back Positions – Call Option and Synthetic Call Option

- a. Identical to the First Renaissance Transaction, the US branch of BB PLC would write an American-style call option to the Fund with respect to the value of the PB Account (the '**Call Option**'),¹ for which the Fund would pay a premium ('**Call Premium**') of [\$136m] comprising:
 - [\$130m] representing the collateral for the Trading Strategy; and
 - an amount representing SCM's fee from the transaction (\$6m in the diagram).
- b. The Call Option would have a term of 3 years and would be cash settled. The effective strike price of the Call Option would be [\$1,170m], plus an appropriate charge for leverage ('**Call Strike**').
- c. Simultaneous with its writing of the Call Option, BB PLC would enter into a position that matches identically the obligation that BB PLC has under its Call Option (the '**Synthetic Call Option**'). Instead of writing an explicit call option as in the First Renaissance Transaction, Palomino would create a Synthetic Call Option with the same net economic exposure as the Call Option. First, Palomino would write a total return swap to BB PLC (a '**TRS**'), the reason for which is set out in footnote 1. To make sure that the profile to BB PLC is entirely neutral, BB PLC and Palomino will sign a separate side letter ('**Side Letter**'), stating that BB PLC will have no obligation to make payments to Palomino under the TRS due to losses in the PB Accounts. The TRS and the Side Letter together comprise the Synthetic Call Option that is designed to perfectly match BB PLC's obligations under the Call Option.

Risk Mitigation and Acceleration:

The Second Renaissance Transaction will use the risk monitoring process already in place as a result of the First Renaissance Transaction.

Accordingly, Palomino will not have any credit risk or market risk in the transaction, due to the fact that the its PB Account is hedged by the Synthetic Call Option and Prime Brokerage effectively has taken the downside risk. The risk borne by Prime Brokerage is akin to the risks taken in a normal collateralised Prime Brokerage relationship, where the risks generally are confined to catastrophic losses occurring over a short period of time.

¹ Since the PB Account is the same as the first deal, it will be necessary for the Call Option to be restricted to only the portion of the PB Account representing the new activity. Likewise, the Call Option from the First Renaissance Transaction must be restricted so it does not include the activity related to the option in the Second Renaissance Transaction. To accomplish this, Palomino will write a TRS to BB PLC with respect to [50%] of the value of the PB Accounts. The new Call Option will reference that TRS, thereby insuring that only [50%] of the value of the PB Accounts will be covered by the Second Renaissance Transaction. Further, the short TRS position will be within the PB Account and will make sure that the call option from the First Renaissance Transaction does not include the value of the call option written in the Second Renaissance Transaction.

[APG]

Therefore, risks of COLT generally are reduced by the risk management techniques approved for use by BCSL's and BCI's Prime Brokerage group when transacting with hedge funds. In addition to those techniques, specific investment guidelines have been agreed with the Trading Manager, and the Market Risk/Credit teams will undertake daily risk monitoring.

Specific risk mitigation techniques are discussed within the "Credit" section of this paper discussed in detail above.

3. ECONOMICS AND ECONOMIC DRIVERS

BBPLC & BCSL

SCM's structuring fee would be [\$6m].

In addition, BCSL would earn i) increased revenue from additional volume in Prime Brokerage, which has been estimated at between [\$3m p.a. and \$5m p.a], ii) increased revenue from volumes of trades executed with Barclays' traders, and iii) increased exposure for our hedge fund sales team.

Fund

US individual investors of a Fund would obtain 1) operational and cost efficiencies due to certain regulatory efficiencies (including lack of up tick restriction on short sales), 2) no withholding tax on dividends from US securities, and 3) a post-tax benefit, because all the gain on the Call Option would be treated as a long-term gain for US tax purposes and would therefore be taxed at 20%, as opposed to 39.6%.

TAX ANALYSIS

BB PLC


UK Tax



US Tax

Analysis is identical to the First Renaissance Transaction, which follows:

The following entities in the transaction are US taxpayers – US branch, Palomino (check-the-box election will be made to disregard as separate entity and therefore treated as part of US branch of BB PLC), HYMF (check-the-box election will be made to disregard as separate entity and therefore treated as a branch of HYMF, Inc., a US corporation) and Mestengo (as it is a US corporation).

SCM's profit from the transaction will be earned in the US branch of BB PLC and therefore will be taxed in the US. We received an opinion from counsel (Akin, Gump) 



[APG]

[REDACTED] we have received an opinion from counsel (Coudert Brothers) [REDACTED]

Tax Shelter Disclosure/List-Keeping –

Under the final Tax Shelter Regulations, we would not be required to disclose or keep a list for this Second Renaissance Transaction.

Fund

Investors in Funds, rather than the Funds themselves, are subject to US tax with respect to the Fund's annual net income. For US individual investors, that income is typically taxed at a 39.6% federal rate of tax, because Fund investments mainly trigger 'short-term capital gains' and 'ordinary income'. By changing the investment of the Fund from various positions that turn-over frequently during the year to a single Call Option that remains outstanding for at least one year, COLT accomplishes two goals:

- a. Conversion - the Fund recognizes only long-term capital gains (i.e., gains recognized for an asset held more than 12 months), which are taxed to the individual investors in the Fund at a maximum federal rate of 20%; and
- b. Deferral - income is recognized only in the year in which the Call Option is recognized (i.e., in year 3).

4. TAX RISK

There is no tax risk for BB PLC from COLT and [REDACTED].

5. ACCOUNTING

London Finance (Pritesh Pankhania) has provided advice, which has been agreed by PWC.

- a. Palomino (Cayman), HYMF (Cayman) Ltd and Mestengo Inc, as a quasi-subsiary, will be consolidated with BB PLC.
- b. Palomino (Cayman) will be accounted for on trading book.
- c. Fee income of [\$6m] should be recognizable immediately.
- d. The Call Option and the PB Account would be marked to market and should offset in the income statement (i.e., there is no intrinsic value to the Call Option).

On the balance sheet, the mark-to-market value of the option and the Call Premium would be reported as "Amounts Arising from Off-Balance Sheet Derivatives", and the positions in Palomino would be reported as "Equity Securities" or other, depending upon the nature of the investments.

[APG]

6. REGULATORY CAPITAL

Regulatory treatment has been agreed with Financial Control (Nadim Sheikh and Michael Blackburn). FSA approval was received for the original COLT transaction using Palomino and included the following:

1. Palomino may be treated as a trading book;
2. Since Position Risk Requirements for Palomino will in all cases be nil, there is no need to calculate such on a daily basis; and
3. Since Large Exposures for Palomino to equity names will in all cases be nil, there is no need to calculate such on a daily basis.

The FSA approved this further COLT transaction on 20 February.

7. CREDIT

Risk Mitigation will be identical to the framework created for the First Renaissance Transaction. Below is a reminder of those provisions -

All market risk from the transaction is borne by the Fund (to extent of [\$130m] premium from the Call Option) and by Prime Brokerage (to the extent the value of the PB Account drops below [\$1,170m]). Prime Brokerage's risk is triggered by the fact that it will in all cases pay at least [\$1,170m] (i.e., the value of the loan between Palomino and BB PLC) back to Palomino at the end of the transaction. This risk borne by Prime Brokerage has been approved by GFRM (market and credit risk) in the First Renaissance Transaction.

Generally speaking, the Trading Strategy will be monitored using the traditional risk parameters approved for the Prime Brokerage group² (similar but slightly more restrictive). Although the technical equity in the PB Account would be [\$1,300]m, collateral for risk monitoring purposes will be limited to the [\$130m] provided by the Fund as premium. As a result, all numbers related to risk analysis will assume only [\$130m] of collateral. With that in mind, Prime Brokerage's risk to the Trading Strategy will be managed in the following ways:

- De-leveraging: Suppose that the [\$130m] of collateral (determined as discussed above) supports \$1,300m of long and \$1,300m of short positions (i.e., twenty times gross multiple, split evenly between long and short positions) in the Trading Strategy. If the Trading Strategy loses \$10m, only [\$120m] of collateral would remain. Since [\$120m] would only support \$1,200m of long/short positions, the Trading Manager would be forced to liquidate enough of its positions to meet those parameters. (This is because the only structural way to obtain more collateral would be through increasing the Call Premium and this significantly weakens the Fund's tax analysis). Although more labour intensive, the deleveraging process should manage risk as effectively as requesting more collateral.
- Removal of Manager: The Trading Manager could be fired and the positions could be liquidated immediately for cause and at any point with a notice given within a specifically agreed upon period of time.

² Prime Brokerage clears trades for hedge funds and provides leverage with respect to trading levels, based upon i) collateral received from the hedge fund, ii) ongoing risk analysis of the strategies employed, and iii) the market environment. As losses reduce collateral on hand, Prime Brokerage manages risk of loss in two ways: i) it can request increased collateral to rationalize the same trading level, or ii) it can force a reduction of positions to conform the trading level to an acceptable risk profile.

[APG]

The Trading Strategy will allow the Trading Manager to execute trades with other broker-dealers that are cleared with Prime Brokerage. That ability to "trade away" would be controlled to ensure that the Trading Manager does not exceed certain investment guidelines during the course of any day. All trades will be reported to Prime Brokerage at the end of the day, and if limits are exceeded Prime Brokerage would have the right, at its discretion, to reject the trades that exceed the limits and transfer the trades into a Prime Brokerage Account held by the Trading Manager (i.e., trades will be for Trading Managers account). In addition, the executing brokers that could be used by the Trading Manager will be limited and pre-approved before trading. The ability to reject trades exceeding investment guidelines and limited executing brokers will be used to control the execution risk for the structure.

8. NPSO APPROVAL

Since no new issues arise in this transaction, we believe a notification to the NPSO committees (as opposed to a new approval) is appropriate

10. APPENDICES

None.

[APG]

BADGER HOLDINGS L.P.

LIMITED PARTNERSHIP AGREEMENT

August 17, 2004

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BADGER HOLDINGS L.P.

LIMITED PARTNERSHIP AGREEMENT

This Limited Partnership Agreement is made effective as of the 17th day of August, 2004 by and among the person whose name is subscribed at the end hereof as general partner and those persons whose names are subscribed at the end hereof as limited partners.

ARTICLE I.

DEFINITIONS

For purposes of this Agreement:

"Act" means the Delaware Revised Uniform Limited Partnership Act, as in effect on the date hereof, and as amended from time to time, or any successor law.

"Agreement" means this Limited Partnership Agreement, as amended from time to time.

"Capital Account" means with respect to each Partner the capital account established and maintained on behalf of such Partner as described in Section 3.3.

"Certificate" means the certificate of limited partnership referred to in Section 2.1.

"Code" means the Internal Revenue Code of 1986, as amended and as hereafter amended, or any successor law.

"Fiscal Period" means the period which starts on August 17, 2004 and thereafter each period which starts on the day immediately following the last day of the preceding Fiscal Period, and which ends on the first to occur of (a) the last day of any fiscal quarter, or (b) any other date as of which any withdrawal or distribution of capital is made by or to any Partners or as of which a contribution to capital is accepted by the Partnership from any new or existing Partner, other than any withdrawal, distribution or contribution which does not result in any change of any Partner's Partnership Percentage.

"Fiscal Year" means each period commencing on January 1 of each year and ending on December 31 of each year (or on the date of a final distribution pursuant to Section 6.1(a)(iii)), unless the General Partner shall elect another fiscal year for the Partnership which is a permissible tax year under the Code.

"General Partner" means Renaissance Technologies Corp., a corporation organized under the laws of the State of Delaware, or any successor to the business of the General Partner.

"Limited Partner" means each of Medallion Fund L.P., Medallion Associates L.P., Medallion International Ltd., Medallion USA L.P., Medallion Capital Investments Ltd. and Medallion RMP Fund L.P., and any other person executing this Agreement as a Limited Partner until the entire limited partnership interest of any such person has been withdrawn pursuant to Section 5.5 or a substitute Limited Partner or Partners are admitted with respect to such person's entire limited partnership interest.

"Net Assets" means the total value, as determined by the General Partner in accordance with Section 7.2, of all assets of the Partnership (including any net unrealized appreciation or depreciation of securities held directly by the Partnership and accrued interest and dividends receivable net of withholding taxes), less an amount equal to all accrued debts, liabilities and obligations of the Partnership (including any reserves for contingencies established by the General Partner).

"Net Loss" means the excess of the Net Assets on the first day of a Fiscal Period over the Net Assets on the last day of the same Fiscal Period, after excluding in each case the effects of additional capital contributions, withdrawals or distributions during the period.

"Net Profit" means the excess of the Net Assets on the last day of a Fiscal Period over the Net Assets on the first day of the same Fiscal Period, after excluding in each case the effects of additional capital contributions, withdrawals or distributions during the period.

"Partner" means the General Partner or any of the Limited Partners, except as otherwise expressly provided herein, and *"Partners"* means the General Partner and all of the Limited Partners.

"Partnership" means the limited partnership governed by this Agreement.

"Partnership Percentage" means a percentage established for each Partner on the Partnership's books as of the first day of each Fiscal Period. The Partnership Percentage of a Partner for a Fiscal Period shall be determined by dividing the amount of the Partner's Capital Account as of the beginning of the Fiscal Period (after adjustment for any contributions to the capital of the Partnership which are effective on such date) by the sum of the Capital Accounts of all of the Partners as of the beginning of the Fiscal Period (after adjustment for any contributions to the capital of the Partnership which are effective on such date). The sum of the Partnership Percentages of all Partners for each Fiscal Period shall equal one hundred percent (100%).

ARTICLE II.

ORGANIZATION

2.1 Formation of Limited Partnership.

(a) The Certificate of Limited Partnership was filed with the Secretary of State of Delaware and the Partnership formed under and pursuant to the Act on August 6, 2004.

(b) The General Partner shall execute, acknowledge and file any amendments to the Certificate as may be required by the Act and any other instruments, documents and certificates which, in the opinion of the Partnership's legal counsel, may from time to time be required by the laws of the United States of America, the State of Delaware or any other jurisdiction in which the Partnership shall determine to do business, or any political subdivision or agency thereof, or which such legal counsel may deem necessary or appropriate to effectuate, implement and continue the valid and subsisting existence and business of the Partnership. Any required amendment to the Certificate shall be filed by the General Partner promptly following the event requiring said amendment. All amendments may be signed either personally or by an attorney-in-fact.

2.2 Name of Partnership.

The name of the Partnership shall be Badger Holdings L.P. or such other name as the General Partner may hereafter adopt upon causing an amendment to the Certificate to be filed with the Secretary of State of the State of Delaware. The Partnership shall have the exclusive ownership and right to use the Partnership name so long as the Partnership continues, despite the withdrawal, expulsion, resignation or removal of any Partner, but upon the Partnership's termination, the Partnership shall assign such name and the goodwill attached thereto to the General Partner.

2.3 Registered Office and Agent.

The Partnership shall have its registered office at 1209 Orange Street, City of Wilmington, County of New Castle or at such other place as the General Partner may designate from time to time, and its initial registered agent in Delaware shall be Corporation Trust Company.

2.4 Objectives of Partnership.

The objectives of the Partnership shall be to purchase, sell (including short sales), invest, trade and deal in securities and other financial instruments, including options or other derivative instruments, and to engage in financial transactions relating thereto.

2.5 Actions by Partnership.

The Partnership may execute, deliver and perform all contracts, agreements and other undertakings and engage in all activities and transactions as may in the opinion of the General Partner be necessary or advisable to carry out the foregoing objectives.

ARTICLE III.

CAPITAL

3.1 Contributions to Capital.

(a) The General Partner may permit any Partner, including any additional Partner admitted pursuant to Section 5.1, to make additional capital contributions. No other contribution to the capital of the Partnership may be made by any Partner unless such contribution shall have been approved in advance in writing by the General Partner.

(b) Except as otherwise permitted by the General Partner, all contributions to the capital of the Partnership by any Partner shall be payable in cash or in such securities which the General Partner may agree to accept on behalf of the Partnership.

3.2 Rights of Partners in Capital.

(a) No Partner shall be entitled to interest on his contributions to the capital of the Partnership.

(b) No Partner shall have the right to distributions or the return of any contribution to the capital of the Partnership except (i) upon withdrawal of such Partner pursuant to Section 5.5, (ii) upon the dissolution of the Partnership pursuant to Section 6.1 or (iii) as provided in Section 3.6. The entitlement to any such return at such time shall be limited to the value of the Capital Account of the Partner. The General Partner shall not be liable for the return of any such amounts.

3.3 Capital Accounts.

(a) The Partnership shall maintain a separate Capital Account for each Partner.

(b) Each Partner's Capital Account shall have an initial balance equal to the amount of cash and the value of any securities constituting such Partner's initial contribution to the capital of the Partnership.

(c) Each Partner's Capital Account shall be increased by the sum of (i) the amount of any additional contributions by such Partner to the capital of the Partnership pursuant to Section 3.1, plus (ii) the portion of any Net Profit allocated to such Partner's Capital Account pursuant to Section 3.4.

(d) Each Partner's Capital Account shall be reduced by the sum of (i) the amount of any withdrawals or distributions to such Partner pursuant to Sections 3.6, 5.5 or 6.1, plus (ii) the portion of any Net Loss allocated to such Partner's Capital Account pursuant to Section 3.4.

3.4 Allocation of Net Profit and Net Loss.

As of the last day of each Fiscal Period, any Net Profit or Net Loss for the Fiscal Period shall be allocated among and credited to or debited against the Capital Accounts of the Partners in proportion to their respective Partnership Percentages for the Fiscal Period.

3.5 Allocations for Income Tax Purposes.

In each Fiscal Year, items of income, deduction, gain, loss or credit that are recognized for income tax purposes shall be allocated among the Partners, General and Limited, in such manner as to reflect equitably amounts credited to or debited against each Partner's Capital Account, whether in such Fiscal Year or in prior Fiscal Years. To this end, the Partnership shall establish and maintain records which shall show the extent to which the Capital Account of each Partner shall, as of the last day of each Fiscal Year, be comprised of amounts which have not been reflected in the taxable income of such Partner. To the extent deemed by the General Partner to be feasible and equitable, taxable income and gains in each Fiscal Year shall be allocated among the Partners who have enjoyed the related credits, and items of deduction, loss and credit in each Fiscal Year shall be allocated among the Partners who have borne the burden of the related debits. Taxable gain or loss realized from the sale of securities which were contributed in kind by a Partner (other than gain which was recognized by such contributing Partner upon such contribution pursuant to Section 721(b) of the Code) shall be allocated to the contributing Partner to the extent required under Section 704(c) of the Code and the regulations promulgated thereunder.

3.6 Distributions.

The General Partner may make distributions in its discretion. All distributions pursuant to this Section 3.6 shall be made to the Partners pro rata in proportion to their Partnership Percentages.

ARTICLE IV.

MANAGEMENT

4.1 Rights, Duties and Powers of the General Partner.

(a) Subject to the terms and conditions of this Agreement, the General Partner shall have complete and exclusive responsibility for managing and administering the affairs of the Partnership, and shall have the power and authority to do all things necessary or proper to carry out its duties hereunder.

(b) Without limiting the generality of the General Partner's duties and obligations hereunder, the General Partner shall have full power and authority:

(i) to open, maintain and close bank accounts and custodial accounts for the Partnership and draw checks and other orders for the payment of money;

(ii) to receive from Partners contributions to the capital of the Partnership;

(iii) to pay all expenses relating to the organization of the Partnership.

(iv) to engage such attorneys, accountants and other professional advisers and consultants as the General Partner may deem necessary or advisable for the affairs of the Partnership;

(v) to maintain the books and records of the Partnership, and cause to be prepared an annual audited balance sheet and income statement and periodic unaudited financial statements;

(vi) to disburse payments or distributions to Partners and to third parties to pay the expenses of the Partnership and as otherwise provided for in this Agreement;

(vii) to commence or defend litigation that pertains to the Partnership or any Partnership assets;

(viii) to cause the Partnership, if and to the extent the General Partner deems such insurance advisable, to purchase or bear the cost of any insurance covering the potential liabilities of the Partnership, the General Partner and their partners, officers, employees and agents;

(ix) in the normal course of the Partnership's business and for any Partnership purpose, including without limitation payment of the Partnership's operating expenses, to cause the Partnership to borrow money and make, issue,

accept, endorse and execute promissory notes, drafts, bills of exchange, guarantees and other instruments and evidences of indebtedness, and secure the payment thereof by mortgage, pledge or assignment of or security interest in all or any part of the securities and other property then owned or thereafter acquired by the Partnership; and

(x) subject to the other terms and provisions of this Agreement, to execute, deliver and perform such contracts, agreements and other undertakings, and to engage in all activities and transactions, as it may deem necessary or advisable for, or as may be incidental to, the conduct of the business contemplated by this Section 4.1, including, without in any manner limiting the generality of the foregoing, contracts, agreements, undertakings and transactions with any Partner or with any other person, firm or corporation having any business, financial or other relationship with any Partner or Partners.

(c) The General Partner shall be the tax matters partner for purposes of Section 6231(a)(7) of the Code. Each Partner agrees not to treat, on its personal U.S. federal income tax return or in any claim for a refund, any item of income, gain, loss, deduction or credit in a manner inconsistent with the treatment of such item by the Partnership. The General Partner shall have the exclusive authority and discretion to make any elections required or permitted to be made by the Partnership under any provisions of the Code or any other revenue laws.

4.2 Investment Management.

(a) The General Partner shall have complete and exclusive responsibility for all investment and investment management decisions to be undertaken on behalf of the Partnership and shall have the power and authority to do all things necessary or proper to carry out its duties hereunder.

(b) Without limiting the generality of the General Partner's duties and obligations hereunder, the General Partner shall have full power and authority, at the expense of the Partnership:

(i) to purchase, sell, exchange, lend, trade and otherwise deal in and with investments and other property of the Partnership;

(ii) to make all decisions relating to the manner, method and timing of investment and trading transactions, to select brokers for the execution, clearance and settlement of any transactions (including, subject to applicable federal securities laws, principal and agency cross transactions with one or more brokers) on such terms as the General Partner considers appropriate, and to grant limited discretionary authorization to such persons with respect to price, time and other terms of investment and trading transactions;

(iii) to make all decisions relating to the investment of Partnership assets in other investment vehicles (including entities managed or advised by an affiliate of the General Partner) on such terms as the General Partner considers appropriate;

(iv) to cause investments owned by the Partnership to be registered in the Partnership's name, in the name of a nominee or other fiduciary, or to be held in street name in a Partnership account, as the General Partner, in its sole discretion, shall determine;

(v) to trade on margin, to borrow from banks or other financial institutions, and to pledge Partnership assets as collateral therefor;

(vi) to enter into repurchase agreements, reverse repurchase agreements, short sales, or other such arrangements with respect to Partnership assets;

(vii) to open and maintain bank accounts and brokerage accounts on behalf of the Partnership and to pay the customary fees and charges applicable to transactions in all such accounts;

(viii) to arrange for the custody of portfolio securities and other assets acquired or held on behalf of the Partnership, to direct custodians to deliver funds or Investments for the purpose of effecting transactions, and to instruct custodians to exercise or abstain from exercising any right or privilege attaching to assets; and

(ix) to engage (directly or indirectly through investments in pooled investment vehicles) investment managers and other financial advisors and consultants as the General Partner may deem necessary or advisable in connection with the investment activities of the Partnership and to compensate such persons for their services from the assets and/or profits of the Partnership.

(c) In the course of selecting brokers for execution, clearance and settlement of transactions for the Partnership, the General Partner may agree to such commissions, fees and other charges on behalf of the Partnership as it shall deem reasonable in the circumstances, taking into account all such factors as it deems relevant and proper under the circumstances, including the value of any products or services (as described by the General Partner in written disclosures to Limited Partners from time to time, as the same may be modified from time to time) provided by the broker or paid for by the broker (either by direct or reimbursement payments or by commissions, or by mark-ups or credits, or by any other means), whether within or without the safe-harbor of Section 28(e) under the Securities Exchange Act of 1934; it being understood that, none of such products or services need to be for the benefit or exclusive benefit of the Partnership, the cost of the services of the broker (*e.g.*, commissions) related to such

products or services need not represent the lowest cost available, the Broker shall be under no obligation to combine or arrange orders so as to obtain reduced charges, and that all of the foregoing is subject to any more limiting or expansive written disclosures given to Limited Partners by the General Partner from time to time, as the same may be modified from time to time.

4.3 Delegation of Duties

(a) The General Partner may delegate to any person or persons any of the duties, powers and authority vested in it hereunder on such terms and conditions as it may consider appropriate.

4.4 Rights of Limited Partners.

Except as otherwise provided in this Agreement, the Limited Partners shall take no part in the management or control of the Partnership's business. Limited Partners shall have no right or authority to act for the Partnership or to vote on matters other than the matters set forth in this Agreement or as required by applicable law. Except as otherwise provided by law, the liability of each Limited Partner is limited to the amount of his capital contributions (plus any accretions in value thereto prior to withdrawal).

4.5 Other Activities of Partners.

(a) The General Partner shall not be required to devote full time to the affairs of the Partnership, but shall devote such time as may be reasonably required therefor.

(b) Each Partner agrees that any other Partner (and any partner, director, officer, shareholder, affiliate or employee of any Partner) may engage in or possess an interest in other business ventures or commercial dealings of every kind and description, independently or with others, including, but not limited to, management of other accounts, investment in, or financing, acquisition and disposition of, securities, investment and management counseling, brokerage services, serving as director, officer, adviser or agent of any other company, partner of any partnership, or trustee of any trust, or entering into any other commercial arrangements, whether or not any such activities may conflict with any interest of the parties with respect to the Partnership. The Partners expressly agree that neither the General Partner nor the Limited Partners shall have any rights in or to such activities, or any profits derived therefrom, as a result of this Agreement. Without in any way limiting the foregoing, each Partner hereby acknowledges that: (i) neither the General Partner, any Limited Partners, nor their respective partners, directors, officers, shareholders, affiliates or employees shall have any obligation or responsibility to disclose or refer any of the investment or other opportunities obtained through activities contemplated by this Section 4.5(b) to the General Partner or the Limited Partners, but may refer the same to any other party or keep such opportunities for their own benefit; and (ii) the General Partner, the Limited Partners and their respective partners, directors, officers, shareholders, affiliates and employees are hereby authorized to engage in activities contemplated by this Section 4.5(b) with, or to purchase, sell or otherwise deal or invest in securities issued by,

companies in which the Partnership might from time to time invest or be able to invest or otherwise have any interest in, without the consent or approval of the Partnership or any other Partner.

(c) The parties hereto hereby waive, and covenant not to sue on the basis of, any law (statutory, common law or otherwise) respecting the rights and obligations of the Partners *inter se* which is or may be inconsistent with this Section 4.5.

4.6 Duty of Care; Indemnification.

(a) Neither the General Partner nor its officers, directors, employees, shareholders, or affiliates shall be liable, responsible or accountable in damages or otherwise to the Partnership or any of its Partners, successors, assignees or transferees for any loss or damage occasioned by any acts or omissions in the performance of its services under this Agreement, unless such loss or damage is due to the gross negligence, fraud, recklessness or willful misconduct of the General Partner or its respective officers, directors, employees, shareholders, or affiliates. Moreover, neither the General Partner, nor its officers, directors, employees, shareholders, or affiliates, shall have any liability to the Partnership or any of its Partners, successors, assignees or transferees for any losses or damages suffered due to the action or inaction of any agent retained by the Partnership, whether through negligence, dishonesty or otherwise, provided that the agent was selected by the General Partner without gross negligence, fraud, recklessness or willful misconduct or as otherwise required by law. The General Partner may consult with counsel and accountants in respect of the Partnership's affairs and be fully protected and justified in any action or inaction which is taken in accordance with the advice or opinion of such persons, provided that they were selected with reasonable care.

(b) The General Partner (which shall include for this purpose each director, officer, employee or agent of, or any person who controls, the General Partner, and their executors, heirs, assigns, successors or other legal representatives) shall be indemnified to the full extent permitted by law by the Partnership (but not the Partners individually) against any cost, expense (including attorneys' fees), judgment or liability reasonably incurred by or imposed upon it in connection with any action, suit or proceeding (including any proceeding before any administrative or legislative body or agency) to which it may be made a party or otherwise be involved or with which it shall be threatened by reason of being or having been the General Partner; provided, however, that the General Partner shall not be so indemnified to the extent such cost, expense, judgment or liability shall have been finally determined in a decision on the merits in any such action, suit or proceeding to have been incurred or suffered by the General Partner by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of the General Partner's office. The right to indemnification granted by this Section 4.6 shall be in addition to any rights to which the General Partner may otherwise be entitled and shall inure to the benefit of the successors or assigns of such General Partner. The Partnership shall pay the expenses incurred by the General Partner in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by the General Partner to repay

such payment if there shall be an adjudication or determination that it is not entitled to indemnification as provided herein. The General Partner may not satisfy any right of indemnity or reimbursement granted in this Section 4.6 or to which it may be otherwise entitled except out of the assets of the Partnership, and no Partner shall be personally liable with respect to any such claim for indemnity or reimbursement. The General Partner may obtain appropriate insurance on behalf of the Partnership to secure the Partnership's obligations hereunder.

(c) All rights to indemnification permitted in this Agreement and payment of associated expenses shall not be affected by the termination and dissolution of the Partnership or the removal, withdrawal, insolvency, bankruptcy, termination, or dissolution of the General Partner or Limited Partners.

ARTICLE V.

ADMISSIONS, TRANSFERS AND WITHDRAWALS

5.1 Admission of Limited Partners.

The General Partner may admit additional Limited Partners at any time, in which event the required capital contribution of any such additional Limited Partner shall be determined by the General Partner, subject to Section 3.1(b).

5.2 Admission of Additional General Partner.

The General Partner may admit one or more additional general partners, who may be natural persons, partnerships or companies, to the Partnership only if such action is approved by the affirmative vote of all Limited Partners.

5.3 Transfer of Interests of Limited Partners.

No transfer or assignment of, or pledge of or grant of a security interest in, any Limited Partner's interest in the Partnership, whether voluntary or involuntary, shall be valid or effective, and no transferee shall become a substituted Limited Partner, unless the prior written consent of the General Partner has been obtained, which consent may be granted or refused in its sole discretion. Until approved by the General Partner, any successor to the interest of a Limited Partner shall be entitled to the allocations and distributions attributable to such interest and to withdraw such interest as provided in Section 5.5 but shall not have any of the other rights of a Limited Partner.

5.4 Transfer of Interest of General Partner.

The General Partner may not transfer its interest as General Partner in the Partnership other than with the approval of all of the Limited Partners.

5.5 Withdrawal of Interests of Partners.

(a) The interest of a Partner in the Partnership may not be withdrawn from the Partnership prior to its dissolution except (i) in whole or in part effective as of the end of any Fiscal Year upon at least ninety (90) days written notice to the General Partner or (ii) with the prior written consent of the General Partner.

(b) The General Partner may at any time require any Partner to withdraw from the Partnership in whole or in part.

(c) A withdrawing Partner shall be entitled to receive the balance of such Partner's Capital Account as of the date of withdrawal, which shall be paid to the withdrawing Partner, at the election of the General Partner, either (i) without interest within ninety (90) days after the effective date of withdrawal, or (ii) with interest at the London Interbank Offered Rate for thirty (30) day deposits of \$1,000,000 as quoted in The Wall Street Journal from the effective date of the withdrawal until paid, in equal annual installments over a period of not more than three (3) years from the date of withdrawal. A withdrawn Partner shall not share in the income, gains and losses of the Partnership or have any other rights as a Partner after the effective date of the withdrawal except as provided in this Section 5.5(c).

ARTICLE VI.

LIQUIDATION

6.1 Liquidation of Partnership Assets.

(a) Upon dissolution of the Partnership, the General Partner shall promptly liquidate the business and administrative affairs of the Partnership, except that if the General Partner is unable to perform this function, a liquidator elected by Limited Partners whose Partnership Percentages represent more than fifty percent (50%) of the aggregate Partnership Percentages of all Limited Partners shall liquidate the business and administrative affairs of the Partnership. Net Profit and Net Loss during the Fiscal Periods which include the period of liquidation shall be allocated pursuant to Article III. The proceeds from liquidation shall be divided in the following manner:

(i) the debts, liabilities and obligations of the Partnership, other than debts to Partners, and the expenses of liquidation (including legal and accounting expenses incurred in connection therewith), up to and including the date that distribution of the Partnership's assets to the Partners has been completed, shall first be paid;

(ii) such debts as are owing to the Partners shall next be paid; and

(iii) the Partners shall next be paid amounts pro rata in accordance with, and up to the positive balances of their respective Capital Accounts, as adjusted pursuant to Article III to reflect allocations for the Fiscal Period ending on the date of the distributions under this Section 6.1(a)(iii).

(b) Anything in this Section 6.1 to the contrary notwithstanding, the General Partner or liquidator may distribute ratably in-kind rather than in cash, upon dissolution, any assets of the Partnership; provided, however, that if any in-kind distribution is to be made, (i) the assets distributed in kind shall be valued by the General Partner in good faith as of the actual date of their distribution, and charged as so valued and distributed against amounts to be paid under Section 6.1(a) above, and (ii) any gain or loss (as computed for book purposes) attributable to property distributed in-kind shall be included in the Net Profit or Net Loss for the Fiscal Period ending on the date of such distribution.

ARTICLE VII.

ACCOUNTING AND VALUATIONS; BOOKS AND RECORDS

7.1 Accounting and Reports.

(a) The Partnership may adopt for tax accounting purposes any accounting method which the General Partner shall decide in its sole discretion is in the best interests of the Partnership and which is permissible for U.S. federal income tax purposes.

(b) As soon as practicable after the end of each taxable year, the General Partner shall furnish to each Limited Partner such information as may be required to enable each Limited Partner properly to report for federal and state income tax purposes his distributive share of each Partnership item of income, gain, loss, deduction or credit for such year.

7.2 Determinations by General Partner.

(a) All matters concerning the determination and allocation among the Partners of the amounts to be determined and allocated pursuant to Section 3.4 hereof, and the items of income, gain, deduction, loss and credit to be determined and allocated pursuant to Section 3.5 hereof, including any taxes thereon and accounting procedures applicable thereto, shall be determined by the General Partner unless specifically and expressly otherwise provided for by the provisions of this Agreement, and such determinations and allocations shall be final and binding on all the Partners.

(b) The General Partner may make such adjustments to the computation of Net Profit or Net Loss, or any component items comprising either of the foregoing, as it considers appropriate to reflect fairly and accurately the financial results of the Partnership and the intended allocation thereof among the Partners.

7.3 Books and Records.

The General Partner shall keep books and records pertaining to the Partnership's affairs showing all of its assets and liabilities, receipts and disbursements, realized income, gains and losses, Partners' Capital Accounts and all transactions entered into by the Partnership. Such books and records of the Partnership shall be kept at its principal office, and all Partners and their representatives shall at all reasonable times have free access thereto for the purpose of inspecting or copying the same.

ARTICLE VIII.

GENERAL PROVISIONS

8.1 Amendment of Partnership Agreement.

(a) This Agreement may be amended, in whole or in part, only with the written consent of (i) the General Partner and (ii) all of the Limited Partners.

8.2 Notices.

Notices which may or are required to be given under this Agreement by any party to another shall be given by hand delivery or by registered or certified mail, return receipt requested, and shall be addressed to the respective parties hereto at their addresses as set forth on Exhibit A hereto or to such other addresses as may be designated by any party hereto by notice addressed to the General Partner in the case of notice given by any Limited Partner, and to each of the Limited Partners in the case of notice given by the General Partner. Notices shall be deemed to have been given when delivered by hand or on the date indicated as the date of receipt on the return receipt.

8.3 Agreement Binding Upon Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, but the rights and obligations of the General Partner hereunder shall not be assignable, transferable or delegable except as provided in Sections 5.2 and 5.4, and any attempted assignment, transfer or delegation thereof which is not made pursuant to the terms of Section 5.2 or Section 5.4 shall be void.

8.4 Governing Law.

This Agreement, and the rights of the Partners hereunder, shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws rule thereof. The parties hereby consent to exclusive jurisdiction and venue for any action arising out of this Agreement in the Chancery Court of the State of Delaware for Kent County or the Federal District Court for the District of Delaware. Each Partner consents to

service of process in any action arising out of this Agreement by the mailing thereof by registered or certified mail, return receipt requested, to such Partner's address set forth in the Schedule of Partners. In any action to enforce any provision of this Agreement, the prevailing party shall be entitled to recover all expenses, including reasonable attorneys fees, incurred in connection therewith.

8.5 Not for Benefit of Creditors.

The provisions of this Agreement are intended only for the regulation of relations among Partners and between Partners and former or prospective Partners and the Partnership. This Agreement is not intended for the benefit of non-Partner creditors and no rights are granted to non-Partner creditors under this Agreement.

8.6 Consents.

Any and all consents, agreements or approvals provided for or permitted by this Agreement shall be in writing and a signed copy thereof shall be filed and kept with the books of the Partnership.

8.7 Miscellaneous.


(a) The captions and titles preceding the text of each Section hereof shall be disregarded in the construction of this Agreement.

(b) This Agreement may be executed in counterparts, each of which shall be deemed to be an original hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

GENERAL PARTNER:


RENAISSANCE TECHNOLOGIES CORP.

By:  _____

LIMITED PARTNERS:


MEDALLION FUND L.P.

By: Renaissance Technologies Corp.
its General Partner

By: 
Mark Silber, Vice President


MEDALLION ASSOCIATES L.P.

By: Renaissance Technologies Corp.
its General Partner

By: 
Mark Silber, Vice President

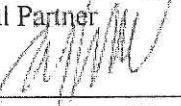
MEDALLION USA L.P.

By: Renaissance Technologies Corp.
its General Partner

By: 
Mark Silber, Vice President

MEDALLION RMP FUND L.P.

By: Renaissance Technologies Corp.
its General Partner

By: 
Mark Silber, Vice President

MEDALLION INTERNATIONAL LTD.

By: 
Mark Silber, Director

MEDALLION CAPITAL INVESTMENTS, LTD.

By: 
Mark Silber, Director

Addresses of Partners for Notices

<u>Partner</u>	<u>Address</u>
Medallion Fund L.P.	c/o Renaissance Technologies Corp. 800 Third Avenue New York, New York 10022
Medallion Associates L.P.	c/o Renaissance Technologies Corp. 800 Third Avenue New York, New York 10022
Medallion USA L.P.	c/o Renaissance Technologies Corp. 800 Third Avenue New York, New York 10022
Medallion RMP Fund L.P.	c/o Renaissance Technologies Corp. 800 Third Avenue New York, New York 10022
Medallion International Ltd.	c/o MQ Services Ltd. Chancery Hall, 52 Reid Street Hamilton HM12, Bermuda
Medallion Capital Investments Ltd.	c/o MQ Services Ltd. Chancery Hall, 52 Reid Street Hamilton HM12, Bermuda

Memo

Barclays Capital

To SCM Approvals Committee

From Jonathan Zenios

Date 3 September 2004

Subject Approvals paper – COLT V: Renaissance Restructuring



1. SUMMARY

Structured Capital Markets ("SCM") is seeking approval for a restructuring of an existing Project COLT transaction with a fund managed by Renaissance Technologies Corp. The new transaction (the 'Fifth Renaissance Transaction') will involve the purchaser of existing COLT options (Bass Equities Limited ("Bass")) exercising all such options and a newly formed US partnership (Badger Holdings L.P. ("Fund")) purchasing substantially similar options on the same day.

Since Fund will be a United States partnership for US tax purposes, BBPLC-NY Branch should not be required to withhold US withholding tax on any payments to Fund, regardless of their characterization for tax purposes. This change will allow removal on the restrictions of Palomino receiving dividends on US equities. This additional activity will generate a larger trading balance in Palomino and incremental revenue for the Collateralised Finance Group ("CFG").

This Fifth Renaissance Transaction uses existing infrastructure from the previous transactions, and it will involve writing options that are almost identical to the options written in the Second, Third and Fourth Renaissance Transactions (the only difference is the place of formation of the option purchasing entity) Further, the size of the trading positions is expected to increase by at least \$1.5 billion – in aggregate the transaction will have on average around 9,000 to 12,000 trades per day, approximately \$5 billion long and \$5 billion short, and approximately 4,500 names in the portfolio.

Economic Benefit

The Fourth Renaissance transaction generated \$9.5 million of fee income for SCM. SCM will earn only a nominal additional fee for this restructuring transaction since this transaction (i) follows only three months after the Fourth Renaissance transaction, (ii) does not use any SCM attributes and (iii) involves no restructuring for Barclays.

However, Collateralized Finance Group ("CFG") will recognize even greater benefits created by Project COLT transactions - profits will increase by \$[3] million to approximately \$[27]m p.a., which is the group's largest profit source by a factor of two and will be placed at risk if we do not execute the Fifth Renaissance Transaction. CFG's large returns arise from this transaction for the following reasons –

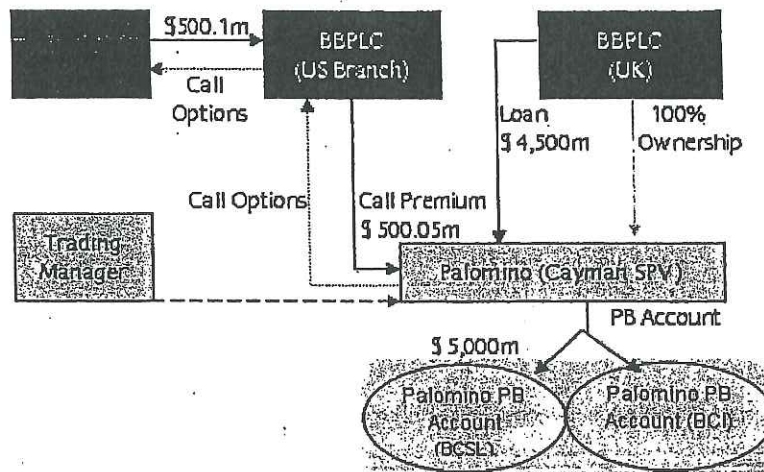
- The Fund spreads its very large balances among 3 main prime brokers – two, including us, that have a COLT-type structure, and one that is an historic relationship of the Fund -
 - Due to COLT, CFG will be able to increase access to a larger piece of the Fund's US activity (of which it previously had none), and
 - Due to COLT, CFG has received an even larger piece of the non-US activity (of which it had about USD 6m in the past and would have lost if not for the first COLT execution);
- To maximize benefits from the COLT transaction, transactions must be kept running for at least 12 months, which contributes to a stable gross position size and consequently a stable revenue stream that is driven largely by the size of those positions; and
- Consistently good service from Barclays (CFG on day-to-day business and from SCM from structuring and execution of new transactions) has led to winning new execution business for different parts of the COLT portfolio (business that initially was only cleared by CFG, but is now executed and cleared by CFG).

The key financial data is set out below:

Proposed product limit	n/a
Estimated revenue	\$(3)m per annum for CFG for 3 years
Tax capacity	None
Return on Tax capacity	N/a
WRAs	No new WRAs (CFG has existing utilised WRAs allocation that will be utilised by this transaction)
Return on WRAs	N/a
PUG	<i>FINANCIAL INFORMATION WHICH IS NOT RELEVANT</i>
Tenor	3 Years

This Approvals paper contains a description of all significant tax, credit, market and operational risks.

2. DETAILED TRANSACTION DESCRIPTION



2.1 Day 1 Flows

Identical to the previous transactions, the NY branch of BB PLC will write American-style call options to the Fund with respect to the value of the PB Account (collectively, the 'Call Option'), for which the Fund will pay a premium ('Call Premium') of \$[500.1]m comprising:

- \$[500]m representing the collateral for the Trading Strategy;
- \$[100,000] representing SCM structuring fee.

The Call Option will have a term of 3 years and will be cash settled. The notional of the Call Option will be \$[5,000]m and the strike price will be \$[4,500]m, plus an appropriate charge for leverage ('Call Strike').

Simultaneous with its writing of the Call Option, BB PLC will enter into an explicit call option with Palomino that will perfectly match BB PLC's obligations under the Call Option.

Palomino Limited ('Palomino') has already borrowed \$1,900m out of a possible line of \$2,500m from BB PLC (UK) on an unsecured basis (out of CFG's existing line with BB PLC and within the treasury concession). CFG believes that this existing line will be sufficient to fund the Fifth Renaissance Transaction, so no new funding will be required.

2.2 Ongoing Flows

No ongoing flows are anticipated among the Fund, BB PLC, and Palomino. Trading activity will continue to occur in Palomino's existing prime brokerage trading accounts held with both BCSI and BCI (collectively referred to as the "PB Account"). Trading activities in the BCI prime brokerage margin account is expected to increase as a result of this restructured COLT transaction.

The PB Account will continue to be managed by Renaissance Technologies Corp, which is the "Trading Manager" that has managed the PB Account since 30 September, 2002.

2.3 Unwind Flows

When the Fund exercises the Call Option, BB PLC's option with Palomino will automatically become exercised. Therefore, Palomino will pay BB PLC the settlement value out of cash from the PB Account (which will be on hand as equity), and BB PLC will in turn pay the same settlement value to the Fund.

3. ECONOMICS AND ECONOMIC DRIVERS

3.1 Fund Benefit

US individual investors of the Fund would obtain a post-tax benefit if the Call Option is exercised after 12 months, because all the gain on the Call Option would be treated as a long-term gain for US tax purposes and would therefore be taxed at 15%, as opposed to 35%.

3.2 BB PLC Benefit

Collateralized Finance Group ("CFG") will recognize even greater benefits created by the Project COLT transactions - profits will increase by a further \$[3] million to approximately \$[27]m p.a. which is the group's largest profit source by a factor of two and will be lost if we do not execute the Fifth Renaissance Transaction.

4 TAX ANALYSIS

4.1 Barclays

4.1.1 UK Tax

Same analysis as previous COLT transactions. Palomino is a CFC, which makes \$50,000 for this Fifth COLT transaction. All profits from the transaction will be distributed to BB PLC under an acceptable distribution policy.

4.1.2 US Tax

Same analysis as previous transactions, which follows:

Both BB PLC's NY branch and Palomino (check-the-box election will be made to disregard as separate entity and therefore treated as part of NY branch of BB PLC) are US taxpayers.

SCM's profit, in the event SCM earns a fee income from the transaction, will be earned in the NY branch of BB PLC and therefore will be taxed in the US. We received an opinion from counsel (Akin, Gump) that *LPP*

LPP we have received an opinion from counsel (Coudert Brothers) that

LPP As in previous transactions, we will obtain a new opinion to cover the new options written in this transaction (an opinion that Coudert Brothers has agreed to write in the context of this new transaction).

L.P.P.

This conclusion is analysed and supported in the expanded tax opinion that Coudert Brothers has agreed to provide. Draft of this new opinion has already been reviewed by Group Tax in NY and London.

4.1.3 US Tax Shelter Disclosure/List-Keeping Rules

Under the final Tax Shelter Regulations, we should not be required to disclose or keep a list for this Fifth Renaissance Transaction. However, our current procedures are to maintain a list and determine at the time of an IRS request whether we must submit such list – we will follow these procedures.

4.2 Fund – US Tax

L.P.P.

5. TAX RISK

Since this transaction involves the tax position of the Fund, as opposed to our own, the risk to Barclays is confined to our reputation.

6. ACCOUNTING

The treatment will follow the previous transactions, which was provided by London Finance (Pankhania) and was agreed by PWC.

- Palomino will continue to be consolidated with BB PLC and accounted for on trading book.
- SCM Fee, if any, will be recognizable immediately.
- The Call Option and the PB Account will be marked to market and should offset in the income statement (i.e., there is no time value to the Call Option).
- On the balance sheet, the mark-to-market value of the Call Option and the Call Premium will be reported as "Amounts Arising from Off-Balance Sheet Derivatives", and the positions in Palomino will be reported as "Equity Securities".

7. CREDIT AND MARKET RISK

The Fifth Renaissance Transaction will use the risk monitoring process already in place as a result of the previous transactions.

Accordingly, Palomino will not have any credit risk or market risk in the transaction, due to the fact that its PB Account is hedged by the back-to-back Call Option and Prime Brokerage effectively has taken the downside risk. The risk borne by Prime Brokerage is akin to the risks taken in a normal collateralised Prime Brokerage relationship, where the risks generally are confined to catastrophic losses occurring over a short period of time.

Therefore, risks of COLT generally are reduced by the risk management techniques approved for use by BCSL's and BCI's Prime Brokerage group when transacting with hedge funds. In addition to those techniques, specific investment guidelines have been agreed with the Trading Manager, and adherence to those investment guidelines will continue to be monitored on a daily basis. Importantly, there have been no violations of those investment guidelines during the previous twenty two months of this transaction.

8. REGULATORY CAPITAL

FSA approval was received to treat the positions on Palomino's books in the following manner -

- Palomino may be treated as a trading book; and
- Since Position Risk Requirements for Palomino will in all cases be nil, there is no need to calculate such on a daily basis;
- The document asserts that the existing Palomino fund is sufficient for the additional trade and hence no additional funding will be required. Therefore, no additional treasury concession usage for funding.
- Whilst the options are back to back there will be a Large Exposure ("LE") for BB plc solo equal to the mark to market of the bought option (to be marked against the underlyings of the fund)
- At the consolidated level the assets are deemed on balance sheet and the LE will be calculated via PRMS. No offset is available from the sold call to the fund.

9. PROVISION

9.1 *FINANCIAL INFORMATION WHICH IS NOT RELEVANT*

10. CLIENT ENGAGEMENT

- Bruce Yablon (Relationship Manager) and Carla Porter (Counsel) have been engaged. Further Mark Silber (Tax Director) has overseen the documentation work on this transaction.
- SCM will confirm that the COLT transaction has been approved the Trading Manager and the Fund prior to actual execution of transaction documents.

11. MATERIALITY OF DEAL WITH COUNTERPARTY

- The Fund or its partners do not publicly publish their financial statements - as such information on tax rate and tax disclosures are not publicly available.
- In assessing the materiality of COLT on the Funds profit and loss account the following should be considered:
 - The Fund itself will not be subject to US tax. It will provide its partners with a partnership statement and the partners would be subject to US tax based on the performance of the fund. See section 4.2
 - US individual investors of the Fund would obtain a post-tax benefit if the Call Option is exercised after 12 months, because all the gain on the Call Option will be treated as a long-term gain for US tax purposes and would therefore be taxed at 15%, as opposed to 35%. See section 3.1.

12. OTHER

- Since this transaction is identical to existing transactions, we propose that a notification to the US NPC is the appropriate approvals process for this transaction (which is the same approach utilized for the Fourth Renaissance Transaction that was executed in June of 2004).
- Barclays does not provide any directors for any external entity. No external person will be a Director of any Barclays entity involved in this transaction.

INDEMNITY AGREEMENT

DATED AS OF OCTOBER 1, 2004

AMONG

BARCLAYS BANK PLC

PALOMINO LIMITED

BADGER HOLDINGS L.P.

MEDALLION INTERNATIONAL LIMITED

MEDALLION CAPITAL INVESTMENTS LTD.

MEDALLION ASSOCIATES L.P.

MEDALLION FUND L.P.

MEDALLION USA L.P.

AND

MEDALLION RMP FUND L.P.

NEWYORK 4363031v3

INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT (this "Agreement") is entered into as of the 1st day of October, 2004, by and among BARCLAYS BANK PLC, a corporation organized and existing under the laws of the United Kingdom ("Barclays"), PALOMINO LIMITED, a company organized and existing under the laws of the Cayman Islands ("Palomino"), BADGER HOLDINGS L.P., a limited partnership formed and existing under the laws of the State of Delaware ("Badger"), MEDALLION INTERNATIONAL LIMITED, a company organized and existing under the laws of Bermuda ("International"), MEDALLION CAPITAL INVESTMENTS LTD., a company organized and existing under the laws of Bermuda ("MCI"), MEDALLION ASSOCIATES L.P., a limited partnership formed and existing under the laws of the State of Delaware ("Associates"), MEDALLION FUND L.P., a limited partnership formed and existing under the laws of the State of Delaware ("MFL"), MEDALLION USA L.P., a limited partnership formed and existing under the laws of the State of Delaware ("MUSA"), and MEDALLION RMP FUND L.P., a limited partnership formed and existing under the laws of the State of Delaware ("RMP"). (Hereinafter, International, MCI, Associates, MFL, MUSA and RMP are referred to, collectively, as "Medallion".)

WITNESSETH:

WHEREAS, Barclays and Badger have entered, simultaneously with the execution of this Agreement, into certain option transactions (the "Options") by executing the confirmation letters attached hereto as Annex A (as may be amended by the parties thereto from time to time, the "Confirmations") and the ISDA Master Agreement and Schedule attached hereto as Annex B (together, as may be amended by the parties thereto from time to time, the "ISDA Agreement");

WHEREAS, Palomino entered into certain prime brokerage agreements with Barclays Capital Securities Limited ("BCSL") and with Barclays Capital Inc. ("BCI"), dated October 1, 2004, copies of which are attached hereto as Annex C (as may be amended by the parties thereto from time to time, the "Prime Brokerage Agreements"), and into an investment management agreement with Renaissance Technologies Corp., a copy of which is attached hereto as Annex D (as may be amended by the parties thereto from time to time, the "Investment Management Agreement");

WHEREAS, Barclays and Badger may enter into additional option transactions in respect of the Reference Accounts, as defined below, and designate one or more of such additional option transactions in accordance with Section 2.7 hereof to be governed by this Agreement (each such designated option transaction, a "New Option"), by executing in respect of each such New Option a confirmation letter governed by the ISDA Agreement (each, as may be amended by the parties thereto from time to time, a "New Confirmation");

WHEREAS, all of the limited partnership interests in Badger are owned by Medallion; and

NEWYORK 4363031v3

WHEREAS, Badger and Medallion have agreed to indemnify and hold harmless Barclays and its Affiliates from and against Indemnified Amounts as provided in this Agreement;

NOW, THEREFORE, in consideration of the premises, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms shall have the meanings specified or referred to in this Section 1.1:

"After-Tax Basis" has the following meaning: if either party (the "Payor") is required under this Agreement to pay a specified amount on an After-Tax Basis to the other party (the "Payee"), the Payor must pay the amount which, after subtraction of the net increase, if any, in the amount of Taxes required to be paid by the Payee as a result of the receipt or accrual of such payment (taking into account any deduction, credit or other Tax Benefit allowable to, or obtainable by the Payee (or any Affiliate thereof) as a result of any Tax paid or accrued in respect of such payment, any Indemnified Amount paid or accrued or the events or circumstances giving rise to such payment), shall equal such specified amount.

"Agreement" has the meaning set forth in the preface above.

"Applicable Rate" means, for each applicable day, the applicable Federal Funds Rate for such day plus 50 basis points.

"Article" references in this Agreement are to articles of this Agreement, unless otherwise indicated.

"Associates" has the meaning set forth in the preface above.

"Barclays" has the meaning set forth in the preface above.

"Badger" has the meaning set forth in the preface above.

"BCI" and "BCSL" have the respective meanings set forth in the recitals above.

"Code" means the United States Internal Revenue Code of 1986, as amended, and any successor law.

"Confirmation" means each of the Confirmations and each New Confirmation.

"Confirmations" has the meaning set forth in the recitals above.

"Contest Notice" has the meaning set forth in Section 2.2 below.

"Deemed Tax Benefit" has the meaning set forth in Section 3.1 below.

"Indemnified Amounts" has the meaning set forth in Section 2.1 below.

"Indemnified Penalties" means, in respect of each Option, U.S. federal penalties, together with any interest thereon, imposed under Code Sections 6651, 6662, 6721, 6722, 6723 or 6724(c) and the Treasury Regulations thereunder (or any successor provisions of the Code or Treasury Regulations prescribing penalties relating to the failure to comply with information reporting requirements) in respect of a failure by Barclays (or any Affiliate thereof) to comply with the information reporting requirements under Code Sections 1461, 6041, 6042, 6045 or 6049 and the Treasury Regulations thereunder (or any successor provisions of the Code or Treasury Regulations prescribing rules relating to information reporting) with respect to transactions in or the receipt or payment of income on the Designated Positions specified in the Confirmation corresponding to such Option, which would not have been imposed or incurred but for, and directly result from, a determination by the IRS in a Tax Proceeding that for U.S. federal income tax purposes Badger is treated as the owner of the Designated Positions specified in the Confirmation corresponding to such Option, throughout any portion of the term of such Option.

"Indemnitee" and "Indemnitees" have the respective meanings set forth in Section 2.1 below.

"Indemnitor" and "Indemnitors" have the respective meanings set forth in Section 2.1 below.

"Internal Revenue Service" or "IRS" means the United States Internal Revenue Service or the United States Department of the Treasury, as the context requires.

"International" has the meaning set forth in the preface above.

"Investment Management Agreement" has the meaning set forth in the recitals above.

"ISDA Agreement" has the meaning set forth in the recitals above.

"Judicial Authority" means any court, governmental or regulatory authority, quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction, or arbitral body.

"MCP" has the meaning set forth in the preface above.

"Medallion" has the meaning set forth in the preface above.

"MFL" has the meaning set forth in the preface above.

"MUSA" has the meaning set forth in the preface above.

"New Confirmation" and "New Option" have the respective meanings set forth in the recitals above.

"Notice" has the meaning set forth in Section 6.3 below.

"Operative Documents" has the meaning set forth in Section 2.1 below.

"Option" means each of the Options and each New Option.

"Options" has the meaning set forth in the recitals above.

"Palomino" has the meaning set forth in the preface above.

"Prime Brokerage Agreements" has the meaning set forth in the recitals above.

"RMP" has the meaning set forth in the preface above.

"Section" references in this Agreement are to sections of this Agreement, unless otherwise indicated.

"Tax" or "Taxes" means all forms of taxation, whenever created or imposed, whether domestic or foreign, or whether imposed by a Taxing Authority, and without limiting the generality of the foregoing includes any net income, gross income, gross receipts, profits, capital stock, franchise, turnover, payroll, withholding, social security, unemployment, employment, workers compensation, disability, property, ad valorem, stamp, excise, severance, occupation, premium, service, sales, use, license, lease, transfer, recording, import, export, value added, customs, alternative or add-on minimum, estimated, or other similar tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax), withholdings, assessments, levies, imposts, duties or charges, of any nature whatsoever, imposed by any Taxing Authority, together with any interest, penalties, additions to tax, or additional amounts imposed by any such Taxing Authority.

"Taxing Authority" means, with respect to any Tax, the nation, locality, municipality, government, state, federation, any governmental, quasigovernmental or international taxing authority (which expression shall include any supranational federation or other similar organization), or any political subdivision thereof that imposes such Tax, and any agency (if any) or authority thereof or therein charged with the collection of such Tax for such entity or subdivision.

"Tax Benefit" means any refund of, credit against, or other (past, current or future) reduction in otherwise required Tax payments (including any reduction in estimated tax payments) and any interest in respect of the foregoing.

"Tax Contest" has the meaning set forth in Section 2.3(a) below.

"Tax Law" means the law of any governmental entity or political subdivision, including any Taxing Authority, relating to any Tax, as amended from time to time, and any successor law.

"Tax Period" means, with respect to any Tax, the period for which the Tax is reported as provided under the Code or other applicable Tax Law.

"Tax Proceedings" means any pending or threatened audit, review, examination, investigation, hearing, dispute, assessment, charge, claim, demand, suit, action, litigation, or any other administrative or judicial proceeding by or against the IRS or any other Taxing Authority with the purpose or effect of determining or redetermining Taxes or any Indemnified Penalties or refunding any amount paid in respect of Taxes or any Indemnified Penalties.

"Tax Records" means Tax Returns, Tax Return workpapers, documentation relating to any Tax Proceedings, and any other books of account or records required to be maintained under the Code, applicable Tax Laws, or any record retention agreement with any Taxing Authority.

"Tax Return" means any report of Taxes due, any claims for refund of Taxes paid, any information return relating to Taxes, or any other similar report, statement, declaration, or document required to be filed under the Code or other Tax Law, including any attachments, exhibits, or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

Section 1.2 Construction. Capitalized terms used in this Agreement without definition shall have the meanings ascribed to them in the Confirmations (including any document incorporated therein by reference).

ARTICLE II INDEMNIFICATION

Section 2.1 Tax Indemnity. Except as otherwise provided in this Agreement, Badger and Medallion (each an "Indemnitor" and collectively the "Indemnitors"), jointly and severally, agree to indemnify and hold harmless Barclays and any Affiliate thereof (each an "Indemnitee" and collectively the "Indemnitees") from and against any and all (i) Indemnified Penalties, and (ii) reasonable out-of-pocket cost of the Indemnitees (including reasonable attorneys' fees for one separate law firm) incurred for purposes of conducting the defense by the Indemnitees of any Tax Proceeding which may give rise to a claim for indemnification against the Indemnitors under subsection 2.1(i) above (hereafter referred to collectively as "Indemnified Amounts"), provided, however, that the foregoing indemnity shall not extend to any Indemnified Amounts to the extent resulting from or arising out of, or which would not have occurred but for, one or more of the following: (i) any representation or warranty by any of the Indemnitees (or any Affiliate thereof) under this Agreement, any Confirmation, the ISDA Agreement, or any other agreement or document relating to any Option (together, the "Operative Documents") being incorrect in any respect, (ii) the failure by any of the Indemnitees (or any Affiliate thereof) to perform or observe in any respect its obligations under, or any covenant or condition in, any of the Operative Documents, or (iii) the willful misconduct or the gross negligence of any of the Indemnitees or any Affiliate thereof.

Section 2.2 Notice. If any of the Indemnitees (or any Affiliate thereof) receives notice or has knowledge with respect to the commencement of any Tax Proceedings or any matter which may give rise to a claim for indemnification against the Indemnitors under this Agreement, the Indemnitees shall, if a claim is to be made against any Indemnitor under this Agreement, promptly (but in no event later than the earlier of (i) the tenth (10th) Business Day

immediately following the date on which a notice of such Tax Proceeding is received by any of the Indemnitees (or any Affiliate thereof), and (ii) the fifth (5th) Business Day immediately preceding the last date on which such Tax Proceeding may be protested, defended against, appealed or otherwise contested) give notice in writing to the Indemnitors of the commencement of such Tax Proceeding, the receipt of such notice or of such matter, as applicable (the "Contest Notice"). The Contest Notice shall contain factual information (to the extent known) describing any asserted Indemnified Penalties in reasonable detail (including the amount and due date of the Indemnified Penalties involved) and shall be accompanied by copies of any notice and other documents received from any Taxing Authority, courts or other Judicial Authority in respect of any such Tax Proceeding or matter.

Section 2.3 Proceedings. (a) If any Tax Proceeding which may give rise to a claim for indemnification against the Indemnitors under this Agreement ("Tax Contest") is commenced against any Indemnitee, the Indemnitors will be entitled to participate in such Tax Contest, and will have the right at any time to assume, and thereafter control and conduct, the exclusive defense of the Tax Contest (including any administrative or judicial appeals) with counsel of their choice, and to defend, compromise, or settle such Tax Contest. The Indemnitees shall cooperate in, and supply the Indemnitors with such information, documents, returns and assistance reasonably requested by the Indemnitors as necessary or advisable for the conduct of the defense of such Tax Contest (including any administrative or judicial appeals) by any of the Indemnitors. If the Indemnitors assume the defense of a Tax Contest as provided in this Section 2.3 above, the Indemnitors shall consult with Barclays, in good faith, regarding material aspects of the defense of such Tax Contest.

Unless and until any of the Indemnitors assumes the defense of a Tax Contest as provided in this Section 2.3 above, the Indemnitees shall, using their best efforts, defend against the Tax Contest.

Notwithstanding anything to the contrary herein, the Indemnitors shall not, in connection with any proceeding or related proceeding in the same jurisdiction at the same time, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for the Indemnitees.

(b) Without limiting the other provisions of this Agreement, if requested by the Indemnitors in writing, each Indemnitee shall in good faith diligently contest through appropriate administrative and judicial proceedings (including pursuing all administrative or judicial appeals) in the name of such Indemnitee (or, if requested by the Indemnitors and permitted by applicable law, permit each of the Indemnitors to contest in its name or in the name of such Indemnitee), the validity, applicability and amount of any Indemnified Penalties asserted in a Tax Contest by (as requested by the Indemnitors) (i) resisting payment thereof, (ii) not paying the same except under protest, if protest be necessary or proper, or (iii) if payment is made, seeking a refund thereof in appropriate administrative and judicial proceedings, provided, however, that if such requested contest, as a prerequisite thereto, shall require the payment of such asserted Indemnified Penalties, the Indemnitors shall advance the amount of such asserted Indemnified Penalties to Barclays on an interest free basis (an "Advance"). Upon a final determination of a Tax Contest as to which an Advance has been made by any of the Indemnitors, such Advance shall be offset

against the full Indemnified Amount then due to the Indemnitees pursuant to Section 2.1 hereto by reason of such Tax Contest, if any, and the remainder of such Advance, if any, shall be paid by Barclays to the relevant Indemnitor within 5 (five) Business Days of such final determination.

(c) In no event will any Indemnitee (or any Affiliate thereof) (i) consent to the entry of any judgment or enter into any settlement or compromise with respect to a Tax Contest, or (ii) pay any Indemnified Penalties, without the prior written consent of the Indemnitors.

(d) In any Tax Contest conducted by any of the Indemnitors, the Indemnitors shall determine (after consultation in good faith with Barclays) the forum and manner in which such contest shall be conducted.

(e) In connection with any Tax Contest the defense of which was not assumed by the Indemnitors, the Indemnitees and their legal counsels shall from time to time provide the Indemnitors promptly (or upon request by the Indemnitors) with copies of documents and other materials, and such information, as to enable the Indemnitors to be reasonably and adequately informed with respect to such proceeding, and shall consult with the Indemnitors, at their request, with respect to such proceeding.

Section 2.4 Waiver. If any Indemnitee does not contest any Indemnified Penalties that it is otherwise required to contest in accordance with this Agreement, or settles, compromises or otherwise terminates any such contest without the prior written consent of the Indemnitors, any such action or omission shall constitute a waiver by the Indemnitees of any right to any amount that might otherwise be payable by the Indemnitors pursuant to this Agreement.

Section 2.5 Payments of Indemnified Amounts. Any amount due and payable to the relevant Indemnitee pursuant to this Agreement shall be paid within fifteen (15) Business Days after receipt of a written demand therefor from the Indemnitee accompanied by a written statement describing in reasonable detail the basis for such indemnity and the computation of the amount so payable; provided, however, that such amount need not be paid by the Indemnitors prior to the 5th (fifth) Business Day immediately preceding the date on which the applicable Indemnified Penalties or expense is payable by such Indemnitee to the appropriate Taxing Authority or person.

Section 2.6 Escrow. If Badger decides to completely liquidate, Badger shall transfer in escrow on the date it commences the process of such complete liquidation (the "Escrow Date"), to an escrow agent and pursuant to an escrow agreement to be agreed upon by the parties in good faith, an amount equal to the amount of Indemnified Penalties asserted in a Tax Contest against any of the Indemnitees that are outstanding on the Escrow Date. Under such escrow agreement, upon the final non-appealable resolution of any such Tax Contest, the escrow agent will be required to (i) deliver to the relevant Indemnitee or Indemnitees an amount equal to the Indemnified Amounts relating to such resolved Tax Contest, and (ii) return to Badger (or its partners or any successor thereof) any difference between the amount deposited in escrow on account of such Tax Contest (including any interest or other income thereon) and the amount delivered to the relevant Indemnitee or Indemnitees under subparagraph (i) above.

Section 2.7 New Options. Except for the Options, any additional option transaction entered into between Barclays and Badger in respect of the Reference Accounts will be deemed a "New Option" and an "Option" and be subject to this Agreement, if, and only if, the parties hereto so agree by properly listing such additional option on Appendix A hereto, acknowledging such listing by their signature thereunder and attaching a signed copy of the confirmation relating thereto (marked "Covered Option") to such amended Appendix A.

ARTICLE III TAX BENEFITS

Section 3.1 Refunds and Credits. If any Indemnitee (or any Affiliate thereof) shall receive or realize any Tax Benefit in respect or by reason of Indemnified Amounts (or would have received such a Tax Benefit but for a counterclaim or other claim not indemnified by the Indemnitors hereunder (a "Deemed Tax Benefit")), such Indemnitee shall pay to the Indemnitors within 5 (five) Business Days of such receipt or realization (or, in the case of a Deemed Tax Benefit, within 5 (five) Business Days of the resolution of such contest), an amount equal to the lesser of (i) the amount of such Tax Benefit or Deemed Tax Benefit, and (ii) the sum of the then present value (projected based on the Applicable Rate) of the aggregate Indemnified Amounts and Advances paid by the Indemnitors to the Indemnitees prior to the payment date of the relevant amount.

ARTICLE IV RETURNS AND REPORTS

Section 4.1 Maintenance of Records. The Indemnitees shall preserve and keep all Tax Records relating to the Tax Periods which include the term of any Option.

Section 4.2 Inspection. The Indemnitees shall make available to the Indemnitors for inspection and copying during normal business hours upon reasonable notice all Tax Records in their possession to the extent reasonably requested by the Indemnitors in connection with the preparation of Tax Returns, audits, litigation, or the resolution of items under this Agreement concerning any Option, provided, however, that the Indemnitors shall not be required under this Agreement to make available for inspection and copying Tax Records unrelated to any Option.

Section 4.3 Further Assurance. Each Indemnitee agrees to furnish and file from time to time to, upon the Indemnitors' reasonable written request and at their expense, such duly executed and properly completed forms, statements or certificates as may be necessary or appropriate in order to claim any available reduction of any Indemnified Penalties for which the Indemnitors may be obligated under this Agreement.

ARTICLE V REPRESENTATIONS AND WARRANTIES

Section 5.1 Reporting Position. Each of the Indemnitors and the Indemnitees hereby represents and warrants that for accounting, regulatory, Tax and all other purposes, it (and its respective Affiliates) will treat and report each Option as a derivative financial instrument, and treat and report the Designated Positions specified in the Confirmation corresponding to each

such Option and all other assets and positions that may be included within the Reference Accounts as assets and positions of which Barclays or Palomino is the sole legal and beneficial owner and to which Palomino is the sole party, as the case may be, provided, however, that if any party hereto reasonably determines that due to a Change in U.S. Tax Law, the Designated Positions in respect of any Option and any other assets or positions included within the Reference Accounts are required to be treated and reported for U.S. federal income tax purposes as assets and positions of which Badger (or any Affiliate thereof) is the beneficial owner, the parties hereto shall consult with each other and agree, in good faith and with the objective of preserving, to the maximum extent possible, the objectives of each Option and the tax and economic implications that would have resulted to each party had such a Change in U.S. Tax Law not occurred, regarding the appropriate treatment and reporting of such assets and positions.

ARTICLE VI GENERAL PROVISIONS

Section 6.1 Gross Up. Any amounts required to be paid under this Agreement by any party hereto shall be paid on an After-Tax Basis.

Section 6.2 Survival of Obligations. The obligations, representations, and warranties set forth in this Agreement are unconditional and absolute and shall remain in effect without limitation as to time.

Section 6.3 Notices. Any notice, request, demand, waiver, consent, approval or other communication (a "Notice") which is required or permitted hereunder shall be in writing. Notices may be delivered (i) by telecopier, electronic transmission or similar device and (ii) simultaneously by Federal Express, DHL Courier, or other similar delivery service and shall be deemed given or made upon receipt thereof. All notices are to be given or made to the parties at the following addresses (or to such other address as any party may designate by a Notice given in accordance with the provisions of this subsection):

If to any of the Indemnitees:

Barclays Bank PLC, New York Branch
200 Park Avenue
New York, New York 10166
Attention: John Stracquadanio
Telephone: (212) 412-2180
Telecopier: (212) 412-7463
E-Mail: john.straquadanio@barclayscapital.com

If to any of the Indemnitors:

c/o Renaissance Technologies Corp.
800 Third Avenue
New York, NY 10022

Attention: Mark Silber
Telephone: (212) 486-6780
Telecopier: (212) 758-7136
E-mail: silber@rentec.com
with copies to:
bruce@rentec.com
carla@rentec.com
mikeo@rentec.com

Section 6.4 Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by any party to this Agreement without the prior written consent of all of the other parties to this Agreement. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and permitted assigns and no other person shall have any right, benefit or obligation hereunder.

Section 6.5 Invalidity. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument; provided that if any provision of this Agreement, as applied to any party or to any circumstance, is adjudged not to be enforceable in accordance with its terms, the parties agree that the governmental body, arbitrator, or mediator making such determination will have the power to modify the provision in a manner consistent with its objectives such that it is enforceable, and/or to delete specific words or phrases, and in its reduced form, such provision will then be enforceable and will be enforced. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 6.6 Amendments and Waivers. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by all of the parties to this Agreement. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 6.7 Choice of Law. This Agreement shall be construed and interpreted, and the rights of the parties determined, in accordance with the laws of the State of New York.

Section 6.8 Consent to Jurisdiction. For all disputes arising out of this Agreement, the parties hereto hereby consent and submit to the non-exclusive personal jurisdiction of any United States District Court in the Southern District of New York and any New York state court of competent jurisdiction located anywhere in New York County in any suit, action or proceeding arising out of or relating to this Agreement. The parties further agree that, notwithstanding any

contrary provision of law, process will be sufficient and effective if served in accordance with the notice provisions set forth in Section 6.3 hereof.

Section 6.9 Authority. Each of the parties hereto represents that: (i) it has the authority to execute, deliver and perform this Agreement; (ii) the execution, delivery, and performance of this Agreement by it has been duly authorized by all necessary corporate or other actions; (iii) it has duly and validly executed and delivered this Agreement; and (iv) this Agreement is a legal, valid, and binding obligation, enforceable against it in accordance with its term subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights generally and general equity principles.

Section 6.10 Headings. The headings contained in this Agreement and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 6.11 Effective Time. This Agreement shall become effective at the effective time of the Options.

Section 6.12 Counsel; Interpretation. The parties represent that each has had adequate opportunity to consult with an attorney of its own choosing before entering into this Agreement, and has been fully represented by an attorney of its own choosing throughout the negotiation and execution of this Agreement and the documents and instruments to be executed and delivered pursuant hereto. This Agreement and the documents and instruments to be executed and delivered pursuant hereto shall be interpreted fairly and impartially, without any presumption against the party primarily responsible for the preparation and drafting of this Agreement or the documents and instruments to be executed and delivered pursuant hereto.

Section 6.13 No Waiver. No failure or delay by either party in exercising any right, power, or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.

Section 6.14 Cumulative Rights. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 6.15 Non-Confidentiality. Except as otherwise hereinafter set forth, the parties hereto agree and acknowledge that the structure and tax aspects of each Option and all materials provided by either party with respect to such structure and tax aspects are, and have always been, non-confidential, and are not the proprietary information of either party. Each party and each Affiliate thereof (and each employee, representative, or other agent of any of the foregoing) may disclose, and has always been entitled to disclose, to any and all persons, without limitation of any kind, the tax treatment and tax structure of each Option and all materials of any kind (including opinions or other tax analyses) that are provided to such party (or Affiliate) relating to such tax treatment and tax structure (provided, however, that the names and all other identifying information of all entities and persons have been properly erased from such materials prior to the disclosure thereof). Each party otherwise agrees not to disclose any proprietary, non-public

information regarding the other party ("Confidential Information") it may have received in connection with any Option, including, without limitation, that such party has entered into such Option with the other party, and agrees that it shall not disclose or use the name of the other party (or any Affiliate thereof) for marketing or other purposes not directly relating to the implementation of any Option. Notwithstanding the foregoing, either party may disclose any such Confidential Information if required by law or any judicial, governmental or other regulatory body, provided it gives prior written notice of such required disclosure to the other party. Confidential Information of a party shall not include any information in the public domain or information obtained from any third party not under a duty not to disclose it.

Section 6.16 Entire Agreement. This Agreement contains the entire agreement among the parties with respect to the subject matter hereof and supercedes all previous agreements, negotiations, discussions, writings, understandings, commitments, and conversations among the parties or their representatives regarding the rights and obligations under this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth above.

BARCLAYS BANK PLC,
NEW YORK BRANCH

By: _____
Name:
Title:

PALOMINO LIMITED

By: _____
Name:
Title:

BADGER HOLDINGS L.P.,
by its general partner, Renaissance Technologies
Corporation

By: _____
Name: Mr. Mark Silber
Title: Vice President

MEDALLION INTERNATIONAL LIMITED

By: _____
Name:
Title:

MEDALLION CAPITAL INVESTMENTS LTD.

By: _____
Name:
Title:

MEDALLION ASSOCIATES L.P.,
by its general partner, Renaissance Technologies
Corporation

By: _____
Name: Mr. Mark Silber
Title: Vice President

MEDALLION FUND L.P.,
by its general partner, Renaissance Technologies
Corporation

By: _____
Name: Mr. Mark Silber
Title: Vice President

MEDALLION USA L.P.,
by its general partner, Renaissance Technologies
Corporation

By: _____
Name: Mr. Mark Silber
Title: Vice President

MEDALLION RMP FUND L.P.,
by its general partner, Renaissance Technologies
Corporation

By: _____
Name: Mr. Mark Silber
Title: Vice President

APPENDIX A

COVERED OPTIONS

The following option transactions are hereby added to the coverage of this Agreement.

<u>Covered Option #</u>	<u>Trade Date</u>	<u>Scheduled Expiration Date</u>	<u>Premium</u>
_____	_____	_____	_____

NEWYORK 4363031v3

ANNEX A

NEWYORK 4363031v3

ANNEX B

NEWYORK 4363031v3

ANNEX C

NEWYORK 4363031v3

ANNEX D

NEWYORK 4363031v3

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth above.

BARCLAYS BANK PLC,
NEW YORK BRANCH

By: 

Name:

Title: **Andrew Shuster**
Director

PALOMINO LIMITED

By: _____

Name:

Title:

BADGER HOLDINGS L.P.,
by its general partner, Renaissance Technologies Corp.

By: _____

Name: Mr. Mark Silber

Title: Vice President

MEDALLION INTERNATIONAL LIMITED

By: _____

Name:

Title:

MEDALLION CAPITAL INVESTMENTS LTD.

By: _____

Name:

Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth above.

BARCLAYS BANK PLC,
NEW YORK BRANCH

By: 

Name:

Title:

Andrew Shuster
Director

PALOMINO LIMITED

By: _____

Name:

Title:

BADGER HOLDINGS L.P.,

by its general partner, Renaissance Technologies Corp.

By: _____

Name: Mr. Mark Silber

Title: Vice President

MEDALLION INTERNATIONAL LIMITED

By: _____

Name:

Title:

MEDALLION CAPITAL INVESTMENTS LTD.

By: _____

Name:


Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth above.

BARCLAYS BANK PLC.
NEW YORK BRANCH

By: _____
Name:
Title:

PALOMINO LIMITED

By: 
Name: Armand J. DiNapoli
Title: Director

BADGER HOLDINGS L.P.,
by its general partner, Renaissance Technologies Corp.

By: _____
Name: Mr. Mark Silber
Title: Vice President

MEDALLION INTERNATIONAL LIMITED

By: _____
Name:
Title:

MEDALLION CAPITAL INVESTMENTS LTD.

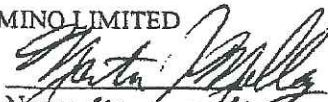
By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth above.

BARCLAYS BANK PLC,
NEW YORK BRANCH

By: _____
Name:
Title:

PALOMINO LIMITED

By: 
Name: *Matthew J. McGee*
Title: *Director*

BADGER HOLDINGS L.P.,
by its general partner, Renaissance Technologies Corp.

By: _____
Name: Mr. Mark Silber
Title: Vice President

MEDALLION INTERNATIONAL LIMITED

By: _____
Name:
Title:

MEDALLION CAPITAL INVESTMENTS LTD.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth above.

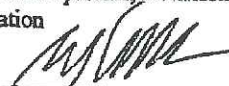
BARCLAYS BANK PLC,
NEW YORK BRANCH

By: _____
Name:
Title:

PALOMINO LIMITED

By: _____
Name:
Title:


BADGER HOLDINGS L.P.,
by its general partner, Renaissance Technologies
Corporation

By: 
Name: Mr. Mark Silber
Title: Vice President

MEDALLION INTERNATIONAL LIMITED

By: 
Name: MARK SILBER
Title: DIRECTOR

MEDALLION CAPITAL INVESTMENTS LTD.

By: 
Name: MARK SILBER
Title: DIRECTOR

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth above.

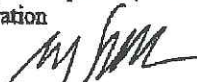
BARCLAYS BANK PLC,
NEW YORK BRANCH

By: _____
Name:
Title:

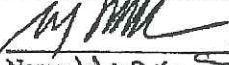
PALOMINO LIMITED

By: _____
Name:
Title:

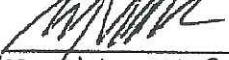
BADGER HOLDINGS L.P.,
by its general partner, Renaissance Technologies
Corporation

By: 
Name: Mr. Mark Silber
Title: Vice President

MEDALLION INTERNATIONAL LIMITED

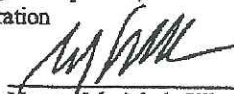
By: 
Name: MARK SILBER
Title: DIRECTOR

MEDALLION CAPITAL INVESTMENTS LTD.

By: 
Name: MARK SILBER
Title: DIRECTOR

MEDALLION ASSOCIATES L.P.,
by its general partner, Renaissance Technologies
Corporation

By:

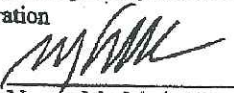


Name: Mr. Mark Silber

Title: Vice President

MEDALLION FUND L.P.,
by its general partner, Renaissance Technologies
Corporation

By:

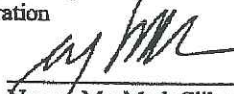


Name: Mr. Mark Silber

Title: Vice President

MEDALLION USA L.P.,
by its general partner, Renaissance Technologies
Corporation

By:

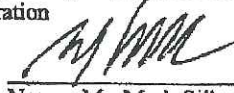


Name: Mr. Mark Silber

Title: Vice President

MEDALLION RMP FUND L.P.,
by its general partner, Renaissance Technologies
Corporation

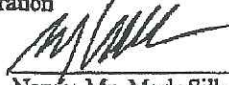
By:



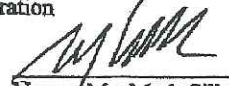
Name: Mr. Mark Silber

Title: Vice President


MEDALLION ASSOCIATES L.P.,
by its general partner, Renaissance Technologies
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By: 
Name: Mr. Mark Silber
Title: Vice President

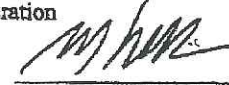
MEDALLION FUND L.P.,
by its general partner, Renaissance Technologies
Corporation

By: 
Name: Mr. Mark Silber
Title: Vice President

MEDALLION USA L.P.,
by its general partner, Renaissance Technologies
Corporation

By: 
Name: Mr. Mark Silber
Title: Vice President

MEDALLION RMP FUND L.P.,
by its general partner, Renaissance Technologies
Corporation

By: 
Name: Mr. Mark Silber
Title: Vice President

Barclays Bank PLC
200 Park Avenue
New York NY 10166

Tel: +1 (212) 412 4000

December 21, 2005

Badger Holdings L.P.

Palomino Limited
PO Box 908 GT
Walker House, Mary Street
George Town, Grand Cayman
Cayman Islands



Ref: Option HH

Dear Sirs:

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the Transaction entered into between Palomino Limited ("Party A"), and Barclays Bank PLC acting through its New York Branch ("Party B") on the Trade Date specified below (the "Transaction").

This Confirmation constitutes a complete and binding agreement between Party A and Party B as to the terms and conditions of the Transaction to which this Confirmation relates, and it supersedes all prior or contemporaneous written or oral agreements between Party A and Party B in relation to the Transaction (except to the extent explicitly stated in any other written agreement between the parties hereto executed contemporaneously herewith). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2000 ISDA Definitions (the "Swap Definitions") and in the 1996 ISDA Equity Derivatives Definitions (the "Equity Definitions", and together with the Swap Definitions, the "Definitions"), in each case as published by the International Swaps and Derivatives Association, Inc., are incorporated by reference into this Confirmation. In the event of any inconsistency between the Swap Definitions and the Equity Definitions, the Equity Definitions will govern, and in the event of any inconsistency between either set of Definitions and this Confirmation, this Confirmation will govern. For purposes of the Equity Definitions, the Transaction shall constitute an Index Option Transaction.

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of September 30, 2002, as amended and supplemented from time to time (the "Agreement"), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

1. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date:	December 21, 2005
Effective Date:	December 22, 2005
Option Style:	American.
Option Type:	Call.
Seller:	Party A.
Buyer:	Party B.
Index:	The Basket Value.
Number of Options:	One.
Multiple Exercise:	Inapplicable.
Strike Price:	USD 700 million
Premium:	USD 70,473,919 of which USD 28,000,000 constitutes and is referred to herein as "Amortizable Premium".
Premium Payment Date:	The 2nd (second) Business Day immediately following the Effective Date.
Reference Accounts:	The BCSL Account, the BCI Account and the Synthetic Account, each as defined below.
Trading Strategy:	A trading strategy to be exclusively implemented based on and in accordance with the Investment Guidelines, as defined below.
Exchange(s):	Each exchange or quotation system, which constitutes with respect to any of the Shares, the principal exchange or quotation system on which such Share is actively traded, as reasonably determined by the Calculation Agent.
Business Day:	New York.
Business Day Convention:	Following Business Day.

Shares: The equity interests and other securities that, at any time during the Valuation Period, constitute (or underlie) Designated Positions.

Issuer: The issuer of the relevant Shares.

Procedure for Exercise:

Latest Exercise Time: 5 p.m. (local time in New York City).

Expiration Time: 5 p.m. (local time in New York City).

Expiration Date: The date which is the earliest of:

- (i) April 15, 2008 (the "Scheduled Expiration Date"),
- (ii) a Knock-out Event Date, or
- (iii) an Early Termination Date designated by either party in respect of the Transaction.

Exercise Date: The Exchange Business Day during the Exercise Period on which the Option is or is deemed to be exercised by Party B.

Knock-out Event Date: Any Valuation Exchange Business Day on which Party A notifies Party B (which notice may be telephonic (confirmed in writing) or by electronic message) that if Party B had exercised this Option and such Valuation Exchange Business Day were the "Valuation Date" hereunder the amount that would have been determined (at the Valuation Time on the previous Valuation Exchange Business Day) as the "Cash Settlement Amount" under this Option would have been equal to or less than 10% of the sum of (a) the Premium Settlement Amount and (b) Total Amortized Premium.

Automatic Exercise: Applicable.

Seller's Agent's Telephone Number and Telex and/or Facsimile Number and Contact Details for Purpose of Giving Notice:

Seller's
Agent's Name: Marty Malloy
Specified
Location: Walkers SPV Limited,
Walker House,
PO Box 908GT,
Mary Street,
George Town,
Grand Cayman,
Cayman Islands
Tel: +1 345 945 3727
Fax: +1 345 945 4757

Valuation:

Valuation Time: In respect of each Designated Position, for any date, the close of trading in respect of the Share(s) constituting or underlying such Designated Position on the Exchange corresponding to such Share(s), on such date; or, if no trading occurred on such date in respect of such Share(s) on such Exchange, such other time as may be agreed upon by Party A and Party B.

Valuation Date: The earlier of: (i) the 4th (fourth) Valuation Exchange Business Day immediately following the Exercise Date, or (ii) the ninth (9th) Business Day immediately following the Exercise Date.

Valuation Period: The period commencing on, and including, the Effective Date and ending on, and including, the Valuation Date.

Valuation Exchange Business Day: An Exchange Business Day during which there has not been (i) a Trading Suspension in Shares that comprise, on the commencement of such day, more than 20 percent, in value, of (A) the long Designated Positions or (B) the short Designated Positions, in each case, then credited to, included or deemed included within the Reference Accounts, or (ii) an event of force majeure beyond the control of Party A (or any Affiliate thereof) occurring after the Effective Date, preventing the execution of transactions within the Reference Accounts or making the execution of such transactions impossible or impracticable.

For purposes of this Confirmation, the term "Trading Suspension" means, with respect to any security a suspension of trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise) on the relevant Exchange for a period of more than one (1) hour.

- Calculation Date: The Effective Date, the Valuation Date and each day during the Valuation Period that is either (i) the "Effective Date" of any other Transaction that is an Index Option Transaction in respect of the Reference Accounts ("RA Option"), (ii) the day immediately following the "Valuation Date" of any RA Option, or (iii) if any RA Option is otherwise terminated and no "Valuation Date" is specified, the day on which such RA Option is terminated.
- Calculation Period: Each period from, and including, one Calculation Date to, but excluding, the immediately following Calculation Date during the Valuation Period, except that (i) the initial Calculation Period will commence on, and include, the Effective Date, and (ii) the final Calculation Period will end on, and include, the Valuation Date.
- Calculation Period Factor: In respect of each Calculation Period, the quotient obtained by dividing (i) the amount that would have been payable as the "Cash Settlement Amount" under this Option if Party B had exercised this Option, calculated (x) for any Calculation Period commencing after the Effective Date, as if the last day of the immediately preceding Calculation Period were the "Valuation Date" hereunder, and, for the Calculation Period commencing on the Effective Date, as if the first day of the Calculation Period were the "Valuation Date" hereunder, (y) as if the value of the "Settlement Price" hereunder equaled the Strike Price, and (z) as if the "Total Amortized Premium" hereunder had equaled zero, by (ii) the sum of (A) the sum of the amounts that would have been payable as "Cash Settlement Amounts" under all RA Options Outstanding, if Party B had exercised all such options and the last day of the immediately preceding Calculation Period were treated as the

"Valuation Date" for purposes of all such options, and (B) the sum of the amounts that would have been payable as "Cash Settlement Amounts" under all RA Options that have an "Effective Date" on the first day of the Calculation Period, if Party B had exercised all such options, calculated as if (x) the first day of the Calculation Period were treated as the "Valuation Date" for purposes of all such options, (y) the value of the "Settlement Price" of each such option equaled its "Strike Price", and (z) the "Total Amortized Premium" of each such option equaled zero. For purposes hereof, in respect of each Calculation Period, "RA Options Outstanding" means all RA Options, whether or not exercised, whose "Valuation Date" has not occurred prior to the first day of the Calculation Period and that has not otherwise been terminated on or prior to such day.

Calculation Period Amount:

In respect of each Calculation Period, the product obtained by multiplying (i) the Calculation Period Return for such Calculation Period, by (ii) the Calculation Period Factor for such Calculation Period.

Settlement Terms:

Cash Settlement:

Applicable.

Cash Settlement Amount:

Other than in respect of a Knock-out Event Date, an amount equal to the greater of (i) zero, and (ii) the sum of (A) the Settlement Price, minus (B) the Strike Price, plus (C) the Premium Settlement Amount.

In respect of a Knock-out Event Date, zero.

Settlement Price:

The level of the Index at the close of the Valuation Date.

Basket Value:

The sum of (i) the Strike Price, plus (ii) the sum of the Calculation Period Amounts for all Calculation Periods included within the Valuation Period.

Federal Funds Rate: For any day, the rate set forth in H.15(519) for the first Business Day immediately preceding such day, opposite the caption "Federal funds (effective)", as such rate is displayed on the Telerate Page 120 (or any successor page). If by 5:00 p.m., New York City time, on the first day that is one Business Day following such day, the rate for such day does not appear on the Telerate Page 120 (or any successor page) or is not yet published in H.15(519), the rate for such day will be the arithmetic mean of the rates for the last transaction in overnight U.S. Dollar Federal funds arranged by each of three leading brokers of U.S. Dollar Federal funds transactions in New York City selected by the Calculation Agent, prior to 9:00 a.m., New York City time, on that Business Day.

Settlement Currency: USD.

Cash Settlement Payment Date: The 3rd (third) Business Day immediately following the Valuation Date.

Adjustments:

Method of Adjustment: Calculation Agent Adjustment.

Extraordinary Events:

Consequences of Potential Adjustment Events, Merger Events, Nationalization or Insolvency: The Calculation Agent shall use reasonable best efforts to determine, in good faith, based on its commercially reasonable judgment and upon consultation with Party B, the consequences of Potential Adjustment Events, Merger Events, Nationalization or Insolvency in respect of Shares, and the adjustments to the Basket Gains, Basket Losses, Basket Value and any other variable relevant to this Transaction.

2. Calculation Agent: Party A shall be the Calculation Agent.
 - a. The Calculation Agent will notify Party B promptly after the close of each Calculation Period of the determined Calculation Period Amount for such period and of the

Calculation Period Factor for the immediately following Calculation Period, and promptly after the Valuation Date of the determined Cash Settlement Amount, and of the determination of each variable and component used to calculate, or affecting, directly or indirectly, the relevant Calculation Period Amount, Calculation Period Factor and the Cash Settlement Amount, as applicable.

b. The Calculation Agent shall prepare and deliver to Party B within three (3) Business Days after the last Business Day in each calendar month (the "Report Date") a report (the "Monthly Report") containing its calculation of the amount that would have been payable as the "Cash Settlement Amount" under this Option if Party B had exercised this Option and the Report Date were the "Valuation Date" hereunder, and each variable and component used to calculate, or affecting, directly or indirectly, such calculated "Cash Settlement Amount". If Party B disagrees with any statement or other item in any Monthly Report, it shall notify the Calculation Agent within 30 (thirty) Business Days of receiving the Monthly Report and the Calculation Agent and Party B will cooperate to resolve their differences with respect to such disagreement. The Monthly Report and the statements and items included therein shall not be conclusive or binding, except that a Monthly Report (as adjusted and modified by Party A and Party B) shall be conclusive and binding with respect to Party A and Party B if agreed to in writing by Party A and Party B.

3. Account Details:

Account for payments to Party A:
To be, and as, provided by Party A.

Account for payments to Party B:
Bank: Federal Reserve Bank of New York, New York
ABA No: [REDACTED]
A/C: Barclays Bank PLC, New York
Favor: Barclays Swaps & Options Group, New York
A/C No: [REDACTED]
Swift: BARCUS33

4. Additional Terms and Definitions:

For purposes of this Confirmation, the following terms shall have the meaning specified or referred to in this Section 4:

a. "BCSL Account" means the prime brokerage account established by and in the name of Palomino Limited ("Palomino") with Barclays Capital Securities Limited ("BCSL"), account no. [REDACTED], pursuant to the Prime Brokerage Agreement, dated September 26, 2002, as may be amended by the parties thereto from time to time (the "BCSL Agreement").

b. "BCI Account" means the prime brokerage account established by and in the name of Palomino with Barclays Capital Inc. ("BCI"), account no. [REDACTED], pursuant to the Prime Broker Margin Account Agreement, dated September 26, 2002 (as may be amended by the parties thereto from time to time, the "BCI Agreement").

c. "Synthetic Account" means a record prepared by the Calculation Agent and titled "Reference Synthetic Positions", identifying, at all times, (A) the outstanding Synthetic Positions and (B) all other outstanding Permitted Securities, including derivative financial instruments, entered into in accordance with the Investment Guidelines and designated by Renaissance Technologies Corporation (the "Advisor") to be included in the Synthetic Account. For purposes of this Confirmation, the term "Permitted Securities" shall have the meaning ascribed to it in the Investment Guidelines.

d. "Investment Guidelines" means the Investment Guidelines, as amended from time to time in accordance with the Investment Management Agreement, set forth in Annex A to the Investment Management Agreement entered into between Palomino and the Advisor, dated October 1, 2004 as amended and restated on December 21, 2005, a copy of which is attached hereto as Annex A, as amended from time to time by the parties thereto, (the "Investment Management Agreement").

e. "Designated Positions" means, in respect of each Calculation Period, equity securities, Synthetic Positions and other financial positions (whether long or short), credited to, included or deemed included in the Reference Accounts at any time during such Calculation Period, excluding cash.

f. "Calculation Period Return" means, in respect of each Calculation Period, the sum of the corresponding (i) Basket Gains, minus (ii) Basket Losses, minus (iii) Basket Cost.

g. "Basket Gains" means, in respect of each Calculation Period, the sum of all (i) gains realized in respect of Designated Positions at any time during the Calculation Period, (ii) unrealized gains in respect of Designated Positions credited to, included or deemed included in the Reference Accounts at the close of the Calculation Period (where the unrealized gain in respect of each such Designated Position is determined at the Valuation Time applicable to such Designated Position on the last day of the Calculation Period), (iii) dividends accrued (based on ex-dividend dates) at any time during the Calculation Period in respect of long Designated Positions, adjusted as set forth in Section 5 below, and (iv) interest and other income received or accrued on or in respect of Designated Positions at any time during the Calculation Period.

h. "Basket Losses" means, in respect of each Calculation Period, the sum of all (i) losses realized in respect of Designated Positions at any time during the Calculation Period, (ii) unrealized losses in respect of Designated Positions credited to, included or deemed included in the Reference Accounts at the close of the Calculation Period (where the unrealized loss in respect of each such Designated Position is determined at the Valuation Time applicable to such Designated Position on the last day of the Calculation Period), and (iii) dividend and interest equivalent amounts paid or accrued (based on ex-dividend and ex-interest dates, as applicable) at any time during the Calculation Period in respect of short Designated Positions, adjusted as set forth in Section 5 below.

i. "Basket Cost" means, in respect of each Calculation Period, the (positive or negative) sum of (i) all commissions and fees in connection with the execution of transactions to acquire, create, dispose of or otherwise terminate Designated Positions, to the extent authorized under the Investment Management Agreement (excluding any fees paid to the Advisor and any interest and other financing charges), paid or accrued in connection with the trading of

Designated Positions in accordance with the Investment Management Agreement during the Calculation Period and any expenses reimbursed by Client to the Advisor in accordance with the Investment Management Agreement, plus (ii) the Debit Amount, minus (iii) the product obtained by multiplying (A) the Amortized Daily Premium, by (B) the number of calendar days in the Calculation Period, minus (iv) any realized and unrealized gains (determined at the close of the Calculation Period), interest and other income received or accrued in respect of cash, property or other financial positions credited to, included or deemed included in the Reference Accounts or otherwise credited to the Reference Accounts (excluding gain and income items included in Basket Gains) at any time during the Calculation Period.

j. "Debit Amount" means, in respect of each Calculation Period, the number, denoted by DA , calculated in accordance with the following formula:

$$DA = \sum_{n=1}^N DA_n * \left(\frac{FFR_n}{365}\right), \text{ where:}$$

" N " is, in respect of each Calculation Period, the number of days in the Calculation Period;

" n " is, in respect of each Calculation Period, a series of whole numbers from one to N , each representing the corresponding day in the Calculation Period, where the days in such period are arranged in chronological order from, and including, the first day in such Calculation Period to, and including, the last day in such Calculation Period;

" DA_n " means, in respect of each day included in the Calculation Period, the (negative or positive) sum of (i) the absolute value of the long Designated Positions included (or deemed included) in the Reference Accounts at the close of the n th day of the Calculation Period (where the value of each such Designated Position is determined at the Valuation Time applicable to such Designated Position on such day), plus (ii) the amount of cash included in the Reference Accounts at the close of the n th day of the Calculation Period (excluding cash held in connection with, or as a collateral for, short Designated Positions), minus (iii) the sum of the amounts that would have been payable as "Cash Settlement Amounts" under all RA Options on the n th day of the Calculation Period whose "Valuation Date" has not occurred on or prior to the immediately preceding day, if Party B had exercised all such options, such n th day were treated as the "Valuation Date" for purposes of all such options, and the corresponding " DA_n " for such day for each such option (which may have a different subscript index number under each such option) were zero; and

" FFR_n ", for any day in the Calculation Period, is equal to the Federal Funds Rate for the n th day of the Calculation Period plus 25 basis points.

k. "Premium Settlement Amount" means USD 70 million minus the Total Amortized Premium.

l. "Total Amortized Premium" means the product obtained by multiplying (i) the Amortized Daily Premium, by (ii) the number of calendar days in the period commencing on, and including, the Effective Date and ending on, but excluding, the Valuation Date.

m. "Amortized Daily Premium" means the quotient obtained by dividing (i) the Amortizable Premium, by (ii) the number of calendar days in the period commencing on, and including, the Effective Date, and ending on, but excluding, the Scheduled Expiration Date.

5. For purposes of determining Basket Gains, Basket Losses and Basket Cost, (i) gain, loss and any other income or expense items will be computed and taken into account without giving effect to any Tax that might be imposed in respect or by reason thereof, (ii) in respect of each Calculation Period, for purposes of determining gain or loss in such period, the basis of each Designated Position outstanding at the close of the day immediately preceding the first day of such Calculation Period shall be the value used to determine the unrealized gain or loss on such Designated Position in respect of the immediately preceding Calculation Period (or if no such Calculation Period exists, the value of such Designated Position at the Valuation Time applicable to such Designated Position on such immediately preceding day), (iii) any portion of a dividend paid or accrued in respect of shares of stock of a corporation incorporated in any of the countries listed in Annex B hereto (as amended from time to time by the parties hereto), which will be subject to withholding tax by the country in which such corporation is incorporated (or, when the distributing corporation is incorporated in the United States, will be subject to U.S. federal income tax as a taxable dividend), shall be adjusted by multiplying the original amount of such portion by the percentage set forth next to the name of the applicable country in the column "Percentage of Dividends Received on Long Positions", and (iv) any dividend equivalent amount paid or accrued in respect of a short position in stock of a corporation incorporated in any of the countries listed in Annex B hereto (as amended from time to time by the parties hereto), which will be subject to withholding tax by the country in which such corporation is incorporated (or, when the distributing corporation is incorporated in the United States, will be subject to U.S. federal income tax as a taxable dividend), shall be adjusted by multiplying the original amount of such dividend equivalent amount by the percentage set forth next to the name of the applicable country in the column "Percentage of Dividends Paid on Short Liabilities".

6. This Option and the rights and obligations thereunder are not transferable (whether by way of security or otherwise) by either party without the prior written consent of the other party and any purported transfer without such consent shall be void and of no effect.

7. Additional Representations:

Party A and Party B each makes (and as indicated, only Party A or only Party B makes) the following additional representations:

a. It is entering into the Transaction as principal and not as agent or in any other capacity, fiduciary or otherwise, and no other person has any interest herein.

b. Its execution and delivery of this Confirmation and its entering into the Transaction to which this Confirmation relates have been authorized by all required internal actions and do not violate any laws of its jurisdiction of organization or residence, or the terms of any agreement to which it is a party.

c. Upon due execution and delivery of this Confirmation, this Confirmation will constitute its legal, valid and binding obligations, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles

of general application (regardless of whether enforcement is sought in a proceeding in equity or in law).

d. It is acting for its own account, and has made its own independent decision to enter into this Confirmation and to participate in the Transaction to which this Confirmation relates and as to whether this Confirmation and the Transaction are appropriate or proper for it based upon its own judgment and upon advice of such advisors as it deems necessary.

e. It acknowledges, agrees and confirms that (i) it has not received any advice or counsel from, and is not relying, and has not relied, upon any communication (written or oral) of, the other party or any Affiliate thereof with respect to the legal, accounting, tax or other implications of this Confirmation or the Transaction (including the expiration, sale, assignment or other termination thereof), and that it has conducted its own due diligence review and analyses of the legal, accounting, tax, regulatory and other implications of this Confirmation and the Transaction, including, without limitation, registration or disclosure requirements in respect of the Transaction under any applicable securities, tax or other laws, (ii) information and explanations related to the terms and conditions of this Confirmation and the Transaction shall not be considered investment advice or a recommendation to enter into this Confirmation or to participate in the Transaction, (iii) it has received independent tax advice with respect to this Confirmation and the Transaction, (iv) it is entering into this Confirmation and is participating in the Transaction with a full understanding of all of the terms and risks hereof (economic and otherwise), is capable of evaluating and understanding (on its own behalf or through independent professional advice), and understands and accepts, such terms and risks, and is capable of assuming (financially and otherwise), and assumes, those risks, (v) neither the other party nor any Affiliate thereof is acting as a fiduciary for or an advisor to it in respect of this Confirmation or the Transaction, (vi) it has a valid business purpose for entering into this Confirmation and participating in the Transaction, and the transactions contemplated herein are consistent with its overall business and investment strategy, and (vii) it participated with the other party in the structuring of the Transaction, and in the negotiation and drafting of the Confirmation and the other agreements, documents and instruments to be entered into in connection with the Transaction.

f. Party A represents and agrees that (i) Palomino is an existing corporation, incorporated under the laws of the Cayman Islands, and will remain in existence and in good standing throughout the term of the Transaction, (ii) BBPLC directly or indirectly owns, and will directly or indirectly own at all times during the term of the Transaction, all of the outstanding stock of Palomino, (iii) Palomino has elected to be "disregarded as an entity separate from its owner" for U.S. federal income tax purposes and will retain this status throughout the entire term of the Transaction,

8. The parties agree, that if the Advisor designates the execution of any transaction in accordance with the Investment Guidelines and such transaction is not timely executed, or is not executed, for any reason or for no reason whatsoever, such transaction will be treated, for purposes of this Confirmation, as if it were actually timely executed in accordance with such designation of the Advisor and, therefore, (i) any stock, securities and other financial positions (whether long or short) that would have been credited to or included in the Reference Accounts if such transaction were actually timely executed in accordance with such designation of the Advisor, will be treated as included in the Synthetic Account as of the date (and time) designated by the Advisor for the execution of the relevant transaction (a "Synthetic Position") and will be treated as disposed of or otherwise terminated on the day (and time) so designated by the

Advisor, as applicable; (ii) any stock, securities and other financial positions (whether long or short) that would have been disposed of or otherwise terminated if such transaction were actually timely executed in accordance with such designation of the Advisor, shall be treated as if actually disposed of or otherwise terminated, and excluded from the relevant Reference Account, on the day (and time) so designated by the Advisor; and (iii) any dividend, interest or any other income that would have been received or accrued on or in respect of Synthetic Positions if such transaction were actually timely executed in accordance with such designation of the Advisor, will be credited to the relevant Reference Account in which such transaction would have been executed.

9. In the event that Palomino has replaced the Advisor with respect to any of the Reference Accounts, Palomino has otherwise assumed management of any of the Reference Accounts or the Advisor is prevented, for any reason from effectively managing the Reference Accounts, unless otherwise agreed to in writing by the Advisor, Party A shall cause the commencement of an orderly liquidation and reduction to USD cash of the assets and financial positions (whether long or short) then credited to, included or deemed included within the Reference Accounts over the period commencing on the Exercise Date to and including the Valuation Date, with the objective of minimizing risk and preserving the equity value of the Designated Positions (the "Liquidation" and the "Liquidation Period", respectively), and shall effect such Liquidation in an "equal dollar weighted" manner in approximately equal proportions over the Liquidation Period, such that approximately 25% of the Designated Positions credited to, included or deemed included within the Reference Accounts at the beginning of the Liquidation Period are liquidated on each Valuation Exchange Business Day during such period, and with due regard to effecting proportionate reductions of "long" positions and corresponding "short" positions, provided, however, that the Liquidation may be effected in a different commercially reasonable manner that would minimize risk and preserve the equity value of the Designated Positions, if and to the extent so consented to by the Advisor (which for the avoidance of any doubt does not include any replacement advisor); and provided further that no such consent of the Advisor will be required if the estimated Cash Settlement Amount, calculated by valuing all of the Designated Positions as set forth in Section 10 below on the Exercise Date, payable to Party B is equal to or less than USD 7,000,000.

10. Party A and Party B agree that for purposes of this Confirmation and the Transaction, including, without limiting the foregoing, for purposes of determining the Basket Gains and Basket Losses, Designated Positions and any other relevant stock, securities or other financial positions (whether long or short) will be valued according to the following valuation methods: (i) stock, securities and other financial positions which are traded on an Exchange shall be valued at any time at the last sales price quoted for the securities on (A) the consolidated tape on the date and at the time for which value is being determined, or (B) if no sale occurred on such date, at the mean between the "bid" and the "asked" prices on such date as reported in a recognized interdealer quotation system, (ii) stock, securities and other financial positions which are not traded on an Exchange, but are traded over the counter, shall be valued at the mean between the "bid" and the "asked" prices quoted for such securities, and (iii) stock, securities and other financial positions that are not described in subsections (i) and (ii) above, shall be valued based on a method of valuation to be agreed upon by Party A and Party B.

11. Party B shall pay any and all documentary, stamp, registration or similar taxes and charges that may be payable in respect of (i) the execution of this Confirmation, (ii) the exercise of the Option, and (iii) the payment of the Premium.

12. This Confirmation shall be governed by and construed in accordance with the laws of the State of New York.

13. Each of Party A and Party B shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper and advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Confirmation and the Transaction to which it relates in accordance with the terms and conditions hereof and thereof, including (a) using reasonable best efforts to remove any legal impediment to the consummation of such transactions, and (b) the execution and delivery of all such deeds, agreements, assignments and further instruments of transfer and conveyance, necessary, proper or advisable to consummate and make effective the transactions contemplated by this Confirmation and the Transaction in accordance with the terms and conditions hereof and thereof, provided that any such action or thing would not materially prejudice the legal or commercial position of the relevant party.

14. Notwithstanding anything to the contrary in this Confirmation, Party A may, in its sole discretion, terminate this Transaction upon ten (10) Business Days prior written notice to Party B, in the event that (i) any change in applicable law (including, without limitation, any laws, treaties, ordinances, rules, regulations, rulings, interpretations and authorizations of the United States or the United Kingdom or of any political subdivision, regulatory body having authority over Party A or taxing authority thereof or therein) materially and adversely affects Party A's capital charges directly resulting from the Transaction, or (ii) due to the enactment, promulgation, execution or ratification of, or any change in or amendment to, the Code or the Treasury Regulations promulgated thereunder (or in the application or official interpretation thereof by the United States Internal Revenue Service or the United States Department of the Treasury, as the context requires) that occurs on or after the date on which the Transaction is entered into (a "Change in U.S. Tax Law"), Party A is required to treat and report the Designated Positions and any other assets or positions included within the Reference Accounts as assets and positions of which Party B (or an Affiliate thereof) is the beneficial owner for U.S. federal income tax purposes.

15. Except as otherwise hereinafter set forth, the parties hereto agree and acknowledge that the structure and tax aspects of the Transaction and all materials provided by either party with respect to such structure and tax aspects are, and have always been, non-confidential, and are not the proprietary information of either party. Each party and each Affiliate thereof (and each employee, representative, or other agent of any of the foregoing) may disclose, and has always been entitled to disclose, to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such party (or Affiliate) relating to such tax treatment and tax structure (provided, however, that the names and all other identifying information of all entities and persons have been properly erased from such materials prior to the disclosure thereof). Each party otherwise agrees not to disclose any proprietary, non-public information regarding the other party ("Confidential Information") it may have received in connection with the Transaction, including, without limitation, that such party has entered into

the Transaction with the other party, and agrees that it shall not disclose or use the name of the other party (or any Affiliate thereof) for marketing or other purposes not directly relating to the implementation of the Transaction hereunder. Notwithstanding the foregoing, either party may disclose any such Confidential Information (i) to its lawyers or accountants (or similar professional, but not a financial or investment advisor), on a "need-to-know" basis, in connection with advice directly related to the entry, operation or enforcement of any Transaction provided that such person agrees, in writing, not to disclose Confidential Information or (ii) if required by law or any judicial, governmental or other regulatory body, provided it gives prior written notice of such required disclosure to the other party. Confidential Information of a party shall not include any information in the public domain or information obtained from any third party not under a duty not to disclose it.

16. All amounts required to be paid hereunder to Party B shall be made to a U.S. dollar account maintained in a bank, trust company, broker/dealer or similar financial institution maintained in the United States.

[Signature page follows]

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us to the attention of John Stracquadiano, c/o Barclays Bank PLC, New York Branch, 200 Park Avenue, New York, NY 10166, Facsimile no.: (212) 412-7463.

Yours sincerely,

BARCLAYS BANK PLC,
acting through its New York Branch

By: 

Name:
Title: **Andrew Shuster**
Director

Confirmed as of the date
first above written:

PALOMINO LIMITED

By:

Name: 
Title: *Director*

ANNEX A
INVESTMENT MANAGEMENT AGREEMENT

ANNEX B

DIVIDENDS AND DIVIDEND EQUIVALENT AMOUNTS ADJUSTMENT SCHEDULE

Country of Company Paying ^a Dividend	Percentage of Dividends Received on Long Positions	Percentage of Dividends Paid on Short Liabilities
ARGENTINA	TBD	TBD
AUSTRALIA	100	100
AUSTRIA	85	100
BELGIUM	85	100
BRAZIL	TBD	TBD
CANADA	85	85
DENMARK	85	85
FINLAND	100	100
FRANCE	85	85
GERMANY	85	85
HONG KONG	100	100
INDONESIA	TBD	TBD
IRELAND	100	100
ITALY	85	85
JAPAN	93	93
MEXICO	TBD	TBD
NETHERLANDS	85	85
NEW ZEALAND	85	85
NORWAY	85	85
PHILIPPINES	TBD	TBD
PORTUGAL	TBD	TBD
SINGAPORE	100	100
SOUTH AFRICA	TBD	TBD
SOUTH KOREA	TBD	TBD
SPAIN	85	85
SWEDEN	95	95
SWITZERLAND	85	100
UNITED STATES	100	100

Risp 87.5 (long and short)

**AMENDED AND RESTATED
INVESTMENT MANAGEMENT AGREEMENT**

BETWEEN

PALOMINO LIMITED

AND

RENAISSANCE TECHNOLOGIES CORPORATION

**Effective as of
October 1, 2004
as amended and
restated with effect
on May [], 2008**

OHS East:160182098.4
3950-21 SA1/SA1

CONFIDENTIAL & PROPRIETARY

Permanent Subcommittee on Investigations

EXHIBIT #45

BARCLAYS-PSI-574664

October 1, 2004 as amended and restated
March [], 2008

Renaissance Technologies Corporation
800 Third Avenue
New York, New York 10022

Palomino Limited
c/o Barclays Bank PLC, New York Branch
200 Park Avenue
New York NY 10166

Tel: +1 (212) 412 4000

Attention: Mark Silber



Gentlemen:

This letter together with the accompanying Fee Schedule and Investment Guidelines (this "Agreement") sets forth our agreement regarding the engagement of Renaissance Technologies Corporation (the "Manager") to manage a securities trading portfolio for the account of Palomino Limited, an exempted company incorporated in the Cayman Islands (the "Client"), effective as of the date hereof (the "Effective Date"). This Agreement further amends and restates, in its entirety, that certain Investment Management Agreement dated October 1, 2004 between the Manager and the Client as such agreement was amended and restated with effect on December 21, 2005, on December 6, 2006, on February 19, 2007 and again on March 13, 2007 (the "Original Agreement"). On [] May 2008, the Original Agreement shall be replaced and superceded in its entirety by this Agreement.

1. Appointment.

The Client hereby appoints the Manager on the terms reflected in this Agreement as discretionary account manager with respect to the Accounts (as defined below) on the terms and conditions contained herein, and the Manager hereby accepts such appointment.

2. The Accounts.

- (a) For purposes of this Agreement, the term "Accounts" means (i) the prime brokerage account established by and in the name of the Client with Barclays Capital Securities Limited ("BCSL"), account no. 400262, pursuant to the Prime Brokerage Agreement, dated September 26, 2002, as it may be amended by the parties thereto from time to time (the "BCSL Agreement"), (ii) the prime brokerage account established by and in the name of the Client with Barclays Capital Inc. ("BCI"), account no. 21000200, pursuant to the Prime Broker Margin Account Agreement, dated September 26, 2002, as it may be amended by the parties thereto from time to time (the "BCI Agreement", and together with the BCSL Agreement, the "Prime Brokerage Agreements"), and (iii) a record (the "Reference Positions Account") prepared by Barclays Bank PLC, on behalf of the Client, and titled "Reference Synthetic Positions", identifying, at all times, (A) the outstanding Synthetic Positions, as defined in the investment guidelines attached hereto as Annex A (as they may be amended by the parties hereto from time to

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time, the "Investment Guidelines") and (B) all other outstanding Permitted Securities, including derivative financial instruments, entered into in accordance with the Investment Guidelines and designated by the Manager to be included within the Reference Positions Account. (For purposes of this Agreement, the term "Account" shall mean any of the Accounts).

- (b) The Accounts shall initially consist of cash of the Client in the amount of USD 5,000 million that has been placed under the Manager's supervision in the Accounts pursuant to this Agreement (the "Initial Accounts Assets"). The term "Accounts Assets" means (i) the Initial Accounts Assets, (ii) any assets, property, securities and other financial positions (whether long or short, actual or synthetic) that will become part of the Accounts as a result of transactions therein, (iii) any dividends, interest, distributions or other income earned or deemed earned in respect of, and any proceeds received in respect of dispositions or other terminations of, assets, property, securities and other financial positions (whether long or short, actual or synthetic) credited to, included or deemed included within the Accounts and (iv) all other assets included in any of the Accounts from time to time.
- (c) The Accounts will focus on (actual or synthetic) short and long positions in exchange-traded and over-the-counter-traded equity securities in Permitted Equity Markets, as defined in the Investment Guidelines. The Manager will carry out the Accounts' trading strategy in accordance with the Investment Guidelines, as may be amended in writing from time to time (the "Trading Strategy").
- (d) Until the termination of this Agreement the Client shall ensure, whether by obtaining credit or making capital calls, that Accounts Assets (including cash but excluding Synthetic Positions) shall at all times be sufficient to permit the Manager to trade on behalf of the Client up to the limits contemplated by the Investment Guidelines.

3. Custody and Brokerage.

- (a) The Accounts Assets are owned by Client and shall be held in the Accounts with BCSL and BCI, wholly owned broker dealer subsidiaries of Barclays Bank PLC, as the prime broker (the "Custodians"). Neither party shall cause or permit Accounts Assets to be held by any person other than a Custodian, or to be commingled with assets of any person other than the Client or with any other assets of the Client.
- (b) The Manager shall not use any brokers through whom any transaction in respect of the Accounts shall be executed (each an "Executing Broker") unless such Executing Broker has been pre-approved by the Client and the Custodians. Each Executing Broker shall be required to enter into an agreement with the Manager and the Custodians (the "Executing Broker's Agreements") detailing such Executing Broker's responsibilities and restrictions with respect to executing

trades for the Accounts which agreement or the material terms thereof, as determined by Client, shall be approved by Client.

- (c) The Client shall notify the Manager in writing promptly upon receipt of actual knowledge of any noncompliance of the Accounts with the Investment Guidelines or with any law (including U.S. and U.K. securities and banking laws) applicable to the Client ("Notice of Noncompliance"). The Client may, in its reasonable discretion, specify in such Notice of Noncompliance specific trades effected by the Manager during the day on which the noncompliance occurs that are to be assumed by the Manager to the extent, and only to the extent, necessary to bring the Accounts back into compliance with the Investment Guidelines or such applicable laws, as the case may be, and that such specified trades are chosen by the Client based on commercially reasonable judgment and in good faith ("Noncompliant Trades"). The Client may move all Noncompliant Trades immediately to a separate account of the Manager (the "DK Account"). The Manager will have the right to review and object, not later than the close of business on the first Business Day following the day on which it receives the relevant Notice of Noncompliance, to such determinations and to the transfer of any trade to the DK Account. In the event of such an objection by the Manager, the parties will agree in good faith on the specific Noncompliant Trades, if any, to be assumed by the Manager and those, if any, to be moved back to the Accounts. No Noncompliant Trades shall be moved back to the Accounts unless and until such an agreement has been reached by the Client and the Manager.

Without limiting the foregoing, as soon as reasonably practicable after receipt of a Notice of Noncompliance, the Manager shall take such action, after taking into account the effect of its potential assumption of specific Noncompliant Trades pursuant to the immediately preceding paragraph, to the extent it reasonably determines necessary to bring the Accounts back into compliance with the Investment Guidelines or applicable laws, as the case may be.

- (d) In the course of selecting brokers, dealers, banks and intermediaries to effect transactions in respect of the Accounts, the Manager may negotiate such commissions, fees and other charges on behalf of the Client as the Manager shall deem to be commercially reasonable in the circumstances taking into account all such factors as it deems relevant, including the quality of research and other services made available to it (even if such services are not for the exclusive benefit of the Client) provided that such commissions, fees and other charges shall be subject to the approval of Client. It is understood that the costs of such services will not necessarily represent the lowest costs available and that the Manager is under no obligation to combine or arrange orders so as to obtain reduced charges.
- (e) Except as contemplated by Section 9 of this Agreement, the Manager shall not be responsible for any acts, omissions or errors of the Custodians or Executing Brokers in executing its trading instructions or otherwise.

4. Authority of the Manager.

- (a) Subject to the provisions of Sections 3(a), 3(b), 3(c), 3(d), 4(b), 4(e), 4(g) and 7 of this Agreement, the Investment Guidelines and any other investment restrictions or guidelines that may from time to time be communicated in writing by the Client (such provisions, the Investment Guidelines and such restrictions and guidelines, being the "Manager Restrictions"), the Manager shall have full discretion and authority, without obtaining the Client's prior approval, to manage the investment and trading of the Accounts, and shall use its best efforts to increase the value of the Accounts. In furtherance of the foregoing, the Client hereby designates and appoints the Manager as its agent and attorney-in-fact, with full power and authority, subject to the Manager Restrictions, and without further approval of the Client (except as expressly provided herein or as may be required by law), to carry out the following with respect to the Accounts, in the name and on behalf of the Client: (i) to designate for execution and to execute any and all transactions related to securities (as that term is defined in the Securities Act of 1933, as amended) and other Permitted Securities; to make short-sales and to purchase and write options; and to obtain credit from the Custodians (or affiliates thereof) pursuant to the Prime Brokerage Agreements; (ii) to make all decisions relating to the manner, method and timing of investment transactions, and to select brokers, subject to the terms of this Agreement, for the execution, clearance and settlement of any transactions; (iii) to provide any clearing broker with such information regarding the Client as is necessary to enable such clearing broker to open and maintain an account for the benefit of the Client; (iv) to direct the Custodians to deliver Accounts Assets for the purpose of effecting transactions on a delivery versus payment basis; (v) to exercise or abstain from exercising any privilege or right (other than voting and consent rights, which are subject to the provisions of Section 4(g)) attaching to Accounts Assets, or to direct the Custodians with respect to any such privilege or right; (vi) to hold temporary cash balances in the Accounts, with interest thereon credited to the Accounts; (vii) to transfer any part of cash balances and securities or other property or financial positions (whether long or short) in one of the Accounts to the other Account, and (viii) to make and execute all such additional documents and to take all such other actions which the Manager reasonably considers necessary or advisable to carry out its duties hereunder, provided, however, that the Manager may not, except as otherwise provided herein, including subsection (iii) above, open securities accounts in the name of the Client. This power-of-attorney is a continuing power and shall remain in full force and effect until revoked by the Client in writing or subject to Section 13 hereof until this Agreement is terminated, but any such revocation shall not affect any transaction initiated prior to receipt of such notice of revocation. Notwithstanding the foregoing, (i) subject to paragraph A(iii) of the Investment Guidelines, the Client may, prior to execution, reject the purchase or sale of securities designated for execution by the Manager and (ii) the Manager shall not have the authority to retain any sub-advisors for the Client or the Accounts or invest Accounts Assets in any collective investment vehicle without the prior written consent of the Client. The Manager shall be permitted to effect transactions between any of the Accounts and any

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other account for which the Manager acts as investment adviser. In connection with such transactions, the Manager may act as broker for, receive commercially reasonable commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding both parties to such transactions.

- (b) Without the prior written consent of the Client (which may be given with respect to specific transactions or generic classes of transactions), the Manager shall not cause the Client or the Accounts to:
 - (i) borrow or use other forms of leverage in excess of that permitted by or pursuant to the Investment Guidelines;
 - (ii) make or give any indemnity, guarantee, warranty or other contractual commitment with respect to the Accounts or the Accounts Assets (other than customary undertakings and commitments regarding settlement of trades and customary warranties as to ownership of Accounts Assets); or
 - (iii) enter into any new agreement (or make any material change to any existing agreement) with any third party service provider, including brokers, dealers, banks and intermediaries to effect transactions in respect of the Accounts.
- (c) For the avoidance of doubt, it is agreed that any cash balances in the Accounts will accrue interest at the rate and pursuant to the terms provided under the Prime Brokerage Agreements.
- (d) The Manager further acknowledges its certain other duties and responsibilities set forth in Section 3.3 of the Prime Brokerage Agreements.
- (e) In the event that the Custodians determine that the limitation under Section C.3 to the Investment Guidelines is not complied with, the Manager shall sell, transfer, realize or otherwise deal with the Accounts Assets or the Collateral (as defined in the Prime Brokerage Agreements) standing to the credit of the Accounts, to the extent necessary for such limitation to be complied with as soon as reasonably practicable.
- (f) The Client represents that BCI and BSCL (or affiliates thereof) will provide within the Accounts, at all times, all of the credit (or, at the Client's discretion, cash) that will be required to effect within the Accounts all of the transactions that are in compliance with the Investment Guidelines, and agrees to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to cause BCI and BSCL (or affiliates thereof) to provide within the Accounts such level of credit (or, at the Client's discretion, cash) at all times.
- (g) At the direction (and only at the direction) of Client, the Manager shall exercise voting or consent rights attaching to Accounts Assets and shall direct the Custodians with respect to any such rights.

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5. Fees and Expenses.

- (a) For all of the Manager's services hereunder, the Client agrees to pay to the Manager, in advance, \$153,846.00 for each three month period, payable on the third Business Day after the Effective Date and on the same date of each third month to occur thereafter (or, if such day is not a Business Day, on the first succeeding Business Day).
- (b) All customary expenses incurred directly in connection with the transactions effected for positions held in the Accounts on behalf of the Client pursuant to this Agreement (including, without limitation, trading losses, custodial fees, brokerage commissions and income, withholding or transfer taxes) shall be debited or paid directly from the Accounts. The Manager shall not be obligated to advance any such expense provided that if Manager should choose to advance any such expense it shall be reimbursed out of funds in the Accounts and, to the extent there are insufficient funds in the Accounts, by the Client. Any such customary expenses attributable to the Client and one or more other accounts managed or advised by the Manager or any of its affiliates shall be allocated on an equitable basis among all such accounts.
- (c) Any expenses arising in connection with the Manager's services to the Client, other than those specified above and the fees payable to the Manager, shall be reimbursed by Client.
- (d) It is understood that the fees and commissions that will be imposed pursuant to the Prime Brokerage Agreements in connection with transactions effected within the Accounts on behalf of the Client pursuant to this Agreement shall be as set forth in Annex B to this Agreement.

6. Investments for the Accounts of Others.

The Client understands and agrees that nothing herein shall restrict the ability of the Manager to engage in any transactions for its own account and for the account of other clients except as provided in Section 7. The Manager shall be under no obligation to account to the Client in respect of (or share with the Client or inform the Client of) any such transaction or any benefit received by the Manager from any such transaction (including, for the avoidance of doubt, management and/or incentive fees).

7. Allocation of Opportunities.

The Manager shall act in a fair and reasonable manner in allocating investment and trading opportunities between the Accounts and any other account over which the Manager or an affiliate exercises investment discretion (collectively with the Accounts, the "Renaissance Accounts"). In furtherance of the foregoing, the Manager may consider participation by the Accounts in all appropriate opportunities within the purpose and scope of the Accounts' objectives, and the Manager may evaluate such factors as it considers relevant in determining whether a particular situation or strategy is suitable and feasible for the Accounts (which factors may, but need not, include the capital available

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for investment at any particular time, the nature of the opportunity in the context of the Accounts' other positions at the time, the liquidity of the investment relative to the needs of the Accounts, the transaction and borrowing costs involved and the tax consequences of the investment). When the Manager determines that it would be appropriate for the Renaissance Accounts to participate in an investment opportunity, the Manager shall, to the extent practicable, execute orders on a basis which is equitable.

8. Access to Information.

- (a) The Manager will arrange for the Client to be furnished with confirmations for all transactions for the Accounts.
- (b) Daily trades sheets with a summary of the day's trades must be sent to the Client each day (in electronic or other written form) regardless of the activity in the Accounts.
- (c) Within three (3) Business Days after the end of each calendar month, the Manager shall transmit to the Client at its principal office a monthly valuation report stating as of the close of business on the last Business Day of such calendar month the value of Accounts Assets and any associated liabilities in the Accounts.
- (d) The Manager shall give immediate written notice to the Client in the event that none of Jim Simons, Henry Laufer, Peter Brown and Bob Mercer (the "Key Men") remains actively involved in the daily supervision of transactions and positions in the Accounts.
- (e) The Manager shall furnish such information as the Client may reasonably request to monitor compliance with the Investment Guidelines, subject to the Manager's fiduciary and legal obligations (including obligations having the force of law).
- (f) The Manager shall furnish the additional information required pursuant to this Agreement, subject to the Manager's fiduciary and legal obligations (including obligations having the force of law).
- (g) The Manager shall retain, for a period of at least two years, copies of any documents generated or received by the Manager in the ordinary course of business pertaining to the financial condition of the Accounts or to the compensation payable to the Manager under this Agreement. At the request of the Client, the Manager shall afford to the Client's independent auditors reasonable access to such documents during customary business hours and shall permit the Client's auditors to make copies thereof or extracts therefrom at the expense of the Client.
- (h) Promptly following termination of the Agreement, the Manager shall furnish to the Client a copy of all relevant documentation in the Manager's possession concerning rights, privileges and obligations relating to any open Accounts positions at the time of such notice of termination.

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9. Scope of Liabilities.

Notwithstanding anything to the contrary herein, the Manager shall not be liable to the Client for any act or omission in connection with the performance of the Manager's services hereunder, other than as a result of its (i) gross negligence, (ii) bad faith, (iii) material violation of applicable law or (iv) material breach of any of the terms of this Agreement (including the Investment Guidelines) unless such material breach occurred as a result of market events or market conditions beyond the control of the Manager notwithstanding the Manager's good faith attempt to comply with the terms of this Agreement (including the Investment Guidelines). Nothing herein shall be construed to limit the provisions of Section 3(c) above.

10. Agent.

For all purposes of this Agreement, the Manager shall be an agent and not an employee of the Client and nothing in this Agreement shall be construed as making the Client a partner or co-venturer with the Manager or any of its affiliates or other clients. Except as provided in this Agreement, the Manager shall not have any authority to bind, obligate or represent the Client.

11. Confidentiality.

Subject to the Manager's, the Client's, the Custodian's and Barclays Bank PLC's respective duties to comply with any demand of any self-regulatory, regulatory, judicial or taxing authority having jurisdiction over it, or as necessary in dealing with trading counterparties for the Accounts, neither the Manager nor the Client shall disclose or use for any purpose unrelated to this Agreement, and each shall preserve the confidentiality of, all information pertaining to the Accounts, the terms of this Agreement, the Manager's advice with respect to the Accounts and other non-public information furnished by the Manager to the Client or by the Client to the Manager, in either case, hereunder, and the Manager's other actions in respect thereof; provided, however, that (i) the Manager's composite performance record may include the results of the Accounts' trading and (ii) Client and Manager may disclose such information to their respective lawyers, accountants or replacement investment manager under subsection 13(f) or 13(i) (or similar professional, but not a financial or investment advisor), on a "need-to-know" basis, in connection with advice directly related to the entry, operation or enforcement of this Agreement provided that such person agrees, in writing, not to disclose such information. Notwithstanding anything to the contrary herein, any party to this Agreement (and any employee, representative, or other agent of any party to this Agreement) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated herein and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure (but no other details regarding matters covered by this Agreement, including, without limitation, the identities of the parties).

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12. Representations and Warranties.

- (a) Each of the parties to this Agreement hereby represents that it is duly authorized and empowered to execute, deliver and perform this Agreement and that such action does not conflict with or violate any provision of law, rule or regulation, contract, deed of trust, or other instrument to which it is a party or to which any of its property is subject, and that this Agreement is a valid and binding obligation of such party, enforceable against it in accordance with its terms.
- (b) The Manager represents and covenants that it has and will maintain all necessary governmental and regulatory licenses, approvals and/or exemptions to provide the services contemplated herein and such memberships in self-regulatory organizations as may be required by law.
- (c) Client is not, and at all times during the term hereof shall not be, (i) an employee benefit plan (an "ERISA Plan"), as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), subject to Title I of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended or (ii) a person acting on behalf of an ERISA Plan, and where the Client accepts ERISA Plan assets, the aggregate of the interests in the Client's assets held by the employee benefit plans will always be less than the threshold at which the Client will be deemed to hold assets of an ERISA Plan.
- (d) Client represents and covenants that it is and will remain for the term of this Agreement a "qualified eligible person," as such term is defined in Rule 4.7 under the Commodity Exchange Act. Client hereby consents to the Accounts being treated as "exempt accounts" pursuant to the provisions of Rule 4.7.

13. Termination.

- (a) This Agreement shall commence as of the Effective Date and shall continue in effect until the date on which the Agreement is terminated.
- (b) This Agreement shall be subject to termination by the Manager for any reason upon ten (10) Business Days prior written termination notice to the Client, and by the Client for any reason upon the later of (i) the sixtieth (60th) calendar day, and (ii) the twentieth (20th) Exchange Business Day immediately following the date on which the Client delivers a prior written termination notice to the Manager.
- (c) The Client will have the right to terminate this agreement upon written notice to the Manager specifying the applicable grounds thereof: (i) for Cause (as defined below), or (ii) for Material Cause (as defined below), or (iii) upon a Change in Tax Law (as such term is defined in the ISDA Master Agreement – (Multicurrency – Cross Border)) effected by a U.S. federal taxing authority, materially and adversely affecting the Client's interest in the Accounts managed under this Agreement, in each case at any time. This Agreement shall terminate

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immediately after a written notice pursuant to subsection 13(c) above is delivered to the Manager.

- (d) "Cause" means with respect to the Manager: (i) a material violation of law, rule or regulation the violation of which would reasonably be related to an investment manager's performance of or ability to perform its obligations under an investment management agreement ("Applicable Law"), (ii) a material breach of this Agreement (other than the Investment Guidelines), (iii) the loss of any material license or revocation or involuntary removal of any regulatory authority of the Manager for any reason, (iv) a violation by the Manager of the Investment Guidelines, to the extent that such violation has not been cured within 5 Business Days, (v) a Termination Event or an Event of Default as defined under the Prime Brokerage Agreements between the Client and the Custodians which causes liquidation of the Accounts' positions, provided, however, that such Termination Event or Event of Default shall not be permitted to have occurred unreasonably or in absence of the Client's good faith, or (vi) any adversary proceeding is instituted against the Manager without its consent, seeking to adjudicate it bankrupt or insolvent, or seeking dissolution, liquidation, winding up, reorganization, arrangement, adjustment, protection, relief of debtors, or seeking the entry of any order or decree approving or ordering any such relief or the appointment of a receiver, trustee, custodian or other similar official for the Manager, or for any substantial part of its property, under any applicable bankruptcy or insolvency laws, and both (x) such proceeding has not been dismissed within 15 calendar days and (y) no such order or decree approving or ordering any such relief in such proceeding has been entered by the relevant court.
- (e) Upon termination of this Agreement, whether pursuant to subsection 13(b) or 13(c), the Manager, at the written request of the Client, shall conduct an orderly disposition of all Accounts positions (other than any positions that have been withdrawn from the Accounts following termination), with the objective of minimizing market impact in preserving the remaining equity value of the Accounts using reasonable best efforts, given the market conditions existing at the time. Solely for the purpose of complying with such a request (but not for the purpose of making new purchases or commitments which are not intended to reduce risk with respect to Accounts Assets), the authority granted to the Manager hereunder shall remain in effect for the duration of any period during which the Manager is winding up the Accounts. Termination of this Agreement shall be without prejudice to the completion of transactions already initiated. The Manager shall make any individual identified in Section 8(d) hereof, who is employed by the Manager at that time, reasonably available to consult periodically with the Client regarding the disposition of remaining Accounts positions. Upon completion of such winding up of the Accounts, Client will promptly terminate the Prime Brokerage Agreements and the Accounts will be inactivated.
- (f) The Manager hereby acknowledges that in the event of Material Cause, the Client may elect in its sole discretion to (i) replace the Manager with another investment

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manager with respect to the Accounts, which investment manager shall have all the rights and obligations of the Manager under this Agreement, or (ii) assume management of any of the Accounts.

- (g) Notwithstanding termination of this Agreement, (i) except as otherwise expressly provided herein, the provisions of this Agreement shall remain in effect for as long as any positions remain in the Accounts for disposition by the Manager or by Client pursuant to subsection 13(f) above and 13(h) below, and (ii) the provisions of Sections 9, 11, 18 and 19 hereof shall survive such termination and disposition of all Accounts positions.
- (h) "Material Cause" means with respect to the Manager (i) a material violation of Applicable Law which directly relates to and/or has a material effect on any of the Accounts, (ii) intentional misconduct or gross negligence, (iii) none of the Key Men is employed by the Manager, (iv) the Manager is prevented, for any reason, from effectively managing any of the Accounts, (v) the absolute value of L – S, as defined in the Investment Guidelines, is greater than \$5,000 million, (vi) the value of L + S, as defined in the Investment Guidelines, is greater than \$40,000 million, (vii) the Accounts Equity, as defined in the Investment Guidelines, is less than 4.556% of L + S, (viii) the Net Sector Position, as defined in the Investment Guidelines, for Financials, Health and Technology is greater than 150% of Accounts Equity and for any other sector is greater than 125% of Accounts Equity, or the aggregate value of the three largest Net Sector Positions is greater than 300% of Accounts Equity, provided, however, that if such increase in the Net Sector Positions and/or aggregate value of the three largest Net Sector Positions is solely as a result of a change in the definitions in the US portion of the Global Barra model BIME2.1 then such increase shall not constitute Material Cause, (ix) the Accounts Equity is less than or equal to Seventy-Eight Million Five Hundred Thousand Dollars (USD 78,500,000), (x) any proceeding is instituted against the Manager, either by the Manager or any other party, with its consent, seeking to adjudicate it bankrupt or insolvent, or seeking dissolution, liquidation, winding up, reorganization, arrangement, adjustment, protection, relief of debtors, or seeking the entry of any order or decree approving or ordering any such relief or the appointment of a receiver, trustee, custodian or other similar official for the Manager, or for any substantial part of its property, under any applicable bankruptcy or insolvency laws, or (xi) any proceeding is instituted against the Manager without its consent, seeking to adjudicate it bankrupt or insolvent, or seeking dissolution, liquidation, winding up, reorganization, arrangement, adjustment, protection, relief of debtors, or seeking the entry of any order or decree approving or ordering any such relief or the appointment of a receiver, trustee, custodian or other similar official for the Manager, or for any substantial part of its property, and any such order or decree approving or ordering any such relief has been entered by the relevant court. Notwithstanding any other provision of this Agreement, the Client shall have the rights set forth in section 13(f) on the occurrence of any event that constitutes Material Cause.

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- (i) If (i) the Client replaces the Manager with another investment manager with respect to any of the Accounts, or (ii) the Client otherwise assumes management of any of the Accounts and, in each case, unless otherwise agreed to in writing by the Manager (which for the avoidance of any doubt does not refer to any replacement manager appointed by the Client), the Client shall cause the commencement of a sale or an orderly liquidation and reduction to USD cash of the assets and financial positions (whether long or short and including Synthetic Positions) then credited to, included or deemed included within the Accounts. Upon completion of such winding up of the Accounts, Client will promptly terminate the Prime Brokerage Agreements and the Accounts will be inactivated.

14. Certain Definitions.

- (a) "Business Day" means any day on which banks are open for business in New York City.
- (b) "Exchange" means each exchange or quotation system, if any, which constitutes with respect to any of the Designated Positions, the principal exchange or quotation system on which such Designated Position is actively traded, as reasonably determined by the Client.
- (c) "Exchange Business Day" means any day that is (or, but for the occurrence of a Trading Suspension would have been) a trading day on each Exchange other than a day on which trading on any such Exchange is scheduled to close prior to its regular weekday closing time.
- (d) "Trading Suspension" means, with respect to any security, a suspension of trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise) on the relevant Exchange for a period of more than one (1) hour.

15. Notices.

Any communications or notices provided for in this Agreement shall be sent to the Manager and to the Client in writing to the following addresses, or to such other addresses as the parties may direct by written notice hereunder:

If to the Manager:

Renaissance Technologies Corporation
800 Third Avenue
New York, NY 10022

Attention: Mark Silber

Telephone: (212) 486-6780
Telecopier: (212) 758-7136
E-mail: silber@rentec.com

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with copies to:
jrowen@rentec.com
carla@rentec.com
mercer@rentec.com
mikeo@rentec.com
tkerns@rentec.com

with a copy to:

Renaissance Technologies Corporation
600 Route 25A
East Setauket, NY 11733

Attention: Peter Brown

Telephone (631) 444-7010
Telecopier: (631) 689-4495
E-mail: peter@rentec.com

If to the Client:

Palomino Limited
c/o Barclays Bank PLC, New York Branch
200 Park Avenue
New York, New York 10166

Attention: John Stracquadanio

Telephone: (212) 412-2180
Telecopier: (212) 412-7463
E-mail: john.stracquadanio@barclayscapital.com
with copies to:
marty.malloy@barclayscapital.com
lauren.malafrente@barclayscapital.com

All communications or notices sent to the addresses or telecommunication numbers provided above (or as otherwise directed by the parties by notice hereunder) shall be deemed to have been duly given on the applicable date referred to below unless such date is not a Business Day, in which case, it shall be deemed to have been duly given on the next Business Day: (i) the date of receipt if delivered by hand; (ii) the date five (5) Business Days after posting if transmitted by first class mail, postage prepaid; (iii) the date of receipt if transmitted by telecopier or electronic mail; or (iv) the date one (1) Business Day after delivery to an internationally recognized courier service, whichever shall first occur.

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16. Assignment.

This Agreement may not be assigned, nor may any obligations hereunder be transferred or delegated, by either party without the prior written consent of the other party.

17. Modification; Waiver.

Except as otherwise expressly provided herein, this Agreement shall not be supplemented or amended, nor shall any provision of this Agreement be considered modified or waived, unless evidenced by a writing signed by both parties.

18. Governing Law.

- (a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York.
- (b) All transactions for the Accounts shall be subject to all applicable rules, regulations and customs of any exchange or market and its clearinghouse on which transactions are executed and to all applicable government acts or statutes and to the rules and regulations thereunder. Except as expressly provided herein to the contrary, the Manager shall not be liable to the Client as a result of any actions taken to comply with such rules, regulations or customs.

19. Consent to Jurisdiction; Arbitration.

The parties hereto agree that any action or proceeding arising directly or indirectly in connection with, out of, related to or from this Agreement, any breach hereof or any transaction covered hereby, shall be resolved, whether by arbitration or otherwise, within the County of New York, City of New York and State of New York. Accordingly, the parties consent and submit to the jurisdiction of the federal and state courts and any applicable arbitral body located within the County of New York, City of New York and State of New York. The parties further agree that any such action or proceeding brought by either party to enforce any right, assert any claim or obtain any relief whatsoever in connection with this Agreement shall be brought by such party exclusively in federal or state courts, or, if appropriate, before any applicable arbitral body, located within the County of New York, City of New York and State of New York.

The Client hereby irrevocably appoints Barclays Bank PLC, New York Branch, at 200 Park Avenue, New York, NY 10166, to receive, for it and on its behalf, service of process in any proceedings.

20. Client Receipt of Manager's Brochure.

The Client hereby acknowledges receipt of the Manager's current Form ADV Part II or brochure statement in lieu thereof.

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PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS ACCOUNT DOCUMENT IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR THIS ACCOUNT DOCUMENT.

[Signature page follows]

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Kindly confirm that this Agreement accurately reflects our entire understanding by signing and returning a counterpart of this letter.

Very truly yours,

PALOMINO LIMITED

By: _____
Name:
Title:

Confirmed as of the Effective Date:

RENAISSANCE TECHNOLOGIES CORPORATION

By: _____
Name:
Title:

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ANNEX A

INVESTMENT GUIDELINES

A. Permitted Investments:

The Accounts shall consist solely of:

- (i) Cash;
- (ii) Long and short positions in shares of stock, equity securities, American depository receipts, global depository receipts and similar equity-related financial instruments, and other derivative and financial positions as may be agreed upon by the Client and the Manager from time to time, actively traded in the countries listed below or in any other countries as may be permitted by the Client and the Custodians from time to time upon the recommendation of the Manager (collectively, and together with derivatives and other financial positions authorized pursuant to Section A(iv) hereof, "Permitted Securities" and "Permitted Equity Markets", respectively):

Argentina
Australia
Austria
Belgium
Brazil
Canada
Denmark
Finland
France
Germany
Hong Kong
Indonesia
Ireland
Italy
Japan
Malaysia
Mexico
Netherlands
New Zealand

Norway
Philippines
Portugal
Russia
Singapore
South Africa
South Korea
Spain
Sweden
Switzerland
Taiwan
Thailand
Turkey
United Kingdom
United States;

- (iii) Any transaction that the Manager designates for execution in accordance with these Investment Guidelines and that is not timely executed, or is not executed, for any reason or for no reason whatsoever, will be treated, for

purposes of this Agreement, as if it were actually timely executed in accordance with such designation of the Manager and, therefore, (i) any stock, securities and other financial positions (whether long or short) that would have been credited to or included in the Accounts if such transaction were actually timely executed in accordance with such designation of the Manager will be treated as included in the Reference Positions Account as of the date (and time) designated by the Manager for the execution of the relevant transaction (a "Synthetic Position") and will be treated as disposed of or otherwise terminated on the day (and time) so designated by the Manager, as applicable; (ii) any stock, securities and other financial positions (whether long or short) that would have been disposed of or otherwise terminated if such transaction were actually timely executed in accordance with such designation of the Manager shall be treated as if actually disposed of or otherwise terminated, and excluded from the relevant Account, on the day (and time) so designated by the Manager; and (iii) any dividend, interest or any other income that would have been received or accrued on or in respect of Synthetic Positions if such transaction were actually timely executed in accordance with such designation of the Manager will be credited to the relevant Account in which such transaction would have been executed.

- (iv) Other derivatives and financial positions substantially relating or referring, directly or indirectly, to Permitted Securities, as may be agreed upon by the Manager and the Client in writing from time to time, which Permitted Securities so designated shall be deemed included in the Reference Positions Accounts for all purposes.

B. Position Limits:

The limitations set forth below shall apply to the aggregate position or positions, as applicable, credited to, included or deemed included in the Accounts.

1. The value of the aggregate position in any security, on any day that is a trading day on the principal exchange on which such relevant security is traded (a "Trading Day"), determined at the close of trading on such Trading Day, will not exceed the lesser of:

- (i) The greater of (A) 3 (three) times the arithmetic mean of the Daily Trading Volumes (as defined below) during the first 10 Trading Days immediately preceding such day in the relevant security and in other related securities of the same issuer, and (B) 5% of the Accounts Equity, as defined below;

- (ii) 1.5% (or such greater percentage as notified by the Client to the Manager from time to time) of the value of the total outstanding shares of stock and other related securities of the issuer of the relevant security; and

- (iii) 55% of Accounts Equity.

For purposes of this Section B.1, the term Daily Trading Volume shall mean, with respect to any security and any Trading Day, the product of (A) the number of such securities traded on such Trading Day, multiplied by (B) the corresponding closing price for such security on such Trading Day.

2. The total value of the long positions in any security of an issuer with a ticker symbol listed on Schedule 1 attached hereto (as it may be amended from time to time by mutual agreement of the parties) shall not exceed on any day 1.5% of the value of the outstanding units of such security. The total value of the long positions in all securities of all issuers with sedol codes listed on Schedule 1 attached hereto (as it may be amended from time to time by mutual agreement of the parties) shall not exceed on any day GBP 350 million.

3. No positions (whether long or short) in securities issued by Barclays Bank PLC or its affiliates, as listed in Annex A, Schedule 2 attached hereto, will be included in the Accounts. Client will be responsible for advising the Manager of any changes to the list of securities issued by Barclays Bank PLC or its affiliates which can not be traded.

4. Client will be responsible for advising the Manager, on a daily basis, in an electronic format that is accessible by the Manager, of any securities that are restricted to (i) liquidation only or (ii) no change in the current position, as listed by security and one of ISIN, SEDOL or CUSIP.

5. No positions that consist of equity in pass-through entities (for U.S. tax purposes), including passive foreign investment companies (as defined in Section 1297 of the Internal Revenue Code of 1986, as amended), listed (by security and ticker symbol) in Annex A, Schedule 3, will be included in the Accounts. Client will be responsible for advising the Manager, on a daily basis, of any changes to Annex A, Schedule 3, in an electronic format that is accessible by the Manager. Any additions to the list will cause the Manager to liquidate any positions in a reasonable period of time, as determined by the Manager in its sole discretion.

C. Trading Limits:

1. All borrowing, financing, or other leveraging transaction will be effected within the Accounts only with the Custodians (or any Affiliate thereof) pursuant to the Prime Brokerage Agreements (or any successor thereto).

2. The value of L plus S, each as defined below, shall not at any time exceed USD 35,000 million.

3. The Accounts Equity, as defined below, shall at no time be less than, the greater of (i) 5% of the sum of L plus S or (ii) the sum of (A) 2.7778% of the sum of L plus S plus (B) the product of 0.1111% of the sum of L plus S multiplied by the sum of L plus S divided by USD 1,000 million, or (iii) the sum of (A) 1.8521% of the sum of L plus S plus (B) the product of 0.1157% of the sum of L plus S multiplied by the sum of L plus S divided by USD 1,000 million plus (C) 23.1479% of the absolute value of the difference of L minus S, less (D) the product of 0.1157% of the sum of L plus S multiplied by the absolute value of the difference of L minus S divided by USD 1,000 million.

4. The absolute value of the difference of L minus S, each as defined below, shall not at any time exceed USD 4,000 million.

For the purposes of this Annex A,

“L” means, at any time, the sum of the absolute values of all long positions credited to, included or deemed included within the Accounts.

“S” means, at any time, the sum of the absolute values of all short positions credited to, included or deemed included within the Accounts.

“Accounts Equity” means the sum of (i) USD 785 million, plus (ii) the cumulative profits, whether realized or unrealized, in respect of Permitted Securities, Synthetic Positions and other financial positions (whether long or short), credited to, included or deemed included within the Accounts at any time (“Accounts Positions”), minus (iii) the cumulative losses, whether realized or unrealized, in respect of Accounts Positions included in the Accounts at such time, minus (iv) the amount of any net profits withdrawn from the Accounts by the Client with the consent of the Manager .

D. Sector Limits:

1. For each sector, the sum of (a) the absolute value of all long positions plus (b) the absolute value of all short positions, in each case credited to, included or deemed included within the Accounts which relate to one particular sector (a “Gross Sector Position”) shall not exceed 27% of the sum of L plus S.
2. Subject to Section D.1. above, if any individual Gross Sector Position exceeds 23% of the sum of L plus S, then no other Gross Sector Position shall exceed 17% of the sum of L plus S. If the largest Gross Sector Position is less than or equal to 23% of the sum of L plus S, then each other Gross Sector Position shall not exceed 23% of the sum of L plus S.
3. For each sector, the absolute value of the difference of (a) the absolute value of any long positions credited to, included or deemed included within the Accounts that relate to such sector minus (b) the absolute value of any short positions credited to, included or deemed included within the Accounts that relate to such sector (a “Net Sector Position”) shall not exceed 100% of the Accounts Equity.
4. Subject to D.3. above, the aggregate value of the three largest Net Sector Positions shall not exceed 200% of Accounts Equity, and the aggregate value of the five largest Net Sector Positions shall not exceed 250% of Accounts Equity.

For purposes of this section, the definitions in the US portion of the Global Barra model BIME2.1 shall be used to identify which positions belong to which “sector”. Each position shall first be assigned to the single “industry” within its local market to which it has the highest exposure according to the Barra risk matrix and, in the case of non-U.S. securities,

further mapped to one industry in the Barra USE3L Model. If a position is equally exposed to 2 or more industries and the amount of such exposures is higher than any other exposure for such position, then the position shall belong to the industry that ranks first alphabetically. Once identified with an industry, the position shall belong to the sector associated with that industry in the US portion of the Global Barra model BIME2.1.

E. Legal Limits:

All transactions will comply with applicable laws and regulations. The Manager shall not be in breach of these Investment Guidelines in respect of any law or regulation if Manager could not reasonably foresee, and Client has not notified Manager in writing, that such law or regulation would be applicable to Client.

F. General Strategy: Long/Short Statistical Arbitrage

SCHEDULE 1

The parties agree that the ticker symbols listed below comprise Annex A, Schedule 1 to the Amended and Restated Investment Management Agreement between Palomino Limited and Renaissance Technologies Corporation dated March 13, 2007 and replace any prior agreement related to the same subject matter.

OHS East:160182098.4
3950-21 SA1/SA1

From: Kittell, Robert W: CFG Mgmt (NYK) </o=bzw/ou=usa/cn=recipients/cn=kittellr>
Sent: Tue Apr 21 2009 13:14:31 EDT
To: Nicholson, John C: Markets (NYK) </o=bzw/ou=usa/cn=recipients/cn=nichojoh>
Feraça, John: Markets (NYK) </o=bzw/ou=usa/cn=recipients/cn=feracajo>; Coghlan, John: Markets (NYK)
CC: </o=bzw/ou=usa/cn=recipients/cn=coghlanj>; Malloy, Marty: CFG Mgmt (NYK)
</o=bzw/ou=usa/cn=recipients/cn=markets/cn=malloym>
Subject: RE: June Balance sheet targets
Attachments:

Importance: Normal
Priority: Normal
Sensitivity: None

John,
Spoke with Marty. He is expecting to hear back from Rentec any day on this. Accounting has given approval of the treatment, but has asked for a sign-off from the client (accounting is trying to protect against us changing our mind and reconsolidating at a later date). Rentec wasn't comfortable with directly signing off on the deconsolidation, as they didn't view this to be their problem. They are now considering a proposal to include some new language in their investment management document which would require them to sign off should we seek to reconsolidate at a later date. We hope that this will satisfy both sides and that we can get this done by month-end.

Will keep you posted on any developments.
-Rob

From: Nicholson, John C: Markets (NYK)
Sent: Tuesday, April 21, 2009 6:32 AM
To: Kittell, Robert W: CFG Mgmt (NYK)
Subject: Re: June Balance sheet targets

Did palomino get deconsolidated?

From: Kittell, Robert W: CFG Mgmt (NYK)
To: Nicholson, John C: Markets (NYK)
Sent: Tue Apr 21 06:07:18 2009
Subject: Re: June Balance sheet targets

I will take a shot at laying something out for you to look at on Thursday.

From: Nicholson, John C: Markets (NYK)
To: Kittell, Robert W: CFG Mgmt (NYK)

Sent: Tue Apr 21 03:55:56 2009
Subject: FW: June Balance sheet targets

Rob,
We will need to prioritize how to get there.
John

From: Nagpal, Ajay: Markets (NYK)
Sent: 20 April 2009 20:19
To: Coghlan, John: Markets (NYK); Dauhajre, Munir: Sales (NYK); Malloy, Marty: CFG Mgmt (NYK);
McBryan, John N: CFG Mgmt (NYK); Nagpal, Ajay: Markets (NYK); Stack, Tim: Futures (LDN);
Tuckman, Bruce: Markets (NYK); Lohuis, David W: Markets (NYK); Webb, Michael A: Markets (NYK);
Luglio, Thomas: Sales (NYK); Hodge, Alasdair: CFG Mgmt (LDN); Nicholson, John C: Markets (NYK);
Maloney, Walter G: Markets (NYK); Hurley, Janet T: Markets (NYK); Logozzo, Joseph: Markets (NYK);
Mannan, Sadat: Equity Finance (LDN); Yang, Angus: Markets (TKY); Rozen, Brian: Markets (LDN);
Kittell, Robert W: CFG Mgmt (NYK)

Subject: June Balance sheet targets

June balance sheet targets are

FID repo: 40.3
Eq Fin: 30.6
Futures: 8.5

Ajay

From: Shah, Abhinav: Barclays Capital (NYK) </o=bzw/ou=europe/cn=recipients/cn=exchange recipients/cn=shahab>
Sent: Thu Apr 23 2009 20:41:51 EDT
To: McSweeney, Louise: Finance (LDN) </o=bzw/ou=europe/cn=ldn ad users/cn=users/cn=mcsweenl>
CC: Wade, Graham: Barclays Capital (NYK) </o=bzw/ou=europe/cn=recipients/cn=exchange recipients/cn=wadeg>; Constant, Simon: Barclays Capital (NYK) </o=bzw/ou=europe/cn=ldn ad users/cn=users/cn=constans>
Subject: Colt
Attachments: Palomino Memo for PwC_Draft 23 April 2009.doc; Palomino Memo for PwC_Draft 23 April 2009 [Clean].doc

Importance: Normal
Priority: Normal
Sensitivity: None

Louise

Marty Malloy spoke with RenTec today and they have indicated that they are fine with the proposal in principle, although they apparently mentioned that their tax counsel would also be putting together a letter agreement of some kind for us to review in the next couple of days. Not clear at this stage what it will contain.

However, given the movement in the right direction, please find attached a draft of the paper for PwC (clean and blackline against that last seen by you, although I would read the clean since blackline looks like everything has been changed as a result of moving sections around). We are still waiting on information from Prime Services to complete the analysis, but we will chase them tomorrow (Simon, please can you follow up with them?).

I am away for a couple of weeks from Monday, but Simon will be around, so please follow up with him in my absence. Obviously happy to discuss tomorrow if you get time to look at the paper.

Regards.

Ab

Abhinav Shah | BARCLAYS CAPITAL
745 Seventh Avenue | 6th Floor | New York, NY 10019
P: +1 212 526 0060 | F: +1 212 412 5681 | [REDACTED]
E-mail: abhinav.shah@barcap.com

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

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From: Malloy, Marty: CFG Mgmt (NYK) </o=bzw/ou=usa/cn=recipients/cn=markets/cn=malloym>
Sent: Thu Apr 30 2009 22:35:13 EDT
To: Constant, Simon: Barclays Capital (NYK) </o=bzw/ou=europe/cn=ldn ad users/cn=users/cn=constans>; Wade, Graham: Barclays Capital (NYK) </o=bzw/ou=europe/cn=recipients/cn=exchange recipients/cn=wadeg>
CC:
Subject: FW: Palomino letter
Attachments: NY-#1237596-v2-RenaissanceBarclaysJRowenversion.lt-2.DOC

Importance: Normal
Priority: Normal
Sensitivity: None

copy of the letter

thanks

Marty

-----Original Message-----

From: Jim Rowen [mailto:jrowen@rentec.com]
Sent: 01 May, 2009 5:49 AM
To: Malloy, Marty: CFG Mgmt (NYK)
Subject: Palomino letter

Marty

Please find attached a letter highlighting our concerns and representations that Renaissance would like Barclays to make in connection with the changes you are contemplating for Palomino.

Please let me know your thoughts.

Regards

Jim

--

James S. Rowen
Chief Operating Officer
Renaissance Technologies LLC
800 Third Avenue
New York, New York 10022-7604
212-829-4492

April 29, 2009

Mr. Martin Malloy
Managing Director
Barclays Bank PLC, New York Branch
745 7th Avenue, 6th Floor
New York, NY 10019

Re: Palomino Limited

Dear Marty:

This letter refers to our recent discussions regarding Palomino Limited ("Palomino") and the Investment Management Agreement between Renaissance Technologies LLC ("Renaissance"), as Manager, and Palomino, as Client, effective as of 13 June 2008, as restated, amended or modified by the parties thereto from time to time (the "Investment Management Agreement").¹

You have advised us that certain amendments to Palomino's Amended and Restated Memorandum of Association and Amended and Restated Articles of Association (the "Memorandum and Articles of Association") are under consideration. We note that the rights of Palomino's owners to amend its Memorandum and Articles of Association are subject to full compliance with, and the due performance of, the obligations of Palomino under the Investment Management Agreement and the obligations of Barclays under any agreements with Renaissance or with any entities for which Renaissance is the investment manager or investment advisor.²

We would ask that you confirm that nothing in any amendment or modification to the Memorandum and Articles of Association of Palomino that may be adopted will:

¹ Capitalized terms not defined herein have the meanings ascribed to them in the Investment Management Agreement or the ISDA Master Agreement (as hereinafter defined) or the Confirmations (as hereinafter defined).

² Barclays has entered into the ISDA Master Agreement dated as of October 1, 2004 between Barclays, as Party A, and Badger Holdings L.P., as Party B, as amended and supplemented from time to time (the "ISDA Master Agreement"), and into various letter agreements (each, a "Confirmation") between Party A and Party B, each of which Confirmations supplements, forms part of and is subject to the ISDA Master Agreement.

- (i) affect adversely the ability of Palomino or Barclays to fully comply with and duly perform any of its covenants or obligations under the Investment Management Agreement (in the case of Palomino) or under the ISDA Master Agreement or any Confirmation (in the case of Barclays) ,
- (ii) cause any representation or warranty by Palomino under the Investment Management Agreement or by Barclays under the ISDA Master Agreement or any Confirmation to fail to be true and accurate in all material respects,
- (iii) restrict the rights or powers of Palomino pursuant to the Investment Management Agreement (x) to reject any purchase or sale of securities designated for execution by the Manager, (y) in the case of a rejected sale, to continue to own such securities, or (z) to sell any securities it may own without a direction from the Manager, or
- (iv) cause the exercise by Palomino of any such rights or powers to conflict with or violate any provision of law, rule or regulation, contract, deed or trust or other instrument to which it is a party or to which any of its property is subject.

April 29, 2009
Page [APG]

If you acknowledge the foregoing, please sign and return one copy of this letter, which will constitute your confirmation with respect to the subject matter hereof.

Very truly yours,

RENAISSANCE TECHNOLOGIES LLC

By: _____
Name: Mark Silber
Title: Vice President

Acknowledged and Confirmed
this __ day of May 2009:

BARCLAYS BANK PLC, NEW YORK BRANCH

By: _____
Name:
Title:

From: Shah, Abhinav: Barclays Capital (NYK) </o=bzw/ou=europe/cn=recipients/cn=exchange recipients/cn=shahab>
Sent: Tue May 12 2009 12:01:32 EDT
To: Constant, Simon: Barclays Capital (NYK) </o=bzw/ou=europe/cn=ldn ad users/cn=users/cn=constans>
Malloy, Marty: CFG Mgmt (NYK) </o=bzw/ou=usa/cn=recipients/cn=markets/cn=malloym>; Siddiq, Nizam:
CC: Barclays Capital (NYK) </o=bzw/ou=usa/cn=nyk ad users/cn=users/cn=siddiqn>; Wade, Graham: Barclays
Capital (NYK) </o=bzw/ou=europe/cn=recipients/cn=exchange recipients/cn=wadeg>
Subject: RE:
Attachments:

Importance: Normal
Priority: Normal
Sensitivity: None

Simon

Please can you set up a call with Ed Cohen and Sharad for tomorrow if possible. If you need Ed's email, let me know.

Regards.

Ab

**Redacted by the Permanent
Subcommittee on Investigations**

Abhinav Shah | BARCLAYS CAPITAL
745 Seventh Avenue | 6th Floor | New York, NY 10019
P: +1 212 526 0060 | F: +1 212 412 5681 | [REDACTED]
E-mail: abhinav.shah@barcap.com

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-----Original Message-----

From: Malloy, Marty: CFG Mgmt (NYK)
Sent: 12 May 2009 11:59
To: Shah, Abhinav: Barclays Capital (NYK); Constant, Simon: Barclays Capital (NYK); Siddiq, Nizam:
Barclays Capital (NYK)
Subject: FW:

Jim is OK for you guys to contact Ed directly .. Please let m know how you get on

Thanks

Marty

-----Original Message-----

From: Jim Rowen [mailto:jrowen@rentec.com]
Sent: Tuesday, May 12, 2009 11:54 AM
To: Malloy, Marty: CFG Mgmt (NYK)
Subject: Re:

Permanent Subcommittee on Investigations

EXHIBIT #49

CONFIDENTIAL & PROPRIETARY

BARCLAYS-PSI-285585

Please give Ed a call, he is aware that you will call. Hope you are well

----- Original Message -----

From: Marty.Malloy@barclayscapital.com <Marty.Malloy@barclayscapital.com>
To: jrowen@rentec.com <jrowen@rentec.com>
Sent: Tue May 12 11:34:44 2009
Subject:

Hi Jim

My guys have some comments on the letter and would like to discuss with our lawyers and Ed. Happy to set up a call with Ed and company but wanted to see how you thought it best to get this done ..
Via you or have them speak directly. Please let me know your thoughts

Thanks

Marty

[Redacted signature block]

— = Redacted by the Permanent
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From: Shah, Abhinav: Barclays Capital (NYK) </o=bzw/ou=europe/cn=recipients/cn=exchange recipients/cn=shahab>
Sent: Fri May 29 2009 11:27:06 EDT
To: Malloy, Marty: CFG Mgmt (NYK) </o=bzw/ou=usa/cn=recipients/cn=markets/cn=malloym>
CC: Wade, Graham: Barclays Capital (NYK) </o=bzw/ou=europe/cn=recipients/cn=exchange recipients/cn=wadeg>
Subject: FW: Palamino to PwC 20/5/09
Attachments: ecblank.gif;graycol.gif

Importance: Normal
Priority: Normal
Sensitivity: None

PwC have signed off, but we should discuss the point I raised with you yesterday when Graham has returned.

Abhinav Shah | BARCLAYS CAPITAL
745 Seventh Avenue | 6th Floor | New York, NY 10019
P: +1 212 526 0060 | F: +1 212 412 5681 | C: [REDACTED]
E-mail: abhinav.shah@barcap.com

[REDACTED] = Redacted by the Permanent
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From: robert.konowalchuk@uk.pwc.com [mailto:robert.konowalchuk@uk.pwc.com]
Sent: 29 May 2009 11:23
To: McSweeney, Louise: Finance (LDN)
Cc: Shah, Abhinav: Barclays Capital (NYK); Wade, Graham: Barclays Capital (NYK);
scott.s.berryman@uk.pwc.com; Constant, Simon: Barclays Capital (NYK)
Subject: RE: Palamino to PwC 20/5/09

Louise,

Scott and I have discussed, and based on your paper and follow up conversations we have had (with you and Ab), we agree with your analysis. In particular, the restriction of the activities via the articles amendment, and the IMA make Palomino a SPE, set up for the benefit of Renaissance, who are exposed to the majority of risks and rewards. In forming this conclusion, we focused on the contractual payments and sharing of risks and rewards in various gain and loss scenarios, the most extreme of which is the manifestation of 'gap risk' to Barclays which appears to be remote (as quantitatively demonstrated in your paper). The remoteness of the risk of loss to Barclays is supported by critical features of the agreement including the trading parameters, the trigger points at which Barclays can control a wind-down, the ability to adjust the call premium such that if losses are incurred, more funds are injected, and the involvement of market risk in setting these parameters.

Regards,

Rob Konowalchuk
Senior Manager, Banking and Capital Markets
pwc Hay's Galleria, 1 Hay's Lane, London, SE1 2RD, United Kingdom
Tel: +44(0)20 7212 2410
Mob: [REDACTED]
Fax: +44(0)20 7804 1001
Email: <mailto:robert.konowalchuk@uk.pwc.com> robert.konowalchuk@uk.pwc.com

[REDACTED] = Redacted by the Permanent
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PA: Sharon Robinson, +44(0)20 7213 3726, sharon.m.robinson@uk.pwc.com

<Louise.McSweeney@barclayscapital.com>

<Louise.McSweeney@barclayscapital.com>

29/05/2009 15:19

Action (To)

Scott S Berryman/UK/ABAS/PwC@EMEA-UK, Robert Konowalchuk/UK/ABAS/PwC@EMEA-UK

Information (cc)

<Graham.Wade@barclayscapital.com>, <Abhinav.Shah@barclayscapital.com>,
<Simon.Constant@barclayscapital.com>

Subject

RE: Palamino to PwC 20/5/09

Rob - do you have Scott and your conclusions for us please?

Thanks
krl

>
> _____
> From: McSweeney, Louise: Finance (LDN)
> Sent: 20 May 2009 09:24
> To: 'scott.s.berryman@uk.pwc.com'; 'robert.konowalchuk@uk.pwc.com'
> Cc: Wade, Graham: Barclays Capital (NYK); Shah, Abhinav: Barclays
> Capital (NYK); Constant, Simon: Barclays Capital (NYK)
> Subject: RE: Palamino to PwC 20/5/09

>

>

> Scott & Rob

>

> Please find attached the Palamino paper.

>

> It is as we discussed originally and includes the changes to the
> articles and IMA that have been discussed with the counterparty so the
> original de-consolidation due to loss of control conclusion still
> holds.

>

> Could you give us your conclusions by COB Wed 27 May at the latest
> please?

>

> If you have any further questions please do not hesitate to contact
> Graham, Ab or I.

>

>

> Thanks

>

> Kind regards

>

> Louise

>

> _____
> From: McSweeney, Louise: Finance (LDN)

> Sent: 09 April 2009 14:01

> To: scott.s.berryman@uk.pwc.com; robert.konowalchuk@uk.pwc.com

> Cc: Shah, Abhinav: Barclays Capital (NYK); Beldner, Brett: Finance
> (NYK)

> Subject: Palamino

>

> Scott/Rob

>

> Quick update on Palamino:

>

> SCM have started discussions with the counterparty and hope to get
> feedback from them next week. We hope to incorporate the near final
> commercial arrangements in the a/c paper so that we have an efficient
> process so will hold off on sending the a/c analysis to you (we dont
> expect it to change at the moment from our initial discussions though)
> until we get the counterparty feedback.

>

> The time pressures we had in March have somewhat subsided so we should
> be able to give you a reasonable turn around time when we send you the
> paper.

>

> Have a good Easter

>
> Kind regards
>
> Louise

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----- End of message text -----

In seven months there will be a new global climate change treaty - we are ready - are you? Visit www.pwc.co.uk/climateready

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From: Constant, Simon: Barclays Capital (NYK) </o=bzw/ou=europe/cn=ldn ad users/cn=users/cn=constans>
Sent: Fri Jun 19 2009 09:33:22 EDT
To: Mammola, Paolo: GFRM (LDN) </o=bzw/ou=europe/cn=recipients/cn=mammolap>
CC: Shah, Abhinav: Barclays Capital (NYK) </o=bzw/ou=europe/cn=recipients/cn=exchange recipients/cn=shahab>;Edwards, Ross: GFRM (LDN) </o=bzw/ou=europe/cn=recipients/cn=edwaross>
Subject: Project COLT - articles amendment
Attachments:

Importance: Normal
Priority: Normal
Sensitivity: None

Paolo

>As part of Project COLT, SCM is proposing to amend the terms of Palomino Limited's ("Palomino") memorandum and articles of association (the "Articles") to restrict the activities of Palomino to those it is currently engaged in under the COLT transaction. Further, BBPLC and Palomino will enter into a side letter agreement ("Side Letter") with Renaissance Technologies LLC ("Renaissance") pursuant to which BBPLC will covenant not to further change Palomino's Articles without the prior written consent of Renaissance.

>

>The impact of the steps above will be that, for IFRS accounting purposes, Palomino will be considered a special purpose entity following the amendments and BBPLC will not consolidate the entity in its consolidated group accounts. The result will be a reduction in Barclays consolidated balance sheet by c\$5bn as the previously consolidated long securities positions in Palomino will be replaced by a long position in the call option written by Palomino to BBPLC. This treatment has been discussed and agreed with Finance and PricewaterhouseCoopers.

>

>We do not think this should impact the market risk analysis for the transaction, however please let us know if you see any issues from a market risk perspective or if you would like to have a call to go through the steps in more detail.

>

>We are proposing to circulate an approvals notification on the above to the SCM Approvals Committee.

>

>Kind regards

>

>Simon

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[REDACTED] = Redacted by the Permanent Subcommittee on Investigations