INVESTMENT GUIDELINES SCHEDULE

SUMMARY OF CHANGES from 2013 to 2017

Note the Transamerica guidelines have terms that govern the bond portfolio as well as contain contractual terms. The key section that affects the day-to-day management is SECTION 2. INVESTMENT GUIDELINES. Other sections can be ignored and are only in effect if there certain terms are triggered under the wrap.

To keep it simple, we have listed the key changes to discretion. While most changes are an absolute increase in discretion, others involved PIMCO decreasing discretion in return for capturing more important discretion elsewhere.

A good example of this is where we reduced the amount of BBB-rated bonds we can buy from 25% to 15% -- this is an easy give to the wrappers because mathematically there is no way to buy 25% in BBB-rated securities and still meet the minimum average portfolio credit quality of AA!

Key changes

- Tips: From 20% to 40%
- Agencies: from 5% to 40%
- Agency RMBS: from 50% to 55%
- Agency RMBS TBAs: from 25% to 50%
- Agency RMBS sub-limits: from 25% to 30%
- Agency RMBS sub-limits: added new sectors (FHLB, VA, NCUA, Hybrid Arms, CMOs)
- Non-Agency RMBS: increased from 5% to 10% and added new sectors
- CMBS: from 20% to 15%
- ABS: from 30% to 25%, while increasing sub-limits
- Corporates: from 50% to 45%, while increasing sub-limits
- Duration/Curve Derivatives: increased limits to 30% from 20% contribution
- Allow 10% in emerging market debt
- Allow up to 20% in Yankee bonds
- Decreased “liquidity requirement” from 25% to 20% of cash and government debt
- 144A: increased from corporates-only to corporates and securitized
- Average portfolio credit quality: was AA, now AA- minimum
- Maximum BBB limit: decreased from 25% to 15%
- Changed minimum ratings of Repo, TBA and derivative counterparty from A to A-
- Allow new issue bonds to be bought if there is expected to be rated shortly after issuance (was not allowed previously)
- Amended and added to various security definitions

INVESTMENT GUIDELINES SCHEDULE

CONTRACT NUMBER MDA01012TR
(THE "CONTRACT")

SECTION 1. DEFINITIONS

1.01 "Constant Duration Guidelines" means that subset of the Investment Guidelines which is set forth in ~~Subsections~~Subsection 2.01 through 2.08, collectively~~,~~ of this Investment Guidelines Schedule.

1.02 "Immunization Guidelines," means that subset of the Investment Guidelines which is set forth in Section 4 of this Investment Guidelines Schedule.

1.03 "Investment Guidelines," as used herein, means Sections 1 through ~~5~~6, collectively.

SECTION 2. INVESTMENT GUIDELINES

The Account shall be invested in compliance with the limitations set forth in the Constant Duration Guidelines until the Conversion Date. At all times on and after the ~~earlier~~ Conversion Date, the Securities shall be invested in accordance with the limitations set forth in the Immunization Guidelines.

The Manager shall manage investments ~~and risks associated with investments~~ in the Account consistent with the Investment Guidelines and in a prudent ~~and conservative~~ manner, including, as one of the primary investment objectives, the preservation of the capital of the Account.

CONSTANT DURATION GUIDELINES

Prior to the Conversion Date, the Account shall be invested in compliance with the Constant Duration Guidelines.

2.01 Permitted Investments and Weightings Guidelines

a. The Account shall be invested only in (i) the categories and sub-categories of investments set forth in the table below and (ii) collective investment funds in accordance with Subsection 2.01(d) of ~~these~~this Investment Guidelines Schedule. The assets of the Account may also be used to engage in derivative transactions in accordance with ~~Subsection~~Subsections 2.05 and 2.06 of ~~these~~this Investment Guidelines~~.~~ Schedule and repurchase agreements in accordance with Subsection 2.09 of this Investment Guidelines Schedule. For the avoidance of doubt, the Account shall not (A) be invested in any categories or sub-categories of investments other than those listed in the table below, collective investment funds in accordance with Subsection 2.01(d) of this Investment Guidelines Schedule, derivative transactions in accordance with Subsections 2.05 and 2.06 of this Investment Guidelines Schedule and repurchase agreements in accordance with Subsection 2.09 of this Investment Guidelines Schedule, (B) be invested in any collective investment funds that fail to satisfy the requirements of Subsection 2.01(d) of ~~these~~this Investment Guidelines~~, and~~ Schedule, (C) engage in any derivative transactions other than those that satisfy the requirements of ~~Subsection~~Subsections 2.05 and 2.06 of ~~these~~this Investment Guidelines~~.~~ Schedule, and (D) invest in any repurchase agreement other than those that satisfy the requirements of Subsection 2.09 of this Investment Guidelines Schedule.

Investments shall be made in accordance with the applicable allocation limitations and minimum credit quality limitations of such categories and sub-categories as are set forth in the table below and with such other limitations and requirements for investments as are set forth in ~~these~~the

Constant Duration Guidelines. With the exception of derivative transactions and repurchase agreements, the allocation weightings for each category and sub-category are on a market value basis and are expressed as a percentage of the Covered Market Value. The allocation weightings for duration/yield curve-related derivative transactions are based on their contribution to duration; for other derivatives, the allocation weightings are based on the gross notional amount of such derivative transactions and are expressed as a percentage of the Covered Market Value. The allocation weighting for repurchase agreements is based on the aggregate purchase price of all securities purchased and held at any time under all repurchase agreements and is expressed as a percentage of the Covered Market Value.

While the Constant Duration Guidelines are in effect, in the event that on any day the Account does not comply with the Investment Guidelines because of post-acquisition fluctuations in the Fair Market Value of Securities and/or withdrawals from the Account made to fund Disbursements or Replenishment Withdrawals properly allocated to the Account in accordance with the Withdrawal Structure, such occurrence shall not be considered a violation of the Investment Guidelines so long as the Manager takes action to cause the Account to comply with the Investment Guidelines as soon as commercially reasonable, but in no event more than 15 days from the occurrence of the non-compliance.

Category	**Maximum Category Allocation**	**Minimum Credit Quality at ~~time of~~ Purchase** [b, d]	**Sub-Category**	**Maximum Sub-Category Allocation**
~~Cash~~Cash, Money Market Instruments, and Commercial Paper [c]	100%	N/A	Cash	100%
		A-1	~~Cash Equivalents~~Money Market Instruments	100%
~~Commercial Paper~~	~~25%~~ [a]	A-1	Commercial Paper (inclusive of Corporate CP and Asset-Backed ~~CP (including single-seller and multi-seller~~ CP)	~~10~~25%
			Corporate CP	25%
			Asset-Backed CP	10%
		See Subsection 2.09 below	Repurchase Agreements	25%
Government Debt Obligations [a, c]	100%	~~AAA~~ [b] AA+	U.S. Treasuries	100%
			TIPS	~~20~~40%
			~~U.S. Agency Debentures – issued by FNMA~~	~~5%~~
			~~U.S. Agency Debentures – issued by FHLMC~~	~~5%~~
			~~U.S. Agency Debentures – issued by agencies other than FNMA or FHLMC~~	~~5%~~
		AA+/BBB- [j]	Agencies: Government ~~Guaranteed Bank Debt~~Guarantee [g, i, l]	~~20~~40%
		AA+/BBB- [j]	Agencies: Owned No Guarantee [g, i, l]	40%
		AA+/BBB- [j]	~~Foreign~~ Agencies: Government ~~Debt Obligations~~Sponsored [g, i, l]	~~10~~40%
		BBB-	Supranationals [g, i]	15%
		BBB-	Sovereigns [g, i]	10%
		AA-	Municipal Bonds	~~15~~5%
Agency RMBS ~~[e]~~ [k]	~~50%~~55%	~~AAA~~AA+	Fixed GNMA (non-CMO) [m]	~~25~~30%
			Fixed FNMA (non-CMO) [m]	~~25~~30%
			Fixed FHLMC (non-CMO) [m]	~~25~~30%
			Fixed FHLB, VA or NCUA (non-CMO) [m]	20%

Merged Cells

Merged Cells

Split Cells

Split Cells

Split Cells

Split Cells

Split Cells

			Agency Hybrid ARMs (non-CMOs)	10%
			Agency CMO	30%
			Long TBAs and Short TBAs [n]	50%
Non-Agency RMBS [~~d~~] [k]	~~5%~~10%	AAA	~~Option ARM~~ Prime Non-Agency RMBS	~~0~~10%
			~~Sub-Prime~~	~~0%~~
			~~Alt-A Fixed~~	~~0%~~
			~~Prime~~ Non-Agency CMO	~~5~~10%
CMBS [c]	~~20%~~15%	AAA	~~Super-Dupers~~Senior CMBS	~~20~~15%
~~Corporate Debt [a-e]~~	~~50%~~	~~BBB-~~	~~Industrials~~	~~30%~~
			~~Utilities~~	~~20%~~
			~~Financials~~	~~20%~~
ABS [c]	~~30~~25%	AAA	Credit ~~Cards~~Card Receivables	~~10~~15%
			FFELP Student Loans	~~10~~12%
			Utility Rate Reduction Bonds	5%
			Auto Loans (prime only)	~~5~~10%
Corporate Debt [a, c, g, h, i] (Including Yankee Bonds)	45%	BBB-		
			Industrials ~~Aircraft~~	~~5~~30%
			Utilities	30%
			Financials	20%
Currency Hedge Derivatives [g]	0%	See Subsection 2.06(f) below	Currency Futures and Forwards	0%
Duration/Yield Curve-Related Derivatives [e]	±30% ~~20%~~ [f]	See Subsection 2.06(f) below	Treasury Futures	~~N/A~~±25%
			Eurodollar Futures	~~N/A~~±30%
			Exchange-traded Options	±15%
			Interest Rate Swaps	~~N/A~~±15%
~~Other Derivatives~~	~~45%~~ [~~g~~]	~~See Subsection 2.06(f) below~~	~~Currency Forward Contracts~~	~~10%~~ [~~g~~]
Other Derivatives (includes only Hedging Transactions and Replication Transactions) [f]	10%	See Subsection 2.06(f) below	Purchase Credit Default Swaps and CDX ~~(including both~~Transactions (only for Hedging Transactions ~~and Replication Transactions~~)	10% [~~g~~]
			~~Inverse Floaters/IOs/POs~~	~~0%~~ [~~g~~]
			~~TBAs (including both Hedging~~Sell Credit Default Swaps and CDX Transactions ~~and~~ (only for Replication Transactions)	~~25%~~ [~~g~~] 10%
			Total Return Swaps and Asset Swaps [o]	5%

~~a Investment in Corporate CP and Corporate Debt issued by corporations incorporated in permitted countries other than the United States may together constitute no more than 10% of the Covered Market Value.~~

a See Subsection 2.01(c) of this Investment Guidelines Schedule for non-U.S. issuer limits.

b See also Subsection 2.02~~(f)~~ of ~~these~~this Investment Guidelines~~.~~

~~c The Sub-Categories of Agency RMBS identify the particular agency that issued or guaranteed the related Agency Residential Mortgage-Backed Security (including, for the avoidance of doubt, the Agency CMO).~~

~~d Investments in Non-Agency CMOs shall be treated as investments in the Prime Non-Agency or the Alt-A Fixed backing such Non-Agency CMOs~~ Schedule for ~~purposes of calculating the Maximum Sub-Category Allocation of such Sub-Categories~~additional credit quality restrictions.

~~e Investments in Corporate Debt sold pursuant to Rule 144A with registration rights may constitute no more than 20% of the Covered Market Value.~~

~~f~~c See also Subsection 2.01(e) of this Investment Guidelines Schedule regarding Rule 144A Securities and unregistered securities.

d See Subsection 2.02(d) of this Investment Guidelines Schedule regarding maximum allowed amount of assets rated BBB.

e The Maximum Category Allocation for duration/yield curve-related derivatives is expressed in terms of a range of percentages of the Account Duration attributable to such ~~derivatives.~~ derivatives' contribution to duration. For this purpose, contribution to duration means the difference between the Account Duration disregarding the duration/yield curve-related derivatives and the Account Duration including the duration/yield curve-related derivatives. Such difference shall not fall outside the range of percentages of the Account Duration specified in the table above.

~~g~~f The Maximum Category Allocation and Maximum Sub-Category Allocation for derivatives other than duration/yield curve-related derivatives shall be calculated using the gross notional amount of each derivative transaction.

~~**b.** Notwithstanding the tables set forth in Subsections 2.01(a) above and 4.02(a) below, from January 1, 2010 to and including December 31, 2011, the Account may continue to be invested in the Securities set forth in Exhibit 3 to these Investment Guidelines (the "Exhibit 3 Securities"). Such Exhibit 3 Securities shall not be considered in non-compliance with these Investment Guidelines for being a non permitted investment pursuant to Subsection 2.01(f) or for failure to comply with the rating requirements in the tables set forth in Subsections 2.01(a) above and 4.02(a) below. Provided that (i) any such non-compliance must be fully cured as of December 31, 2011, (ii) any allocation to the Exhibit 3 Securities shall be treated as investments in the respective categories and sub-categories set forth in Exhibit 3 for purposes of calculating the Maximum Category Allocation and Maximum Sub-Category Allocation of such Securities, (iii) any investments recorded to the Account from and after the Effective Date shall comply with these Investment Guidelines and (iv) except as set forth in Subsection 3.01 of these Investment Guidelines, Exhibit 3 Securities shall be subject to all the terms of these Investment Guidelines.~~

~~**c.**~~ g With regard to Non-U.S. Dollar Denominated Securities, see Subsection 2.05 of this Investment Guidelines Schedule regarding currency exposure. If foreign currency exposure is otherwise allowed under Subsection 2.05 of this Investment Guidelines Schedule, currency futures and/or forwards may be used only to hedge non-U.S. dollar currency exposure of Non-U.S. Dollar Denominated Securities. See Subsection 2.01(c) of this Investment Guidelines Schedule for Non-U.S. Dollar Denominated Securities limits.

h See Subsection 2.01(c) of this Investment Guidelines Schedule for Yankee Bond limits.

i See Subsection 2.01(c) of this Investment Guidelines Schedule for Emerging Markets Securities limits.

j The credit rating of BBB- specified as the Minimum Credit Quality at Purchase for Agencies applies only to Non-U.S. Agency Securities. U.S. Agency Securities must be rated AA+ or higher at time of purchase.

k See Subsection 2.01(c) of this Investment Guidelines Schedule for combined Agency RMBS and Non-Agency RMBS allocation limits.

l As classified under "Government-Related/Agencies" within the Barclays U.S. Aggregate Index.

m The identified Sub-Categories of Agency Fixed RMBS identify the particular agency that issued or guaranteed the related Agency Fixed Residential Mortgage-Backed Security.

n The value of the allocation to Long TBA positions is measured as the sum of the Fair Market Value of the Cash, Money Market Instruments, and Cash Equivalents backing the Long TBA contracts and the mark-to-market of the Long TBA contracts, and the allocation to Short TBA positions is measured as the sum of the mark-to-market of the Short TBA contracts and (i) the Fair Market Value of Agency RMBS deliverable into the TBA Short position or (ii) the value (computed as set forth above) of the Long TBA positions deliverable into the TBA Short positions. The value of the allocations to Long TBA positions may be netted against the value of the allocations to Short TBA positions.

o As used herein, "Asset Swaps" means a derivative instrument which allows a swap of a Security's fixed-rate coupons for floating-rate coupons or its floating-rate coupons for fixed-rate coupons (i.e., an interest rate swap). The use of Asset Swaps shall be considered a Hedging Transaction and the limits applicable to them shall be separate from those for duration/yield curve-related derivatives.

b. [INTENTIONALLY OMITTED]

c. The maximum permissible allocation to Yankee Bonds, a sub-set of Corporate Debt, is 20% of the Covered Market Value.

The maximum permissible allocation to Non-U.S. Dollar Denominated Securities is [0%][1] of the Covered Market Value.

The maximum permissible allocation to any combination of Non-U.S. Dollar Denominated Securities (if permitted hereunder), Yankee Bonds, Eurodollar CP, Non-U.S. Agency Securities, Sovereigns, and Supranationals is 40% of the Covered Market Value.

The maximum permissible allocation to any combination of Emerging Markets Securities (across the Corporate Debt, Non-U.S. Agency Securities, Sovereigns and Supranationals categories) is 10% of the Covered Market Value. In addition, the total country of issuance exposure to Emerging Market Securities shall not exceed 5%.

[1] Usage Note: to be used as a placeholder with respect to non-U.S. dollar denominated securities.

The maximum permissible allocation to any combination of Non-Agency RMBS, CMBS, and ABS is 40% of the Covered Market Value.

The maximum permissible allocation to any combination of Non-Agency RMBS, Corporate Debt, CMBS, and ABS is 60% of the Covered Market Value.

At least ~~25~~20% of the aggregate Covered Market Value shall be invested in any combination of Cash, Money Market Instruments (excluding repurchase agreements), Cash Equivalents, Commercial Paper (excluding Eurodollar CP), and Government Debt Obligations (excluding Supranationals, Sovereigns, and Municipal Bonds) at all times~~.~~ (the "Constant Duration Minimum Liquid Holdings Requirement").

d. Investments may be made in collective investment or mutual funds. With the exception of Permitted STIFs, investments in collective investment or mutual funds will be analyzed on a look-through basis, and all assets of such collective investment ~~funds are~~or mutual funds (including, without limitation, all assets, securities, derivative transactions, and repurchase agreements), while not directly subject to the Investment Guidelines, will be deemed to be in compliance with the Investment Guidelines if all requirements and limitations set forth in ~~these~~the Investment Guidelines, including, but not limited to, all maximum and minimum category allocations, maximum and minimum sub-category allocations, credit quality limitations, issuer and issue diversification limits and duration limits, ~~as if held directly in the Account.~~are complied with as if the holdings of such collective investment or mutual funds were held directly in the Account (it being understood that any related calculations shall take into account the Account's pro rata ownership interest in the relevant collective investment or mutual fund).

e. ~~Corporate Debt may be purchased in a transaction~~Only the following types of investments exempt from registration under the Securities Act of 1933 (the "Securities Act") ~~pursuant to~~may be purchased in accordance with the following:

(i) Commercial Paper exempt from registration pursuant to Section 3(a)(2) or 3(a)(3) of the Securities Act or Rule 144A promulgated under the Securities Act~~, so long as such Corporate Debt is sold with~~ or issued under a 4(2) program, with a minimum issue size of at least $250 million and satisfying the criteria for purchase under Rule 2a-7 promulgated under the Investment Company Act of 1940;

(ii) Corporate Debt, ABS or Senior CMBS exempt from registration pursuant to Rule 144A promulgated under the Securities Act with an overall issue size of at least $250 million and either (i) having registration rights ~~and constitutes no more than~~ or (ii) being eligible for resale pursuant to Rule 144A;

(iii) Non-U.S. Agency Securities, Sovereigns, and Supranationals exempt from registration pursuant to Regulation S promulgated pursuant to the Securities Act;

(iv) U.S. Treasuries, TIPS, U.S. Agency Securities, Municipal Bonds, Agency RMBS, Corporate Debt, and Commercial Paper exempt from registration pursuant to Section 3(a)(2) of the Securities Act; and

(v) Permitted STIFs and investments in collective investment funds and mutual funds contemplated in Subsection 2.01(d) of this Investment Guidelines Schedule.

The maximum permissible allocation to Securities exempt from registration pursuant to Rule 144A promulgated under the Securities Act (with or without registration rights) ("Rule 144A Securities") is 20% of the Covered Market Value.~~ Except as provided in the foregoing, no securities held in the Account may be issued in private placements pursuant to Section 4(2) of the Securities Act and/or the rule promulgated thereunder.~~

f. For the avoidance of doubt, investments and investment practices and strategies not expressly permitted in Section 2 of ~~these~~this Investment Guidelines Schedule shall not be permitted. The following is a non-exclusive list of types of securities, investments, assets and investment practices which the Account is not permitted to invest in, engage in or replicate through entry into a Replication Transaction:

~~Equity investments (including common and preferred stock, and equity ownership interests~~ABS, the pooled assets supporting which consist in ~~limited liability companies, partnerships and joint ventures) other than interests~~part or in whole of home equity loans, manufactured housing, residential mortgage, whole business, and aircraft loans

Auction rate securities

Bank loans not guaranteed by the U.S. federal government

~~collective investment funds~~CDX tranched transactions (CDX untranched transactions are permitted under Subsection 2.~~01(d)~~06 of ~~these~~this Investment Guidelines Schedule)

~~Securities and derivative instruments convertible to equity securities~~

Common stock that can be tendered or exchanged for debt instruments or for non-convertible preferred stock

~~Real property~~

~~Residential and commercial whole loans or other loans secured by real property unless such loans are among the assets backing an Asset-Backed Security otherwise permitted under these Investment Guidelines~~

Collateralized mortgage obligations consisting ~~in whole or in part of~~of securities identified in the market as Option ARM, Alt-A Fixed and/or Sub-Prime

~~Bank loans not guaranteed by the U.S. federal government~~

~~Private placements pursuant to Section 4(2) of the Securities Act and/or the rule promulgated thereunder (other than (i) Corporate Debt purchased pursuant to Rule 144A and that has registration rights, (ii) CMBS purchased pursuant to Rule 144A, (iii) ABS purchased pursuant to Rule 144A, (iv) permitted STIFs and (v) collective investment funds permitted under Subsection 2.01(d) of these Investment Guidelines)~~

~~Obligations of U.S. government agencies that are subordinated debt obligations~~

~~Securities issued, assumed or guaranteed by governments of, or obligors domiciled in, or whose primary place of business is located in, countries other than the following: the United States, the United Kingdom, France, Spain, Germany, Japan, Canada, Belgium, the Netherlands, Italy, the Republic of Ireland, Switzerland, Denmark, Norway, Sweden, Austria, Finland, Australia, New Zealand, Luxembourg, and Portugal~~

~~Non-U.S. dollar denominated securities (unless hedged to the U.S. dollar in accordance with Subsections 2.05 and 2.06(b) of these Investment Guidelines)~~

~~CDX (credit default swap index) transactions, other than CDX Untranched Transactions permitted under Subsection 2.06 of these Investment Guidelines~~

Collateralized debt obligations (or "CDOs") (except to the extent expressly permitted in Subsection 2.01(a), e.g., ABS)

Collateralized loan obligations (or "CLOs") (except to the extent expressly permitted in Subsection 2.01(a), e.g., ABS)

Collateralized bond obligations (or "CBOs") (except to the extent expressly permitted in Subsection 2.01(a), e.g., ABS)

Commodities

Convertible securities

Currency futures and forwards (other than for permitted hedging purposes)

Equity investments (including common and preferred stock, and equity ownership interests in limited liability companies, partnerships and joint ventures) other than Permitted STIFs and interests in collective investment or mutual funds permitted under Subsection 2.01(d) of this Investment Guidelines Schedule

Economic leverage

Event-linked bonds

High-yield instruments (instruments not otherwise satisfying the credit quality requirements set forth in ~~these~~the Investment Guidelines)

Hybrid securities

Instruments, including commercial paper, issued by structured investment vehicles (excluding conduit structures)

~~Non-Agency RMBS, the pooled assets supporting which consist in part or in whole of pay-option adjustable rate Residential Mortgage Loans and Sub-prime Mortgage Loans~~

Junior and mezzanine commercial mortgage-backed securities

MBS derivatives (including but not limited to IOs, POs, inverse IOs, inverse POs, inverse floaters, super floaters, Z-tranches (also known as accrual bonds or accretion bonds), companion tranches (also known as support bonds), residual tranches and interests in real estate mortgage investments conduits (or "REMICs") whose assets are comprised of tranches in other REMICs~~))~~ ("re-REMICs"))

~~ABS, the pooled assets supporting which consist in part or in whole of home equity loans~~

~~Instruments, including commercial paper, issued by structured investment vehicles (excluding conduit structures)~~

~~Auction rate securities~~

Naked options (i.e., uncovered calls and uncovered puts)

~~Short sales~~

Non-Agency RMBS, the pooled assets supporting which consist in part or in whole of pay-option adjustable rate Residential Mortgage Loans and sub-prime Residential Mortgage Loans

Non-U.S. Dollar Denominated Securities (except to the extent expressly permitted under Subsection 2.05 of this Investment Guidelines Schedule)

Obligations of U.S. government agencies that are subordinated debt obligations

Real estate or real property

Residential and commercial whole loans or other loans secured by real property unless such loans are among the assets backing an Asset-Backed Security otherwise permitted under the Investment Guidelines

Reverse mortgages

Reverse repurchase agreements (whereby the Account sells assets and receives cash)

Securities and derivative instruments convertible to equity securities

Securities issued by the Manager or an affiliate of the Manager

Securities that are not registered under the Securities Act (including, for the avoidance of doubt, private placements) except as set forth under Subsection 2.01(e) of this Investment Guidelines Schedule

~~Structured notes (including, but not limited to, credit-linked notes)~~

Securities that permit under their terms the issuer of the security to skip or defer a scheduled payment, including, but not limited to, capital securities, capital notes, surplus notes and similar instruments

Securities identified in the market as Alt-A

Securities identified in the market as Option ARMs

Securities identified in the market as Sub-Prime

~~Repurchase Agreements (whereby the Account lends cash) and reverse repurchase agreements (whereby the Account borrows cash)~~

Securities lending

Short sales of physical securities

Structured notes (including, but not limited to, credit-linked notes)

~~Total return swaps~~

g. Certain terms used in ~~these~~the Investment Guidelines are defined below:

"ABS" means Asset-Backed Securities where the security is backed by cash flows from (1) credit card receivables, (2) student loans guaranteed by a U.S. federal government agency or government-sponsored enterprise~~,~~ under the Federal Family Education Loan ("FFEL") program (commonly referred to as "FFELP Student Loans"), (3) approved fees charged to utility customers to recover costs associated with the deregulation of the utility (commonly referred to as "utility rate reduction bonds"), or (4) automobile loans ~~or (5) loans secured by aircraft.~~(prime only).

"Agencies" means U.S. Agency Securities and Non-U.S. Agency Securities. Agencies are further categorized hereunder as (i) Government Guarantee, (ii) Owned, No Guarantee and (iii) Government Sponsored.

"Agency CMO" means an Agency Residential ~~-~~Mortgage-Backed Security identified in the market as a collateralized mortgage obligation or CMO.

"Agency Fixed RMBS" means Agency Residential Mortgage-Backed Securities backed by fixed-rate Residential Mortgage Loans.

"Agency Hybrid ARM" means an Agency Residential Mortgage-Backed Security identified in the market as an agency hybrid ARM.

"Agency Residential Mortgage-Backed Security" means an Asset-Backed Security where the security is (i) backed by cash flows from Residential Mortgage Loans that are not pay-option ~~adjustable rate~~ Residential Mortgage Loans or non-prime Mortgage Loans and (ii) issued or guaranteed by one of the following: the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"), the Federal Home Loan Bank ("FHLB"), the Veteran's Administration ("VA"), or the National Credit Union Administration ("NCUA").

"Agency RMBS" means (i) Agency ~~Residential Mortgage-Backed Securities and~~ Fixed RMBS, (ii) Agency ~~CMO.~~

~~"Alt-A Fixed" means a Non-~~CMOs, (iii) Agency ~~Residential Mortgage-Backed Security where the security is backed by cash flows from a pool consisting in whole or in part of fixed-rate Alt-A Mortgages.~~

~~"Alt-A Mortgage" means a Residential Mortgage Loan that is considered an "alt-A" Residential Mortgage Loan due to the credit score of the borrower, a higher than standard loan-to-value or the use of a limited or alternative documentation program during the underwriting process~~Hybrid ARMs, and (iv) TBAs.

"Asset-Backed CP" means a senior secured debt obligation of a special purpose vehicle (other than a structured investment vehicle), which obligation has an original maturity of 270 days or less from its date of issuance. Asset-Backed CP includes single-seller and multi-seller. For the avoidance of doubt, the term "structured investment vehicle" shall not include conduit structures.

"Asset-Backed Security" means a security or other instrument (excluding interests in mutual funds and actively-managed private investment funds) evidencing an interest in, or the right to receive payments from, or payable from distributions on, an asset, a pool of assets or specifically divisible cash flows which are legally transferred to a trust or another special purpose bankruptcy-remote business entity, on the following conditions:

(1) The trust or other business entity is established solely for the purpose of acquiring specific types of assets or rights to cash flows, issuing securities and other instruments representing an interest in or right to receive cash flows from those assets or rights, and engaging in activities required to service the assets or rights and any credit enhancement or support features held by the trust or other business entity; and

(2) The assets of the trust or other business entity consist solely of interest bearing obligations or other contractual obligations representing the right to receive payment

from the cash flows from the assets or rights. However, the existence of credit enhancements, such as letters of credit or guarantees, or support features such as swap agreements, shall not cause a security or other instrument to be ineligible as an asset-backed security.

"Cash" means (i) currency and ~~Cash Equivalents denominated in U.S. dollars~~(ii) Permitted STIF.

"Cash Equivalents" means highly liquid investments ~~with~~ that are otherwise permissible hereunder, have a remaining term to final maturity of one ~~hundred eighty days~~year or less~~.~~ ~~Cash Equivalents are investments that (i)~~ or an effective duration of less than six months, are not subject to maturity date extension ~~risk~~, and ~~(ii) have credit quality of A1/P1 or better. Eligible investments for this term include:~~ have a rating of at least A-~~Commercial Paper, Government Debt Obligations, Government Guaranteed Bank Debt, U.S. Agency Debentures and are subject to constraints noted above. Cash Equivalents excludes any holding classified as ABS, CMBS, Agency RMBS~~ or ~~Non-Agency RMBS.~~A-1 by at least two Rating Agencies.

~~"CMBS" means Super-Dupers CMBS.~~

"Commercial Mortgage-Backed Security" (or "CMBS") means an Asset-Backed Security where the security is backed by cash flows from mortgage loans (or participation interests therein) secured primarily (i.e., 95% or more of the value of the loans) by first liens on mixed-use, commercial or multifamily properties.

"Commercial Paper" means Asset-Backed CP and Corporate CP~~;~~, provided, however, that no investment shall be made in any Commercial Paper issued by a structured investment vehicle. For the avoidance of doubt, the term "structured investment vehicle" shall not include conduit structures.

"Corporate CP" means an unsecured debt obligation ~~of a corporation incorporated under the laws of the United States, the United Kingdom, France, Spain, Germany, Japan, Canada, Belgium, the Netherlands, Italy, the Republic of Ireland, Switzerland, Denmark, Norway, Sweden, Austria, Finland, Australia, New Zealand, Luxembourg or Portugal~~issued, assumed or guaranteed by a foreign or domestic corporation, which obligation has an original maturity of 270 days or less from its date of issuance. For the avoidance of doubt, "Corporate CP" includes Eurodollar CP.

"Corporate Debt" means bonds or other evidences of indebtedness ~~(i)~~ issued~~, assumed or guaranteed~~ by a domestic or foreign corporation ~~incorporated under the laws of the United States, the United Kingdom, France, Spain, Germany, Japan, Canada, Belgium, the Netherlands, Italy, the Republic of Ireland, Switzerland, Denmark, Norway, Sweden, Austria, Finland, Australia, New Zealand, Luxembourg or Portugal, (ii) the issuer of which is classified, pursuant to the Lehman Brothers/~~that either (i) are eligible for inclusion in Barclays U.S. Intermediate Corporate Index~~, as an industrial, utility~~ or ~~financial company and (iii) which have a final maturity date that is (A) no later than 12 years from the date~~ (ii) would be eligible for inclusion in such ~~bonds or other evidences of indebtedness are recorded to the Account and (B~~index but for said bonds' having (1) not ~~subject to extension.~~been registered under the Securities Act (but otherwise compliant with the exceptions to registration set forth in Subsection 2.01(e) of this Investment Guidelines Schedule), (2) not been publicly issued, (3) a floating rate of interest or coupon that steps up according to a predetermined schedule, (4) a current term to maturity of less than twelve months from the date of purchase, or (5) an issue size of less than $250 million. For the avoidance of doubt, "Corporate Debt" shall include Yankee Bonds and shall not include Commercial Paper, Agency RMBS, Non-Agency RMBS, CMBS, ABS or derivative instruments.

~~"Foreign Government Debt Obligations" means bonds or other evidences of indebtedness issued, assumed or guaranteed by any of the following foreign national governments: the United Kingdom, France, Spain, Germany, Japan, Canada, Belgium, the Netherlands, Italy, the Republic of Ireland, Switzerland, Denmark, Norway, Sweden, Austria, Finland, Australia, New Zealand, Luxembourg or Portugal.~~

"Emerging Markets Securities" means debt, otherwise permissible hereunder, from emerging market countries. Emerging market countries are determined using GNI per capita, as determined periodically by the World Bank. Any country with a GNI per capita not eligible to be classified by the World Bank as a high-income economy is an emerging market country. Emerging market debt may include the following sector classes: Corporate Debt, Non-U.S. Agency Securities, Sovereigns and Supranationals.

"Eurodollar CP" means U.S. dollar-denominated Corporate CP issued by non-U.S. issuers or foreign subsidiaries of U.S. issuers and predominantly traded in U.S. markets.

"Government Debt Obligations" means U.S. Treasuries, TIPS, ~~U.S. Agency Debentures, Foreign Debt Obligations~~Agencies, Sovereigns, Supranationals, and Municipal Bonds.

"~~Government Guaranteed Bank Debt~~Hedging Transaction" is defined in Subsection 2.06(a) of this Investment Guidelines Schedule.

"Money Market Instruments" means ~~bonds~~U.S. Treasury bills, U.S. government and agency securities, time deposits, bankers acceptances, or ~~other evidences of indebtedness issued by a bank, which debt is fully guaranteed to its~~certificates of deposits that have a final maturity date ~~as to~~not exceeding 397 days from the ~~principal and interest payments thereunder by~~date of purchase and Commercial Paper. For the ~~Federal Deposit Insurance Corporation~~avoidance of doubt, Money Market Instruments shall include any investments satisfying the criteria for purchase under Rule 2a-7 promulgated under the Investment Company Act of 1940 and otherwise eligible for purchase hereunder. "Money Market Instruments" also includes repurchase agreements permitted pursuant to Subsection 2.09 of this Investment Guidelines Schedule.

"Municipal Bonds" means bonds or other evidences of indebtedness issued, assumed or guaranteed by any state, insular or territorial possession of the United States, or by any county, city, town, school, road, drainage, or other district located within any state, or insular or territorial possession of the United States, or by any civil subdivision or governmental authority of any such state, or insular or territorial possession, or by any instrumentality of any such state, or insular or territorial possession, civil subdivision, or governmental authority.

"Non-Agency CMO" means ~~(i)~~ a Non-Agency Residential ~~-~~Mortgage-Backed Security identified in the market as a collateralized mortgage obligation or CMO~~ and (ii) where the security is backed by cash flows from Residential Mortgage Loans consisting in whole or in part of Prime Non-Agency Mortgages~~.

"Non-Agency Residential Mortgage-Backed Security" means an Asset-Backed Security where the security is (i) backed by cash flows from Residential Mortgage Loans that are not pay-option adjustable rate Residential Mortgage Loans or ~~Sub-Prime~~non-prime Residential Mortgage Loans and (ii) neither issued nor guaranteed by GNMA, FNMA~~ or~~, FHLMC, FHLB, VA or NCUA.

"Non-Agency RMBS" means Non-Agency CMO~~, Alt-A Fixed~~ and Prime Non-Agency RMBS.

~~"Non-Prime Mortgage Loan" means a Residential Mortgage Loan that is not considered a "prime" Residential Mortgage Loan, such as an Alt-A Mortgage Loan, an "alt-B" mortgage loan or a Sub-Prime Mortgage Loan.~~

"Non-U.S. Agency Securities" means bonds or other evidences of indebtedness issued, assumed or guaranteed by any foreign government agency or foreign government sponsored enterprise.

"Non-U.S. Dollar Denominated Securities" mean securities denominated in a currency other than U.S. dollars. If allowed under Subsection 2.05 of this Investment Guidelines Schedule, Non-U.S. Dollar Denominated Securities must conform to the quality, concentration, and other characteristics set forth in the Investment Guidelines and are limited to Corporate Debt, Eurodollar CP, Non-U.S. Agency Securities, Sovereigns, and Supranationals.

"Option ~~ARM~~" means a right to buy or sell the obligation to deliver a specified amount of a financial instrument for a specific price or yield on or before a specific date in the future.

"Permitted STIF" means (i) any money market mutual fund registered with the Securities and Exchange Commission pursuant to Rule 2a-7 promulgated under the Investment Company Act of 1940 and (ii) any bank-managed collective investment fund so long as it complies with the rules pertaining to short-term investment funds (sometimes referred to as the OCC's STIF rule) set forth in 12 C.F.R. § 9.18.

"Prime Non-Agency RMBS" means a Non-Agency Residential Mortgage-Backed Security where the security is backed primarily (i.e., 95% or more of the value of the loans) by cash flows from ~~a pool consisting in whole or in part of pay-option adjustable rate~~ Residential Mortgage Loans with respect to which the weighted average credit (FICO) score of the borrower(s) thereunder was greater than or equal to 720 at the time of origination.

~~"Prime Non-Agency" means a Non-Agency Residential Mortgage-Backed Security where the security is backed by cash flows from Prime Non-Agency Mortgages.~~

~~"Prime Non-Agency Mortgage" means a Residential Mortgage Loan that is eligible for purchase by FNMA or FHLMC pursuant to their respective charters but has not been purchased by FNMA or FHLMC. The original principal amount of such a loan may exceed the maximum principal amount eligible for purchase by FNMA or FHLMC so long as it is otherwise conforming.~~

"Replication Transaction" is defined in 2.06(a) of this Investment Guidelines Schedule.

"Residential Mortgage Loan" means a mortgage loan (not including a reverse mortgage loan) secured primarily (i.e., 95% or more of the value of the loans) by a first lien on a one-to four-family residential property located in the United States or one of its territories.

~~"Sub-Prime" means a Non-Agency Residential Mortgage-Backed Security where the security is backed by cash flows from a pool consisting in whole or in part of Sub-Prime Mortgage~~ "Senior~~Loans.~~

~~"Sub-Prime Mortgage Loan" means a Residential Mortgage Loan with respect to which the borrower had a credit score of 660 or lower at the time of the origination or would otherwise qualify as being a "subprime" residential mortgage loan.~~

~~"Super-Dupers~~ CMBS" means a Commercial Mortgage-Backed Security where the security is, at the time of issuance, senior to subordinated interests ~~generally constituting~~

~~at least 30%~~(i.e., junior or mezzanine CMBS) of the participating interests in the pool supporting such Commercial Mortgage-Backed Security.

"Sovereigns" means debt issued by and backed by the central government of a non-U.S. country. For the avoidance of doubt, Sovereigns shall not be deemed to include Non-U.S. Agency Securities.

"Supranationals" means debt issued by and backed by supranational agencies, including but not limited to the World Bank.

"TBA" means a contract for the purchase or sale of Agency RMBS to be delivered at a future agreed-upon date and that meets the requirements set forth in Subsection 2.06 of ~~these~~this Investment Guidelines~~.~~ Schedule.

"TIPS" means U.S. Treasuries issued in the form of Treasury Inflation-Protected Securities.

~~"U.S. Agency Debentures" means debt issued for financing purposes by any of the following U.S. federal agencies or government-sponsored enterprises: FHLMC; FNMA; the Veterans Administration ("VA"); the Federal Housing Administration ("FHA"); the Export-Import Bank ("Exim Bank"); the Overseas Private Investment Corporation ("OPIC"); the Commodity Credit Corporation ("CCC"); the Small Business Administration ("SBA"); the Foreign Credit Insurance Association; the Guaranteed Student Loan Program; the Farmers Home Administration; the Farm Credit System; the Federal Home Loan Bank System; the Federal Agricultural Mortgage Corporation; the Postal Service; the Financial Assistance Corporation ("FAC"); the Financing Corporation ("FICO"); the College Construction Loan Insurance Association; the Tennessee Valley Authority ("TVA"); and the Resolution Funding Corporation ("REFCORP").~~
"U.S. Agency Securities" means debt directly issued by a U.S. federal agency or U.S. government-sponsored entity, a wholly owned agency of the U.S. government, or a federally related institution where such debt is fully and explicitly backed by the full faith and credit of the federal government of the United States of America.

"U.S. Treasuries" means bonds or other evidences of indebtedness issued by the U.S. Department of the Treasury.

"Yankee Bonds" means U.S. dollar-denominated Corporate Debt issued by non-U.S. issuers or foreign subsidiaries of U.S. issuers and predominantly traded in U.S. markets. For purposes of this definition, Yankee Bonds will also include so called "Euro Bonds" and "Global Bonds," which are U.S. dollar denominated and issued by non-U.S. issuers or foreign subsidiaries of U.S. issuers.

2.02 Credit Quality

a. No investment or investment practice (other than repurchase agreements) may be recorded to the Account unless at such time the investment (or counterparty in the case of ~~a~~an OTC derivative transaction) is rated, or expected to be rated shortly after issuance, by at least two of the following~~ Rating Agencies~~: Standard & Poor's Ratings Services ("S&P"), Fitch Ratings ("Fitch") and Moody's Investors Service, Inc. ~~("Moody's") unless otherwise agreed to in writing by the Company and the Manager.~~ ("Moody's"). Each of S&P, Fitch and Moody's is referred to herein as a "Rating Agency" and, collectively, as "Rating Agencies." All ratings set forth in the Investment Guidelines are S&P ratings, but should also be read to refer to the equivalent rating from another Rating Agency.

b. No investment or investment practice may be recorded to the Account unless at such time its rating satisfies (i) the "Minimum Credit Quality at ~~time of~~ Purchase" requirement set forth in the table in Subsection 2.01 of ~~these~~this Investment Guidelines Schedule, (ii) other requirements of this Subsection 2.02, and (~~ii~~iii) with respect to counterparties to TBAs and OTC derivative transactions, the counterparty credit rating set forth in Subsection 2.06(f) of ~~these~~this Investment Guidelines Schedule.

c. The average aggregate credit quality of Securities in the Account shall at all times be at least AA- calculated using the ~~par~~aggregate Fair Market Value of the Securities~~, except~~ and determined in accordance with standard industry practice and consistently applied. The Manager will have 15 Business Days following any determination that the ~~case~~average aggregate credit quality of ~~a Replication Transaction,~~Securities in ~~which case~~ the ~~notional value of the position is~~Account has fallen below AA- to ~~be used. For purposes of this calculation, any security held~~bring the average aggregate credit quality of Securities in the Account ~~which is the reference obligation of one~~ back to or ~~more Hedging Transactions in which credit protection is purchased on such security~~above AA-, provided, however, that nothing contained herein shall be deemed to ~~have~~ affect the rights of the ~~rating equal to~~ Company under Subsection 2.05(h) of the ~~higher rating of (i)~~Termination Schedule for failure to comply with the ~~rating of the reference obligation and (ii) the rating of the applicable counterparty, and each Replication Transaction shall be deemed to have the rating equal to the rating of the reference obligation.~~ Investment Guidelines.

d. At no time shall the aggregate ~~par~~Fair Market Value of Securities rated between BBB- and BBB+, inclusive, exceed ~~25~~15% of the Covered Market Value. At no time shall the aggregate Fair Market Value of Securities rated BBB- exceed 5% of the Covered Market Value. The Manager will have 15 Business Days following any determination that the aggregate Fair Market Value of Securities rated between BBB- and BBB+, inclusive, exceeds 15% of the Covered Market Value or that the aggregate Fair Market Value of Securities rated BBB- exceeds 5% of the Covered Market Value to bring the Securities in the Account back to or below such limits, provided, however, that nothing contained herein shall be deemed to affect the rights of the Company under Subsection 2.05(h) of the Termination Schedule for failure to comply with the Investment Guidelines.

e. In the event of split ratings, the following shall apply: (a) Where only two Rating Agencies rate the investment, the lower of the two ratings shall apply and (b) where three Rating Agencies rate the investment, the middle rating shall apply after discarding the highest and lowest ratings~~, unless the investment is rated below B- by one of the Rating Agencies, in which case the lowest of the three ratings shall apply.~~. These rules may be referred to collectively as the "Split-Ratings Rule."

f. The rating with respect to any issue of U.S. Treasuries, TIPS, ~~U.S.~~ Agency ~~Debentures and Foreign Government Debt Obligations~~RMBS, U.S. Agency Securities, or securities issued by or explicitly guaranteed by the U.S. government shall be the rating of the applicable issuer of such issue, unless ~~any~~such issue~~ of U.S. Treasuries, TIPS, U.S. Agency Debentures and Foreign Government Debt Obligations~~ has received its own rating, in which case such rating shall be the rating applicable to such issue.

g. Once recorded to the Account, any Security whose rating is downgraded by any Rating Agency below BBB- will be sold within 15 Business Days after discovery of the downgrade unless the Manager determines to hold such downgraded Security. In either case Subsections 3.01 and 3.02 will apply to such Security upon the discovery of the downgrade and until the Security is sold.

2.03 Issue and Issuer Diversification Limits

a. The maximum allocation at the time of purchase to Securities of any single issuer and/or issue (i.e., Securities with the same CUSIP or CIN) shall be ~~3~~2% of the Covered Market Value~~.~~ with respect to ~~any~~ Securities rated AA- or higher, 1.5% of the Covered Market Value with respect to Securities rated A-, A and A+, and 1% of the Covered Market Value with respect to Securities rated BBB-, BBB, and BBB+.

With respect to the OTC Hedging ~~Transaction~~Transactions and OTC Replication Transactions, the per-issuer limitation shall apply to the counterparty of such ~~Hedging Transaction~~transactions, with a value equal to the ~~notional amount~~total net aggregate Fair Market Value of all such ~~Hedging Transaction.~~ transactions with such counterparty at any given time.

b. With respect to ~~any~~all Replication ~~Transaction~~Transactions, the per-issuer ~~limitation~~and per-issue limitations shall also apply to ~~each of the counterparty and the reference entity of such Replication Transaction, with a value equal to the notional amount of such Replication Transaction~~the Fair Market Value of the investment being replicated.

~~**b.** The maximum allocation to any single issue (securities with the same CUSIP or CIN) shall be 2% of the Covered Market Value. With respect to any Replication Transaction, the per-issue limitation shall apply to the replicated security being replicated.~~

c. Investments in U.S. Treasuries ~~and~~, TIPs, U.S. Agency ~~Debentures~~Securities, Agency RMBS, or securities explicitly guaranteed by the U.S. government are not subject to the preceding per-issuer and per-issue limitations. ~~Notwithstanding the foregoing, investments in Government Guaranteed Bank Debt are subject to the preceding per-issuer and per-issue limitations.~~

d. The issuer of any ~~Agency RMBS,~~ specific Commercial Mortgage-Backed Security, Non-Agency RMBS or ~~Asset-Backed Security~~ABS shall be considered to be the trust that holds the associated collateral and the per-issuer limit shall apply to securities representing claims against any one such trust.

2.04 Duration

a. The maximum Account Duration shall be 4 years.

b. The maximum weighted average asset spread duration of the Account, determined in accordance with standard industry practice, shall be 4 years.

c. No investment may be recorded to the Account unless such investment has a final legal maturity date that is ~~(A)~~ no later than 30.5 years ~~or, in~~. For CMBS, ABS, Non-Agency RMBS, and Agency RMBS, the ~~case of Corporate Debt, no later than 12 years from the~~ foregoing final legal maturity date ~~such investment is~~limit will not apply; instead, the weighted average life of each of the foregoing Securities recorded to the Account ~~and (B) not subject to extension.~~ shall be no greater than 10 years at time of purchase.

2.05 Currency

a. Except as ~~provided~~otherwise agreed in ~~Subsection 2.05(b) of these Investment Guidelines~~writing by the Company and the Owner, each investment must be in all respects denominated in U.S. dollars.

~~**b.** Up to 10% of the aggregate Fair~~
b. To the extent that, on any future date, the Company and the Owner agree in writing that a portion of the Covered Market Value ~~of Securities~~ may be invested in ~~Foreign Government Debt Obligations denominated in currencies other than the~~ Non-U.S. Dollar ~~(the "Non-~~Denominated Securities, such Non-U.S. Dollar Denominated Securities~~"), provided~~ shall be required at all times to satisfy the following conditions ~~are satisfied at all times~~:

(i) The Non-U.S. Dollar Denominated Securities are denominated in the official currency of any of the following countries: the United Kingdom, France, Spain, Germany, Japan, Canada, Belgium, the Netherlands, Italy, the Republic of Ireland, Switzerland, Denmark, Norway, Sweden, Austria, Finland, Australia, New Zealand, Luxembourg, Portugal, Hong Kong, Singapore, South Korea and Israel.

(ii) The Fair Market Value of the Non-U.S. Dollar Denominated Securities is hedged through the use of permitted currency forward contracts (~~as set forth in Subsection 2.06(b)(iii) below)~~ such currency forward contracts to be subject to the terms and conditions agreed upon by the Company and the Owner in writing at such time, if any, that~~:~~ the parties agree to permit Non-U.S. Dollar Denominated Securities to be held within the Account) such that:

(A) With respect to each foreign currency ~~held in~~to which the Account has exposure through Non-U.S. Dollar Denominated Securities, the "Hedging Mismatch" is defined as a fraction, the numerator of which is the absolute value of the sum (as measured in U.S. dollars) of the Fair Market Value of the Non-U.S. Dollar Denominated Securities in that currency and the Fair Market Value of the foreign currency leg of each currency forward contract (where pay legs are negative) for that currency, and the denominator is the aggregate Fair Market Value of Securities. The Hedging Mismatch must be less than 0.2~~%, as represented in the following mathematical equation:~~%.

$$0.2\% > \frac{\left|\sum_{\forall i\in\{Securities\ in\ FOREIGN\}} MV_i^{USD} + \sum_{\forall j\in\{FX\ Forwards\ in\ FOREIGN\}} FX\ Leg_j^{USD}\right|}{aggregate\ Fair\ Market\ Value\ of\ Securities}$$

(B) With respect to all foreign currencies ~~held in~~to which the Account has exposure through Non-U.S. Dollar Denominated Securities, the sum of the Hedging Mismatch for each such currency must be less than 0.2~~%, as represented in the following mathematical equation:~~%.

$$0.2\% > \sum_{\forall x\in\{Currencies\}} \left[\frac{\left|\sum_{\forall i\in\{Securities\ in\ x\}} MV_i^{USD} + \sum_{\forall j\in\{FX\ Forwards\ in\ x\}} FX\ Leg_j^{USD}\right|}{aggregate\ Fair\ Market\ Value\ of\ Securities}\right]$$

(iii) The Fair Market Value of the Non-U.S. Dollar Denominated Securities is hedged through the use of permitted currency futures contracts (such currency futures contracts to be subject to the terms and conditions agreed upon by the Company and the Owner in writing at such time, if any, that the parties agree to permit Non-U.S. Dollar Denominated Securities to be held within the Account).

2.06 Derivative Transactions

a. The Account may enter into derivative transactions, provided that such derivative transactions are either Hedging Transactions or Replication Transactions.

For purposes of ~~these~~the Investment Guidelines:

(i) a Hedging Transaction is a derivative transaction entered into by the Account with respect to Securities held in or credited to the Account in order to manage interest rate risk, duration and yield curve exposure, reduce credit risk or reduce currency exchange rate risk with respect to such Securities (it ~~is~~ being understood that any CDX ~~Untranched~~ Transaction (as defined below) or Hedging Transaction effected using a total return swap undertaken in accordance with the terms of Subsection 2.06(b) of this Investment Guidelines Schedule constitutes a Hedging Transaction without regard to whether the Account in fact holds Securities issued by any of the relevant reference entities); and

(ii) a Replication Transaction is a derivative transaction entered into by the Account in order to replicate the investment characteristics of an investment otherwise permitted by

~~these~~the Investment Guidelines and/or operate as a substitute for cash market transactions in such permitted investments.

The use of derivative transactions for non-replicative speculative purposes (i.e., any use other than a Hedging Transaction or a Replication Transaction) or that results in a leveraged position is prohibited.

b. Hedging Transactions

Derivative instruments that may be used in Hedging Transactions are limited to the following: Treasury futures, Eurodollar futures, TBAs, ~~currency forward contracts~~exchange-traded Options, interest rate swaps, credit default swaps where the reference entity is a single entity, ~~and~~ credit default swaps that are ~~CDX~~ untranched CDX transactions (each a "CDX ~~Untranched~~ Transaction"), and total return swaps and, in each case, may be used only in the manner further specified in clauses (i) through (~~vii~~vi) below.

(i) Treasury futures and Eurodollar futures may be used only to manage duration and yield curve exposure.

(ii) ~~TBAs~~TBAs used in Hedging Transactions ("Short TBAs") may be used only to reduce the Account's exposure to Agency ~~RMBS.~~Residential Mortgage-Backed Securities. The Account may include Short TBA positions ~~in a Hedging Transaction~~ only if the Account is long all of the Agency ~~RMBS~~Residential Mortgage-Backed Securities deliverable into the Short TBA position~~.~~

~~(iii) Currency forward contracts may be used only in accordance with Subsection 2.05(b) of these Investment Guidelines, so~~ or long ~~as:~~

~~(A)~~all of the ~~Account is (I) selling foreign currency and purchasing U.S. dollars, or (II) purchasing foreign currency and selling U.S. dollars, but only to the extent that as of purchase settlement date, the amount of foreign currency being sold is greater than the amount being purchased, so that the Account is always a net seller of the foreign currency,~~ exposure to Agency RMBS created by Long TBAs.

~~(B) each currency forward contract has an original maturity date no longer than 90 days, and~~

~~(C) within seven (7) days after the date on which any Non-Dollar Denominated Security is liquidated, the related currency forward contracts are also unwound or otherwise terminated.~~

(iii) RESERVED FOR CURRENCY FORWARDS AND/OR FUTURES

(iv) Interest rate swaps and exchange-traded Options must be U.S. dollar-denominated ~~interest rate swaps~~ and may be used only to manage interest rate risk, duration and yield curve exposure.

(v) Credit default swaps ~~(including CDX Untranched~~used in Hedging Transactions~~)~~ may be used only to reduce credit risk.

~~(vi)~~ With respect to each credit default swap (other than a CDX ~~Untranched~~ Transaction), (A) the reference entity of a credit default swap shall be an issuer of one or more securities (the "Underlying Securities") some of which are held in or credited to the Account and the Account is purchasing credit protection with respect to such reference entity, (B) the Underlying Securities relating to such credit default swap shall be a deliverable obligation with respect to such credit default swap, (C) at the time of entry into the credit default swap, the aggregate notional amount of all credit default swaps referencing a particular reference entity shall not exceed the aggregate par value of the Underlying Securities issued by that reference entity and held in or credited to the Account and (D) in the event that the Account's exposure to the Underlying Securities of a reference entity is reduced after entry into the credit default swap, the ~~Owner~~Manager shall have ~~seven~~fifteen (15) Business Days to bring the exposure in line with the requirements of Subsection 2.06(b)(~~vi~~v)(C).

(~~vii)~~ vi) With respect to each CDX ~~Untranched~~ Transaction~~, (A) the only permissible CDX indices shall be the CDX North American Investment Grade Index (CDX.NA.IG)~~ and ~~the CDX North American Investment Grade High Volatility Index (CDX.NA.IG.HVOL); (B) the~~ each Hedging Transaction effected using total return swaps, (A) the Account shall only purchase credit protection and (~~C) the aggregate notional amount of all CDX Untranched Transactions that are Hedging Transactions shall not at any time exceed the aggregate fair market value of Securities held in or credited~~ B) the only permissible use shall be to ~~the Account which constitute~~hedge credit risk resulting from Corporate Debt~~. Notwithstanding anything~~ held within the Account, as opposed to ~~the contrary in these Investment Guidelines, the Account shall have no obligation to hold Securities issued by any of the reference entities in the applicable CDX Untranched Transaction~~creating outright market exposure.

c. Replication Transactions

(i) A Replication Transaction shall be structured so that the potential exposure with respect to a Replication Transaction is substantially similar to the risks associated with the Security or Securities being replicated.

(ii) Derivative instruments that may be used in Replication Transactions are limited to the following:

(A) TBAs pursuant to which the Account will purchase ~~Agency RMBS and~~ Residential Mortgage-Backed Securities ("Long TBAs");

(B) credit default swaps (x) where the reference entity is a single entity or (y) that are CDX ~~Untranched~~ Transactions, in each case, where the Account is selling credit protection with respect to the Security or Securities being replicated;

(C) Treasury futures; and

(D) total return swaps where the Account is the total return receiver (Account receives total return) with respect to the Security or Securities being replicated.

(iii) A Replication Transaction shall only (i) replicate a Security or Securities in which the Account is permitted to invest without causing a failure to comply with any provision of ~~these Investment Guidelines~~the Investment Guidelines or (ii) with respect to a CDX Transaction and a total return swap, involve an index that is composed solely of constituents that were rated investment-grade or higher at the time of creation of the index.

(iv) Each Replication Transaction ~~effected by means of a credit default swap (including a CDX Untranched Transaction)~~ shall be fully supported only by Cash ~~and/~~, Money Market Instruments, or ~~U.S. Treasuries~~Cash Equivalents in an amount equal to the notional amount of such Replication Transaction~~, and each Replication Transaction effected by means of a TBA shall be fully supported only by Cash in an amount equal to the notional amount of such Replication Transaction.~~ . Cash ~~and U.S. Treasuries~~, Money Market Instruments, or Cash Equivalents required to be posted as collateral with respect to any Replication Transaction shall be included in the amount of Cash ~~and U.S. Treasuries~~, Money Market Instruments, or Cash Equivalents supporting such Replication Transaction~~.~~

~~Neither the Cash nor the U.S. Treasuries~~ and shall not be included as supporting ~~a Replication Transaction shall be invested, used as collateral for another derivative transaction or otherwise support~~ any other ~~investment or investment practice until such time as such~~ Replication Transaction ~~is terminated.~~.

(v) Cash ~~and U.S. Treasuries~~, Money Market Instruments, or Cash Equivalents supporting Replication Transactions shall not count toward the Account's allocation ~~to Cash or U.S. Treasuries~~ in determining the Account's compliance with the Constant Duration Minimum Liquid Holdings Requirement or the Immunization Minimum Liquid Holdings Requirement, as applicable ~~minimum allocation to Cash, Commercial Paper and Government Debt Obligations set forth in Section 2 or 4, as applicable, of these Investment Guidelines~~.

(vi) All replicated investment positions shall be evaluated and, as appropriate, aggregated with other Securities as if the Account had invested in the replicated security directly with the Account's investments in determining its compliance with applicable limitations on investments set forth in Section 2 or 4, as applicable, of ~~these~~this Investment Guidelines Schedule.

(vii) ~~With respect to each Replication Transaction that takes the form of a CDX Untranched Transaction, the only permissible CDX index shall be the CDX North American Investment Grade Index (CDX.NA.IG).~~ A Replication Transaction that takes the form of a CDX ~~Untranched~~ Transaction will replicate a separate investment position in each reference obligation (and related reference entity) applicable to such CDX ~~Untranched~~ Transaction. For purposes of determining compliance with applicable limitations on investments set forth in ~~these~~the Investment Guidelines, each such replicated security shall constitute ~~Corporate Debt, the related reference entity shall be classified, pursuant to~~a security that is expressly permitted by the ~~Barclays Intermediate Corporate Index, as an industrial, utility or financial company~~Investment Guidelines, and the size of the replicated position shall equal the ~~Floating Rate Payer Calculation~~original notional amount with respect to the related reference obligation and reference entity.

d. Derivative and forward-settling transactions may be ~~either~~centrally cleared, exchange-traded ~~transactions~~ or over-the-counter ~~transactions~~ ("OTC"). TBAs shall be executed using ~~an industry-standard~~a negotiated Master Securities Forward Transaction Agreement. Prior to the execution of ~~any other kind of~~an OTC derivative transaction, an appropriate form of ISDA Master Agreement ("Master Agreement") between the Manager on behalf of the Account and the applicable counterparty must be in place, including negotiated schedules. Where collateral in the form of cash or securities is to be required, the Manager will execute on behalf of the Account an ISDA Credit Support Annex ("CSA"), as supplemented or amended. Each such OTC transaction shall be a transaction under the Master Agreement and documented on an ISDA form of confirmation which references the Master Agreement between the Account and the counterparty. Any centrally cleared transaction will be transacted pursuant to a customer account agreement, together with cleared derivatives addenda thereto, as negotiated and entered into by and between the clearing broker and the Manager.

e. After the execution of a derivative transaction, the Manager will be responsible for monitoring such transaction to ensure that such transaction, in conjunction with the entire investment strategy with respect to the Account, remains in compliance with the ~~provisions of these~~ Investment Guidelines~~, the Contract~~ and applicable law. In addition, after the execution of the derivative transaction, the Manager will be responsible for monitoring outstanding counterparty exposure as well as collateral levels.

f. Counterparties to OTC derivatives other than TBAs shall have at the time of entry into the applicable derivative transaction a long-term senior unsecured debt rating of at least A ~~or the equivalent from at least two of the Rating Agencies~~- or the equivalent from at least two of the Rating Agencies. Counterparties to TBAs shall have at the time of entry into the applicable derivative transaction a long-term senior unsecured debt rating of at least A- or the equivalent from at least one of the Rating Agencies. In the event a counterparty is not rated, the credit rating of the counterparty's holding company may be used for purposes of this Subsection 2.06(f) in the event that it provides an express and explicit written unconditional guaranty of payment of the counterparty under the applicable derivative transaction. In the event that a counterparty is downgraded below A- (or the equivalent) by all of the Rating Agencies that rate such counterparty, the counterparty will be replaced within 30 days thereafter unless the Company consents in writing to a longer period of time.

g. Whether used in a Hedging Transaction or a Replication Transaction, TBAs may have a maximum forward purchase of ~~90~~92 days.

2.07 Leverage. The Account shall not be permitted to borrow money or to create leverage or leveraged positions.

2.08 Transaction Requirements. The Manager shall comply with all applicable federal laws of the United States. All master agreements and trading documentation with respect to derivative transactions shall be reviewed by a licensed attorney engaged or employed by the Manager with relevant securities~~,~~ and derivatives experience to ensure such documents are in compliance with law and enforceable.

2.09 Repurchase Agreements. The Account may enter into repurchase agreements that comply with the following limitations:

a. The Account may participate in a repurchase agreement only as a repo buyer (buyer of securities for cash).

b. Each repurchase agreement shall be documented using a negotiated master repurchase agreement ("MRA") and a related confirmation with respect to each repurchase transaction thereunder each as negotiated and agreed by the Manager. To the extent applicable, a repurchase agreement structured as a tripartite repurchase agreement shall also use custody-related agreements.

c. The assets purchased by the Account, as well as any additional margin delivered for the benefit of the Account, shall be comprised only of securities that constitute Cash, U.S. Agency Securities or U.S. Treasuries.

d. The assets purchased (plus any additional margin delivered for the benefit of the Account in connection with the relevant repurchase agreement) must have a Fair Market Value of at least 102% of the aggregate purchase price under that repurchase agreement at all times.

e. The Cash paid by the Account under repurchase agreements shall be included in the calculation of Cash for purposes of the allocation limitations/weightings in Subsections 2.01 and 4.02 of this Investment Guidelines Schedule. The assets purchased by the Account shall be excluded from the calculation of U.S. Agency Securities or U.S. Treasuries, as may be applicable, for purposes of the allocation limitations/weightings in Subsections 2.01 and 4.02 of this Investment Guidelines Schedule.

f. Legal title to the assets purchased by the Account under repurchase agreements shall be in name of the relevant collective investment fund or mutual fund in which the Account is invested, the Manager on behalf of the fund, or the Account.

g. All transactions under repurchase agreements must be either (i) delivery versus payment ("DVP") bilateral repurchase transactions whereby the purchased securities are actually delivered out to the Account (or to the Manager on behalf of the Account) or (ii) tri-party repurchase transactions whereby the purchased securities are held by a custodian bank for the benefit of the relevant collective investment fund or mutual fund in which the Account is invested, the Manager on behalf of the fund, or the Account. Any and all forms of hold-in-custody ("HIC") repurchase transactions (also known as "premise repo"), whereby the repo seller "sells" the purchased securities to the Account but retains possession and/or control over such purchased securities, are prohibited.

h. The assets purchased by the Account under repurchase agreements must be repriced on a daily basis and must be marked to market daily.

i. In connection with repurchase agreements and all repurchase transactions under repurchase agreements, the Manager shall use its commercially reasonable best efforts to ensure that in all cases any margin call notices with respect to any margin deficit amount are delivered by the Manager on behalf of the Account to the repo seller counterparty before the applicable margin notice deadline specified in such repurchase agreement for same day satisfaction of such a margin call.

j. The maximum term of any repurchase transaction under any repurchase agreement shall be 92 days.

k. If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974 ("ERISA") are involved in any such repurchase agreements, such repurchase agreements shall be in compliance with, and shall not constitute a prohibited transaction under, ERISA or shall otherwise be exempt therefrom (by reason of a prohibited transaction class exemption ("PTCE") or otherwise).

2.10 Corporate Actions. The Manager has authority to take actions in connection with exchanges, reorganizations, conversions, or other corporate events implicating assets that could result in the receipt of additional securities into the Account that may or may not be referenced elsewhere in the Investment Guidelines. The Manager will dispose of any such securities which are not permitted pursuant to the Investment Guidelines within 90 days, in a manner reflecting the best interests of the Account. The Manager may extend the period for disposition of any such securities with our consent. For the avoidance of doubt, any proceeds resulting from the disposition of such additional securities shall deposited into the Account.

SECTION 3. ADJUSTMENT TO COVERED BOOK VALUE FOR IMPAIRED SECURITIES

3.01 Post-Acquisition Downgrades and Ratings Withdrawals~~.~~

A Security shall be considered an Impaired Security after the expiration of the relevant grace period set forth in the table below if (i) after any of its ratings are withdrawn, it is no longer rated by at least two Rating Agencies~~, (ii) at least one Rating Agency withdraws its rating due to a deterioration in the credit quality of such Security or its issuer or guarantor or (iii~~ or (ii) it is downgraded below the relevant impairment ratings threshold set forth in the table below. For the avoidance of doubt, the ~~provision regarding split ratings set forth in Subsection 2.02(e) of these Investment Guidelines~~Split-Ratings Rule is applicable to the determination of whether a Security has been downgraded below the relevant impairment ratings threshold. ~~Notwithstanding the foregoing, this Subsection 3.01 shall not apply to any Exhibit 3 Securities (as defined in Subsection 2.01(b) of these Investment Guidelines).~~

Category	Impairment Ratings Threshold	Grace Period: While the Constant Duration Guidelines Are in Effect	Grace Period: While the Immunization Guidelines Are in Effect
Corporate Debt	BBB-	0 Business Days	10 Business Days
~~Other non-CP investments~~Municipal Bonds	~~AAA-~~A-	0 Business Days	10 Business Days
Money Market Instruments	A-1	0 Business Days	10 Business Days
~~Commercial Paper and Cash Equivalents~~U.S. Treasuries, TIPS, Agency RMBS, Non-Agency RMBS, ABS, and CMBS	~~A-1~~AA-	0 Business Days	10 Business Days
All other investments	BBB-	0 Business Days	10 Business Days

3.02 Covered Impaired Securities

a. Notwithstanding Subsection 3.01 of ~~these~~this Investment Guidelines Schedule, prior to the Conversion Date, a Security that would be considered an Impaired Security pursuant to Subsection 3.01 of ~~these~~this Investment Guidelines Schedule (a "Rating-Impaired Security") shall not be considered to be an Impaired Security so long as the aggregate Carrying Value of all Rating-Impaired Securities then held in or credited to the Account does not exceed the "Downgrade Bucket Percentage" as defined below. In the event that it is determined that the aggregate Carrying Value of all such Rating-Impaired Securities then held in or credited to the Account exceeds the Downgrade Bucket Percentage for ~~ten (10)~~fifteen consecutive Business Days, then (A) the Covered Book Value shall be reduced by an amount equal to the excess of (x) the aggregate Carrying Value of the Rating-Impaired Securities then held in or credited to the Account over (y) an amount equal to Downgrade Bucket Percentage and (B) until such time as the aggregate Carrying Value of the Rating-Impaired Securities then held in or credited to the Account is less than the Downgrade Bucket Percentage, each Security that subsequently becomes a Rating-Impaired Security shall be considered to be an Impaired Security. As used herein, the term Downgrade Bucket Percentage shall mean ~~10% of the Covered Book Value from January 1, 2010 to and including December 31, 2010 and~~ 5% of the Covered Book Value ~~from and after January 1, 2011~~.

b. Following the Conversion Date, Subsection 3.02(a) of ~~these~~this Investment Guidelines Schedule shall not be in effect. Within ~~ninety (90)~~one hundred twenty days after the Conversion Date, all Rating-Impaired Securities that would have been considered to be ~~an~~ Impaired ~~Security~~Securities but for Subsection 3.02(a) of ~~these~~this Investment Guidelines Schedule shall be sold or disposed of.

c. This Subsection 3.02 shall not apply to a Replication Transaction that is treated as an Impaired Security pursuant to Subsection 3.03 of this Investment Guidelines Schedule.

3.03 Impairment of Derivatives. In addition to the events set forth in the definition of "Impaired Security" set forth in ~~Subsection 1.17 of~~ the Contract, the following shall also constitute events that give rise to an Impaired Security:

a. With respect to any Hedging Transaction or Replication Transaction,

~~(i) there has occurred, with respect to such derivative transactions,~~(i) the occurrence, continuation and designation pursuant to the applicable transaction documentation of an "Event of Default" or a "Termination Event" (as such terms are defined in the applicable transaction documentation) or other similar events (including, but not limited to events giving rise to optional termination rights as set forth in the applicable transaction documentation) which ~~allow for~~give rise to an early termination~~ or acceleration~~ of such derivative transaction; or

(ii) if (A) the counterparty of ~~such~~an OTC derivative transaction is no longer rated by at least two Rating Agencies, (B) ~~at least one~~each Rating Agency rating the counterparty withdraws~~ any of~~ its ratings on the counterparty due to a deterioration in the credit quality of such counterparty or (C) the long-term unsecured debt rating of such counterparty is lowered below ~~BBB~~A- or the equivalent by ~~at least one~~all Rating ~~Agency~~Agencies that rate such counterparty, and such derivative transaction is not replaced or terminated within ~~10 Business~~30 days following such withdrawal or downgrade.

b. With respect to any Replication Transaction that takes the form of a credit default swap (including a CDX ~~Untranched~~ Transaction),

~~(i)~~ there has occurred a "Credit Event" (as such term is defined in the applicable transaction documentation) with respect to any reference obligation or reference ~~entitiy~~entity for such Replication Transaction~~; or~~ .

~~(ii)~~**c.** With respect to any Replication Transaction that takes the form of a total return swap, any security being replicated would have been an Impaired Security if such Security had been held in or credited to the Account.

d. For the avoidance of doubt, with respect to any Replication Transaction that takes the form of a CDX ~~Untranched~~ Transaction or a total return swap, the occurrence of an event described in ~~clause (i) or (ii) above with respect to any reference obligation~~ Subsection 3.03(b) or ~~reference entity~~3.03(c), respectively, of ~~such CDX Untranched Transaction~~this Investment Guidelines Schedule shall constitute ~~events~~an event that ~~give~~gives rise to an Impaired Security pursuant to ~~this~~ Subsection 3.03(b) or 3.03(c), as applicable, with respect to only the portion of such Replication Transaction represented by such reference obligations or reference entities.

~~**3.04 Adjustments to Covered Book Value.**~~

~~**a.**~~ **e.** With respect to any Replication Transaction that takes the form of a Treasury futures position, any security being replicated would have been an Impaired Security if such Security had been held in or credited to the Account.

3.04 Impairment of Repurchase Agreements. In addition to the events set forth in the definition of "Impaired Security" set forth in the Contract, the following shall also constitute events that give rise to an Impaired Security with respect to any repurchase agreement:

a. the occurrence, continuation, and designation pursuant to the applicable transaction documentation of an "Event of Default" (as such term is defined in the applicable repurchase agreement documentation) or any other similar event; or

b. with respect to any repurchase agreements that are structured as tri-party repurchase agreements involving a custodian bank and an additional custody agreement/custodial undertaking document, there has occurred any breach of any of the terms of such custody agreement/custodial undertaking document by the relevant custodian bank, or such custodian bank (or any other third party) has otherwise failed to take any actions necessary in connection with such tri-party repurchase agreement or any tri-party repurchase transactions thereunder.

3.05 Impairment of STIF. In addition to the events set forth in the definition of "Impaired Security" set forth in the Contract, in the event that the net asset value per unit of the Permitted STIF falls below $1.00 and remains below $1.00 for ten consecutive Business Days absent unusual events in the markets generally or events generally affecting investment vehicles of the same type (such tenth consecutive Business Day, the "Impairment Date"), such units shall be deemed Impaired Securities.

3.06 Adjustments to Covered Book Value

a. For Impairments of Physical Securities. In the case of any Impaired Security other than an Impaired Security arising out of a derivative transaction, repurchase agreement, or Permitted STIF pursuant to Subsection 3.03~~(a) or~~, 3.~~03 (b)~~04, or 3.05 of ~~these~~this Investment Guidelines Schedule, the Covered Book Value shall be reduced by an amount equal to the result of: (A) the Carrying Value of such Impaired Security immediately prior to its becoming impaired, minus (B) the proceeds credited to the Account following the liquidation of such Impaired Security, plus, to the extent not otherwise addressed in this Subsection 3.06, (C) any settlement amounts paid to any counterparty of any Hedging Transaction with respect to such Impaired Security, minus (D) any settlement amounts received from any counterparty of any Hedging Transaction with respect to such Impaired Security.

b. For Impairments Related to Counterparty Events. In the case of any Hedging Transaction or Replication Transaction that is deemed to be an Impaired Security pursuant to Subsection 3.03(a) of ~~these~~this Investment Guidelines Schedule, the Covered Book Value shall be reduced by an amount equal to the greater of (i) the fair market value of such Hedging Transaction or Replication Transaction as of the last day of the month immediately prior to the month in which it became impaired (which, for the avoidance of doubt, shall be expressed as a negative number if an amount would be payable by the Account, and as a positive number if an amount would be payable to the Account, if such Hedging Transaction or Replication Transaction had terminated on such last day of the month immediately prior to the month in which it became impaired) and (ii) zero (0) (such amount, the "Impairment Value"). Following the termination of such Hedging Transaction or Replication Transaction and the satisfaction in full by each party thereto of its respective payment obligations thereunder, in the event the amount actually paid or received by the Account in connection with such termination differs from the Impairment Value, then the Covered Book Value shall be adjusted accordingly to reflect the favorable/unfavorable variance between the Impairment Value and the amount actually paid or received by the Account in connection with such termination. Notwithstanding the foregoing, in the event any Hedging Transaction or Replication Transaction that becomes an Impaired Security pursuant to Subsection 3.03(a) of ~~these~~this Investment Guidelines Schedule is transferred, assigned or novated to a third party prior to the termination of such derivative transaction, then for purposes of determining the foregoing adjustments, if any, the amount actually paid or received by the Account in connection with such transfer, assignment or novation shall be used instead of the amount actually paid or received in connection with the termination of such derivative transaction.

c. For Impairments Related to Replication Transactions in the Form of Credit Default Swaps. In the case of any Replication Transaction that is deemed to be an Impaired Security pursuant to Subsection 3.03(b) of ~~these~~this Investment Guidelines Schedule, the Covered Book Value shall be reduced by an amount equal to ~~(i) with respect to a credit default swap (other than a CDX Untranched Transaction),~~ the notional amount of such Replication Transaction ~~and (ii) with respect to a CDX Untranched Transaction, the Floating Rate Payer Calculation Amount (which is an amount equal to the Reference Entity Weighting multiplied by the Original Notional Amount) (as each such term is defined in the applicable transaction documentation) with respect to each reference obligation or reference entity that gives rise to impairment.~~ .

Following the settlement of such Replication Transaction and the satisfaction in full by each party thereto of its respective payment obligations under such Replication Transaction, the Covered Book Value shall be increased by an amount equal to ~~(i) in the event that such Replication Transaction is settled on a cash settlement basis, (A) the notional amount or the relevant Floating Rate Payer Calculation Amount, as applicable, minus (B) the portion of the Cash Settlement Amount (as such term is defined in the applicable transaction documentation) paid by the Account to the counterparty~~

~~in connection with the cash settlement of such Replication Transaction that relates to each reference obligation or reference entity that gave rise to the impairment or (ii) in the event that such Replication Transaction is settled on a physical settlement basis, the "actual liquidation value" of the deliverable obligation~~the "actual liquidation value" of the security that gave rise to the impairment and was delivered to the Account by the counterparty in connection with the ~~physical~~ settlement of such Replication Transaction. Upon receipt of any such deliverable obligation in connection with the ~~physical~~ settlement of such Replication Transaction, such deliverable obligation shall immediately, to the extent feasible, be sold to a third party and the proceeds, if any, actually received from such sale shall be deemed to be the "actual liquidation value" of the deliverable obligation. In the event such deliverable obligation cannot be sold, then its "actual liquidation value" shall be deemed to be zero (0), and the addition of such asset into the Account shall have no effect on the Covered Book Value.

Notwithstanding the foregoing, in the event any Replication Transaction ~~that takes the form of a credit default swap other than a CDX Untranched Transaction and~~ becomes an Impaired Security pursuant to Subsection 3.03(b) of ~~these~~this Investment Guidelines Schedule is transferred, assigned or novated to a third party prior to the settlement of such Replication Transaction, then for purposes of determining the foregoing adjustments, if any, a ~~cash~~ settlement shall be deemed to have occurred and the "~~Cash Settlement Amount~~actual liquidation value" for purposes of this Subsection 3.~~04~~06(c~~)(i)(B~~) shall be deemed to be the amount equal to (A) the notional amount of such Replication Transaction minus (B) the amount actually paid by the Account in connection with such transfer, assignment or novation~~. In the event any Replication Transaction that takes the form of a CDX Untranched Transaction and becomes an Impaired Security pursuant to Subsection 3.03(b) of these Investment Guidelines is transferred, assigned or novated to a third party prior to the settlement of such Replication Transaction, then there shall be no increase to the Covered Book Value as a result of such transfer, assignment or novation. If any term used in this Subsection is defined by reference to the applicable transaction documentation, and such transaction documentation does not in fact use such term, then such term shall be replaced for purposes of these Investment Guidelines with the equivalent term used in the applicable transaction documentation~~.

~~**3.04 Collateral Posted Under Derivative Instruments.** Notwithstanding anything to the contrary in Subsection 1.17(h) of the Contract, to the extent that the Account posts Securities as collateral for the benefit of the counterparty under a CSA with respect to any derivative transaction that is permissible hereunder, such Securities shall not be deemed to be Impaired Securities solely because such posting may be deemed to be an encumbrance on such Securities.~~

d. For Impairments of Total Return Swaps. In the case of any Replication Transaction that is deemed to be an Impaired Security pursuant to Subsection 3.03(c) of this Investment Guidelines Schedule, the Covered Book Value with respect to an affected total return swap shall be reduced by an amount equal to the product of (i) and (ii), where:

(i) is the notional value of the total return swap; and

(ii) is a fraction, the numerator of which is the original par value of the Impaired Securities under the total return swap and the denominator of which is the sum of the current par value of all securities within the index covered by the total return swap.

e. For Impairments of Repurchase Agreements. In the case of any repurchase agreement that is deemed to be an Impaired Security pursuant to Subsection 3.04 of this Investment Guidelines Schedule, the Covered Book Value shall be reduced by an amount equal to the greater of (i) termination or close out amount as determined pursuant to the applicable transaction document governing such deemed Impaired Security and (ii) zero (0) (such amount, the "Impairment Value" for this purpose). Following the termination of such repurchase agreement and the satisfaction in full by each party thereto of its respective payment obligations thereunder, in the event the amount actually received and accepted as full and final consideration by the Account in connection with such termination differs from the Impairment Value, then the Covered Book Value shall be adjusted accordingly to reflect the favorable/unfavorable variance between the Impairment Value and the amount actually received and accepted as full and final consideration by the Account in connection with such termination.

f. For Impairments of STIFs. In the case of any unit of a Permitted STIF that is deemed to be an Impaired Security pursuant to Subsection 3.05 of this Investment Guidelines Schedule, the Covered Book Value shall be reduced by the difference between $1.00 and the net asset value per unit of such Permitted STIF multiplied by the number of such units recorded to the Account, each as of the Impairment Date determined in accordance with Subsection 3.05. If the net asset value per unit of the Permitted STIF is subsequently reduced, the Covered Book Value shall then be reduced in an amount that reflects such additional reduction in the net asset value in accordance with the terms of the immediately preceding sentence. If such units are sold and the amount received by the Account in connection with such liquidation is less than the net asset value per unit of the affected Permitted STIF as of the Impairment Date or the date of any reductions in the net asset value per unit of the Permitted STIF that were subsequent to the Impairment Date and caused reductions to the Covered Book Value, then the Covered Book Value shall be reduced by such additional amount as is necessary to reflect such additional loss. In the event that after a reduction in the Covered Book Value pursuant to this Subsection 3.06(f) the net asset value per unit of the Permitted STIF is subsequently increased, the Covered Book Value shall then be increased by the amount of the increase in the net asset value per unit of the Permitted STIF multiplied by the number of such units recorded to the Account at such time.

g. For Impairments of Replication Transactions in the Form of Treasury Futures. In the case of any Replication Transaction that is deemed to be an Impaired Security pursuant to Subsection 3.03(e) of this Investment Guidelines Schedule, the Covered Book Value with respect to an affected Treasury futures position shall be reduced by an amount equal to the notional value of the Treasury futures position.

SECTION 4. IMMUNIZATION GUIDELINES

At all times on and after the Conversion Date, the Account shall continue to be managed in accordance with the Constant Duration Guidelines, except as otherwise set forth in the Immunization Guidelines set forth in this Section 4.

4.01 Duration

~~**a.**~~ **a.** From and after the thirtieth day after the Conversion Date, the Account Duration shall be equal to the then current number of years (and fractional portions thereof) remaining to the Maturity Date, plus or minus 10%.

~~**b.**~~ **b.** From and after the thirtieth day after the Conversion Date, the spread duration of the Account, determined in accordance with standard industry practice, shall be equal to the then current number of years (and fractional portions thereof) remaining to the Maturity Date, plus or minus 10%.

~~**c.** No Security shall be purchased that has a final maturity date falling after the Maturity Date.~~

~~d~~c. During the last 12 months prior to the Maturity Date, no Security shall have a final maturity date falling after the Maturity Date. For the avoidance of doubt, at this point any Securities with a final legal maturity longer than the Maturity Date shall be sold or disposed of.

4.02 Permitted Investments and Weightings Guidelines

~~a.~~ a. Within ninety days after the Conversion Date, any units of collective investment or mutual funds (other than Permitted STIF) held by the Account in accordance with Subsection 2.01(d) of this Investment Guidelines Schedule shall be liquidated (either in cash or in kind). As required by Subsection 3.02(b) of this Investment Guidelines Schedule, within one hundred twenty days after the Conversion Date, all Rating-Impaired Securities that would have been considered to be Impaired Securities but for Subsection 3.02(a) of this Investment Guidelines Schedule shall be sold or disposed of.

Commencing twelve months after the Conversion Date, the table set forth above in Subsection 2.01(a) of ~~these~~this Investment Guidelines Schedule shall cease to apply and from such time the table set forth immediately below shall apply. For the avoidance of doubt, at this time all Maximum Category Allocations and Maximum Sub-Category Allocations shall be in compliance with the table set forth below. With the exception of derivative transactions and repurchase agreements, the allocation weightings for each category and sub-category are on a market value basis and are expressed as a percentage of the Covered Market Value. The allocation weightings for duration/yield curve-related derivative transactions are based on their contribution to duration; for other derivatives, the allocation weightings are based on the gross notional amount of such derivative transactions and are expressed as a percentage of the Covered Market Value. The allocation weighting for repurchase agreements is based on the aggregate purchase price of all securities purchased and held at any time under all repurchase agreements and is expressed as a percentage of the Covered Market Value.

Category	**Maximum Category Allocation**	**Minimum Credit Quality at ~~time of~~ Purchase** [b, d]	**Sub-Category**	**Maximum Sub-Category Allocation**
~~Cash~~Cash, Money Market Instruments and Commercial Paper [c]	100%	N/A	Cash	100%
		A-1	~~Cash Equivalents~~Money Market Instruments	100%
~~Commercial Paper~~	~~25% [a]~~	A-1	Commercial Paper (inclusive of Corporate CP and Asset-Backed CP ~~(including single-seller and multi-seller~~)	~~10~~25%
			Corporate CP	25%
			Asset-Backed CP	10%
		See Subsection 2.09 above	Repurchase Agreements	25%
Government Debt Obligations [a, c]	100%	~~AAA [b]~~AA+	U.S. Treasuries	100%
			TIPS	10%
		AA+ [j]	U.S. Agency ~~Debentures – issued by FNMA~~Securities [l]	~~5~~40%
		N/A	~~U.S. Agency Debentures – issued by FHLMC~~Supranationals [g, i]	~~5~~0%
		N/A	~~U.S. Agency – issued by agencies other than FNMA or FHLMC~~Sovereigns [g, i]	~~5~~0%
			~~Government Guaranteed Bank Debt~~	~~10%~~
			~~Foreign Government Debt Obligations~~	~~10%~~

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		AA-	Municipal Bonds	0%
Agency RMBS ~~c~~ k	~~15%~~30%	~~AAA~~AA+	Fixed GNMA (non-CMO) m	15%
			Fixed FNMA (non-CMO) m	15%
			Fixed FHLMC (non-CMO) m	15%
			Fixed FHLB, VA, or NCUA (non-CMO) m	10%
			Agency Hybrid ARMs (non-CMOs)	10%
			Agency CMO	30%
			Long TBAs and Short TBAs n	0%
Non-Agency RMBS ~~d~~ k	~~0%~~10%	N/A	~~Option ARM~~Prime Non-Agency RMBS	0%
			~~Sub-Prime~~	~~0%~~
			~~Alt-A Fixed~~	~~0%~~
			~~Prime~~ Non-Agency CMO	~~0~~10%
CMBS c	~~10%~~5%	N/A	~~Super-Dupers~~Senior CMBS	~~10~~5%
~~Corporate Debt a e~~	~~10%~~	~~N/A~~	~~Industrials~~	~~10%~~
			~~Utilities~~	~~10%~~
			~~Financials~~	~~10%~~
ABS c	10%	N/A	Credit ~~Cards~~Card Receivables	~~5~~10%
			FFELP Student Loans	~~5~~10%
			Utility Rate Reduction Bonds	5%
			Auto Loans (prime only)	~~2~~5%
Corporate Debt a, c, g, h, i (Including Yankee Bonds)	20%	N/A	Industrials	15%
			Utilities	15%
			Financials	15%
Currency Hedge Derivatives g	0%	See Subsection 2.06(f) above	~~Aircraft~~Currency Futures and Forwards	~~2~~0%
Duration/Yield Curve-Related Derivatives e	~~± 20%~~ f±30%,and 0% in the last 12 months prior to the Maturity Date	See Subsection 2.06(f) above	Treasury Futures	~~N/A~~±15%
			Eurodollar Futures	~~N/A~~±30%
			Exchange-traded Options	±15%
			Interest Rate Swaps	~~N/A~~±15%
~~Other Derivatives~~	~~20% g~~	~~See Subsection 2.06(f) above~~	~~Currency Forward Contracts~~	~~5% g~~
Other Derivatives (includes only Hedging Transactions and Replication Transactions) f	5%	See Subsection 2.06(f) above	Purchase Credit Default Swaps and CDX ~~(~~Transactions (only for ~~purposes of~~ Hedging Transactions ~~only)~~)	5% ~~g~~
			~~Inverse Floaters/POs/IOs~~	~~0% g~~
			~~TBAs (for purposes of Hedging~~Sell Credit Default Swaps and CDX Transactions (only for Replication Transactions)	~~10% g~~ 2.5%
			Total Return Swaps and Asset Swaps o	2.5%

a ~~Investments in Corporate CP and Corporate Debt issued by corporations incorporated in permitted countries other than the United States may together constitute no more than 2%~~See Subsection 4.01(c) of ~~the Covered Market Value.~~
~~b See also Subsection 2.02(f) of these~~this Investment Guidelines~~.~~
~~c The Sub-Categories of Agency RMBS identify the particular agency that issued or guaranteed the related Agency Residential Mortgage-Backed Security (including,~~ Schedule for ~~the avoidance of doubt, the Agency CMO).~~non-U.S. issuer limits.
~~d Investments in Non-Agency CMOs shall be treated as investments in the Prime Non-Agency or the Alt-A Fixed backing such Non-Agency CMOs for purposes of calculating the Maximum Sub-Category Allocation of such Sub-Categories.~~
~~e Investments in Corporate Debt sold pursuant to Rule 144A with registration rights may constitute no more than 5% of the Covered Market Value.~~
~~f~~b See also Subsection 2.02 of this Investment Guidelines Schedule for additional credit quality restrictions.
c See also Subsections 2.01(e) and 4.01(c) of this Investment Guidelines Schedule regarding Rule 144A Securities and unregistered securities.

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d See Subsection 2.02(d) of this Investment Guidelines Schedule regarding maximum allowed amount of assets rated BBB.

e The Maximum Category Allocation for duration/yield curve-related derivatives is expressed in terms of a range of percentages of the Account Duration attributable to such ~~derivatives.~~ derivatives' contribution to duration. For this purpose, contribution to duration means the difference between the Account Duration disregarding the duration/yield curve-related derivatives and the Account Duration including the duration/yield curve-related derivatives. Such difference shall not fall outside the range of percentages of the Account Duration specified in the table above.

~~g~~f The Maximum Category Allocation and Maximum Sub-Category Allocation for derivatives other than duration/yield curve-related derivatives shall be calculated using the gross notional amount of each derivative transaction.

g No Non-U.S. Dollar Denominated Securities are allowed.

h See Subsection 4.01(c) of this Investment Guidelines Schedule for Yankee Bond limits.

i See Subsection 4.01(c) of this Investment Guidelines Schedule for Emerging Markets Securities limits.

j No Non-U.S. Agency Securities are allowed. U.S. Agency Securities must be rated AA+ or higher at time of purchase.

k See Subsection 4.01(c) of this Investment Guidelines Schedule for combined Agency RMBS and Non-Agency RMBS allocation limits.

l As classified under "Government-Related/Agencies" within the Barclays U.S. Aggregate Index.

m The identified Sub-Categories of Agency Fixed RMBS identify the particular agency that issued or guaranteed the related Agency Fixed Residential Mortgage-Backed Security.

n TBAs are not allowed.

o As used herein, "Asset Swaps" means a derivative instrument which allows a swap of a Security's fixed-rate coupons for floating-rate coupons or its floating-rate coupons for fixed-rate coupons (i.e., an interest rate swap). The use of Asset Swaps shall be considered a Hedging Transaction and the limits applicable to them shall be separate from those for duration/yield curve-related derivatives.

b. ~~Upon~~Commencing twelve months after the Conversion Date, there shall be no new (i) investments (whether in the form of cash positions or Replication Transactions) in Non-Agency RMBS, Corporate Debt, CMBS, ABS, Supranationals, and ~~ABS~~Sovereigns or (ii) derivative ~~transaction~~transactions that take the form of credit default swaps (including CDX ~~Untranched~~ Transactions~~). Commencing twelve months prior to the Maturity Date, the maximum permissible allocation to any combination of Non-Agency RMBS, Corporate Debt, CMBS, and ABS shall be 20% of the Covered Market Value.~~) or total return swaps.

c. Commencing twelve months after the Conversion Date, ~~there~~the following additional limitations shall ~~be no new investment or investment practice recorded~~apply:

The maximum permissible allocation to ~~the Account unless at such time its rating satisfies the "Minimum Credit Quality at time of Purchase" requirement~~ Yankee Bonds, a sub-set ~~forth~~of Corporate Debt, is 5% of the Covered Market Value.

The maximum permissible allocation to Yankee Bonds and Supranationals is 15% of the Covered Market Value.

The maximum permissible allocation to Non-U.S. Denominated Securities, Sovereigns, Eurodollar CP, and Non-U.S. Agency Securities is 0% of the Covered Market Value.

The maximum permissible allocation to any combination of Emerging Markets Securities is 0% of the Covered Market Value.

The maximum permissible allocation to any combination of Non-Agency RMBS, CMBS, and ABS is 20% of the Covered Market Value.

The maximum permissible allocation to any combination of Agency RMBS and Non-Agency RMBS is 30% of the Covered Market Value.

Investments in ~~the table~~Corporate Debt sold pursuant to Rule 144A with registration rights may constitute no more than 15% of the Covered Market Value. All other Rule 144A Securities must be liquidated.

At least 20% of the aggregate Covered Market Value shall be invested in ~~Subsection 4.02(a) of these Investment Guidelines.~~any combination of Cash, Money Market Instruments (excluding repurchase agreements), Cash Equivalents, Commercial Paper (excluding Eurodollar CP), and Government Debt Obligations (excluding Supranationals, Sovereigns, and Municipal Bonds) at all times (the "Immunization Minimum Liquid Holdings Requirement").

SECTION 5. BUFFER MAINTENANCE

General. No assets shall be deposited in new or existing benefit responsive agreements held in the Stable Value Fund at any time unless at such time the Fair Market Value of the Stable Value Fund's Liquidity Buffer (as defined in the definition of "Withdrawal Structure" set forth in the Withdrawal Schedule) is equal to at least 1.5% of the aggregate book value of the Stable Value Fund (including the assets recorded to the Liquidity Buffer) (such amount, the "Target Buffer Amount").

Replenishment. Notwithstanding any other provision of the Contract to the contrary, the Manager may liquidate or otherwise transfer Securities from the Account (such liquidations or other transfers, "Replenishment Withdrawals") for the sole purpose of replenishing the Liquidity Buffer on any day on which the Fair Market Value of the assets comprising the Liquidity Buffer (taking into account net inflows to the Liquidity Buffer on such day but without regard to the Replenishment Withdrawals contemplated for such day) is less than the Target Buffer Amount, provided, however, that (a) Replenishment Withdrawals, when aggregated with all other liquidations or transfers made from the Account and other Stable Value Fund assets on such day, shall not cause the Fair Market Value of the Liquidity Buffer to exceed 5.0% of the aggregate book value of the Stable Value Fund and (b) Replenishment Withdrawals may be used only to replenish the Liquidity Buffer for Book Value Payments funded from the Liquidity Buffer.

The Manager shall provide prior Written Notice to the Company of each Replenishment Withdrawal. Each such notice by the Manager shall constitute a representation and warranty to the Company that (x) the Fair Market Value of the Liquidity Buffer is less than the Target Buffer Amount, determined immediately prior to the Replenishment Withdrawal, (y) such Replenishment Withdrawal, when aggregated with all other withdrawals made from the Account and other Stable Value Fund assets on such day, will not cause the Liquidity Buffer to exceed 5.0% of the aggregate book value of the Stable Value Fund, determined immediately after such withdrawal, and (z) unless otherwise agreed by the Company and the Manager in writing, the portion of the Replenishment Withdrawal allocable to the Account shall be determined on a pro rata basis with all other assets of the Stable Value Fund (other than the Liquidity Buffer) based on the book value of such assets.

Notwithstanding the foregoing, at any time after the Conversion Date, Replenishment Withdrawals, when aggregated with all other liquidations or transfers made from the Account and other Stable Value Fund assets on such day, shall not cause the Fair Market Value of the Liquidity Buffer to exceed 3.0% of the aggregate book value of the Stable Value Fund.

The Covered Book Value shall be reduced by the Fair Market Value of the Securities transferred or liquidated in connection with each Replenishment Withdrawal effected since the immediately preceding Determination Date.

SECTION 6. MODIFICATION OF INVESTMENT GUIDELINES

The Investment Guidelines may be modified by means of a prior written agreement executed by the ~~Owner~~Manager and the Company.