



Mizuho Securities USA Inc.

1251 Avenue of the Americas Fl 33
New York, New York 10020

**IMPORTANT – NOTICE REGARDING
CHARGES FOR FAILURES TO DELIVER U.S. TREASURY SECURITIES**

Dear Client:

We are writing to inform you of an important change that we are making with respect to our transactions involving U.S. Treasury securities (“Treasuries”). As you may know, the Treasury Market Practices Group (the “TMPG”) and the Securities Industry and Financial Markets Association (“SIFMA”) have published a “U.S. Treasury Securities Fails Charge Trading Practice” (as modified and in effect from time to time and published by the TMPG and SIFMA at http://www.sifma.org/capital_markets/docs/Fails-Charge-Trading-Practice.pdf, the “Fails Charge Trading Practice”). We have decided to adopt this Fails Charge Trading Practice and, accordingly, we are notifying our clients that any delivery-versus-payment or delivery-versus-transfer transaction in Treasuries entered into on or after 12:01 a.m. New York time on **May 1, 2009** (the “Effective Date”) shall be deemed to be subject to the Fails Charge Trading Practice, unless otherwise agreed in respect of a particular transaction, as described more fully below.

By way of background, the Fails Charge Trading Practice provides a standardized procedure that market participants may elect to follow in order to assess and pay “Fails Charges” in connection with delivery failures involving Treasuries. The TMPG and SIFMA have recommended institution of the Fails Charge Trading Practice in order to reduce the overall incidence of fails in the marketplace which prevent efficient market clearing and undermine overall market liquidity, and to compensate a non-failing counterparty for the potential economic harm to it resulting from a fail (which is difficult to ascertain). The Federal Reserve Bank of New York participated in the development of and endorses the Fails Charge Trading Practice, and has indicated that it will adopt it in connection with its transactions in Treasuries.

By entering into any transaction with us for the delivery of Treasuries against the payment of funds or the transfer of securities on or after the Effective Date (including any cash purchase or sale, forward purchase or sale, Treasury option, repurchase (“repo”) or reverse repo transaction, or bonds borrow or loan transaction), you will be deemed to have agreed that such transaction will be subject to the Fails Charge Trading Practice, unless explicitly agreed otherwise with respect to a specific transaction. Similarly, by entering into any such transaction, we shall be deemed to have agreed that such transaction will be subject to the Fails Charge Trading Practice, unless explicitly agreed otherwise with respect to a specific transaction. Both of us also shall be deemed to have agreed for any such transactions that the failure to enforce such a Fails Charge in any one transaction or in multiple transactions shall not constitute a waiver of the foregoing rights with regard to any other transactions subject to a Fails Charge. The claim of a Fails Charge shall be without prejudice to any other rights or remedies under the applicable agreement governing the transaction or applicable law, and shall not constitute a waiver of the non-failing party’s right to exercise any other remedy.

Fails Charges will be calculated and billed according to the recommendations of the TMPG.

We appreciate your anticipated cooperation and understanding and thank you for your continued business and support. Should you have any questions regarding the foregoing, please contact Richard Visco, Director Fixed Income Operations at (201) 626 - 1288 or Jon Blizzard, Fixed Income Compliance at (212) 209 – 9446.

Very truly yours,

Mizuho Securities USA Inc.