

payment to equalize any difference between the total aggregate market value of the Deposit Securities and the NAV per Creation Unit of the Fund ("Balancing Amount").⁶ An investor purchasing a Creation Unit from a Fund will be charged a fee ("Transaction Fee") to prevent any dilution of the interests of remaining shareholders due to the Fund incurring costs in connection with the investor's purchase of the Creation Unit(s).⁷ Each purchaser of a Creation Unit will receive a prospectus for the VIPER Shares (the "VIPER Prospectus") that discloses the maximum Transaction Fee, and the method of calculating Transaction Fees will be disclosed in the Fund's statement of additional information ("SAI"). A Fund's Conventional Shares will be covered by a separate prospectus (the "Conventional Prospectus").

7. All orders to purchase Creation Units must be received by VMC no later than the closing time of the NYSE on the date the order is placed in order to receive NAV as determined that day. VMC will transmit all purchase orders to the Funds, maintain a record of each Creation Unit purchaser, and send out a VIPER Prospectus and confirmation to such purchasers.

8. The purchaser of a Creation Unit will be able to separate the Creation Unit into individual VIPER Shares.⁸

when the security underlying the ADR is difficult or costly for Authorized Participants to obtain or designating the ADR as a Deposit Security will otherwise enhance pricing and liquidity.

⁶ On each business day, prior to the opening of trading on the Exchange, VGI will make available through DTC or VMC the list of the names and the required number of shares of each Deposit Security to be included in the Creation Deposit for each Fund. Each Fund reserves the right to permit or require the purchaser of a Creation Unit to substitute cash or a different security to replace a Deposit Security under certain circumstances.

⁷ When a Fund permits an investor to substitute cash for a Deposit Security, the investor may be assessed a higher Transaction Fee to offset the increased cost to the Fund of buying the necessary Deposit Security for its portfolio.

⁸ Applicants state that persons purchasing Creation Units will be cautioned in the VIPER Prospectus that some activities on their part may, depending on the circumstances, result in their being deemed a statutory underwriter and subject them to the prospectus delivery and liability provisions of the Securities Act. For example, a broker-dealer firm and/or its client may be deemed a statutory underwriter if it purchases Creation Units from a Fund, breaks them down into the constituent VIPER Shares, and sells VIPER Shares directly to its customers, or if it chooses to couple the purchase of a supply of new VIPER Shares with an active selling effort involving solicitation of secondary market demand for VIPER Shares. The VIPER Prospectus will state that whether a person is an underwriter depends on all the facts and circumstances pertaining to that person's activities. The VIPER Prospectus also will state that broker-dealer firms should note that dealers who are not "underwriters" but are participating in a distribution (as contrasted to an ordinary secondary

VIPER Shares will be listed on an Exchange and traded in the secondary market in the same manner as shares of other exchange-traded funds. One or more Exchange specialists ("Specialists") will be assigned to make a market in the VIPER Shares. The price of VIPER Shares traded on an Exchange will be based on a current bid/offer market, and each VIPER Share is expected to have an initial market value of between \$10 and \$150. Transactions involving the sale of VIPER Shares in the secondary market will be subject to customary brokerage commissions and charges.

9. Applicants expect that purchasers of Creation Units will include institutional investors and arbitrageurs. A Specialist, in providing for a fair and orderly secondary market for VIPER Shares, also may purchase Creation Units for use in its market making activities on the Exchange. Applicants expect that secondary market purchasers of VIPER Shares will include both institutional and retail investors.⁹ Applicants believe that arbitrageurs will purchase or redeem Creation Units to take advantage of discrepancies between the VIPER Shares' market price and the VIPER Shares' NAV. Applicants expect that this arbitrage activity will provide a market discipline that will result in a close correspondence between the price at which the VIPER Shares trade and their NAV. Applicants do not expect VIPER Shares to trade at a significant premium or discount to their NAV.¹⁰

10. Applicants will make available a VIPER Shares product description ("Product Description") for distribution in accordance with an Exchange rule requiring Exchange members and member organizations effecting transactions in VIPER Shares to deliver a Product Description to investors purchasing VIPER Shares, whether on or away from the Exchange. Applicants state that any other Exchange that applies for unlisted trading privileges in

trading transaction), and thus dealing with VIPER Shares that are part of an "unsold allotment" within the meaning of section 4(3)(C) of the Securities Act, would be unable to take advantage of the prospectus delivery exemption provided by section 4(3) of the Securities Act.

⁹ VIPER Shares will be registered in book-entry form only. DTC or its nominee will be the registered owner of all outstanding VIPER Shares. Records reflecting the beneficial owners of VIPER Shares will be maintained by DTC or its participants.

¹⁰ Every 15 seconds throughout the trading day, the Exchange will disseminate via the facilities of the Consolidated Tape Association the market value of a VIPER Share and, separate from the consolidated tape, a calculation of the estimated NAV of a VIPER Share. Applicants state that an investor comparing the two figures will be able to determine whether, and to what extent, VIPER Shares are selling at a premium or discount to NAV.

VIPER Shares will have to adopt a similar rule, requiring delivery of the Product Description. The Product Description will provide a plain English overview of a Fund, including its investment objective and investment strategies, the identity of VGI, the material risks of investing in the Fund, and the composition and frequency of distributions. The Product Description also will provide a brief, plain English description of the salient features of VIPER Shares. The Product Description will advise investors that a VIPER Prospectus and SAI may be obtained, without charge, from the investor's broker or from VMC. The Product Description also will identify a Web site address where investors can obtain information about the composition and compilation methodology of the Target Index. Applicants expect that the number of purchases of VIPER Shares in which an investor will not receive a Product Description will not constitute a significant portion of the market activity in VIPER Shares.

11. Except in connection with the liquidation of a Fund (or of a Fund's VIPER Share class), VIPER Shares will only be redeemable in Creation Unit aggregations through each Fund. An investor redeeming a Creation Unit generally will receive (a) a basket of securities ("Redemption Securities"), which in most cases will be the same as the Deposit Securities required of investors purchasing Creation Units on the same day, and (b) a cash amount equal to the difference in the value of the Redemption Securities and the NAV of a Creation Unit, which in most cases will be the same as the Balancing Amount paid (or received) by investors purchasing Creation Units on the same day. A Fund may make redemptions partly or wholly in cash in lieu of transferring one or more Redemption Securities to a redeeming investor, if the Fund determines that such alternative is warranted. The Fund may make such a determination if, for example, a foreign country's regulations restrict or prohibit a redeeming investor from holding a particular issuer's securities. In order to cover the Fund's transaction costs, redeeming investors will pay a Transaction Fee.¹¹

12. The Funds intend to offer holders of Conventional Shares (except those holding Conventional Shares through a 401(k) or other participant-directed employer-sponsored retirement plan) the opportunity to exchange some or all of those shares for the Fund's VIPER

¹¹ Investors who redeem for cash, rather than in kind, may pay a higher Transaction Fee.