

EXHIBIT 3

Determination Whether a Financial Instrument Is a Derivative

SFAS 133, paragraph 6, defines a derivative instrument as a financial instrument or other contract with all three of the following characteristics:

- It has one or more underlyings and one or more notional amounts or payment provisions, or both.
- It requires no initial net investment, or it requires an initial net investment that is smaller than would be required for other types of contracts expected to respond similarly to changes in market factors.
- Its terms require or permit net settlement; it can readily be settled net by a means outside the contract; or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

“Notional amount”: A number of currency units, shares, bushels, pounds, or other units specified in a derivative instrument.

“Underlying”: A specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable (including the occurrence or nonoccurrence of a specified event such as a scheduled payment under a contract). An underlying may be a price or rate of an asset or liability but is not the asset or liability itself.

“Initial net investment”: Many derivative instruments require no initial net investment. A nominal initial net investment representing compensation for time value or for terms that are more or less favorable than market conditions does not preclude the instrument from being classified as a derivative.

“Net settlement”: A contract with settlement provisions meeting one of the following criteria:

- Neither party is required to deliver an asset that is associated with the underlying and that has a principal amount, stated amount, face value, number of shares, or other denomination that is equal to the notional amount (or the notional amount plus a premium or minus a discount).
- One of the parties is required to deliver an asset of the type described in the first bullet above, but the contract specifies a market mechanism that facilitates net settlement.
- One of the parties is required to deliver an asset of the type described in the first bullet above, but that asset is readily convertible to cash or is itself a derivative instrument.