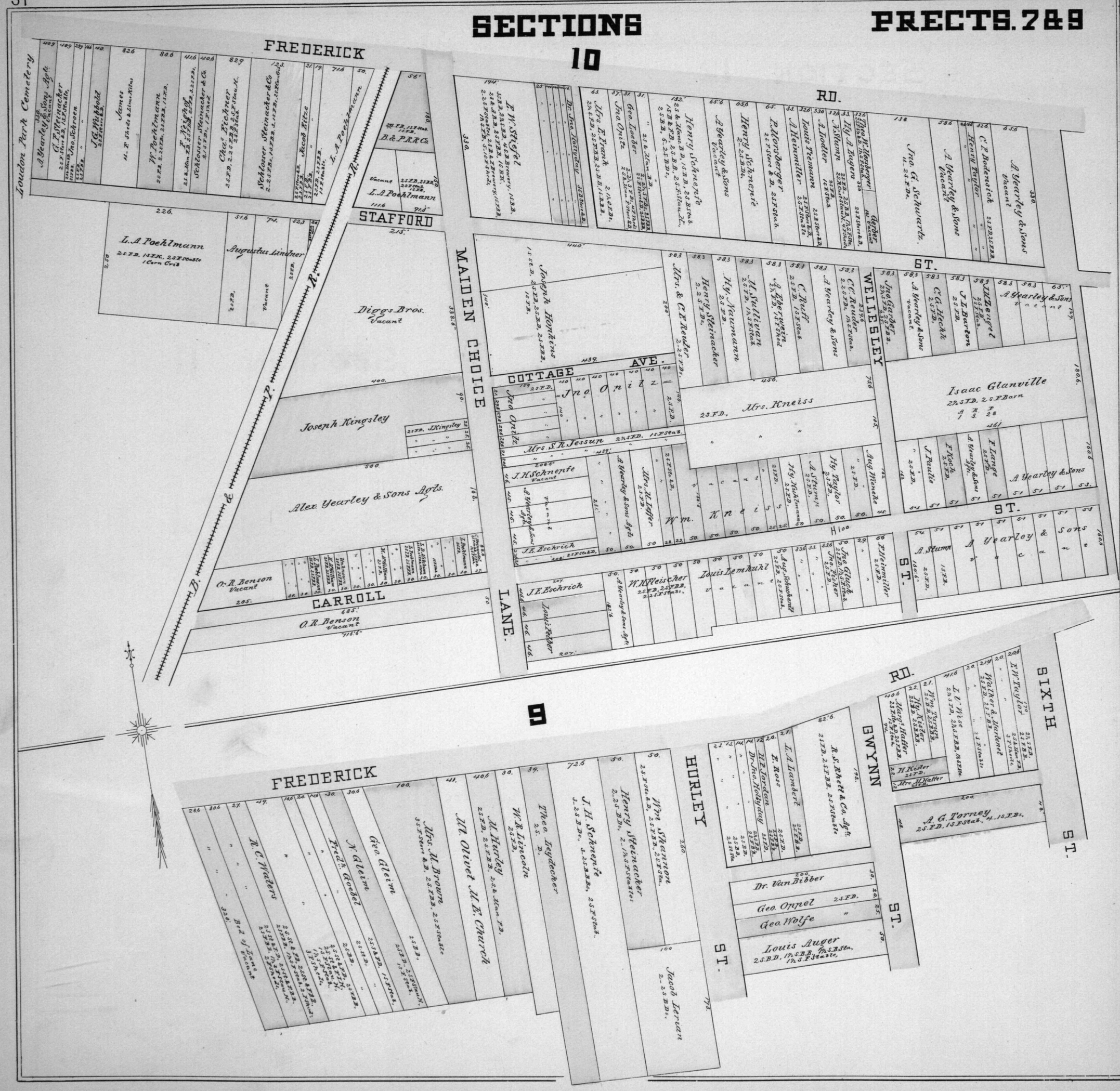SECTIONS 10 9 — PRECTS. 7 & 9