

**SERIES PROSPECTUS**

**SAPHIR FINANCE PUBLIC LIMITED COMPANY**  
*(incorporated with limited liability in Ireland)*

**SERIES NO: 2008-13**

**USD34,700,000**

**SYNTHETIC PORTFOLIO NOTES DUE 2010**

**Issue Price: 100 per cent.**

**issued pursuant to the**  
**Multi-Issuer**  
**Secured Obligation Programme**  
**arranged by**

**LEHMAN BROTHERS INTERNATIONAL (EUROPE)**

Linklaters  
ACM/JWON

The date of this Series Prospectus is 15 August 2008

Under the Multi-Issuer Secured Obligation Programme (the “**Programme**”), Saphir Finance Public Limited Company (the “**Issuer**”) may from time to time issue Notes and other secured obligations on the terms set out in the Base Prospectus dated 18 July 2008 relating to the Programme (the “**Base Prospectus**”) as supplemented, in relation to each issue, by a Series Prospectus applicable to such issue. This Series Prospectus is the Series Prospectus applicable to the issue by the Issuer of its Series 2008-13 USD34,700,000 Synthetic Portfolio Notes due 2010 (the “**Notes**”). Terms defined in the Base Prospectus have the same meaning in this Series Prospectus.

The obligations of the Issuer under the Notes will be secured as described in “Security Arrangements”.

This Series Prospectus is supplemental to, and should be read in conjunction with, the Base Prospectus. Subject as set out below, the Issuer accepts responsibility for the information contained in this Series Prospectus. To the best of the knowledge and belief of the Issuer, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The delivery of the Series Prospectus at any time does not imply that any information contained therein is correct at any time subsequent to the date hereof. The information on page 36 in relation to the Collateral (as defined herein), the information on page 55 in relation to the Reference Registry (as defined herein) and the information on page 95 in relation to the Swap Counterparty and the Swap Guarantor has, in each case, been accurately extracted from publicly available information. So far as the Issuer is aware and is able to ascertain from information published in relation to the Reference Registry, the Collateral, the Swap Counterparty and the Swap Guarantor, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Application will be made to the Irish Financial Services Regulatory Authority (“**IFSRA**”), as competent authority under Directive 2003/71/EC (the “**Prospectus Directive**”), for this Series Prospectus to be approved. Upon approval of this Series Prospectus by the IFSRA, this Series Prospectus will be filed with the Companies Registration Office in Ireland in accordance with Regulation 38(1)(b) of the Prospectus (Directive 2003/71/EC) Regulations 2005. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that any such application will be successful. This Series Prospectus will, subject to it being approved by the IFSRA, comprise a “prospectus” for the purposes of the Prospectus Directive.

The Notes shall have the same terms and conditions as those relating to the Series 2005-8 Notes issued by the Issuer on 25 May 2005, as amended by the provisions set out in the Master Issue Deed scheduled to the terms and conditions. The Series 2005-8 Notes were on issue assigned a rating of “AAA” by Standard & Poor’s Rating Services, a division of McGraw-Hill Companies Inc. (“**S&P**”). The credit rating of the Series 2005-8 Notes as of the issue date of the Series 2008-13 Notes is expected to be assigned by S&P to the Series 2008-13 Notes. There is however no assurance that the Issuer will be able to obtain such an assignment of rating for the Notes as it is subject to S&P information and other requirements. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes. The occurrence of one or more Credit Events and/or a suspension, reduction or withdrawal of the rating assigned to any Reference Entity may result in a severe reduction of the rating assigned to the Notes.

**Purchasers of Notes should note that the Notes are credit-linked to the Reference Entities from time to time comprised in the Reference Registry. The performance of any investment in the Notes will be dependent on the Reference Entities from time to time comprised in the Reference Registry.**

In addition to the Notes being credit-linked to the Reference Entities, holders of the Notes will also have exposure to the Collateral. Impairment of the Collateral may result in a negative rating action on the Notes.

Purchasers of Notes should conduct such independent investigation and analysis regarding the Issuer, the security arrangements and the Notes as they deem appropriate to evaluate the merits and risks of an investment in the Notes. In particular, purchasers should note that the credit risk of the Notes includes that of the Collateral, the Swap Counterparty and the Reference Entities and that the Notes allow a purchaser to obtain the stated coupon in exchange for assuming such credit risk. The coupon and Initial Principal Amount may be at risk if one or more Credit Events occur and in certain circumstances the Notes may redeem at zero. The Subordination Amount is USD242,900,000. The Reference Entity Notional Amount in respect of each Reference Entity is USD27,760,000. Based on the Reference Registry as set out page 55 herein, upon the occurrence of 9 Credit Events, assuming a recovery rate of zero, the Outstanding Principal Amount of each Note on which the Redemption Amount will be calculated, will start to reduce. Upon the occurrence of 10 Credit Events, assuming a recovery rate of zero, the Outstanding Principal Amount of each Note will be reduced to zero. There is no active trading market for the Notes and it is highly unlikely that an active secondary market for the Notes will develop. Accordingly a lack of liquidity and price volatility may exist.

The Arranger makes no representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Notes and accepts no responsibility or liability therefor.

The Notes will be issued on the terms set out in this Series Prospectus read together with the Base Prospectus.

This Series Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Series Prospectus or any other offering material in any jurisdiction where such action is required.

In this Series Prospectus, references to “**euro**”, “**EUR**” and “**€**” refer to the currency introduced from the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union, references to “**AUD**” and “**A\$**” are to Australian dollars, and references to “**USD**”, “**US\$**” and “**U.S. dollars**” are to United States dollars.

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## **DOCUMENTS INCORPORATED BY REFERENCE**

This Series Prospectus should be read and construed in conjunction with the Base Prospectus which has been previously published and approved by IFSRA or filed with the Irish Stock Exchange and shall be deemed to be incorporated in, and form part of, this Series Prospectus, save that any statement contained in any of the documents incorporated by reference in, and forming part of, this Series Prospectus shall be deemed to be modified or superseded for the purpose of this Series Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Series Prospectus. Terms used herein but not otherwise defined shall have the meanings given to them in the Base Prospectus. This Series Prospectus must be read in conjunction with the Base Prospectus and full information on the Issuer and the Notes is only available on the basis of the combination of the provisions set out within this document and the Base Prospectus.

Copies of the documents incorporated by reference in this Series Prospectus are available for viewing at the registered offices of the Issuing and Paying Agent.

## SUMMARY

This summary must be read as an introduction to and in conjunction with the Series Prospectus dated 15 August 2008 (the “**Series Prospectus**”) in relation to the Series 2008-13 USD34,700,000 Synthetic Portfolio Notes due 2010 (the “**Notes**”) issued by Saphir Finance Public Limited Company (the “**Issuer**”) and any decision to invest in the Notes should be based on a consideration of the Series Prospectus as a whole, including the documents incorporated by reference. No civil liability in respect of this summary will attach to the Issuer in any Member State of the European Economic Area in which the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) have been implemented unless this summary, including any translation thereof, is misleading, inaccurate or inconsistent when read together with the other parts of the Series Prospectus. Where a claim relating to the information contained in the Series Prospectus is brought before a court in such a Member State, the plaintiff may, under the national legislation of that Member State, be required to bear the costs of translating the Series Prospectus before the legal proceedings are initiated.

Words and expressions which are not otherwise defined in this Summary shall have the meanings given to them in the Terms and Conditions of the Notes in the Series Prospectus.

### DESCRIPTION OF THE ISSUER

#### *General*

The Issuer was registered and incorporated in Ireland on 21 March 2003 under the Irish Companies Acts 1963 - 2001 (as amended), registration number 368893. The Issuer has been established as a special purpose vehicle for the purpose of issuing asset backed securities. The Issuer has been incorporated for an indefinite period. The Registered Office of the Issuer is at AIB International Centre, International Financial Services Centre, Dublin 1, telephone number 00 353 1 874 0777. The authorised share capital of the Issuer is Euro 40,000 divided into 40,000 ordinary shares of Euro 1 each, all of which have been issued and fully paid up. 39,994 of the issued ordinary shares are held by Mourant & Co. Trustee Limited as share trustee (the “Share Trustee”) and the remaining six are held by six nominee shareholders which hold such shares on trust for the Share Trustee. Under the terms of a declaration of trust (the “Declaration of Trust”) dated on or about 7 April 2003 the Share Trustee holds all the issued shares held directly or indirectly by it on trust for the holders of Notes and counterparties to other Transactions until all payments in respect of such Notes and other Transactions have been duly made and thereafter on trust for one or more Qualified Charities (as defined in the Declaration of Trust). The Share Trustee has no beneficial interest in and derives no benefit (other than its fees for acting as Share Trustee) from its holding of the shares of the Issuer.

#### *Business*

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation under the Irish Companies Acts 1963-2001, the accession to the Programme, the authorisation and issue of various Series of Notes under the Programme and the entry into of the related Relevant Transactions, the matters referred to or contemplated in the Base Prospectus and the authorisation, execution, delivery and performance of the other documents to which it is or will be a party and matters which are incidental or ancillary to the foregoing. The principal objects of the Issuer are set forth in Clause 3.1 of its Memorandum of Association and include, inter alia, the management of financial assets, the purchase, transfer of, investment in and acquisition of, by any means, of loans, bonds or other obligations, including the extension of credit and any security therefore and the raising and borrowing of money and the granting of security over its assets for such purposes. So long as any of the Obligations of the Issuer remain outstanding, The Issuer will not, inter alia, (a) enter into any business whatsoever, other than acquiring Mortgaged Property, issuing Notes or creating other Obligations or entering into a similar limited recourse transaction, entering into related agreements and transactions and performing any act incidental to or in connection with

the foregoing, (b) have any subsidiaries, (c) have any employees or (d) dispose of any Mortgaged Property or any interest therein or create any mortgage, charge or security interest or right of recourse in respect thereof in favour of any person (other than contemplated by the Base Prospectus).

#### **DESCRIPTION OF THE NOTES**

The Notes shall have the same terms and conditions as those relating to the Series 2005-8 Notes issued by the Issuer on 25 May 2005, as amended by the provisions set out in the Master Issue Deed scheduled to the terms and conditions of the Notes. The Notes pay a floating rate interest of 6-month LIBOR plus 0.65 per cent. per annum every six months on 26 May and 26 November in each year. The Notes are credit-linked to the Reference Entities from time to time comprised in the Reference Registry. The interest amount and Initial Principal Amount may be at risk if one or more Credit Events occur and in certain circumstances the Notes may redeem at zero. Based on the Reference Registry as set out in the Series Prospectus and the Reference Entity Notional Amount of each Reference Entity as set out therein, upon the occurrence of 9 Credit Events in respect of Reference Entities with the Maximum Reference Entity Notional Amount, assuming a recovery rate of zero, the Outstanding Principal Amount of each Note on which the Redemption Amount will be calculated, will start to reduce. Upon the occurrence of 10 Credit Events in respect of Reference Entities with the Maximum Reference Entity Notional Amount, assuming a recovery rate of zero, the Outstanding Principal Amount of each Note will be reduced to zero.

The Notes are secured, inter alia, on the Collateral and the Issuer's rights under the Swap Agreement entered into with Lehman Brothers Special Financing Inc.

#### **SUMMARY OF OFFER BY THE ISSUER**

The entire issue amount of the Notes will be subscribed on the Issue Date by a special purpose vehicle issuer as collateral securities securing certain notes (previously secured by, inter alia, the Series 2005-8 Notes) issued by such special purpose vehicle issuer. The Issuer is issuing the Notes in consideration of the Series 2005-8 Notes being delivered to the Issuer in exchange for the Notes. On the Issue Date, the special purpose vehicle issuer has given notice of such subscription and exchange to its noteholders through Euroclear and Clearstream Luxembourg.

#### *Listing*

The Issuer will apply for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange.

#### **RISK FACTORS**

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in the Series Prospectus, the Base Prospectus (including any documents incorporated by reference therein) and in the applicable Final Terms and reach their own views prior to making any investment decision.

#### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued**

##### *The Issuer is a special purpose vehicle*

The Issuer's sole business is the raising of money by issuing notes or other obligations for the purposes of purchasing assets and entering into related derivatives and other contracts. The Issuer has covenanted not to have any subsidiaries or employees, consolidate or merge with any other person or issue any shares (other than such shares as were in issue on the date of its incorporation). As such, the Issuer has, and will have, no

assets other than its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of Notes or entry into other obligations from time to time and any Mortgaged Property and any other assets on which Notes or other obligations are secured. There is no day to day management of the business of the Issuer.

### **Risks relating to the Notes**

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Limited recourse obligations*

The Notes are direct, secured, limited recourse obligations of the Issuer payable solely out of the assets charged by the Issuer in favour of the Trustee on behalf of the Noteholders and the other secured parties. The Issuer will have no other assets or sources of revenue available for payment of any of its obligations under the Notes. The Noteholders will have no right to take title to, or possession of, the charged assets unless the Trustee, having become bound to do so, fails or neglects to take action against the Issuer and such failure or neglect is continuing. No assurance can be made that the proceeds available for and allocated to the repayment of the Notes at any particular time will be sufficient to cover all amounts that would otherwise be due and payable in respect of the Notes. If the proceeds of the realisation of the Mortgaged Property received by the Trustee for the benefit of the Noteholders prove insufficient to make payments on the Notes, no other assets will be available for payment of the shortfall, and, following distribution of the proceeds of such realisation, the Issuer will have no further obligation to pay any amounts in respect of such shortfall and accordingly no debt will be owed by the Issuer in respect of any such shortfall.

Further, the Trustee and the Noteholders will not be entitled at any time to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Issuer.

No person other than the Issuer will be obliged to make payments on the Notes.

#### *Early Redemption for tax or legal reasons*

The Issuer may for specified tax or legal reasons, as detailed in Condition 6(d), upon giving notice to Noteholders, redeem all Notes earlier than the Maturity Date. If the Issuer redeems Notes early in such circumstances, the Issuer will, if and to the extent permitted by applicable law, pay each Noteholder the Early Redemption Amount on the date specified in the Conditions. Such Early Redemption Amount is not principally protected and will be calculated in accordance with the Conditions.

#### *Priority of claims*

The ranking of the relative claims of, inter alios, the Noteholders and the Swap Counterparty (if any) over the Mortgaged Property will be specified in the applicable Final Terms. The claims of the Swap Counterparty (if any) may rank senior to those of Noteholders. The claims of the Trustee for its fees and expenses rank senior to the claims of the Noteholders. Claims of Noteholders of a Series of Notes may rank senior or junior to those of holders of Related Notes, Claims of Noteholders may also rank junior to certain claims of the Custodian, Account Bank and Issuing and Paying Agent.

### **Risks relating to the Collateral**

#### *No investigations*

No investigations, searches or other enquiries will be made by or on behalf of the Issuer or the Trustee in respect of the Collateral and no representations or warranties, express or implied, will be given by the Issuer, the Dealers, the Trustee or any other person on their behalf in respect of the Collateral.

#### *Collateral*



Depending on the nature of Collateral in respect of the relevant Notes, Noteholders may be exposed to the market price of the Collateral. The Issuer may have to fund its payments by the sale of Collateral at a market value and the nominal amount of the Collateral will be reduced by the principal amount of the Collateral sold. The market price of the Collateral will generally fluctuate with, among other things, the liquidity and volatility of the financial markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the issuer of the Collateral.

*Early Redemption for Collateral default*

If any of the Collateral becomes repayable prior to its stated date of maturity for whatever reason or (unless the Trustee otherwise agrees) there is a payment default (after the expiry of any grace period specified in the terms and conditions of the Collateral in existence as at the later of the issue date of the Notes and the date on which such Collateral was issued) in respect of any of the Collateral, the Issuer shall give notice to the Trustee and Noteholders and upon expiry of such notice shall redeem the Notes in whole or in part on the basis set out in Condition 6(c). The Notes are not principal protected in such circumstances and the amount payable to Noteholders will be calculated in accordance with the Conditions.

**Risks relating to the counterparties**

*Reliance on creditworthiness of other parties*

The ability of the Issuer to meet its obligations under the Notes may depend on the receipt by it of payments under the Swap Agreement. Consequently, in such circumstances, the Issuer is exposed to the ability of the Swap Counterparty (if any) and, failing which, of the Swap Guarantor (if any) to perform their obligations in respect of the relevant Swap Agreement.

The receipt by the Issuer of payments under a Swap Agreement may also be dependent on the timely payment by the Issuer of its obligations under that Swap Agreement. The ability of the Issuer to make timely payment of its obligations under the relevant Swap Agreement may depend on receipt by it of the scheduled payments under the Collateral. Consequently, the Issuer may also be exposed to the ability of the issuer of the Collateral to perform its payment obligations.

If acquired, Collateral will be held in an account of, and in the name of, the Custodian. Money market funds and cash may be held in an account of, and in the name of, the Account Bank. Where Collateral consists of assets other than securities, it may be held in the name of or under the control of the Custodian or in such other manner as is approved by the Trustee. The Custodian may be responsible under the Agency Agreement for receiving payments on the Collateral and remitting them as may be required in the context of the Notes.

## TERMS AND CONDITIONS OF THE NOTES

The terms of the Series 2008-13 Notes (the “Notes”) and additional provisions relating to their issue are as follows. The Notes shall have the same terms and conditions as those relating to Series 2005-8 issued by the Issuer on 25 May 2005 as set out below, as amended or supplemented by the provisions set out in the Master Issue Deed dated 29 July 2008, a copy of which is scheduled to these terms and conditions.

Capitalised terms used but not otherwise defined in these Conditions shall have the meanings given to such terms in the Swap Confirmation, the form of which is set out in Annex 3 hereto.

The Notes are credit-linked to the Reference Entities for the time being comprised in the Reference Registry maintained by the Calculation Agent in accordance with the Swap Confirmation.

The Reference Registry in effect as of the issue date of the Series 2005-8 Notes is set out in Schedule A to the Swap Confirmation.

1	Issuer:	Saphir Finance Public Limited Company.
2	Series No:	2005-8.
3	Tranche No:	Not applicable.
4	ISIN (N.B. see paragraph 55 below for Common Code):	XS0220691363
5	Currency:	U.S. dollars (“USD”).
6	Principal Amount of Tranche:	
	(i) Initial Principal Amount:	USD34,700,000. The Aggregate Outstanding Principal Amount (as defined below) of the Notes is subject to reduction from time to time in accordance with the provisions set out below.
	(ii) Reduction of Principal Amount:	If, at any time, the Swap Counterparty under the Swap Agreement determines that one or more Credit Events has or have occurred during the Credit Observation Period with respect to a Reference Entity, a Benchmark Obligation or the Obligations of a Reference Entity and the Conditions to Settlement with respect to such Credit Event have been satisfied by the Swap Counterparty, the aggregate Outstanding Principal Amount of the Notes (the “ <b>Aggregate Outstanding Principal Amount</b> ” of the Notes) will be reset by the Calculation Agent with effect from the relevant Event Determination Date with respect to such Credit Event(s) so as to equal: <ul style="list-style-type: none"><li>(i) the Initial Principal Amount of the Notes, minus</li><li>(ii) the amount (if any) by which the Cumulative Loss Amount (following calculation of the Cash Settlement Amount in respect of such Credit Event(s)) exceeds the Subordination Amount, subject to a minimum of zero.</li></ul>

The “**Outstanding Principal Amount**” means, with respect

to each Note at any time, an amount in USD (rounded down to the nearest cent) equal to the Aggregate Outstanding Principal Amount of the Notes, divided by the total number of Notes outstanding as at such time, as determined by the Calculation Agent in its sole discretion.

The Calculation Agent hereunder shall determine the amount by which the Aggregate Outstanding Principal Amount is reduced and the date of such reduction in accordance with the amounts notified to it by the Swap Calculation Agent pursuant to the Swap Agreement.

The Calculation Agent shall promptly notify the Issuer, the Trustee, the Principal Paying Agent, S&P and the Swap Counterparty of any reduction of the Aggregate Outstanding Principal Amount of the Notes hereunder. Notwithstanding anything to the contrary contained in Condition 14, upon receipt of such notification from the Calculation Agent, the Principal Paying Agent shall promptly notify Noteholders of the same in accordance with the Conditions.

7	Issue Date:	25 May 2005.
8	Form:	Bearer.
9	Denomination:	USD10,000
10	Status:	Secured and limited recourse obligations, as described under “Security Arrangements” below.
11	Interest Commencement Date:	25 May 2005.
12	Interest Rate (including after Maturity Date):	Floating Rate.
	(i) Interest Accrual:	Notwithstanding anything to the contrary contained in Conditions 5(a) and 5(f) and subject to the Interest Accrual Adjustment provisions set out in sub-paragraph (ii) below, in respect of each Interest Accrual Period, each Note shall bear interest on its Weighted Average Outstanding Principal Amount in respect of such Interest Accrual Period at the rate per annum (expressed as a percentage) equal to the Interest Rate, such interest being payable in arrear on each Interest Payment Date.

The amount of interest payable in respect of any Interest Payment Date shall be calculated by the Calculation Agent on the relevant Interest Determination Date by calculating the product of (a) the Interest Rate; (b) the Weighted Average Outstanding Principal Amount of such Note for the relevant Interest Accrual Period; and (c) the Day Count Fraction.

For the purposes hereof:

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange

markets settle payments in London, Hong Kong and New York.

“**Interest Determination Date**” means, in respect of each Interest Payment Date, the Business Day immediately preceding such Interest Payment Date; and

“**Weighted Average Outstanding Principal Amount**” means, in respect of each Note in respect of each period for which such amount is calculated, the sum of the Outstanding Principal Amounts of such Note for each calendar day during such period, divided by the actual number of calendar days in such period.

For the avoidance of doubt, in the event that the Scheduled Maturity Date shall be extended to the date upon which the proceeds of redemption of the Securities are received by the Issuer in accordance with paragraph 26 below, no interest shall be payable in respect of such extension period.

(ii) Interest Accrual Adjustment:

With respect to any Interest Payment Date, in the event that, in respect of any Interest Accrual Period and its related Interest Determination Date:

- (a) (i) an Event Determination Date has occurred with respect to a Reference Entity on or prior to such Interest Determination Date but the relevant Reference Entity Valuation Date with respect to such Reference Entity has not occurred; and/or
  - (ii) a Potential Failure to Pay has occurred with respect to a Reference Entity on or prior to such Interest Determination Date and such Potential Failure to Pay has not been cured on or prior to such Interest Determination Date; and/or
  - (iii) a Potential Repudiation/Moratorium has occurred with respect to a Reference Entity that is a Sovereign on or prior to such Interest Determination Date and such Potential Repudiation/Moratorium has not ceased to exist on or prior to such Interest Determination Date;
- (each Reference Entity referred to in sub-paragraphs (i), (ii) and (iii) above, an “**Adjustment Reference Entity**”); and
- (b) the sum of the Mezzanine Loss Amount and the aggregate of the Reference Entity Notional Amount(s) in respect of all the relevant Adjustment Reference Entities is greater than zero, the Issuer shall, subject as provided below, pay to the holder of each Note:
    - (1) the Partial Interest Amount (if any) on the relevant Interest Payment Date;

- (2) the Deferred Interest Amount (if any) in respect of each such Adjustment Reference Entity on the related Deferred Interest Payment Date; and
- (3) the interest accrued in respect of the period from and including the relevant Interest Payment Date to, but excluding, the related Deferred Interest Payment Date, at a rate equal to USD-Federal Funds-H.15 (as defined in the 2000 ISDA Definitions Annex) for each day during such period (the “**FF Rate**”) on an amount equal to the Deferred Interest Amount which shall be paid on such related Deferred Interest Payment Date.

A Potential Failure to Pay or Potential Repudiation/Moratorium which exists on the Interest Determination Date in respect of the Interest Payment Date that falls on the Scheduled Maturity Date shall be deemed to be cured or ceased to exist, as the case may be, for such Interest Determination Date.

For the purposes hereof:

“**Deferred Interest Amount**” means, in respect of each Note on a Deferred Interest Payment Date and its related Adjustment Reference Entity, an amount in USD (rounded down to the nearest cent and subject to a minimum of USD0) determined by the Calculation Agent in its sole discretion on the relevant Deferred Interest Cut-off Date as being equal to the excess (if any) of:

- (i) the amount of interest that would otherwise have been payable on the relevant Interest Payment Date if:
  - (A) in the circumstances set out in sub-paragraph (a)(i) of paragraph 12(ii) (Interest Accrual Adjustment) above, the Final Price in respect of the relevant Adjustment Reference Entity had actually been determined on the relevant Event Determination Date; or
  - (B) in the circumstances set out in sub-paragraph (a)(ii) of paragraph 12(ii) above, (i) where the Potential Failure to Pay develops into an actual Failure to Pay, the Final Price in respect of the relevant Adjustment Reference Entity had actually been determined on the date on which such Potential Failure to Pay was determined by the Calculation Agent to have occurred; or (ii) where the Potential Failure to Pay is subsequently cured, the relevant Potential Failure to Pay had not occurred; or
  - (C) in the circumstances set out in sub-paragraph

(a)(iii) of paragraph 12(ii) above, (i) where the Potential Repudiation/Moratorium develops into an actual Repudiation/Moratorium, the Final Price in respect of the relevant Adjustment Reference Entity had actually been determined on the date on which such Potential Repudiation/Moratorium was determined by the Calculation Agent to have occurred; or (ii) where the Potential Repudiation/Moratorium subsequently ceases to exist, the relevant Potential Repudiation/Moratorium had not occurred

over:

- (ii) the relevant Partial Interest Amount (if any) paid on the relevant Interest Payment Date.

**“Deferred Interest Cut-off Date”** means, in respect of each Adjustment Reference Entity as determined by the Calculation Agent in its sole discretion:

- (A) the date on which the relevant Final Price is determined; or
- (B) the date that the relevant Potential Failure to Pay has been cured or Potential Repudiation/Moratorium ceased to exist,

whichever is applicable.

**“Deferred Interest Payment Date”** means, in respect of the Adjustment Reference Entity/ies, the third Business Day following the final Deferred Interest Cut-off Date in respect thereof.

**“Interim Calculation Amount”** means, in respect of each Note and in respect of each Interest Accrual Period, an amount in USD (rounded down to the nearest cent) determined by the Calculation Agent in its sole discretion on the relevant Interest Determination Date as being equal to:

- (i) the Weighted Average Outstanding Principal Amount of such Note for such Interest Accrual Period, except that the Weighted Average Outstanding Principal Amount shall be calculated on the basis that the Reference Entity Notional Amount of each Adjustment Reference Entity is added to the Cumulative Loss Amount as of each Event Determination Date or the date upon which a Potential Failure to Pay or Potential Repudiation/Moratorium (as applicable) occurred; divided by
- (ii) the total number of Notes outstanding at such time.

For the avoidance of doubt, in the event that the amount calculated in accordance with this provision is zero or a negative number, the “Interim Calculation Amount” will be

deemed to be zero.

“**Partial Interest Amount**” means, in respect of each Note on each Interest Payment Date in respect of which an Adjustment Reference Entity exists, an amount in USD (rounded down to the nearest cent and subject to a minimum of USD0) determined by the Calculation Agent in its sole discretion on the Interest Determination Date in accordance with the foregoing “Interest Rate” provisions save that references therein to the Weighted Average Outstanding Principal Amount of each Note shall be deemed to be references to the Interim Calculation Amount (as defined above) of such Note.

13	Interest Payment Date(s):	26 May and 26 November in each year, commencing on 28 November 2005, subject in each case to adjustment in accordance with the Modified Following Business Day Convention.
14	Manner in which the Interest Rate is due to be determined (Floating Rate Notes):	ISDA Determination.
15	Screen Rate Determination Condition 5(c) (ii):	Not applicable.
16	ISDA Determination (Condition 5(c) (i)):	Applicable.
	(a) Floating Rate Option:	USD-LIBOR-BBA.
	(b) Designated Maturity:	6 (six) months, provided that the Relevant Rate for the first Interest Accrual Period shall be determined on the basis of the linear interpolation of the Relevant Rates determined on the relevant Interest Determination Date for Designated Maturities of six months and seven months.
	(c) Reset Date:	The first day of the Interest Accrual Period.
	(d) ISDA Definitions:	ISDA Definitions (as defined in Condition 5(c)(i)).
17	Margin (if applicable):	Plus 0.65 per cent.
18	Rate Multiplier (if applicable):	Not applicable.
19	Maximum/Minimum Interest Rate (if applicable):	Not applicable.
20	Maximum/Minimum Instalment Amount (if applicable):	Not applicable.
21	Maximum/Minimum Redemption Amount (if applicable):	Not applicable.
22	Interest Amount (Fixed Rate Note or Variable Coupon Amount Note):	Not applicable.
23	Determination Date(s) (Condition 5(i)):	Not applicable.

24	Day Count Fraction:	Actual/360.
25	Interest Period Date(s) (if applicable):	Not applicable.
26	Maturity Date:	<p>The earliest to occur of:</p> <p>(i) 26 November 2010, subject to adjustment in accordance with the Modified Following Business Day Convention (the “<b>Scheduled Maturity Date</b>”); and</p> <p>(ii) the Early Redemption Date (as defined in paragraph 38); and</p> <p>(iii) the Zero Principal Amount Redemption Date.</p> <p>If the proceeds of redemption of the Securities are not received by the Issuer on or before the Scheduled Maturity Date, then the Scheduled Maturity Date will be extended to the date upon which such proceeds of redemption are received. For the avoidance of doubt, no Interest Amount will be payable in respect of such extension.</p> <p>For the purposes hereof:</p> <p>“<b>Zero Principal Amount Redemption Date</b>” means the day which is three Business Days after the final Reference Entity Valuation Date immediately following the Valuation Date upon which the Aggregate Outstanding Principal Amount is reduced to zero.</p>
27	Redemption for Taxation Reasons permitted on days other than Interest Payment Dates:	Yes.
28	Amortisation Yield:	Not applicable.
29	Exchange (Condition 6(k)):	No.
30	Mandatory Partial Redemption (in accordance with Condition 6(c)):	<p>For the purposes of the Notes only, Condition 6(c) shall be amended by the insertion of the following words after “payment default”:</p> <p>“(after the expiry of any grace period specified in the terms and conditions of the Collateral in existence as at the Issue Date)”</p>
31	Instalment Date(s) (if applicable):	Not applicable.
32	Instalment Amount(s) (if applicable):	Not applicable.
33	Unmatured Coupons to become void upon early redemption:	Yes.
34	Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity of each Talon (if applicable):	Not applicable.



- 35 Business Day Jurisdictions for Condition 7(h) (jurisdictions required to be open for payment): London, Hong Kong and New York.
- 36 Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 12(a) (if applicable): Not applicable.
- 37 Additional Fungible Issues Permitted: Yes, subject to the Issuer having received from the Swap Counterparty and S&P their prior written consent to any such fungible issue.
- 38 Details of any other additions or variations to the Conditions (if applicable): For the purposes of the Notes only: Notwithstanding anything to the contrary contained in Conditions 6 and 10, upon the occurrence of any of the events set out in Condition 6(c) and (d) and Condition 10 (the date of the relevant occurrence, as determined by the Calculation Agent in its sole discretion, being the “**Early Redemption Event Date**”), the Issuer shall forthwith notify the Trustee, S&P and the Noteholders informing them of the occurrence of such event and giving notice of the date fixed for redemption, being the day falling six Business Days following the relevant Early Redemption Event Date (the “**Early Redemption Date**”). Upon the expiry of such notice, the Issuer shall redeem each Note at its Early Redemption Amount as set out in paragraph 44 below.

Notwithstanding anything to the contrary contained in Condition 6(i) (Purchasers), the Issuer may purchase the Notes so long as an equivalent notional amount of the Swap Agreement is terminated and an equivalent principal amount of the Collateral is delivered to the Swap Counterparty and/or the Noteholders or liquidated, as the case may be, by the Issuer, and the Issuer has no further liability in respect of the Notes or the Swap Agreement. For the avoidance of doubt, no cost with respect to any such purchase by the Issuer shall be born by the remaining Noteholders. If the Issuer purchases the Notes it will notify S&P of such purchase. Condition 6(i) shall be deemed to be amended accordingly.

Notwithstanding Condition 14, so long as the Notes are represented by a Global Note held on behalf of Euroclear, Clearstream International or any other clearing system, notices in respect thereof may be given by their being delivered to Euroclear, Clearstream International or such other clearing system, as the case may be. For the avoidance of doubt, such notices shall be deemed given on the date and, if applicable, at the time they are delivered to Euroclear,

Clearstream International or such other clearing system, as the case may be.

- 39 The Agents (including any Calculation Agent and/or Issuing and Paying Agent and/or Custodian) appointed in respect of the Notes are:

**Issuing and Paying Agent and Custodian**

JPMorgan Chase Bank, N.A.

Trinity Tower,  
9 Thomas More Street,  
London E1W 1YT

If the short-term senior unsecured rating of the Paying Agent or the Custodian is downgraded at any time below "A-1" by S&P, the Issuer shall, within 30 calendar days appoint a replacement Paying Agent or a replacement Custodian (as the case may be) that has a rating of at least "A-1" by S&P unless the Trustee has an alternative proposal which S&P confirms in writing that the then current rating of the Notes will not be reduced and the Issuer shall notify S&P of such replacement of Paying Agent or Custodian (as the case may be).

**Irish Paying Agent**

J.P. Morgan Bank (Ireland) p.l.c.

JPMorgan House  
International Financial Services Centre  
Dublin 1  
Ireland

**Calculation Agent**

Lehman Brothers International (Europe)  
25 Bank Street  
London E14 5LE

**Listing Agent**

A&L Listing Limited  
International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

**Security Arrangements**

- 40 Mortgaged Property:

- (i) Collateral:

Qualifying Assets (as defined below) in a principal amount equal to the Aggregate Outstanding Principal Amount of the Notes.

The initial Collateral will comprise:

USD34,700,000 in principal amount of Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (ISIN: IE00B03TKP85).

On redemption of any Collateral, the redemption proceeds of such Collateral will be deposited by the Issuer in the Collection Account, subject to the security interest created

pursuant to the Trust Deed.

“**Cash Collateral**” shall mean all sums deposited in the Collection Account.

For the avoidance of doubt, the Cash Collateral may be exchanged for Qualifying Assets as set out below.

The initial Collateral will be acquired by the Issuer on or before the Issue Date and held by JPMorgan Chase Bank, N.A. of Trinity Tower, 9 Thomas More Street, London E1W 1YT in its capacity as Custodian pursuant to the Agency Agreement subject to the security interest created pursuant to the Trust Deed. The Custodian shall notify the Issuer and the Calculation Agent if it becomes aware of any material amendment to the terms and conditions of the Collateral. Upon such notification from the Custodian, the Calculation Agent will notify S&P of such material amendment.

If the short-term senior unsecured rating of the provider of the Collection Account is downgraded to below “A-1+” the Issuer shall, within 30 calendar days, appoint a replacement Collection Account provider that has a rating assigned by S&P of at least “A-1+” unless the Trustee has an alternative proposal which S&P confirms will mean that the then current rating of the Notes will not be reduced. The Issuer shall notify S&P of such replacement of Collection Account provider.

Pursuant to the terms of the Swap Agreement, the Swap Counterparty may from time to time, without the consent of the Trustee, the Noteholders or any other secured creditors but subject to S&P’s rating confirmation, in respect of the Notes, exchange some or all of the Collateral with Qualifying Assets selected by it. Upon effecting such exchange, such Qualifying Assets shall constitute Collateral (and the issuer of such Qualifying Assets shall constitute a Collateral Issuer) which will be held subject to the charges in favour of the Trustee as set out or contemplated in the Supplemental Trust Deed. Any exchange of Collateral pursuant to the Swap Agreement shall be effected by the Custodian transferring the Collateral to the Swap Counterparty in accordance with the instructions of the Swap Counterparty and the Swap Counterparty transferring the relevant Qualifying Assets to the Custodian or to its order. The Issuer shall prepare a supplemental prospectus (if required) setting out details of such exchange and shall notify S&P, the Noteholders and other secured creditors in respect of the Notes in accordance with Condition 14.

In the event that any charges are imposed by the issuer of the Collateral in respect of the redemption of the Collateral, the Swap Counterparty shall procure that the Collateral is

exchanged for other Qualifying Assets pursuant to the provisions set out above.

“**Qualifying Assets**” means in respect of any exchange of Collateral pursuant to the terms of the Swap Agreement, any security with the following characteristics:

1. (a) having as of the date of transfer a credit rating assigned by S&P (or its successor) equal to AAA;
  - (b) maturing on or before the Scheduled Maturity Date;
  - (c) being USD-denominated;
  - (d) paying an interest rate determined by reference to USD LIBOR (as defined in the Swap Agreement); and
  - (e) is not a structured finance product; or
2. any USD denominated money market fund with a credit rating assigned by S&P (or its successor) equal to AAAM; or
  3. USD cash.

If the short term deposit rating of the Custodian is downgraded at any time below “A-1+” by S&P the Issuer shall, within 30 calendar days appoint a replacement Custodian that has a rating of at least “A-1+” by S&P unless the Trustee has an alternative proposal which S&P confirms will mean that the then current rating of the Notes will not be reduced.

(ii) Security (order of priorities):

The Trustee shall apply all moneys received by it under the Trust Deed in connection with the realisation or enforcement of the Security constituted by the Trust Deed in the following order of priorities:

Swap Counterparty Priority unless (i) an Event of Default (as defined in the ISDA Master Agreement) occurs under the Swap Agreement and the Swap Counterparty is the Defaulting Party (as defined in the ISDA Master Agreement) or (ii) a Tax Event (as defined in the ISDA Master Agreement) occurs under the Swap Agreement and the Swap Counterparty is the sole Affected Party (as defined in the ISDA Master Agreement), in which case Noteholder Priority shall apply.

(iii) Swap Agreement (if applicable)

Under (a) a Deed of Accession dated 9 April 2003, as amended and restated on 11 February 2005, pursuant to which the Issuer acceded to an ISDA Master Agreement and Schedule thereto dated as of 10 October 2002, as amended and restated on 30 January 2004, (together, the “**ISDA Master Agreement**”) and (b) a confirmation thereto with an effective date of the Issue Date made between the Issuer and the Swap Counterparty (the “**Swap Confirmation**” and, together with the ISDA Master Agreement, the “**Swap Agreement**”), the Issuer will pay to the Swap Counterparty sums equal to interest payable in respect of the Collateral and

the Swap Counterparty will pay to the Issuer interest amounts (including any Deferred Interest Amounts and any interest accrued on any Deferred Interest Amounts equal to payments due under the Notes).

In addition, the Issuer will make a final payment to the Swap Counterparty equal to the redemption proceeds due under the Collateral as at the date the Swap Agreement is scheduled to terminate and the Swap Counterparty will make a final payment to the Issuer equal to the Redemption Amount of the Notes.

The form of the Swap Confirmation is set out in Annex 3.

The Swap Agreement may be terminated early (either in whole or, in certain circumstances, in part only) in certain circumstances, including but not limited to:

- (i) on the due date for payment of the Notes if at any time any of the Notes becomes repayable in accordance with the Conditions prior to the Maturity Date;
- (ii) at the option of one party, if there is a failure by the other party to pay any amounts due under the Swap Agreement;
- (iii) if (subject as provided in the Swap Agreement) withholding taxes are imposed on payments made by the Issuer or the Swap Counterparty under the Swap Agreement or it becomes illegal for either party to perform its obligations under the Swap Agreement (see “Transfer to avoid Termination Event” below);
- (iv) if at any time there is a default or event of default that has been declared pursuant to the terms of (and as defined in) the Collateral.

Consequences of Early Termination:

Upon any such early termination of the Swap Agreement, the Issuer or the Swap Counterparty may (subject as set out below and provided, in the case of certain tax events that the Issuer may first be obliged to use all reasonable endeavours to transfer its obligations) be liable to make a termination payment to the other (regardless, if applicable, of which of such parties may have caused such termination).

Such termination payment will be based on the replacement cost or gain for a swap transaction that would have the effect of preserving for the party making the determination the economic equivalent of the Swap Agreement. In all cases of early termination occurring other than by reason of a default by the Swap Counterparty or a Tax Event (as defined in the Swap Agreement) where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement) (in either case the determination will be made by the Issuer) or

illegality (in which case the party which is not the Affected Party (as defined in the ISDA Master Agreement) will make the determination (or, if there are two Affected Parties, each party will make a determination which will be averaged)), the termination payment will be determined by the Swap Counterparty on the basis of quotations received from at least five market-makers (failing which, by the Swap Counterparty or the Issuer, as aforesaid).

Regardless of which party makes the determination of the termination payment (if any), there is no assurance that the proceeds from the sale of the Collateral plus or minus, as the case may be, such termination payment will be sufficient to repay the principal amount due to be paid in respect of the Notes and any other amounts in respect thereof that are due.

Transfer to avoid Termination Event: If withholding taxes are imposed on payments made by the Issuer or the Swap Counterparty under the Swap Agreement, then the Swap Counterparty shall, at its sole option, have the right to require the Issuer:

- (i) to transfer all of the Issuer's interests and obligations under the Swap Agreement together with its interests and obligations under the Notes, the Trust Deed and the Agency Agreement to another entity, whether or not in the same tax jurisdiction as the Issuer, that would not have any obligation to withhold or deduct (if the Issuer is or would be required to make such deduction or withholding) or to which the Swap Counterparty would be entitled to make payments free from the relevant deduction or withholding (if the Swap Counterparty is or would otherwise be required to make such withholding or deduction), subject to obtaining the prior written consent of the Trustee; or
- (ii) to transfer the Issuer's residence for tax purposes to another jurisdiction, subject to obtaining the prior written consent of the Trustee.

If the Issuer is unable to transfer its interests to another party or to transfer its tax residence in accordance with the preceding provisions prior to the 30th day following the date of imposition of such withholding taxes or, if earlier, the 10th day prior to the first date on which it or the Swap Counterparty would otherwise be required to make a payment net of withholding taxes, the Swap Counterparty may terminate the swap transaction under the Swap Agreement. If the Issuer transfers its interests and obligations or residence for tax purposes, it shall notify S&P of such transfer.

Swap Counterparty(ies): Lehman Brothers Special Financing Inc.

Swap Guarantor (if applicable): Lehman Brothers Holdings Inc.

- (i) Details of Credit Support Document (if applicable): The obligations of the Swap Counterparty under the Swap Agreement are unconditionally and irrevocably guaranteed by Lehman Brothers Holdings Inc. pursuant to a guarantee dated 25 May 2005 issued in favour of the Issuer (the “**Swap Guarantee**”).
- (ii) Credit Support Provider: With respect to the Swap Counterparty, Lehman Brothers Holdings Inc.
- (iv) Collection Account: The Issuer shall establish on or prior to the Issue Date an account (the “**Collection Account**”) with the Custodian in London, into which the Issuer will deposit (a) the proceeds of the issue of the Notes, (b) the redemption proceeds of any Collateral and (c) each payment received by it pursuant to the Swap Agreement and from which (i) any purchase of Collateral shall be made, (ii) all distributions of principal and interest in respect of the Notes shall be paid to the Issuing and Paying Agent for payment to Noteholders on the due dates for payment therefor and (iii) all payments due to the Swap Counterparty under the Swap Agreement shall be made. All monies deposited from time to time in the Collection Account shall be held by the Custodian as part of the Mortgaged Property and shall be applied for the purposes herein provided.
- Any monies held in the Collection Account in respect of any Deferred Interest Amount and/or any Deferred Redemption Amount shall accrue interest at a rate equal to the rate that the Custodian would pay to an independent customer on an overnight deposit of a similar size to the relevant Deferred Interest Amount or Deferred Redemption Amount, as the case may be, for a period equal to the period from and including the relevant Payment Date to, but excluding, the related Deferred Interest Payment Date or the Deferred Redemption Date, as the case may be.

#### **Provisions relating to Redemption**

- 41 Call Option (Condition 6(e)): Not applicable.
- 42 Put Option (Condition 6(f)): Not applicable.
- 43 Redemption Amount: Unless previously redeemed or purchased and cancelled, the Redemption Amount payable in respect of each Note on the Scheduled Maturity Date shall be an amount in USD determined by the Calculation Agent in its sole discretion as being equal to the greater of:
- (a) such Note’s Outstanding Principal Amount as at the Final Cut-off Date; and
  - (b) USD0.
- For the purposes hereof:  
“**Final Cut-off Date**” means the Business Day immediately

44 Early Redemption Amount(s) payable on mandatory redemption (Condition 6(c)), redemption for taxation and other reasons (Condition 6(d)) or an event of default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):

preceding the Scheduled Maturity Date.

Subject as provided in the immediately succeeding paragraph below, in respect of each Note, an amount in USD (rounded down to the nearest cent and subject to a minimum of USD0) determined by the Calculation Agent in its sole discretion and acting in good faith as being equal to (i) such Note's pro rata share of the proceeds (net of any deductions on account of taxes or otherwise) from the sale or realisation of the Collateral on behalf of the Issuer by the Disposal Agent pursuant to the Supplemental Trust Deed and Drawdown Agreement, plus (if payable to the Issuer) or minus (if payable to the Swap Counterparty) (ii) the amount of any applicable Unwind Costs divided by the total number of Notes outstanding; provided that if the amount determined pursuant to sub-paragraphs (i) and (ii) above exceeds (the amount of any such excess being the "**Excess Amount**") such Note's Outstanding Principal Amount as of the Early Redemption Date together with interest accrued from, and including, the immediately preceding Interest Payment Date (or if the Early Redemption Date falls in the initial Interest Accrual Period, from, and including, the Issue Date) to, but excluding, such Early Redemption Date (such interest being the "**Accrued Early Redemption Interest Amount**") and, such Excess Amount shall be payable by way of an additional payment of interest on each Note.

Notwithstanding the above, if an Event of Default (as defined in the ISDA Master Agreement) occurs under the Swap Agreement and the Swap Counterparty is the Defaulting Party (as defined in the ISDA Master Agreement) or if a Tax Event (as defined in the ISDA Master Agreement) occurs under the Swap Agreement and the Swap Counterparty is the sole Affected Party (as defined in the ISDA Master Agreement), the Early Redemption Amount in respect of each Note shall be an amount in USD (rounded down to the nearest cent and subject to a minimum of USD 0) determined by the Calculation Agent in its sole discretion as being equal to (i) such Note's pro rata share of the proceeds (net of any deductions on account of taxes or otherwise) from the sale or realisation of the Collateral on behalf of the Issuer by the Disposal Agent pursuant to the Supplemental Trust Deed and Drawdown Agreement, plus (ii) (but only if payable to the Issuer) the amount of any applicable Unwind Costs divided by the total number of Notes outstanding; provided that if the amount determined pursuant to sub-paragraphs (i) and (ii) above results in an Excess Amount (as defined above), such Excess Amount shall be payable by way of an additional payment of interest on each Note. In the event that Unwind



Costs are payable by the Issuer to the Swap Counterparty, the Issuer shall apply the net proceeds from the sale or realisation of the Collateral as aforesaid (1) first in redeeming each Note in an amount equal to its Outstanding Principal Amount as of the Early Redemption Date plus the Accrued Early Redemption Interest Amount and (2) thereafter, in payment of such Unwind Costs to the Swap Counterparty.

In the event that at the time of the occurrence of an Event of Default (as defined in the ISDA Master Agreement) under the Swap Agreement and the Swap Counterparty being the Defaulting Party, the Collateral consists of securities which do not fall within paragraph 2 or 3 of the definition of Qualifying Assets, payment of the Early Redemption Amount shall be satisfied by (i) delivery of a Collateral Delivery Amount of Collateral, (ii) payment of the Accrued Early Redemption Interest Amount, and (iii) (but only if payable to the Issuer) payment of the amount of any applicable Unwind Costs divided by the total number of Notes outstanding.

Such delivery shall be at the risk of the Noteholders.

For the purposes hereof:

“**Collateral Delivery Amount**” means, in respect of each Note, the principal amount of the Collateral, divided by the number of Notes outstanding.

“**Unwind Costs**” means the value of (i) the termination payment due from or, as the case may be, to the Swap Counterparty under the Swap Agreement in respect of the termination of the Swap Agreement (as determined by reference to the Reference Registry as at the date of such termination) and (ii) any transfer or stamp tax costs, early redemption or termination cost (howsoever defined), if any, incurred by the Issuer or the Trustee, as determined by the Calculation Agent in its sole and absolute discretion, in relation to any swap agreement (but, for the avoidance of doubt, not including the Swap Agreement), financing arrangement or other hedging transaction entered into by or on behalf of the Issuer in relation to the issue of the Notes.

#### **Provisions applicable to Global Notes**

- |    |   |                        |
|----|---|------------------------|
| 45 | Notes to be represented on issue by:  | Temporary Global Note. |
| 46 | Applicable TEFRA exemption:   | D Rules.               |
| 47 | Global Note exchangeable for Definitive Notes at the request of the holder: | No.                    |
| 48 | Exchange Date:  | Not applicable.        |

#### **Provisions relating only to the sale, listing and rating of the Notes**

- |    |  |   |
|----|--|---|
| 49 | Details of any additions or variations | The Notes will not be offered or sold except in circumstances |
|----|--|---|

	to the selling restrictions:	which do not constitute an offer to the public within the meaning of the Irish Companies Act, 1963 (as amended). <b>Any onsale of the Notes by Noteholders shall be made in compliance with all applicable selling restrictions.</b>
50	Listing:	Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange. Application will be made for the Notes to be admitted to trading on the regulated market of the Irish Stock Exchange on issue. There is no assurance that such applications will be successful.  The estimate of the total expenses related to the admission to trading is €2,540.  Where notices are given by or on behalf of the Issuer in accordance with these Conditions, such notice shall, to the extent required by the Irish Stock Exchange, also be given to the Companies Announcements Office of the Irish Stock Exchange.
51	Dealer's Commission	Not applicable.
52	Net Proceeds of issue	USD34,700,000
53	Method of issue of Notes:	Individual Dealer.
54	The following Dealer is subscribing the Notes:	Lehman Brothers International (Europe) of 25 Bank Street, London E14 5LE, United Kingdom, an investment bank engaged in, <i>inter alia</i> , underwriting new securities issues and trading in fixed income financial instruments.
55	Common Code (N.B. See paragraph 4 above for ISIN):	<a href="#">022069136</a>
56	Rating:	A rating of "AAA" is expected to be assigned by S&P. However, there is no assurance that the Issuer will be able to obtain such a rating for the Notes as it is subject to S&P's information and other requirements. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

**SCHEDULE – MASTER ISSUE DEED**

Dated 29 July 2008

SAPHIR FINANCE PUBLIC LIMITED COMPANY

and

BNY CORPORATE TRUSTEE SERVICES LIMITED

and

THE BANK OF NEW YORK MELLON, ACTING THROUGH ITS LONDON BRANCH

and

BNY FINANCIAL SERVICES PLC

and

LEHMAN BROTHERS INTERNATIONAL (EUROPE)

and

LEHMAN BROTHERS SPECIAL FINANCING INC.

**MASTER ISSUE DEED**

in respect of

Series 2008-6 USD45,000,000 Floating Rate Notes due 2009

Series 2008-7 USD42,000,000 Floating Rate Notes due 2010

Series 2008-8 USD61,000,000 Synthetic Portfolio Notes due 2010

Series 2008-9 USD53,240,000 Synthetic Portfolio Notes due 2010

Series 2008-10 USD50,500,000 Synthetic Portfolio Notes due 2010

Series 2008-11 USD71,500,000 Synthetic Portfolio Notes due 2010

Series 2008-12 USD36,500,000 Synthetic Portfolio Notes due 2010

Series 2008-13 USD34,700,000 Synthetic Portfolio Notes due 2010

issued pursuant to the

Multi-Issuer Secured Obligation Programme

arranged by

**LEHMAN BROTHERS INTERNATIONAL (EUROPE)**

**Linklaters**

10th Floor, Alexandra House  
Chater Road  
Hong Kong

Telephone (852) 2842 4888  
Facsimile (852) 2810 8133/2810 1695

Ref ACM/JWON/L-009088-05-041

This **Master Issue Deed** is made on 29 July 2008 **between**:

- (1) **SAPHIR FINANCE PUBLIC LIMITED COMPANY** (the “**Issuer**”);
- (2) **BNY CORPORATE TRUSTEE SERVICES LIMITED** (the “**Trustee**”);
- (3) **THE BANK OF NEW YORK MELLON, ACTING THROUGH ITS LONDON BRANCH** (in its capacity as issuing and paying agent, the “**Issuing and Paying Agent**” and in its capacity as custodian, the “**Custodian**”);
- (4) **BNY FINANCIAL SERVICES PLC** (the “**Paying Agent**” and together with the Issuing and Paying Agent, the “**Agents**”);
- (5) **LEHMAN BROTHERS INTERNATIONAL (EUROPE)** (in its capacity as calculation agent, the “**Calculation Agent**”, in its capacity as disposal agent, the “**Disposal Agent**” and in its capacity as dealer under the Programme, the “**Dealer**”);
- (6) **LEHMAN BROTHERS SPECIAL FINANCING INC.** (the “**Swap Counterparty**”).

**Whereas:**

- (A) Dante Finance Public Limited Company (“**Dante**”) and BNY Corporate Trustee Services Limited (formerly known as J.P. Morgan Corporate Trustee Services Limited) as trustee (the “**Trustee**”) are parties to a principal trust deed dated 10 October 2002, as amended and restated on 18 July 2008, to which the Issuer has acceded pursuant to a Deed of Accession dated 18 July 2008 (the “**Accession Deed**”) establishing a programme for the issuance from time to time of secured notes (the “**Programme**”) (the principal trust deed dated 10 October 2002, as amended and restated on 18 July 2008, as acceded to by the Issuer pursuant to the Accession Deed, the “**Principal Trust Deed**”).
- (B) Dante and the Swap Counterparty are parties to an ISDA Master Agreement (including the Schedule thereto) dated 10 October 2002, as amended and restated on 18 July 2008, to which the Issuer has acceded pursuant to the Accession Deed (the “**ISDA Master Agreement**”). The ISDA Master Agreement together with the confirmation listed under the heading “Swap Confirmation” in Annex A hereto (as amended, supplemented or amended and restated from time to time) is the “**Swap Agreement**” for a Series of Existing Notes (as defined below). An ISDA Credit Support Annex (as amended, supplemented or amended and restated from time to time, a “**Credit Support Annex**”) was executed by the Issuer and the Swap Counterparty in respect of each Swap Agreement. The obligations of the Swap Counterparty under the Swap Agreement for each Series of Existing Notes is guaranteed by Lehman Brothers Holdings Inc. (the “**Swap Guarantee**”).
- (C) This Deed relates to the Issuer’s series of notes listed in the column headed “Existing Notes” in Annex A hereto (for the purpose of this Deed, each a “**Series**” and together, the “**Existing Notes**”) which the Issuer issued under the Programme on the issue dates set out in Annex A hereto. Each Series of Existing Notes are constituted and secured by a supplemental trust deed and drawdown agreement (as amended, supplemented or amended and restated from time to time) (a “**Supplemental Trust Deed and Drawdown Agreement**”) dated the relevant issue date as set out in Annex A hereto. The Principal Trust Deed as supplemented by the relevant Supplement Trust Deed and Drawdown Agreement is the “**Trust Deed**” for the relevant Series of Existing Notes. Each Series of Existing Notes is secured by, *inter alia*, the Issuer’s rights, title and interest under the Swap Agreement and under the Swap Guarantee.
- (D) Pursuant to one or more Notes Exchange Agreement (each a “**Notes Exchange Agreement**”), the Issuer has agreed to issue the series of notes listed in the column headed “New Notes” in Annex A hereto (each a “**Series**” and together, the “**New Notes**”) in consideration of certain Series of Existing Notes being delivered to, or to the order of, the Issuer.

- (E) The New Notes to be issued by the Issuer will be on substantially the same terms as the Existing Notes with the changes set out in Clause 2 below.

**Now this Deed witnesses and it is hereby declared** as follows:

1 Definitions

Capitalised terms used in this Deed but not defined herein shall have the meaning given to them in the Conditions of the Existing Notes unless the context does not allow.

2 Notes Issue

2.1 **Agreement to issue:** The Issuer confirms its agreement to issue each Series of New Notes on 29 July 2008 (the “**Settlement Date**”).

2.2 **Terms of New Notes:** The terms of each Series of New Notes shall be the same as those of the relevant Series of Existing Notes except that the New Notes shall be issued on the Settlement Date and will have the ISIN and common code as set out in Annex A hereto. For each Series of New Notes, the Interest Accrual Period in respect of the Interest Payment Date immediately following the Settlement Date (the “**First Interest Payment Date**”) shall begin on (and including) the Interest Payment Date immediately preceding the Settlement Date (the “**Interest Commencement Date**”) and ending on (but excluding) the First Interest Payment Date. Upon issuance, the rating of each Series of New Notes will be the same as that of the relevant Series of Existing Notes as of the Settlement Date. The Dealer will not be acting as dealer in respect of any Series of the New Notes.

2.3 The Swap Agreement for each Series of Existing Notes (other than the Series 2004-12 Notes) shall be amended such that all references therein to (i) “the Notes” shall be construed as references to the relevant Series of New Notes; (ii) “Credit Support Document” shall be construed as references to the Swap Guarantee relating to the relevant Series of New Notes; and (iii) the account details set out besides the heading “Account details of Seller” in paragraph 11 (Account Details) shall be deleted in its entirety and replaced by the following new paragraph:

“

Account Details of Seller:	Correspondent Bank: The Bank of New York, New York (IRVTUS3N)
	ABA: 021 000 018
	Beneficiary: The Bank of New York, Brussels (IRVTBEBB)
	Account Number: 8900285451
	For Further Credit: Saphir Finance Public Limited Company (series number)

“

2.4 The Swap Agreement for the new Series 2008-9 Notes shall be in the form set out in Annex B hereto.

2.5 The Supplemental Trust Deed and Drawdown Agreement for each Series of Existing Notes shall be deemed to be re-executed by the same parties as of the Settlement Date and all references therein to (i) “the Notes” shall be construed (in respect of each Series of Existing Notes other than the existing Series 2004-12 Notes) as references to the relevant Series of New Notes and (in respect of

the existing Series 2004-12 Notes) as references to the Re-issued Portion of the New Notes; (ii) the “Swap Agreement” shall be construed (in respect of each Series of Existing Notes other than the existing Series 2004-12 Notes) as references to the Swap Agreement as amended by this Deed and (in respect of the existing Series 2004-12 Notes) as references to the Swap Agreement referred to in Clause 2.4 above; and (iii) the “Swap Guarantee” shall be construed as references to the Swap Guarantee in respect of the relevant Series of New Notes and all provisions therein relating to any sale of the Collateral by the Dealer to the Issuer shall be deemed to be inapplicable.

2.6 The Supplemental Trust Deed and Drawdown Agreement and the Swap Agreement in respect of the existing Series 2004-12 Notes shall remain in full force and effect in respect of that portion of the existing Series 2004-12 Notes which is not the Re-issued Portion with the following amendments:

2.6.1 The Swap Agreement shall be amended such that references to the Subordination Amount and the Notional Amount in the relevant Confirmation and each of the Reference Entity Notional Amounts set out in the column headed “USD Reference Notional Amount” in Schedule A (Annex 1) thereto shall become an amount equal to the product of (i) the relevant amount as set out in this Confirmation and (ii) a fraction of 2,760,000/56,000,000 (rounded down to the nearest cent and subject to a minimum of USD 0); and

2.6.2 References in the Supplemental Trust Deed and Drawdown Agreement to “the Swap Agreement” shall become reference to the Swap Agreement as amended by this Deed.

2.7 As of the Settlement Date, the Trustee shall without incurring any liability therefor release the Mortgaged Property of each Series of Existing Notes (in a principal amount equal to the principal amount of the New Notes as set out in Annex A hereto) from the charge created by the relevant Trust Deed and shall hold such Mortgaged Property for the relevant Series of New Notes as set out in the relevant Trust Deed deemed to be re-executed as of the Settlement Date in respect of each Series of New Notes.

2.8 As of the Settlement Date and upon the release by the Trustee of the Mortgaged Property of each Series of Existing Notes (in a principal amount equal to the principal amount of the New Notes as set out in Annex A hereto) from the charge created by the relevant Trust Deed, the Collateral forming part of the Mortgaged Property shall be held in safe custody by the Custodian as Collateral for the relevant Series of New Notes.

2.9 The Issuer shall surrender for cancellation (in whole or in part, as the case may be) with effect on the Settlement Date all relevant Existing Notes delivered to it pursuant to the Notes Exchange Agreement(s) by surrendering the global notes representing each Series of Existing Notes to, or to the order of, the Issuing and Paying Agent. For the avoidance of doubt, interest accrued on the Existing Notes for the period from (and including) the Interest Payment Date immediately preceding the Settlement Date to the Settlement Date shall not be payable under the Existing Notes.

2.10 The Trustee, the Issuing and Paying Agent and the Swap Counterparty shall procure that a reference to this Deed be endorsed on the Global Notes representing each Series of New Notes, on the relevant Supplemental Trust Deed and Drawdown Agreements and on the Swap Agreement.

### 3 Incorporation of Certain Provisions of the Trust Deeds

The provisions of Clause 18.2 (*Non Recourse*) of the Principal Trust Deed (as supplemented by the Supplemental Trust Deed and Drawdown Agreement deemed to be re-executed in accordance with Clause 2.3) in respect of each Series of New Notes shall apply *mutatis mutandis* as if set out in full herein.

#### 4 Governing Law and Jurisdiction

- 4.1 **Governing Law:** This Deed shall be governed by and construed in accordance with English law.
- 4.2 **Contracts (Rights of Third Parties) Act 1999:** A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed.
- 4.3 **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed and accordingly any legal action or proceedings arising out of or in connection with this Deed (the “**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of the Trustee and the holders of the Notes and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- 4.4 **Service of Process:** The Issuer irrevocably appoints Lehman Brothers International (Europe) of 25 Bank Street, London E14 5LE as its agent to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in England the Issuer irrevocably agrees to appoint a substitute process agent acceptable to the Trustee, and to deliver to the Trustee a copy of the new agent’s acceptance of appointment, within 30 days. Nothing shall affect the right to serve process in any other manner permitted by law.

**This Deed is delivered the day and year first before written.**

**SIGNED, SEALED AND DELIVERED** for and on behalf of  
**SAPHIR FINANCE PUBLIC LIMITED COMPANY**

By:

its lawfully appointed attorney:

in the presence of:

Witness signature:

Address:

Occupation:

**EXECUTED AS A DEED BY**

**BNY CORPORATE TRUSTEES SERVICES LIMITED**

acting by two of its lawful Attorneys:

Attorney

Attorney

in the presence of:

Witness name:

Signature:

Address: One Canada Square, London E14 5AL

**THE BANK OF NEW YORK MELLON, ACTING THROUGH ITS LONDON BRANCH** (as  
Issuing and Paying Agent and Custodian)

By:



**BNY FINANCIAL SERVICES PLC** (as Paying Agent)

By:

**LEHMAN BROTHERS INTERNATIONAL (EUROPE)** (as Calculation Agent, Disposal Agent and Dealer under the Programme)

By:

**LEHMAN BROTHERS SPECIAL FINANCING INC.** (as Swap Counterparty)

By:

## Annex A

Existing Notes	Issue Date of Existing Notes	Supplemental Trust Deed and Drawdown Agreement	Swap Confirmation	New Notes
Series 2004-1 USD45,000,000 Floating Rate Notes due 2009 issued by Saphir Finance Public Limited Company (ISIN: XS0193591822)	27 May 2004	Supplemental Trust Deed and Drawdown Agreement dated 27 May 2004	Swap Confirmation dated 27 May 2004	Series 2008-6 USD45,000,000 Floating Rate Notes due 2009 issued by Saphir Finance Public Limited Company (ISIN: XS0372553510; Common Code: 037255351)
Series 2004-3 USD42,000,000 Floating Rate Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0195697486)	2 July 2004	Supplemental Trust Deed and Drawdown Agreement dated 2 July 2004	Swap Confirmation dated 2 July 2004	Series 2008-7 USD42,000,000 Floating Rate Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0372553601; Common Code: 037255360)
Series 2004-6 USD61,000,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0200744778)	7 September 2004	Supplemental Trust Deed and Drawdown Agreement dated 7 September 2004	Swap Confirmation dated 7 September 2004	Series 2008-8 USD61,000,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0372554674; Common Code: 037255467)
Series 2004-12 USD56,000,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0208195882) of which only USD53,240,000 in principal amount (the “ <b>Re-issued Portion</b> ”) shall be issued as New Notes	16 December 2004 (Tranche 1) 23 December 2004 (Tranche 2)	Supplemental Trust Deed and Drawdown Agreement dated 16 December 2004 (Tranche 1) Supplemental Trust Deed and Drawdown Agreement dated 23 December 2004 (Tranche 2)	Swap Confirmation dated 16 December 2004 as amended and restated on 23 December 2004	Series 2008-9 USD53,240,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0372553783; Common Code: 037255378)
Series 2005-2 USD50,500,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN:XS0211439954)	4 February 2005	Supplemental Trust Deed and Drawdown Agreement dated 4 February 2005	Swap Confirmation dated 4 February 2005	Series 2008-10 USD50,500,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0372553866; Common Code: 037255386)
Series 2005-5 USD71,500,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0214329467)	8 March 2005	Supplemental Trust Deed and Drawdown Agreement dated 8 March 2005	Swap Confirmation dated 8 March 2005	Series 2008-11 USD71,500,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0372554161; Common Code: 037255416)
Series 2005-6 USD36,500,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0216580737)	5 April 2005	Supplemental Trust Deed and Drawdown Agreement dated 5 April 2005	Swap Confirmation dated 5 April 2005	Series 2008-12 USD36,500,000 Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0372554245; Common Code: 037255424)
Series 2005-8 USD34,700,000	25 May 2005	Supplemental Trust Deed	Swap Confirmation	Series 2008-13 USD34,700,000

<b>Existing Notes</b>	<b>Issue Date of Existing Notes</b>	<b>Supplemental Trust Deed and Drawdown Agreement</b>	<b>Swap Confirmation</b>	<b>New Notes</b>
Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN: XS0220691363)		and Drawdown Agreement dated 25 May 2005	dated 25 May 2005	Synthetic Portfolio Notes due 2010 issued by Saphir Finance Public Limited Company (ISIN:XS0372554328; Common Code: 037255432)

### **ANNEX 1 - USE OF PROCEEDS**

The issue price of the Notes shall be satisfied by the delivery to or to the order of the Issuer of the Series 2005-8 Notes by the holder of the Series 2005-8 Notes in exchange for the Notes.

## ANNEX 2 - THE COLLATERAL

*The following information relating to the Collateral is a summary only of certain terms and conditions of such Collateral and has, save as provided below, been extracted from the Prospectus relating to the Collateral Issuer. None of the Issuer, the Arranger, the Trustee, the Agents or the Swap Counterparty has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors of the Notes should make their own independent investigations and enquiries into the Collateral and the Collateral Issuer.*

<b>Collateral Issuer</b>	Lehman Brothers Liquidity Funds plc
<b>Registered Address</b>	Lehman Brothers Liquidity Funds plc C/o Matsack Trust Limited 30 Herbert Street Dublin 2, Ireland
<b>Country of Incorporation</b>	Ireland
<b>Nature of Business</b>	<p>Lehman Brothers Liquidity Funds plc (“The Company”) is an open-ended investment company incorporated with limited liability under the laws of Ireland and has been authorised by the Financial Services Regulator pursuant to that European Community’s (Undertaking for Collective Investment in Transferable Securities) Regulations 2003, as amended. The Company has been established as an umbrella fund insofar as the share capital will be divided into separate series of Shares with each series representing a separate fund comprising a separate pool of assets and which pursues its investment objective through separate investment policies.</p> <p>The Lehman US Dollar Liquidity Fund (“The Fund”) is a separate sub-fund of the Company and seeks to maximise current income while maintaining liquidity to the extent consistent with the preservation of capital. The Fund will seek to achieve this objective by investing in U.S. dollar-denominated, high-quality short-term money market securities traded primarily in the U.S. such as securities backed by the full faith and credit of the U.S. government, securities issued by U.S. government agencies, or securities issued by corporations and financial institutions.</p> <p>In seeking to achieve its investment objectives, the Fund will normally limit the U.S. dollar-weighted average maturity of its investments to 60 days or less</p>
<b>Collateral</b>	USD34,700,000 in Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (ISIN: IE00B03TKP85)
<b>Listing</b>	Irish Stock Exchange
<b>Governing Law</b>	Irish law
<b>Maturity</b>	Weighted average maturity is less than 60 days
<b>Business Days</b>	New York

**Method of Origination/Creation**

A prospectus and a supplement thereto each dated 17 May 2005

Pursuant to the terms of the Swap Agreement, the Swap Counterparty may from time to time, without the consent of the Trustee, the Noteholders or any other secured creditors in respect of the Notes but subject to S&P's rating confirmation, exchange some or all of the Collateral with Qualifying Assets selected by it. Upon effecting such exchange, such Qualifying Assets shall constitute Collateral which will be held subject to the charges in favour of the Trustee as set out or contemplated in the Supplemental Trust Deed. Any exchange of Collateral pursuant to the Swap Agreement shall be effected by the Custodian transferring the Collateral to the Swap Counterparty in accordance with the instructions of the Swap Counterparty and the Swap Counterparty transferring the relevant Qualifying Assets to the Custodian or to its order. The Issuer shall prepare a supplemental prospectus (if required) setting out details of such exchange and shall notify S&P, the Noteholders and other secured creditors in respect of the Notes in accordance with Condition 14.

“**Qualifying Assets**” means, in respect of any exchange of Collateral pursuant to the terms of the Swap Agreement, any security with the following characteristics:

1. (a) having as of the date of transfer a credit rating assigned by S&P (or its successor) equal to AAA;  
(b) maturing on or before the Scheduled Maturity Date;  
(c) being USD-denominated;  
(d) paying an interest rate determined by reference to USD LIBOR (as defined in the Swap Agreement); and  
(e) is not a structured finance product or
2. any USD denominated money market fund with a credit rating assigned by S&P (or its successor) equal to AAAM; or
3. USD cash.

### ANNEX 3 – FORM OF SWAP CONFIRMATION

In addition to the description of the Swap Agreement set out in paragraph 40(iii), the form of the Swap Confirmation is as set out below. This form of Swap Confirmation was prepared in relation to Saphir Finance Public Limited Company Series 2005-8 USD 34,700,000 Synthetic Portfolio Notes due 26 November 2010. The Swap Confirmation for the Notes shall have the same terms as set out below as such terms are amended or supplemented by the Master Issue Deed.

#### SWAP CONFIRMATION

Date: 25 May 2005  
To: Saphir Finance Public Limited Company  
From: Lehman Brothers Special Financing Inc.  
Re: Credit Derivative Transaction relating to Saphir Finance Public Limited Company Series 2005-8 USD34,700,000 Synthetic Portfolio Notes due 26 November 2010  
Reference Number: 476068L

Dear Sirs,

The purpose of this letter agreement and the schedules hereto (this “**Confirmation**”) is to confirm the terms and conditions of the Transaction entered into between us on the Trade Date specified below (the “**Transaction**”). This Confirmation constitutes a “Confirmation” as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions, as supplemented by the May 2003 Supplement, in each case as published by the International Swaps and Derivatives Association Inc. (“**ISDA**”) (together, the “**Credit Derivatives Definitions**”) and the 2000 ISDA Definitions as published by ISDA (the “**2000 Definitions**”) are incorporated into this Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions and this Confirmation, this Confirmation will govern. In addition, the definitions and provisions set out in Schedule B hereto shall prevail in the event of any inconsistency with the Credit Derivative Definitions. In the event of any inconsistency between Schedule B hereto and sections 1 to 11 of this Confirmation, the provisions of sections 1 to 11 shall prevail.

This Confirmation supplements, forms a part of, and is subject to the ISDA Master Agreement dated as of 10 October 2002, as amended and restated on 30 January 2004 and as further amended and supplemented from time to time (the “**Agreement**”) between us and Dante Finance Public Limited Company to which you have acceded under a Deed of Accession dated 9 April 2003 as amended and restated on 11 February 2005. All provisions contained in the relevant Agreement govern this Confirmation except as expressly modified below.

In this Confirmation, the “**Notes**” refers to Saphir Finance Public Limited Company Series 2005-8 USD34,700,000 Synthetic Portfolio Notes due 26 November 2010 and “**Conditions**” refers to the terms and conditions of the Notes.

Capitalised terms used but not defined herein will have the meanings given to them in the Conditions.

In the event of any inconsistency between this Confirmation and the Agreement, this Confirmation shall prevail.

In this Confirmation, “**Party A**” means Lehman Brothers Special Financing Inc. and “**Party B**” means Saphir Finance Public Limited Company.

The terms of the Transaction to which this Confirmation relates are as follows:

## 1 General Terms

Trade Date:	17 May 2005
Effective Date:	25 May 2005
Scheduled Termination Date:	26 November 2010
Termination Date:	The Scheduled Termination Date.
Floating Rate Payer:	Saphir Finance Public Limited Company (the “ <b>Seller</b> ”)
Fixed Rate Payer:	Lehman Brothers Special Financing Inc. (the “ <b>Buyer</b> ”)
Calculation Agent	Lehman Brothers International (Europe)
	Any determination, calculation or selection made by the Calculation Agent under this Transaction shall be made by the Calculation Agent in a commercially reasonable manner and based on best market practice.
Calculation Agent City	London
Business Days	London, Hong Kong and New York.
Business Day Convention	Modified Following (which, subject to Sections 1.4 and 1.6 of the Credit Derivatives Definitions, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day).

## 2 Reference Entities and Reference Obligations

Reference Entity:	<p>Each of the entities (and any Successor thereto) listed in the Reference Registry from time to time, subject to the provisions of “Successor Substitution” below; provided that, upon the occurrence of a Credit Event during the Credit Observation Period with respect to a Reference Entity, a Benchmark Obligation or the Obligations of a Reference Entity, and satisfaction of the Conditions to Settlement with respect to such Credit Event, such Reference Entity will be deemed deleted from the Reference Registry from the Event Determination Date with respect to such Reference Entity (other than for the purposes of determining the relevant Cash Settlement Amount) and the Reference Registry shall be amended accordingly, subject always to the provisions regarding delivery of multiple Credit Event Notices pursuant to the “Credit Event Notice After Restructuring” provisions set out in Schedule B.</p> <p>“<b>Reference Registry</b>” means the register of Reference Entities set out in Schedule A, maintained by the Calculation Agent in accordance with this Confirmation and amended from time to time in accordance with the provisions of “Successor Substitution” below.</p> <p>Each Reference Entity has been designated as a particular</p>
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“Entity Type” in the Reference Registry set out in Schedule A . References to “Standard Terms” mean, in respect of a Reference Entity, the corresponding standard terms specified for such Entity Type in Schedule C.

In respect of any Reference Entity for which “Monoline” is specified as the relevant Entity Type, the “Standard Terms for North American Insurance Entities” set out in Schedule C and the “Additional Terms for Monolines” set forth in Schedule B shall be deemed to apply.

Section 2.30 (Substitute Reference Obligation) of the Credit Derivatives Definitions shall not apply to this Transaction.

Successor Substitution:

Notwithstanding anything to the contrary herein (in particular in the terms relating to Successors set out in Schedule B), upon the occurrence of a Succession Event (as defined in Schedule B) between two or more of the Reference Entities, which for the avoidance of doubt is not a Credit Event, the Calculation Agent may, by written notice to Buyer and Seller and S&P indicating the Succession Event Date and the Succession Event Effective Date, give notice to remove one or more of those Reference Entities that are subject to the Succession Event (the “**Removed Reference Entities**”) from the Reference Registry, and to replace such Removed Reference Entities with one or more entities (each an “**Added Reference Entity**”) such that the Reference Entities resulting from the Successor Substitution shall be:

- (i) the entity which the Calculation Agent determines has been formed as a result of the Succession Event; and /or
- (ii) a number of entities chosen in accordance with the Successor Substitution Criteria,

provided that, in any case the total number of Reference Entities in the Reference Registry following the occurrence of such Succession Event will be equal to the number of Reference Entities as of the Business Day prior to such Succession Event, and also, provided that such notice from the Calculation Agent will be effective two Business Days following the date the notice is sent to Buyer and Seller (the “**Succession Event Effective Date**”) to remove or replace such Reference Entities from the Reference Registry. Each Added Reference Entity will be a Reference Entity for the purposes of this Transaction and each Removed Reference Entity will be deemed deleted from the Reference Registry, in each case as of the Succession Event Effective Date. The Calculation Agent shall provide the parties hereto with an updated Reference Registry as soon as is reasonably practicable after a Successor Substitution.

Each Added Reference Entity shall have a Reference Entity

Notional Amount equal to the sum of the Reference Entity Notional Amounts of the Removed Reference Entities divided by the number of Added Reference Entities, provided that the entity described in (i) above shall be ignored for the purposes of such calculation.

In the event that the Calculation Agent fails to exercise its right to remove one or more Reference Entities in accordance with the above provisions by the day which is three Business Days following the Succession Event Date, the provisions set out in Schedule B relating to Successors shall apply, except that if a Reference Entity becomes a Successor to another Reference Entity, such Successor Reference Entity shall be deemed to be a Reference Entity only once with respect to this Transaction, and the Reference Entity Notional Amount for such Reference Entity will be the sum of the Reference Entity Notional Amounts applicable to it and the Reference Entity to which it became a Successor prior to the Succession Event.

Succession Event Date:

The occurrence of a Succession Event, and the date at which such Succession Event is deemed to occur (the “**Succession Event Date**”), shall be determined by the Calculation Agent.

Successor Substitution Criteria:

Each Added Reference Entity shall, on the date of its inclusion in the Reference Registry, have a credit rating assigned to its unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement) by S&P (or successor) equal to or higher than the lowest such rating of the Removed Reference Entities on the Business Day prior to the Succession Event Effective Date.

Each such determination shall be made by the Calculation Agent.

Reference Obligation(s):

In respect of each Reference Entity listed in the Reference Registry, one or more obligations, each of which is either:

- (a) the Benchmark Obligation, if any, specified for such Reference Entity in the Reference Registry; or
- (b) an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified in the Standard Terms in Schedule C hereto as being applicable to the Entity Type specified in the Reference Registry with respect to such Reference Entity, any Qualifying Guarantee), as selected by the Swap Counterparty in its sole discretion on or prior to the Valuation Date and which (i) falls within the Reference Category specified in the Standard Terms in Schedule C hereto as being applicable to the Entity Type, (ii) has all of the Reference Obligation Characteristics specified in the Standard Terms in Schedule C hereto as being applicable to the Entity Type, (iii) is not subject to a

counterclaim, defence (other than a counterclaim or defence based on the factors set forth in Section 4.1 (a)-(d) of the Credit Derivatives Definitions) or right of set-off by or of the relevant Reference Entity or any applicable Underlying Obligor and (iv) in the case of a Qualifying Guarantee, other than a Qualifying Affiliate Guarantee, is capable, at the applicable Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the relevant Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement.

For the avoidance of doubt, Reference Obligation will include any obligation of a Reference Entity as provider of a guaranty of payment, surety bond or financial guarantee insurance policy issued with respect to an underlying obligation and which is in each case unconditional but for any requirement for the beneficiary to give notice that a payment is due or any similar procedural requirement; provided, however, that in the case of any such guaranty of payment, surety bond or financial guarantee insurance policy, such Reference Obligation shall include both such guaranty of payment, surety bond or financial guarantee insurance policy and the related underlying obligation.

Benchmark Obligation:

In respect of each Reference Entity, the corresponding obligation set forth under the heading "Benchmark Obligation" in the Reference Registry.

Obligations:

Any obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified in the Standard Terms in Schedule C hereto as being applicable to the Entity Type with respect to such Reference Entity, any Qualifying Guarantee), and which falls within the Obligation Category specified in the Standard Terms in Schedule C hereto as being applicable to the Entity Type and (ii) has all of the Obligation Characteristics specified in the Standard Terms in Schedule C hereto as being applicable to the Entity Type.

Obligations shall also include, in respect of each Reference Entity, the relevant Benchmark Obligation (if any) specified with respect to such Reference Entity in the Reference Registry.

All Guarantees:

Applicable with respect to a Reference Entity only if All Guarantees is specified in the Standard Terms in Schedule C hereto as being applicable to the Entity Type with respect to

	such Reference Entity.
Reference Price:	100 per cent.
Subordination Amount:	USD242,900,000
Notional Amount:	USD34,700,000
Outstanding Notional Amount:	With respect to any day, the Notional Amount less the Mezzanine Tranche Loss (as defined below) as of that day, subject to a minimum of zero.
Mezzanine Loss Amount:	Cumulative Loss Amount minus the Subordination Amount
Mezzanine Tranche Loss:	The greater of: (a) the Mezzanine Loss Amount , and (b) zero.
Cumulative Loss Amount:	With respect to any day, the aggregate of all Cash Settlement Amounts calculated with respect to the Transaction from, and including the Trade Date, to and including such day a Cumulative Loss Amount is calculated.

### 3 Buyer Payments

#### (a) Buyer Payments 1

Fixed Rate Payer Calculation Amount:	Subject as provided below, and unless the Fixed Rate Payer Payment Adjustment provisions below apply to a Fixed Rate Payer Calculation Period, the Weighted Average Outstanding Notional Amount with respect to a Fixed Rate Payer Calculation Period, calculated by the Calculation Agent.  “ <b>Weighted Average Outstanding Notional Amount</b> ” means the amount calculated by the Calculation Agent on the Business Day immediately preceding each Fixed Rate Payer Payment Date with respect to the immediately preceding Fixed Rate Payer Calculation Period by adding together the Outstanding Notional Amounts for each calendar day during such period and dividing such amount by the actual number of calendar days in such period. For the avoidance of doubt, in the event that, with respect to a Fixed Rate Payer Calculation Period, the Outstanding Notional Amount is reduced as a result of an increase in the amount of the Mezzanine Tranche Loss, such reduced Outstanding Notional Amount shall be used to calculate the Weighted Average Outstanding Notional Amount (for the purposes of calculating the ‘Fixed Rate Payer Calculation Amount’) as of, and from, each such Event Determination Date which resulted in a reduction of the Outstanding Notional Amount.
Fixed Rate Payer Calculation Period:	Section 2.9 of the Credit Derivatives Definitions shall apply, except that the final Fixed Rate Payer Calculation Period will end on, but exclude, the Scheduled Termination Date.

Fixed Rate Payer Payment Dates: 26 May and 26 November of each year commencing on 28 November 2005 and ending on, but excluding, the Scheduled Termination Date, subject to the Fixed Rate Payer Payment Adjustment provisions below.

Fixed Rate: USD LIBOR plus 0.65 per cent  
“**USD LIBOR**” means “USD-LIBOR-BBA” as defined in the 2000 Definitions with a ‘Designated Maturity’ of six (6) months (except in respect of the First Fixed Rate Payer Calculation Period, for which the Relevant Rate shall be the linear interpolation of Designated Maturities of 6 months and 7 months) and the ‘Reset Date’ being the day which is the first day of the Fixed Rate Payer Calculation Period.

Fixed Rate Day Count Fraction: Actual/360

Fixed Rate Payer Payment Adjustment: In the event that:

- (a) (i) an Event Determination Date has occurred with respect to a Reference Entity on, or prior to, the Business Day prior to a Fixed Rate Payer Payment Date but the relevant Reference Entity Valuation Date with respect to such Reference Entity has not occurred; and/or
  - (ii) a Potential Failure to Pay has occurred with respect to a Reference Entity on or prior to the Business Day prior to a Fixed Rate Payer Payment Date and such Potential Failure to Pay has not been cured on or prior to such Fixed Rate Payer Payment Date; and/or
  - (iii) a Potential Repudiation/Moratorium has occurred with respect to a Reference Entity that is a Sovereign on or prior to the Business Day prior to a Fixed Rate Payer Payment Date and such Potential Repudiation/Moratorium has not ceased to exist on or prior to such Fixed Rate Payer Payment Date;
- (each Reference Entity referred to in paragraphs (i), (ii) and (iii) above an “**Adjustment Reference Entity**”); and
- (b) the sum of the Mezzanine Loss Amount and the aggregate of the Reference Entity Notional Amount(s) in respect of all the relevant Adjustment Reference Entities is greater than zero,

the Fixed Amount payable in respect of such Fixed Rate Payer Payment Date shall be paid in accordance with the following:

- (A) Buyer shall pay an amount (the “**Partial Fixed Amount**”) on the Fixed Rate Payer Payment Date calculated in accordance with Section 5.1(b) of the Credit Derivatives Definitions but referencing the Interim Calculation Amount instead of the Fixed

Rate Payer Calculation Amount;

(B) Buyer shall pay an amount (the “**Deferred Fixed Amount**”), in respect of each Adjustment Reference Entity, on the third (3rd) Business Day (the “**Deferred Fixed Rate Payment Date**”) following:

- (1) the final Reference Entity Valuation Date; or
- (2) if appropriate, the date that the Calculation Agent determines that the relevant Potential Failure to Pay has been cured or Potential Repudiation/Moratorium ceases to exist,

equal to the excess (if any) of:

(i) the Fixed Amount that would otherwise have been payable on the relevant Fixed Rate Payer Payment Date if:

- (A) in the circumstances set out in sub-paragraph (a)(i) of “Fixed Rate Payer Payment Adjustment” above, the Final Price in respect of the relevant Adjustment Reference Entity had actually been determined on the relevant Event Determination Date; or
- (B) in the circumstances set out in sub-paragraph (a)(ii) of “Fixed Rate Payer Payment Adjustment” above, (i) where the Potential Failure to Pay develops into an actual Failure to Pay, the Final Price in respect of the relevant Adjustment Reference Entity had actually been determined on the date on which such Potential Failure to Pay was determined by the Calculation Agent to have occurred; or (ii) where the Potential Failure to Pay is subsequently cured, the relevant Potential Failure to Pay had not occurred; or
- (C) in the circumstances set out in sub-paragraph (a)(iii) of “Fixed Rate Payer Payment Adjustment” above, (i) where the Potential Repudiation/Moratorium develops into an actual Repudiation/Moratorium, the Final Price in respect of the relevant Adjustment Reference Entity had actually been determined on the date on which such Potential Repudiation/Moratorium was determined by the Calculation Agent to have occurred; or (ii) where the Potential Repudiation/Moratorium subsequently ceases to exist, the relevant Potential Repudiation/Moratorium had not occurred;

over

(ii) the relevant Partial Fixed Amount (if any) paid on the relevant Fixed Rate Payer Payment Date; and

(C) Buyer shall pay an amount equal to interest accrued in the period from and including the Fixed Rate Payer Payment Date to, but excluding, the related Deferred Fixed Rate Payer Payment Date, at the FF Rate (as defined in the Conditions) on an amount equal to the Deferred Fixed Amount which shall be paid on such related Deferred Fixed Rate Payer Payment Date.

Interim Calculation Amount:

Subject as provided below, the Fixed Rate Payer Calculation Amount (without adjusting the Outstanding Notional Amount with respect to an Adjustment Reference Entity except as provided below) for the relevant Fixed Rate Payer Calculation Period except that the Weighted Average Outstanding Notional Amount shall be calculated on the basis that the Reference Entity Notional Amount of each Adjustment Reference Entity is added to the Cumulative Loss Amount as of each Event Determination Date or the date upon which a Potential Failure to Pay or Potential Repudiation/Moratorium (as applicable) occurred. For the avoidance of doubt, in the event that the amount calculated in accordance with this provision is zero or a negative number the "Interim Calculation Amount" will be deemed to be zero.

Potential Failure to Pay or Potential Repudiation/Moratorium:

In the event that a Potential Failure to Pay or a Potential Repudiation/Moratorium exists in respect of an Adjustment Reference Entity exists on the Final Cut-off Date, the relevant Potential Failure to Pay or Potential Repudiation/Moratorium shall be deemed to be cured or have ceased to exist, as the case may be, on such Final Cut-off Date.

**(b) Buyer Payments 2**

Buyer Final Payment:

In addition to the Fixed Amounts payable in accordance with the provisions set out above, Buyer shall pay to Seller the Buyer Final Payment Amount on the Scheduled Termination Date.

Buyer Final Payment Amount:

An amount in USD determined by the Calculation Agent in its sole discretion as being equal to the greater of:

- (a) the Outstanding Notional Amount as at the Final Cut-off Date; and
- (b) USD0.

Final Cut-off Date:

The Business Day immediately prior to the Scheduled Termination Date.

#### 4 Seller Payments

##### (a) Seller Payments 1

Interim Seller Payments:

In addition to the Seller Final Payment payable in accordance with the provisions set out below, during the period from, and including, the Effective Date to, and including, the Scheduled Termination Date, on each day that any principal, interest and other payments and distributions of cash and other property has been received under the Collateral, Seller will promptly thereafter transfer to Buyer an amount equal to the aggregate amount so received from the Collateral Issuer in respect of the Collateral.

“**Collateral**” and “**Collateral Issuer**” shall bear the meaning given to those terms in the Conditions.

##### (b) Seller Payments 2

Seller Final Payment:

In addition to the Interim Seller Payments payable in accordance with the provisions set out above, Seller shall pay to Buyer the Seller Final Payment Amount on the Scheduled Termination Date.

Seller Final Payment Amount:

An amount equal to the aggregate redemption amount due to be received on or prior to the Scheduled Termination Date in respect of the Collateral from time to time.

#### 5 Provisions relating to Credit Events

Floating Rate Payer Calculation Amount:

The Reference Entity Notional Amount specified in the Reference Registry with respect to the relevant Reference Entity.

Conditions to Settlement:

Credit Event Notice

Notifying Party: Buyer

Notice of Publicly Available Information: Applicable.

Information:

If a Credit Event Notice contains the information required in the Notice of Publicly Available Information such Credit Event Notice shall be deemed to be both a Credit Event Notice and a Notice of Publicly Available Information.

Public Sources: Applicable

Specified Number: Two

Credit Observation Period:

The period from and including the Trade Date to and including the Scheduled Termination Date.

Credit Events:

With respect to each Reference Entity for the time being comprised in the Reference Registry, the Credit Events specified in the Standard Terms in Schedule C hereto as being



applicable to the Entity Type with respect to such Reference Entity.

Obligation Category: With respect to each Reference Entity for the time being comprised in the Reference Registry, the Obligation Category specified in the Standard Terms in Schedule C hereto as being applicable to the Entity Type with respect to such Reference Entity.

Obligation Characteristics: With respect to each Reference Entity for the time being comprised in the Reference Registry, the Obligation Characteristics specified in the Standard Terms in Schedule C hereto as being applicable to the Entity Type with respect to such Reference Entity.

For the avoidance of doubt, where “Domestic Currency” and “Standard Specified Currencies” are specified as “Applicable” in Schedule C, Obligations need only satisfy one of these characteristics.

Excluded Obligations: None.

## **6 Calculation of Cash Settlement Amounts**

Settlement Method: Cash Settlement in accordance with the Credit Derivative Definitions, as modified by the following terms:

Notwithstanding anything to the contrary contained in the Credit Derivative Definitions (including without limitation Section 7.1 (*Cash Settlement*)) following the occurrence of an Event Determination Date in respect of a Reference Entity, the Calculation Agent shall determine the applicable Cash Settlement Amount.

For the avoidance of doubt, Seller shall not pay Buyer the Cash Settlement Amount, if any, with respect to such Reference Entity but each Cash Settlement Amount will be added to the Cumulative Loss Amount which will in turn be used to determine, *inter alia*, the reduction, if any, in the Outstanding Notional Amount payable by Buyer on the Scheduled Termination Date.

Final Reference Obligation Price: The price of the Reference Obligation expressed as a percentage, determined in accordance with the Valuation Method.

Final Price: The Final Reference Obligation Price or, if there is more than one Reference Obligation, the Final Price shall be the weighted average of the Final Reference Obligation Prices (as weighted by the notional amount of each Reference Obligation) expressed as a percentage or, in the case of an Adjustment Reference Entity existing on the Final Cut-off Date, as determined on the final Cut-off Date in accordance with the S&P Recovery Assumption Table as set out in Schedule A

Annex 2 with reference to the relevant country (or category, if applicable) of the Adjustment Reference Entity and the status (senior unsecured or subordinated) of the relevant Reference Obligation.

Valuation Date:

Single Valuation Date:

Any Valuation Business Day selected by the Calculation Agent during the period from, and including, the forty-fifth (45<sup>th</sup>) Valuation Business Day to, and including, the seventy-second (72<sup>nd</sup>) Valuation Business Day following the Event Determination Date provided that, if an Event Determination Date has occurred and the valuation date or physical settlement date, howsoever expressed (the “**Hedge Settlement Date**”) in respect of any credit derivatives transaction or other hedging transaction entered into by or on behalf of Party A in relation to the hedging of its obligations under the Transaction has been delayed in accordance with, or on terms similar to, the provisions of Section 9.9 and Section 9.10 of the Credit Derivatives Definitions, then the Valuation Date will be in its sole and absolute discretion any Valuation Business Day selected by the Calculation Agent to, and including, the third Valuation Business Day following the eventual Hedge Settlement Date. In the case of an Adjustment Reference Entity existing on the Final Cut-off Date, the Valuation Date shall be deemed to be the Final Cut-off Date.

Valuation Business Day:

Any Business Day, as determined by the Calculation Agent.

Valuation Time:

11:00 a.m., London, New York or Tokyo time (as applicable) as determined by the Calculation Agent by reference to the Entity Type of the relevant Reference Entity.

Bid Quotation:

With respect to each Reference Obligation selected by the Calculation Agent in respect of a Reference Entity and a Valuation Date, means each firm USD bid quotation obtained from a Dealer at the Valuation Time for an amount selected by the Calculation Agent which is not greater than the Reference Entity Notional Amount of such Reference Entity.

Weighted Average Quotation:

With respect to each Reference Obligation selected by the Calculation Agent in respect of a Reference Entity and a Valuation Date, means the weighted average of firm quotations obtained from Dealers at the Valuation Time each for an amount selected by the Calculation Agent which in aggregate is not greater than the Reference Entity Notional Amount of such Reference Entity.

Settlement Currency:

USD

Reference Entity Valuation Date:

In respect of a Reference Entity, the date on which the Final Price is determined in respect of such Reference Entity.

Valuation Method:

Subject to the provisions contained in the definition of Final

Price with respect to an Adjustment Reference Entity existing on the Final Cut-off Date, the highest Bid Quotation with respect to a Valuation Date obtained on the same Valuation Business Day by the Calculation Agent in accordance with the following:

- (i) the Calculation Agent shall attempt to obtain Bid Quotations from at least five Dealers (or, if one of such Dealers is the Calculation Agent or an Affiliate of the Calculation Agent, then six Dealers) on the Valuation Date; and
- (ii) if at least three Bid Quotations are not available on the Valuation Date, the Calculation Agent shall continue to attempt to obtain three Bid Quotations on each of the days which are 1, 2, 10, 11, 12, 20, 21 and 22 Valuation Business Days following the Valuation Date (the “**Extended Valuation Dates**”).

In the event that at least three Bid Quotations have not been obtained on an Extended Valuation Date which falls on or before the 22<sup>nd</sup> Valuation Business Day following the Valuation Date, the Calculation Agent shall seek to obtain a Weighted Average Quotation at the Valuation Time on the 23<sup>rd</sup> Valuation Business Day following the Valuation Date. If a Weighted Average Quotation is obtained, that Weighted Average Quotation shall be the Final Reference Obligation price.

In the event that (a) at least three Bid Quotations have not been obtained on or before the 22<sup>nd</sup> Valuation Business Day following the Valuation Date, and (b) the Weighted Average Quotation has not been obtained on the 23<sup>rd</sup> Valuation Business Day following the Valuation Date, the Final Reference Obligation Price with respect to the Reference Obligation shall be deemed to be zero.

The Calculation Agent shall deliver a notice to the Trustee (for delivery to the Noteholders) and Buyer (with a written copy to S&P) showing the Final Reference Obligation Price for each Reference Obligation on the day which is no later than 5 Business Days following each Reference Entity Valuation Date.

Dealers:

Dealers determined in accordance with Section 7.15 of the Credit Derivative Definitions. For the avoidance of doubt, the Calculation Agent or any Affiliate of the Calculation Agent may be a Dealer, provided that only one of the Calculation Agent or its Affiliates may be included in the panel of six Dealers for the purposes of calculating the Final Price.

Notices:

Notwithstanding any provisions in the Credit Derivatives Definitions relating to notification of certain matters by the Calculation Agent to the parties, the Calculation Agent shall notify the parties and S&P of the following with respect to each

Reference Entity in respect of which an Event Determination Date has occurred, on the dates stated:

- (i) selected Reference Obligations: notified to the parties on or before the applicable Valuation Date;
- (ii) Cash Settlement Amount: to the parties (with a written copy to S&P) on, or as soon as is reasonably practicable following, the applicable Reference Entity Valuation Date.

## **7 Exchange of Collateral**

Party A may on any Business Day by notice inform Party B and S&P that it wishes to transfer to Party B Qualifying Assets specified in that notice in exchange for certain Collateral specified in that notice and held by Party B on such date. Subject to S&P's rating confirmation, Party A will be obliged to transfer such Qualifying Assets to Party B promptly following such notice and Party B will be obliged to transfer to Party A securities and/or cash equivalent to the Collateral so specified upon receipt of such Qualifying Assets. Party B's obligation to transfer to Party A such equivalent securities and/or cash shall not in any event exceed the aggregate amount of all the Collateral held by it on such date.

In the event that any charges are imposed by the issuer of the Collateral in respect of the redemption of the Collateral, the Swap Counterparty shall procure that the Collateral is exchanged for other Qualifying Assets pursuant to the provisions set out above.

“**Qualifying Assets**” means, in respect of any exchange of Collateral pursuant to the terms of this Transaction, any security with the following characteristics:

1. (a) having as of the date of transfer a credit rating assigned by S&P (or its successor) equal to AAA;
- (b) maturing on or before the Scheduled Maturity Date;
- (c) being USD-denominated;
- (d) paying an interest rate determined by reference to USD LIBOR; and
- (e) is not a structured finance product; or
2. any USD denominated money market fund with a credit rating assigned by S&P (or its successor) equal to AAAM; or
3. USD cash.

## **8 Relationship Between Parties**

Each of Buyer and Seller represents to the other that:

### **(a) Non-Reliance**

It is acting for its own account and it is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into this Transaction. It has not received from the other party any assurance or guarantee as to the expected results of this Transaction;

### **(b) Acceptance**

It accepts the terms, conditions and risks of this Transaction. It is also capable of assuming, and assumes, the financial and other risks of this Transaction;

(c) **Status of Parties**

The other party is not acting as a fiduciary or an advisor for it in respect of this Transaction; and

(d) **Risk Management**

It has entered into this Transaction for the purpose of (i) managing its borrowings or investments, (ii) hedging its underlying assets or liabilities or (iii) in connection with its line of business.

**9 Additional Termination Provisions**

(i) The following shall constitute Additional Termination Events for the purposes of this Transaction:

(a) The Notes being declared due and payable following the occurrence of an Event of Default (as defined in the Conditions) under the terms thereof.

For the purposes of such Additional Termination Event, the Affected Party shall be Seller and this Transaction shall be the sole Affected Transaction. Notwithstanding anything to the contrary in Section 6(a) and (b) of the Agreement, an Early Termination Date in respect of this Transaction will occur immediately upon the occurrence of such Additional Termination Event.

(b) A default or event of default that has been declared pursuant to the terms of (and as defined in) the Collateral.

For the purposes of such Additional Termination Event, the Affected Party shall be Seller and this Transaction shall be the sole Affected Transaction. Notwithstanding anything to the contrary in Section 6(a) and (b) of the Agreement, an Early Termination Date in respect of this Transaction will occur immediately upon the occurrence of such Additional Termination Event.

(c) The Notes being declared redeemable pursuant to the Seller, on the occasion of the next scheduled Interim Seller Payment date or the Scheduled Termination Date being required by law to withhold or account for tax or would suffer tax in respect of its income so that it would be unable to make payment of the full amount due and the Noteholders not having received, either directly or indirectly, from Buyer the amounts referred to under "Optional Payments" below.

For the purposes of such Additional Termination Event, the Affected Party shall be Seller and this Transaction shall be the Affected Transaction. Notwithstanding anything to the contrary in Section 6(a) and (b) of the Agreement, an Early Termination Date in respect of this Transaction will occur immediately upon the occurrence of such Additional Termination Event.

(ii) **Optional Payments:** If, for any reason beyond the control of Buyer or Seller the Noteholders do not receive payment under their Notes for any reason including the imposition of any withholding tax or a default or other circumstance linked to the Paying Agents, Buyer may elect to make any necessary payments to, or to the order of, the Noteholders to prevent either a redemption of the Notes for taxation reasons pursuant to Condition 6(d) of the Notes or an event of default pursuant to Condition 10 of the Notes from occurring.

## 10 Other Terms

**(i) Non-insurance business**

Party A and Party B acknowledge and agree that this Transaction is not intended to constitute insurance business and is not a contract of insurance, assurance, suretyship or guarantee and payments may be made under this Transaction by each party independently and without proof of the economic loss (if any) of the other party.

**(ii) Third party rights**

No person shall have any right to enforce any provision of this Transaction under the Contracts (Rights of Third Parties) Act 1999.

**(iii) Credit Support Document.**

Credit Support Document means in relation to Party A: the Guarantee dated as of the date hereof by Lehman Brothers Holdings Inc. in favour of Party B as beneficiary thereof in the form attached hereto as Exhibit A.

**(iv) Credit Support Provider**

Credit Support Provider means in relation to Party A: Lehman Brothers Holdings Inc.

**(v) Credit Support Annex**

Party A and Party B agree that the provisions of the ISDA Credit Support Annex attached hereto as Annex A shall apply to this Transaction.

**(vi) Misrepresentation**

For the purpose of this Confirmation only, Section 5(a)(iv) of the Agreement will not apply to either Party A or Party B.

**(vii) Breach of Agreement**

For the purpose of this Confirmation only, Section 5(a)(ii) of the Agreement will not apply to Party B.

**(viii) Bankruptcy**

For the purposes of this Confirmation only, section 5(a)(vii)(2) will not apply to Party B.

## 11 Account Details

Account details of Buyer: JPMorgan Chase Bank New York  
A/C Lehman Brothers Inc.  
A/C 066143543  
reference Lehman Brothers Special Financing Inc.

Account details of Seller: JPMorgan Chase Bank New York  
A/C JPMorgan Chase Bank, London  
A/C 001-0-962009  
Attn: Manager Institutional Trust Services  
reference Saphir Finance plc Series 2005-8

This Confirmation shall be governed by and construed in accordance with English law.

Please confirm your agreement to be bound by the terms of the foregoing by executing a copy of this Confirmation and returning it to us by facsimile.

Yours faithfully,

**LEHMAN BROTHERS SPECIAL FINANCING INC.**

By:

Name:

Title:

**LEHMAN BROTHERS INTERNATIONAL (EUROPE)** hereby agrees to perform its obligations as Calculation Agent set out herein.

By:

Name:

Title:

Confirmed on the date first above written:

**SAPHIR FINANCE PUBLIC LIMITED COMPANY**

By:

Name:

Title:

**Schedule A**  
**Annex 1**  
**Reference Registry**

(as of 25 May 2005)

Reference Entity	Benchmark Obligation			Reference Entity Notional Amount (US\$)	Entity Type
	ISIN	Coupon	Maturity		
ACE Limited	US004408AB64	6.00%	4/1/2007	27,760,000	North America
Aetna Inc.	US00817YAB48	7.88%	3/1/2011	27,760,000	North America
Albertson's, Inc.	US013104AJ31	7.50%	2/15/2011	27,760,000	North America
Alcan Inc.	US013716AR64	4.88%	9/15/2012	27,760,000	North America
Alcoa Inc.	US013817AD35	6.50%	6/1/2011	27,760,000	North America
Allstate Corporation, The	US020002AK77	7.20%	12/1/2009	27,760,000	North America
ALLTEL Corporation	US020039DB64	7.00%	7/1/2012	27,760,000	North America
Altria Group, Inc.	US718154CF28	7.75%	1/15/2027	27,760,000	North America
American Axle & Manufacturing, Inc.	US02406PAE07	5.25%	2/11/2014	27,760,000	North America
American Electric Power Company, Inc.	US025537AD38	5.38%	3/15/2010	27,760,000	North America
American Express Company	US025816AQ27	4.88%	7/15/2013	27,760,000	North America
American International Group, Inc.	US026874AP25	0.00%	11/9/2031	27,760,000	North America
Amgen Inc.	US031162AE03	0.00%	3/1/2032	27,760,000	North America
Anadarko Petroleum Corporation	US032511AT44	6.13%	3/15/2012	27,760,000	North America
Arrow Electronics, Inc.	US042735AL41	6.88%	6/1/2018	27,760,000	North America
AutoZone, Inc.	US053332AC61	5.88%	10/15/2012	27,760,000	North America
Baxter International Inc.	US071813AM10	6.63%	2/15/2028	27,760,000	North America
BellSouth Corporation	US079860AB83	6.00%	10/15/2011	27,760,000	North America
Boeing Capital Corporation	US097014AG93	6.50%	2/15/2012	27,760,000	North America
Bristol-Myers Squibb Company	US110122AG36	5.75%	10/1/2011	27,760,000	North America
Burlington Northern Santa Fe Corporation	US12189TAT16	6.75%	7/15/2011	27,760,000	North America
Campbell Soup Company	US134429AS81	4.88%	10/1/2013	27,760,000	North America
Capital One Bank	US14040EHK10	5.13%	2/15/2014	27,760,000	North America
Cardinal Health, Inc.	US14149YAF51	6.75%	2/15/2011	27,760,000	North America
Carnival Corporation	US143658AH53	6.65%	1/15/2028	27,760,000	North America
Caterpillar Inc.	US149123BH31	6.55%	5/1/2011	27,760,000	North America
Cendant Corporation	US151313AP87	7.38%	1/15/2013	27,760,000	North America
Centex Corporation	US152312AG95	7.88%	2/1/2011	27,760,000	North America
CenturyTel, Inc.	US156700AG13	7.88%	8/15/2012	27,760,000	North America
Chubb Corporation, The	US171232AF85	6.00%	11/15/2011	27,760,000	North America
CIGNA Corporation	US125509BG36	6.38%	10/15/2011	27,760,000	North America



Reference Entity	Benchmark Obligation			Reference Entity Notional Amount (US\$)	Entity Type
	ISIN	Coupon	Maturity		
Cingular Wireless LLC	US17248RAF38	6.50%	12/15/2011	27,760,000	North America
CIT Group Inc.	US125581AB41	7.75%	4/2/2012	27,760,000	North America
Clear Channel Communications, Inc.	US184502AK84	7.65%	9/15/2010	27,760,000	North America
Comcast Cable Communications, LLC	US20029PAL31	6.75%	1/30/2011	27,760,000	North America
Computer Sciences Corporation	US205363AE42	7.38%	6/15/2011	27,760,000	North America
ConAgra Foods, Inc.	US205887BA91	6.75%	9/15/2011	27,760,000	North America
ConocoPhillips	US20825CAE49	4.75%	10/15/2012	27,760,000	North America
Constellation Energy Group, Inc.	US210371AH31	7.00%	4/1/2012	27,760,000	North America
Countrywide Home Loans, Inc.	US22237LMY55	5.63%	7/15/2009	27,760,000	North America
Cox Communications, Inc.	US224044AY38	7.75%	11/1/2010	27,760,000	North America
CSX Corporation	US126408AP85	6.75%	3/15/2011	27,760,000	North America
CVS Corporation	US126650AV25	4.88%	9/15/2014	27,760,000	North America
Deere & Company	US244199BB01	6.95%	4/25/2014	27,760,000	North America
Devon Energy Corporation	US251799AA02	7.95%	4/15/2032	27,760,000	North America
Dominion Resources, Inc.	US25746UAJ88	6.25%	6/30/2012	27,760,000	North America
Dow Chemical Company, The	US260543BR36	6.00%	10/1/2012	27,760,000	North America
Duke Energy Corporation	US264399DW34	6.25%	1/15/2012	27,760,000	North America
E. I. du Pont de Nemours and Company	US263534BJ72	6.88%	10/15/2009	27,760,000	North America
Eastman Chemical Company	US277432AE06	7.00%	4/15/2012	27,760,000	North America
Eastman Kodak Company	US277461BD00	7.25%	11/15/2013	27,760,000	North America
EOP Operating Limited Partnership	US268766BU59	7.00%	7/15/2011	27,760,000	North America
Fannie Mae	US31359MPF40	4.38%	9/15/2012	27,760,000	North America
Federated Department Stores, Inc.	US31410HAS04	6.63%	4/1/2011	27,760,000	North America
FirstEnergy Corp.	US337932AB30	6.45%	11/15/2011	27,760,000	North America
Ford Motor Credit Company	US345397TZ65	7.00%	10/1/2013	27,760,000	North America
Freddie Mac	US3134A4HF43	5.50%	9/15/2011	27,760,000	North America
General Electric Capital Corporation	US36962GYY42	6.00%	6/15/2012	27,760,000	North America
General Mills, Inc.	US370334AS36	6.00%	2/15/2012	27,760,000	North America
General Motors Acceptance Corporation	US370425SE16	6.88%	8/28/2012	27,760,000	North America
Goodrich Corporation	US382388AP13	7.63%	12/15/2012	27,760,000	North America
Halliburton Company	US406216AR24	5.50%	10/15/2010	27,760,000	North America
Harrah's Operating Company, Inc.	US413627AM28	5.38%	12/15/2013	27,760,000	North America
Hartford Financial Services Group, Inc., The	US416515AE42	7.90%	6/15/2010	27,760,000	North America
Hewlett-Packard Company	US428236AG84	6.50%	7/1/2012	27,760,000	North America
Hilton Hotels Corporation	US432848AX77	7.63%	12/1/2012	27,760,000	North America
Honeywell International Inc.	US438516AK21	7.50%	3/1/2010	27,760,000	North America

Reference Entity	Benchmark Obligation			Reference Entity Notional Amount (US\$)	Entity Type
	ISIN	Coupon	Maturity		
Ingersoll-Rand Company	US456866AG74	9.00%	8/15/2021	27,760,000	North America
International Business Machines Corporation	US459200BA86	4.75%	11/29/2012	27,760,000	North America
International Lease Finance Corporation	US459745EZ45	6.38%	3/15/2009	27,760,000	North America
International Paper Company	US460146BN29	6.75%	9/1/2011	27,760,000	North America
Jones Apparel Group, Inc.	USU47977AC41	6.13%	11/15/2034	27,760,000	North America
Kerr-McGee Corporation	US492386AS68	6.88%	9/15/2011	27,760,000	North America
Kraft Foods Inc.	US50075NAB01	5.63%	11/1/2011	27,760,000	North America
Kroger Co., The	US501044CE98	5.50%	2/1/2013	27,760,000	North America
Lear Corporation	US521865AF28	0.00%	2/20/2022	27,760,000	North America
Lennar Corporation	US526057AG99	5.95%	3/1/2013	27,760,000	North America
Liberty Media Corporation	US530718AC96	5.70%	5/15/2013	27,760,000	North America
Lockheed Martin Corporation	US539830AL32	8.20%	12/1/2009	27,760,000	North America
Loews Corporation	US540424AE80	8.88%	4/15/2011	27,760,000	North America
Marriott International, Inc.	US571900AQ27	7.88%	9/15/2009	27,760,000	North America
Maytag Corporation	US57859HBU77	5.00%	5/15/2015	27,760,000	North America
MBIA Insurance Corporation	N/A	N/A	N/A	27,760,000	Monoline
MBNA Corporation	US55263ECE32	7.50%	3/15/2012	27,760,000	North America
McDonald's Corporation	US58013MDM38	6.00%	4/15/2011	27,760,000	North America
McKesson Corporation	US58155QAA13	7.75%	2/1/2012	27,760,000	North America
MeadWestvaco Corporation	US583334AA59	6.85%	4/1/2012	27,760,000	North America
MetLife, Inc.	US59156RAC25	6.13%	12/1/2011	27,760,000	North America
Motorola, Inc.	US620076AR03	7.63%	11/15/2010	27,760,000	North America
National Rural Utilities Cooperative Finance Corporation	US637432CU74	7.25%	3/1/2012	27,760,000	North America
Newell Rubbermaid Inc.	US65119QBE26	6.35%	7/15/2028	27,760,000	North America
News America Incorporated	US652482AM25	7.25%	5/18/2018	27,760,000	North America
Nordstrom, Inc.	US655664AG59	5.63%	1/15/2009	27,760,000	North America
Norfolk Southern Corporation	US655844AE88	7.70%	5/15/2017	27,760,000	North America
Northrop Grumman Corporation	US666807AT91	7.13%	2/15/2011	27,760,000	North America
Omnicom Group Inc.	US681919AM84	0.00%	7/31/2032	27,760,000	North America
Progress Energy, Inc.	US743263AD77	7.10%	3/1/2011	27,760,000	North America
Pulte Homes, Inc.	US745867AL56	7.88%	8/1/2011	27,760,000	North America
Raytheon Company	US755111BH39	8.30%	3/1/2010	27,760,000	North America
Rohm and Haas Company	US775371AR80	7.40%	7/15/2009	27,760,000	North America
Safeway Inc.	US786514BF54	5.80%	8/15/2012	27,760,000	North America
SBC Communications Inc.	US78387GAK94	5.88%	8/15/2012	27,760,000	North America
Sears Roebuck Acceptance Corp.	US812404BG50	7.00%	2/1/2011	27,760,000	North America

Reference Entity	Benchmark Obligation			Reference Entity Notional Amount (US\$)	Entity Type
	ISIN	Coupon	Maturity		
Sempra Energy	US816851AF69	6.00%	2/1/2013	27,760,000	North America
Simon Property Group, L.P.	US828807AQ09	6.35%	8/28/2012	27,760,000	North America
Southwest Airlines Co.	US844741AV08	6.50%	3/1/2012	27,760,000	North America
Sprint Corporation	US852060AS17	8.38%	3/15/2012	27,760,000	North America
Supervalu Inc.	US868536AR44	7.50%	5/15/2012	27,760,000	North America
Target Corporation	US87612EAH99	5.88%	3/1/2012	27,760,000	North America
Textron Financial Corporation	US883199AQ42	6.00%	11/20/2009	27,760,000	North America
Time Warner Inc.	US00184AAF21	6.88%	5/1/2012	27,760,000	North America
Transocean Inc.	US893830AE99	6.63%	4/15/2011	27,760,000	North America
Tyson Foods, Inc.	US902494AM53	8.25%	10/1/2011	27,760,000	North America
Union Pacific Corporation	US907818CN66	6.13%	1/15/2012	27,760,000	North America
Valero Energy Corporation	US91913YAD22	6.88%	4/15/2012	27,760,000	North America
Verizon Global Funding Corp.	US92344GAL05	7.25%	12/1/2010	27,760,000	North America
Viacom Inc.	US925524AQ39	6.63%	5/15/2011	27,760,000	North America
Wal-Mart Stores, Inc.	US931142BE24	6.88%	8/10/2009	27,760,000	North America
Walt Disney Company, The	US25468PBX33	6.38%	3/1/2012	27,760,000	North America
Washington Mutual, Inc.	US939322AT07	5.00%	3/22/2012	27,760,000	North America
Wells Fargo & Company	US949746EX53	3.50%	4/4/2008	27,760,000	North America
Weyerhaeuser Company	US962166BP84	6.75%	3/15/2012	27,760,000	North America
Whirlpool Corporation	US963320AK24	8.60%	5/1/2010	27,760,000	North America
Wyeth	US983024AA80	5.50%	3/15/2013	27,760,000	North America
XL Capital Ltd	US98372PAF53	5.25%	9/15/2014	27,760,000	North America

**Schedule A**  
**Annex 2**  
**S&P Recovery Table**

<b>Country/Category</b>	<b>Senior Unsecured</b>	<b>Subordinated</b>
All Sovereigns	20.0%	5.0%
Australia	24.3%	10.0%
Austria	27.9%	10.0%
Belgium	26.1%	10.0%
Bermuda	32.4%	10.0%
Bermuda-Ins	10.0%	5.0%
Canada	33.3%	10.0%
China	14.4%	5.0%
Denmark	27.9%	10.0%
Finland	27.9%	10.0%
France	26.1%	10.0%
Germany	30.6%	10.0%
Greece	26.1%	10.0%
Hong Kong	20.0%	5.0%
Indonesia	10.4%	5.0%
Ireland	32.4%	10.0%
Italy	26.1%	10.0%
Japan	13.5%	5.0%
Luxembourg	26.1%	10.0%
Malaysia	14.4%	5.0%
Netherlands	30.6%	10.0%
New Zealand	24.3%	10.0%
Norway	27.9%	10.0%
Philippines	10.4%	5.0%
Portugal	26.1%	10.0%
Singapore	20.0%	5.0%
South Korea	14.4%	5.0%
Spain	26.1%	10.0%
Sweden	27.9%	10.0%
Switzerland	30.6%	10.0%
Taiwan	14.4%	5.0%
Thailand	14.4%	5.0%
United Kingdom	32.4%	10.0%
USA	33.3%	10.0%

<b>Country/Category</b>	<b>Senior Unsecured</b>	<b>Subordinated</b>
Algeria	8.0%	3.0%
Argentina	8.0%	3.0%
Bahrain	8.0%	3.0%
Barbados	8.0%	3.0%
Brazil	8.0%	3.0%
Bulgaria	8.0%	3.0%
Chile	8.0%	3.0%
Colombia	8.0%	3.0%
Costa Rica	8.0%	3.0%
Croatia	8.0%	3.0%
Cyprus	8.0%	3.0%
Czech Republic	8.0%	3.0%
Dominican Republic	8.0%	3.0%
Ecuador	8.0%	3.0%
Egypt	8.0%	3.0%
El Salvador	8.0%	3.0%
Estonia	8.0%	3.0%
Ghana	8.0%	3.0%
Guatemala	8.0%	3.0%
Hungary	8.0%	3.0%
Iceland	8.0%	3.0%
India	8.0%	3.0%
Israel	8.0%	3.0%
Jamaica	8.0%	3.0%
Kazakhstan	8.0%	3.0%
Lebanon	8.0%	3.0%
Lithuania	8.0%	3.0%
Malta	8.0%	3.0%
Mexico	8.0%	3.0%
Morocco	8.0%	3.0%
Oman	8.0%	3.0%
Panama	8.0%	3.0%
Peru	8.0%	3.0%
Poland	8.0%	3.0%
Qatar	8.0%	3.0%
Romania	8.0%	3.0%
Russia	8.0%	3.0%
Slovak Republic	8.0%	3.0%

<b>Country/Category</b>	<b>Senior Unsecured</b>	<b>Subordinated</b>
Slovenia	8.0%	3.0%
South Africa	8.0%	3.0%
Tunisia	8.0%	3.0%
Turkey	8.0%	3.0%
Ukraine	8.0%	3.0%
Uruguay	8.0%	3.0%
Venezuela	8.0%	3.0%
Vietnam	8.0%	3.0%

Notes:

1. Sovereign recovery rate:

- i. Net recovery rate for sovereign entities is 20%;
- ii. The inclusion of the Obligation Acceleration credit event will necessitate a further haircut of 2.5% of the base case;

2. US agencies (industry code 59) recovery rate:

- i. Use sovereign recovery rates as well. While subordinated sovereign debt does not exist, this subordinated sovereign recovery rate is solely used for subordinated agency paper.

3. Corporates in emerging market countries recovery rate:

- i. For senior unsecured obligations, the net recovery rate is 8%, unless another different recovery rate is explicitly given in the above table.
- ii. For subordinated obligations, the net recover rate is 3%, unless another different recovery rate is explicitly given in the above table.

4. For the Western European insurer, the recovery rate for subordinate debts should be 9%.

5. To the extent that the table does not contain the recovery rate for certain domicile, please consult with S&P analysts for the appropriate recovery rate to be assigned.

6. Please note that Standard & Poor's reserves the right to adjust the recovery rate in the future. If you have any questions, please do not hesitate to contact S&P analysts as below. Contacts: Frank Lu (852-25333593), Gloria Lu (852-25333596).

Standard & Poor's structured finance analysts in Hong Kong & Singapore:

Mark H. Gaw, Vince Chan, Gloria Lu, and Frank Lu.

**Schedule B**  
**Additional Definitions**

**Definitions relating to Credit Events**

Bankruptcy:	means a Reference Entity (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive).
Default Requirement:	USD10,000,000 or its equivalent in any other currency.
Failure to Pay:	means, after the expiration of any applicable (or deemed) Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

Payment Requirement:

USD1,000,000 or its equivalent in any other currency.

Restructuring:

- (a) Restructuring means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred:
- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
  - (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
  - (iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
  - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
  - (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

“Permitted Currency” means (i) the legal tender of any Group of 7 (G7) country (or any country that becomes a member of G7 if G7 expands its membership); or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, Aaa or higher assigned to it by Moody’s Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

- (b) Notwithstanding the provisions of (a), above, none of the following shall constitute a Restructuring:
- (i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts



or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

- (ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; or
  - (iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.
- (c) For purposes of paragraphs (a) and (b) (above), the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as Applicable in the Standard Terms in Schedule C hereto as being applicable to the Entity Type specified in the Reference Registry with respect to such Reference Entity, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to a Reference Entity in paragraph (a) of this definition shall be deemed to refer to the relevant Underlying Obligor and the reference to a Reference Entity in paragraph (b) of this definition shall continue to refer to such Reference Entity.
- (d) With respect to a Reference Entity, unless “Multiple Holder Obligation” is specified as Not Applicable in the Standard Terms in Schedule C hereto as being applicable to the Entity Type specified in the Reference Registry with respect to such Reference Entity, notwithstanding anything to the contrary in this definition of Restructuring the occurrence of, agreement to, or announcement of, any of the events described in (a)(i) to (v) (above) shall not be a Restructuring where the Obligation in respect of any such events is not a Multiple Holder Obligation.

“Multiple Holder Obligation” means an Obligation that (i) at the time the Credit Event Notice is delivered, is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation) at least equal to sixty-six-and-two-thirds is required to consent to the event which would otherwise constitute a Restructuring Credit Event,

provided that (ii) above shall not apply to any Obligations which are Bonds.

Obligation Acceleration:

means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of the Reference Entity under one or more Obligations.

Repudiation/Moratorium:

means the occurrence of both of the following events: (i) an authorised officer of a Reference Entity or a Governmental Authority (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement, or (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement and (ii) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

Credit Event Notice:

an irrevocable notice (which may be oral, including by telephone) from Buyer to Seller (with a written copy to S&P) which describes a Credit Event that occurred during the Credit Observation Period. The Credit Event which is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective.

Credit Event Notice After Restructuring:

with respect to a Reference Entity, notwithstanding anything to the contrary in the Credit Derivative Definitions, upon the occurrence of a Restructuring Credit Event during the term of the Transaction:

- (a) the Buyer may deliver multiple Credit Event Notices with respect to the Reference Entity to which such Credit Event applies (with a written copy to S&P), each such Credit Event Notice setting forth the amount of the Floating Rate Payer Calculation Amount to which such Credit Event Notice applies (the “**Exercise Amount**”);
- (b) if the Buyer has delivered a Credit Event Notice that specifies an Exercise Amount that is less than the Floating Rate Payer Calculation Amount for the Reference Entity to which such Credit Event applies, it shall be construed as if the Reference Registry contained two entries for that specific Reference Entity, one which has a Floating Rate Payer Calculation Amount equal to the Exercise Amount

and, upon satisfaction of the Conditions to Settlement, will be settled in accordance with the terms herein, and the other of which will have a Floating Rate Payer Calculation Amount equal to the Floating Rate Payer Calculation Amount outstanding prior to such Credit Event Notice minus the Exercise Amount and will continue in effect; and

- (c) the Exercise Amount in connection with a Credit Event Notice describing a Restructuring must be in the amount of 1,000,000 units of the currency in which the Floating Rate Payer Calculation Amount is denominated or an integral multiple thereof.

**Grace Period:** means the lesser of (a) the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred and (b) 30 calendar days.

**Grace Period Extension Date:** in the event of a Potential Failure to Pay occurring on or prior to the Scheduled Termination Date, and if Grace Period Extension is specified as applicable, and the relevant Grace Period ends after the Scheduled Termination Date, the Grace Period Extension Date will be (i) in the event that the Calculation Agent determines that the Potential Failure to Pay is remedied during the Grace Period, and, in the absence of further Credit Events or further Potential Failures to Pay prior to or on the Scheduled Termination Date, the later of (A) the Scheduled Termination Date, and (B) the date which is three Business Days after the date of such remedy, or (ii) in the event that such Potential Failure to Pay is not remedied (as determined by the Calculation Agent in its sole and absolute discretion) before the expiry of the Grace Period and does not result in the occurrence of a Failure to Pay occurring prior to the expiry of the Grace Period, the date that is three Business Days following the Reference Entity Valuation Date.

**Notice of Publicly Available Information:** means an irrevocable notice from the Swap Counterparty (which may be oral, including by telephone) to the Buyer and Seller (with a written copy to S&P) that cites Publicly Available Information confirming the occurrence of the Credit Event described in the Credit Event Notice. The notice given must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information.

**Event Determination Date:** means the first date on which both the Credit Event Notice and the Notice of Publicly Available Information are effective.

**Potential Failure to Pay:** means the failure by any one of the Reference Entities to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more

	Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure.
Potential Repudiation/Moratorium:	means the occurrence of an event described in clause (i) of the definition at Repudiation/Moratorium.
Repudiation/Moratorium Evaluation Date:	means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Termination Date, (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date or of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium.  If (i) the Repudiation/Moratorium Extension Condition is satisfied and (ii) an Event Determination Date in respect of that Repudiation/Moratorium does not occur during the Notice Delivery Period, the Repudiation/Moratorium Evaluation Date will be the Termination Date (even if a Repudiation/Moratorium occurs after the Scheduled Termination Date).
Repudiation/Moratorium Extension Condition:	The “Repudiation/Moratorium Extension Condition” is satisfied by the delivery of a Repudiation/Moratorium Extension Notice and, if specified as applicable in the related Confirmation, Notice of Publicly Available Information by the Notifying Party to the other party that is effective during the period described in clause (a) of the definition of Notice Delivery Period.
Repudiation/Moratorium Extension Notice:	means an irrevocable notice (which may be by telephone) from Notifying Party to the other party that describes a Potential Repudiation/Moratorium that occurred during the Credit Observation Period. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective. A Repudiation/Moratorium Extension Notice shall be subject to the requirements regarding notices set forth in Section 1.10 of the Credit Derivatives definitions.
Qualifying Guarantee:	means an arrangement evidenced by a written instrument

pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the “**Underlying Obligation**”) for which another party is the obligor (the “**Underlying Obligor**”). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

- Qualifying Affiliate Guarantee: means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.
- Downstream Affiliate: means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent. owned, directly or indirectly, by the Reference Entity.
- Voting Shares: means those shares or other interests that have power to elect the board of directors or similar governing body of an entity.
- Governmental Authority: means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.
- Convertible Obligation: means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).
- Exchangeable Obligation: means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).
- Accreting Obligation: means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or

amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (A) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (B) periodic cash interest is also payable.

Equity Securities:

means:

(A) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing those equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and

(B) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

### **Reference Obligation Definitions**

Borrowed Money:

with respect to any one of the Reference Entities, any one or more obligations (whether as principal or surety or otherwise) (excluding an obligation under a revolving credit arrangement for which there are no outstanding unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

Bond:

means with respect to any one of the Reference Entities, any one or more obligations (whether as principal or surety or otherwise) in respect of borrowed money that is an obligation that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security, and shall not include any other type of borrowed money obligation.

Loan:

means with respect to any one of the Reference Entities, any one or more obligations (whether as principal or surety or otherwise) in respect of borrowed money that is an obligation that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement, and shall not include any other type of borrowed money obligation.

Bond or Loan:

means any obligation that is either a Bond or a Loan.

Specified Currencies:	meaning (a) Standard Specified Currencies and (b) any additional currencies specified as applicable in the Standard Terms in Schedule C hereto as being applicable to the Entity Type specified in the Reference Registry with respect to a Reference Entity.
Standard Specified Currency:	means an obligation payable in any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro (and any successor currency to any of the abovementioned currencies).
Domestic Currency:	means an obligation payable in the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).
Subordinated:	means an obligation that is subordinated to an obligation that is Not Subordinated.
Not Subordinated:	means an obligation that is not subordinated to: (i) the Benchmark Obligation specified for the relevant Reference Entity in the Reference Registry or (ii) if no Benchmark Obligation is specified for the relevant Reference Entity, any unsubordinated Borrowed Money obligation of the relevant Reference Entity. For the purposes of determining whether an obligation satisfies the “Not Subordinated” Obligation Characteristic or Reference Obligation Characteristic, the ranking in priority of payment of the Benchmark Obligation shall be determined as of the later of: (1) the Trade Date and (2) the date on which such obligation was issued or incurred and shall not reflect any change to such ranking after such later date.
Not Contingent:	means any obligation having as of the relevant Valuation Date and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Reference Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange

such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the relevant Valuation Date.

Transferable:	means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:  (A) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or  (B) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds,  provided that such characteristics shall be applicable only in respect of obligations that are Bonds.
Maximum Maturity 30 years:	means an obligation that has a remaining maturity from the Valuation Date of not greater than 30 years.
Not Bearer:	means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream International or any other internationally recognised clearing system provided that such characteristic shall be applicable only in respect of obligations that are Bonds.
Not Sovereign Lender:	means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as “Paris Club Debt”.
Not Domestic Law:	means any obligation that is not governed by the laws of (A) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (B) the jurisdiction or organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign.
Not Domestic Issuance:	means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the



domestic market of the Reference Entity.

Not Domestic Currency:

means any obligation that is payable in a currency other than the Domestic Currency.

Assignable Loan:

means a Loan that is, as of the Valuation Date, capable of being assigned or novated to (a) any third party or (b) at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent, provided that such characteristics shall be applicable only in respect of obligations that are Loans.

Consent Required Loan:

means a Loan that is, as of the Valuation Date, capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such Loan) or any agent, provided that such characteristics shall be applicable only in respect of obligations that are Loans.

In the event that any Reference Obligation is a Loan which is a Consent Required Loan, the Calculation Agent will only be permitted to use a Bid Quotation from a Dealer to determine the Final Reference Obligation Price of such Reference Obligation if the Calculation Agent provided such Dealer with the information reasonably required by that Dealer to give such Bid Quotation. For the sake of clarity, information which may be reasonably requested by such Dealer (and which shall be provided by the Calculation Agent if requested in respect of such Bid Quotation) may include any of the following:

- (1) the name of the debtor;
- (2) the governing law;
- (3) guarantee (existence and description);
- (4) surety (existence and description);
- (5) description of the covenants;
- (6) maturity and amortisation profile;
- (7) coupon;
- (8) revolver or term loan;
- (9) drawn or not; and
- (10) the effective date of the loan.

#### **Certain additional definitions with respect to Restructuring**

“**Restructuring Maturity Limitation Date**” means, with respect to a Reference Entity for which Modified Restructuring is specified as applicable in Standard Terms in Schedule C hereto as being applicable to the

Entity Type specified in the Reference Registry with respect to such Reference Entity, the date that is the earlier of (x) 30 months following the Restructuring Date and (y) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Scheduled Termination Date or later than 30 months following the Scheduled Termination Date and, if it is, it shall be deemed to be the Scheduled Termination Date or 30 months following the Scheduled Termination Date, as the case may be.

“**Restructuring Date**” means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

“**Restructured Bond or Loan**” means an Obligation which is a Bond or Loan and in respect of which the Restructuring that is the subject of a Credit Event Notice has occurred.

“**Eligible Transferee**” means each of the following:

- (a)
  - (i) any bank or other financial institution;
  - (ii) an insurance or reinsurance company;
  - (iii) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in clause (c)(i) below); and
  - (iv) a registered or licensed broker or dealer (other than a natural person or proprietorship);provided, however, in each case that such entity has total assets of at least USD500 million;
- (b) an Affiliate of an entity specified in the preceding clause (a);
- (c) each of a corporation, partnership proprietorship, organisation, trust or other entity
  - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least USD100 million or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD100 million; or
  - (ii) that has total assets of at least USD500 million; or
  - (iii) the obligations of which under an agreement, contract, or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by an entity described in clauses (a), (b), (c)(ii) or (d); and
- (d) a Sovereign, Sovereign Agency or Supranational Organisation;

All references in this definition of USD include equivalent amounts in other currencies.

“**Fully Transferable Obligation**” means, with respect to a Reference Entity for which Modified Restructuring is specified as applicable in the Standard Terms in Schedule C hereto as being applicable to the Entity Type specified in the Reference Registry with respect to such Reference Entity, a Reference Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Reference Obligation other than Bonds. For purposes of determining whether a Reference Obligation is Transferable or is capable of being assigned or novated to Eligible Transferees, such determination shall be made as of the Valuation Date for the portion of the Reference Obligation to be valued on such Valuation Date, taking into account only the terms of the Reference Obligation and any related transfer or consent documents which have been obtained by the Issuer.

Any requirement that notification of transfer of a Reference Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for any Reference Obligation shall not be considered to be a requirement for consent for purposes of the definitions of Restructuring Maturity Limitation and Fully Transferable Obligation.

“**Modified Restructuring Maturity Limitation Date**” means, with respect to a Reference Entity for which Modified Restructuring is specified as applicable in the Standard Terms in Schedule C hereto as being applicable to the Entity Type specified in the Reference Registry with respect to such Reference Entity, the date that is the later of (x) the Scheduled Termination Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Reference Obligations.

“**Modified Eligible Transferee**” means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

“**Conditionally Transferable Obligation**” means, with respect to a Reference Entity for which Modified Restructuring is applicable in the Standard Terms in Schedule C hereto as being applicable to the Entity Type specified in the Reference Registry with respect to such Reference Entity, a Reference Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Reference Obligation other than Bonds, provided, however, that a Reference Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Reference Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Reference Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Reference Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Reference Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Reference Obligation shall not be considered to be a requirement for consent for purposes of this definition.

For purposes of determining whether a Reference Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Valuation Date for the portion of the Reference Obligation to be valued on such Valuation Date, taking into account only the terms of the Reference Obligation and any related transfer or consent documents which have been obtained by the Issuer.

#### **Certain definitions relating to Successors**

- (a) In relation to a Reference Entity that is not a Sovereign, “**Successor**” means the entity or entities, if any, determined as set forth below:
- (i) if an entity directly or indirectly succeeds to 75 per cent. or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
  - (ii) if one entity directly or indirectly succeeds to more than 25 per cent. (but less than 75 per cent.) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25 per cent. of the Relevant Obligations of the Reference Entity remains with the Reference Entity, the entity that succeeds to more than 25 per cent. of the Relevant Obligations will be the sole Successor;

- (iii) if more than one entity each directly or indirectly succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25 per cent. of the Relevant Obligations of the Reference Entity remains with the Reference Entity, the entities that succeed to more than 25 per cent. of the Relevant Obligations will each be Successors;
- (iv) if one or more entities each directly or indirectly succeed to more than 25 per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25 per cent. of the Relevant Obligations of the Reference Entity remains with the Reference Entity, each such entity and the Reference Entity will be Successors;
- (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity and the Transaction will not be changed in any way as a result of the Succession Event; and
- (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations) of the Reference Entity will be the sole Successor.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under paragraph (a)(vi) above, as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under paragraph (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information.

- (b) “**Succession Event**” means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, “Succession Event” shall not include an event in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event.
- (c) Where, pursuant to Section (a) above, one or more Successors have been identified in relation to a particular Reference Entity:
  - (i) each such Successor will be a Reference Entity (a “**Successor Reference Entity**”) for the purposes of this Transaction (and, for the avoidance of doubt, the original Reference Entity shall cease to be a Reference Entity except where it is a Successor Reference Entity); and
  - (ii) the Floating Rate Payer Calculation Amount in respect of each such Successor Reference Entity shall be the Floating Rate Payer Calculation Amount in respect of the original Reference Entity divided by the number of Successor Reference Entities.

- (d) **“Relevant Obligations”** means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.
- (e) **“Best Available Information”** means:
- (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of **“Successor”**, other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
  - (ii) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of **“Successor”**.

Information which is made available more than 14 days after the legally effective date of the Succession Event shall not constitute Best Available Information.

- (f) In relation to a Sovereign Reference Entity, **“Successor”** means any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.

**“Sovereign”** means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

### **Additional Terms For Monolines**

**Qualifying Policy.** “Qualifying Policy” means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments (as defined below) of an instrument that constitutes Borrowed Money (modified as set forth below) (the “Insured Instrument”) for which another party (including a special purpose entity or trust) is the obligor (the “Insured Obligor”). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments). The benefit of a Qualifying Policy must be capable of being Delivered together with the Delivery of the Insured Instrument.

“**Instrument Payments**” means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in paragraph (d) below and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

“**Certificate Balance**” means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

**Obligation and Deliverable Obligation.** Sections 2.14(a) and 2.15(a) of the Definitions are hereby amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee”.

**Interpretation of Provisions.** In the case of a Reference Entity in respect of which Monoline is specified as being an Entity Type in the Reference Registry, in the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, the terms of Section 2.21(d) of the Definitions will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:

- (vii) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms “obligation” and “obligor” as used in the 2003 ISDA Credit Derivatives Definitions in respect of such an Insured Instrument shall be construed accordingly;
- (viii) references in the definitions of Assignable Loan and Consent Required Loan to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively;
- (ix) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable herein;
- (x) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified herein and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and
- (xi) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “outstanding principal balance” shall mean the outstanding Certificate Balance and “maturity”, as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

**Not Contingent.** An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy

continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction.

**Deliver.** For purposes of Section 8.2 of the Definitions, “Deliver” with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognized custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and “Delivery” and “Delivered” will be construed accordingly.

**Provisions for Determining a Successor.** Section 2.2(c) of the Definitions is hereby amended by adding “or insurer” after “or guarantor”.

**Substitute Reference Obligation.** Section 2.30 of the Definitions is hereby amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee” in the definition of Substitute Reference Obligation and paragraph (b) thereof. For purposes of Section 2.30(a)(ii)(B) and Section 1.14(b)(ii) of the Definitions, references to the Qualifying Guarantee and the Underlying Obligation shall be deemed to include the Qualifying Policy and the Insured Instrument, respectively.

**Other Provisions.** For purposes of Sections 2.15(a)(ii), 4.1, 8.2, 9.1 and 9.2(a) of the Definitions, references to the Underlying Obligation and the Underlying Obligor shall be deemed to include Insured Instruments and the Insured Obligor, respectively.

## Schedule C

The standard terms relating to each Entity Type are set out in this Schedule C.

### STANDARD TERMS FOR WESTERN EUROPEAN ENTITIES

All Guarantees	Applicable
Credit Events	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Applicable Multiple Holder Obligation: Applicable
Obligation	Obligation Category: Borrowed Money Obligation Characteristics: None
Reference Obligation	Reference Obligation Category: Bond or Loan Reference Obligation Characteristics: Not Subordinated Specified Currency – Standard Specified Currencies Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer Exclude Accrued Interest



## STANDARD TERMS FOR AUSTRALIAN AND NEW ZEALAND ENTITIES

All Guarantees	Applicable
Credit Events	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Multiple Holder Obligation: Applicable
Obligation	Obligation Category: Borrowed Money Obligation Characteristics: None
Reference Obligation	Reference Obligation Category: Bond or Loan Reference Obligation Characteristics: <ul style="list-style-type: none"> <li>Not Subordinated</li> <li>Specified Currency – Standard Specified Currencies, plus AUD and NZD</li> <li>Not Contingent</li> <li>Assignable Loan</li> <li>Consent Required Loan</li> <li>Transferable</li> <li>Maximum Maturity 30 years</li> <li>Not Bearer</li> </ul> Exclude Accrued Interest

## STANDARD TERMS FOR JAPANESE ENTITIES

All Guarantees	Applicable
Credit Events	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Multiple Holder Obligation: Not Applicable Repudiation/Moratorium (applicable only to Sovereigns) Section 3.9 of the Credit Derivatives Definitions shall not apply.
Obligation	Obligation Category: Borrowed Money Obligation Characteristics: Not Subordinated
Reference Obligation	Reference Obligation Category: Bond or Loan Reference Obligation Characteristics: Not Subordinated Specified Currency – Standard Specified Currencies Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer Exclude Accrued Interest

## STANDARD TERMS FOR SINGAPOREAN ENTITIES

All Guarantees	Applicable				
Credit Events	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Multiple Holder Obligation: Applicable Repudiation/Moratorium (applicable only to Sovereigns)				
Obligation	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Obligation Category:</td> <td>Bond or Loan</td> </tr> <tr> <td>Obligation Characteristics:</td> <td>           Not Subordinated            Specified Currency – Standard            Specified Currencies, plus SGD            Not Sovereign Lender         </td> </tr> </table>	Obligation Category:	Bond or Loan	Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies, plus SGD Not Sovereign Lender
Obligation Category:	Bond or Loan				
Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies, plus SGD Not Sovereign Lender				
Reference Obligation	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Reference Obligation Category:</td> <td>Bond or Loan</td> </tr> <tr> <td>Reference Obligation Characteristics:</td> <td>           Not Subordinated            Specified Currency – Standard            Specified Currencies, plus SGD            Not Sovereign Lender            Not Contingent            Assignable Loan            Transferable            Maximum Maturity 30 years            Not Bearer         </td> </tr> </table> <p>Exclude Accrued Interest</p>	Reference Obligation Category:	Bond or Loan	Reference Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies, plus SGD Not Sovereign Lender Not Contingent Assignable Loan Transferable Maximum Maturity 30 years Not Bearer
Reference Obligation Category:	Bond or Loan				
Reference Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies, plus SGD Not Sovereign Lender Not Contingent Assignable Loan Transferable Maximum Maturity 30 years Not Bearer				

## STANDARD TERMS FOR ASIAN ENTITIES

All Guarantees	Applicable
Credit Events	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Multiple Holder Obligation: Applicable Repudiation/Moratorium (applicable only to Sovereigns)
Obligation	Obligation Category: Bond or Loan Obligation Characteristics: Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Issuance Not Domestic Law
Reference Obligation	Reference Obligation Category: Bond or Loan Reference Obligation Characteristics: Not Subordinated Specified Currency – Standard Specified Currencies Not Sovereign Lender Not Domestic Law Not Domestic Currency Not Contingent Not Domestic Issuance Assignable Loan Transferable Maximum Maturity 30 years Not Bearer Exclude Accrued Interest

**STANDARD TERMS FOR NORTH AMERICAN ENTITIES**

All Guarantees	Not Applicable	
Credit Events	Bankruptcy	
	Failure to Pay	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable	
	Multiple Holder Obligation: Applicable	
Obligation	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Reference Obligation	Reference Obligation Category:	Bond or Loan
	Reference Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer
	Exclude Accrued Interest	

## STANDARD TERMS FOR NORTH AMERICAN INSURANCE ENTITIES

All Guarantees	Not Applicable
Credit Events	Bankruptcy Failure to Pay
Obligation	Obligation Category: Borrowed Money Obligation Characteristics: None
Deliverable Obligations	Deliverable Obligation Category: Bond or Loan Deliverable Obligation Characteristics: Not Subordinated Specified Currency – Standard Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer
	Exclude Accrued Interest

## STANDARD TERMS FOR EMERGING MARKET SOVEREIGNS

All Guarantees	Applicable
Credit Events	Failure to Pay Obligation Acceleration Repudiation/ Moratorium Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Multiple Holder Obligation: Not Applicable
Obligation	Obligation Category: Bond Obligation Characteristics: Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance
Reference Obligation	Reference Obligation Category: Bond Reference Obligation Characteristics: Not Subordinated Specified Currency – Standard Specified Currencies Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer  Exclude Accrued Interest

## STANDARD TERMS FOR EMERGING MARKETS ENTITIES

All Guarantees	Applicable				
Credit Events	Bankruptcy Failure to Pay Obligation Acceleration Repudiation/Moratorium Restructuring  Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable  Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable  Multiple Holder Obligation: Not Applicable				
Obligation	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Obligation Category:</td> <td>Bond</td> </tr> <tr> <td>Obligation Characteristics:</td> <td>           Not Subordinated            Not Domestic Currency            Not Domestic Law            Not Domestic Issuance            Not Sovereign Lender         </td> </tr> </table>	Obligation Category:	Bond	Obligation Characteristics:	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance Not Sovereign Lender
Obligation Category:	Bond				
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Reference Obligation	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Reference Obligation Category:</td> <td>Bond</td> </tr> <tr> <td>Reference Obligation Characteristics:</td> <td>           Not Subordinated            Specified Currency – Standard            Specified Currencies            Not Domestic Law            Not Contingent            Not Domestic Issuance            Transferable            Not Bearer         </td> </tr> </table> Exclude Accrued Interest	Reference Obligation Category:	Bond	Reference Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer
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Reference Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer				



Annex A

**PARAGRAPH 11  
of the  
CREDIT SUPPORT ANNEX**

to the Schedule to the ISDA Master Agreement  
dated as of 10 October 2002 (as amended and restated on 30 January 2004)  
between

**Lehman Brothers Special Financing Inc. and Saphir Finance Public Limited Company**  
**(“Party A”) (“Party B”)**

pursuant to a Deed of Accession dated 11 February 2005

**Paragraph 11. Elections and Variables**

**(a) Base Currency and Eligible Currency.**

- (i) “**Base Currency**” means US Dollars.
- (ii) “**Eligible Currency**” means the Base Currency and each other currency specified here:  
none.

**(b) Credit Support Obligations.**

- (i) **Delivery Amount, Return Amount and Credit Support Amount.**
- (A) “**Delivery Amount**” has the meaning specified in Paragraph 2(a) except that the Transferee shall be deemed to have made a demand on each Valuation Date.
- (B) “**Return Amount**” has the meaning specified in Paragraph 2(b).
- (C) “**Credit Support Amount**” has the meaning specified in Paragraph 10.
- (ii) **Eligible Credit Support.** The following items will qualify as “**Eligible Credit Support**” for the party specified:

	Party A	Party B	Valuation Percentage
(A) Cash in an Eligible Currency.	X	X	100%
(B) USD denominated government debt obligations assigned a rating of “AAA” by S&P (as defined below).	X	X	98%
(C) USD denominated money market funds with a credit rating assigned by S&P (or its successor) equal to “AAAm”.	X	X	100%

**(iii) Thresholds.**

- (A) “**Independent Amount**” means with respect to Party A and to Party B: not applicable.
- (B) “**Threshold**” means with respect to Party A: zero  
“**Threshold**” means with respect to Party B: not applicable

(C) “**Minimum Transfer Amount**” means with respect to Party A: USD1  
“**Minimum Transfer Amount**” means with respect to Party B: USD1

(D) **Rounding.** Not Applicable.

(c) **Valuation and Timing.**

(i) “**Valuation Agent**” means Party A.

(ii) “**Valuation Date**” means: 26 May 2005 and, thereafter, Friday of each week, provided that if such day is not a day on which commercial banks are open for business in London, the Valuation Date shall be the immediately following day on which commercial banks are open for business in London.

(iii) “**Valuation Time**” means:

[X] the close of business in the place of location of the Valuation Agent on the Valuation Date or date of calculation, as applicable;

[ ] the close of business on the Local Business Day immediately preceding the Valuation Date or date of calculation, as applicable;

*provided* that the calculations of Value and Exposure will, as far as practicable, be made as of approximately the same time on the same date.

(iv) “**Notification Time**” means 1:00 p.m., London time, on a Local Business Day.

(d) **Exchange Date.** “**Exchange Date**” has the meaning specified in Paragraph 3(c)(ii).

(e) **Dispute Resolution.**

(i) “**Resolution Time**” means 1:00 p.m., London time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 4.

(ii) **Value.** For the purpose of Paragraphs 4(a)(4)(i)(C) and 4(a)(4)(ii), the Value of the outstanding Credit Support Balance or of any transfer of Eligible Credit Support or Equivalent Credit Support, as the case may be, will be calculated by Party A reasonably and in good faith.

(iii) **Alternative.** The provisions of Paragraph 4 will apply.

(f) **Distributions and Interest Amount.**

(i) **Interest Rate.** The “**Interest Rate**” in relation to each Eligible Currency will be USD-LIBOR-BBA (as defined in the 2000 ISDA Definitions). The interest calculated at the rate referred to above shall be compounded on a daily basis.

(ii) **Transfer of Interest Amount.** The transfer of the Interest Amount will be made on each Valuation Date.

(iii) **Alternative to Interest Amount.** The provisions of Paragraph 5(c)(ii) will apply.

(g) **Addresses for Transfers.**

Party A: As notified by the parties from time to time.

Party B: As notified by the parties from time to time.

Account details of Transferee:

JPMorgan Chase Bank, N.A., London Account 25077717

(h) **Other Provisions.**

(i) **Scope**

This Annex relates to the Transaction (the “**Swap Transaction**”) between Party A and Party B with an Effective Date of 25 May 2005 relating to Saphir Finance Public Limited Company Series 2005-8 USD34,700,000 Synthetic Portfolio Notes due 2010 (the “**Notes**”). The provisions of the Agreement shall apply both to the Swap Transaction and the Transaction evidenced by the Annex so that the Agreement, the Confirmation relating to the Swap Transaction and this Annex form a single agreement.

(ii) **Exposure**

The definition of “**Exposure**” shall be deleted and replaced with the following:

““**Exposure**” means, with respect to Party B on a Valuation Date, and subject to Paragraph 4 in the case of a dispute, zero, unless the Credit Rating of Party A’s Credit Support Provider by S&P is below “A-1+”, in which case it shall mean the amount (expressed as a positive number) equal to the sum of: (i) the Costs Exposure and (ii) the Swap Premium Exposure.”

(iii) **Additional definitions for calculating Exposure**

For the purposes herein, the following definitions shall apply:

“**Costs Exposure**” means the following amounts:

For all Valuation Dates falling from, and including 26 May 2005, to but excluding 26 November 2005, USD110,000;

For all Valuation Dates falling from, and including 26 November 2005, to but excluding the Scheduled Termination Date of the Swap Agreement, USD40,000;

For the avoidance of doubt, Costs Exposure includes an amount, reasonably estimated by the Calculation Agent, equal to any transfer or stamp tax or other costs, if any, which would be incurred by Party B, in relation to the delivery of the Collateral pursuant to (and as defined in) the terms and conditions of the Notes.

“**Credit Rating**” means the rating assigned in respect of short term unsecured and unsubordinated debt obligations (not supported by third party credit enhancement);

“**S&P**” means Standard and Poor’s Rating Services, a division of The McGraw-Hill Companies Inc. or any successor thereof; and

“**Swap Premium Exposure**” means the amount equal to the sum of (1) the Fixed Amount payable by Party A under the Swap Transaction on the next succeeding Fixed Rate Payer Payment Date, and (2) the Grace Period Amount, where “**Grace Period Amount**” means an amount equal to: (x) the Aggregate Outstanding Principal Amount of the Notes, multiplied by (y) the Fixed Rate under the Swap Transaction, multiplied by (z) 3/360. For the purposes of calculating the Swap Premium Exposure: (i) the Fixed Amount and the Grace Period Amount shall be calculated as of each Valuation Date; (ii) the Aggregate Outstanding Principal Amount on each day of the Fixed Rate Payer Calculation Period following the relevant Valuation Date shall be equal to the Aggregate Outstanding Principal Amount as of such Valuation Date; and (iii) no reduction of the Aggregate Outstanding Principal Amount shall be made to reflect Credit Events in respect of which Final Price has not been

determined or Potential Failures to Pay which have not been cured (and not resulted in the occurrence of a Credit Event) as of such Valuation Date.

“**Aggregate Outstanding Principal Amount**” shall bear the meaning given to such term in the Series Prospectus with respect to the Notes.

(iv) ***Transfer of additional Eligible Credit Support; legal opinion delivery; Additional Termination Event***

- (A) Without prejudice to the calculation of Party B’s Exposure, upon each occurrence of a Rating Event and while such Rating Event is continuing, Party A shall transfer Eligible Credit Support (or such other items as may be satisfactory to the Trustee and the S&P) in an amount satisfactory to the Trustee and S&P (acting reasonably and in good faith) within 10 calendar days of such Rating Event. Such amount of Eligible Credit Support shall be an Independent Amount for the purposes of this Annex (unless otherwise agreed) and shall be calculated and maintained as agreed between Party A, the Trustee and S&P.
- (B) In the event that Party A and Party B fail to reach the agreement contemplated in sub-paragraph (A) above within such 10 calendar day period Party A shall effect a Permitted Transfer or procure a Permitted Guarantee.
- (C) The failure by Party A to procure a Permitted Guarantee or effect a Permitted Transfer contemplated by sub-paragraph (B) above shall constitute an Additional Termination Event where Party A is the Affected Party and the Swap Transaction and the Transaction for which this Annex constitutes the Confirmation shall be the Affected Transactions.

For the purposes herein:

“**Permitted Guarantee**” means a guarantee or indemnity from an entity with a Required Rating in respect of Party A’s obligations under the Swap Transaction in a form and substance reasonably satisfactory to the Trustee and the Issuer and on substantially the same terms as the Credit Support Document relating to the Swap Transaction;

“**Permitted Transfer**” means a transfer of all of Party A’s rights and obligations with respect to the Swap Transaction to another entity which has (or whose obligations under the Swap Transaction are unconditionally and irrevocably guaranteed by an entity which has) a Required Rating;

“**Rating Event**” means the Credit Rating by S&P of Party A’s Credit Support Provider falls below A-2/BBB+; and

“**Required Rating**” means a Credit Rating by S&P of A-2/BBB+ or above.

(v) ***Delivery of legal opinion***

- (A) In the event that Party A transfers Eligible Credit Support to Party B pursuant to Paragraph 11(h)(iv) above, Party A agrees to provide to S&P within 10 calendar days of the occurrence of the Rating Event a legal opinion from its external legal advisers in form and substance reasonably satisfactory to S&P (acting reasonably and in good faith), such opinion confirming, but not limited to, that the Eligible Credit Support so transferred shall not be required to be repaid, reimbursed or otherwise disgorged by the

Issuer, otherwise than in accordance with the terms of this Annex or the Swap Transaction.

(B) The failure of Party A to provide such legal opinion within such 10 calendar day period shall constitute an Additional Termination Event where Party A is the Affected Party and the Swap Transaction and the Transaction for which this Annex constitutes the Confirmation shall be the Affected Transactions.

(vi) ***Single Transferor***

Notwithstanding anything contained in this Annex, Party A only shall be a Transferor and Party B only shall be a Transferee.

(vii) ***No set-off***

Notwithstanding any set-off right between Party A and Party B, whether now or hereafter in existence, each of Party A and Party B agrees that, subject as provided in this Agreement, all payments required to be made by it under this Transaction shall be made without set-off and that it shall not withhold payment or delivery under this Transaction in respect of any default by the other party under any agreement other than this Agreement or any amount relating to any agreement other than this Agreement between the other party on the one hand and it on the other. For the avoidance of doubt, references in this paragraph to “this Agreement” include the ISDA Master Agreement.

**Signed for and on behalf of  
Lehman Brothers Special Financing Inc**

**Signed for and on behalf of  
Saphir Finance Public Limited Company**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

## Exhibit A

### GUARANTEE OF LEHMAN BROTHERS HOLDINGS INC.

LEHMAN BROTHERS SPECIAL FINANCING INC. (“**Party A**”) and SAPHIR FINANCE PUBLIC LIMITED COMPANY (“**Party B**”) have, pursuant to a Deed of Accession dated 9 April 2003 as amended and restated on 11 February 2005 entered into a Master Agreement dated as of 10 October 2002, as amended and restated on 30 January 2004 (the “**Master Agreement**”), pursuant to which Party A and Party B have entered and/or anticipate entering into one or more transactions (each a “**Transaction**”), the Confirmation of each of which supplements, forms part of, and will be read and construed as one with, the Master Agreement (collectively referred to as the “**Agreement**”). This Guarantee is a Credit Support Document as contemplated in the Agreement for the Transaction evidenced by a Confirmation dated 25 May 2005 relating to the Series 2005-8 USD34,700,000 Synthetic Portfolio Notes due 2010 of Party B (the “**2005-8 Transaction**”). For value received, and in consideration of the financial accommodation accorded to Party A by Party B under the Agreement, LEHMAN BROTHERS HOLDINGS INC., a corporation organized and existing under the laws of the State of Delaware (“**Guarantor**”), hereby agrees to the following:

- (a) Guarantor hereby unconditionally and irrevocably guarantees to Party B the due and punctual payment of all amounts payable by Party A under the 2005-8 Transaction when and as Party A’s obligations thereunder shall become due and payable in accordance with the terms of the Agreement. In case of the failure of Party A to pay punctually any such amounts, Guarantor hereby agrees, upon written demand by Party B, to pay or cause to be paid any such amounts punctually when and as the same shall become due and payable.
- (b) Guarantor hereby agrees that its obligations under this Guarantee constitute a guarantee of payment when due and not of collection.
- (c) Guarantor hereby agrees that its obligations under this Guarantee shall be unconditional, irrespective of the validity, regularity or enforceability of the Agreement against Party A (other than as a result of the unenforceability of the Agreement against Party B), the absence of any action to enforce Party A’s obligations under the Agreement, any waiver or consent by Party B with respect to any provisions thereof, the entry by Party A and Party B into additional Transactions under the Agreement or any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor (excluding the defence of payment or statute of limitations, neither of which are waived); provided, however, that Guarantor shall be entitled to exercise any right that Party A could have exercised under the Agreement to cure any default in respect of its obligations under the Agreement or to setoff, counterclaim or withhold payment in respect of any Event of Default or potential Event of Default in respect of Party B or any Affiliate, but only to the extent such right is provided to Party A under the Agreement. The Guarantor acknowledges that Party A and Party B may from time to time enter into one or more Transactions pursuant to the Agreement.
- (d) This Guarantee shall remain in full force and effect until such time as Party B shall receive written notice of termination. Termination of this Guarantee shall not affect the Guarantor’s liability hereunder as to obligations incurred or arising out of Transactions entered into prior to the termination hereof.
- (e) Guarantor further agrees that this Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time, payment, or any part thereof, of any obligation or interest thereon is rescinded or must otherwise be restored by Party B upon an Event of Default as set forth in Section 5(a)(vii) of the Master Agreement affecting Party A or Guarantor.
- (f) Guarantor hereby waives (i) promptness, diligence, presentment, demand of payment, protest, order and, except as set forth in paragraph (a) hereof, notice of any kind in connection with the Agreement

and this Guarantee, or (ii) any requirement that Party B exhaust any right to take any action against Party A or any other person prior to or contemporaneously with proceeding to exercise any right against Guarantor under this Guarantee.

This Guarantee shall be governed by and construed in accordance with the laws of the State of New York, without reference to choice of law doctrine. All capitalized terms not defined in this Guarantee, but defined in the Agreement, shall have the meanings assigned thereto in the Agreement.

Any notice hereunder will be sufficiently given if given in accordance with the provisions for notices under the Agreement and will be effective as set forth therein. All notices hereunder shall be delivered to Lehman Brothers Holdings Inc., Attention: Corporate Counsel, 399 Park Avenue, 11<sup>th</sup> Floor, New York, NY 10022 (Facsimile No. 212 520-0176) with a copy to Lehman Brothers Special Financing Inc., Attention: Transaction Management, at 745 Seventh Avenue, New York, New York 10019, USA.

IN WITNESS WHEREOF, Guarantor has caused this Guarantee to be executed in its corporate name by its duly authorized officer as of the date of the Agreement.

**LEHMAN BROTHERS HOLDINGS INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **ANNEX 4 - DESCRIPTION OF THE SWAP COUNTERPARTY AND THE SWAP GUARANTOR**

### **Lehman Brothers Special Financing Inc.**

Lehman Brothers Special Financing Inc. (the “**Swap Counterparty**”) was incorporated under the laws of the State of Delaware of the United States of America on 17 August 1984.

The principal executive office of the Swap Counterparty is located at 745 Seventh Avenue, New York, New York 10019, U.S.A. The Swap Counterparty’s registered office in the State of Delaware is located at 1013 Centre Road, Wilmington, Delaware 19805, U.S.A.

The Swap Counterparty is engaged in the fixed income and currency, swaps and derivatives business. The Swap Counterparty’s principal activities are to provide a wide range of derivative products including interest rate, currency, credit and mortgage derivatives.

The Swap Counterparty is a wholly-owned subsidiary of Lehman Brothers Inc.

### **Lehman Brothers Holding Inc.**

Lehman Brothers Holding Inc. (the “**Swap Guarantor**”) was incorporated under the laws of the State of Delaware of the United States of America on 29 December 1983.

The principal executive office of the Swap Guarantor is located at 745 Seventh Avenue, New York, New York 10019. The Swap Guarantor’s registered office in the State of Delaware is located at 1013 Centre Road, Wilmington, Delaware 19805, U.S.A.

The Swap Guarantor is a holding company that is primarily engaged in funding activities. Through its U.S. and non-U.S. subsidiaries and affiliates it provides equity and fixed income sales, trading and research, investment banking, mortgage, private equity and private client services on a global basis. The Swap Guarantor provides these products and services to a wide array of clients, including corporations, governments and municipalities, institutional clients, and high-net-worth individuals.

The Swap Guarantor funds its activities through a combination of master notes, commercial paper, bank credit facilities and other money market related instruments, medium and long-term debt, and an unsecured flexible cash capital facility.

The common stock of the Swap Guarantor is listed on the New York Stock Exchange.



## **ANNEX 5 – SUBSCRIPTION AND SALE**

The entire issue amount of the Notes will be subscribed on the Issue Date by a special purpose vehicle issuer as collateral securities securing certain notes (previously secured by, *inter alia*, the Series 2005-8 Notes) issued by such special purpose vehicle issuer. The Issuer is issuing the Notes in consideration of the Series 2005-8 Notes being delivered to the Issuer in exchange for the Notes. On the Issue Date, the special purpose vehicle issuer has given notice of such subscription and exchange to its noteholders through Euroclear and Clearstream Luxembourg.

## GENERAL INFORMATION

1. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that such application will be successful.
2. The Notes shall have the same terms and conditions as those relating to the Series 2005-8 Notes issued by the Issuer on 25 May 2005, as amended or supplemented by the provisions set out in the Master Issue Deed scheduled to these terms and conditions. The Series 2005-8 Notes were admitted to the Official List of the Irish Stock Exchange on 2 December 2005.
3. Electronic copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the Issuer's registered office and the specified offices of the Irish Paying Agent:
  - (1) this Series Prospectus;
  - (2) the Supplemental Trust Deed and Drawdown Agreement in relation to the Notes; and
  - (3) the Collateral Pricing Supplement.
4. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on or about 25 July 2008.
5. Since its incorporation, the Issuer has not prepared any accounts or declared any dividends as at the date hereof, except for the transactions described herein. Save as described herein, there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer since its incorporation.
6. The Issuer is not, or has not been, involved in any legal or arbitration proceedings (including such proceedings which are pending or threatened of which it is aware) which may have or have had since its date of incorporation, a significant effect on its financial position.
7. Notwithstanding Clause 2.4 in the Master Issue Deed, Annex B to the Master Issue Deed is not included in this Series Prospectus as Annex B to the Master Issue Deed does not apply to the Series 2008-13 Notes.

**REGISTERED OFFICE OF THE ISSUER**

AIB International Centre  
International Financial Services Centre  
Dublin 1  
Ireland

**TRUSTEE**

BNY Corporate Trustee Services Limited  
One Canada Square  
London E14 5AL

**SWAP COUNTERPARTY**

Lehman Brothers Special Financing Inc.  
1013 Centre Road,  
Wilmington,  
Delaware 19805,  
U.S.A.

**ISSUING AND PAYING AGENT AND  
CUSTODIAN**

The Bank of New York Mellon  
One Canada Square  
  
London E14 5AL

**IRISH PAYING AGENT**

BNY Financial Services plc  
Guild House  
Guild Street  
IFSC  
Dublin 1  
  
Ireland

**CALCULATION AGENT**

Lehman Brothers International (Europe)  
25 Bank Street  
London E14 5LE

**LISTING AGENT**

A&L Listing Limited  
International Financial Services Centre  
North Wall Quay  
Dublin 1  
  
Ireland

**LEGAL ADVISERS**

*to the Issuer  
as to Irish law*

**A&L Goodbody Solicitors**  
International Financial Services Centre  
North Wall Quay  
Dublin 1, Ireland

*to the Arranger and the Trustee  
as to English law*

**Linklaters**  
10th Floor, Alexandra House  
18 Chater Road  
Central  
Hong Kong