

## LCDS AUCTION RULES

(published on May 22, 2007)

These LCDS Auction Rules are published by the International Swaps and Derivatives Association, Inc. (“ISDA”) and CDS IndexCo LLC (“CDS”) to facilitate the settlement of syndicated secured loan credit default swap transactions, including settlement of transactions referencing an LCDX Index sponsored by CDS (each, an “LCDX Index”), to the extent the documentation governing such transactions references these LCDS Auction Rules.

1.1 Annex A to these LCDS Auction Rules contains a form of LCDS Auction Settlement Terms (the “LCDS Auction Form”). The procedures set forth herein governing auctions based on the LCDS Auction Form (each, an “Auction”) shall be administered by Markit Group Limited or any successor thereto appointed by CDS (the “Administrator”).

1.2 The entities eligible to vote under these LCDS Auction Rules with respect to Auctions, the LCDS Auction Form and any other matters are the Eligible LCDX Members, as such term is used in CDS’ LCDX Index rules at the relevant time (the “LCDX Rules”).

1.3 The term “Quorum Majority” as used in these LCDS Auction Rules shall mean a majority of Eligible LCDX Members participating in a particular vote, provided that at least three quarters of Eligible LCDX Members participate in such vote.

1.4 All days referred to in these LCDS Auction Rules refer to days on which commercial banks and foreign exchange markets are generally open to settle payments in New York and London (each such business day being a “Business Day”).

1.5 These LCDS Auction Rules may be amended with the approval of at least three quarters of Eligible LCDX Members voting on a particular amendment; provided that at least three quarters of Eligible LCDX Members participate in the relevant vote.

1.6 At the request of two or more Eligible LCDX Members at any time, the Administrator will solicit votes from each Eligible LCDX Member with respect to any proposed modification or supplement to or replacement of the then-current LCDS Auction Form. Any such proposed modification, supplement or replacement will be adopted and will be effective to amend Annex A if it is supported by a Quorum Majority.

1.7 At the request of two or more Eligible LCDX Members at any time, the Administrator will solicit votes from each Eligible LCDX Member as to whether an Auction should be conducted with respect to a particular entity (the “Reference Entity”) and priority of loans (the “Designated Priority”). If an absolute majority of Eligible LCDX Members submit votes in favor of conducting an Auction, the Administrator will promptly announce to each LCDX Member (as such term is defined in the LCDX Rules), ISDA and the public the name of the Reference Entity and the Designated Priority and that the Eligible LCDX Members have voted to hold an Auction with respect to that Reference Entity and Designated Priority (the date of such announcement, the “Announcement Date”).

1.8 Promptly following an Announcement Date, the Administrator will convene one or more

meetings with Eligible LCDX Members (which may be by telephone) to discuss the terms of the relevant Auction and solicit votes with respect to amendments to the LCDS Auction Form required for use of the LCDS Auction Form for such Auction. Any amendment to the LCDS Auction Form (including the designation of a specific date, amount or other information required to complete the LCDS Auction Form but not including the designation of any particular Deliverable Obligation) will be effective if it receives the approval of at least three quarters of Eligible LCDX Members voting with respect to such amendment; provided that the quorum requirement applicable to such votes shall be a number of Eligible LCDX Members (rounded up to the nearest whole number) equal to three quarters of the number of Eligible LCDX Members that voted in favor of holding an Auction in the relevant vote conducted pursuant to Section 1.7 (a vote meeting the three quarters approval level and satisfying such quorum requirement, an “Auction Majority”).

1.9 At any point in time after all information required to complete the LCDS Auction Form (other than the listing of particular Deliverable Obligations) has been approved with respect to an Auction, at the request of two or more Eligible LCDX members, the Administrator will solicit votes from each Eligible LCDX Member as to whether discussion of the terms of the Auction should be closed. If an Auction Majority approves the closure of discussion, the terms of the Auction will be distributed by the Administrator to ISDA and CDS for publication. If the terms of an Auction (other than the listing of particular Deliverable Obligations) have not been finalized by vote of an Auction Majority by the close of business on the tenth Business Day after the relevant Announcement Date (or such later day as may be designated by an Auction Majority), the Auction will be abandoned and the Administrator will publish an announcement reporting such abandonment.

1.10 The Administrator will compile a list of obligations that will be referenced in the definition of “Deliverable Obligation” for such Auction according to the following procedures:

(a) The Administrator will, for each obligation on the Relevant Secured List (as defined in the Standard Terms Supplement defined below) for the relevant Reference Entity, Designated Priority and common Event Determination Date under the Auction (however described), solicit votes from each Eligible LCDX Member with respect to the following question, to be considered as of the day the Administrator solicits such votes (the “Solicitation Date”):

In your judgment, does the relevant obligation satisfy the Specified Currency, Not Contingent and Maximum Maturity Deliverable Obligation Characteristics within the meaning of the version of the Syndicated Secured Loan Credit Default Swap Standard Terms Supplement published by ISDA most recently prior to the Solicitation Date (the “Standard Terms Supplement”)?

The Administrator may determine the duration of any vote conducted pursuant to this Section 1.10 in its discretion; provided that no such vote will be open to Eligible LCDX Members for fewer than three Business Days (or such other period as may be designated by an Auction Majority); provided, further, that no such vote will be effective unless at least five Eligible LCDX Members participate in the relevant vote.

(b) Any obligation for which at least three quarters of Eligible LCDX Members submitting votes in respect of such obligation answer the question in Section 1.10(a) affirmatively will be a “Deliverable Obligation” with respect to the relevant Auction.

(c) If the votes conducted pursuant to this Section 1.10 for the obligations on the applicable Relevant Secured List are completed after publication of the Auction, the Administrator will promptly distribute the list of Deliverable Obligations to ISDA and CDS for publication prior to the Auction Date (as defined in such Auction); otherwise, the list of Deliverable Obligations will be included in the published Auction.

(d) If the votes conducted pursuant to this Section 1.10 do not result in the identification and publication of at least one Deliverable Obligation prior to the close of business on the Business Day prior to the Auction Date (as defined in such Auction), such Auction will be abandoned and the Administrator will publish an announcement reporting such abandonment.

# LCDS AUCTION SETTLEMENT TERMS

## For [insert Reference Entity] [insert Designated Priority] Lien Loans

published on [●]

by the International Swaps and Derivatives Association, Inc. [and CDS IndexCo LLC]<sup>1</sup>

The International Swaps and Derivatives Association, Inc. (“**ISDA**”) [and CDS IndexCo LLC]<sup>2</sup> [have/has] published these LCDS Auction Settlement Terms to enable parties to Covered Transactions to settle such Covered Transactions based upon a Final Price determined pursuant to the terms set forth below (an “**Auction**”).

- (1) On the Business Day prior to the Auction Date, the Administrators will publish a list of the Participating Bidders.
- (2) During the Initial Bidding Period, each Participating Bidder will be expected to submit to the Administrators a Valid Inside Market Submission and a Dealer Physical Settlement Request and may submit as many Customer Physical Settlement Requests as it receives from its customers; provided that all such Valid Inside Market Submissions and Physical Settlement Requests must satisfy Section (10)(g) below. Each Dealer Physical Settlement Request must be, to the best of such Participating Bidder’s knowledge and belief, in the same direction as, and not in excess of, its Market Position. Each Customer Physical Settlement Request must be, to the best of the relevant customer’s knowledge and belief (aggregated with all Customer Physical Settlement Requests submitted by such customer), in the same direction as, and not in excess of, its Market Position. Each Participating Bidder must accept Customer Physical Settlement Requests from any customer with whom it has a trading relationship, provided such Customer Physical Settlement Request is no larger than, and is in the same direction as, such customer’s Dealer-Specific Market Position with respect to that Participating Bidder (or its affiliates). A Participating Bidder may, but is not required to, accept a Customer Physical Settlement Request larger than the relevant customer’s Dealer-Specific Market Position in respect of such Participating Bidder (or its affiliates).
- (3) If the Administrators receive at least [ ] Valid Inside Market Submissions, the Administrators will determine the “**Inside Market Midpoint**” as follows:
  - (a) The Administrators will sort the Physical Settlement Buy Requests and Physical Settlement Sell Requests separately, with the Inside Market Bids sorted in descending order and the Inside Market Offers sorted in ascending order. Each Inside Market Bid will then be matched with the corresponding Inside Market Offer (the highest Inside Market Bid being matched with the lowest Inside Market Offer, the second highest Inside Market Bid with the second lowest Inside Market Offer, etc.) (each such Inside Market Bid/Inside Market Offer pair constituting a “**Matched Market**”). For purposes of sorting the Inside Market Bids and Inside Market Offers, where two Inside Market Bids are

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<sup>1</sup> [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

<sup>2</sup> [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

equal, the one submitted first to the Administrators will be considered to be the lower of the two, and where two Inside Market Offers are equal, the one submitted first to the Administrators will be considered to be the higher of the two.

- (b) The Administrators will then calculate the mean of the Inside Market Bids and Inside Market Offers included in the Best Half of the Matched Markets that are Non-Tradeable Markets. To identify the Best Half, the Administrators will sort all Non-Tradeable Markets in order of the spread between the Inside Market Bid and Inside Market Offer within each Matched Market, from smallest spread to largest. The Best Half of the Matched Markets are those in the first half of such list. (In the event that the number of Non-Tradeable Markets is an odd number, the Administrators will round up the number of Matched Markets to include in the Best Half.) The Administrators will then calculate the Inside Market Midpoint by finding the mean of all the Inside Market Bids and Inside Market Offers included in the Matched Markets that fall within the Best Half (with the results rounded to the nearest one eighth of one percent).
- (c) The steps described in (a) and (b) above are illustrated in the following example (which is not intended to reflect indicative prices for the Deliverable Obligations):

Step 1 – Sort Bids from highest to lowest and Offers from lowest to highest.

Contributed		Sorted	
IM Bids	IM Offers	IM Bids	IM Offers
39.500%	41.000%	45.000%	34.000%
40.000%	42.000%	41.000%	39.500%
41.000%	43.000%	41.000%	40.000%
45.000%	47.000%	<b>40.000%</b>	<b>41.000%</b>
32.000%	34.000%	<b>39.500%</b>	<b>42.000%</b>
38.750%	40.000%	<b>38.750%</b>	<b>42.750%</b>
38.000%	39.500%	38.000%	43.000%
41.000%	42.750%	32.000%	47.000%

Best Half { Tradeable Markets } Matched Markets

Step 2 – Ignore all Tradeable Markets.

Step 3 – The Inside Market Midpoint is the mean of the Best Half of the remaining Matched Markets. If there is an odd number of Matched Markets, round up.

Best Half	
IM Bids	IM Offers
40.000%	41.000%
39.500%	42.000%
38.750%	42.750%

$$\text{Inside Market Midpoint} = \text{Average } (40, 41, 39.5, 42, 38.75, 42.75) = 40.667\%, \text{ rounded to } 40.625\%$$

- (4) For each Tradeable Market, one of the Participating Bidders whose Inside Market Bid or Inside Market Offer forms part of such Tradeable Market will make a payment to ISDA (the “**Adjustment Amount**”) on the third Business Day after the Final Price Determination Date, such payment to be calculated by the Administrators as follows:

- (a) The “**Adjustment Amount**” in respect of a Tradeable Market will be an amount equal to (i) the Inside Market Quotation Amount *multiplied by* (ii) either (A) if the Open Interest is an offer to sell Deliverable Obligations, the greater of (I) zero and (II) the Inside Market Bid forming part of such Tradeable Market *minus* the Inside Market Midpoint or (B) if the Open Interest is a bid to purchase Deliverable Obligations, the greater of (I) zero and (II) the Inside Market Midpoint *minus* the Inside Market Offer forming part of such Tradeable Market. Each Participating Bidder agrees that (C) if the Open Interest is an offer to sell Deliverable Obligations, the Participating Bidder whose Inside Market Bid formed part of such Tradeable Market will pay the Adjustment Amount to ISDA and

(D) if the Open Interest is a bid to purchase Deliverable Obligations, the Participating Bidder whose Inside Market Offer formed part of such Tradeable Market will pay the Adjustment Amount to ISDA. Any payments of Adjustment Amounts shall be used by ISDA to defray any costs related to the Auction. To the extent that such payments exceed the costs of the Auction, any such excess will be distributed pro rata among all the Participating Bidders. Payments of Adjustment Amounts will not be conducted or effected by, or through, any Administrator.

- (b) The steps described in (a) above are illustrated in the following example (which is not intended to reflect indicative prices for the Deliverable Obligations):

Step 1 – Consider only Tradeable Markets.

Tradeable Markets	
IM Bids	IM Offers
45.000%	34.000%
41.000%	39.500%
41.000%	40.000%

Step 2 – Calculate the Adjustment Amount for each Tradeable Market by (a)(i) if the Open Interest is an offer to sell Deliverable Obligations, determining the greater of (A) zero and (B) the Inside Market Bid forming part of such Tradeable Market *minus* the Inside Market Midpoint or (ii) if the Open Interest is a bid to purchase Deliverable Obligations, determining the greater of (A) zero and (B) the Inside Market Midpoint *minus* the Inside Market Offer forming part of such Tradeable Market and (b) multiplying the resulting amount by the Inside Market Quotation Amount.

Example calculation of Adjustment Amount if the Open Interest is an offer to sell Deliverable Obligations:

IM Bids	IMM	Adjustment Amount (as a percentage of the Inside Market Quotation Amount)
45.000%	40.625%	4.375%
41.000%	40.625%	0.375%
41.000%	40.625%	0.375%

Example calculation of Adjustment Amount if the Open Interest is a bid to purchase Deliverable Obligations:

IMM	IM Offers	Adjustment Amount (as a percentage of the Inside Market Quotation Amount)
40.625%	34.000%	6.625%
40.625%	39.500%	1.125%
40.625%	40.000%	0.625%

- (5) If an Inside Market Midpoint has been determined pursuant to Section (3) above, the Administrators will match all Physical Settlement Requests with one another in order to determine the Open Interest.

- (a) If the sum of all Quotation Amounts stated in each Physical Settlement Sell Request is less than the sum of all Quotation Amounts stated in each Physical Settlement Buy Request, all Physical Settlement Sell Requests will be matched with Physical Settlement Buy Requests, subject to the Rounding Convention, and if the sum of all Quotation

Amounts stated in each Physical Settlement Buy Request is less than the sum of all Quotation Amounts stated in each Physical Settlement Sell Request, all Physical Settlement Buy Requests will be matched with Physical Settlement Sell Requests, subject to the Rounding Convention (each such match, a “**Market Position Trade**”), and each such pair will form a trade at the Final Price as described in Section (7) below.

- (b) Within 30 minutes of the conclusion of the Initial Bidding Period, the Administrators will publish the following information on their respective websites:
  - (i) the size and direction of the Open Interest;
  - (ii) the Inside Market Midpoint;
  - (iii) the details of any Adjustment Amounts; and
  - (iv) if the Open Interest is a bid to purchase Deliverable Obligations, the Limit Offer Cap.
- (6) During the Subsequent Bidding Period, each Participating Bidder will submit Limit Order Submissions submitted to it by customers and may submit its own Limit Order Submissions. All Inside Market Bids or Inside Market Offers (as applicable) submitted during the Initial Bidding Period (regardless of whether or not they form part of a Tradeable Market) will, together with all Limit Bids or Limit Offers (as applicable), be considered “**Unmatched Limit Orders**,” however any Inside Market Bid or Inside Market Offer that forms part of a Tradeable Market will be deemed to be equal to the Inside Market Midpoint for purposes of serving as an Unmatched Limit Order.
- (7) The Administrators will then match the Open Interest against the corresponding Unmatched Limit Orders.
  - (a) If the Open Interest is a bid to purchase Deliverable Obligations, it will be matched against the Unmatched Limit Orders that are Offers. If the Open Interest is an offer to sell Deliverable Obligations, it will be matched against the Unmatched Limit Orders that are Bids.
  - (b) The Open Interest will be matched against each applicable Unmatched Limit Order, beginning with the Unmatched Limit Order that is the lowest Offer or the highest Bid, as the case may be, and moving to the next remaining lowest (in the case of Offers) or next remaining highest (in the case of Bids) until:
    - (i) the full amount of the Open Interest has been matched against Unmatched Limit Orders totaling the same size as the Open Interest; or
    - (ii) all of the Unmatched Limit Orders of the relevant type have been matched to the Open Interest.

(Each Unmatched Limit Order that is matched to the Open Interest, under Section (7)(b)(i) or (ii) above, a “**Matched Limit Order**” and each Matched Limit Order/Physical Settlement Request pair, a “**Matched Limit Order Trade**”). If, in the case of Section (7)(b)(i) above, there are multiple Unmatched Limit Orders stating the same price and each could be the final Unmatched Limit Order to be matched to the Open

Interest, then such final Unmatched Limit Orders will be filled Pro Rata against the remaining Open Interest, subject to the Rounding Convention.

- (c) If the final matching of the Open Interest against the applicable Unmatched Limit Orders occurs pursuant to Section (7)(b)(i) above, the Final Price will be the price associated with the Matched Limit Order that is the highest Offer or the lowest Bid, as the case may be, provided that (A) if the Open Interest is an offer to sell Deliverable Obligations and the price associated with the lowest Matched Limit Order exceeds the Inside Market Midpoint by more than the Cap Amount, then the Final Price will be the Inside Market Midpoint plus the Cap Amount and (B) if the Open Interest is a bid to purchase Deliverable Obligations and the Inside Market Midpoint exceeds the price associated with the highest Matched Limit Order by more than the Cap Amount, then the Final Price will be the Inside Market Midpoint minus the Cap Amount. If the Open Interest is zero, the Final Price will be the Inside Market Midpoint.
- (d) If the final matching of the Open Interest against the applicable Unmatched Limit Orders occurs pursuant to Section (7)(b)(ii) above, the Final Price shall be (A) if the Open Interest is a bid to purchase Deliverable Obligations, the Limit Offer Cap and (B) if the Open Interest is an offer to sell Deliverable Obligations, zero. In such case, notwithstanding Sections (5)(a) or (7)(b) above, all Physical Settlement Requests of the same type as the Open Interest (e.g., bids to purchase or offers to sell) will be matched Pro Rata, subject to the Rounding Convention, against the Limit Orders and Physical Settlement Requests on the opposite side of the market to form Market Position Trades or Matched Limit Order Trades, as applicable.
- (e) Each Participating Bidder whose Physical Settlement Request or Matched Limit Order, as the case may be, forms part of either a Market Position Trade or a Matched Limit Order Trade will be deemed to have entered into a bilateral agreement on terms equivalent to the Representative Auction-Settled Transaction for which (i) the Floating Rate Payer Calculation Amount is equal to the Quotation Amount in respect of the relevant Market Position Trade or Matched Limit Order Trade, as the case may be, and (ii) (A) the Seller is the Participating Bidder whose Physical Settlement Buy Request forms part of such Market Position Trade or whose Physical Settlement Buy Request, Limit Bid or Inside Market Bid, as the case may be, forms part of such Matched Limit Order Trade and (B) the Buyer is the Participating Bidder whose Physical Settlement Sell Request forms part of such Market Position Trade or whose Physical Settlement Sell Request, Limit Offer or Inside Market Offer, as the case may be, forms part of such Matched Limit Order Trade; provided that, (i) in the case of the Matched Limit Order Trades containing the highest Offer or the lowest Bid, as the case may be, the Quotation Amount will, if necessary, be reduced to reflect the size of the remaining Open Interest, and (ii) in the event that there are multiple Matched Limit Orders stating the highest Offer or lowest Bid, as the case may be, then such Matched Limit Orders will be filled Pro Rata against the remaining Open Interest, subject to the Rounding Convention. Participating Bidders whose Physical Settlement Request or Matched Limit Order, as the case may be, forms part of a Market Position Trade or Matched Limit Order Trade will be matched with one another alphabetically; provided that, prior to such alphabetical matching, the Quotation Amounts in respect of Matched Limit Orders or Physical Settlement Requests, as the case may be, submitted by the same Participating Bidder will be matched with each other, to the extent possible. Transactions entered into by and between Participating Bidders pursuant to Market Position Trades or Matched Limit Order Trades will not be conducted or effected by, or through, any Administrator.



- (8) A Delayed Auction Date or a Materiality Event Delayed Auction Date may occur under the following circumstances:
- (a) If on or after the Auction Date and before the determination of the Final Price, an event occurs or exists (i) prior to the commencement of an Initial Bidding Period or (ii) subsequent to such Initial Bidding Period but prior to the commencement of the related Subsequent Bidding Period, that is considered by any two Participating Bidders to be a Potential Materiality Event, then such Participating Bidders shall have a right to require the Administrators to call a vote of the Auction Settlement Committee to determine whether such event is a Materiality Event, which vote will take place in the case of (i) above, before the end of such Initial Bidding Period or, in the case of (ii) above, before the end of such Subsequent Bidding Period. If a majority of the Auction Settlement Committee votes that such event is a Materiality Event, then such Initial Bidding Period and, if applicable, such Subsequent Bidding Period will be deemed to have been cancelled and the entire process contemplated by these LCDS Auction Settlement Terms shall recommence on the next Business Day, unless prior to 10:00 a.m., New York time on such next Business Day, at a vote of the Auction Settlement Committee held by the Administrators, a majority of the Auction Settlement Committee votes that the news of the Materiality Event has not yet been sufficiently widely disseminated or another Materiality Event has occurred or exists, in which case the entire process contemplated by these LCDS Auction Settlement Terms shall recommence on the following Business Day (*i.e.*, two Business Days after the original vote establishing the occurrence of a Materiality Event), but in no event later than the fifth Business Day after the Auction Date (any such date on which a delayed Initial Bidding Period actually occurs following a particular Materiality Event, a “**Materiality Event Delayed Auction Date**”). The Administrators will publish the results of any vote of the Auction Settlement Committee with respect to the declaration of a Materiality Event on their respective websites.
  - (b) If the process described above does not result in a Final Price for any reason, in the absence of the declaration of a Materiality Event, the relevant steps will be repeated on the Auction Date with the Initial Bidding Period and the Subsequent Bidding Period each occurring two hours or, if a third attempt is necessary, four hours, later than originally scheduled. If a Final Price cannot be determined on any such subsequent attempts on the Auction Date itself, in the absence of the declaration of a Materiality Event, up to three attempts will be made on the same schedule on the Business Day following the Auction Date (such date, a “**Delayed Auction Date**”).
  - (c) In the case where a Materiality Event has been declared, if the process described above does not result in a Final Price on the related Materiality Event Delayed Auction Date for any reason, in the absence of the declaration of another Materiality Event, the relevant steps will be repeated on such Materiality Event Delayed Auction Date with the Initial Bidding Period and the Subsequent Bidding Period each occurring two hours or, if a third attempt is necessary, four hours, later than originally scheduled on such Materiality Event Delayed Auction Date. If a Final Price cannot be determined on any such subsequent attempts on such Materiality Event Delayed Auction Date itself, in the absence of the declaration of another Materiality Event, up to three attempts will be made on the same schedule on the Business Day following such Materiality Event Delayed Auction Date.
  - (d) If, after the earlier of (i) the additional attempts described in Section 8(b) and (c) above, and (ii) the fifth Business Day following the Auction Date, a Final Price has not been determined, an “**Auction Cancellation Event**” will be deemed to have occurred (the date

of such an event, an “**Auction Cancellation Date**”). The Administrators will announce the occurrence of an Auction Cancellation Event on their respective websites.

- (9) Within one hour of the conclusion of the Subsequent Bidding Period, the Administrators will publish the following information on their respective websites:
  - (a) the Final Price;
  - (b) the names of the Participating Bidders who submitted Bids, Offers and Physical Settlement Requests, together with the details of all such bids and offers submitted by each (e.g., Participating Bidders and Quotation Amounts); and
  - (c) the details and size of all Market Position Trades or Matched Limit Order Trades.
- (10) The following rules will apply to Physical Settlement Requests and Limit Orders submitted by any Participating Bidder:
  - (a) Any Inside Market Bid, Inside Market Offer or Limit Order may not be amended either by the Participating Bidder or the Administrators after the conclusion of the Initial Bidding Period or Subsequent Bidding Period, as applicable, even if such submission is a mistake, and all Participating Bidders will be required to comply with the terms of any Matched Limit Order Trade of which such Inside Market Bid, Inside Market Offer or Limit Order forms a part.
  - (b) If a Participating Bidder submits a Physical Settlement Request that is in the same direction as, but less than or equal to, such Participating Bidder’s Market Position, such Physical Settlement Request may not be amended by either the Participating Bidder or the Administrators after the conclusion of the Initial Bidding Period, even if such submission is a mistake, and all Participating Bidders will be required to comply with the terms of any Market Position Trade or Matched Limit Order Trade of which such Physical Settlement Request forms a part.
  - (c) If a Participating Bidder becomes aware that the Physical Settlement Request it has submitted is in the opposite direction from, or is greater than, such Participating Bidder’s Market Position (such Physical Settlement Request, an “**Incorrect Order**”), such Participating Bidder will immediately notify the Administrators and will submit its corrected Physical Settlement Request.
  - (d) If the Administrators receive such corrected Physical Settlement Request at least thirty minutes prior to the beginning of the Subsequent Bidding Period (the “**Correction Deadline**”), the Administrators will determine the Open Interest based on the corrected submission at least fifteen minutes prior to the beginning of the Subsequent Bidding Period. If the Administrators do not become aware of such corrected Physical Settlement Request until after the Correction Deadline, the Administrators will not re-calculate the Open Interest or the Final Price, and all Covered Transactions will settle according to the Final Price published by the Administrators.
  - (e) Each Auction Party agrees that no Participating Bidder will be liable to any party for any form of damages, whether direct, indirect, special or consequential, arising as a result of the publication of a Final Price (or any other result of the procedures contemplated by these LCDS Auction Settlement Terms), and agrees to waive any claim that may arise

against any Participating Bidder, in each case except in the case of fraud or willful misconduct on the part of such Participating Bidder.

- (f) Each Auction Party that is not a Participating Bidder agrees that neither Administrator will be liable to any party for any form of damages, whether direct, indirect, special or consequential, arising in connection with the performance of its duties under these LCDS Auction Settlement Terms, and agrees to waive any claim that may arise against either Administrator in connection with the performance of the relevant Administrator's duties under these LCDS Auction Settlement Terms, except in the case of fraud or willful misconduct on the part of such Administrator.
  - (g) All Bids and Offers submitted in connection with an Auction, as well as the Final Price, will be expressed as a percentage of the outstanding principal balance or, in the case of a lending commitment, the total lending commitment (rather than the face amount or funded commitment amount) of Deliverable Obligations.
- (11) Notwithstanding any provision to the contrary governing any Covered Transaction, the terms of Schedule 1 hereto shall apply to all Covered Transactions.
  - (12) Each Participating Bidder and each customer that submits a Customer Physical Settlement Request or Limit Order through a Participating Bidder agrees that any Customer Physical Settlement Request and any Limit Order submitted by such customer will, to the extent such Customer Physical Settlement Request or Limit Order is matched in order to form a Market Position Trade or Matched Limit Order Trade, be treated by such customer and Participating Bidder as if such customer and Participating Bidder had entered into a bilateral agreement on terms equivalent to the Representative Auction-Settled Transaction for which (i) the Floating Rate Payer Calculation Amount is equal to the Quotation Amount in respect of the relevant Market Position Trade or Matched Limit Order Trade, as the case may be, and (ii) (A) the customer will be the Seller if the relevant Market Position Trade includes such customer's Physical Settlement Buy Request or if the relevant Matched Limit Order Trade includes such customer's Physical Settlement Buy Request or Limit Bid and (B) the customer will be the Buyer if the relevant Market Position Trade includes such customer's Physical Settlement Sell Request or if the relevant Matched Limit Order Trade includes such customer's Physical Settlement Sell Request or Limit Offer; provided that, in the case of the Matched Limit Order Trades containing the highest Offer or the lowest Bid, as the case may be, the Quotation Amount will, if necessary, be reduced to reflect the size of the remaining Open Interest. Transactions entered into by and between customers and Participating Bidders in respect of Market Position Trades or Matched Limit Order Trades will not be conducted or effected by, or through, any Administrator.
  - (13) References in these LCDS Auction Settlement Terms to the following terms have the meaning indicated below:

“**Adjustment Amount**” has the meaning set forth in Section (4)(a).

“**Administrators**” means both [Markit Group Limited] and [Creditex, Inc.], acting together.

“**Auction Cancellation Date**” has the meaning set forth in Section (8)(d).

“**Auction Cancellation Event**” has the meaning set forth in Section (8)(d).

“**Auction Date**” means [ ].

“**Auction-Linked Cash Settled Transaction**” means, in respect of a Participating Bidder or a customer, any LCDS Transaction [or LCDX Transaction]<sup>3</sup> ([in each case,]<sup>4</sup> other than a Covered Transaction) all or any portion of which is linked to the Reference Entity and Designated Priority to which such Participating Bidder or customer, as the case may be, or its affiliate is a party and which will be cash-settled (by bilateral agreement between the parties thereto) at the Final Price determined pursuant to these LCDS Auction Settlement Terms.

“**Auction Party**” means any Participating Bidder, party to a Covered Transaction, party to an Auction-Linked Cash Settled Transaction or party on behalf of which a Customer Physical Settlement Request or Limit Order is submitted by a Participating Bidder.

“**Auction Settlement Committee**” means the entities that are Participating Bidders.

“**Best Half**” means the group of Matched Markets determined pursuant to Section (3)(b).

“**Bid**” means an Inside Market Bid or a Limit Bid.

“**Bidding Agreement Letter**” means a letter agreement, substantially in the form of Exhibit 1 to these LCDS Auction Settlement Terms, executed and delivered to the Administrators[, CDS IndexCo LLC]<sup>5</sup> and ISDA no later than 5:00 p.m. New York time on the Cut-off Date.

“**Business Day**” means a day on which commercial banks and foreign exchange markets are generally open to settle payments in New York and London.

“**Cap Amount**” means [ ]%.

“**Common Event Determination Date**” means [ ].

“**Correction Deadline**” has the meaning set forth in Section (10)(d).

“**Covered Transaction**” means [each LCDX Covered Transaction and]<sup>6</sup> each LCDS Covered Transaction.

“**Credit Definitions**” means the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions, each as published by ISDA.

“**Crossing Market**” means any Matched Market for which the Inside Market Bid is higher than the Inside Market Offer.

“**Customer Physical Settlement Request**” means a Physical Settlement Buy Request or a Physical Settlement Sell Request submitted by a Participating Bidder on behalf of a customer and received by the Administrators during the Initial Bidding Period.

“**Cut-off Date**” means [ ].

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3 [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

4 [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

5 [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

6 [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

**“Dealer Physical Settlement Request”** means a Physical Settlement Buy Request or a Physical Settlement Sell Request submitted by a Participating Bidder for its own account and received by the Administrators during the Initial Bidding Period.

**“Dealer-Specific Market Position”** means, with respect to a customer and a Participating Bidder, such customer’s Market Position with respect to such customer’s Covered Transactions and Auction-Linked Cash Settled Transactions only with such Participating Bidder (or its affiliates), calculated by such customer in good faith.

**“Delayed Auction Date”** has the meaning set forth in Section (8)(b).

**“Deliverable Obligation”** means any of [the following obligations: [ ]] [the obligations identified as such pursuant to the LCDS Auction Rules published by ISDA and CDS IndexCo LLC and announced by the administrator thereunder prior to the Auction Date].

**“Designated Priority”** has the meaning set forth in the definition of LCDS Covered Transaction.

**“Final Price”** means the price determined to be the Final Price pursuant to Section (7)(c) or (d).

**“Final Price Determination Date”** means the day the Final Price is determined.

**“Incorrect Order”** has the meaning set forth in Section (10)(c).

**“Initial Bidding Period”** means any time between 9:45 a.m. and 10:00 a.m. New York time on the Auction Date or, if the process described in Sections (2) and (3)(a) and (3)(b) must be repeated pursuant to Section (8), the fifteen minute period occurring just before noon or 2:00 p.m. New York time, as the case may be, on the Auction Date, or on a subsequent Business Day as required under Section (8) of these LCDS Auction Settlement Terms (or at such other time as the Administrators determine is necessary to implement the procedures described in these LCDS Auction Settlement Terms), until the earlier of the Final Price Determination Date or the occurrence of an Auction Cancellation Event.

**“Inside Market Bid”** means a firm commitment by a Participating Bidder, submitted as part of a Valid Inside Market Submission, to enter as Seller (i.e., the party that has an obligation to accept Delivery of Deliverable Obligations) into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Inside Market Quotation Amount and at the Reference Price stated in the Valid Inside Market Submission.

**“Inside Market Midpoint”** means the price determined to be the Inside Market Midpoint pursuant to Section (3).

**“Inside Market Offer”** means a firm commitment by a Participating Bidder, submitted as part of a Valid Inside Market Submission, to enter as Buyer (i.e., the party that would Deliver Deliverable Obligations) into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Inside Market Quotation Amount and at the Reference Price stated in the Valid Inside Market Submission.

**“Inside Market Quotation Amount”** means [*specify the greater of [ ] and the smallest minimum denomination or transfer amount applicable to any Deliverable Obligation*].

**“LCDS Covered Transaction”** means each LCDS Transaction (i) the documentation for which is based on the LCDS Standard Terms or any predecessor to such LCDS Standard Terms that requires that such LCDS Transaction be settled by reference to any Final Price determined pursuant to these LCDS Auction Settlement Terms, (ii) referencing (with respect to at least part of such transaction) the entity and priority of loan for which an auction is to be conducted pursuant to these LCDS Auction Settlement Terms (such entity, the **“Reference Entity”** and such priority, the **“Designated Priority”**), (iii) for which an Event Determination Date under the documentation governing the relevant LCDS Transaction occurs on or prior to the Business Day immediately preceding the Final Price Determination Date, (iv) the Scheduled Termination Date for which is [on or]<sup>7</sup> after the Common Event Determination Date and (v) the Termination Date for which has not occurred as of the Business Day immediately prior to the Final Price Determination Date.

**“LCDS Dealer”** means any entity that is a Specified Dealer as defined in the LCDS Standard Terms.

**“LCDS Physical Settlement Terms”** means the Syndicated Secured Loan Credit Default Swap Physical Settlement Rider, as published by The Loan Syndications and Trading Association, Inc. (the **“LSTA”**) most recently prior to the Auction Date.

**“LCDS Standard Terms”** means the version of the Syndicated Secured Loan Credit Default Swap Standard Terms Supplement published by ISDA most recently prior to the Auction Date.

**“LCDS Transaction”** means a Credit Derivative Transaction (as defined in the Credit Definitions) in respect of which “Loan” is specified as the only Deliverable Obligation Category.

**“LCDX Covered Transaction”** means each LCDX Transaction (i) referencing (with respect to at least part of such transaction) the Reference Entity and Designated Priority, (ii) for which an Event Determination Date under the documentation governing the relevant LCDX Transaction occurs on or prior to the Business Day immediately preceding the Final Price Determination Date, (iii) the Scheduled Termination Date for which is [on or]<sup>8</sup> after the Common Event Determination Date and (iv) the Termination Date for which has not occurred as of the Business Day immediately prior to the Final Price Determination Date.

**“LCDX Transaction”** means a Credit Derivative Transaction (as defined in the Credit Definitions) (i) the documentation for which is based on an LCDX Untranching Transactions Standard Terms Supplement published by ISDA and CDS IndexCo LLC and (ii) referencing an LCDX index published by CDS IndexCo LLC.<sup>9</sup>

**“Limit Bid”** means a firm commitment by a Participating Bidder, submitted as part of a Limit Order Submission, to enter as Seller (i.e., the party that has an obligation to accept Delivery of Deliverable Obligations) into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Quotation Amount stated in such Submission and at the Reference Price stated in such Submission.

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<sup>7</sup> [Whether this is included will depend whether the filing occurs before or after midnight GMT.]

<sup>8</sup> [Whether this is included will depend whether the filing occurs before or after midnight GMT.]

<sup>9</sup> [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

**“Limit Offer”** means a firm commitment by a Participating Bidder, submitted as part of a Limit Order Submission, to enter as Buyer (i.e., the party that would Deliver Deliverable Obligations) into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Quotation Amount stated in such Submission and at the Reference Price stated in such Submission; provided, however, that if the Open Interest is a bid to purchase Deliverable Obligations, no Limit Offer shall be submitted by any Participating Bidder naming a Reference Price greater than the Limit Offer Cap, and any such Limit Offer shall be void for all purposes of this Auction.

**“Limit Offer Cap”** means the greater of (i) 100% and (ii) the highest Inside Market Offer forming part of a Valid Inside Market Submission with respect to which the Inside Market Bid is part of a Non-Tradeable Market.

**“Limit Order Submission”** means a submission from a Participating Bidder received by the Administrators during the Subsequent Bidding Period of a Limit Bid and/or a Limit Offer expressed as a percentage (in increments of one eighth of one percent (e.g., 35.375%)) and for which a Quotation Amount is stated.

**“Market Position”** means, in respect of a customer or a Participating Bidder, the aggregate amount of Deliverable Obligations the relevant Participating Bidder or customer, as applicable, would have to buy or sell in order to obtain an identical risk profile with respect to both (i) all Covered Transactions to which it or any of its affiliates is a party and (ii) all Auction-Linked Cash Settled Transactions, after settlement under these LCDS Auction Settlement Terms compared to its risk profile before settlement under these LCDS Auction Settlement Terms.

**“Market Position Trade”** has the meaning set forth in Section (5)(a).

**“Matched Limit Order”** has the meaning set forth in Section (7)(b).

**“Matched Limit Order Trade”** has the meaning set forth in Section (7)(b).

**“Matched Market”** has the meaning set forth in Section (3)(a).

**“Materiality Event”** means a Potential Materiality Event that has been determined to be a Materiality Event pursuant to Section (8)(a) of these LCDS Auction Settlement Terms.

**“Materiality Event Delayed Auction Date”** has the meaning set forth in Section (8)(a).

**“Non-Tradeable Market”** means any Matched Market that is not a Tradeable Market.

**“Notice of Physical Settlement Date”** means the later to occur of (i) the thirtieth calendar day after the Common Event Determination Date (as adjusted in accordance with the Following Business Day Convention (as defined in the Credit Definitions)) and (ii) the second Business Day after the Final Price Determination Date.

**“Offer”** means any Limit Offer or any Inside Market Offer.

**“Open Interest”** means the difference between (i) the sum of all Quotation Amounts stated in each Physical Settlement Buy Request and (ii) the sum of all Quotation Amounts stated in each Physical Settlement Sell Request.

**“Participating Bidder”** means any institution that submits a valid Bidding Agreement Letter no later than 5:00 p.m. New York time on the Cut-off Date.

**“Physical Settlement Buy Request”** means a firm commitment by a Participating Bidder (either for its own account or on behalf of a customer), received by the Administrators during the Initial Bidding Period, to enter, as Seller (i.e., the party that has an obligation to accept delivery of Deliverable Obligations), into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Quotation Amount stated in the Submission.

**“Physical Settlement Request”** means a Physical Settlement Buy Request or a Physical Settlement Sell Request submitted by a Participating Bidder and received by the Administrators during the Initial Bidding Period.

**“Physical Settlement Sell Request”** means a firm commitment by a Participating Bidder (either for its own account or on behalf of a customer), received by the Administrators during the Initial Bidding Period, to enter, as Buyer (i.e., the party that would deliver Deliverable Obligations), into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Quotation Amount stated in the Submission.

**“Potential Materiality Event”** means an event or news the occurrence of which has or could have a significant effect on the price of the Representative Auction-Settled Transaction.

**“Pro Rata”** means that Participating Bidders’ orders are matched proportionally with respect to the Quotation Amount of each such order and the total amount of orders that can be matched in the relevant part of the auction.

**“Quotation Amount”** means the US\$ amount stated as the notional amount with respect to a particular Limit Bid, Limit Offer, Inside Market Bid, Inside Market Offer or Physical Settlement Request in a Participating Bidder’s Submission, which amount will be (i) for any Limit Bid or Limit Offer, an integral multiple of US\$[            ], (ii) for any Inside Market Bid or Inside Market Offer, equal to the Inside Market Quotation Amount and (iii) for any Physical Settlement Request, an integral multiple of US\$[     ].

**“Reference Entity”** has the meaning set forth in the definition of LCDS Covered Transaction.

**“Representative Auction-Settled Transaction”** means a Credit Derivative Transaction (as defined in the Credit Definitions) incorporating the definitions and provisions contained in the Credit Definitions and the LCDS Standard Terms, for which:

- (a) the reference entity to which the Credit Derivative Transaction relates is the Reference Entity;
- (b) the designated priority of loans to which the Credit Derivative Transaction relates is the Designated Priority;
- (c) the Settlement Method is Physical Settlement, as modified by the LCDS Standard Terms, using the LCDS Physical Settlement Terms as defined herein;
- (d) the Event Determination Date is the Common Event Determination Date;



- (e) a Credit Event Notice and Notice of Publicly Available Information are deemed to have been effectively delivered on a timely basis;
- (f) all Fixed Amounts are deemed to have been paid when due;
- (g) the Deliverable Obligations specified are those defined as Deliverable Obligations in these LCDS Auction Settlement Terms;
- (h) the Reference Price is the Final Price determined pursuant to these LCDS Auction Settlement Terms;
- (i) the Calculation Agent is (i) if both parties to the Representative Auction-Settled Transaction are Participating Bidders, the Seller under such Representative Auction-Settled Transaction and (ii) if only one party to the Representative Auction-Settled Transaction is a Participating Bidder, such Participating Bidder; and
- (j) the following amendments are made to the Credit Definitions for purposes of the Representative Auction-Settled Transaction:

- (i) Section 3.4 of the Credit Definitions is deleted and the following is inserted in its place:

“Notice of Physical Settlement” means a notice from Buyer to Seller (which may be by telephone and which shall be subject to the requirements regarding notices set forth in Section 1.10) that (i) irrevocably confirms that Buyer will settle the Credit Derivative Transaction and require performance in accordance with the Physical Settlement Method and (ii) contains a detailed description of the Deliverable Obligations that Buyer will, subject to Section 9.2(c)(ii), Deliver to Seller, including the outstanding principal balance of each such Deliverable Obligation to be Delivered and the information described in the form of Notice of Physical Settlement attached as Exhibit 2 to these LCDS Auction Settlement Terms, or such other information as is customarily used in the loan or loan credit default swap market to identify particular loans. Buyer may notify Seller (in the manner given as aforesaid) that Buyer is changing one or more Deliverable Obligations to be Delivered (to the extent such Deliverable Obligation has not previously been Delivered) or the detailed description thereof, but each such notice must be effective at or prior to 11:00 a.m. New York time on the third Business Day after the satisfaction of all of the Conditions to Settlement with respect to such Credit Derivative Transaction (determined without reference to any such change) (such day, the “NOPS Fixing Date”). Notwithstanding the foregoing, Buyer may correct any errors or inconsistencies in the detailed description of the Deliverable Obligations by notice to Seller (given as aforesaid) prior to the relevant Delivery Date.

If Buyer fails to deliver an effective Notice of Physical Settlement on or before the Notice of Physical Settlement Date, Buyer will have no right thereafter to deliver a Notice of Physical Settlement. If Buyer has not delivered an effective Notice of Physical Settlement, Seller will have the right, from and including the Notice of Physical Settlement Date to and including the fifteenth calendar day after the Notice of Physical Settlement Date, to deliver a notice to Buyer, which notice shall contain a detailed description of the Deliverable Obligations that

Buyer will be required to Deliver to Seller, including the outstanding principal balance of each such Deliverable Obligation (the aggregate of such outstanding principal balances (or the equivalent Currency Amount) shall be equal to or less than the Floating Rate Payer Calculation Amount).

If Buyer delivers an effective Notice of Physical Settlement on or before the Notice of Physical Settlement Date but the Notice of Physical Settlement effective as of the NOPS Fixing Date specifies Deliverable Obligations with an aggregate outstanding principal balance (or the equivalent Currency Amount) less than the Floating Rate Payer Calculation Amount, Seller will have the right, from but excluding the NOPS Fixing Date to and including the fifteenth calendar day after the Notice of Physical Settlement Date, to deliver a notice to Buyer, which notice shall contain a detailed description of the additional Deliverable Obligations that Buyer will be required to Deliver to Seller, including the outstanding principal balance of each such Deliverable Obligation; provided that the aggregate specified outstanding principal balance (or the equivalent Currency Amount) shall be equal to or less than the amount by which the Floating Rate Payer Calculation Amount exceeds the aggregate outstanding principal balance (or the equivalent Currency Amount) of Deliverable Obligations specified in the Notice of Physical Settlement delivered by Buyer.

Any notice delivered by Seller pursuant to this Section 3.4 will include the information described in the form of Notice of Physical Settlement attached as Exhibit 2 to these LCDS Auction Settlement Terms, or such other information as is customarily used in the loan or loan credit default swap market to identify particular loans. Delivery of any such notice shall be deemed to be effective delivery of a Notice of Physical Settlement or an effective amendment to any Notice of Physical Settlement delivered by Buyer, as applicable. Buyer may not change any such notice, other than to correct errors or inconsistencies. If Seller delivers any such notice on the Notice of Physical Settlement Date, and Buyer delivers an effective Notice of Physical Settlement on the same day, then Buyer's Notice of Physical Settlement will prevail over Seller's notice.

If the fifteenth calendar day after the Notice of Physical Settlement Date is not a Business Day, the last day on which Seller may deliver a notice described in this Section 3.4 shall be adjusted in accordance with the Following Business Day Convention.

If Buyer fails to deliver an effective Notice of Physical Settlement on or prior to the Notice of Physical Settlement Date, and Seller fails to deliver the relevant notice to Buyer by the fifteenth calendar day after the Notice of Physical Settlement Date (subject to adjustment in accordance with the Following Business Day Convention), then such fifteenth calendar day will be the Termination Date."

- (ii) Section 8.1 of the Credit Definitions is amended by replacing the words "Physical Settlement Amount" in the second paragraph thereof with the words "Floating Rate Payer Calculation Amount."

**"Rounding Convention"** means that, if a Participating Bidder's order is matched in an amount that is not an integral multiple of US\$[ ], then the amount to be so matched will be rounded

down to the nearest US\$[ ]. The difference between the total amounts of all orders having been filled Pro Rata and the total of all rounded down amounts will be allocated US\$[ ] at a time to Participating Bidders in order, beginning with the Participating Bidder with the order stating the largest Quotation Amount at the same price. In the event that there are Participating Bidders with identical orders of such type, US\$[ ] amounts will be allocated first to the Participating Bidder whose orders were received first by the Administrators.

“**Submission**” means, with respect to a Participating Bidder, any Valid Inside Market Submission or Limit Order Submission of such Participating Bidder or Physical Settlement Request submitted by such Participating Bidder to the Administrators.

“**Subsequent Bidding Period**” means any time during the fifteen minutes preceding the turn of the hour that is greater than two hours but less than three hours after the announcement by the Administrators of the Open Interest. (For example, if such announcement is made at 10:30 a.m. New York time, the Subsequent Bidding Period would be anytime between 12:45 p.m. and 1:00 p.m. New York time on the same day.) If any Subsequent Bidding Period would occur after 6:00 p.m. New York time on the relevant day, then the Subsequent Bidding Period will be any time between 9:45 a.m. and 10:00 a.m. New York time on the subsequent Business Day.

“**Touching Market**” means any Matched Market for which the Inside Market Bid and Inside Market Offer are equal.

“**Tradeable Market**” means any Matched Market that is a Crossing Market or a Touching Market.

“**Unmatched Limit Order**” has the meaning set forth in Section (6).

“**Valid Inside Market Submission**” means a submission from a Participating Bidder received by the Administrators during the Initial Bidding Period of both an Inside Market Bid and an Inside Market Offer, each expressed as a percentage (in increments of one eighth of one percent (e.g., 35.375%)) which do not differ from one another by more than [ ]% of par, and for which the Inside Market Bid is not greater than or equal to the Inside Market Offer.

**Form of Bidding Agreement Letter**

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**[Letterhead of Participating Bidder]**

**[Date]**

**[Markit Group Limited  
Send to: [cdx@markit.com](mailto:cdx@markit.com)]**

**[Creditex, Inc.  
Send to: [CEF@creditex.com](mailto:CEF@creditex.com)]**

**International Swaps and Derivatives Association, Inc.  
Send to: [●]@[isda.org](http://isda.org)**

**[CDS IndexCo LLC  
Send to: [●]@[●]]<sup>10</sup>**

Dear Sirs,

We write to inform you that we wish to be a “Participating Bidder,” as defined in the LCDS Auction Settlement Terms (the “**Auction Terms**”) in connection with the auction under the Auction Terms related to [Designated Priority] transactions with respect to [Reference Entity] (the “**Auction**”). Capitalized terms used in this letter but not defined herein have the meanings specified in the Auction.

We hereby notify you that it is our intention that, pursuant to the Auction at the time of submission, any Dealer Physical Settlement Request we submit will, to the best of our knowledge and belief, be in the same direction as and will not exceed our Market Position.

By signing and returning this Bidding Agreement Letter to you, we represent that:

- (a) from time to time we regularly trade in one or more obligations of the types of obligations listed under the definition of “Deliverable Obligations” (as such term is defined in the Auction Terms) in the secondary loan market or we regularly trade loan credit default swaps with respect to entities like the “Reference Entity” (as such term is defined in the Auction Terms);
- (b) we are, or our affiliate is, an LCDS Dealer, as defined in the Auction Terms;
- (c) none of our affiliates has previously submitted a Bidding Agreement Letter to you; and
- (d) we are not, as of the date of this letter, subject to any requirement that would make it impossible or illegal for us to deliver or accept delivery of any of the Deliverable Obligations.

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<sup>10</sup> [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

We agree to abide by the terms of the Auction set out in the Auction Terms, including, for the avoidance of doubt, Section 10 of the Auction Terms.

Our contact details for purposes of this Bidding Agreement Letter are:

Name:  
Address:  
Telephone:  
Fax:  
E-mail:

We consent to the publication of the conformed copy of this letter by ISDA [and CDS IndexCo LLC]<sup>11</sup> and to the disclosure by ISDA [and CDS IndexCo LLC]<sup>12</sup> of the contents of this letter.

Yours faithfully,

[PARTICIPATING BIDDER]<sup>13</sup>

By:

Name:
Title:
Signature:

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11 [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

12 [Delete if the relevant Reference Entity and Designated Priority are not included in any LCDX Index.]

13 Specify legal name of Participating Bidder.

**Form of Notice of Physical Settlement**

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Attention: [client contact]  
By Fax: [facsimile]  
By Phone: [telephone]

[CLIENT]

Dear Sirs

**NOTICE OF PHYSICAL SETTLEMENT**

Credit Derivative Transaction Details: Transaction formed pursuant to the auction governed by the LCDS Auction Settlement Terms in respect of [●] with a Designated Priority of [●] (the **Auction**) entered into between [SELLER], as Seller (i.e., the party identified by the Auction Administrators as having an obligation to accept Delivery of Deliverable Obligations), and [BUYER] as Buyer (i.e., the party identified by the Auction Administrators as having the obligation to Deliver Deliverable Obligations), and for which the **Floating Rate Payer Calculation Amount** is USD [●].

Reference is made to the Credit Derivative Transaction described above (the **Transaction**).

- (1) Pursuant to Section 13 of the Auction, the Event Determination Date for this Transaction is [●] and a Credit Event Notice and Notice of Publicly Available Information are deemed to have been effectively delivered on a timely basis.
- (2) Any capitalized term not otherwise defined in this letter will have the meaning, if any, assigned to such term in the Auction or, if no meaning is specified therein, in the 2003 ISDA Credit Derivatives Definitions.
- (3) We hereby confirm that we will settle the Transaction and require performance by you in accordance with the Physical Settlement Method, as modified by the LCDS Standard Terms. Subject to the terms of the Transaction, we will deliver to you according to the terms of the LCDS Physical Settlement Terms the following Deliverable Obligations against payment of the amount determined pursuant to the LCDS Standard Terms and the LCDS Physical Settlement Terms using the Final Price of [●]% as the Reference Price:

**Outstanding Principal Balance:** [     ] ]  
**Name of Borrower:** [     ] ]  
**[Date of Original Credit Agreement:** [     ] ]]  
**LN Tranche Number:** [     ] ]

**CUSIP:** [Specify CUSIP # if available][Not available]

**Facility Type:** [Term Loan][Revolver]

**Description of Facility:** [Term Loan A][Term Loan B] [Revolver][specify other, if applicable]

(4) This letter shall be governed by and interpreted in accordance with the laws of the State of New York.

Very truly yours,

[ ]

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

Name:

Title:

## Schedule 1 to the LCDS Auction Settlement Terms

Notwithstanding any provision to the contrary governing any Covered Transaction, the following shall apply to all Covered Transactions:

- (a) *Effect of Actual Notices.* Except for purposes of determining whether a transaction is a Covered Transaction, any Credit Event Notice, Notice of Publicly Available Information or Notice of Physical Settlement delivered with respect to the Reference Entity shall be deemed revoked, and neither party shall have any obligations with respect to any such notice.
- (b) *No Additional Notice Deliveries.* Except for the deemed notices provided in clause (c) below, each party agrees not to deliver any Credit Event Notice, Notice of Publicly Available Information or Notice of Physical Settlement with respect to the Reference Entity, and any such notice delivered shall be void and have no effect.
- (c) *Satisfaction of Conditions to Settlement.*
  - (i) A Notifying Party shall be deemed to have delivered a Credit Event Notice with respect to the Reference Entity and a Notice of Publicly Available Information, which notice in each case is effective on the Common Event Determination Date and satisfies the requirements of the documentation governing the relevant Covered Transaction.
  - (ii) The Conditions to Settlement in each Covered Transaction are amended by eliminating any requirement that Buyer deliver a Notice of Physical Settlement with respect to the Reference Entity. Accordingly, such Conditions to Settlement are deemed satisfied on the Common Event Determination Date.
- (d) *Accruals.* (A) The Fixed Rate on the Covered Transaction, or the portion thereof to which the Reference Entity relates, as applicable, shall accrue to and including the Common Event Determination Date, and (B) the resulting Fixed Amount in respect of the Reference Entity, as applicable, shall be paid on [●].<sup>14</sup>
- (e) *Settlement Terms.* The Covered Transaction, or the portion thereof to which the Reference Entity relates, as applicable, shall settle as if the Settlement Method specified in the documentation governing such Covered Transaction or portion thereof were Cash Settlement, subject to the following:
  - (i) The Final Price will be determined as described in the LCDS Auction Settlement Terms, with the Final Price Determination Date as the Single Valuation Date. Notwithstanding Section 7.4 of the Credit Definitions, the Calculation Agent will not be obligated to provide any notice with respect to Quotations or the calculation of such Final Price.

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<sup>14</sup> [If a Fixed Rate Payer Payment Date falls after the Common Event Determination Date and on or prior to the 15<sup>th</sup> calendar day after the Common Event Determination Date, the following language should be used instead: "Notwithstanding anything to the contrary in the documentation governing the Covered Transaction, the Fixed Rate on the Reference Entity shall accrue to but excluding the first Fixed Rate Payer Payment Date after the Common Event Determination Date for purposes of the payment due on that date. However, a rebate of the Fixed Rate accrual on the Reference Entity for the period from but excluding the Common Event Determination Date to but excluding the first Fixed Rate Payer Payment Date after the Common Event Determination Date will be paid by Seller to Buyer on [●]."]



- (ii) The Cash Settlement Amount will be determined as provided in Section 7.3 of the Credit Definitions.
- (iii) The Cash Settlement Date shall be [●].

If an Auction Cancellation Event occurs, subsections (b), (c)(ii) and (e) above shall be rescinded and have no further effect. For the avoidance of doubt, if an Auction Cancellation Event occurs, a party may deliver a Notice of Physical Settlement or any other relevant notice with respect to any Covered Transaction in accordance with the relevant documentation and settle any Covered Transaction in accordance with the relevant documentation.