

ISDA[®]

International Swaps and Derivatives Association, Inc.

2005 CDS INDEX PROTOCOL

published on 26th May, 2005

by the International Swaps and Derivatives Association, Inc.

The International Swaps and Derivatives Association, Inc. ("ISDA") has published this 2005 CDS Index Protocol (this "Protocol") to enable parties to Covered Index Transactions to confirm their intentions in respect of certain matters arising in relation to Collins & Aikman Products Co. ("Collins").

Accordingly, a party that has entered and/or anticipates entering into a Covered Index Transaction may adhere to this Protocol and be bound by its terms by completing and delivering a letter substantially in the form of Exhibit 1 to this Protocol (an "Adherence Letter") to ISDA, as agent, as described below.

1. Amendments

(a) By adhering to this Protocol in the manner set forth in Section 2 below, a party (an "Adhering Party") that has entered and/or anticipates entering into a Covered Index Transaction agrees, in each case on the terms and subject to the conditions set forth in this Protocol and the relevant Adherence Letter, that certain amendments will be deemed to be made to the Index Documentation governing each Covered Index Transaction between it and any other Adhering Party.

(b) The amendments provided for in this Protocol are set forth in Annex 1.

2. Adherence and Effectiveness

(a) Adherence to this Protocol will be evidenced by the execution and delivery, in accordance with the first sentence of Section 5(f) below, to ISDA, as agent, of an Adherence Letter on or before 3rd June, 2005 (the "Cut-off Date").

(i) Each Adhering Party will deliver two copies of the Adherence Letter, one a manually signed original and the other a conformed copy containing, in place of each signature, the printed or typewritten name of each signatory.

(ii) Each Adhering Party agrees that, for evidentiary purposes, a conformed copy of an Adherence Letter certified by the General Counsel or an appropriate officer of ISDA will be deemed to be an original.

(b) The agreement to make the amendments contemplated by this Protocol, on the terms and subject to the conditions set forth in this Protocol, will, as between any two Adhering Parties, be effective on receipt by ISDA, as agent, of an Adherence Letter from the later of the Adhering Parties to adhere. Any such amendments will apply to each Covered Index Transaction between the Adhering Parties (whether entered into before, on or after the Cut-off Date).

(c) This Protocol is intended for use without negotiation, but without prejudice to any amendment, modification or waiver in respect of a Covered Index Transaction that the parties may otherwise effect in accordance with the terms of that Covered Index Transaction and the Governing ISDA Master.

(i) In adhering to this Protocol, an Adhering Party may not specify additional provisions, conditions or limitations in its Adherence Letter or otherwise.

(ii) Any purported adherence that ISDA, as agent, determines in good faith is not in compliance with this Section will be void.

3. Representations

Each Adhering Party represents to each other Adhering Party with which it has or may have a Covered Index Transaction, on the date on which the later of them adheres to this Protocol in accordance with Section 2 above and, if then outstanding, in respect of each Covered Index Transaction between them, that:

(a) **Status.** It (i) is, if relevant, duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing or (ii) if it otherwise represents its status in or pursuant to the Governing ISDA Master, has such status;

(b) **Powers.** It has the power to execute and deliver the Adherence Letter and to perform its obligations under the Adherence Letter and each Covered Index Transaction, in each case as amended by the Adherence Letter and this Protocol, and has taken all necessary action to authorise such execution, delivery and performance;

(c) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(d) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to the Adherence Letter and each Covered Index Transaction, in each case as amended by the Adherence Letter and this Protocol, have been obtained and are in full force and effect and all conditions of any such consents have been complied with;

(e) **Obligations Binding.** Its obligations under the Adherence Letter and each Covered Index Transaction, in each case as amended by the Adherence Letter and this Protocol, constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)); and

(f) **Credit Support.** Its adherence to this Protocol and any amendment contemplated by this Protocol will not, in and of itself, adversely affect any obligations owed, whether by it or by any third party, under any Credit Support Document relating to a Covered Index Transaction.

Each Adhering Party agrees with each other Adhering Party with which it has or may have a Governing ISDA Master that each of the foregoing representations will be deemed to be a representation for purposes of Section 5(a)(iv) of each such Governing ISDA Master (then or in the future) between them.

4. Evidence of Capacity and Authority

Each Adhering Party may deliver to ISDA, as agent, such evidence as it deems appropriate to evidence its capacity to adhere to this Protocol and the authority of anyone signing on its behalf.

5. Miscellaneous

(a) **Entire Agreement; Restatement; Survival.**

(i) This Protocol constitutes the entire agreement and understanding of the Adhering Parties with respect to its subject matter. Each Adhering Party acknowledges that in adhering to this Protocol it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to in Annex 1 or elsewhere in this Protocol) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Protocol will limit or exclude any liability of an Adhering Party for fraud.

(ii) Except for any amendment deemed to be made pursuant to this Protocol in respect of a Covered Index Transaction, all terms and conditions of each Covered Index Transaction will continue in full force and effect in accordance with its provisions on the effective date of that amendment. As used in the Index Documentation governing each Covered Index Transaction, the terms "Transaction", "this Transaction", "Confirmation", "this Confirmation" and words of similar import will, unless the context otherwise requires, mean the Covered Index Transaction and related Confirmation as amended pursuant to this Protocol in accordance with the relevant Adherence Letters. This Protocol will, with respect to its subject matter, survive, and any amendments deemed to be made pursuant to it will form a part of each Covered Index Transaction between the Adhering Parties notwithstanding Section 9(a) of the Governing ISDA Master.

(b) **Amendments.** An amendment, modification or waiver in respect of the matters contemplated by this Protocol will only be effective if made in accordance with the terms of a Governing ISDA Master and then only with effect between the parties to that Governing ISDA Master (and will only be effective to amend or override the provisions contained in Annex 1 to this Protocol if it expressly refers in writing to this Section of this Protocol and would otherwise be effective in accordance with Section 9(b) of the Governing ISDA Master).

(c) **Limited Right to Revoke.** Adherence to this Protocol is irrevocable except that an Adhering Party may, by subsequently delivering to ISDA, as agent, in accordance with the first sentence of Section 5(f) below a notice substantially in the form of Exhibit 2 to this Protocol (a "Revocation Notice"), designate a date (an "Earlier Cut-off Date") as the last date on which any counterparty may adhere to this Protocol in respect of any Covered Index Transaction then or in the future between them.

- (i) Any designated Earlier Cut-off Date that would otherwise fall on a day that is less than three days following the day on which the Revocation Notice is effectively delivered will be deemed to occur on the day that is three days following the date of effective delivery. Any designated Earlier Cut-off Date that would otherwise fall, after giving effect to the preceding sentence (if applicable), on a day that is not a day on which the receiving ISDA office is open will be deemed to occur on the next day that ISDA office is open.
- (ii) Upon the effective designation of an Earlier Cut-off Date by an Adhering Party, this Protocol will not amend or otherwise affect any Covered Index Transaction between that Adhering Party and a party which adheres to this Protocol after that Earlier Cut-off Date occurs or is deemed to occur. The foregoing is without prejudice to (A) any amendment to any Covered Index Transaction between two Adhering Parties effected pursuant to this Protocol on or before the day on which that Earlier Cut-off Date occurs or is deemed to occur and (B) any amendment effected pursuant to this Protocol to any Covered Index Transaction entered into after the day on which that Earlier Cut-off Date occurs or is deemed to occur between two Adhering Parties that each adhered to this Protocol on or before that day, which in each case will be (or continue to be) effective.
- (iii) Each Revocation Notice must be delivered in duplicate, one a manually signed original and the other a conformed copy containing, in place of each signature, the printed or typewritten name of each signatory.
- (iv) Each Adhering Party agrees that, for evidentiary purposes, a conformed copy of a Revocation Notice certified by the General Counsel or an appropriate officer of ISDA will be deemed to be an original.
- (v) Any purported revocation that ISDA, as agent, determines in good faith is not in compliance with this Section will be void.
- (d) **Headings.** The headings used in this Protocol and any Adherence Letter are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Protocol or any Adherence Letter.
- (e) **Governing Law.** This Protocol and each Adherence Letter will, as between two Adhering Parties and in respect of each Covered Index Transaction between them, be governed by and construed in accordance with the law specified to govern that Covered Index Transaction and otherwise in accordance with applicable choice of law doctrine.
- (f) **Notices.** Any Adherence Letter or Revocation Notice must be (i) in writing and delivered in person or by courier to ISDA at either 360 Madison Avenue, 16th Floor, New York, NY 10017 or One New Change, London EC4M 9QQ or (ii) sent as an attachment to an email to ISDA at protocol@isda.org and, in either case, will be deemed effectively delivered on the date it is delivered unless on the date of that delivery the receiving ISDA office is closed or that communication is delivered after 5:00 p.m., local time in the city where delivery is made, in which case that communication will be deemed effectively delivered on the next day the relevant ISDA office is open. If an Adherence Letter or Revocation Notice is delivered pursuant to clause (ii), a manually signed original and conformed copy must also be delivered pursuant to clause (i); provided, however, that failure to deliver such Adherence Letter or Revocation Notice in person or by courier to ISDA in such circumstances shall not affect the effectiveness of the delivery by email pursuant to clause (ii).

6. Definitions

As used in this Protocol, "Confirmation", "Credit Support Document" and "Transaction" each has the meaning given that term in the related Governing ISDA Master and "Credit Derivative Transaction" has the meaning given that term in the 2003 ISDA Credit Derivatives Definitions, as published by ISDA (the "Credit Definitions"). Each capitalized term used in this Protocol or Annex 1 but not defined herein or therein has the meaning given that term in the related Index Documentation.

References in this Protocol and Annex 1 to the following terms have the meaning indicated below:

"Auction Date" means 14th June, 2005.

"CDX High Yield Index" means each of the indices published by CDS IndexCo LLC containing Collins, which include: Dow Jones CDX.NA.HY Series 4 (and the HB sub-index), Dow Jones CDX.NA.HY Series 3 (and the B and HB sub-indices), Dow Jones CDX.NA.HY Series 2 (and the B sub-index) and iBoxx CDX.NA.HY (and the B sub-index).

"Collins Portion" means, in respect of a Covered Index Transaction, the portion of such Covered Index Transaction attributable to Collins for which Physical Settlement has not occurred (or, if only Cash Settlement is applicable to that portion, for which Cash Settlement has not occurred) prior to the time Annex 1 is effective in respect of such Covered Index Transaction.

"Covered CDX Tranche Transaction" means a tranching Credit Derivative Transaction relating to a CDX High Yield Index entered into on or before the Business Day immediately preceding the Final Price Determination Date that is outstanding on the Final Price Determination Date and governed by relevant Index Documentation, other than any Excluded Transaction.

"Covered CDX Transaction" means a Covered CDX Untranching Transaction or a Covered CDX Tranche Transaction.

"Covered CDX Untranching Transaction" means a Credit Derivative Transaction relating to a CDX High Yield Index entered into on or before the Business Day immediately preceding the Final Price Determination Date that is outstanding on the Final Price Determination Date and governed by relevant Index Documentation, other than any Excluded Transaction.

"Covered Index Transaction" means a Covered CDX Transaction or a Covered TRAC-X Transaction.

"Covered TRAC-X Transaction" means a Credit Derivative Transaction relating to a TRAC-X High Yield Index entered into on or before the Business Day immediately preceding the Final Price Determination Date that is outstanding on the Final Price Determination Date and governed by relevant Index Documentation, other than any Excluded Transaction.

"Excluded Transaction" means any Credit Derivative Transaction that is (i) a swaption transaction that remains unexercised on the Final Price Determination Date or (ii) any Credit Derivative Transaction between any two of Bear Stearns Credit Products Inc., Citigroup Global Markets Limited, Credit Suisse First Boston International, Deutsche Bank AG London, Goldman Sachs International, JPMorgan Chase Bank, Lehman Brothers Special Financing Inc., Merrill Lynch International, Morgan Stanley Capital Services Inc. and UBS AG London Branch (A) in respect of (I) Dow Jones CDX.NA.HY.3 Trust 1 December 2009, (II) Dow Jones CDX.NA.HY.3 Trust 3 December 2009, or (III) Dow Jones CDX.NA.HY.3 Trust 4 December 2009 that is documented under the Master CDS Confirmation between

such parties dated 15 July, 2004 or (B) in respect of Dow Jones CDX.NA.HY.4 Trust 1 June 2010 that is documented under the Master CDS Confirmation between such parties dated 20 April, 2005.

"Final Price Determination Date" has the meaning specified in Exhibit 3 hereto.

"Governing ISDA Master" means, in respect of a Covered Index Transaction, the ISDA Master Agreement governing such Covered Index Transaction, whether executed by the parties thereto or incorporated by reference in the Confirmation relating to such Covered Index Transaction.

"Index Documentation" means the Governing ISDA Master and (i) in the case of a Covered CDX Untranchured Transaction, a confirmation or master confirmation based on the form published by CDS IndexCo LLC in October 2003 or September 2004, with such modifications to which the parties thereto have agreed, (ii) in the case of a Covered CDX Tranche Transaction, a confirmation, master confirmation and/or standard terms based on the form published by CDS IndexCo LLC in July 2004 or March 2005, with such modifications to which the parties thereto have agreed or (iii) in the case of a Covered TRAC-X Transaction, a confirmation or master confirmation confirming or evidencing that Covered TRAC-X Transaction.

"TRAC-X High Yield Index" means the Dow Jones TRAC-X NA High Yield Series 2 March 2009 Index, the Dow Jones TRAC-X NA High Yield Series 2 B March 2009 Index and the Dow Jones TRAC-X NA High Yield Series 2 High Beta March 2009 Index.

Form of Adherence Letter

[Letterhead of Adhering Party]

[Date]

International Swaps and Derivatives Association, Inc.
[360 Madison Avenue, 16th Floor [One New Change
New York, NY 10017]¹ London EC4M 9QQ]¹

Dear Sirs,

2005 CDS Index Protocol - Adherence

The purpose of this letter is to confirm our adherence to the 2005 CDS Index Protocol as published by the International Swaps and Derivatives Association, Inc. on 26th May, 2005 (the "Protocol"). This letter constitutes an Adherence Letter as referred to in the Protocol.

The definitions and provisions contained in the Protocol are incorporated into this Adherence Letter, which will supplement and form part of each Covered Index Transaction (now or in the future) between us and each other Adhering Party.

1. Specified Terms

The terms of Annex 1, Covered Index Transactions, shall apply.

2. Appointment as Agent and Release

We hereby appoint ISDA as our agent for the limited purposes of the Protocol and accordingly we waive, and hereby release ISDA from, any rights, claims, actions or causes of action whatsoever (whether in contract, tort or otherwise) arising out of or in any way relating to this Adherence Letter or our adherence to the Protocol or any actions contemplated as being required by ISDA.

3. Contact Details

Our contact details for purposes of this Adherence Letter are:

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

¹ Include as applicable. The Adherence Letter can be lodged at either ISDA's New York or European office. See Sections 2(a) and 5(f) of the Protocol.

We consent to the publication of the conformed copy of this letter by ISDA and to the disclosure by ISDA of the contents of this letter.

Yours faithfully,

[ADHERING PARTY]²

By:

Name:
Title:
Signature:

² Specify legal name of Adhering Party. A separate Adherence Letter should be lodged for each legal entity that is or may become a party to a Covered Index Transaction and wishes to be bound by the terms of the Protocol.

Form of Revocation Notice

[Letterhead of Adhering Party]

[Date]

International Swaps and Derivatives Association, Inc.
[360 Madison Avenue, 16th Floor [One New Change
New York, NY 10017]³ London EC4M 9QQ]³

Dear Sirs,

2005 CDS Index Protocol - Earlier Cut-off Date

The purpose of this letter is to notify you that we wish to designate as the last date on which any counterparty may adhere to the 2005 CDS Index Protocol as published by the International Swaps and Derivatives Association, Inc. on 26th May, 2005 (the "Protocol") in respect of any Covered Index Transaction (now or in the future) between us the following date (the "Earlier Cut-off Date"):

Earlier Cut-off Date: []

This letter constitutes a Revocation Notice as referred to in the Protocol.

We consent to the publication of the conformed copy of this notice by ISDA on and after the Earlier Cut-off Date and to the disclosure by ISDA of the contents of this letter.

Yours faithfully,

[ADHERING PARTY]⁴

By:

Name:
Title:
Signature:

³ Include as applicable. The Revocation Notice can be lodged at either ISDA's New York or European office. See Sections 5(c) and 5(f) of the Protocol.

⁴ Specify legal name of Adhering Party.

Auction Methodology

For the purposes of the Protocol of which this Exhibit forms a part, the Final Price for the Reference Obligation will be determined according to an auction procedure on the following terms.

- 1) Two Business Days prior to the Auction Date, the Administrators will publish a list of the Participating Bidders. Each Participating Bidder will be expected to submit to the Administrators a Valid Submission.
- 2) If the Administrators receive at least eight Valid Submissions, the Administrators will determine the Final Price of the Reference Obligation as follows:

(a) The Administrators will sort the Bids and Offers separately, with the Bids sorted in descending order and the Offers sorted in ascending order. Each Bid will then be matched with the corresponding Offer (the highest Bid being matched with the lowest Offer, the second highest Bid with the second lowest Offer, etc.) (each such Bid/Offer pair constituting a "Matched Market"). For purposes of sorting the Bids and Offers, where two Bids are equal, the one submitted first to the Administrators will be considered to be the higher of the two, and where two Offers are equal, the one submitted first to the Administrators will be considered to be the lower of the two.

(b) The Administrators will then calculate the mean of the Bids and 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 Bid and 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 Final Price for the Reference Obligation by finding the mean of all the Bids and 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) If the process described above in 1) and 2) (a) and (b) above does not result in a single Final Price for any reason, the auction described herein will be repeated, once per day on each of the next five Business Days after the Auction Date, until a Final Price is determined (the day the Final Price is determined, the "Final Price Determination Date").

(d) The steps described in (a) and (b) above are illustrated in the following example (which is not intended to reflect indicative prices for the Reference Obligation):

Contributed				Sorted			
Bids	Offers			Bids	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%			40.000%	41.000%		
32.000%	34.000%		}	39.500%	42.000%		
38.750%	40.000%		}	38.750%	42.750%		
38.000%	39.500%		}	38.000%	43.000%		
41.000%	42.750%		}	32.000%	47.000%		

Best Half {

Tradeable Markets }

Matched Markets }

Step 1 – Ignore all Tradeable Markets.

Step 2 – The Final Price 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	
Bids	Offers
40.000%	41.000%
39.500%	42.000%
38.750%	42.750%

Final Price = Average (40, 41, 39.5, 42, 38.75, 42.75) = 40.667%, rounded to 40.625%

3) Any Participating Bidder whose Bid or Offer forms part of a Tradeable Market will be required to purchase or sell, as the case may be, an amount of the Reference Obligation with an outstanding principal balance equal to the Quotation Amount at a price determined by the Administrators as follows:

(a) The Administrators will re-sort all Offers included in Tradeable Markets, placing them in order from highest to lowest, while the Bids remain in order from highest to lowest as well. Each Bid will then be matched with the corresponding Offer (the highest Bid being matched with the highest Offer, the second highest Bid with the second highest Offer, etc.) (each such pair, an "Automatic Trade").

(b) Each Participating Bidder whose Bid forms part of an Automatic Trade will be required to enter into a bilateral agreement to purchase an amount of the Reference Obligation with an outstanding principal balance equal to the Quotation Amount from the Participating Bidder whose Offer forms part of the same Automatic Trade at a price equal to the midpoint between the Bid and Offer forming such Automatic Trade, for regular way settlement three Business Days after the Final Price Determination Date. Purchases and sales entered into pursuant to Automatic Trades will not be conducted through the services of either Administrator, nor shall the Administrators be considered arrangers or brokers of such trades.

(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 Reference Obligation):

Step 1 – Considering only the Tradeable Markets, reverse the order of the Offers to match the best (higher) bids with the worst (higher) offers.

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

} Tradeable Offers Reversed

Step 2 – Each Automatic Trade is matched at the midpoint between the Bid and the Offer.

Trade Levels		
Bids	Offers	Trade
45.000%	40.000%	42.500%
41.000%	39.500%	40.250%
41.000%	34.000%	37.500%

4) The Administrators will endeavor to publish the Final Price of the Reference Obligation by 10:30 a.m. New York time on the Final Price Determination Date, along with the names of the Participating Bidders who submitted Valid Submissions, together with the Bids and Offers submitted by each.

5) References in this Exhibit 3 to the following terms have the meaning indicated below:

"Administrators" means both Markit Group Limited and Creditex, Inc., acting together.

"Auction Date" means 14th June, 2005.

"Auction Event" means the Final Price Determination Date has not occurred on or prior to the fifth Business Day after the Auction Date.

"Best Half" means the group of Matched Markets determined pursuant to clause 2(b) of the Auction Methodology described in this Exhibit 3.

"Bid" means a firm quotation, submitted as part of a Valid Submission, of the price at which the Participating Bidder agrees to purchase an amount of the Reference Obligation with an outstanding principal balance equal to the Quotation Amount for regular way settlement three Business Days after the Final Price Determination Date, without accrued interest.

"Bidding Agreement Letter" means a letter agreement, substantially in the form of Exhibit 4 to this Protocol, executed and delivered to the Administrators and the International Swaps and Derivatives Association, Inc. no later than 5:00 p.m. New York time on the Cut-off Date.

"Bidding Period" means any time between 9:55 a.m. and 10:00 a.m. New York time on the Auction Date (or such later time as the Administrators determine is necessary in order to implement these auction procedures) or on a subsequent Business Day until the earlier of the Final Price Determination Date or the occurrence of an Auction Event.

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

"Crossing Market" means any Matched Market for which the Bid is higher than the Offer.

"Cut-off Date" means 3rd June, 2005.

"Non-Tradeable Market" means any Matched Market that is not a Tradeable Market.

"Offer" means a firm quotation, submitted as part of a Valid Submission, of the price at which the Participating Bidder agrees to sell an amount of the Reference Obligation with an outstanding principal balance equal to the Quotation Amount for regular way settlement three Business Days after the Final Price Determination Date, without accrued interest.

"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.

"Quotation Amount" means US\$5,000,000.

"Reference Obligation" means the 10.75% bond of Collins & Aikman Products Co. maturing 31st December, 2011 (CUSIP 194832AD3).

"Touching Market" means any Matched Market for which the Bid and Offer are equal.

"Tradeable Market" means any Matched Market that is a Crossing Market or a Touching Market.

"Valid Submission" means a submission from a Participating Bidder received by the Administrators during the Bidding Period of both a Bid and an 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 2.00% of par, and for which the Bid is not greater than or equal to the Offer.

Form of Bidding Agreement Letter

[Letterhead of Participating Bidder]

[Date]

**Markit Group Limited
10 Bricket Road, St Albans
Hertfordshire, AL1 3JX
United Kingdom**

**Creditex, Inc.
26 West 17th Street, 4th Floor
New York, NY 10011-5710**

**International Swaps and Derivatives Association, Inc.
[360 Madison Avenue, 16th Floor [One New Change
New York, NY 10017]⁵ London EC4M 9QQ]⁵**

Dear Sirs,

We write to inform you that we wish to be a "Participating Bidder," as defined in the Auction Methodology included as part of the 2005 CDS Index Protocol published by the International Swaps and Derivatives Association, Inc. on 26th May, 2005 (the "Protocol"). Capitalized terms used in this letter but not defined herein have the meanings specified in the Protocol.

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

- (a) from time to time we make a market in obligations of the type of the Reference Obligation;
- (b) we or our affiliate is licensed by CDS IndexCo LLC or Dow Jones & Company, Inc. to use the service marks relating to the Dow Jones CDX.NA.HY indices in connection with Covered Index Transactions; and
- (c) none of our affiliates has previously submitted a Bidding Agreement Letter to you.

In addition, we agree that neither Administrator shall be liable to us for any indirect, special or consequential damages resulting from our participation in the auction described in the Auction Methodology (the "Auction") (including any Automatic Trade involving our Bid or Offer), and that each Administrator's maximum cumulative liability for direct and any other damages arising out of our

⁵ Include as applicable. The Bidding Agreement Letter can be lodged at either ISDA's New York or European office. Each Bidding Agreement Letter must be delivered in duplicate to ISDA, one a manually signed original and the other a conformed copy containing, in place of each signature, the printed or typewritten name of each signatory.

participation in the Auction (including any Automatic Trade), other than damages resulting from gross negligence or willful misconduct on the part of such Administrator, is limited to US\$10,000 in the aggregate.

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 to the disclosure by ISDA of the contents of this letter.

Yours faithfully,

[PARTICIPATING BIDDER]⁶

By:

Name:
Title:
Signature:

⁶ Specify legal name of Participating Bidder.

ANNEX 1

COVERED INDEX TRANSACTIONS

(a) **Covered CDX Untranching Transactions.** The Index Documentation relating to each Covered CDX Untranching Transaction is amended as follows:

(i) *Effect of Actual Notices.* Except for purposes of determining whether the Collins Portion is an Isolated Transaction, any Credit Event Notice, Notice of Publicly Available Information or Notice of Physical Settlement delivered with respect to the Collins Portion shall be deemed revoked, and neither party shall have any obligations with respect to any such notice.

(ii) *No Additional Notice Deliveries.* Except for the deemed notices provided in clause (a)(iii) 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 Collins Portion, and any such notice delivered shall be void and have no effect.

(iii) *Satisfaction of Conditions to Settlement.* A Notifying Party shall be deemed to have delivered a Credit Event Notice with respect to the Collins Portion specifying Bankruptcy as the Credit Event and a Notice of Publicly Available Information, which notice in each case is effective on the Cut-off Date and satisfies the requirements of the Index Documentation. The Conditions to Settlement are amended by eliminating any requirement that Buyer deliver a Notice of Physical Settlement with respect to Collins. Accordingly, the Conditions to Settlement are deemed satisfied on the Cut-off Date.

(iv) *Accruals.* Notwithstanding anything to the contrary in the Index Documentation, the Fixed Rate on the Collins Portion shall accrue to but excluding 20th June, 2005 for purposes of the payment due on that date. However, on the tenth Business Day following 20th June, 2005, Seller shall pay to Buyer a rebate of the Fixed Rate accrual on the Collins Portion for the period from and including the calendar day immediately following the Cut-off Date to but excluding 20th June, 2005.

(v) *Settlement Terms.* Notwithstanding anything to the contrary in the Index Documentation specifying Physical Settlement or De Minimis Cash Settlement, the Collins Portion shall settle as if the Settlement Method specified in the Index Documentation were Cash Settlement, subject to the following:

(A) The Final Price for the Reference Obligation will be determined as described in the Auction Methodology set forth in Exhibit 3 to this Protocol, with the Auction 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.

(B) The Cash Settlement Amount will be determined as provided in Section 7.3 of the Credit Definitions.

(C) The Cash Settlement Date will be the tenth Business Day following 20th June, 2005.

(b) **Covered CDX Tranche Transactions.** The Index Documentation relating to each Covered CDX Tranche Transaction is amended as follows:

(i) *Effect of Actual Notices.* Any Credit Event Notice, Notice of Publicly Available Information or Notice of Physical Settlement delivered with respect to the Collins Portion shall be deemed revoked, and neither party shall have any obligations with respect to any such notice.

(ii) *No Additional Notice Deliveries.* Except for the deemed notices provided in clause (b)(iii) 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 Collins Portion, and any such notice delivered shall be void and have no effect.

(iii) *Satisfaction of Conditions to Settlement.* A Notifying Party shall be deemed to have delivered a Credit Event Notice with respect to the Collins Portion specifying Bankruptcy as the Credit Event and a Notice of Publicly Available Information, which notice in each case is effective on the Cut-off Date and satisfies the requirements of the Index Documentation. Buyer will be deemed to have delivered a Notice of Physical Settlement with respect to Collins that specifies the Reference Obligation as the sole Selected Obligation with an outstanding principal balance having a Currency Amount equal to the Reference Entity Notional Amount, which notice is effective on the Auction Date and satisfies the requirements of the Index Documentation. Accordingly, the Conditions to Settlement are deemed satisfied on the Auction Date.

(iv) *Accruals.* Notwithstanding anything to the contrary in the Index Documentation, the Fixed Rate shall accrue as if no Credit Event had occurred with respect to Collins to but excluding 20th June, 2005 for purposes of the payment due on that date. However, on the tenth Business Day following 20th June, 2005, Seller shall pay to Buyer a rebate of the Fixed Rate accrual on an amount equal to the reduction in the Outstanding Swap Notional Amount for the Incurred Loss Amount, if any, and Incurred Recovery Amount, if any, relating to the Collins Portion for the period from and including the calendar day immediately following the Cut-off Date to but excluding 20th June, 2005.

(v) *Settlement Terms.* The Collins Portion shall settle in accordance with the Index Documentation, subject to the following:

(A) Buyer will be deemed to have Delivered the Selected Obligation with an outstanding principal balance having a Currency Amount equal to the Reference Entity Notional Amount on the Auction Date.

(B) Seller will not be obligated to pay the related Market Value Amount or Estimated Amount (or any similarly defined amount), as applicable, and neither party will have any obligation to pay any Adjustment Amount (or any similarly defined amount) in connection with such deemed Delivery.

(C) The Final Price for the Selected Obligation will be determined as described in the Auction Methodology set forth in Exhibit 3 to this Protocol, with the Auction 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.

(D) The Cash Settlement Date will be the tenth Business Day following 20th June, 2005.

(vi) *Cash-Settled Only Covered CDX Tranche Transactions.* If the Index Documentation relating to any Covered CDX Tranche Transaction specifies Cash Settlement, as modified by the

parties, as the sole Settlement Method, the terms of this Annex 1 shall be construed in respect of such Covered CDX Tranche Transaction, taking into account any differences between such Index Documentation and the form documentation published by CDS IndexCo LLC in July 2004 or March 2005, to effectuate the parties' intent that, other than in the case of an Auction Event, the Final Price for the Reference Obligation, determined as described in the Auction Methodology set forth in Exhibit 3 to this Protocol, be used to determine the amounts payable by and/or other rights and obligations of the parties with respect to the Collins Portion.

(c) **Covered TRAC-X Transactions.** The Index Documentation relating to each Covered TRAC-X Transaction is amended as follows:

(i) *Effect of Actual Notices.* Any Credit Event Notice, Notice of Publicly Available Information or Notice of Physical Settlement delivered with respect to the Collins Portion shall be deemed revoked, and neither party shall have any obligations with respect to any such notice.

(ii) *No Additional Notice Deliveries.* Except for the deemed notices provided in clause (c)(iii) 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 Collins Portion, and any such notice delivered shall be void and have no effect.

(iii) *Satisfaction of Conditions to Settlement.* A Notifying Party shall be deemed to have delivered a Credit Event Notice with respect to the Collins Portion specifying Bankruptcy as the Credit Event and a Notice of Publicly Available Information, which notice in each case is effective on the Cut-off Date and satisfies the requirements of the Index Documentation. The Conditions to Settlement are amended by eliminating any requirement that Buyer deliver a Notice of Physical Settlement with respect to Collins. Accordingly, the Conditions to Settlement are deemed satisfied on the Cut-off Date.

(iv) *Accruals.* Notwithstanding anything to the contrary in the Index Documentation, the Fixed Rate on the Collins Portion shall accrue to but excluding 20th June, 2005 for purposes of the payment due on that date. However, on the tenth Business Day following 20th June, 2005, Seller shall pay to Buyer a rebate of the Fixed Rate accrual on the Collins Portion for the period from and including the calendar day immediately following the Cut-off Date to but excluding 20th June, 2005.

(v) *Settlement Terms.* Notwithstanding anything to the contrary in the Index Documentation specifying Physical Settlement or Cash Settlement Fallback, the Collins Portion shall settle as if the Settlement Method specified in the Index Documentation were Cash Settlement, subject to the following:

(A) The Final Price for the Reference Obligation will be determined as described in the Auction Methodology set forth in Exhibit 3 to this Protocol, with the Auction 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.

(B) The Cash Settlement Amount will be determined as provided in Section 7.3 of the Credit Definitions.

(C) The Cash Settlement Date will be the tenth Business Day following 20th June, 2005.

(d) **Inconsistency.** To the extent any provision of the Credit Definitions is inconsistent with the terms of this Annex 1, the terms of this Annex 1 shall govern.

(e) **Auction Event.** If an Auction Event occurs, the amendments specified in this Annex 1, other than clauses (a)(i), (a)(iv), (b)(i), (b)(iv), (c)(i) and (c)(iv) (construed, to the extent relevant, taking into account clause (b)(vi)), shall be rescinded and have no further effect. For the avoidance of doubt, if an Auction Event occurs, a party may deliver a Credit Event Notice, Notice of Physical Settlement, Notice of Publicly Available Information or any other relevant notice with respect to the Collins Portion in accordance with the relevant Index Documentation.