

## **Plain English Summary of the Auction Methodology in the 2006 Dura CDS Protocol**

This summary is based on the 2006 Dura CDS Protocol, as published by ISDA on November 8, 2006 (the **Protocol**) and summarizes the auction methodology contained in Exhibit 3 to the Protocol (the **Auction Methodology**). This summary is for informational purposes only, is not a summary of the entire Protocol and is subject to the Protocol in all respects. Market participants should examine the text of the Protocol itself before deciding whether to adhere to the Protocol or take any other action with respect thereto. ISDA makes no representation or warranty as to the accuracy or completeness of any information contained in this summary and accepts no liability for the accuracy or completeness of such information. All times of day herein refer to such times in New York City. Capitalized terms used but not defined in this summary having the meaning specified in the Protocol.

### **Important Dates**

- November 8 → Protocol Published
- November 17 → Cut-Off Date for Adherence Bidding Agreement Letters
- November 28 → Auction Date
- November 29 → Deadline for receipt of Notice of Physical Settlement for trades formed under the Protocol
- December 4 → Settlement Date for trades formed under the Protocol
- December 12 → Cash Settlement Date for Covered Transactions

### **Covered Transactions**

The Protocol covers the following types of transactions, as further set out in Section 6 of the Protocol ("*Definitions*"):

- Tranched or untranching Transactions referencing a CDX, TRAC-X or HYDI index or referencing a bespoke portfolio;
- Single name CDS Transactions;
- Constant Maturity Swap Transactions (both portfolio and single name);
- Principal Only and Interest Only Transactions;
- First to Default and Nth to Default Transactions;
- Recovery Lock Transactions; and
- Swaptions (both single-name and portfolio);

provided (a) Dura is a Reference Entity under the Transaction (b) the Effective Date is on or prior to October 30, 2006 and the Scheduled Termination Date is on or after October 30, 2006, (c) the Trade Date is on or prior to the Business Day immediately prior to the Auction Date, and (d) the relevant portion of the Transaction is still outstanding. Transactions documented under either the 1999 or 2003 Credit Derivatives Definitions that meet these criteria are covered by the Protocol.

The Protocol excludes any Transaction for which the Deliverable Obligations specifically listed in the Protocol would not be considered Deliverable Obligations. This would include but not be limited to Reference Obligation Only Transactions, Loan Only Transactions, Preferred CDS Transactions and Fixed Recovery Transactions.

### **Auction Timing:**

November 17, 2006

Before 5:00 p.m. Participating Bidders submit Bidding Agreement Letters.

November 27, 2006

The Administrators publish a list of the Participating Bidders.

November 28, 2006 (Auction Date)

The auction procedures described below will be conducted twice – once in respect of all Covered Subordinate Transactions (such auction, the **Subordinate Auction**) and once in respect of all Covered Senior Non-Index Transactions (such auction, the **Senior Auction**) – and a separate Final Price will be determined for each of the two types of Covered Transactions. Covered Index Transactions (and most other Covered Transactions) will be addressed in the Subordinate Auction.

The Deliverable Obligations for the Subordinate Auction are:

Dura Operating Corp.	9%	2009	26632QAH6	US26632QAH65
Dura Operating Corp.	9%	2009	26623QAD5	XS0101338829

The Deliverable Obligation for the Senior Auction is:

Dura Operating Corp.	8 5/8%	2012	26632QAK9	US26632QAK94
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Between **9:45 a.m. and 10:00 a.m.** in respect of the Subordinate Auction (and between **10:45 a.m. and 11:00 a.m.** in respect of the Senior Auction), Participating Bidders submit Inside Market Bids, Inside Market Offers, Dealer Physical Settlement Requests and Customer Physical Settlement Requests (to the extent received from customers).

- Inside Market Bids and Inside Market Offers are firm quotations, expressed as percentages, to enter into credit derivative transactions in respect of Dura on terms equivalent to the Representative Auction-Settled Transaction specified in the Protocol. The Representative Auction-Settled Transaction is a deemed standard, single name credit default swap referencing Dura and assuming an Event Determination Date of October 30, 2006.
- A Participating Bidder's Inside Market Bid and Inside Market Offer must differ by no more than 2% of par and must be in the size specified in the Protocol (\$10 million in the case of the Subordinate Auction, \$5 million in the case of the Senior Auction).
- Dealer Physical Settlement Requests and Customer Physical Settlement Requests are firm commitments, submitted by a Participating Bidder, on its own behalf or on behalf of a customer, as applicable, to enter into a Representative Auction-Settled Transaction.
- If the Administrators do not receive Valid Inside Market Submissions from at least eight Participating Bidders, the timeline will be adjusted according to the Auction Methodology, otherwise it will proceed as follows.

Between **10:00 a.m. and 11:30 a.m.** the Administrators calculate the Open Interest, the Inside Market Midpoint, and any Adjustment Amounts in respect of each Auction.

- The Open Interest is the difference between all Physical Settlement Sell Requests and all Physical Settlement Buy Requests.
- To determine the Inside Market Midpoint, the Administrators (1) sort the Inside Market Bids in descending order and the Inside Market Offers in ascending order, identifying non-tradeable markets for which bids are lower than offers, (2) sort non-tradeable markets in terms of tightness of spread between Inside Market Bid and Inside Market Offer and (3) identify that half of the non-tradeable markets with the tightest spreads. The Inside Market Midpoint is determined as the

arithmetic mean of the Inside Market Bids and Inside Market Offers contained in the half of non-tradeable markets with the tightest spreads.

- Any Participating Bidder whose Inside Market Bid or Inside Market Offer forms part of a tradeable market will be required to make a payment to ISDA (an **Adjustment Amount**), calculated in accordance with the Auction Methodology.
- If for any reason no single Inside Market Midpoint can be determined, the procedure set out above may be repeated as set out in the Auction Methodology.

At **11:15 a.m.** in respect of the Subordinate Auction and at **11:30 a.m.** in respect of the Senior Auction, the Administrators publish the Open Interest, the Inside Market Midpoint and the details of any Adjustment Amounts in respect of each Auction.

Between **12:45 p.m. and 1:00 p.m.** in the case of the Subordinate Auction, and between **1:45 p.m. and 2:00 p.m.** in the case of the Senior Auction, Participating Bidders submit Limit Bids (if the Open Interest is an offer to sell Deliverable Obligations) or Limit Offers (if the Open Interest is a bid to purchase Deliverable Obligations) on behalf of customers and for their own account.

- If the Open Interest is zero, the Final Price will be the Inside Market Midpoint.
- If the Open Interest is a bid to purchase Deliverable Obligations, the Administrators will match the Open Interest against all Inside Market Offers and Limit Offers as further described in the Auction Methodology. If the Open Interest is an offer to sell Deliverable Obligations, the Administrators will match the Open Interest against all Inside Market Bids and Limit Bids as further described in the Auction Methodology.
- The Final Price will be the price associated with the matched market that is the highest offer or the lowest bid, as applicable, provided that (a) if the Open Interest is an offer to sell and the price associated with the lowest matched bid is more than 1% of par higher than the Inside Market Midpoint, then the Final Price will be the Inside Market Midpoint plus 1% of par and (b) if the Open Interest is a bid to purchase and the price associated with the highest offer is more than 1% of par lower than the Inside Market Midpoint, then the Final Price will be the Inside market Midpoint minus 1% of par.
- If, once all the Inside Market Bids and Limit Bids or Inside Market Offers and Limit Offers, as applicable, have been matched to the Open Interest, part of the Open Interest remains, the Final Price will be (a) if the Open Interest is a bid to purchase Deliverable Obligations, 100% or (b) if the Open Interest is an offer to sell Deliverable Obligations, zero.

At approximately **2:00 p.m.** in the case of the Subordinate Auction, and at approximately **2:30 p.m.** in the case of the Senior Auction, the Administrators will publish (1) the Final Price, (2) the names of the Participating Bidders who submitted bids, offers, Dealer Physical Settlement Requests and Customer Physical Settlement Requests, together with the details of all such bids and offers submitted by each and (3) the details and size of all matched trades.

### **Execution of Trades Formed in the Auction**

Each Participating Bidder whose Limit Bid or Inside Market Bid (or Limit Offer or Inside Market Offer if applicable) is matched against the Open Interest, and each Participating Bidder that submitted a Customer Physical Settlement Request or Dealer Physical Settlement Request, is deemed to have entered into a Representative Auction-Settled Transaction. Accordingly, each such Participating Bidder that is a seller of Deliverable Obligations pursuant to such trade must deliver by **4:00 p.m. on November 29, 2006** to the buyer to whom such Participating Bidder has been matched a Notice of Physical Settlement indicating the Deliverable Obligations that it will deliver, and such Deliverable Obligations will be sold to the buyer in exchange for payment of the Final Price determined in the relevant Auction on December 4, 2006. If the seller of Deliverable Obligations fails to deliver the Deliverable Obligations specified in the relevant Notice of Physical Settlement, the buyer of Deliverable Obligations will have the applicable remedies set forth in the Credit Derivatives Definitions, as modified by the Protocol.