

**Plain English Summary of the Auction Methodology**  
**in the ELCDS Auction Settlement Terms for British Vita (UK) Limited**

This summary is based on the ELCDS Auction Settlement Terms for British Vita (UK) Limited First Lien Loans (the **First Lien Terms**) and the ELCDS Auction Settlement Terms for British Vita (UK) Limited Second Lien Loans (the **Second Lien Terms**), each as published by The International Swaps and Derivatives Association, Inc. (ISDA) and International Index Company Ltd. on 22 January 2009 (the First Lien Terms and the Second Lien Terms together, the **Auction Terms**) and summarises the auction methodology contained in the Auction Terms (the **Auction Methodology**). This summary is for informational purposes only, is not a summary of the entire Auction Terms and is subject to the Auction Terms in all respects. Market participants should examine the text of the Auction Terms before deciding whether to participate in the Auction 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 London. Capitalised terms used but not defined in this summary have the meaning specified in the Auction Terms.

**Important Dates**

- 22 January 2009 → Auction Terms published
- 3 February 2009 → Cut-off Date for submitting Bidding Agreement Letters
- 9 February 2009 → Auction Date
- 12 February 2009 → Deadline for receipt of Notice of Physical Settlement for trades formed under the Auction Terms<sup>1</sup>
- 20 February 2009 → Cash Settlement Date for Covered Transactions

**Covered Transactions**

The Auction Terms cover the following types of transactions, as further set out in Section 17 of the Auction Terms:

- Single-name ELCDS Transactions, the documentation for which is based on the most recent ELCDS Standard Terms published by ISDA or any predecessor to such ELCDS Standard Terms that requires that such ELCDS Transaction be settled by reference to any Final Price determined pursuant to the Auction Terms;
- LevX Transactions, the documentation for which is based on the most recent iTraxx® LevX® Standard Terms Supplement for use with Credit Derivative Transactions on Leveraged Loans published by ISDA or any predecessor to such terms that requires that such LevX Transaction be settled by reference to any Final Price determined pursuant to the Auction Terms;

provided (a) the transaction references (with respect to at least part of such transaction) the Reference Obligations, (iii) an Event Determination Date for the transaction occurs under the documentation governing the transaction on or prior to the Business Day immediately preceding the Final Price Determination Date, (iv) the Scheduled Termination Date for the transaction is on or after, and the Effective Date for the transaction is on or prior to, the Default Date and (v) the portion of the transaction attributable to the Reference Obligations is still outstanding as of the Business Day immediately prior to the Final Price Determination Date.

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<sup>1</sup> Assuming no delay of Final Price Determination Date.

## **Auction Timing**

### 3 February 2009

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

### 8 February 2009

Any customer that wishes to submit a Customer Physical Settlement Request must submit such request to the relevant Participating Bidder at or prior to 5:00 p.m. The Administrators publish a list of the Participating Bidders.

### 9 February 2009 (the **Auction Date**)

The auction procedures described below will be conducted and a Final Price will be determined to be applied to all of the Covered Transactions. There will be two auctions in respect of British Vita (UK) Limited: an auction in relation to the first lien loans (the **First Lien Auction**) and an auction in relation to the second lien loans (the **Second Lien Auction**).

The Deliverable Obligations with respect to the First Lien Auction are the First Lien Loans; the Deliverable Obligations with respect to the Second Lien Auction are the First Lien Loans and the Second Lien Loans.

Between **9:45 a.m. and 10:00 a.m.** (for the First Lien Auction) and between **11:00 a.m. and 11:15 a.m.** (for the Second Lien Auction), Participating Bidders submit Inside Market Bids, Inside Market Offers, and Physical Settlement Requests (which may include any Customer Physical Settlement Requests received from Customers and accepted).

- Inside Market Bids and Inside Market Offers are firm quotations, expressed as percentages, to enter into credit derivative transactions in respect of the second lien loans and/or the first lien loans (as the case may be) of British Vita (UK) Limited on terms equivalent to the Representative Auction-Settled Transaction specified in the Auction Terms. The Representative Auction-Settled Transaction is a deemed standard, single name credit default swap referencing the relevant loans of British Vita (UK) Limited and assuming an Event Determination Date of 13 January 2009.
- A Participating Bidder's Inside Market Bid and Inside Market Offer must differ by no more than 3% of par (for the First Lien Auction) and 5% of par (for the Second Lien Auction) and must be in the size specified in the Auction Terms.
- Physical Settlement Requests are firm commitments, submitted by a Participating Bidder, on its own behalf or taking into account Customer Physical Settlement Requests, as applicable, to enter into a Representative Auction-Settled Transaction. Each 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.<sup>2</sup>
- If the Administrators do not receive valid Inside Market Submissions from at least five Participating Bidders, the timeline will be adjusted according to the Auction Methodology, otherwise it will proceed as follows.

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<sup>2</sup> "**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 ELCDS Auction Settlement Terms compared to its risk profile before settlement under these ELCDS Auction Settlement Terms, such risk profile to be determined without regard to whether the original transactions were documented as cash settled or physically settled transactions.

Between **10:00 a.m. and 10:30 a.m.** (for the First Lien Auction) and between **11:15 a.m. and 11:45 a.m.** (for the Second Lien Auction), 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.

No later than **10:30 a.m.** (for the First Lien Auction) and **11:45 a.m.** (for the Second Lien Auction), the Administrators publish the Open Interest, the Inside Market Midpoint and the details of any Adjustment Amounts in respect of each Auction.

Assuming a publication time of 10:30 a.m., between **12:45 p.m. and 1:00 p.m.** (for the First Lien Auction) and, assuming a publication time of 11:45 a.m., between **1:45 and 2:00 p.m.** (for the Second Lien 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, the greater of (i) 100% and (ii) the highest Limit Offer or Inside Market Offer received or (b) if the Open Interest is an offer to sell Deliverable Obligations, zero.

No later than **2:00 p.m.** (for the First Lien Auction) and **3:00 p.m.** (for the Second Lien Auction), in each case, following the timeline above, the Administrators will publish on [www.creditfixings.com](http://www.creditfixings.com) (1) the Final Price, (2) the names of the Participating Bidders who submitted Bids, Offers, and Physical Settlement Requests and (3) the details and size of all matched trades.

**Execution of Trades Formed in the Auction**

- Each Participating Bidder and each customer that submits a Customer Physical Settlement Request through a Participating Bidder or a Customer Limit Order Request through a Participating Bidder that is taken into account by such Participating Bidder in the Physical Settlement Request or Limit Order Submission, as the case may be, received by the Administrators from such Participating Bidder during the Subsequent Bidding Period agrees that any such Customer Physical Settlement Request and any such Customer Limit Order Request submitted by such customer will (in the case of a Customer Limit Order Submission, to the extent such Customer Limit Order Submission is matched in order to form a 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.
- Accordingly, each such Participating Bidder or customer that is a seller of Deliverable Obligations pursuant to a trade formed in the auction must deliver by **4:00 p.m. on 12 February 2009** (assuming no Materiality Events affecting Auction timing) to the buyer to whom such Participating Bidder or customer 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. If the seller of Deliverable Obligations fails to deliver the Deliverable Obligations specified in the Notice of Physical Settlement, the buyer of Deliverable Obligations will be entitled to follow the procedures set forth in the Auction Terms.