



Market Advisory

October 24, 2007

“Distressed Participation Agreement, Collateral Annex and Confirmation Standard Terms and Conditions”

Today the LSTA issued its new form of Participation Agreement for Distressed Trades (the “DPA”, with capitalized terms used herein having the meanings defined therein), effective for trades entered into on or after October 24, 2007. Standardizing the terms on which Buyer’s unfunded obligations participated under Seller could be secured, if the Parties so agreed at the time of trade or in the confirmation, was critical to the DPA Working Group. The Collateral Annex contemplated by the DPA will achieve this objective. Under the DPA, if the Parties check “Yes” after “Collateral Annex Applicable” in the Transaction Summary, its provisions will govern the terms upon which Buyer must post collateral to secure the unfunded portion of a revolving loan/commitment in which it participates. The LSTA anticipates that the Collateral Annex will be finalized and issued for loan market use by the end of 2007.

On October 10, 2007, the LSTA undertook to revise its forms governing the settlement of par and distressed loan trades (the “Revision Project”). The LSTA is committed to periodic review and revision of its trading documentation to keep it current with legal developments and best market practices, and such documentation, including the Standard Terms and Conditions for Distressed Trade Confirmations (the “DSTCs”), was last revised on December 1, 2006. The Revision Project will consider, among other developments, the effect that the DPA and Collateral Annex will have on distressed trading documentation.

As the October 24, 2007 usage effective date suggests, loan market participants preferred that the LSTA release the DPA pending completion of the Collateral Annex. Therefore, pending completion of the Collateral Annex and the related Revision Project, in order that loan market participants might have immediate guidance on how to use the DPA and interpret the DSTCs, the LSTA issues this Market Advisory.

DPA

Pending its finalization, the Collateral Annex will be defined in Section A of the Transaction Specific Terms as follows:

“Collateral Annex means the Collateral Annex to the Participation Agreement for Distressed Trades published by the LSTA as of _____, 2007.”

The provisions of Section 15 of the DSTCs, which state that unless the Parties otherwise agree, Seller shall not require Buyer to post with Seller cash collateral for any unfunded portion of a revolving loan/commitment in which Buyer participates, will remain in effect. If this is their preference, Seller and Buyer should confirm this by (1) replacing the above definition of Collateral Annex with the following: “Collateral Annex means none.” and (2) checking “No” after “Collateral Annex Applicable” in the Transaction Summary. By doing so, the Parties will

make clear their intent, in both places called for in the Transaction Specific Terms of the DPA, that the standard collateral provisions of Section 15 of the DSTCs are to apply. Of course, pending finalization of the Collateral Annex, the Parties are free to check “Yes” after “Collateral Annex Applicable” and negotiate collateral provisions securing the unfunded obligations under participation. If this is their preference, Seller and Buyer should confirm this by (1) revising the definition of Collateral Annex accordingly and (2) checking “Yes” after “Collateral Annex Applicable” in the Transaction Summary. As noted in footnote 4 of the Transaction Specific Terms, “Yes” may be so specified only if the Parties agreed at the time of trade or in the confirmation that the Transaction would be subject to the Collateral Annex. By doing so, their negotiated security provisions will constitute the Collateral Annex. It is anticipated that after the Revision Project is completed, if Seller and Buyer check “Yes” after “Collateral Annex Applicable” in the Transaction Summary, the terms securing Buyer’s unfunded obligations shall be substantially similar to those set forth in the then-finalized Collateral Annex.

DSTCs

Pending completion of the Collateral Annex and the Revision Project, the DSTCs shall be interpreted as follows:

The fourth sentence of the opening paragraph of the DSTCs shall be interpreted as follows:

“All references to specific section numbers in Sections 11 and 12 below, 'Flip Representations' and 'Step-Up Provisions,' respectively, relate to the December 2006 version of the LSTA Purchase and Sale Agreement for Distressed Trades and successor provisions thereto or the October 2007 version of the LSTA Participation Agreement for Distressed Trades and successor provisions thereto, as applicable.”

The second sentence of Section 10 of the DSTCs shall be interpreted as follows:

“In the case of a participation, unless otherwise specified in the Confirmation, the parties shall execute a participation agreement substantially similar to the current LSTA form of Participation Agreement for Distressed Trades (taking into account related Predecessor Transfer Documentation, if any).”

The references to the various Sections in the second sentence of Section 11 of the DSTCs, the third sentence of Section 12 of the DSTCs and the first and only sentence of Section 13 of the Distressed STCs shall be interpreted as references to such Sections of the current LSTA form of Purchase and Sale Agreement for Distressed Trades or the current LSTA form of Participation Agreement for Distressed Trades, as applicable.

Subsection (b) of Section 15 of the DSTCs shall be interpreted in the manner discussed above under the DPA heading.