

(Multicurrency-Cross Border)

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International Swaps and Derivatives Association, Inc.

INSTITUTIONAL CREDIT DEPT.  
PROCESSED *mlc*

A/C # N/A

**MASTER AGREEMENT**

DATE 2/24/98

dated as of August 26, 1997

LEHMAN BROTHERS  
INTERNATIONAL (EUROPE)

and

BEAR, STEARNS INTERNATIONAL  
LIMITED

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:—

1. Interpretation

(a) *Definitions.* The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) *Inconsistency.* In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purposes of the relevant Transaction.

(c) *Single Agreement.* All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) *General Conditions.*

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

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value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

**LEHMAN BROTHERS  
INTERNATIONAL (EUROPE)**  
(Name of Party)

**BEAR, STEARNS INTERNATIONAL  
LIMITED**  
(Name of Party)

By: Heidi Lewis  
Name: **Heidi Lewis**  
Title: **Director**  
Date: **29-1-98**

By: Peter A. Cronos  
Name: **Peter A. Cronos**  
Title: **Sr. Managing Dir**  
Date: **1/22/98**

GRU # 66848  
Doc # 1065025

Non-Multibranch Cross  
Border Schedule

**SCHEDULE  
to the  
Master Agreement**

GLOBAL CREDIT SEPT. PROCESSED
A/C #: <u>not available</u>
DATE: <u>12.10.02</u>

dated as of August 26, 1997

between **LEHMAN BROTHERS INTERNATIONAL (EUROPE)**, a company incorporated with unlimited liability under the laws of England and Wales ("Party A") and **BEAR, STEARNS INTERNATIONAL LIMITED**, a corporation organized under the laws of England and Wales ("Party B").

**Part I**

**Termination Provisions**

In this Agreement:-

(a) **Specified Entity** means in relation to Party A for the purpose of:-

Section 5(a)(v), Not applicable.

Section 5(a)(vi), Not applicable.

Section 5(a)(vii), Not applicable.

Section 5(b)(iv), Not applicable.

in relation to Party B for the purpose of:-

Section 5(a)(v), Affiliates.

Section 5(a)(vi), Not applicable.

Section 5(a)(vii), Not applicable.

Section 5(b)(iv), Not applicable.

(b) **Specified Transaction** will have the meaning specified in Section 14 of this Agreement.

(c) The **Cross Default** provisions of Section 5(a)(vi) will apply to Party A and Party B.

*Approved: Derivative Documentation*

The following provisions apply:-

**Specified Indebtedness** will have the meaning specified in Section 14.

**Threshold Amount** means in the case of Party A and Lehman Brothers Holdings Inc. ("Holdings"), the lesser of USD40,000,000 (or its equivalent in any other currency) or two percent (2%) of the Stockholders' Equity of Holdings, and in the case of Party B and The Bear Stearns Companies Inc. ("BSC"), the lesser of USD40,000,000 (or its equivalent in any other currency) or two percent (2%) of the Stockholders' Equity of BSC.

- (d) **The Credit Event Upon Merger** provisions of Section 5(b)(iv) will apply to Party A and Party B.
- (e) **The Automatic Early Termination** provision of Section 6(a) will not apply to either Party A or Party B.
- (f) **Payments on Early Termination.** For the purpose of Section 6(e) of this Agreement, Market Quotation and the Second Method will apply.
- (g) **Termination Currency** means United States Dollars ("USD").
- (h) **Additional Termination Events** will apply. The following shall constitute an Additional Termination Event:-

Holdings or Party A, on the one hand (in which case Party A shall be the Affected Party), or BSC or Party B, on the other hand (in which case Party B shall be the Affected Party), has one or more outstanding issues of rated senior debt and it fails to have at least one of such issues with a rating of at least (i) Baa3 or higher as determined by Moody's Investors Service Inc., (ii) BBB- or higher as determined by Standard & Poor's Corporation or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

## Part 2

### Tax Representations

**Payer Representations.** For the purpose of Section 3(e) of this Agreement, Party A will make the following representation and Party B will make the following representation:-

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on:-

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- (i) the accuracy of any representation made by the other party pursuant to Section 3(f) of this Agreement;
- (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement; and
- (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement,

provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) of this Agreement by reason of material prejudice to its legal or commercial position.

### Part 3

#### Documents to be delivered

For the purpose of Section 4(a):-

- (a) Tax forms, documents or certificates to be delivered are:-

<b>Party required to deliver document</b>	<b>Form/Document/Certificate</b>	<b>Date by which to be delivered</b>
Party A	Tax Forms	Promptly upon the earlier of (i) reasonable demand by Party B or (ii) learning that the form or document is required.
Party B	Tax Forms	Promptly upon the earlier of (i) reasonable demand by Party A or (ii) learning that the form or document is required.

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(b) Other documents to be delivered are:-

<b>Party required to deliver document</b>	<b><u>Form/Document/Certificate</u></b>	<b><u>Date by which to be delivered</u></b>	<b><u>Covered by Section 3(d) Representation</u></b>
Party A	The Credit Support Documents listed in Part 4, Section (f).	Upon execution of this Agreement	No
Party B	The Credit Support Documents, if any, listed in Part 4, Section (f).	Upon execution of this Agreement	No
Party A	An incumbency certificate with respect to the signatory of this Agreement.	Upon execution of this Agreement	Yes
Party B	An incumbency certificate with respect to the signatory of this Agreement.	Upon execution of this Agreement	Yes
Party A and Party B	Certified copies of all documents evidencing necessary corporate and other authorizations and approvals with respect to the execution, delivery and performance by the party and any Credit Support Provider of this Agreement, any Credit Support Document and any Confirmation, including, where applicable, certified copies of the resolutions of its Board of Directors authorizing the execution and delivery of this Agreement, the relevant Credit Support Document or any Confirmation.	Upon execution of this Agreement and promptly upon request by the other party	Yes

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Party A and Party B	With respect to each party a copy of the most recent annual report (and each annual report thereafter) of its Credit Support Provider, containing in all cases audited consolidated financial statements for each fiscal year during which this Agreement is in effect, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the United States or in the country in which such party is organized.	Promptly upon request by the other party      Yes
Party A and Party B	With respect to each party, a copy of the unaudited consolidated financial statements of its Credit Support Provider, in each case for each fiscal quarter during which this Agreement is in effect, prepared in accordance with generally accepted accounting principles in the United States or in the country in which such party is organized.	Promptly upon request by the other party      Yes
Party A and Party B	A copy of each regular financial or business reporting document that is (i) distributed or made generally available by each party's Credit Support Provider to its respective shareholders or investors or (ii) filed by each party's Credit Support Provider, in accordance with the disclosure requirements of any applicable statute, rule, regulation or judicial decree and made available for public inspection.	Promptly upon request by the other party      Yes

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## Part 4

## Miscellaneous

(a) **Addresses for Notices.** For the purpose of Section 12(a) of this Agreement:

Address for notices or communications to Party A:-

Address: One Broadgate, 3rd Floor, London EC2M 7HA

Attention: LBIE Swap Settlement

Facsimile No.: 0171-260-2803

Telephone No.: 0171-601-0011

(For all purposes)

Address for notices or communications to Party B:-

Address: One Canada Square, London E14 5AD England

Attention: Senior Managing Director

Facsimile No.: 44171-516-6008

Telephone No.: N/A

(For all purposes)

with a copy to:-

Address: The Bear Stearns Companies Inc., 245 Park Avenue, New York, NY 10167

Attention: Derivatives - 4th Floor

Facsimile No.: 212-272-9857

Telephone No.:



## Part 5

## Other Provisions

- (a) **Stockholders' Equity** means with respect to an entity, at any time, the sum at such time of (i) its capital stock (including preferred stock) outstanding, taken at par value, (ii) its capital surplus and (iii) its retained earnings, minus (iv) treasury stock, each to be determined in accordance with generally accepted accounting principles.
- (b) **Tax Forms** means any form or document that may be required or reasonably requested in order to allow the other party to make a payment under the Transaction without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate; provided, however, submission of any such form or document shall not be required if it should materially prejudice the legal or commercial position of the party in receipt of such demand.
- (c) **Record Keeping.** Each party represents and warrants to the other that it shall maintain this Agreement, this Schedule and all Confirmations issued pursuant hereto with its records of binding business transactions.
- (d) **Transfer.** Notwithstanding the provisions of this Agreement to the contrary, the parties agree that consent by a party (referred to as "X") shall not be required in connection with the transfer by the other party (referred to as "Y") of all its interests and obligations under the Agreement (including all Transactions hereunder) to any Affiliate of Y and of any further such transfer to an Affiliate by any such Affiliate, so long as Y shall have given prior written notice of such transfer to X and, immediately upon the effectiveness of any such transfer, (i) X is not required by any then applicable law, rule or regulation to make any deduction or withholding for or on account of any Indemnifiable Tax from any payment to be made by it under such Transaction, (ii) no other Termination Event or Event of Default arises as a result of such transfer and (iii) the applicable Credit Support Document remains in effect with respect to such transferee, or, if there is no applicable Credit Support Document, the Credit Support Provider remains liable (pursuant to one or more credit support documents which are similar in form and content to the Credit Support Document) for all the obligations of Y's transferee with respect to the Agreement and all Transactions so transferred. Y or any such transferring Affiliate shall be released from its obligations under this Agreement and all transferred Transactions upon the effectiveness of any transfer if immediately following such transfer the applicable Credit Support Document is in effect.
- (e) **Notices.** For the purposes of subsections (iii) and (v) of Section 12(a), the date of receipt shall be presumed to be the date sent if sent on a Local Business Day or, if not sent on a Local Business Day, the date of receipt shall be presumed to be the first Local Business Day following the date sent.

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- (f) **Service of Process.** The penultimate sentence of Section 13(c) shall be amended by adding the following language at the end thereof: "if permitted in the jurisdiction where the proceedings are initiated and in the jurisdiction where service is to be made."
- (g) **Set-off.**
- (1) In addition to any rights of set-off a party may have as a matter of law or otherwise, upon the occurrence of an Event of Default or an Additional Termination Event with respect to a party ("X"), the other party ("Y") will have the right (but not be obliged) without prior notice to X or any other person to set-off or apply any obligation of X owed to Y (whether or not matured or contingent and whether or not arising under this Agreement, and regardless of the currency, place of payment or booking office of the obligation) against any obligation of Y owed to X (whether or not matured or contingent and whether or not arising under this Agreement, and regardless of the currency, place of payment or booking office of the obligation.)
  - (2) For the purpose of cross-currency set-off, Y may convert either obligation at the applicable market exchange rate selected by Y on the relevant date.
  - (3) If the amount of an obligation is unascertained, Y may in good faith estimate that amount and set-off in respect of the estimate, subject to the relevant party accounting to the other when the amount of the obligation is ascertained.
  - (4) This clause (h) shall not constitute a mortgage, charge, lien or other security interest upon any of the property or assets of either party to this Agreement.
- (h) **Additional Representations.** Section 3 is hereby amended by adding the following additional subsections:
- (g) **No Agency.** It is entering into this Agreement and each Transaction as principal (and not as agent or in any other capacity, fiduciary or otherwise).
  - (h) **Eligible Swap Participant.** It is an "eligible swap participant" as defined in the part 35 Regulations of the U.S. Commodity Futures Trading Commission.
  - (i) **Line of Business.** It has entered into this Agreement (including each Transaction evidenced hereby) in conjunction with its line of business (including financial intermediation services) or the financing of its business.
  - (j) **No Reliance.** In connection with the negotiation of, the entering into, and the confirming of the execution of, this Agreement, any Credit Support Document to which it is a party, and each Transaction: (i) the other party is not acting as a fiduciary or financial or investment advisor for it; (ii) it is not relying upon any representations (whether written or oral) of the other party other than the representations expressly set forth in this Agreement and in such Credit Support Document; and (iii) it has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors

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to the extent it has deemed necessary, and it has made its own investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the other party.

- (i) **Tape Recording of Conversations.** Party A consents to the recording of the telephone conversations of its trading and marketing personnel by Party B in connection with this Agreement or any potential Transaction and further acknowledges that, subject to the following sentence, any such recording may from time to time be discarded and that nothing contained herein shall obligate either party to retain any such recording. The parties also agree that any such recording may be submitted in evidence (insofar as may be permitted by applicable law) to any court or in any formal proceeding (to the extent such recording exists at the time that such court or formal proceeding has commenced) for any purpose relating to any Transaction; provided that Party B will upon the reasonable request of Party A make available to Party A transcripts of such recordings within a reasonable time from such request.
- (j) **Waiver of Jury Trial.** Each party irrevocably waives any and all right to trial by jury in any legal proceeding in connection with this Agreement or any Transaction.
- (k) **Payments.** If the parties are each required to make payments pursuant to Section 2(a) on the same day in respect of a Transaction but the payments are to be made in different currencies, the party that receives the payment due to it first shall hold an amount equal to the payment it received in trust (with the right to commingle that amount with its general funds) for the benefit of the other party until that other party receives the corresponding payment due to it.
- (l) **Escrow.** If by reason of the time difference between the cities in which payments are to be made, it is not possible for simultaneous payments to be made on any date on which both parties are required to make payments hereunder, either party may at its option and in its sole discretion notify the other party that payments on that date are to be made in escrow. In this case deposit of the payment due earlier on that day shall be made by 2:00 p.m. (local time at the place for the earlier payment) on that date with an escrow agent selected by the party giving the notice, accompanied by irrevocable payment instructions (i) to release the deposited payment to the intended recipient upon receipt by the escrow agent of the required deposit of the corresponding payment from the other party on the same date accompanied by irrevocable payment instructions to the same effect or (ii) if the required deposit of the corresponding payment is not made on that same date, to return the payment deposited to the party that paid it into escrow. The party that elects to have payments made in escrow shall pay the costs of the escrow arrangements and shall cause those arrangements to provide that the intended recipient of the payment due to be deposited first shall be entitled to interest on that deposited payment for each day in the period of its deposit at the rate offered by the escrow agent for that day for overnight deposited payment (at 11:00 a.m. local time on that day) if that payment is not released by 5:00 p.m. local time on the date it is deposited for any reason other than the intended recipient's failure to make the escrow deposit it is required to make hereunder in a timely fashion.

- (m) **Definitions.** This Agreement, each Confirmation, and each Transaction are subject to the 1991 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. (the "Definitions"), and will be governed in all respects by the Definitions (except that references to "Swap Transactions" in the Definitions will be deemed to be references to "Transactions"). The Definitions are incorporated by reference in, and made part of, this Agreement and each Confirmation as if set forth in full in this Agreement and such Confirmations. Subject to Section 1(b), in the event of any inconsistency between the provisions of this Agreement and the Definitions, this Agreement will prevail. Also, subject to Section 1(b), in the event of any inconsistency between the provisions of any Confirmation and this Agreement, or the Definitions, such Confirmation will prevail for the purpose of the relevant Transaction.
  
- (n) **Outstanding Transactions.** Any Derivative Transaction (as defined below) into which the parties have entered or may enter in respect of which the relevant document or other confirming evidence does not expressly exclude the application of this Agreement shall be governed by this Agreement. Each such Derivative Transaction shall be deemed to be a Transaction and each such document or other confirming evidence shall be deemed to constitute a Confirmation for the purpose of this Agreement. For the purpose of this clause, "Derivative Transaction" means any transaction which is a rate swap transaction, basis swap, forward rate transaction, bond option, interest rate option, swaption, cap transaction, floor transaction, collar transaction, currency swap transaction or cross-currency rate swap transaction.

The parties executing this Schedule have executed the Agreement and have agreed as to the contents of this Schedule.

**LEHMAN BROTHERS  
INTERNATIONAL (EUROPE)**

**BEAR, STEARNS  
INTERNATIONAL LIMITED**

By: <u>Heidi Lewis</u>	By: <u>John A. Curcote</u>
Title: <u>Heidi Lewis Director</u>	Title: <u>S. Managing Director</u>
Date: <u>29-1-98</u>	Date: <u>1/22/98</u>

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EXHIBIT A to Schedule

GUARANTEE OF LEHMAN BROTHERS HOLDINGS INC.

LEHMAN BROTHERS INTERNATIONAL (EUROPE) ("Party A") and BEAR, STEARNS INTERNATIONAL LIMITED ("Party B") have entered into a Master Agreement dated as of August 26, 1997, (the "Master Agreement"), pursuant to which Party A and Party B have entered and/or anticipate entering into one or more transactions (each a "Transaction"), the Confirmation of each of which supplements, forms part of, and will be read and construed as one with, the Master Agreement (collectively referred to as the "Agreement"). This Guarantee is a Credit Support Document as contemplated in the Agreement. For value received, and in consideration of the financial accommodation accorded to Party A by Party B under the Agreement, LEHMAN BROTHERS HOLDINGS INC., a corporation organized and existing under the laws of the State of Delaware ("Guarantor"), hereby agrees to the following:

(a) Guarantor hereby unconditionally guarantees to Party B the due and punctual payment of all amounts payable by Party A under each Transaction when and as Party A's obligations thereunder shall become due and payable in accordance with the terms of the Agreement. In case of the failure of Party A to pay punctually any such amounts, Guarantor hereby agrees, upon written demand by Party B, to pay or cause to be paid any such amounts punctually when and as the same shall become due and payable.

(b) Guarantor hereby agrees that its obligations under this Guarantee constitute a guarantee of payment when due and not of collection.

(c) Guarantor hereby agrees that its obligations under this Guarantee shall be unconditional, irrespective of the validity, regularity or enforceability of the Agreement against Party A (other than as a result of the unenforceability thereof against Party B), the absence of any action to enforce Party A's obligations under the Agreement, any waiver or consent by Party B with respect to any provisions thereof, the entry by Party A and Party B into additional Transactions under the Agreement or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor; provided, however, that Guarantor shall be entitled to exercise any right that Party A could have exercised under the Agreement to cure any default in respect of its obligations under the Agreement or to setoff, counterclaim or withhold payment in respect of any Event of Default or potential Event of Default in respect of Party B or any Affiliate, but only to the extent such right is provided to Party A under the Agreement. The Guarantor acknowledges that Party A and Party B may from time to time enter into one or more Transactions pursuant to the Agreement and agrees that the obligations of the Guarantor under this Guarantee will upon the execution of any such Transaction by Party A and Party B extend to all such Transactions without the taking of further action by the Guarantor.

(d) The Guarantee shall remain in full force and effect until such time as Party B shall receive written notice of termination. Termination of this Guarantee shall not affect Guarantor's liability hereunder as obligations incurred or arising out of Transactions entered into prior to the termination hereof.

(e) Guarantor further agrees that this Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time, payment, or any part thereof, of any obligation or interest thereon is rescinded or must otherwise be restored by Party B upon an Event of Default as set forth in Section 5(a)(vii) of the Master Agreement affecting Party A or Guarantor.

(f) Guarantor hereby waives (i) promptness, diligence, presentment, demand of payment, protest, order and, except as set forth in paragraph (a) hereof, notice of any kind in connection with the Agreement and this Guarantee, or (ii) any requirement that Party B exhaust any right to take any action against Party A or any other person prior to or contemporaneously with proceeding to exercise any right against Guarantor under this Guarantee.

This Guarantee shall be governed by and construed in accordance with the laws of the State of New York, without reference to choice of law doctrine. All capitalized terms not defined in this Guarantee, but defined in the Agreement, shall have the meanings assigned thereto in the Agreement.

Any notice hereunder will be sufficiently given if given in accordance with the provisions for notices under the Agreement and will be effective as set forth therein. All notices hereunder shall be delivered to Lehman Brothers Holdings Inc., Attention: Treasurer, at 200 Vesey Street, 24th Floor, New York, New York 10285 USA (Facsimile No. (212) 526-1467) with a copy to Lehman Brothers International (Europe), Attention: Operations Manager at 3 World Financial Center, 7th Floor, New York, New York 10285-0700 (Facsimile No. (212) 528-6927).

IN WITNESS WHEREOF, Guarantor has caused this Guarantee to be executed in its corporate name by its duly authorized officer as of the date of the Agreement.

**LEHMAN BROTHERS HOLDINGS INC.**

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT B**

**GUARANTY**

GUARANTY, dated as of \_\_\_\_\_, 19\_\_ by THE BEAR STEARNS COMPANIES INC., a Delaware corporation (the "Guarantor"), in favor of \_\_\_\_\_ a company organized under the laws of \_\_\_\_\_ (the "Beneficiary").

1. Guaranty

- (a) To induce the Beneficiary to enter into an Agreement as of even date herewith and one or more Transactions as of various dates (together, the "Agreement"; terms capitalized but not otherwise defined herein being used herein as therein defined) with BEAR, STEARNS INTERNATIONAL LIMITED ("BSIL"), subject to the terms and conditions set forth herein, the Guarantor irrevocably and unconditionally guarantees to the Beneficiary, its successors and permitted assigns, the prompt payment by BSIL, on demand, of any amount due and payable to the Beneficiary under the Agreement, subject to any applicable grace period thereunder (the "Obligations").
- (b) The Guarantor hereby waives acceptance of this Guaranty, diligence, promptness, presentment, demand on BSIL for payment, protest of nonpayment and all notices of any kind. In addition, the Guarantor's obligations hereunder shall not be affected by the existence, validity, enforceability, perfection, or extent of any collateral therefor. The Beneficiary shall not be obligated to proceed against BSIL before claiming under the Guaranty nor to file any claim relating to the Obligations in the event that BSIL becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Beneficiary so to file shall not affect the Guarantor's obligations hereunder. The Guarantor agrees that its obligations under this Guaranty constitute a guaranty of payment and not of collection.

2. Consents, Waivers and Renewals

The Guarantor agrees that the Beneficiary may, at any time and from time to time, either before or after the maturity thereof, without notice to or further consent of the Guarantor, extend the time of payment of, exchange or surrender any collateral for, or renew any of the Obligations, and may also make any agreement with BSIL or with any other party to or person liable on any of the Obligations, or interested therein, for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between the Beneficiary and BSIL or any such other party or person, without in any way impairing or affecting this Guaranty. The Guarantor agrees that the Beneficiary may resort to the Guarantor for payment of any of the Obligations, whether or not the Beneficiary shall have resorted to

any collateral security, or shall have proceeded against any other obligor principally or secondarily obligated with respect to any of the Obligations.

3. Expenses

The Guarantor agrees to pay on demand all out-of-pocket expenses (including without limitation the reasonable fees and disbursements of Beneficiary's counsel) incurred in the enforcement or protection of the rights of the Beneficiary hereunder; provided that the Guarantor shall not be liable for any expenses of the Beneficiary if no payment under this Guaranty is due.

4. Subrogation

The Guarantor will not exercise any rights which it may acquire by way of subrogation until all Obligations to the Beneficiary shall have been paid in full. If any amount shall be paid to the Guarantor in violation of the preceding sentence, such amount shall be held for the benefit of the Beneficiary and shall forthwith be paid to the Beneficiary to be credited and applied to the Obligations, whether matured or unmatured. Subject to the foregoing, upon payment of all the Obligations, the Guarantor shall be subrogated to the rights of the Beneficiary against BSIL, and the Beneficiary agrees to take at the Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

5. Cumulative Rights

No failure on the part of the Beneficiary to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Beneficiary of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to the Beneficiary or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Beneficiary from time to time.

6. Representations and Warranties

- (a) The Guarantor is a corporation duly existing under the laws of the State of Delaware.
- (b) The execution, delivery and performance of this Guaranty have been duly authorized by all necessary corporate action and do not conflict with any provision of law or any regulation or of the Guarantor's charter or by-laws or of any agreement binding upon it.

- (c) No consent, licenses, approvals and authorizations of and registrations with or declarations to any governmental authority are required in connection with the execution, delivery and performance of this Guaranty.
- (d) This Guaranty constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

7. Continuing Guaranty

The Guaranty shall remain in full force and effect and be binding upon the Guarantor and its successors and permitted assigns, and inure to the benefit of the Beneficiary and its successors and permitted assigns, until all of the Obligations have been satisfied in full. In the event that any payment by BSIL in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder in respect of such Obligations as if such payment had not been made.

8. Notices

All notices in connection with this Guaranty shall be deemed effective, if in writing and delivered in person or by courier, on the date delivered to the following address (or such other address which the Guarantor shall notify the Beneficiary of in writing):

THE BEAR STEARNS COMPANIES INC.  
245 Park Avenue, New York, New York 10167  
Attention: Derivatives - 4th Floor  
With a copy to: Legal - 3rd Floor

9. Governing Law

The Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to choice of law doctrine.

IN WITNESS WHEREOF, this Guaranty has been duly executed and delivered by the Guarantor to the Beneficiary as of the date first above written.

THE BEAR STEARNS COMPANIES INC.

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

Name: Warren J. Spector  
Title: Executive Vice President

# ISDA<sup>®</sup>

*International Swaps and Derivatives Association, Inc.*

## CREDIT SUPPORT ANNEX

*to the Schedule to the*

**Master Agreement**

*dated as of August 26, 1997*

*between*

**Lehman Brothers International (Europe) and Bear, Stearns International Limited**  
*("Party A") ("Party B")*

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:

### **Paragraph 1. Interpretation**

(a) **Definitions and Inconsistency.** Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) **Secured Party and Pledgor.** All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity, *provided, however,* that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

### **Paragraph 2. Security Interest**

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without further action by either party.

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**CREDIT SUPPORT ANNEX**  
**Elections and Variables**  
Dated as of August 26, 1997  
between **Lehman Brothers International (Europe) ("Party A")**  
and **Bear, Stearns International Limited ("Party B")**

**Paragraph 13. Elections and Variables**

(a) **Security Interest for "Obligations".** The term "Obligations" as used in this Annex includes the following additional obligations:

With respect to Party A: None

With respect to Party B: None

(b) **Credit Support Obligations.**

(i) **Delivery Amount, Return Amount and Credit Support Amount.**

(A) "Delivery Amount" has the meaning specified in Paragraph 3(a).

(B) "Return Amount" has the meaning specified in Paragraph 3(b).

(C) "Credit Support Amount" has the meaning specified in Paragraph 3.

(ii) **Eligible Collateral.** The following items will qualify as "Eligible Collateral" for the party specified:

		Party A	Party B	Valuation Percentage
(A)	Cash	[X]	[X]	100%
(B)	negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of not more than two years ("Treasury Bills")	[X]	[X]	100%
(C)	negotiable debt obligations issued by the U.S. Treasury Department a remaining maturity of more than two years but not more than ten years ("Treasury Notes")	[X]	[X]	99%
(D)	negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than ten years ("Treasury Bonds")	[X]	[X]	98%

(iii) **Other Eligible Support.** The following items will qualify as "Other Eligible Support" for the party specified: Not Applicable.

**(iv) Thresholds.**

(A) "Independent Amount" shall not be applicable with respect to Party A.

"Independent Amount" shall not be applicable with respect to Party B.

(B) "Threshold" means, with respect to Pledgor, USD1,000,000.

Notwithstanding the foregoing, if any outstanding long-term unsecured, unsubordinated debt obligation of Lehman Brothers Holdings Inc. (in the case of Party A) or The Bear Stearns Companies Inc. (in the case of Party B) is rated below BBB- by Standard & Poor's Corporation (including any successor thereto, "S&P") or below Baa3 by Moody's Investor Services, Inc. (or any successor thereto, "Moody's"), or is unrated by either S&P or Moody's, or the rating is suspended or withdrawn, then the Threshold for Party A or Party B, as the case may be, shall be USD-0--.

(C) "Minimum Transfer Amount" means, with respect to a party, \$250,000; provided, that if an Event of Default has occurred and is continuing, the Minimum Transfer Amount with respect to such party shall be zero.

(D) "Rounding". The Delivery Amount and the Return Amount will be rounded up and down respectively to the nearest integral multiple of \$1,000.

**(c) Valuation and Timing.**

(i) "Valuation Agent" means Party A or an Affiliate thereof, provided, however, if the Valuation Agent fails to notify the parties of a calculation by the Notification Time on such Collateral Valuation Date, then either party or its designee may act as the Valuation Agent with respect to such calculation. Subject to Paragraph 5 hereof, each determination by the Valuation Agent shall, in the absence of manifest error, be conclusive and binding on the parties.

(ii) "Valuation Date" means (a) the last Local Business Day of each month, and (b) any other Local Business Day designated by a party which, in its reasonable judgment, would result in a Delivery Amount or Return Amount: provided, however, that designations under clause (b) by a party shall be requested by advance notice to the Valuation Agent (which notice may be given orally) by no later than 4:00 p.m., New York time, of the Local Business Day immediately preceding the designated Collateral Valuation Date.

(iii) "Valuation Time" means the close of business on the Local Business Day in the city where the Valuation Agent is located immediately preceding the Collateral Valuation Date or date of calculation, as applicable; provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) "Notification Time" means by 2:00 p.m., New York time, on a Local Business Day.

(d) **Conditions Precedent and Secured Party's Rights and Remedies.** The following Termination Event(s) will be a "Specified Condition" for the party specified (that party being the Affected party if the Termination Event occurs with respect to that party) if an Early Termination Date has been declared as a result thereof:

	Party A	Party B
Illegality	<input type="checkbox"/>	<input type="checkbox"/>
Tax Event	<input type="checkbox"/>	<input type="checkbox"/>
Tax Event Upon Merger	<input type="checkbox"/>	<input type="checkbox"/>
Credit Event Upon Merger	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Additional Termination Event(s):	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(e) **Substitution**

(i) **"Substitution Date"** means (A) the Local Business Day on which the Secured Party receives the Substitute Credit Support, if such receipt is made by 12:00 noon (New York time), and (B) the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, if such receipt is made after 12:00 noon (New York time).

(ii) **"Consent."** The Pledgor need not obtain the Secured Party's consent for any substitution pursuant to Paragraph 4(d).

(f) **Dispute Resolution**

(i) **"Resolution Time"** means 1:00 p.m. New York time, on the Local Business Day following the date on which notice is given that gives rise to a dispute under Paragraph 5.

(ii) **"Value."** For the purpose of Paragraph 5(i)(c) and 5(ii), the Value of Posted Credit Support other than Cash will be calculated as follows:

With respect to any Treasury Bills, Treasury Notes or Treasury Bonds (referred to herein as "Government Obligations") the sum of (I) (x) the high bid prices quoted on such date by any principal market maker for such Government Obligations chosen by the Disputing Party, or (y) if no quotations are available from a principal market maker for such date, such high bid prices as of the day, next preceding such date, on which such quotations were available, plus (II) the accrued interest on such Government Obligations (except to the extent Transferred to a party pursuant to this Agreement or included in the applicable price referred to in (I) of this Clause) as of such date.

(iii) **"Alternative."** The introductory paragraph of Paragraph 5 shall be amended and restated to read in its entirety as follows:

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then:

the Disputing Party will notify the other party and, if applicable, the Valuation Agent and deliver the undisputed amount to the other party not later than (i)(a) the close of business of the Collateral Valuation Date, if the demand made under Paragraph 3 in the case of (I) above is made by the Notification Time or (b) the close of business of the Local Business Day following the date on which the demand is made under Paragraph 3 in the case of (I) above, if such demand is made after the Notification Time, or (ii) the close of business of the date of Transfer, in the case of (II) above;

the parties will consult with each other in an attempt to resolve the dispute; and  
if they fail to resolve the dispute by the Resolution Time, then:

**(g) Holding and Using Posted Collateral.**

(i) **"Eligibility to Hold Posted Collateral; Custodians."** A party and its Custodian (if any) will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); *provided* that the following conditions applicable to it are satisfied:

(1) Such party is not a Defaulting Party.

(2) Posted Collateral consisting of Cash or certificated securities that cannot be paid or delivered by book-entry may be held only in any state of the United States which has adopted the Uniform Commercial Code.

There shall be no Custodian for Party A.

There shall be no Custodian for Party B.

(ii) **"Use of Posted Collateral"** The provisions of Paragraph 6(c) will apply to Party A and Party B.

**(h) Distributions and Interest Amount.**

(i) **"Interest Rate."** Except as set forth in subparagraph (iii) below, the Interest Rate will be the rate per annum equal to the overnight Federal Funds Rate for each day cash is held by the Secured Party as reported in Federal Reserve Publication H.15-519.

(ii) **"Transfer of Interest Amount."** Except as set forth in subparagraph (iii) below, the Transfer of the Interest Amount will be on the twentieth day of each calendar month (or if such day is not a Local Business Day, the next following Local Business Day) ~~and on any Local Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).~~ HUPSE

(iii) **"Alternative to Interest Amount."** The provisions of Paragraph 6(d)(ii) will apply.

(i) **Additional Representation(s).** Not Applicable.

(j) **"Other Eligible Support and Other Posted Support."**

(i) **"Value"** with respect to Other Eligible Support and Other Posted Support means: Not Applicable.

(ii) **"Transfer"** with respect to Other Eligible Support and Other Posted Support means: Not Applicable.

(k) **Demands and Notices.** All demands, specifications and notices made by a party to this Annex will be made pursuant to the Notices Section of this Agreement.

(l) Addressees for Transfers.

Party A:

- (i) In the case of cash, by wire transfer of immediately available funds for credit to a bank account of Party A to be designated in Party A's demand for the Delivery Amount or Return Amount, as applicable.
- (ii) In the case of securities or obligations that can be paid or delivered by book-entry on the records of U.S. Federal Reserve Banks, delivery to Chase Manhattan Bank, for credit to the account of Lehman Brothers Inc., as agent for Party A (in telegraphic abbreviation, CHASE NYC/LEHMAN, ABA #021000021).

Party B: As specified in writing by Party B to Party A.

(m) Other Provisions.

**No Disposition.** Without the prior written consent of Secured Party, Pledgor agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, Posted Collateral, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Posted Collateral, or any interest therein, or any proceeds thereof, except for the lien and security interest provided for by this Annex.

LEHMAN BROTHERS  
INTERNATIONAL (EUROPE)

BEAR, STEARNS  
INTERNATIONAL LIMITED

By: Heidi Lewis

By: John P. Conote

Title: Heidi Lewis  
Director

Title: Sr. Managing Director