

Final Terms dated 10 June 2008

MERRILL LYNCH & CO., INC.
(Incorporated under the laws of the State of Delaware, U.S.A.)

**Issue of Euro 3,500,000 Bearer Fixed Rate Credit Linked Notes due June 2023
under the U.S.\$110,000,000,000 Euro-Medium Term Note Program**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in the Base Prospectus dated April 1, 2008 and the supplemental prospectuses dated 17 April 2008 and 9 May 2008. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with such Base Prospectus as so supplemented. Full information on the Company and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus as supplemented. The Base Prospectus and the supplemental prospectuses and these Final Terms are available for viewing during normal office hours at the office of the Agent in London and copies may be obtained from the principal office of the Company.

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| 1. | Issuer: | Merrill Lynch & Co., Inc. (the “Company”) |
| 2. | (i) Series Number: | 6791 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies (in the case of Dual Currency Notes): | Euro (“EUR”) |
| 4. | Aggregate Principal Amount: | EUR 3,500,000 |
| | (i) Series: | EUR 3,500,000 |
| | (ii) Tranche: | EUR 3,500,000 |
| 5. | Issue Price: | 91.55 per cent. of the Aggregate Principal Amount |
| 6. | Specified Denominations: | EUR 100,000 |
| 7. | (i) Issue Date: | 10 June 2008 |
| | (ii) Interest Commencement Date: | 10 June 2008 |
| 8. | (i) Maturity Date or Redemption Month: | Scheduled Maturity Date subject to Condition 4(a) as amended by Appendix A (<i>Special Conditions</i>) |
| | (ii) Scheduled Maturity Date: | 10 June 2023 |
| 9. | Interest Basis: | Fixed Rate Basis (further particulars specified in item 15 below. |
| 10. | Redemption/Payment Basis: | Redemption at Par, subject to Condition 4(a) as amended by Appendix A (<i>Special Conditions</i>) hereto |
| | Change of Interest or Redemption/Payment Basis: | Not Applicable |
| 12. | Put/Call Options: | No Applicable |
| 13. | Status of the Notes: | The Notes will constitute direct, unsecured, unsubordinated and general obligations of the Company and will, save for such exceptions as may be provided by applicable legislation or judicial order, rank <i>pari passu</i> |

with all other unsecured and unsubordinated indebtedness of the Company.

14. Method of distribution:

Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions:

Applicable, subject to the occurrence of a Credit Event as described in item 15(vii).

(i) Fixed Rate(s) of Interest:

6.40 per cent. per annum payable annually in arrear

(ii) Fixed Interest Date(s):

10 June in each year, from and including 10 June 2009 up to and including the Scheduled Maturity Date

If the Maturity Date is later than the Scheduled Maturity Date, interest for the period from and including the Scheduled Maturity Date to but excluding the Maturity Date shall (subject to Condition 4(i), as amended by Appendix A (*Special Conditions*) hereto) accrue at the rate actually earned by the Paying Agent (if the Paying Agent is holding the redemption proceeds of the Notes) or the then current interbank offer rate for overnight deposits, as determined by the Calculation Agent in its sole and absolute discretion.

(iii) Fixed Coupon Amount(s):

Each Note of a Specified Denomination shall bear interest (the "**Rate of Interest**") on its principal amount from (and including) the Issue Date up to (but excluding) the Scheduled Maturity Date and such interest will be payable (the "**Interest Amount**") in arrear on each Fixed Interest Date in respect of each Fixed Interest Period (which expression shall, in these Final Terms, mean the period from (and including) a Fixed Interest Date to (but excluding) the next Fixed Interest Date) as determined by the Calculation Agent in accordance with the following:

EUR100,000 * 6.40 per cent. per annum * Fixed Day Count Fraction.

Interest shall accrue as specified in item 15(ii) in respect of any period following the Scheduled Maturity Date

(iv) Initial/Final Broken Amount(s):

Not Applicable

(v) Fixed Day Count Fraction:

30/360

(vi) Determination Date(s):

Not Applicable

(vii) Other items relating to the method of calculating the interest for Fixed Rate Notes:

Upon the occurrence of a Credit Event (as defined in paragraph (B) of Appendix A (*Special Conditions*)) during any Interest

Period, no interest will accrue on the Notes from and including the relevant Event Determination Date in accordance with paragraph (B)(3) of Appendix A (*Special Conditions*).

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| (viii) | Additional Business Centre(s): | Not Applicable |
| 16. | Floating Rate Note Provisions: | Not Applicable |
| 17. | Zero Coupon Note Provisions: | Not Applicable |
| 18. | Dual Currency Note Provisions: | Not Applicable |
| 19. | Credit Linked Note Provisions: | Applicable – See Appendix A |
| 20. | Equity Linked Interest Note Provisions: | Not Applicable |
| 22. | Fund Linked Interest Note Provisions: | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 23. | Company's Optional Redemption: | Not Applicable |
| 24. | Redemption at the option of the Noteholders: | Not Applicable |
| 25. | Final Redemption Amount: | |
| (i) | Fixed Rate Notes: | Not Applicable |
| (ii) | Floating Rate Notes: | Not Applicable |
| (iii) | Dual Currency Notes: | Not Applicable |
| (iv) | Equity Linked Redemption Notes: | Not Applicable |
| (v) | Index Linked Redemption Notes: | Applicable |
| (vi) | Fund Linked Redemption Notes: | Not Applicable |
| (vii) | Credit Linked Notes: | |
| | (a) Reference Entity/Credit/Formula/variable: | As specified in Appendix C (<i>Issue Terms</i>). |
| | (b) Calculation Agent responsible for calculating the Final Redemption Amount: | <p>"Calculation Agent" means Merrill Lynch International or such successor calculation agent as may from time to time be appointed by the Company.</p> <p>The Calculation Agent shall act as an independent expert and not as an agent for the Company or the Noteholders.</p> <p>All determinations and calculations shall be made by the Calculation Agent at its sole discretion in good faith. All such calculations so made shall be final and binding (save in the case of manifest error) on the Company and the Noteholders. The Calculation Agent shall have no liability in relation to the determinations or calculations provided herein, except in the case of</p> |

wilful default or bad faith.

- (c) Provisions for determining Final Redemption Amount where calculated by reference to Reference Entity/Credit and/or Formula and/or other variable: 100.00 per cent. of the Specified Denomination per Note, unless (i) a Credit Event has occurred and an Event Determination Notice and Notice of Publicly Available Information have been delivered, in which case Condition 4(i) (as amended by paragraph (B) of Appendix A (*Special Conditions*)) shall apply, and (ii) subject to the provisions set out in item 25 with respect to the determination of an Early Redemption Amount. Further particulars are specified in Appendix A (*Special Conditions*), Appendix B (*Form of Asset Transfer Notice*) and Appendix C (*Issue Terms*).
- (d) Provisions for determining Final Redemption Amount where calculation by reference to Reference Entity/Credit and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: See Appendix A
- [(e) Payment Date: Not Applicable
- [(f) Minimum Final Redemption Amount: Not Applicable
- [(g) Maximum Final Redemption Amount: Not Applicable
- (viii) Zero Coupon Notes: Not Applicable
26. Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or, upon the other circumstances described in Condition 8 or upon acceleration of the Notes pursuant to Condition 12 and/or the method of calculating the same (if required or if different from that set out in Condition 4(f)):
- Condition 4(f) shall not apply if the Notes are redeemed, as a result of or following:
- (a) taxation reasons (pursuant to Condition 4(b) or Condition 8); or
- (b) the occurrence of a Regulatory Redemption Event (as defined in paragraph (C) of Annex 1 (*Special Conditions*)) hereto;
- (c) the occurrence of an illegality event (as described in paragraph (D) of Annex 1 (*Special Conditions*)) hereto; or
- (d) an acceleration of the Notes (pursuant to Condition 12)
- the Early Redemption Amount payable in respect of each Note of a Specified Denomination will, in each case, equal the Calculation Agent's determination of the market value of each Note taking into account factors including but not limited to: interest rates, index levels, implied volatilities in the option markets and exchange rates, less the Associated Costs (as defined below).

"Associated Costs" means an amount per Note of a Specified Denomination equal to the pro rata share (on the basis of the principal amount of the Note and the aggregate principal amount of all Notes which have not been redeemed or cancelled as at the Early Redemption Date) of the total amount of any and all costs associated or incurred by the Company or any company affiliated with it in connection with such early redemption, including, without limitation, any costs associated with unwinding the funding relating to the Notes and any costs associated with unwinding any hedge positions relating to the Notes, all as determined by the Calculation Agent in its sole discretion.

27. Issuer Cash Settlement Amount:

Applicable

The Issuer Cash Settlement Amount (as defined in Condition 4(n)(iii)) shall be an amount in the Specified Currency as determined by the Calculation Agent equal to the Market Value of the Portfolio, in accordance with the Full Quotations obtained by the Calculation Agent, on the due date for payment as determined in accordance with Condition 4(i).

PROVISIONS RELATING TO PHYSICAL DELIVERY NOTES

28. Provisions relating to Physical Delivery:

Not Applicable. For the avoidance of doubt provisions in the Base Prospectus with respect to physical delivery will not apply.

GENERAL PROVISIONS APPLICABLE TO THE NOTES

29. Form of Notes:

(i) Classic Global Note or New Global Note:

Classic Global Note

(ii) Bearer Notes:

The Notes will be Bearer Notes and will initially be represented by a temporary global Note in bearer form, without interest coupons attached, which will be deposited with a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about the Issue Date. Interests in the temporary global Note will be exchangeable for interests in a permanent global Note, without interest coupons attached, on a date (the "Exchange Date") not earlier than 40 days after the closing date upon appropriate certification as to non-U.S. beneficial ownership. The permanent global Note will be exchangeable in whole, but not in part, for definitive Notes in bearer form in denominations of EUR 100,000 each with interest coupons attached upon 60 days' written notice expiring at least 30 days after the Exchange Date. Interests in the permanent global Note will not be exchangeable for Notes in registered form.

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| (iii) | Registered Notes: | Not Applicable |
| (iv) | Registered Short-term Notes: | Not Applicable |
| 30. | Additional Financial Centre(s) or other special provisions relating to Payment Business Day: | Condition 5(c) (i) |
| 31. | Talons for future Coupons or Receipts to be attached to definitive Notes in bearer form (and dates on which such Talons mature): | No. |
| 32. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Company to forfeit the Notes and interest due on late payment: | Not Applicable |
| 33. | Details relating to Installment Notes: | |
| | (i) Installment Amount(s): | Not Applicable |
| | (ii) Installment Date(s): | Not Applicable |
| 34. | Redenomination, renominatisation and reconventioning provisions: | Not Applicable |
| 35. | Other terms or specified conditions: | Applicable |
| | | <i>Applicable - see Appendix A (Special Conditions), Appendix C (Issue Terms) and Appendix D (Additional Risk Factors Relating to the Notes) hereto, each of which Appendices shall be deemed to constitute a part of these Final Terms.</i> |
| 36. | Further issue provisions: | Condition 15 applies. If the Company issues further Notes of the same Series during the initial 40-day restricted period applicable to the outstanding Notes of such Series, then such 40-day period will be extended until 40 days after the later of the commencement of the offering and the Issue Date of such further issue of Notes. In addition, if the Company issues further Notes of the same Series after the expiration of the 40-day restricted period, a new 40-day restricted period will be applied to such further issue of Notes without applying to the outstanding Notes. After the expiration of the new 40-day restricted period, all such Notes will be consolidated and form a single Series with the outstanding Notes. |
| 37. | Details relating to Notes that are payable and/or for which the obligations of the Company may be discharged by the delivery of securities and/or other property or any combination of cash, securities and/or other property where the provisions relating to such Notes amend and/or supplement the Physical Delivery Note Conditions: | Not Applicable |

DISTRIBUTION

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| 38. | (i) If syndicated, names of Dealers: | Not Applicable |
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| (ii) | Stabilizing Manager (if any): | Not Applicable |
| 39. | If non-syndicated, name of Relevant Dealer: | Merrill Lynch International |
| 40. | Additional selling restrictions: | Not Applicable |

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on Euro-MTF Market of the Luxembourg Stock Exchange of the Notes described herein pursuant to the Company's U.S.\$110,000,000,000 Euro Medium Term Note Program.

RESPONSIBILITY

The Company accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Company:

By: _____

Name:

Title:

Krista Heinzig
Authorised Signature

PART B – OTHER INFORMATION

1. LISTINGS:

- (i) Listing: Application [will be made for the Notes to be listed on the Euro-MTF Market of the Luxembourg Stock Exchange.]
- (ii) Admission to trading: Application will be made for the Notes to be admitted to trading on the Euro-MTF Market of the Luxembourg Stock Exchange with effect on or about the Issue Date.
- (ii) Estimate of total expenses related to admission to trading: GBP 4765

2. RATINGS

Ratings:

The Notes will be issued under the Program, which has been rated:

S&P: A/A-1. An obligation rated “A” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories such as “AAA” and “AA”. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

A short-term obligation rated “A-1” is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong.

R&I: AA-. An obligation rated “AA” is judged to be of very high credit quality and accompanied by excellent factors. A plus (+) or minus (-) sign may be added to ratings symbols within a range from AA to CCC to indicate their relative standing within each category.

Moody's: A1. Obligations rated “A” are considered upper-medium grade and are subject to low credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from “Aa” through “Caa”. The modifier “1” indicates that the obligation ranks in the higher end of its generic rating category; the modifier “2” indicates a mid-range ranking; and the modifier “3” indicates a ranking in the lower end of that generic rating category.

Fitch: A+. “A” ratings denote expectations of low credit risk. They indicate strong capacity for payment of financial commitments. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings such as “AAA” or “AA”. The modifiers “+” or “-” may be appended to a rating to denote relative status within major rating categories.

The information regarding ratings above has been extracted from the websites of Fitch Ratings (“Fitch”), Moody's Investors Service, Inc. (“Moody's”) Ratings and Investment Information, Inc. (“R&I”) and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”), as applicable. The Company confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information

published by Fitch, Moody's R&I and S&P, no facts have been omitted which would render the reproduced inaccurate or misleading.

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**
 "Save as discussed in Appendix D (Additional Risk factors relating to the Notes), so far as the Company is aware, no person involved in the offer of the Notes has an interest material to the offer.

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**
 (i) Reasons for the offer: See "Use of Proceeds" wording in Prospectus

(ii) Estimated net proceeds: EUR 3,204,250

((iii) Estimated total expenses: No Applicable

5. **Fixed Rate Notes only – YIELD**

Indication of yield: 6.40 per cent. per annum

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. **PERFORMANCE OF INDEX/SHARE FUND/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**
 Not Applicable

7. **PERFORMANCE OF RATE[S] OF EXCHANGE**
 Not Applicable

8. **OPERATIONAL INFORMATION**

ISIN Code: XS0368375787

Common Code: 036837578

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, and the relevant identification number(s): Not Applicable

Delivery: Delivery against payment

Intended to be held in a manner which would allow Eurosystem eligibility: No

Names and addresses of additional Paying Agent(s) if any: Not Applicable

Governing Law: New York

Additional investment considerations: Applicable. See Appendix D

APPENDIX A
SPECIAL CONDITIONS

(A) Redemption at Maturity

Condition 4(a) shall be deemed deleted and replaced by the following:

"(a) At Maturity

Unless previously redeemed or purchased and cancelled as specified in the Final Terms or Condition 4(i), each Note will be redeemed by the Company on the Maturity Date specified in the applicable Final Terms provided that if an Extension Notice has been delivered at any time prior to 11.00 a.m. (London time) on the Scheduled Maturity Date, the Maturity Date shall be postponed to the earlier of (i) the date on which the receipt of a Cancellation Notice is given to the Noteholders and (ii) the Extended Maturity Date and, in each case, each Note will be redeemed two (2) Business Days following such date.

Subject as provided below, each Note will be redeemed at its outstanding principal amount together with, if the Maturity Date is on the Scheduled Maturity Date, any interest accrued but unpaid to the date of redemption as provided in item 15 of the Final Terms, and if the Maturity Date is after the Scheduled Maturity Date, interest accrued on and after the Scheduled Maturity Date at the rate determined by the Calculation Agent, as set out in the second paragraph of item 15(ii) of the Final Terms.

Notwithstanding the above, if an Event Determination Date (as defined in Condition 4(i)) occurs on or prior to the Extended Maturity Date, redemption of the Notes shall be subject to and in accordance with the provisions of Condition 4(i)."

(B) Credit-Linked Notes

Condition 4(i) shall be deemed to be deleted and replaced with the following:

"(i) Credit-Linked Notes

- (1) If the Calculation Agent determines in its sole and absolute discretion that a Credit Event in respect of the Reference Entity has occurred at or after 12:01 a.m. (GMT) on the Issue Date and at or prior to the later of 11:59 p.m. (GMT) on the later of the Scheduled Maturity Date or, if the Credit Event that is the subject of the Event Determination Notice is a Failure to Pay that occurred after the Scheduled Maturity Date and the corresponding Potential Failure to Pay occurred at or prior to 11.59p.m. (GMT) on the Scheduled Maturity Date, the Grace Period Extension Date, the Company shall have the right (regardless of whether such Credit Event is still in existence), on giving an Event Determination Notice and Notice of Publicly Available Information to the Noteholders in accordance with Condition 15, to redeem the Notes in accordance with this Condition.
- (2) Where a Credit Event has occurred on the same date in respect of more than one Reference Entity, the Event Determination Notice and Notice of Publicly Available Information may be delivered in respect of only one such Reference Entity, which shall be selected by the Company in its absolute discretion.
- (3) Upon the giving of the Event Determination Notice and Notice of Publicly Available Information in accordance with sub-paragraph (1) and notwithstanding Condition 3(e) and item 15 of the Final Terms, interest (in respect of the period from (and including) the later of the Issue Date and the preceding Interest Payment Date) shall cease to accrue on the Credit Event Portion of each Note from (and including) the relevant Event Determination Date.
- (4) Following the occurrence of an Event Determination Date, the Company shall on a Business Day not more than 35 Business Days after the Event Determination Date (the "**Physical Determination Date**") but otherwise selected by it in its sole and absolute discretion deliver a Notice of Physical Settlement to the Noteholders in accordance with Condition 15.
- (5) Following delivery of the Notice of Physical Settlement and subject as provided in the sub-paragraphs below, the Company shall redeem the Credit Event Portion of each Note using its reasonable endeavours to Deliver to each Noteholder the Portfolio Amount on the Physical Settlement Date. If Physical Settlement and "**Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Applicable**" is specified in Appendix C (*Issue Terms*) and Restructuring is the only Credit Event specified in an Event Determination Notice

then a Deliverable Obligation may be included in the Portfolio only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the Modified Restructuring Maturity Limitation Date.

- (6) In the event that, in the opinion of the Calculation Agent, the Company is unable to Deliver any portion of the Portfolio Amount on the Initial Physical Settlement Date due to an event beyond the control of the Company, (each a "**Potential Cash Settlement Event**") (including, without limitation, failure by the Swap Counterparty to make the corresponding delivery under the Credit Default Swap, the failure of the relevant clearance system, the occurrence of a Hedge Disruption Event (as determined by the Calculation Agent in its sole discretion), the non-receipt of any requisite consent from the Reference Entity, any agent or trustee, due to any law, regulation or court order, due to the failure of any Noteholder to give the Company details of accounts for settlement, or a failure of any Noteholder to open or procure the opening of such accounts) rendering it impossible or unlawful for the Company to Deliver, for the Company to procure the Delivery of or for the Noteholders to take Delivery of any Deliverable Obligations on the Physical Settlement Date, then on such date the Company shall (1) Deliver or procure the Delivery of any Deliverable Obligations that are not subject to any Potential Cash Settlement Event, and as soon as practicable thereafter the Company shall endeavour to Deliver or procure the Delivery of any Deliverable Obligation which is the subject of the Potential Cash Settlement Event (each an "**Undeliverable Obligation**") or (2) Deliver or procure the Delivery of that portion of the Portfolio that is capable of Delivery on the Initial Physical Settlement Date and (3) if any Undeliverable Obligations (subject to the following sub-paragraph) have not been Delivered on or prior to the 65th Business Day following the Initial Physical Settlement Date (the "**Final Delivery Date**"), then Partial Cash Settlement (as described below) shall apply to such Undeliverable Obligation and the Company shall pay the Alternative Cash Settlement Amount *pro rata* to the relevant Noteholder(s) on the relevant Alternative Cash Settlement Date.
- (7) In the event a Deliverable Obligation is denominated in a currency (a "**Non-specified Currency**") other than the Specified Currency, the Calculation Agent shall determine the Specified Currency equivalent of such Non-specified Currency by reference to the Federal Reserve Bank of New York 10:00 a.m. (New York time) mid-point rate ("**Screen Rate**") as displayed on Reuters Page FEDSPOT on the day on which the Notice of Physical Settlement is delivered (or, if such notice is changed on or prior to the Physical Settlement Date, the date on which the notice of the last change is effective) or, if the Screen Rate is not available, by reference to such source(s) and at such time as the Calculation Agent may determine in its sole discretion acting in good faith and in a commercially reasonable manner.
- (8) Where a Noteholder holds more than one Note, the principal amount of the Deliverable Obligations to be Delivered in respect of the Notes shall be aggregated. If the principal amount of the Deliverable Obligations to be Delivered in respect the nominal amount of Notes held by a Noteholder to be redeemed pursuant to this Condition on any occasion is not equal to an authorised denomination of such Deliverable Obligations, then the principal amount to be Delivered will be rounded down to the nearest authorised denomination or multiple thereof, or, if none, zero. In addition, any residual Deliverable Obligations in respect of any of the Notes shall, if and to the extent practicable, be sold and, if they are so sold, each relevant Noteholder shall receive an amount in cash equal to his *pro rata* share of the sale proceeds.
- (9) The Delivery of any of the Deliverable Obligations pursuant to the provisions of this Condition shall be made in such commercially reasonable manner as the Company shall, in its sole discretion, determine to be appropriate for such Delivery and shall notify to the Noteholders. All expenses, including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax and/or other taxes or duties (together "**Delivery Expenses**") arising from the Delivery and/or transfer of the Deliverable Obligations shall be for the account of the Noteholders on a *pro rata* basis and no Delivery and/or transfer of the Deliverable Obligations shall be made until all Delivery Expenses have been paid to the satisfaction of the Company by the relevant Noteholder.
- (10) In order to receive the Portfolio Amount on the Physical Settlement Date and/or any Alternative Cash Settlement Amount on the Alternative Cash Settlement Date in respect of each Note held by it, the relevant Noteholder must deliver, in each case no less than 10 Business Days prior to the Physical Settlement Date (A) for so long as the Note is represented by a global Note, to Euroclear or Clearstream, Luxembourg, as the case may be, with a copy of the Calculation

Agent, a notice via the EUCLID System (a "Euclid Notice") or (B) if the Note is in definitive form, to the Company, with a copy to the Calculation Agent, a completed Asset Transfer Notice substantially in the form set out in Appendix B to these Final Terms (the "Asset Transfer Notice"), a copy of which may be obtained from the Calculation Agent.

If (X) the Euclid Notice is delivered to Euroclear or Clearstream, Luxembourg, as the case may be, or (Y) the Asset Transfer Notice is delivered to the Company with a copy to the Calculation Agent, in each case after the close of business in the place of receipt on the tenth Business Day prior to the Physical Settlement Date but within 10 Business Days after the originally designated Physical Settlement Date, then the Portfolio Amount and/or any Alternative Cash Settlement Amount will be delivered or paid, as the case may be, as soon as practicable after the relevant settlement date (in which case, such later date of delivery or payment shall be deemed to be the relevant Settlement Date) in the manner provided above. For the avoidance of doubt, a Noteholder shall not be entitled to any additional payment, whether of interest or otherwise, in the event of a settlement date falling after the originally designated settlement date. If, in respect of a Note, the relevant Noteholder fails to deliver the Euclid Notice to Euroclear or Clearstream, Luxembourg, as the case may be, or the Asset Transfer Notice to the Company with a copy to the Calculation Agent within 10 Business Days after the originally designated Physical Settlement Date, the Company shall be discharged from its obligation in respect of such Note and the Guarantor shall be discharged from its obligation in respect of the Guarantee in respect of such Note and neither the Company nor the Guarantor shall have any further obligation or liability whatsoever in respect thereof. For the avoidance of doubt, a Noteholder shall not be entitled to any additional payment, whether of interest or otherwise, in the event that such notice is delivered on such later date.

Each of the Euclid Notice and the Asset Transfer Notice is for the purposes of these Final Terms referred to as a "Notice".

The Euclid Notice referred to above must:

- (I) specify the name and address of the relevant Noteholder and the person from whom the Company may obtain details for the delivery of the Portfolio Amount;
- (II) specify the aggregate principal amount of the Notes which are the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Notes;
- (III) specify the Noteholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be credited with any Alternative Cash Settlement Amount;
- (IV) include an undertaking to pay all Delivery Expenses and an authority to debit a specified account of the Noteholder at Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;
- (V) irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg, as the case may be, to debit the relevant Noteholder's account with such Notes, or, if the Exercise Amount is less than the outstanding principal amount of each Note, with a *pro rata* portion of such Exercise Amount in respect of each Note held by such Noteholder, on the Physical Settlement Date; and
- (VI) authorise the production of such notice in any applicable administrative or legal proceedings.

The Asset Transfer Notice referred to above must:

- (I) specify the name and address of the relevant Noteholder and the person from whom the Company may obtain details for delivery of the Portfolio Amount;
- (II) specify the aggregate principal amount of the Notes which are the subject of such notice;

- (III) specify the Noteholder's account with a bank outside the United States for payment of any Alternative Cash Settlement Amount;
- (IV) include an undertaking to pay all Delivery Expenses; and
- (V) authorise the production of such notice in any applicable administrative or legal proceedings.

Any Asset Transfer Notice must be delivered to the Company together with evidence satisfactory to the Company that the signatory is the beneficial owner of the relevant Note(s).

Neither the Euclid Notice nor the Asset Transfer Notice may be withdrawn after receipt thereof by Euroclear or Clearstream, Luxembourg or the Company, as the case may be. After delivery of such Notices, the relevant Noteholder may not transfer the Notes which are the subject of such Notice, unless the Exercise Amount is less than the outstanding principal amount of each Note, in which case the Notes may not be transferred until the applicable Physical Settlement Date or Alternative Cash Settlement Date. Upon receipt of a Euclid Notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person specified therein as the Noteholder is the holder of the specified number of Notes according to its books.

Failure properly to complete and deliver a Euclid Notice or Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in this sub-paragraph (10) shall be made by Euroclear or Clearstream, Luxembourg or the Company, as applicable, after consultation with the Calculation Agent and shall be conclusive and binding on the Company and the relevant Noteholder.

For such period of time after the Physical Settlement Date as the Company or any person on behalf of the Company shall continue to be the legal owner of the securities comprising the Portfolio Amount (the "Intervening Period"), neither the Company nor any other such person shall (A) be under any obligation to deliver or procure delivery to such Noteholder or any subsequent beneficial owner of such securities any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such securities, (B) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such securities during the Intervening Period or (C) be under any liability to such Noteholder or any subsequent beneficial owner of such securities in respect of any loss or damage which such Noteholder or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of that person being the legal owner of such securities during such Intervening Period.

- (11) Notwithstanding any other terms of the Notes, the Company may deliver multiple Event Determination Notices with respect to a Restructuring Credit Event and the Reference Entity, each such Event Determination Notice setting forth the related Exercise Amount. Only the first such Event Determination Notice need be accompanied by a Notice of Publicly Available Information. The Exercise Amount may not be less than the outstanding principal amount of the Notes except in relation to an Event Determination Notice with respect to a Restructuring Credit Event.

For the avoidance of doubt, if the Company has delivered an Event Determination Notice that specifies an Exercise Amount that is less than the then outstanding principal amount of each Note, the outstanding principal amount of each Note shall thereafter be reduced by the Credit Event Portion. Any partial redemption of the Notes as provided above shall not prevent the Company from delivering a further Event Determination Notice in respect of any Credit Event that may occur in respect of the Reference Entity. Interest on the Notes shall continue to accrue on the outstanding principal amount of the Notes (adjusted to reflect partial redemption described herein and otherwise in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate).

- (12) Capitalised terms used in these Special Conditions shall have the meanings contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement (together the

"Credit Derivatives Definitions"), each as published by the International Swaps and Derivatives Association, Inc. ("ISDA") and the definitions below, which may in part modify the terms of the Credit Derivatives Definitions. In the event of any inconsistency between the definitions contained in the Credit Derivatives Definitions and these Final Terms, the terms in these Final Terms will govern.

"Accreted Amount" means, with respect to an Accreting Obligation, an amount equal to (A) the sum of (1) the original issue price of such obligation and (2) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (b) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in clause (A)(2) above), in each case calculated as of the earlier of (x) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (y) the Delivery Date or applicable Valuation Date, as the case may be. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent) only if "Include Accrued Interest" is applicable. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such Obligation's yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for the purposes of clause (A)(2) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (x) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (y) the Delivery Date or applicable Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

"Accreting Obligation" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face value thereof) plus an additional amount or amounts (on account of original issue discount or other interest accruals not payable on a periodic basis) that will or may accrete, whether or not (a) payment of such additional amounts is subject to any contingency or determined by reference to a formula or index or, (b) periodic cash interest is also payable.

"Affiliate" means, in relation to any person, any other person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such person (and, for the purposes of this definition, "control" of a person means the power, direct or indirect, (i) to vote more than fifty per cent. (50%) of the securities having ordinary voting power for the election of directors of such person, or (ii) to direct or cause the direction of the management and policies of such person, whether by contract or otherwise).

"Alternative Cash Settlement Amount" means in respect of any Undeliverable Obligation and (subject to sub-paragraph (B)(8) above) any Note the amount in the settlement currency determined by the Calculation Agent to be equal to the Market Value of such Undeliverable Obligations in accordance with the Full Quotations obtained by the Calculation Agent on the second Business Day following the Final Delivery Date.

"Alternative Cash Settlement Date" means the third Business Day after any Final Delivery Date.

"Asset Transfer Notice" has the meaning set forth under paragraph (B)(10) of this Appendix A (*Special Conditions*).

"Assignable Loan" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction or organization) that are not then a lender or a member of the relevant lending syndicate, without the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent.

"Bankruptcy" means, with respect to the Reference Entity, such Reference Entity (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or

administrative proceeding or filing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter; (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

"Best Available Information" means:

- (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information or, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination as to which entity succeeds to the Obligations pursuant to the relevant Succession Event, other relevant information that is contained in any written communication provided by such Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
- (ii) in the case of a Reference Entity which does not file with securities regulators or a stock exchange, or which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make its determination.

Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.

"Bond" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;

"Bond or Loan" means any obligation that is either a Bond or a Loan.

"Borrowed Money" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

"Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in London, New York and on which the TARGET System is open for business and on the days specified for that purpose, save that in respect of the Delivery of Deliverable Obligations comprising the Portfolio, "Business Day" shall include any day in any jurisdiction on which banks must be open in order to effect settlement of such Delivery.

"Cancellation Notice" means a notice given by the Company to the Noteholders in accordance with Condition 15 upon making a determination in respect of the Reference Entity that no Credit Event or Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date, or if a

Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date, promptly upon making a determination that no Failure to Pay has occurred with respect to the relevant Obligation.

"Conditionally Transferable Obligation" means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, provided however that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for the purposes of this definition. For the purpose of determining whether a Deliverable Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Valuation Date, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by Buyer.

"Convertible Obligation" means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"Credit Event" means, with respect to the Reference Entity or its Obligations, the occurrence of any of the events specified as such in Appendix C (Issue Terms). If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (i) any lack or alleged lack of authority or capacity of such Reference Entity to enter into any Obligation, or as applicable, an Underlying Obligor to enter into any Underlying Obligation, (ii) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation, or, as applicable, any Underlying Obligation, however described, (iii) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described, or (iv) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

"Credit Event Portion" means, in relation to any Event Determination Notice and each Note, such portion of the outstanding principal amount of such Note bearing the same proportion to the Specified Denomination as the related Exercise Amount bears to the outstanding principal amount of the Notes;

"Dealer" means a dealer in obligations of the type of Obligation(s) for which quotations are to be obtained (as selected by the Calculation Agent).

"Default Requirement" means USD 10,000,000 or its equivalent in the relevant Obligation Currency as of the date of occurrence of the relevant Credit Event.

"Deliver" means to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Deliverable Obligations comprising the Portfolio free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set forth under the definition of "Credit Event" or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor); provided that to the extent that the Deliverable Obligations consist of Qualifying Guarantees, "Deliver" means to Deliver both the

Qualifying Guarantee and the Underlying Obligation. "Delivery" and "Delivered" will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of documentation customarily used in the relevant market for Delivery of such Loan at the time.

"Deliverable Obligation" means (a) any obligation of the relevant Reference Entity (either directly or as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in Appendix C (*Issue Terms*), as provider of any Qualifying Guarantee) included in the Deliverable Obligation Category and having the Deliverable Obligation Characteristics (if any), in respect of each Deliverable Obligation, as of the date on which such Deliverable Obligation is Delivered provided that in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, it is capable, on the date of Delivery of such Deliverable Obligation, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal amount or the amount of such Deliverable Obligation being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement or (b) the Reference Obligation.

Notwithstanding the foregoing, in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Obligation of a Sovereign Reference Entity (i) in respect of which a Restructuring that is the subject of the relevant Event Determination Notice has occurred and (ii) described by the Deliverable Obligation Category, and having each of the Deliverable Obligation Characteristics (if any) specified, in each case, immediately preceding the date of such Restructuring and without regard as to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring provided that in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, on the date of Delivery of such Deliverable Obligation, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal amount or the amount of such Deliverable Obligation being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement.

"Deliverable Obligation Category" means Bond or Loan.

"Deliverable Obligation Characteristics" means any of the following that are specified in Appendix C (*Issue Terms*) as being applicable (except that (i) Assignable Loan and Consent Required Loan shall only apply to Deliverable Obligations which are Loans and only one of such Deliverable Obligation Characteristics needs to be satisfied and (ii) Not Bearer shall only apply with respect to Bonds and (iii) Transferable shall only apply to Deliverable Obligations which are not Loans):

- (a) an obligation that has, as of the date on which the Deliverable Obligation is being Delivered, and all times thereafter, an outstanding principal balance that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy this characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the date on which the Deliverable Obligation is being Delivered ("Not Contingent");
- (b) an obligation that is not Subordinated to the most senior Reference Obligation in priority of payment. The ranking in priority of payment of each Reference Obligation shall be determined at the later of (1) the Issue Date and (2) the date on which such Reference Obligation was issued or incurred and shall not reflect any change to such ranking in priority of payment after such later date ("Not Subordinated");

- (c) an obligation that is payable in a Standard Specified Currency ("**Specified Currency: Standard Specified Currencies**");
- (d) an obligation that has a remaining maturity from the Physical Settlement Date of thirty (30) years or less ("**Maximum Maturity**");
- (e) an obligation that is, not a bearer instrument, unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream International or any other internationally recognised clearing system ("**Not Bearer**");
- (f) an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
 - (1) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of any obligation); or
 - (2) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pensions funds ("**Transferable**");
- (g) a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organization) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent ("**Assignable Loan**"); and
- (h) a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such Loan) or any agent ("**Consent Required Loan**").

"**Delivery Expenses**" has the meaning set forth under paragraph (B)(9) of this Appendix A (*Special Conditions*).

"**Domestic Currency**" means the lawful currency and any successor currency of (a) the Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom, the United States or the euro (or any successor to any such currency).

"**Downstream Affiliate**" means, with respect to the Reference Entity, an entity whose Voting Shares were, at the date of issuance of a Qualifying Guarantee, more than fifty per cent. (50%) owned, directly or indirectly, by such Reference Entity.

"**Eligible Transferee**" means each of the following:

- (i) (A) any bank or other financial institution;
- (B) an insurance or reinsurance company;
- (C) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in clause (iii)(A) below); and
- (D) a registered or licensed broker or dealer (other than a natural person or proprietorship);

provided, however, in each case that such entity has total assets of at least U.S.\$500,000,000;

- (ii) an Affiliate of an entity specified in the preceding sub-paragraph (i);
- (iii) each of a corporation, partnership, proprietorship, organization, trust or other entity:
 - (A) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralized debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least U.S.\$100,000,000 or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least U.S.\$100,000,000;
 - (B) that has total assets of at least U.S.\$500,000,000; or
 - (C) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support or other agreement by an entity described in sub-paragraphs (i), (ii), (iii)(B) or (iv); and
- (iv) a Sovereign, Sovereign Agency or Supranational Organization.

All references in this paragraph to U.S.\$ include equivalent amounts in other currencies.

"Equity Securities" means:

- (i) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (ii) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing equity securities or a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

"Euclid Notice" has the meaning set forth under paragraph (B)(10) of this Appendix A (*Special Conditions*).

"Event Determination Date" means the first date on which an Event Determination Notice and Notice of Publicly Available Information are effective.

"Event Determination Notice" means, in respect of the Reference Entity, an irrevocable notice from the Company to the Noteholders in accordance with Condition 15 that contains a description in reasonable detail of the facts giving rise to a Credit Event that has occurred in respect of such Reference Entity and/or its Obligations in the period from (and including) 12.01am Greenwich Mean Time ("G.M.T."), on the Issue Date up to and (including) 11.59 pm G.M.T. on the latest to occur of:

- (i) the Scheduled Maturity Date; or
- (ii) the Grace Period Extension Date,
 - (a) where Grace Period Extension is specified to apply in Appendix C (*Issue Terms*);
 - (b) the Credit Event that is the subject of the Credit Event Notice is a Failure to Pay that occurs after the Scheduled Termination Date; and
 - (c) the Potential Failure to Pay with respect to such Failure to Pay occurs at or prior to 11:59 p.m., G.M.T., on the Scheduled Termination Date.

"Exercise Amount" means the principal amount to which any Event Determination Notice relates and which is so specified in such Event Determination Notice, provided that if no such amount is so specified, such amount shall be equal to the outstanding principal amount of the Notes.

"Exchangeable Obligation" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether

the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"Extended Maturity Date" means, subject to the delivery of the Extension Notice, the fifteenth calendar day after (i) the Scheduled Maturity Date or (ii) if the Extension Notice relates to a Potential Failure to Pay and Grace Period Extension is specified to apply in Appendix C, the Grace Period Extension Date.

"Extension Notice" means a notice given by the Company to the Noteholders in accordance with Conditions 4(a) and 15 in relation to the Reference Entity that, in its determination, a Credit Event or (if Grace Period Extension is specified to apply in Appendix C) a Potential Failure to Pay may occur or may have occurred on or prior to the Scheduled Maturity Date.

"Failure to Pay" means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

"Final Delivery Date" has the meaning set forth under paragraph (B)(6) of this Appendix A (*Special Conditions*).

"Final Price" means the highest Quotation received by the Calculation Agent for the Portfolio or, if the Portfolio comprises more than one Deliverable Obligation, the weighted average of the highest Quotation received by the Calculation Agent for each such Deliverable Obligation, expressed in each case as a percentage.

"Full Quotation" means, in relation to any Deliverable Obligation forming part of the Portfolio, each firm bid quotation (expressed as a percentage) obtained from a Dealer at the Valuation Time, to the extent reasonably practicable, for an amount equal to or greater than the outstanding principal amount of such Deliverable Obligation comprised in the Portfolio (or its equivalent in the Obligation Currency as determined by the Calculation Agent by reference to rates in effect at the time such quotation is being obtained).

"Fully Transferable Obligation" means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, as determined by the Calculation Agent in its sole and absolute discretion. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this paragraph.

"Grace Period" means, subject to sub-clause (i) and (ii) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Issue Date and the date as of which such Obligation is issued or incurred, provided that (i) if Grace Period Extension is specified in Appendix C (*Issue Terms*) as applicable, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in Appendix C (*Issue Terms*) or, if no period is specified, 30 calendar days; and (ii) if at the later of the Issue Date and the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three (3) Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three (3) Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applicable in Appendix C (*Issue Terms*), such deemed Grace Period shall expire no later than the Scheduled Maturity Date.

"Grace Period Business Day" means, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified, in the jurisdiction of the Obligation Currency.

"Grace Period Extension Date" means, if (a) Grace Period Extension is specified as applicable in Appendix C (*Issue Terms*) and (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date, the date that is the number of days in the Grace Period after the date of such Potential Failure to Pay. If Grace Period Extension is not specified as applicable in these Final Terms, Grace Period Extension shall not apply. If (i) Grace Period Extension is specified as applicable in these Final Terms, (ii) a Potential Failure to Pay occurs on or prior to the Scheduled Termination Date and (iii) an Event Determination Date in respect of that Failure to Pay does not occur during the Notice Delivery Period, the Grace Period Extension Date will be the Maturity Date (even if a Failure to Pay occurs after the Scheduled Termination Date).

"Governmental Authority" means, with respect to the Reference Entity, any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of such Reference Entity or of the jurisdiction of organisation of such Reference Entity.

"Hedge Disruption Event" means the Company and/or any of its Affiliates has not received the relevant Deliverable Obligations and/or cash under the terms of any transaction or trading position (a **"Hedge Transaction"**) entered into or held by the Company and/or any of its Affiliates to hedge, directly or indirectly, the Company's obligations or positions (whether in whole or in part) in respect of the Swap Agreement.

"Intervening Period" has the meaning set forth under paragraph (B)(10) of this Appendix A (*Special Conditions*).

"Loan" means with respect to the Reference Entity, any obligation of such Reference Entity (whether as principal or surety or otherwise) in respect of Borrowed Money that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement.

"Market Value" means with respect to Deliverable Obligations or Undeliverable Obligations, as the context requires, (i) if more than three quotations are obtained, the Market Value shall be the arithmetic mean of such quotations, disregarding the quotations having the highest and lowest values (and, if more than one such quotations have the same highest value or lowest value, then one of such highest or lowest quotations shall be disregarded); (ii) if exactly three quotations are obtained, the Market Value shall be the quotation remaining after disregarding the highest and lowest quotations (and, if more than one such quotations have the same highest value or lowest value, then one of such highest or lowest quotations shall be disregarded); (iii) if exactly two quotations are obtained, the Market Value shall be the arithmetic mean of such quotations; and (d) if fewer than two quotations are obtained, the Market Value shall be an amount as determined by the Calculation Agent in good faith and in a commercially reasonable manner. For the purposes of determining the Market Value the Calculation Agent shall attempt to obtain quotations from at least five Dealers.

"Modified Eligible Transferee" means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

"Modified Restructuring Maturity Limitation Date" means, with respect to a Deliverable Obligation, the date that is the later of (x) the Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Deliverable Obligations.

"Multiple Holder Obligation" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six and two-thirds is required to consent to the event which constitutes a Restructuring Credit Event provided that any Obligation that is a Bond shall be deemed to satisfy the requirement in sub-paragraph (ii) above.

"Non-specified Currency" has the meaning set forth under paragraph (B)(7) of this Appendix A (*Special Conditions*).

"Notice Delivery Period" means the period from and including the Issue Date to and including the date that is 15 Business Days after (a) the Scheduled Maturity Date; (b) the Grace Period

Extension Date if (i) Grace Period Extension is specified to apply in Appendix C (*Issue Terms*), (ii) the Credit Event that is the subject of the Event Determination Notice is a Failure to Pay that occurs after the Scheduled Maturity Date and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Maturity Date.

"Notice of Physical Settlement" means a notice from the Company to the Noteholders in accordance with Condition 15 containing a detailed description of the type of Deliverable Obligations that the Company will Deliver to the Noteholders on the Physical Settlement Date, provided that the Company may notify the Noteholders that it is changing one or more Deliverable Obligations to be Delivered (to the extent that such Deliverable Obligation has not previously been Delivered) but such notification must be effective on or prior to the Physical Settlement Date (determined without reference to any such change). Notwithstanding the foregoing, the Company may correct any errors or inconsistencies in the detailed description of the Deliverable Obligations by notice to the Noteholders prior to the relevant date of Delivery of the Deliverable Obligations.

"Notice of Publicly Available Information" means an irrevocable notice from the Company to the Noteholders in accordance with Condition 15 that cites Publicly Available Information confirming the occurrence of the Credit Event described in an Event Determination Notice. The notice given must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information. If an Event Determination Notice contains Publicly Available Information, such Event Determination Notice will also be deemed to be a Notice of Publicly Available Information.

"Obligation" means, with respect to the Reference Entity:

- (i) the Reference Obligation; and/or
- (ii) any obligation of such Reference Entity (either directly or as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in Appendix C (*Issue Terms*), as provider of any Qualifying Guarantee) determined by the Calculation Agent as an obligation of the Reference Entity that constitutes Borrowed Money as of the date of the event which constitutes a Credit Event which is the subject of the Event Determination Notice.

"Obligation Acceleration" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of the Reference Entity under one or more Obligations.

"Obligation Currency" means the currency or currencies in which an Obligation is denominated.

"Obligation Exchange" means the mandatory transfer (other than in accordance with the terms in effect as of the later of (i) the Issue Date and (ii) the date of issuance of the relevant Obligation) of any securities, obligations or assets to holders of Obligations in exchange for such Obligations. When so transferred, such securities, obligations or assets will be deemed to be Obligations.

"Partial Cash Settlement" means the payment by the Company *pro rata* to the relevant Noteholder of the Alternative Cash Settlement Amount on the relevant Alternative Cash Settlement Date.

"Payment Requirement" means USD 1,000,000 or its equivalent in the relevant Obligation Currency as of the date of occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

"Permitted Currency" means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership, whether or not such group shall thereafter be named or identified as the Group of 7) or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor's Corporation or any successor to the rating business

thereof, Aaa or higher assigned to it by Moody's Investor Services or any successor to the rating business thereof or AAA or higher assigned to it by Fitch IBCA, Duff & Phelps or any successor to the rating business thereof.

"Physical Determination Date" has the meaning set forth under paragraph (B)(4) of this Appendix A (*Special Conditions*).

"Physical Settlement Date" means the last day of the longest Physical Settlement Period following the Event Determination Date (the **"Initial Physical Settlement Date"**), provided that:

- (i) if a Potential Cash Settlement Event (as determined by the Calculation Agent in its absolute discretion) has occurred on or prior to the Initial Physical Settlement Date, the Physical Settlement Date may be extended to the Final Delivery Date; or
- (ii) should a Notice of Physical Settlement have been effectively delivered under the terms of the Notes prior to such date, the delivery date as so specified in such notice, or such earlier date as may be determined by the Company in its sole discretion and notified to the Noteholders provided that if such a day is not a Relevant Clearing Business Day, it shall be postponed to the immediately following Relevant Clearing Business Day.

"Physical Settlement Period" means 30 Business Days commencing from the delivery of a Notice of Physical Settlement.

"Portfolio" means, in relation to any Event Determination Notice, Deliverable Obligations of the Reference Entity as selected by the Company in its sole discretion, having an outstanding principal balance on the Physical Settlement Date, as applicable, equal to (but subject to a minimum of zero):

- (i) where S is a positive number:
$$R - S / P_1$$
- (ii) if S is a negative number:
R plus an amount in the Specified Currency equal to the absolute value of S,

Where,

R: the outstanding principal amount of the Notes.

S: the net amount as determined by the Calculation Agent, in its sole and absolute discretion, upon the termination on or about the Event Determination Date or the Initial Physical Settlement Date (as applicable) of any costs or gains associated with unwinding any interest-rate, credit default or other hedging position entered into by the Company in connection with or pursuant to the issuance of the Notes, with a positive number indicating amounts payable by the Company to any counterparty and a negative number indicating amounts payable by any counterparty to the Company.

P₁: the Market Value of such Deliverable Obligations as of the Initial Physical Settlement Date expressed as a percentage.

If it is necessary to make currency conversions for the purposes of determining such outstanding principal balance, the Calculation Agent shall make such currency conversions based on the applicable spot rate published on the applicable Reuters Screen (if possible) on the day on which the Notice of Physical Settlement is delivered (or, if such notice is changed on or prior to the Physical Settlement Date, the date on which notice of the last change is effective), and in any event in good faith and in a commercially reasonable manner.

"Portfolio Amount" means a *pro rata* portion of the Portfolio.

"Potential Cash Settlement Event" has the meaning set forth under paragraph B(6) of this Appendix A (*Special Conditions*).

"Potential Failure to Pay" means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure.

"Public Source" means each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organized and any other internationally recognized published or electronically displayed news sources.

"Publicly Available Information" means information that reasonably confirms any of the facts relevant to the determination that the Credit Event described in the Event Determination Notice has occurred and which (i) has been published in or on not less than two Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if the Company or any of its Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless such party or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by a trustee, fiscal agent, clearing agent or paying agent for an Obligation or (iii) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

"Qualifying Guarantee" means, with respect to the Reference Entity, an arrangement evidenced by a written instrument pursuant to which such Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of such Reference Entity can be discharged, reduced, assigned or otherwise altered (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

In the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:

- (i) For purposes of determining whether such Obligation is an Obligation Category, or whether such Deliverable Obligation is a Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
- (ii) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics: Standard Specified Currencies, Not Domestic Currency, Not Domestic Law and Not Sovereign Lender.
- (iii) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Qualifying Guarantee must satisfy on the relevant date the Obligation Characteristic or the Deliverable Obligation Characteristics of Not Subordinated.
- (iv) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the following Obligation Characteristics or Deliverable Obligation Characteristics: Listed, Not Contingent, Not Domestic Issuance, Maximum Maturity, Accelerated or Matured and Not Bearer.
- (v) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (vi) The terms "outstanding principal balance" (as used in these Final Terms), when used in connection with Qualifying Guarantees are to be interpreted to be the then "outstanding principal balance" of the Underlying Obligation which is supported by a Qualifying Guarantee.

- (vii) For the purposes of the definition of Restructuring, references therein to "Reference Entity" in part (a) thereof shall be deemed to refer to the Underlying Obligor, and references therein to "Reference Entity" in part (b) thereof shall continue to refer to the Reference Entity.

"Qualifying Affiliate Guarantee" means a Qualifying Guarantee provided by the Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

"Quotation" means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the fifteenth Business Day following the relevant Valuation Date (the **"Final Valuation Date"**)) the Calculation Agent shall attempt to obtain Full Quotations from five or more Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation.
- (b) If the Calculation Agent is able to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the Final Valuation Date, the Final Price shall be the highest Quotation so obtained. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the Final Valuation Date, the Quotations shall be deemed to be the highest Full Quotation obtained on or prior to the Final Valuation Date or, if no Full Quotation is obtained, the weighted average of any firm quotations for the Obligation obtained prior to the Final Valuation Date and a quotation deemed to be zero for the balance of the outstanding principal amount of such Deliverable Obligation comprised in the Portfolio for which firm quotations were not obtained.
- (c) (i) If **"Include Accrued Interest"** is applicable in respect of Quotations, such Quotations shall include accrued but unpaid interest; (ii) if **"Exclude Accrued Interest"** is applicable in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and (iii) if neither **"Include Accrued Interest"** nor **"Exclude Accrued Interest"** is applicable in respect of Quotations, the Calculation Agent shall determine, after consultation with the parties, based on then current market practice in the market of the Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (d) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Accreted Amount thereof for purposes of determining the Final Price.

"Reference Entity" means the Reference Entity set out in Appendix C hereto, or any Successor(s) thereof.

"Relevant Clearing Business Day" is a day which is

- (a) a Business Day; and
- (b) (i) where the Deliverable Obligations are Bonds, a day on which the relevant clearance system is open for the acceptance and execution of settlement instructions other than a day on which such clearance system is scheduled to close prior to its regular weekday closing time; or
- (ii) where the Deliverable Obligations are Loans, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the jurisdiction of the currency of denomination of the relevant Loan.

"Reference Obligations" means in relation to the Reference Entity, the Reference Obligation set out in Appendix C (Issue Terms) hereto, provided however that the Calculation Agent may substitute the specified Reference Obligation (such one or more substitute Reference

Obligation(s), the "Substitute Reference Obligation(s)": (i) if a Reference Obligation has been redeemed in whole or (ii) if in the opinion of the Calculation Agent (A) the aggregate amounts due under the Reference Obligation has been materially reduced by redemption or otherwise (other than due to any regularly scheduled redemption, amortisation or prepayments), (B) the Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of the Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee of such Reference Entity, and, other than due to the existence of an occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms; or (C) for any other reason, other than due to the existence of an occurrence of a Credit Event, the Reference Obligation is no longer an obligation of such Reference Entity, including the refinancing or maturity of the Reference Obligation, and the expression

Any Substitute Reference Obligation shall be an Obligation that (i) ranks *pari passu* (or, if no such Obligation exists, then, at the Company's option, an Obligation that ranks senior) in priority of payment with such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the later of (A) the Issue Date and (B) the date on which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such later date), (ii) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent, of the delivery and payment obligations under the Notes and (iii) is an obligation of such Reference Entity (either directly or as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in Appendix C (*Issue Terms*), as provider of any Qualifying Guarantee). The Substitute Reference Obligation(s) identified by the Calculation Agent shall, without further action, replace such Reference Obligation; provided that if, in the determination of the Calculation Agent, no such obligation (whether *pari passu* or senior, as the case may be) of such Reference Entity exists, the Calculation Agent shall, at its discretion, identify such an obligation of an entity which it determines to be comparable to such Reference Entity for the purpose of the Notes.

"Restructuring" means, with respect to the Reference Entity:

- (a) that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between such Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by such Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred:
 - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
 - (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
 - (iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
 - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
 - (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.
- (b) Notwithstanding the provisions of (a) above, none of the following shall constitute a Restructuring:
 - (i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

- (ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
 - (iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of such Reference Entity.
- (c) For the purposes of (a) and (b) above, the term Obligation shall be deemed to include Underlying Obligations for which such Reference Entity is acting as a provider of Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in (a) above shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in (b) above shall continue to refer to the Reference Entity.
- (d) Notwithstanding any of the foregoing, unless Multiple Holder Obligation is not applicable (as specified in Appendix C (*Issue Terms*)), the occurrence of, agreement to or announcement of any of the events described in subparagraph (a) above shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

"Restructured Bond or Loan" means an Obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of an Event Determination Notice has occurred.

"Restructuring Date" means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Restructuring Maturity Limitation Date" means the date that is the earlier of (x) thirty months following the Restructuring Date and (y) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Scheduled Maturity Date or later than thirty months following the Scheduled Maturity Date and if it is, it shall be deemed to be the Scheduled Maturity Date or thirty months following the Scheduled Maturity Date, as the case may be.

"Reuters Screen" means when used in connection with any designated page, the display page so designated on the Reuters Money Market Rate Services or such other services or service as may be nominated as the information vendor for the purpose of displaying the specific page on that service or such other page as may replace that page on that service or such other service, in all cases for the purposes of displaying comparable rates in succession thereto.

"Screen Rate" has the meaning set forth under paragraph (B)(7) of this Appendix A (*Special Conditions*).

"Sovereign" means any state, political subdivision or government, or agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

"Sovereign Agency" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

"Sovereign Restructured Deliverable Obligation" means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is subject to the relevant Event Determination Notice has occurred and (b) which is described by the Deliverable Obligation Category and Deliverable Obligation Characteristics specified with respect to such Reference Entity immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category and Deliverable Obligation Characteristics after such Restructuring.

"Specified Currency" has the meaning ascribed it in item 3 of the Final Terms.

"Standard Specified Currency" means the lawful currencies of each of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro (and any successor currency to any such currency).

"Supranational Organization" means any entity or organization established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

"Subordination" means, with respect to the Reference Entity, and with respect to an obligation (the **"Subordinated Obligation"**) and another obligation of such Reference Entity to which such obligation is being compared (the **"Senior Obligation"**), a contractual, trust or similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of such Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against such Reference Entity at any time that such Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. **"Subordinated"** will be construed accordingly. For the purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where such Reference Entity is a Sovereign.

"Succession Event" means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include an event in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event.

"Successor" means,

- (A) in relation to the Reference Entity that is not a Sovereign, the entity or entities, if any, determined by the Calculation Agent in its discretion as soon as reasonably practicable after it becomes aware of the relevant Succession Event, with effect from the legally effective date of the Succession Event as set forth below:
- (i) if an entity directly or indirectly succeeds to seventy-five per cent. (75%) or more of the Relevant Obligations of such Reference Entity by way of a Succession Event, that entity will be the sole Successor;
 - (ii) if one entity directly or indirectly succeeds to more than twenty-five per cent. (25%) (but less than seventy-five per cent. (75%)) of the Relevant Obligations of such Reference Entity by way of a Succession Event, and not more than twenty-five per cent. (25%) of the Relevant Obligations of such Reference Entity remains with such Reference Entity, the entity that succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations will be the sole Successor;
 - (iii) if more than one entity each directly or indirectly succeed to more than twenty-five per cent. (25%) of the Relevant Obligations of such Reference Entity by way of a Succession Event, and not more than twenty-five per cent. (25%) of the Relevant Obligations of such Reference Entity remains with such Reference Entity, the entities that succeed to more than twenty-five per cent. (25%) of the Relevant Obligations will be Successors;
 - (iv) if one or more entities each directly or indirectly succeed to more than twenty-five per cent. (25%) of the Relevant Obligations of such Reference Entity by way of a Succession Event, and more than twenty-five per cent. (25%) of the Relevant Obligations of such Reference Entity remains with the Relevant Obligation of

such Reference Entity, each such entity and such Reference Entity will be Successors;

- (v) if one or more entities directly or indirectly succeed to a part of the Relevant Obligation of such Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations of such Reference Entity and such Reference Entity continues to exist, there will be no Successor and such Reference Entity and the Notes will not be changed in any way as a result of the Succession Event; and
 - (vi) if one or more entities directly or indirectly succeed to a part of the Relevant Obligation of such Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations of such Reference Entity and such Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations) of such Reference Entity will be the sole Successor; and
- (B) in relation to the Reference Entity that is a Sovereign, any direct or indirect successor(s) to that Reference Entity irrespective of whether any such successor assumes any of the obligations of such Reference Entity.

Where, pursuant to the foregoing provisions, more than one Successor has been identified, the Calculation Agent shall have a right to amend any term of the Notes as it sees fit with the intention of preserving, as closely as practicable, the economic equivalents of the original terms of the Notes.

Where the Reference Entity (the "**Surviving Reference Entity**") (other than the Reference Entity that is subject to the Succession Event) would be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to a Succession Event:

- (i) such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity; and
- (ii) the Calculation Agent shall, in good faith, select and notify the Noteholders in accordance with Condition 15 of an entity that, in the sole and absolute opinion of the Calculation Agent acting in a commercially reasonable manner, is of a similar credit quality to the Surviving Reference Entity (a "**Replacement Reference Entity**") and such Replacement Reference Entity shall be deemed to be the Successor to the Legacy Reference Entity pursuant to that Succession Event.

In the event that the Successors to the Legacy Reference Entity would include two or more Surviving Reference Entities, the number of new Credit Derivative Swaps shall continue to be equal to the number of Successors and the foregoing provisions relating to Replacement Reference Entities shall apply.

In the event that the Company does not select a Replacement Reference Entity then the Legacy Reference Entity shall cease to be a Reference Entity, unless it is itself a Successor; and each Surviving Reference Entity shall continue to be a Successor, together with any other Successors.

Where, pursuant to the foregoing provisions, a Replacement Reference Entity has been identified, the Calculation Agent shall have a right to amend any term of the Notes as it sees fit with the intention of preserving, as closely as practicable, the economic equivalents of the original terms of the Notes.

"**Swap Agreement**" means each of: (a) the credit default swap transaction ("**Credit Default Swap**") with Merrill Lynch International; and (b) the interest rate swap transaction (if any) with Merrill Lynch International, in each case, entered into pursuant to an ISDA Master Agreement, and swap confirmation with effective date as of the Issue Date, between the Company and such counterparty.

"**Trade Date**" means 28 May 2008.

"**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions;

- (A) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
- (B) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds.

"**Undeliverable Obligation**" has the meaning set forth under paragraph (B)(6) of this Appendix A (*Special Conditions*).

"**Voting Shares**" mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

"**Weighted Average Quotation**" means, in relation to any Deliverable Obligation forming part of the Portfolio, the weighted average of firm bid quotations obtained from Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Deliverable Obligation with an outstanding principal balance of as large a size as available (but less than the outstanding principal amount of such Deliverable Obligation comprised in the Portfolio) that are in the aggregate approximately equal to the outstanding principal amount of such Deliverable Obligation comprised in the Portfolio (or its equivalent in the Obligation Currency as determined by the Calculation Agent by reference to rates in effect at the time such quotation is being obtained)."

(C) **Redemption for Regulatory Reasons**

The Company may, at any time, on not less than 10 clear Business Days irrevocable notice to the Noteholders in accordance with Condition 15 (*Notices*), redeem all but not some only, of the Notes in the event that a change in applicable law or regulation occurs that results, or will result, solely by reason of the Notes being outstanding, in the Company being required to be regulated by any additional jurisdiction or regulatory authority, or being subject to any additional legal requirement or regulation considered by the Company to be materially onerous to it (each such change, a "**Regulatory Redemption Event**"). In the event of the Company delivering any such notice, the Company will redeem the Notes at the Early Redemption Amount on the date specified in such notice, being a date falling not more than ten (10) clear Business Days after the date that such notice is given.

(D) **Redemption for Illegality**

In the event that the Calculation Agent determines that the performance of the Company's obligations under the Notes or that any arrangements made to hedge the Company's position under the Notes has or will become unlawful, illegal, or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Company may, having given not more than 30 nor less than 5 days' notice to Noteholders in accordance with Condition 15 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at the Early Redemption Amount.

APPENDIX B
FORM OF ASSET TRANSFER NOTICE

MERRILL LYNCH S.A.

EUR 3,500,000 Fixed Rate Credit-Linked Notes due June 2023 (the "Notes")
issued pursuant to the U.S.\$110,000,000,000 Euro Medium-Term Program

When completed, this Asset Transfer Notice should be delivered in writing with the Note(s) to which it relates to the Company with a copy to the Calculation Agent at its office specified below.

To: Merrill Lynch S.A.
2 King Edward Street
London, EC1A 1HQ, United Kingdom

Attention: Credit Trading Solutions Group

Failure properly to complete and deliver this Asset Transfer Notice as provided in the Conditions (in the determination of the Company in consultation with the Calculation Agent) may result in this Asset Transfer Notice being treated as null and void.

Expressions defined in the terms and conditions of the Note (the "Conditions") shall bear the same meanings herein.

I/We*, the Noteholder specified in 1 below and holder of the attached Note, hereby irrevocably authorise Merrill Lynch S.A. (the "Company") (i) to procure that the aggregate Portfolio Amount(s) to which I am/we are* entitled in relation to such Note is delivered in such commercially reasonable manner as the Company shall determine to be appropriate for such delivery and/or (ii) to pay any Alternative Cash Settlement Amount(s) to which I am/we are* entitled in relation to such Note to my/our* account specified below, all in accordance with the Conditions.

1. **Name and Address of Noteholder** and the person from whom the Company may obtain details for the delivery of the Portfolio Amount.
2. **Aggregate nominal amount of Note subject to this Notice**
3. **Account number at a bank outside the United States for payment of any Alternative Cash Settlement Amount**

Bank:

Account Number:

4. **Undertaking to pay all Delivery Expenses**

I/We* undertake to pay all Delivery Expenses.

5. **Authorisation of production in proceedings**

I/We* hereby authorise the production of this Asset Transfer Notice in any administrative or legal proceedings instituted in connection with the Note to which this Asset Transfer Notice relates.

DESPATCH BY POST OR COURIER WILL BE MADE AT THE RISK AND EXPENSE OF THE NOTEHOLDER.

Date

* Delete as appropriate.

Copy:

Calculation Agent

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London
EC1A 1 HQ

Fax No: +44 20 7106 6291

Attention: Simon Delamare

Paying Agent

Corporate Trust and Agency Services
Deutsche Bank AG
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Fax No. +44 207 547 6624

Attention: Corporate Actions - Anna Hogg

APPENDIX C

ISSUE TERMS

<u>Reference Entity</u>	<u>Reference Obligation</u>	<u>ISIN/CUSIP</u>
General Electric Capital Corporation	General Electric Capital Corporation 6 per cent bonds due 15 June 2012	US36962GYY42

Credit Events:

Bankruptcy
Failure to Pay Grace Period Extension: Applicable
Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable Multiple Holder Obligation: Not applicable

Deliverable Obligation Characteristics:

Not Contingent	Applicable
Not Subordinated	Applicable
Specified Currency: Standard Specified Currencies	Applicable
Maximum Maturity	Applicable 30 years
Not Bearer	Applicable
Transferable	Applicable
Assignable Loan	Applicable
Consent Required Loan	Applicable

All Guarantees: Applicable

APPENDIX D

ADDITIONAL RISK FACTORS RELATING TO THE NOTES

Prospective investors should consult their own financial and legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances. In particular, the Notes may not be an appropriate investment for investors who are unsophisticated with respect to such transactions.

The description of risk factors that follow is not, and does not purport to be, exhaustive. Capitalized terms used in this section "Additional Risk Factors Relating to the Notes" shall, unless otherwise defined herein, have the meaning given to them elsewhere in these Final Terms, including in Appendix A (Special Conditions).

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER CAREFULLY ALL THE INFORMATION SET OUT IN THE BASE PROSPECTUS AND, IN PARTICULAR, THE CONSIDERATIONS DESCRIBED BELOW, BEFORE MAKING ANY DECISION TO INVEST IN THE NOTES.

BY PURCHASING THE NOTES, AN INVESTOR WILL BE DEEMED TO REPRESENT THAT IT UNDERSTANDS THE RISKS ASSOCIATED WITH PURCHASING THE NOTES AND AGREES TO ACCEPT AND ASSUME (FINANCIALLY AND OTHERWISE) SUCH RISKS.

1. Understanding and appropriateness of the investment

- 1.1 Each investor (a) should be an investor with substantial knowledge of and/or experience in structured products and other derivatives having such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks (including tax, legal, regulatory, accounting) of an investment in the Notes because the Notes are not an appropriate investment for investors who are unsophisticated with respect to such transactions; (b) should be financially able to bear such risks; (c) in making such investment, should not, and shall be deemed not to, rely on any advice or recommendations of or any information, representation or warranty provided by the Dealer, the Calculation Agent and/or any of their respective affiliates (together, "Merrill Lynch"), the Company or any of their respective representatives; and (d) should seek advice from such advisors as such investor considers necessary and appropriate, to enable such investor to make its own independent decision with regard to the suitability and appropriateness of the Notes as an investment for its own account. Each investor should be capable of assessing and independently deciding, and should have assessed and independently decided, to assume the risks of an investment in the Notes.
- 1.2 Each investor in the Notes should consider the tax consequences of investing in the Notes. None of the Company, the Dealer or any of their respective representatives makes any representation nor has given to any potential investor, and will not give to potential investors, any advice concerning the appropriate accounting treatment or possible tax consequences of purchasing the Notes. Each investor should consult its own financial, tax, accounting and legal advisors about risks associated with an investment in the Notes and the suitability of investing in such Notes in light of the investor's particular circumstances.
- 1.3 Any information communicated (in any manner) to investors by the Company or Merrill Lynch should not be relied upon as investment advice or as a recommendation to invest in the Notes, which shall include, amongst other things, any such information, explanations or discussions concerning the terms and conditions of the Notes, or related features.
- 1.4 Investment in the Notes should comply, and be fully consistent, with all investment policies, guidelines and restrictions applicable to an investor. It is the responsibility of each investor to ensure that it is compliant with all regulations relevant to its acquisition of the Notes and that it is lawful for it to enter into such investment.
- 1.5 Any information communicated (in any manner) to investors by the Company or Merrill Lynch should not be relied upon, nor shall such be deemed to be an assurance or guarantee, as to the expected results of an investment in the Notes. Each investor should be aware that any return on the Notes may not exceed or even equal the return that might have been achieved had the amount of its initial investment been placed on deposit for the same period.
- 1.6 Each investor should be aware that Merrill Lynch has no obligation to provide the investor with any information which is in the public domain.
- 1.7 Each investor should be aware that neither the Company nor Merrill Lynch is acting as a fiduciary or

trustee for, or as an advisor to the investor with regard to, an investment in the Notes.

- 1.8 The Notes are denominated in EUR. Investors that purchase the Notes with a currency other than EUR should note that changes in rates of exchange may have an adverse effect on the value, price or income of their investment.
- 1.9 The Notes will constitute direct, unsubordinated, unsecured and general obligations of the Company and will rank equally with all other unsubordinated and unsecured indebtedness of the Company. Investors in the Notes should have such knowledge and experience in financial business matters and expertise in assessing credit risk and be capable of evaluating the merits, risks and suitability of investing in the Notes including any credit risk associated with the Company and the Guarantor. Investors in the Notes do so in reliance on their own assessment of the Company, the Guarantor, these Final Terms and the Base Prospectus.
- 2. Investment considerations relating to the Notes**
- 2.1 An investment in the Notes involves a high degree of risk, including without limitation, principal, interest rate, currency, credit, political, liquidity and market risk and is not suitable for all investors. Investors with any doubts about the suitability of the Notes should consult their independent investment advisers. Prospective investors in the Notes should understand the risks involved and should reach an investment decision after careful consideration with their tax, accounting and legal advisers of the suitability of the Notes in light of their particular financial circumstances and financial objective.
- 2.2 An investment in the Notes entails significant risks that are not generally associated with similar investments in conventional fixed rate or floating rate debt securities. Although investors have the opportunity to receive a high return, investors risk a lower return than comparable instruments. As such, an investment in the Notes may not be suitable for persons unfamiliar with the Reference Entity or who are unwilling or unable to bear the risk attendant with the Notes.
- 2.3 In connection with any purchase of the Notes, investors should investigate the Reference Entity and not rely on views which may be expressed by Merrill Lynch in the ordinary course of its business with respect to the Reference Entity. Investors should make such investigation as they deem appropriate as to the merits of an investment linked to the Reference Entity upon the occurrence of a Credit Event. Neither the offering of the Notes nor any views which may from time to time be expressed by the Company, Merrill Lynch International or their affiliates in the ordinary course of their businesses constitutes a recommendation as to the merits of an investment in the Notes.
- 2.4 Whilst application has been made for the Notes to be listed and admitted to trading on the Euro-MTF Market of the Luxembourg Stock Exchange, the Company does not expect a trading market for the Notes to develop. The Notes are structured and not liquid. No assurances can be made that any meaningful secondary market will develop in the Notes. Merrill Lynch may, but is not obligated to, make a market in the Notes. At its sole discretion, Merrill Lynch may discontinue any market-making activities at any time without notice. If an active public market for the Notes does not develop, the market prices and liquidity of the Notes may be adversely affected. Bid-offer spreads are expecting to be significantly higher than they are for conventional fixed rate or floating rate debt securities.
- 2.5 The trading value of the Notes will be affected by factors that interrelate in complex ways. The Notes may lose 100% of their value. It is important for investors to understand that the effect of one factor may offset the increase in the trading value of the Notes caused by another factor, and that the effect of one factor may exacerbate the decrease in the trading value of the Notes caused by another factor. For example, a drop in the credit worthiness of the Reference Entity may more than offset any increase in the Merrill Lynch's creditworthiness.
- 2.6 The Notes expose investors to the credit risk of the Reference Entity and of Merrill Lynch. If any of the foregoing falls in creditworthiness or perceptions worsen regarding the ability to pay by any of the foregoing, an investor may suffer realized and unrealized losses, possibly total, in respect of the Notes.
- 2.7 A credit deterioration or Credit Event in the Reference Entity may be strongly correlated with credit deterioration or Credit Events in several other related entities. As a result, the Notes may, over a relatively short period of time, experience substantial losses which reduce or eliminate their value.
- 2.8 Individual or unsystematic risks, such as those pertaining to the Reference Entity, could cause the Notes to incur losses.
- 2.9 Merrill Lynch has no obligation to provide liquidity for the Notes, and if Merrill Lynch elects to provide any liquidity for the Notes it will only do so at the then current market price Merrill Lynch determines in

light of its hedging costs. An investor should assume no one else will provide liquidity for the Notes and should be prepared to hold the Notes to maturity.

- 2.10 Risk-adjusted returns and absolute returns on the Notes may be lower than that of comparable investments.
- 2.11 The Notes are significantly leveraged.
- 2.12 The Notes may be terminated before or after the scheduled maturity date.
- 2.13 As the Notes pay a floating rate, falling rates will cause income to decline. Income will fluctuate over accrual periods.
- 2.14 Credit swap spreads overall may widen over short or even extended periods. The credit swap market tends to move in cycles, with periods of rising prices (or falling spreads) and periods of falling prices (or rising spreads).

3. Risks Associated with the Credit Event related terms

- 3.1 If a Credit Event occurs in respect of the Reference Entity, the Company may distribute to holders, in lieu of full payment of amounts due in respect of their Notes, their allocable share of the portfolio of Deliverable Obligations, and if Partial Cash Settlement is applicable, redeem the Notes at the Alternative Cash Settlement Amount. The value of such obligations or such Alternative Cash Settlement Amount as the case may be is likely to be significantly less than the holders' investment in the Notes and may even be zero.
- 3.2 The Company may exercise such right of settlement at any time after the occurrence of a Credit Event even if the Credit Event is not continuing at the time such right is exercised. Holders have no right to compel the Company to exercise its rights and no right to control the timing of such exercise. Furthermore, holders will have no right to remedy, waive or rescind the Credit Event or take any action to mitigate the ultimate loss which may be imposed upon them by virtue of their interest in the Notes and will bear the risk of any change in the value of obligations of the affected Reference Entity between the date of the Credit Event and, if physical settlement is applicable, the date of their receipt of any Deliverable Obligations, and if cash settlement is applicable, the Valuation Date. During this period there could be a substantial decrease in the value of such obligations.

If a Credit Event occurs and the Company exercises such right of settlement, following risks may arise:

- (a) If physical settlement is applicable, holders may not receive physical delivery of Deliverable Obligations but may instead receive a cash payment based on the value of such obligations. Specifically, the Company is not required to deliver Deliverable Obligations if it is impossible or illegal for the Company to deliver the Deliverable Obligations identified in the Notice of Physical Settlement. Furthermore, even if the Company does deliver Deliverable Obligations but because of differences between the authorized denominations of the Deliverable Obligations and the Notes, or because of transfer restrictions imposed on such Deliverable Obligations by the issuer thereof, or if for any other reason any part of the Deliverable Obligations cannot be fully transferred in kind to any holders, holders will not receive such Deliverable Obligations but rather will receive a cash payment based on the value of such obligations. Since the market value of an obligation which has experienced a Credit Event is likely to be extremely volatile and may not reflect the amount which ultimately would be paid on such obligation, a cash payment based on the value of a Deliverable Obligation may be depressed and not reflect the ultimate recovery value of such Obligation or the amount the holder would receive if it were in control of the disposition of such obligation. The Deliverable Obligations selected by the Company may be illiquid and there is no assurance that the price realized in connection with a cash settlement of such obligation will reflect the holders' assessment of such value.
- (b) Unless holders receive Deliverable Obligations, holders will have no ability to exercise the rights customarily afforded a creditor in connection with its holding of Deliverable Obligations.
- (c) Under the terms of the Notes, the Company will be free to select for the purposes of constituting the Portfolio any obligations of the Reference Entity in respect of which such Credit Event has occurred (whether as principal, guarantor or otherwise) which satisfy the requirements for a Deliverable Obligation. Such obligations are likely to be in default at the time of delivery. Furthermore, in selecting such obligations the Company will not be required to consider the interests of the holders or mitigate the holders' losses. The Company will have complete discretion to select the cheapest, most illiquid obligations of the Reference Entity so long as

such obligations satisfy the requirements for a Deliverable Obligation under the terms of the Notes.

3.3 Not all of the Credit Events require an actual default with respect to the Reference Entity's obligations. Thus holders could bear losses based on deterioration in the credit of the Reference Entity short of a default. Also, not all of the Credit Events are triggered by events which are easily ascertainable and disputes can and have arisen as to whether a specific event with respect to a Credit Event did or did not constitute a Credit Event. Under the terms of the Notes, the Company's or Calculation Agent's good faith, reasonable determination that a Credit Event has or has not occurred will be binding on the Company and the holders, and may be different than the view of the holders or other financial institutions, rating agencies or commentators.

3.4 Also, if the Company exercises its right to settlement following a Credit Event all interest payments on the Notes shall cease to accrue from (and including) the Event Determination Date.

4. Conflicts of Interest

The Company's subsidiary, Merrill Lynch International, is the Company's agent for the purposes of calculating, among other things, the Interest Amount for any Interest Period, the Final Redemption Amount and any Early Redemption Amount (if any) payable in respect of the Notes. Under certain circumstances, Merrill Lynch International's role as the Company's subsidiary and its responsibilities as Calculation Agent for the Notes could give rise to conflicts of interest. Merrill Lynch will determine if a Credit Event has occurred and select the cheapest Deliverable Obligations practicable, thereby maximizing an investor's loss. Merrill Lynch International is required to carry out its duties as Calculation Agent in good faith and using its reasonable judgement. However, investors should be aware that, because the Company controls Merrill Lynch International, potential conflicts of interest could arise.

The Company has also entered into an arrangement with one of its subsidiaries to hedge the market risks associated with its obligation to pay amounts due at maturity on the Notes. This subsidiary expects to make a profit in connection with this arrangement. The Company did not seek competitive bids for this arrangement from unaffiliated parties.

Investors should note that the amounts payable/deliverable upon redemption of the Notes may be substantially less than the face value of the Notes. Although payment in respect of the Notes is an obligation of the Company it will be subject to a variety of risk factors and conditions, including the risk that the Reference Entity fails to perform their obligations and/or become insolvent. In the event of such non-performance, a holder of the Notes will not have any rights to proceed directly against such Reference Entity. Since payment under the Notes is linked to the credit of the Reference Entity specified, holders will be exposed to the credit risk of such Reference Entity to the full extent of the principal amount of their Notes. Upon the occurrence of a Credit Event in respect of such Reference Entity or its obligations, there is a risk of the loss of a substantial portion, or all, of the principal amount of the holder's Notes.

The Notes are being sold to Investors based on the assumption that Investors have fully read and understood the section in the Base Prospectus titled "Risk Factors" beginning on page 10 thereof, and have fully read, understood, and executed any investor representation letter that may be requested from them prior to, and in respect of, such purchase.

THE CONSIDERATIONS SET OUT ABOVE ARE NOT, AND ARE NOT INTENDED TO BE A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD THE NOTES. THE ATTENTION OF INVESTORS IS ALSO DRAWN TO THE SECTION HEADED "RISK FACTORS" IN THE BASE PROSPECTUS WHICH IS INCORPORATED BY REFERENCE IN THESE FINAL TERMS.