

# SG STRUCTURED PRODUCTS, INC. RATE-LINKED NOTES

## PRODUCT SUPPLEMENT

(To the Offering Memorandum dated July 16, 2013)

Payment or delivery of all amounts due and payable or deliverable under the Rate-Linked Notes is irrevocably and unconditionally guaranteed pursuant to a Guarantee issued by

**Société Générale, New York Branch**

We, SG Structured Products, Inc. (the “**Issuer**”), an indirect subsidiary of Société Générale, a French banking corporation (“**Société Générale**”), may offer from time to time, pursuant to the offering memorandum dated July 16, 2013 (the “**Offering Memorandum**”), and this product supplement (the “**Product Supplement**”), the Rate-Linked Notes (each, a “**Note**” and together, the “**Notes**”) as part of one or more series of notes, certificates or securities issued by us under the **Program** (as defined herein). The specific terms of each offering of Notes will be set forth in the applicable pricing supplement (the “**Pricing Supplement**”). You should read this Product Supplement, the Offering Memorandum, and the applicable Pricing Supplement carefully before investment in the Notes. If the terms described in this Product Supplement are different or inconsistent with those described in the Offering Memorandum, the terms described in this Product Supplement will govern the Notes. If the terms described in the applicable Pricing Supplement are different or inconsistent with those described herein or in the Offering Memorandum, the terms described in the applicable Pricing Supplement will govern the Notes.

### **General Terms of the Notes:**

**Payment at Maturity:** If you hold your Notes to maturity (or Redemption), for each Note, you may receive a payment, which may or may not include the return of all or any portion of your initial investment, as specified in the applicable Pricing Supplement, subject to the credit risk of the Issuer and Guarantor.

**Early Redemption:** Terms of specific Notes may permit or require early redemption at the option of the Issuer (“**Early Redemption**”). Unless otherwise specified in the applicable Pricing Supplement, you may not redeem the Notes prior to Redemption. The applicable Pricing Supplement will indicate the terms of the Early Redemption option, if any.

**Redemption:** For purposes of this Product Supplement, each of the maturity, accelerated maturity and/or Early Redemption of the Notes, as applicable, shall be referred to as “**Redemption**.” The date of the Redemption may be referred to as “**Early Redemption Date**,” “**Accelerated Maturity Date**,” “**Maturity Date**” or any Redemption date, as applicable, specified in the Pricing Supplement and each of these dates shall herein be referred to as the “**Redemption Date**.”

**Coupon:** The applicable Pricing Supplement will specify whether or not the Notes will include any periodic Coupon Payment(s). If the Notes include any Coupon Payment(s), the applicable Pricing Supplement will specify the calculation used to determine each Coupon Payment amount, if any.

**Coupon Payments:** The applicable Pricing Supplement may specify one or more interest payment(s), if any, on the Notes (each a “**Coupon Payment**” and together, the “**Coupon Payments**”) and the dates on which you receive such Coupon Payments (each such date shall herein be referred to as a “**Coupon Payment Date**” and together, the “**Coupon Payment Dates**”).

**Coupon Periods:** If the Notes include Coupon Payment(s), the applicable Pricing Supplement will specify the Coupon Period(s) for the Notes. These periods may be referred to as “**Initial Coupon Period(s)**,” “**Coupon Period(s)**,” “**Observation Period(s)**,” “**Relevant Period(s)**,” and/or other period(s) as specified in the applicable Pricing Supplement.

**Coupon Rate:** If the Notes include Coupon Payment(s), as specified in the applicable Pricing Supplement, for each Coupon Period, a rate per annum as specified in the applicable Pricing Supplement. The applicable Pricing Supplement will specify whether the Coupon Rate for each Coupon Period is based on: (i) a fixed rate, (ii) a floating rate based on one or more Reference Rates, (iii) the inverse of subsection (i) or (ii), or (iv) a combination of both subsections (i) and (ii). The applicable Pricing Supplement will specify (x) the formula used for calculating the Coupon Rate for each Coupon Period, (y) for Coupon Rates based on a floating rate based on one or more Reference Rates, any spread or spread multiplier or maximum or minimum rate, and (z) the date on which the relevant Coupon Rate for each Coupon Period is determined by the Calculation Agent (each a “**Determination Date**” and together, the “**Determination Dates**”).

**Day Count Fraction:** If the Notes include Coupon Payment(s), for each Coupon Period and related Coupon Payment, the applicable Pricing Supplement will specify the applicable Day Count Fraction for the calculation of the Coupon Payment for such period.

**Fixed Rate or Fixed Rates:** The Fixed Rate or Fixed Rates, as applicable, for a particular offering of Notes will be specified in the applicable Pricing Supplement.

**Reference Rate or Reference Rates:** Any amounts payable or deliverable on the Notes, which may include any Coupon Payment(s) specified in the applicable Pricing Supplement, may be based on the movement in the value or level of, or other events relating to one or more benchmark rates specified in the applicable Pricing Supplement (each a “**Reference Rate**” and together, the “**Reference Rates**”).

**Initial Rate:** For the purposes of calculating any amounts payable or deliverable on the Notes, which may include any Coupon Payment(s) specified in the applicable Pricing Supplement, unless otherwise specified in the applicable Pricing Supplement, with respect to any Reference Rate, the Relevant Rate on the Pricing Date.

**Relevant Rate:** With respect to any Reference Rate on any Valuation Date, the value or rate at approximately the time specified in the applicable Pricing Supplement on such Valuation Date and appearing on the source identified in the applicable Pricing Supplement.

**Final Rate:** For the purposes of calculating any amounts payable or deliverable on the Notes, which may include any Coupon Payment(s) specified in the applicable Pricing Supplement, unless otherwise specified in the applicable Pricing Supplement, with respect to any Reference Rate, the Relevant Rate on the last Valuation Date (the “**Final Valuation Date**”).

**Pricing Date:** For the purposes of calculating any amounts payable or deliverable on the Notes, which may include any Coupon Payment(s) specified in the applicable Pricing Supplement, with respect to a Reference Rate, the date specified in the applicable Pricing Supplement on which the Initial Rate is determined by the Calculation Agent.

**Issue Date:** The applicable Pricing Supplement will specify the Issue Date.

**Valuation Date:** For the purposes of calculating any amount(s) payable or deliverable on the Notes, which may include any Coupon Payment(s) specified in the applicable Pricing Supplement, the Relevant Rate for any Reference Rate may be determined by the Calculation Agent on one or more dates specified in the Pricing Supplement. Those dates may be referred to as “**Observation Date(s)**,” “**Potential Early Redemption Date(s)**,” “**Averaging Date(s)**,” “**Valuation Date(s)**,” “**Determination Date(s)**,” “**Business Days**,” “**Final Valuation Date**,” “**Accelerated Final Valuation Date**,” “**Accelerated Valuation Date**,” “**Pricing Date**,” or other date(s) as specified in the applicable Pricing Supplement. For the purposes of this Product Supplement, these dates shall herein be collectively referred to as the “**Valuation Dates**.”

**Maturity Date:** The applicable Pricing Supplement will specify the Maturity Date.

**Denominations:** Unless otherwise specified in the applicable Pricing Supplement, the Notes will be issued in denominations of \$1,000 (or the specified currency equivalent), and multiples of \$1,000 (or the specified currency equivalent) thereafter.

**Notional Amount:** Unless otherwise specified in the applicable Pricing Supplement, \$1,000 per Note.

**Currency:** Unless otherwise specified in the applicable Pricing Supplement, the Notes will be denominated in U.S. dollars.

**Investor Eligibility:** The applicable Pricing Supplement will specify the Investor Eligibility.

**Minimum Investment Amount and Minimum Holding:** The Notes will be subject to the minimum investment amount and minimum holding requirements set forth in the applicable Pricing Supplement.

**Rating:** Unless otherwise specified in the applicable Pricing Supplement, the Notes are not, and will not be, rated by any nationally recognized statistical rating organization. The Notes are securities in the same series as and have equal rights and obligations as investment grade rated notes and certificates issued by us under the Program.

**Ranking:** The Notes will be our direct, general, unconditional, unsecured and unsubordinated obligation and will rank *pari passu* without any

preference among themselves and *pari passu* with all of our other unconditional, unsecured and unsubordinated obligations, except those mandatorily preferred by law.

**Guarantee:** The payment or delivery of all amounts due and payable or deliverable under the Notes is irrevocably and unconditionally guaranteed pursuant to the Guarantee (as defined in the Offering Memorandum) by Société Générale, New York Branch (“**SGNY**” or the “**Guarantor**”).

**Program:** We intend to issue from time to time certificates, warrants or notes specified in the Offering Memorandum, including the Notes described herein, having an aggregate Notional Amount of up to \$5,000,000,000 (the “**Program**”).

**Other terms:** As specified in the section “*Certain Definitions*” herein and, with respect to each offering of Notes, as specified in the applicable Pricing Supplement.

**CAPITALIZED TERMS USED BUT NOT DEFINED HEREIN HAVE THE MEANINGS ASCRIBED TO THEM IN THE OFFERING MEMORANDUM.**

The Notes involve risks not associated with an investment in ordinary debt securities. See “*Risk Factors*” beginning on page 2 of this Product Supplement, on page 7 of the Offering Memorandum and in the applicable Pricing Supplement.

THE NOTES AND THE SOCIÉTÉ GÉNÉRALE, NEW YORK BRANCH GUARANTEE (THE “GUARANTEE”) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY STATE SECURITIES LAWS. THE NOTES ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(a)(2) OF THE SECURITIES ACT.

THE NOTES AND THE GUARANTEE MAY ALSO BE OFFERED AND SOLD (I) IN THE UNITED STATES, ONLY TO PERSONS WHO ARE “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501 OF REGULATION D UNDER THE SECURITIES ACT) IN RELIANCE ON SECTION 4(a)(2) OF THE SECURITIES ACT (THE “SECTION 4(a)(2) NOTES AND GUARANTEE”), (II) IN THE UNITED STATES, TO “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT (“RULE 144A NOTES AND GUARANTEE”) AND/OR (III) OUTSIDE THE UNITED STATES, IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT (“REGULATION S NOTES AND GUARANTEE”). THE SECTION 4(a)(2) NOTES AND GUARANTEE, RULE 144A NOTES AND GUARANTEE AND REGULATION S NOTES AND GUARANTEE HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE SECTION 4(a)(2) NOTES AND GUARANTEE, RULE 144A NOTES AND GUARANTEE AND REGULATION S NOTES AND GUARANTEE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON TRANSFERS AND REALES OF THE SECTION 4(a)(2) NOTES AND GUARANTEE, RULE 144A NOTES AND GUARANTEE AND REGULATION S NOTES AND GUARANTEE, SEE “NOTICE TO INVESTORS” BEGINNING ON PAGE 50 OF THE OFFERING MEMORANDUM.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE NOTES OR THE GUARANTEE OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PRODUCT SUPPLEMENT, EACH PRICING SUPPLEMENT AND THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES. UNDER NO CIRCUMSTANCES SHALL THIS PRODUCT SUPPLEMENT, THE APPLICABLE PRICING SUPPLEMENT AND THE OFFERING MEMORANDUM CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE NOTES OR THE GUARANTEE, IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTION.

THE NOTES CONSTITUTE UNCONDITIONAL LIABILITIES OF THE ISSUER, AND THE GUARANTEE CONSTITUTES AN UNCONDITIONAL OBLIGATION OF THE GUARANTOR. THE NOTES AND THE GUARANTEE ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BANK INSURANCE FUND OR ANY U.S. OR FRENCH GOVERNMENTAL OR DEPOSIT INSURANCE AGENCY.

*The Issuer reserves the right to withdraw, cancel or modify the offer and to reject orders in whole or in part. The Notes are expected to be delivered through the facilities of The Depository Trust Company on or about the Issue Date.*

SG Americas Securities, LLC (“**SGAS**”), one of the potential selling agents in this offering, is an affiliate of ours. See “*Supplemental Plan of Distribution—Conflicts of Interest*” herein.

The date of this Product Supplement is July 16, 2013.



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In making your investment decision, you should rely only on the information contained or incorporated by reference in this Product Supplement, the applicable Pricing Supplement and the Offering Memorandum. Copies of this Product Supplement, the applicable Pricing Supplement and the Offering Memorandum are available from us, at no cost to you, and you should read each of these documents carefully prior to investing in the Notes. We have not authorized anyone to give you any additional or different information. The information in this Product Supplement, the applicable Pricing Supplement and the Offering Memorandum may only be accurate as of the dates of each of these documents, respectively.

The contents of this Product Supplement are not to be construed as legal, business, or tax advice. The Notes described in this Product Supplement, the applicable Pricing Supplement and the Offering Memorandum are not appropriate for all investors, and involve important legal and tax consequences and investment risks, which should be discussed with your professional advisors. You should be aware that the regulations of the Financial Industry Regulatory Authority, Inc. (formerly known as the National Association of Securities Dealers, Inc.) and the laws of certain jurisdictions (including regulations and laws that require brokers to ensure that investments are suitable for their customers) may limit the availability of the Notes.

We are offering to sell, and are seeking offers to buy, the Notes only in jurisdictions where such offers and sales are permitted. This Product Supplement, the applicable Pricing Supplement and the Offering Memorandum do not constitute an offer to sell or a solicitation of an offer to buy the Notes in any circumstances in which such offer or solicitation is unlawful.

Neither the delivery of this Product Supplement nor any sale made hereunder implies that there has been no change in our or our affiliates' affairs or that the information in this Product Supplement is correct as of any date after the date hereof.

You must (i) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Product Supplement, the applicable Pricing Supplement and the related Offering Memorandum and the purchase, offer or sale of the Notes and (ii) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales; neither we, Société Générale, New York Branch, Société Générale, or any of our or their affiliates shall have any responsibility therefor.

In this Product Supplement, the applicable Pricing Supplement and the accompanying Offering Memorandum, "we," "us" and "our" refer to SG Structured Products, Inc., unless the context requires otherwise.

## **RISK FACTORS**

*The Notes are generally riskier than ordinary debt securities. This section of the Product Supplement describes some risks relating to the Notes. Additional risk factors are described in the applicable Pricing Supplement and the Offering Memorandum. You should carefully consider all of the information set forth herein, in the applicable Pricing Supplement and in the Offering Memorandum and whether the Notes are suited to your particular circumstances before you decide to purchase them.*

### **You must rely on your own evaluation of the merits as well as the risks of an investment in the Notes**

In connection with your purchase of the Notes, we urge you to consult your own financial, tax and legal advisors as to the risks involved in an investment in the Notes and to investigate the Reference Rate or Rates, as applicable, and not rely on our views in any respect. You should make a complete investigation as to the merits of an investment in the Notes.

### **Unless the full return of principal at Redemption or a minimum return on the Notes is specified, you may lose your entire investment amount**

Unless the full return of principal at Redemption or a minimum return on the Notes is specified in the applicable Pricing Supplement, no assurance can be given, and none is intended to be given, that you will receive any portion of your initial investment in the Notes. Moreover, any payment to be made on your Notes depends on the Issuer's and the Guarantor's ability to satisfy their obligations as they become due. Accordingly, you may lose some or all of your initial investment.

### **The Notes are intended to be held to Redemption**

You may receive less, and potentially significantly less, than the amount you originally invested if you sell your Notes in the secondary market (if any exists) prior to Redemption. You should be willing and able to hold your Notes until Redemption. Also see "*Risk Factors - There may be no secondary market for the Notes; potential illiquidity of the secondary market*" herein.

### **Issuer and Guarantor credit risk**

The Notes are subject to our and the Guarantor's credit risk. Our ability to pay our obligations under the Notes is dependent upon a number of factors, including our and the Guarantor's creditworthiness, financial condition and results of operations. No assurance can be given, and none is intended to be given, that you will receive any amount at Redemption.

### **The Notes are not registered securities and will not be listed on any securities exchange; transfer restrictions may apply**

The Notes and the Guarantee are not registered under the Securities Act or under any state laws. We may offer the Notes (i) pursuant to an exemption from the registration requirements of the Securities Act contained in Section 3(a)(2) of the Securities Act, (ii) in reliance on Section 4(a)(2) under the Securities Act, (iii) in reliance on Rule 144A under the Securities Act, and/or (iv) in reliance on Regulation S under the Securities Act. Neither the SEC nor any state securities commission or regulatory authority has recommended or approved the Notes or the Guarantee, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Product Supplement, the Offering Memorandum or the applicable Pricing Supplement. The Notes will not be listed on an organized securities exchange or any inter-dealer quotation system. To the extent applicable, transfers of the Notes and Guarantee are, and will be, subject to the transfer restrictions set forth under "*Notice to Investors*" in the Offering Memorandum.

### **The Notes are not insured by any third parties**

The Notes will be solely our and the Guarantor's obligations, and no other third party entity will have any obligation, contingent or otherwise, to make any payments or deliveries with respect to the Notes.

**You will receive neither further benefits nor additional payments relating to the Notes if we call or redeem the Notes prior to their scheduled maturity (automatically or otherwise)**

The terms of any particular issuance of Notes, as specified in the applicable Pricing Supplement, may permit or require Early Redemption by us (automatic or otherwise). If the Notes are redeemed or called by us prior to their scheduled maturity, you may be subject to reinvestment risk, whereby it is likely that you will not be able to invest in securities with similar risks, terms and yield as the Notes.

Moreover, in the event of an Early Redemption of the Notes, you will benefit from the features of the Notes only until the date of such Early Redemption, and you will receive no further benefits or payments under the Notes thereafter.

**Floating rate-linked Notes present different risk considerations than fixed rate-linked Notes**

Unless otherwise specified in the applicable Pricing Supplement, because the principal and, if applicable, the Coupon Payments you may receive for each Note will be based on movements in the value or level of one or more floating rates, the Notes will be subject to significant risks not associated with a conventional fixed-rate debt security. These risks include fluctuation of the applicable Reference Rate(s) and the possibility that, in the future, you will receive a lesser payment(s) or no payment at all on the Notes.

Additionally, for the purposes of determining the Coupon Payments, the Coupon Rate for one or more Coupon Periods may be switch from a fixed to a floating rate during the term of the Notes. We have no control over any fluctuations in the Reference Rate(s), which could adversely affect the value of and payment(s) (if any) on the Notes.

As a result, the return on the Notes may be less (perhaps significantly) than the return otherwise payable on a conventional fixed rate debt security with the same maturity issued by us or a company with creditworthiness comparable to that of the Guarantor.

**The value of any Reference Rate and the secondary market price of the Notes will be influenced by many unpredictable factors**

Several factors, most of which are beyond our control, may influence the value of any Reference Rate(s) during the term of the Notes, the value of the Notes in the secondary market and the price at which SGAS may be willing to purchase or sell the Notes in the secondary market. We expect that generally the volatility of interest rates and the levels of the Reference Rate or the Reference Rates, as applicable, will affect the secondary market value of the Notes more than any other single factor. However, the value of the Notes in the secondary market may not vary in proportion to changes in the volatility of the prevailing interest rates and/or the levels of the Reference Rate or the Reference Rates, as applicable. Other factors that may influence the levels of the Reference Rate or the Reference Rates, as applicable and the value of the Notes include, without limitation:

- the level of any Reference Rate;
- interest rates and yield rates in the market;
- the volatility (frequency and magnitude of changes in value) of interest rates and yield rates in the market;
- the volatility (frequency and magnitude of changes in value) of any Reference Rate;
- inflation and expectations concerning inflation;
- geopolitical conditions and economic, financial, political, regulatory or judicial events that affect interest rates generally and that may affect any Reference Rate;
- supply and demand for the Notes;
- if applicable, our right to redeem the Notes early;

- the time remaining to the Redemption of the Notes;
- the creditworthiness of the Issuer and the Guarantor; and
- if one or more of the levels or values of the Reference Rate(s) is unavailable as described in the section “*Description of the Notes—The Reference Rates*”.

Some or all of these factors may influence the price you will receive if you sell your Notes in the secondary market (if any exists) prior to Redemption. For example, you may have to sell your Notes at a substantial discount from the Notional Amount or at a price substantially less than the amount you originally invested in the Notes depending on the value of the Reference Rate(s). The impact of any of the factors set forth above may enhance or offset some or all of any of the changes resulting from another factor or factors.

We cannot predict the future movements in the value or level of any Reference Rate based on its historical movements. We also cannot predict whether the level or value of any Reference Rate will fall or rise during the term of the Notes. Past fluctuation and trends in the levels of any Reference Rate are not necessarily indicative of fluctuations or trends that may occur in the future with respect to such Reference Rate.

### **There may be no secondary market for the Notes; potential illiquidity of the secondary market**

The Notes are most suitable for purchase and holding until Redemption. The Notes will be new securities for which currently there is no trading market. We do not intend to apply for listing of the Notes and therefore the Notes will not be listed or quoted on any exchange. We cannot assure you as to whether there will be a secondary market for the Notes or, if there were to be such a secondary market, that it would be liquid.

In addition, the aggregate Notional Amount of the Notes being offered may not be purchased by investors in the initial offering, and one or more of our affiliates has agreed to purchase any unsold portion. Such affiliate or affiliates intend to hold the Notes, which may affect the supply of the Notes available in any secondary market trading and therefore may adversely affect the price of the Notes in any secondary market trading. If a substantial portion of any Notes held by our affiliates were to be offered for sale following this offering, the market price of such Notes could fall, especially if secondary market trading in such Notes is limited or illiquid.

Under ordinary market conditions, SGAS (or another broker-dealer affiliated with us) intends to maintain a secondary market in the Notes; however, neither SGAS nor any of its affiliates has any obligation to provide a secondary market in the Notes and may cease doing so at any time. Accordingly, we cannot assure you as to the development or liquidity of any secondary market for the Notes. If SGAS or any affiliate does not maintain a secondary market in the Notes, you may not be able to sell your Notes easily or at prices that will provide you with a yield comparable to that of similar securities that have a liquid secondary market.

### **We will sell the Notes through our affiliate, SGAS; Potential conflict of interest**

The Notes will be sold through our affiliate, SGAS, by appointment of SGAS as the principal agent for the sale of the Notes. SGAS and the Issuer are under common control and SGAS is not an underwriter that is independent from the Issuer. A conflict of interest may exist or arise with respect to the offering and sale of the Notes by SGAS to investors because an independent underwriter is not participating in the pricing of the Notes to investors.

Additionally, we may pay SGAS an underwriting fee and, similarly, if SGAS distributes the Notes to or through other broker-dealers or banks, we, SGAS or one of our affiliates may pay such other broker-dealers or banks a fee in connection with their distribution of the Notes. SGAS has discretion to determine the amount of fees paid to such other broker-dealers or banks, and may change them from time to time. Because such fees may negatively impact your investment in the Notes, SGAS’s interests with respect to the Notes may be adverse to yours.

For more information about distribution of the Notes and related commissions, see the section “*Supplemental Plan of Distribution*” in this Product Supplement.

**The inclusion of commissions and projected profit from hedging in the original price is likely to adversely affect secondary market prices**

Assuming no change in market conditions or any other relevant factors, the price, if any, at which SGAS may be willing to purchase the Notes in secondary market transactions will likely be lower than the price at which you purchased the Notes. This is because such price included, and secondary market prices are likely to exclude, commissions paid with respect to the Notes, as well as the projected profit included in the cost of hedging our obligations under the Notes. In addition, any such prices may differ from values determined by pricing models used by SGAS, as a result of dealer discounts, mark ups or other transaction costs. See also “*Risks Factors—Risks relating to each Reference Rate*” herein.

**If the Notes are accelerated due to our insolvency, you may receive an amount substantially less than the Notional Amount of the Notes**

The amount you receive from us as payment on the Notes if the Notes are accelerated due to an Event of Default may be substantially diminished (and could be zero) if such an acceleration is due to our or the Guarantor’s insolvency and we or the Guarantor are not able to make such payment under applicable bankruptcy laws. See “*Risk Factors—The Return to a Noteholder may be limited or delayed by the insolvency of Société Générale*” in the Offering Memorandum and “*Description of the Notes—Acceleration*” herein.

**Certain business activities may create conflicts with your interests**

We and the Guarantor, or one or more of our or its affiliates, may engage in trading and other business activities relating to one or more Reference Rates that are not for your account or on your behalf. These activities may present a conflict between your interest in the Notes and interests we and the Guarantor, or one or more of our or its affiliates, may have in our or its proprietary account. We, the Guarantor and our or its affiliates may engage in any such activities without regard to the Notes or the effect that such activities may directly or indirectly have on the Notes.

We, the Guarantor and/or one or more of our or its affiliates may have published, and may in the future publish, research reports relating to the Reference Rate or Reference Rates, as applicable. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the value of the Notes.

We and the Guarantor or one or more of our or its affiliates, may also issue, underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns indexed to one or more Reference Rates. By introducing competing products into the marketplace in this manner, we, the Guarantor and/or our or its affiliates could adversely affect the value of the Notes.

**Hedging and trading activity could potentially adversely affect the value of the Notes**

In the ordinary course of business, whether or not we or they will engage in any secondary market making activities, we, the Guarantor or one or more of our or its affiliates may effect transactions for our or its own account or for the account of our or its customers, such as the purchase and sale of exchange-traded or over-the-counter derivatives on the Reference Rate(s). In addition, in connection with the offering of the Notes and during the term of the Notes, we, the Guarantor or one or more of our or its affiliates may enter into one or more hedging transactions relating to the Reference Rate(s) and/or related derivatives. We, the Guarantor and/or any of our or its affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the movements in the value or level of one or more Reference Rates. Any of the situations herein may result in consequences which may be adverse to your interests in the Notes. We and the Guarantor assume no responsibility whatsoever for such consequences and their impact on your investment.

The Indenture (as defined herein) does not contain any restrictions on our ability or the ability of any of our affiliates to sell, pledge or otherwise convey all or any securities. Neither we nor the Guarantor nor any of our affiliates will pledge or otherwise hold any security for the benefit of holders of the Notes. Consequently, in the event of a bankruptcy, insolvency or liquidation involving us or the Guarantor, as the

case may be, any investments we hold as a hedge to the Notes will be subject to the claims of our creditors generally and will not be available specifically for the benefit of the holders of the Notes.

**Owning Notes linked to one or more Reference Rates based on Constant Maturity U.S. Treasury Rates is not the same as owning a U.S. Treasury security directly**

If the Notes are linked to one or more Constant Maturity U.S. Treasury Rates, as specified in the applicable Pricing Supplement, the return on the Notes will not reflect the return you would realize if you actually purchased U.S. Treasury securities. Therefore, the return on your Notes may be less (perhaps substantially) than the return that you would have realized had you invested in U.S. Treasury obligations directly.

**For Notes linked to one or more Reference Rates, the manner in which such Reference Rates are calculated may change in the future, which may adversely affect the value of the Notes**

There can be no assurance that the method by which any Reference Rate is calculated will not change. Any change in the method of calculating any Reference Rate could adversely affect the Relevant Rate(s) for such Reference Rate and, accordingly, the value of the Notes may be significantly reduced. If the determination of a Reference Rate is materially altered, or the Relevant Rate for any Reference Rate is not quoted or published on the applicable source identified in the applicable Pricing Supplement or any substitute source thereto on any Valuation Date, a substitute rate may be employed by the Calculation Agent for such Reference Rate and such substitution may adversely affect the value of the Notes and the return on the Notes.

**Tax Treatment**

For a discussion of the U.S. federal income tax consequences of your investment in a Note, please see the discussion under the heading “*Certain U.S. Federal Income Tax Considerations*” herein and any additional discussion in the applicable Pricing Supplement.

**Risks relating to each Reference Rate**

The Notes will be subject to risks similar to those of any investment in the Reference Rate(s). The following are some of the significant risks associated with each Reference Rate:

- Each Reference Rate is subject to temporary distortions due to various factors, including the lack of liquidity of the markets, performance of capital markets, world events, sentiment regarding credit quality in the global credit markets, sentiment regarding the relative strength of the global economies, the participation of speculators and government regulation and intervention. These circumstances could adversely affect the value of and the return (if any) on the Notes;
- Each Reference Rate is affected by a variety of factors, including governmental programs and policies, national and international political and economic events and changes in interest and exchange rates. Each Reference Rate is subject to fluctuations depending on market movements and other factors. These factors may affect the value of each Reference Rate and the value of and return (if any) on the Notes in varying ways.

**Additional risks relating to Notes with more than one Reference Rate or a basket involving one or more Reference Rates**

**The levels of the Reference Rates (or components in the basket) may not move in tandem; return on the Notes may not reflect the full movement of the Reference Rates (or components in the basket)**

Movements in the Reference Rates (or components in the basket) may not move in tandem with each other and, therefore, your return on the Notes may not reflect the full change in the Reference Rates (or components in the basket) during the term of the Notes. Unless otherwise specified in the applicable Pricing Supplement, the change of one Reference Rate (or one component) will be offset, or moderated,



by an opposite change in the other Reference Rate(s) (or other component(s)). As a result, the payment (if any) at Redemption (and, if applicable, Coupon Payments) and the value of the Notes may be adversely affected even if the levels or values of some of the Reference Rates (or components in the basket) are advantageous during the term of the Notes.

Furthermore, to the extent the weighting applicable to any Reference Rate (or any component) in a basket is greater than the weightings applicable to other Reference Rates (or other components) in such basket, a disadvantageous level or value for that Reference Rate (or that component) will have a disproportionately large negative impact on the payment (if any) due on the Notes.

**The correlation among the Reference Rates (or components in the basket) may change, which could adversely affect the value of and the return on the Notes**

Correlation is the term used to describe the relationship among the changes of the Reference Rates (or components in the basket). High correlation or a change in correlation among the Reference Rates (or components in the basket) could have an adverse impact on the value of and the return (if any) on the Notes.

## DESCRIPTION OF THE NOTES

The following description of the terms of the Notes supplements the description of the general terms of the Notes set forth under the heading “*Description of the Notes*” in the Offering Memorandum. For the purposes of this “*Description of the Notes*”, the term “Note” refers to the Notional Amount per Note specified on the cover page hereof and in the applicable Pricing Supplement. The applicable Pricing Supplement describes the terms that apply specifically to the Notes offered, including any changes to the terms specified herein.

### A. Description of the Notes

#### 1. General

The Notes are one of a duly authorized series of Notes of the Issuer issued under an Indenture (the “**Indenture**”), dated as of June 21, 2006, among the Issuer, SGN Y and The Bank of New York, as Trustee (the “**Trustee**,” which term includes any successor trustee under the Indenture). The Indenture sets forth the respective rights, limitations of rights, duties and immunities of the Issuer, SGN Y, the Trustee and Holders (as defined herein in the section “*Certain Definitions – Holder*”) of each series of Notes and the terms upon which each series of Notes are, and are to be, authenticated and delivered. To the extent not inconsistent herewith, the terms of the Indenture are hereby incorporated by reference herein. All terms used in the Note, which are defined in the Indenture and not otherwise defined herein, will have the meanings assigned to them in the Indenture.

No provision of the Note or of the Indenture will alter or impair the obligation of the Issuer to pay or deliver all amounts under the Note when and as they become due and payable or deliverable at Redemption as prescribed in this Product Supplement and in the applicable Pricing Supplement, unless otherwise agreed between the Issuer and the Holder of the Note.

Subject to the section “*Description of the Notes – General Terms of the Notes*” in the Offering Memorandum, the Notes specified herein will be the Issuer’s direct, general, unconditional, unsecured and unsubordinated obligation, will rank *pari passu* without any preference among themselves and will rank *pari passu* among, and be of the same series with, all of the Issuer’s other unconditional, unsecured and unsubordinated obligations issued under the Program.

The Guarantee is a direct, general, unconditional, unsecured and unsubordinated obligation of the Guarantor and ranks *pari passu* with all other unconditional, unsecured and unsubordinated obligations of the Guarantor, except those mandatorily preferred by law.

The offering of the Notes is being made by SG Americas Securities, LLC (“**SGAS**”) pursuant to FINRA Rule 5121.

No sinking fund is provided for the Note.

Unless otherwise specified in the applicable Pricing Supplement, the Note may not be redeemed by a Holder prior to Redemption.

#### 2. Final Payment

As a final payment on the applicable Redemption Date, the Holder of the Note will receive the amount due and payable to it as specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, the amounts payable as a final payment under the Notes have been specified for the Notional Amount per Note.

#### 3. Coupon Payments

If the Notes include Coupon Payment(s), the applicable Pricing Supplement will specify the calculation used to determine each Coupon Payment. Unless otherwise specified in the applicable Pricing Supplement, any amount payable in the form of a Coupon Payment under the Notes is specified for the Notional Amount per Note.

All calculations with respect to a Coupon Payment on any Coupon Payment Date to a Holder will be rounded to the nearest hundredth, with five one thousandth rounded upward (e.g. 0.465 would be rounded up to 0.47), and all Coupon Payments on the Notional Amount of a Note will be rounded to the nearest cent, with one-half cent rounded upward.

#### **4. Payment at Redemption**

The final payment of the amount due to a Holder of a Note at Redemption will be made to the Holder in whose name the Note is registered in the security register of the Issuer on the applicable Redemption Date in immediately available funds. If in certificated form, the final payment will be made upon surrender of the Note at the office or agency of the Paying Agent (as defined in the Offering Memorandum), maintained for that purpose in the Borough of Manhattan, The City of New York, or at such other paying agency as the Issuer may determine.

The Issuer will, or will cause the Calculation Agent to, provide a written notice to the Trustee and to the Depository (as defined in the Indenture), no later than at 10:30 a.m. (New York time) on the day immediately prior to the applicable Redemption Date (but if such day is not a Business Day, prior to the close of business on the Business Day preceding the applicable Redemption Date), of the amount of cash or securities to be delivered with respect to the stated Notional Amount of each Note, and deliver such cash or securities to the Trustee for delivery to the Holders on the applicable Redemption Date.

All calculations with respect to the payment or delivery, if any, on the applicable Redemption Date to a Holder will be rounded to the nearest hundredth, with five one thousandth rounded upward (e.g. 0.465 would be rounded up to 0.47), and all amounts paid or delivered on the Notional Amount of a Note will be rounded to the nearest cent, with one-half cent rounded upward.

#### **5. The Reference Rates**

The applicable Pricing Supplement will specify one or more of the below benchmark rates as the Reference Rate or Reference Rates, as applicable, for each offering of Notes. The Issuer has derived all information about the Reference Rates contained in this Product Supplement from publicly available information. The Issuer makes no representation or warranty as to the accuracy or completeness of such information.

Capitalized terms used in this *Section 5 (The Reference Rates)* not specified in this Product Supplement will be specified in the relevant Pricing Supplement.

##### *USD CMS Rate*

With respect to any Valuation Date, the USD CMS Rate refers to the rate for U.S. Dollar swaps with the Designated Maturity specified in the relevant Pricing Supplement that appears on Reuters page "ISDAFIX1" (or any successor page) at approximately 11:00 a.m., New York City time, on such Valuation Date, as determined by the Calculation Agent. If, on such Valuation Date, the applicable USD CMS Rate cannot be determined by reference to Reuters page "ISDAFIX1" (or any successor page), then the Calculation Agent will request from five leading swap dealers in the New York City interbank market, selected by the Calculation Agent in its sole discretion, mid-market semi-annual swap rate quotations in a Representative Amount and with terms equal to the Designated Maturity, at approximately 11:00 a.m., New York City time, on such Valuation Date. The "semi-annual swap rate" means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for floating U.S. Dollar interest rate swap transaction with a term equal to the applicable Designated Maturity commencing on the relevant Valuation Date and in the Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to the LIBOR Rate for deposits in U.S. dollar with a Designated Maturity of 3 months. If five quotations are provided as requested, the Calculation Agent will calculate the applicable USD CMS Rate by eliminating the highest (or if there is equality, one of the highest) and the lowest (or if there is equality, one of the lowest) rates and taking the arithmetic mean of the remaining rates. If at least three, but fewer than five, quotations are provided, the USD CMS Rate will be the arithmetic mean of the quotations. If fewer than three quotations are provided, the USD CMS Rate will be determined by the Calculation Agent acting in a commercially reasonable manner.

### *EUR CMS Rate*

With respect to any Valuation Date, the EUR CMS Rate refers to the annual swap rate for Euro swap transactions with the Designated Maturity specified in the relevant Pricing Supplement, that appears on Reuters page “ISDAFIX2” (or any successor page) under the heading “EURIBOR BASIS—EUR” and above the caption “11:00 AM Frankfurt” at approximately 11:00 a.m., Frankfurt time, on such Valuation Date, as determined by the Calculation Agent. If, on such Valuation Date, the applicable EUR CMS Rate cannot be determined by reference to the applicable Reuters page (or any successor page), then the Calculation Agent will request from five leading swap dealers in the Frankfurt interbank market, selected by the Calculation Agent in its sole discretion, mid-market annual swap rate quotations in a Representative Amount and with terms equal to the Designated Maturity, at approximately 11:00 a.m., Frankfurt time, on such Valuation Date. The “annual swap rate” means the mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating Euro interest rate swap transaction with a term equal to the applicable Designated Maturity commencing on the relevant Valuation Date and in the Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to the Euro Interbank Offered Rate, or the EURIBOR, for deposits in Euros with a Designated Maturity of six months. If five quotations are provided as requested, the Calculation Agent will calculate the applicable EUR CMS Rate by eliminating the highest (or if there is equality, one of the highest) and the lowest (or if there is equality, one of the lowest) rates and taking the arithmetic mean of the remaining rates. If at least three, but fewer than five, quotations are provided, the EUR CMS Rate will be the arithmetic mean of the quotations. If fewer than three quotations are provided, the EUR CMS Rate will be determined by the Calculation Agent, acting in a commercially reasonable manner.

### *LIBOR Rate*

With respect to any Valuation Date, the LIBOR Rate refers to the London Interbank Offer Rate for deposits in U.S. dollars with the Designated Maturity specified in the relevant Pricing Supplement that appears on Reuters page “LIBOR01” (or any successor page) at approximately 11:00 a.m., London time, on such Valuation Date, as determined by the Calculation Agent. If on any such Valuation Date the applicable LIBOR Rate cannot be determined by reference to the applicable Reuters page (or any successor page), then the Calculation Agent will request the principal London office of four major banks in the London interbank market, selected by the Calculation Agent in its sole discretion, for deposits in U.S. dollars in a Representative Amount and for a term equal to the Designated Maturity, at approximately 11:00 a.m., London time, on such Valuation Date. If at least two such quotations are provided, the applicable LIBOR Rate for such Valuation Date will be the arithmetic average of such quotations. If fewer than two such quotations are provided, the Calculation Agent, provided that the applicable Valuation Date is also a Business Day, will request each of three major banks in the City of New York to provide such bank’s rate to leading European banks for loans in U.S. dollars in a Representative Amount and for a term equal to the Designated Maturity, at approximately 11:00 a.m., New York City time, on such Valuation Date. If at least two such rates are provided, then the applicable LIBOR Rate for such Valuation Date will be the arithmetic average of such rates. If fewer than two such rates are provided, or if the applicable Valuation Date is not also a London Business Day, then the applicable LIBOR Rate for such Valuation Date will be the applicable LIBOR Rate for the immediately preceding London Business Day.

### *CMT Rate*

With respect to any Valuation Date, the CMT Rate refers to the yield for United States Treasury securities at “constant maturity” for a period of the Designated Maturity specified in the relevant Pricing Supplement as set forth in H.15(519) under the caption “Treasury constant maturities,” as such yield is displayed on the Reuters page “FRBCMT” (or any successor page) on such Valuation Date, as determined by the Calculation Agent. If on such Valuation Date the applicable CMT Rate cannot be determined by reference to the applicable Reuters page, then the following procedures will be used by the Calculation Agent:

- If the CMT Rate is not displayed on the applicable Reuters page by 3:30 p.m., New York City time on such Valuation Date, then the CMT Rate for such Valuation Date will be a percentage equal to the yield for United States Treasury securities at constant maturity for a period of the Designated Maturity as set forth in H.15(519) under the caption “Treasury constant maturities” (expressed as a number and not a percentage).

- If the applicable CMT Rate does not appear in H.15(519), the CMT Rate for such Valuation Date will be the rate for a period of the Designated Maturity as may then be published by either the Federal Reserve System Board of Governors or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15-519 (expressed as a number and not a percentage).
  
- If, on such Valuation Date, neither the Board of Governors of the Federal Reserve System nor the United States Department of the Treasury publishes a yield on United States Treasury securities at a constant maturity for a period of the Designated Maturity of the relevant CMT Rate, the CMT Rate on such Valuation Date will be an amount equal to the yield to maturity calculated by the Calculation Agent based on the arithmetic mean of the secondary market bid prices for United States Treasury securities, at approximately 3:30 p.m., New York City time, on the relevant Valuation Date, received from three leading primary United States government securities dealers in the City of New York (expressed as a number and not a percentage). In selecting these bid prices, the Calculation Agent will request quotations from at least five such securities dealers, and will eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest), for United States Treasury securities with an original maturity equal to the Designated Maturity of the relevant CMT Rate, with a remaining term to maturity of no more than one year shorter than the Designated Maturity of the relevant CMT Rate and in a principal amount equal to the Representative Amount. If two bid prices with an original maturity as described above have remaining terms to maturity equally close to the maturity of the relevant CMT Rate, the quotes for the United States Treasury security with the shorter remaining term to maturity will be used.
  
- If fewer than five but more than two such prices are provided as requested, the CMT Rate for the relevant Valuation Date will be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations will be eliminated.
  
- If the Calculation Agent cannot obtain at least three United States Treasury securities quotations of the kind requested in the prior two bullet points, the Calculation Agent will determine the CMT Rate on such Valuation Date to be an amount equal to the yield to maturity based on the arithmetic mean of the secondary market bid prices for United States Treasury securities, at approximately 3:30 p.m., New York City time, on such Valuation Date, received from three leading primary United States government securities dealers in the City of New York (expressed as a number and not a percentage). In selecting these bid prices, the Calculation Agent will request quotations from at least five such securities dealers, and will eliminate the highest quotation (or if there is equality, one of the highest) and the lowest quotation (or if there is equality, one of the lowest), for United States Treasury securities with an original maturity greater than the Designated Maturity of the relevant CMT Rate, with a remaining term to maturity closest to the Designated Maturity of the relevant CMT Rate and in a Representative Amount. If two United States Treasury securities with an original maturity longer than the Designated Maturity of the relevant CMT Rate have remaining terms to maturity that are equally close to the Designated Maturity of the relevant CMT Rate, the Calculation Agent will obtain quotations for the United States Treasury security with the shorter remaining term to maturity.
  
- If fewer than five but more than two of the leading primary United States government securities dealers provide quotes as described in the prior paragraph, then the CMT Rate on such Valuation Date will be based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of those quotations will be eliminated.
  
- If fewer than three leading primary United States government securities reference dealers selected by the Calculation Agent provide quotes as described above, the CMT Rate will be determined by the Calculation Agent acting in a commercially reasonable manner.

## *CPI*

The CPI refers to the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers, reported monthly by the Bureau of Labor Statistics of the U.S. Department of Labor (the “BLS”), and published on Bloomberg CPURNSA (or any successor source). The CPI for a particular month is published during the following month. The CPI is a measure of the average change in consumer prices over time for a fixed market basket of goods and services, including food, clothing, shelter, fuels, transportation, charges for doctors’ and dentists’ services and drugs. In calculating the CPI, price changes for the various items are averaged together with weights that represent their importance in the spending of urban households in the United States. The contents of the market basket of goods and services and the weights assigned to the various items are updated periodically by the BLS to take into account changes in consumer expenditure patterns. The CPI is expressed in relative terms in relation to a time base reference period of 1982-1984 for which the level is set at 100.0.

With respect to any Valuation Date, the Calculation Agent will use the most recently available and published value of the CPI determined as described above on such Valuation Date, even if such value has been adjusted from a previously reported value for the relevant month. If the value of CPI is not reported on the Bloomberg page CPURNSA (or any successor source) for the relevant month by 4:00 p.m., New York City time, on such Valuation Date, but has otherwise been published by BLS, the Calculation Agent will determine the applicable Relevant Rate for the CPI on such Valuation Date as published by BLS for that month using any other source as the Calculation Agent deems appropriate.

However, if a value of CPI used by the Calculation Agent on any Valuation Date is subsequently revised by the BLS, the Calculation Agent will continue to use the value of CPI initially published by BLS and will not revise or adjust the applicable Relevant Rate, the applicable Coupon Rate (if applicable) or any other variable under the Notes. If the CPI is rebased to a different year or period and the 1982-1984 CPI is no longer used, the base reference period for the Notes will continue to be the 1982-1984 reference period as long as the 1982-1984 CPI continues to be published.

If, while the Notes are outstanding, the CPI is discontinued or is substantially or materially altered, as determined in the sole discretion of the Calculation Agent, the successor index will be that chosen by the Secretary of the Treasury for the Department of the Treasury’s Inflation-Linked Treasuries as described at 62 Federal Register 846-874 (January 6, 1997) or, if no such securities are outstanding, the successor index will be determined by the Calculation Agent acting in a commercially reasonable manner and in accordance with general market practice at the time.

## *Canada CPI*

The Canada CPI refers to the Canadian Consumer Price Index, reported monthly by Statistics Canada, and published on Bloomberg CACPINDX (or any successor source). The Canada CPI for a particular month is usually published during the third week of the following month, and no revisions are made to the Canada CPI once it has been published. The Canada CPI is an indicator of the changes in consumer prices experienced by Canadians measured by comparing, through time, the cost of a fixed basket of commodities purchased by Canadian consumers in a particular year. The fixed basket includes food, shelter, household operations and furnishings, clothing and footwear, transportation, health and personal care, recreation, education and reading and alcoholic beverages and tobacco products. The content and weighting of the Canada CPI basket is reviewed and updated periodically. The current set of weights used by the Canada CPI refer to household expenditures for 1992. The Canada CPI is expressed in relative terms to the time base of 1986. The 1986 time base is set at 100.

With respect to any Valuation Date, the Calculation Agent will use the most recently available and published value of the Canada CPI determined as described above on such Valuation Date, even if such value has been adjusted from a previously reported value for the relevant month. If the value of Canada CPI is not reported on the Bloomberg page CACPINDX (or any successor source) for the relevant month by 4:00 p.m., New York City time, on such Valuation Date, but has otherwise been published by Statistics Canada, the Calculation Agent will determine the applicable Relevant Rate for the Canadian CPI on such Valuation Date as published by Statistics Canada for that month using any other source as the Calculation Agent deems appropriate.

If, while the Notes are outstanding, a notice is given or an announcement is made by Statistics Canada, specifying that the Canadian CPI will no longer be published or announced but that it will be superseded by a replacement index specified by Statistics Canada, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the Canadian CPI, such replacement index shall be the successor index.

However, if a value of Canadian CPI used by the Calculation Agent on any Valuation Date is subsequently revised by Statistics Canada, the Calculation Agent will continue to use the value of Canadian CPI initially published by Statistics Canada and will not revise or adjust the applicable Relevant Rate, the applicable Coupon Rate (if applicable) or any other variable under the Notes. If the Canadian CPI is rebased to a different year or period and the 1986 Canadian CPI is no longer used, the base reference period for the Notes will continue to be the 1986 reference period as long as the 1986 Canadian CPI continues to be published.

If, while the Notes are outstanding, Canadian CPI is discontinued or is substantially or materially altered, as determined in the sole discretion of the Calculation Agent, the successor index will be determined by the Calculation Agent acting in a commercially reasonable manner and in accordance with general market practice at the time.

#### *Federal Funds Rate*

With respect to any Valuation Date, the Federal Funds Rate refers to the rate for federal funds as published in H.15(519) under "Federal Funds (Effective)" that appears on Reuters page "FEDFUNDS1" (or any successor page) on such Valuation Date, as determined by the Calculation Agent. If, on such Valuation Date, the applicable Federal Funds Rate cannot be determined by reference to the applicable Reuters page, then the following procedures will be used by the Calculation Agent:

- If the above rate is not published by 3:00 p.m., New York City time, on such Valuation Date, the Federal Funds Rate will be the rate on such Valuation Date as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the heading "Federal Funds/Effective Rate."
- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on such Valuation Date, the Calculation Agent will determine the Federal Funds Rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds by each of three leading brokers of U.S. dollar federal funds transactions in the City of New York, which may include the Issuer or any of its affiliates, selected by the Calculation Agent in its sole discretion, prior to 9:00 a.m., New York City time, on such Valuation Date.
- If the brokers selected by the Calculation Agent are not quoting as set forth above, the Federal Funds Rate for such Valuation Date will remain the Federal Funds Rate for the immediately preceding Valuation Date, or, if there was no immediately preceding Valuation Date, the Fed Fund Rate for such Valuation Date will be determined by the Calculation Agent acting in a commercially reasonable manner.

#### *The Commercial Paper Rate*

With respect to any Valuation Date, the Commercial Paper Rate refers to the money market yield, calculated as described below, of the rate for commercial paper having a maturity equal to the Designated Maturity, as published in H.15(519), under the heading "Commercial Paper — Nonfinancial," on such Valuation Date, as determined by the Calculation Agent. If on such Valuation Date, the applicable Commercial Paper Rate cannot be determined as described above, then the following procedures will be used:

- If the above rate is not published by 3:00 p.m., New York City time, on such Valuation Date, then the Commercial Paper Rate will be the money market yield of the rate on such Valuation Date for commercial paper of equal Designated Maturity as published in the

H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the heading “Commercial Paper — Nonfinancial.”

- If by 3:00 p.m., New York City time, on such Valuation Date the rate is not yet published in either H.15(519) or the H.15 Daily Update, then the Calculation Agent will determine the Commercial Paper Rate to be the money market yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on such Valuation Date of three leading dealers of U.S. dollar commercial paper in the City of New York, which may include the Issuer or any of its affiliates, selected by the Calculation Agent in its sole discretion, for commercial paper of the Designated Maturity, placed for an industrial issuer whose bond rating is at least “AA,” or the equivalent from a nationally recognized statistical rating agency.
- If the dealers selected by the Calculation Agent are not quoting as set forth above, the Commercial Paper Rate for such Valuation Date will remain the Commercial Paper Rate for the immediately preceding Valuation Date, or, if there was no immediately preceding Valuation Date, the Commercial Paper Rate for such Valuation Date will be determined by the Calculation Agent acting in a commercially reasonable manner.

The “money market yield” will be a yield calculated in accordance with the following formula:

$$\text{money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per year rate for commercial paper quoted on a bank discount basis and expressed as a decimal and “M” refers to the actual number of days in the relevant Coupon Period for which interest is being calculated.

## 6. Calculation Agent

Société Générale will act as the Calculation Agent pursuant to the Calculation Agent and Funding Agreement dated August 22, 2006. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on the Holder and the Issuer. Société Générale is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment. The Issuer may appoint a different Calculation Agent from time to time after the Issue Date of the Note of any issuance without the Holder’s consent and without notifying the Holder.

## 7. Events of Default

Under the Indenture, an Event of Default, wherever used herein with respect to the Notes, means any one of the events (whatever the reason for such Event of Default and whether it will be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) as specified in the section “*Description of the Notes—Events of Default and Remedies; Waiver of Past Defaults*” in the Offering Memorandum.

## 8. Acceleration

If an Event of Default with respect to the Notes shall have occurred and be continuing (other than an Event of Default specified in clauses (iv) or (v) in the section “*Description of the Notes—Events of Default and Remedies; Waiver of Past Defaults*” in the Offering Memorandum), the Notes may be accelerated by Holders of a majority of the outstanding Notional Amount of the Notes to the Accelerated Maturity Date.

If an Event of Default with respect to the Notes shall have occurred as specified in clauses (iv) or (v) in the section “*Description of the Notes—Events of Default and Remedies; Waiver of Past Defaults*” in the Offering Memorandum, then all payments or deliveries on the Notes, if any, will automatically accelerate to the Accelerated Maturity Date.



In the event of an acceleration, the amount payable or deliverable on the Accelerated Maturity Date will be as provided in *Section 2 (Final Payment)*; provided that in the event of an acceleration as a result of an Event of Default as specified in clause (ii) in the section “*Description of the Notes—Events of Default and Remedies; Waiver of Past Defaults*” in the Offering Memorandum, the amount payable or deliverable, if any, shall be the amount originally due on the Maturity Date or the Accelerated Maturity Date, as the case may be.

If the Notes include Coupon Payments, in determining the Coupon Payment, if any, payable on the Accelerated Maturity Date, such Coupon Payment will be calculated on the basis of the Day Count Fraction specified in the applicable Pricing Supplement and, unless otherwise specified in the applicable Pricing Supplement, the final Coupon Period will end on, but exclude, the Accelerated Maturity Date and the Coupon Rate for such Coupon Period will be determined on the Determination Date for such Coupon Period.

#### **9. Notice of Acceleration**

In the event of acceleration, the Issuer will provide a notice of such acceleration to the Trustee as promptly as possible and in no event later than two Business Days after the date of such acceleration.

#### **10. Note Provisions to Control**

If the terms described in this Product Supplement are different or inconsistent with those described in the Offering Memorandum, the terms described in this Product Supplement will govern the Notes. If the terms described in the applicable Pricing Supplement are different or inconsistent with those described herein or in the Offering Memorandum, the terms described in the applicable Pricing Supplement will govern the Notes.

#### **11. Defined Terms**

All terms used in a Note, which are defined in the Indenture and not otherwise defined herein, have the meanings assigned to them in the Indenture.

## Certain Definitions

“**Accelerated Maturity Date**” means the fifth Business Day that follows the Accelerated Final Valuation Date.

“**Accelerated Final Valuation Date**” means:

- i. in the case of an Event of Default as specified in clauses (i) or (iii) in the section “*Description of the Notes—Events of Default and Remedies; Waiver of Past Defaults*” in the Offering Memorandum, the Business Day (or, if the LIBOR Rate is a Reference Rate for the Notes, the London Business Day) preceding the date on which such Event of Default is declared;
- ii. in the case of an Event of Default as specified in clause (ii) in the section “*Description of the Notes—Events of Default and Remedies; Waiver of Past Defaults*” in the Offering Memorandum, the Final Valuation Date; or
- iii. in the case of an Event of Default as specified in clauses (iv) and (v) in the section “*Description of the Notes—Events of Default and Remedies; Waiver of Past Defaults*” in the Offering Memorandum, the date that is four Business Days (or, if the LIBOR Rate is a Reference Rate for the Notes, a date that is four London Business Days) prior to the date on which such Event of Default occurs.

“**Business Day**” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in Paris, France or New York City, USA are authorized or required by law, regulation or executive order to close.

“**Coupon Payment Dates**” means, if the Notes include Coupon Payment(s), the Coupon Payment Dates as specified in the relevant Pricing Supplement.

“**Coupon Periods**” means, if the Notes include Coupon Payment(s), unless otherwise specified in the relevant Pricing Supplement, each period from, and including, the preceding Coupon Payment Date to, but excluding, the immediately following Coupon Payment Date, except that (a) the first Coupon Period will commence on, and include, the Issue Date and (b) the final Coupon Period will end on, but exclude, the Redemption Date.

“**Coupon Rate**” means, if the Notes include Coupon Payment(s), with respect to each Coupon Period, a rate per annum as specified in the applicable Pricing Supplement. The applicable Pricing Supplement will specify whether the Coupon Rate is based upon: (1) a fixed rate, (2) a floating rate based on one or more Reference Rates, (3) the inverse of subsection (1) or (2), or (4) a combination of subsections (1) and (2).

“**Day Count Fraction**” means, if the Notes include Coupon Payment(s), the applicable Day Count Fraction as specified in the relevant Pricing Supplement for the calculation of the Coupon Payment for each Coupon Period.

“**Designated Maturity**” means, with respect to each applicable Reference Rate, the maturity period for such Reference Rate, as specified in the applicable Pricing Supplement.

“**Determination Dates**” means, if the Notes include Coupon Payment(s), the dates as specified in the relevant Pricing Supplement on which the applicable Coupon Rate is determined by the Calculation Agent.

“**Event of Default**” means any Event of Default listed in the section “*Description of the Notes—Events of Default and Remedies; Waiver of Past Defaults*” in the Offering Memorandum.

“**Final Rate**” means, unless otherwise specified in the applicable Pricing Supplement, with respect to a Reference Rate, the Relevant Rate for such Reference Rate on the Final Valuation Date.

“**Final Valuation Date**” means, with respect to any Reference Rate, the last Valuation Date prior to the Redemption Date on which the Final Rate is determined by the Calculation Agent.

**“Fixed Rate”** or **“Fixed Rates”** means, as applicable, a rate specified in the applicable Pricing Supplement.

**“Event of Default”** means any Event of Default listed in *Section 7 (Events of Default)*.

**“Holder”** means, with respect to any Note, the holder in whose name the Note is registered in the security register of the Issuer.

**“Initial Rate”** means, with respect to a Reference Rate, the Relevant Rate for such Reference Rate on the Pricing Date as specified on the cover page of the applicable Pricing Supplement.

**“Issue Date”** means the Issue Date specified in the applicable Pricing Supplement on which date each Note is issued.

**“Issue Price”** means the Issue Price specified in the applicable Pricing Supplement at which the Notional Amount per Note is issued.

**“London Business Day”** means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in Paris, London, England or New York City are authorized or required by law, regulation or executive order to close.

**“Maturity Date”** means the Maturity Date specified on the cover page of the applicable Pricing Supplement.

**“Notional Amount”** means the Notional Amount of each Note specified on the cover page hereof and in the applicable Pricing Supplement.

**“Pricing Date”** means, with respect to a Reference Rate, the date specified in the applicable Pricing Supplement on which the Initial Rate for such Reference Share is determined by the Calculation Agent.

**“Redemption”** means, for purposes of this Product Supplement, each of the maturity, accelerated maturity and/or Early Redemption, as the case may be.

**“Redemption Date”** means the Redemption Date specified on the cover page hereof.

**“Reference Rate”** or **“Reference Rates,”** as applicable, means, with respect to each offering of Notes, the benchmark rate or rates specified in the applicable Pricing Supplement, which may be one or more of the Reference Rates specified in *Section 5 (The Reference Rates)*.

**“Relevant Rate”** means, with respect to any Reference Rate on any Valuation Date, the value or rate for such Reference Rate at approximately the time specified in the applicable Pricing Supplement on such Valuation Date and appearing on the source identified in the applicable Pricing Supplement.

**“Representative Amount”** means an amount (which may be the outstanding principal amount of the Notes) that is representative for a single transaction in the relevant market at the relevant time as of the relevant Valuation Date, as determined by the Calculation Agent.

**“Valuation Date”** means, with respect to a Reference Rate, each Valuation Date specified on the cover page hereof and in the applicable Pricing Supplement, on which a Relevant Rate for such Reference Rate is determined by the Calculation Agent.

## SUPPLEMENTAL PLAN OF DISTRIBUTION

As described in the section of the Offering Memorandum entitled “*Plan of Distribution*”, we, either ourselves or through SGAS as agent, will enter into one or more arrangements with agents, underwriters, or dealers (each of SGAS and such agents, underwriters, or dealers, a “**Distributor**” and collectively, the “**Distributors**”), whereby each Distributor will distribute the Notes. Such distributions may occur on or subsequent to the Issue Date. Each Distributor will be entitled to receive a commission (the “**Distributor Commission**”) for the Notes distributed by such Distributor on or after the Issue Date, as specified in more detail in the applicable Pricing Supplement. Distributor Commission will therefore be embedded in the price you pay for Notes. The Distributors may reoffer the Notes to other dealers who will sell the Notes. Each such dealer engaged by a Distributor, or further engaged by a dealer to whom each such Distributor reoffers the Notes, will be entitled to a portion of the Distributor Commission payable to such Distributor. The Distributor Commission may vary from dealer to dealer and not all dealers will be entitled to the same amount of Distributor Commission, even if such dealers are distributing the same Notes.

The Issuer has agreed to indemnify the Distributors against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the “**Securities Act**”), or to contribute to payments that the Distributors may be required to make in respect thereof.

The offering of the Notes will be conducted in compliance with any applicable requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc.

To the extent that the total aggregate Notional Amount of the Notes being offered by this Product Supplement and the applicable Pricing Supplement is not purchased by investors in the offering for the Notes, one or more of our affiliates has agreed to purchase the unsold portion, and to hold such Notes.

Please note that information herein and in the applicable Pricing Supplement about the Pricing Date, Issue Date, Issue Price to the public and net proceeds to the Issuer relates only to the initial sale of the Notes. If you have purchased the Notes in a secondary market transaction after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

No offers, sales or deliveries of Notes, or distribution of this Product Supplement, the applicable Pricing Supplement or the Offering Memorandum or any other offering material relating to Notes, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on us or any Distributor.

For information on selling restrictions in specific jurisdictions in which Notes will be sold, see the Offering Memorandum.

The Notes are a new issue of securities with no established trading market and will not be listed on any national securities exchange or quoted in any inter-dealer quotation system. Under ordinary market conditions, SGAS (or another broker-dealer affiliated with Société Générale) intends to maintain a secondary market in the Notes; however, neither SGAS nor any of its affiliates has any obligation to provide a secondary market in the Notes and may discontinue doing so at any time. Even if SGAS or any affiliate does maintain a secondary market in the Notes, you may not be able to sell your Notes easily or at prices that will provide a yield comparable to that of similar securities that have a liquid secondary market. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes.

If SGAS provides such a secondary market, the bid-ask spread will likely be no greater than the percentage of the Notional Amount of a Note set forth in the applicable Pricing Supplement, and the bid and offer prices for the Notes will be displayed on Reuters (under the symbol SGENY0) and on the Bloomberg Financial Service (under the symbol SGNV). SGAS will determine its secondary market prices in its sole discretion. Any market-making price quoted by SGAS will be net of all or a portion of any commission paid or allowance made to the Distributors.

For more information, see “*Description of the Notes—Redemption and Repurchase—Secondary Market Purchases*” and “*Risk Factors—Risks related to the secondary market generally*” in the Offering Memorandum.

**Conflicts of Interest**

SGAS, one of the potential selling agents in the offerings of Notes, is an affiliate of ours and, as such, has a “conflict of interest” in these offerings within the meaning of FINRA Rule 5121. Consequently, the offerings are being conducted in compliance with the provisions of FINRA Rule 5121. SGAS is not permitted to sell Notes in any offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

## **CERTAIN ERISA CONSIDERATIONS**

For a discussion of the benefit plan investor consequences related to the Notes, see “*Benefit Plan Investor Considerations*” in the Offering Memorandum.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

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ANY DISCUSSIONS OF U.S. FEDERAL INCOME TAX MATTERS SET FORTH IN THIS PRODUCT SUPPLEMENT AND IN ANY ACCOMPANYING PRICING SUPPLEMENT WERE WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING BY THE ISSUER, GUARANTOR AND/OR SGAS OF THE NOTES. SUCH DISCUSSIONS WERE NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND WERE NOT INTENDED OR WRITTEN TO BE USED, AND THEY CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, EACH PROSPECTIVE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF EACH PROSPECTIVE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED IN THIS PRODUCT SUPPLEMENT OR THE APPLICABLE PRICING SUPPLEMENT, AS THE CASE MAY BE, AND ALL MATERIALS OF ANY KIND THAT ARE PROVIDED TO THE PROSPECTIVE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN TREASURY REGULATION SECTION 1.6011-4). THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS BETWEEN THE ISSUER, GUARANTOR OR SGAS OR THEIR REPRESENTATIVES AND EACH PROSPECTIVE INVESTOR REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

### DISCUSSION

The following discussion summarizes certain U.S. federal income tax consequences of the purchase, beneficial ownership and disposition of Notes.

For purposes of this summary, a “**U.S. holder**” is a beneficial owner of a Note that is:

- an individual who is a citizen or a resident of the United States, for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons (as defined for U.S. federal income tax purposes) have the authority to control all substantial decisions of the trust or (2) such trust was in existence on August 20, 1996 and such trust has a valid election in effect under the applicable Treasury regulations to be treated as a United States person.

For purposes of this summary, a “**non-U.S. holder**” is a beneficial owner of a Note (other than an entity classified as a partnership for U.S. federal income tax purposes) that is not a U.S. holder.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for U.S. federal income tax purposes by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one third of the days present in the immediately preceding year, and one sixth of the days present in the second preceding year).

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. Except as specifically

provided below, this summary addresses only holders that purchase Notes at initial issuance, and own Notes as capital assets (as defined in Section 1221 of the Code) and not as part of a “straddle,” “hedge,” “synthetic security,” or a “conversion transaction” for U.S. federal income tax purposes or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the U.S. federal income tax laws, such as banks, thrifts or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; regulated investment companies or real estate investment trusts; small business investment companies; S corporations; investors that hold their Notes through a partnership or other entity treated as a partnership for U.S. federal income purposes; investors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the Notes in tax-deferred or tax-advantaged accounts; or “controlled foreign corporations” or “passive foreign investment companies”, both as defined for U.S. federal income tax purposes. This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the Notes. If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is the beneficial owner of any Note, the treatment of a partner in the partnership will generally depend upon the status of such partner and the activities of the partnership. Persons considering the purchase of Notes should consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, beneficial ownership and disposition of Notes arising under the laws of any other taxing jurisdiction.

The applicable Pricing Supplement may contain a further discussion of the special U.S. federal income tax consequences applicable to certain Notes. The summary of the U.S. federal income tax considerations contained in the applicable Pricing Supplement supersedes the following summary to the extent it is inconsistent therewith.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES.

*U.S. Federal Income Tax Treatment of the Notes as Indebtedness for U.S. Federal Income Tax Purposes*

Unless otherwise indicated in the applicable Pricing Supplement, we intend to treat the Notes as indebtedness for U.S. federal income tax purposes and except as provided below under “—U.S. Federal Income Tax Treatment of the Notes Other Than as Indebtedness for U.S. Federal Income Tax Purposes”, the balance of this summary assumes that the Notes are treated as indebtedness for U.S. federal income tax purposes. However, the treatment of a Note as indebtedness for U.S. federal income tax purposes depends on a number of factors, and if the Notes are not properly treated as indebtedness for U.S. federal income tax purposes, the U.S. federal income tax treatment of investors in such Notes may be different than that described below.

**Payments of Interest.** Payments of interest on a Note generally will be taxable to a U.S. holder as ordinary interest income at the time such payments are accrued or received (in accordance with the U.S. holder’s regular method of tax accounting), provided that the interest is “qualified stated interest” (as defined below).

**Original Issue Discount.** The following summary is a general discussion of the U.S. federal income tax consequences to U.S. holders of the purchase, ownership and disposition of Notes issued with original issue discount. The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes having been issued with original issue discount.

A Note will have original issue discount for U.S. federal income tax purposes if the Note’s “issue price” is less than the Note’s “stated redemption price at maturity” by more than a *de minimis* amount, as discussed below, and the Note has a term of more than one year.

The issue price of a Note generally is the first price at which a substantial amount of the “issue” of Notes is sold to the public for money (excluding sales to bond houses, brokers or similar persons or



organizations acting in the capacity of underwriters, placement agents or wholesalers), excluding pre-issuance accrued interest (as discussed below under “—Pre-Issuance Accrued Interest”).

The “stated redemption price at maturity” of a Note generally is the total amount of all payments provided by the Note other than “qualified stated interest” payments.

Qualified stated interest generally is stated interest that is “unconditionally payable” in cash or property (other than debt instruments of the issuer) at least annually either at a single fixed rate, or a qualifying variable rate (as described below). Qualified stated interest is taxable to a U.S. holder when accrued or received in accordance with the U.S. holder’s regular method of tax accounting, as described above under “—Payments of Interest.”

Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the Note otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment within a reasonable grace period) or non-payment a remote contingency. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between stated interest payments. Thus, if the interval between payments varies during the term of the instrument, the value of the fixed rate on which payment is based generally must be adjusted to reflect a compounding assumption consistent with the length of the interval preceding the payment.

Notes having “*de minimis* original issue discount” generally will be treated as not having original issue discount unless a U.S. holder elects to treat all interest on the Note as original issue discount. See “—Election to Treat All Interest and Discount as Original Issue Discount (Constant Yield Method).” A Note will be considered to have “*de minimis* original issue discount” if the difference between its stated redemption price at maturity and its issue price is less than the product of  $\frac{1}{4}$  of 1 percent of the stated redemption price at maturity and the number of complete years from the issue date to maturity (or the weighted average maturity in the case of a Note that provides for payment of an amount other than qualified stated interest prior to maturity).

U.S. holders of Notes having original issue discount will be required to include original issue discount in gross income for U.S. federal income tax purposes as it accrues (regardless of the U.S. holder’s regular method of tax accounting), which may be in advance of receipt of the cash attributable to such income. Original issue discount accrues under the constant yield method, based on a compounded yield to maturity, as described below. Accordingly, U.S. holders of Notes having original issue discount will generally be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

The annual amount of original issue discount includible in income by the initial U.S. holder of a Note having original issue discount will equal the sum of the “daily portions” of the original issue discount with respect to the Note for each day on which the U.S. holder held the Note during the taxable year. Generally, the daily portions of original issue discount are determined by allocating to each day in an “accrual period” the ratable portion of original issue discount allocable to the accrual period. The term accrual period means an interval of time with respect to which the accrual of original issue discount is measured and which may vary in length over the term of the Note *provided* that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on either the first or last day of an accrual period.

The amount of original issue discount allocable to an accrual period will be the excess of:

- the product of the “adjusted issue price” of the Note at the commencement of the accrual period and its “yield to maturity” over
- the amount of any qualified stated interest payments allocable to the accrual period.

The adjusted issue price of a Note at the beginning of the first accrual period is the Note’s issue price and, on any day thereafter, it is the sum of the issue price and the amount of original issue discount previously includible in the gross income of the U.S. holder (without regard to any “acquisition premium” as described below), reduced by the amount of any payment other than a payment of qualified stated interest previously made on the Note. If an interval between payments of qualified stated interest contains more than one accrual period, the amount of qualified stated interest that is payable at the end of the interval (including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval) is allocated on a pro-rata basis to each accrual period in the interval,

and the adjusted issue price at the beginning of each accrual period in the interval is increased by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but is not payable until the end of the interval. The yield to maturity of a Note is the yield to maturity computed on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period. If all accrual periods are of equal length except for a shorter initial accrual period or a shorter initial and final accrual period, the amount of original issue discount allocable to the initial period may be computed using any reasonable method; however, the original issue discount allocable to the final accrual period will always be the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price of the Note at the beginning of the final accrual period.

**Pre-Issuance Accrued Interest.** If (i) a portion of the initial purchase price of a Note is attributable to pre-issuance accrued interest, (ii) the first stated interest payment on the Note is to be made within one year of the Note's issue date, and (iii) the payment will equal or exceed the amount of pre-issuance accrued interest, then the U.S. holder may compute the issue price of the Note by subtracting the amount of the pre-issuance accrued interest. In that event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note.

**Notes Subject to Call or Put Options.** For purposes of calculating the yield and maturity of a Note subject to an option, in general, a call option held by the issuer is presumed exercised if, upon exercise, the yield on the Note is less than it would have been had the option not been exercised, and a put option held by a U.S. holder is presumed exercised if, upon exercise, the yield on the Note is more than it would have been had the option not been exercised. The effect of this rule generally may accelerate or defer the inclusion of original issue discount in the income of a U.S. holder whose Note is subject to a put option or a call option, as compared to a Note that does not have such an option. If any option that is presumed to be exercised is not in fact exercised, the Note is treated as retired and reissued solely for purposes of the original issue discount rules on the date of presumed exercise for an amount equal to the Note's adjusted issue price on that date. The deemed reissuance will have the effect of redetermining the Note's yield and maturity for original issue discount purposes and any related subsequent accruals of original issue discount.

**Variable Rate Debt Instruments.** Certain Notes that qualify as "variable rate debt instruments" are subject to the special rules described below. A Note will qualify as a variable rate debt instrument if (a) the Note's issue price does not exceed the total noncontingent principal payments due under the Note by more than a specified *de minimis* amount and (b) the Note provides for stated interest, paid or compounded at least annually, at current values of (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate. The applicable Pricing Supplement will indicate whether we intend to treat a Note as a variable rate debt instrument that is subject to these special rules.

A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Note is denominated. Although a multiple of a qualified floating rate will generally not itself constitute a qualified floating rate, a variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than .65 but not more than 1.35 will constitute a qualified floating rate. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than .65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Note (*e.g.*, two or more qualified floating rates with values within 25 basis points of each other as determined on the Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (*i.e.*, a cap) or a minimum numerical limitation (*i.e.*, a floor) may, under certain circumstances, fail to be treated as a qualified floating rate, unless such cap or floor is fixed throughout the term of the Note. An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and that is based on objective financial or economic information. A rate will not qualify as an objective rate if it is based on information that is within the control of the issuer (or a related party) or that is unique to the circumstances of the issuer (or a related party) such as dividends, profits, or the value of the issuer's stock (although a rate does not fail to qualify

as an objective rate merely because it is based on the credit quality of the issuer). A “qualified inverse floating rate” is any objective rate which is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. Further, if a Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate and if the variable rate on the Note’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

If a Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, and if the stated interest on such Note is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually, then all stated interest on the Note will constitute qualified stated interest and will be taxed accordingly. Thus, a Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” will generally not be treated as having been issued with original issue discount unless the Note is issued at a “true” discount (*i.e.*, at a price below the Note’s stated principal amount) in excess of a specified *de minimis* amount. The amount of qualified stated interest and the amount of original issue discount, if any, that accrues during an accrual period on such a Note is determined under the rules applicable to fixed rate debt instruments by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Note. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to the foregoing rules.

In general, any other Note that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of original issue discount and qualified stated interest on the Note. Treasury regulations generally require that such a Note be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Note’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Note. In the case of a Note that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Note provides for a qualified inverse floating rate). Under such circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Note as of the Note’s issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Note is then converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Note is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of original issue discount and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general original issue discount rules to the “equivalent” fixed rate debt instrument and a U.S. holder of the Note will account for such original issue discount and qualified stated interest as if the U.S. holder held the “equivalent” fixed rate debt instrument. Each accrual period appropriate adjustments will be made to the amount of qualified stated interest or original issue discount assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the Note during the accrual period.

**Short-Term Debt Instruments.** Certain Notes that are treated as “short-term” debt instruments are subject to special rules. U.S. holders that report income for U.S. federal income tax purposes on the accrual method and certain other holders are required to include original issue discount (equal to the difference between all payments on the Note over its issue price) in income. Original issue discount on

Notes that are short-term debt instruments is accrued on a straight-line basis, unless an irrevocable election with respect to the Note is made to accrue the original issue discount under the constant yield method based on daily compounding.

In general, an individual or other cash method U.S. holder of a short-term debt instrument is not required to accrue original issue discount with respect to a Note that is a short-term debt instrument, unless the U.S. holder elects to do so, but may be required to include interest paid on the Note that is a short-term debt instrument in income as the interest is received. An election by a cash basis U.S. holder to accrue original issue discount on a Note that is a short-term debt instrument, applies to all short-term debt instruments acquired by the U.S. holder during the first taxable year for which the election is made, and all subsequent taxable years of the U.S. holder, unless the Internal Revenue Service (the “IRS”) consents to a revocation. In the case of a U.S. holder that is not required (and does not elect) to include original issue discount in income currently, any gain realized on the sale, exchange, retirement, redemption or other disposition of a Note that is a short-term debt instrument is treated as ordinary income to the extent of the original issue discount that had accrued on a straight-line basis (or, if elected, under the constant yield method based on daily compounding) through the date of sale, exchange, retirement, redemption or other disposition and the U.S. holder will be required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry the Note in an amount not exceeding the accrued original issue discount (determined on a ratable basis, unless the U.S. holder elects to use a constant yield basis) on the Note, until the original issue discount is recognized.

**Market Discount and Premium.** If a U.S. holder purchases a Note, other than a contingent payment debt instrument or a short-term debt instrument, for an amount that is less than the Note’s stated redemption price at maturity or, in the case of a Note having original issue discount, less than the Note’s revised issue price (which is the sum of the issue price of the Note increased by the aggregate amount of the original issue discount previously includible in the gross income of any holder (without regard to any acquisition premium) and decreased by the amount of any payments previously made on the Note that were not payments of qualified stated interest), the amount of the difference generally will be treated as market discount for U.S. federal income tax purposes. It is possible that a U.S. holder may purchase a Note at original issuance for an amount that is different than its issue price. The amount of any market discount generally will be treated as *de minimis* and disregarded if the amount is less than the product of  $\frac{1}{4}$  of 1 percent of the stated redemption price at maturity of the Note and the number of complete remaining years to maturity (or weighted average remaining maturity in the case of Notes paying any amount other than qualified stated interest prior to maturity).

Under the market discount rules, a U.S. holder is required to treat any principal payment on, or any gain on the sale, exchange, retirement, redemption or other disposition of a Note as ordinary income to the extent of any accrued market discount that has not previously been included in income. If the Note is disposed of in a nontaxable transaction (other than certain specified nonrecognition transactions), accrued market discount will be includible as ordinary income to the U.S. holder as if the U.S. holder had sold the Note at its then fair market value. In addition, the U.S. holder may be required to defer, until the maturity of the Note or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the Note.

Market discount accrues ratably during the period from the date of acquisition to the maturity of a Note, unless the U.S. holder elects to accrue it under the constant yield method. A U.S. holder of a Note may elect to include market discount in income currently as it accrues (either ratably or under the constant yield method), in which case the rule described above regarding deferral of interest deductions will not apply. The election to include market discount currently applies to all market discount obligations acquired during or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. If an election is made to include market discount in income currently, the basis of the Note in the hands of the U.S. holder will be increased by the market discount thereon as it is included in income.

A U.S. holder that purchases a Note having original issue discount, other than a contingent payment debt instrument, for an amount exceeding its “adjusted issue price” (which is described above under “—Original Issue Discount”) and less than or equal to the sum of all remaining amounts payable on the Note other than payments of qualified stated interest will be treated as having purchased the Note with acquisition premium. The amount of original issue discount that the U.S. holder must include in gross income with respect to such Note will be reduced in the proportion that the excess bears to the original issue discount remaining to be accrued as of the Note’s acquisition date and ending on the stated

maturity date. Rather than apply the above fraction, the U.S. holder that, as discussed below, elects to treat all interest as original issue discount would treat the purchase at an acquisition premium as a purchase at original issuance and calculate original issue discount accruals on a constant yield to maturity basis.

A U.S. holder that acquires a Note, other than a contingent payment debt instrument, for an amount that is greater than the sum of all remaining amounts payable on the Note other than payments of qualified stated interest will be treated as having purchased the Note at a bond premium and will not be required to include any original issue discount in income. A U.S. holder generally may elect to amortize bond premium. The election to amortize bond premium must be made with a timely filed U.S. federal income tax return for the first taxable year to which the U.S. holder wishes the election to apply.

If bond premium is amortized, the amount of interest that must be included in the U.S. holder's income for each period ending on an interest payment date or on stated maturity, as the case may be, will be reduced by the portion of bond premium allocable to such period based on the Note's yield to maturity (or, in certain circumstances, until an earlier call date) determined by using the U.S. holder's basis of the Note, compounding at the close of each accrual period. If the bond premium allocable to an accrual period is in excess of qualified stated interest allocable to that period, the excess may be deducted to the extent of prior interest income inclusions and is then carried to the next accrual period and offsets qualified stated interest in such period. If an election to amortize bond premium is not made, a U.S. holder must include the full amount of each interest payment in income in accordance with its regular method of accounting and will receive a tax benefit from the premium only in computing its gain or loss upon the sale, exchange, retirement, redemption or other disposition or payment of the principal amount of the Note.

An election to amortize bond premium will apply to amortizable bond premium on all Notes and other bonds, the interest on which is includible in the U.S. holder's gross income, held at the beginning of the U.S. holder's first taxable year to which the election applies or thereafter acquired, and may be revoked only with the consent of the IRS. The election to treat all interest as original issue discount is treated as an election to amortize premium. Special rules may apply if a Note is subject to call prior to maturity at a price in excess of its stated redemption price at maturity.

#### **Election to Treat All Interest and Discount as Original Issue Discount (Constant Yield Method).**

A U.S. holder of a Note may elect to include in income all interest and discount (including *de minimis* original issue discount and *de minimis* market discount), as adjusted by any premium with respect to the Note, based on a constant yield method, which is described above under "— Original Issue Discount." The election is made for the taxable year in which the U.S. holder acquired the Note, and it may not be revoked without the consent of the IRS. If such election is made with respect to a Note having market discount, the U.S. holder will be deemed to have elected currently to include market discount on a constant yield basis with respect to all debt instruments having market discount acquired during the year of election or thereafter. If made with respect to a Note having amortizable bond premium, the U.S. holder will be deemed to have made an election to amortize premium generally with respect to all debt instruments having amortizable bond premium held by the U.S. holder during the year of election or thereafter.

**Sale, Exchange, Retirement Redemption or Repayment of the Notes.** Upon the disposition of a Note by sale, exchange, retirement, redemption, or other disposition or repayment of principal at maturity, a U.S. holder will generally recognize taxable gain or loss equal to the difference between (i) the amount realized on the disposition (other than amounts attributable to accrued but unpaid interest, which will be taxable as such) and (ii) the U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note (net of accrued interest) to the U.S. holder, increased by amounts includible in income as original issue discount or market discount, as described above (if the holder elects to include market discount in income on a current basis) and reduced by any amortized bond premium and any payments (other than payments of qualified stated interest) made on the Note.

Such gain or loss (except to the extent that the market discount rules or the rules relating to short-term debt instruments or contingent payment debt instruments otherwise provide) will generally constitute capital gain or loss, which will be long-term capital gain or loss if the Note was held for more than one year. Long-term capital gains of individual taxpayers may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

**Contingent Payment Debt Instruments.** Certain Notes may be taxed pursuant to the rules applicable to “contingent payment debt instruments”. The applicable Pricing Supplement will indicate whether we intend to treat a Note as a debt instrument that must be taxed pursuant to the rules applicable to contingent payment debt instruments. If a contingent payment debt instrument is issued for cash or publicly traded property, original issue discount is determined and accrued under the “noncontingent bond method.” Unless otherwise indicated in the applicable Pricing Supplement, we intend to treat all Notes that must be taxed pursuant to the rules applicable to contingent payment debt instruments as subject to the noncontingent bond method.

Under the noncontingent bond method, for each accrual period, U.S. holders of the Notes accrue original issue discount equal to the product of (i) the “comparable yield” (adjusted for the length of the accrual period) and (ii) the “adjusted issue price” of the Notes at the beginning of the accrual period. This amount is ratably allocated to each day in the accrual period and is includible as ordinary interest income by a U.S. holder for each day in the accrual period on which the U.S. holder holds the contingent payment debt instrument, whether or not the amount of any payment is fixed or determinable in the taxable year. Thus, the noncontingent bond method may result in recognition of income prior to the receipt of cash.

In general, the comparable yield of a contingent payment debt instrument is equal to the yield at which the issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the contingent payment debt instrument, including level of subordination, term, timing of payments, and general market conditions. For example, if a hedge of the contingent payment debt instrument is available that, if integrated with the contingent payment debt instrument, would produce a “synthetic debt instrument” with a specific yield to maturity, the comparable yield will be equal to the yield of the synthetic debt instrument. However, if such a hedge is not available, but similar fixed rate debt instruments of the issuer are traded at a price that reflects a spread above a benchmark rate, the comparable yield is the sum of the benchmark rate on the issue date and the spread. The applicable Pricing Supplement will either provide the comparable yield, or investors can obtain the comparable yield of the Notes by contacting SG Structured Products Inc., Olivier Daguat at (as of the date hereof) 1221 Avenue of the Americas, New York, NY 10020. On or about September 1, 2013, the Issuer, the Guarantor, and SGAS will be relocating their New York City location from 1221 Avenue of the Americas, New York, NY 10020 to 245 Park Avenue, New York, NY 10167.

The adjusted issue price at the beginning of each accrual period is generally equal to the issue price of the Note plus the amount of original issue discount previously accrued upon the Note (generally determined without regard to any positive or negative adjustments, as discussed below) less any noncontingent payment and the projected amount of any contingent payment contained in the projected payment schedule (as described below) previously scheduled to have been made on the contingent payment debt instrument.

In addition to the determination of a comparable yield, the noncontingent bond method requires us to construct a projected payment schedule. The projected payment schedule includes all noncontingent payments, and projected amounts for each contingent payment to be made under the contingent payment debt instrument that are adjusted to produce the comparable yield. The applicable Pricing Supplement will either provide such projected payment schedule, or investors can obtain the projected payment schedule by contacting SG Structured Products Inc., Olivier Daguat at (as of the date hereof) 1221 Avenue of the Americas, New York, NY 10020. On or about September 1, 2013, the Issuer, the Guarantor, and SGAS will be relocating their New York City location from 1221 Avenue of the Americas, New York, NY 10020 to 245 Park Avenue, New York, NY 10167.

Except as discussed below, the projected payment schedule remains fixed throughout the term of the contingent payment debt instrument and is not revised to account for changes in circumstances that occur while the Notes are outstanding. A U.S. holder is required to use the issuer’s projected payment schedule to determine its interest accruals and adjustments, unless the U.S. holder determines that the issuer’s projected payment schedule is unreasonable, in which case the U.S. holder must disclose its own projected payment schedule in connection with its U.S. federal income tax return and the reason(s) why it is not using the issuer’s projected payment schedule.

**The comparable yield and the projected payment schedule are used to determine accruals of interest FOR U.S. FEDERAL INCOME TAX PURPOSES ONLY and are not assurances or predictions by us with respect to the actual yield of or payments to be made in respect of a Note.**

**The comparable yield and the projected payment schedule do not represent our expectations regarding such yield or the amount of such payments.**

If the actual amounts of contingent payments are different from the amounts reflected in the projected payment schedule, a U.S. holder is required to make adjustments in its original issue discount accruals when such amounts are paid. In addition, if a Note has been held until maturity, for purposes of determining the amount realized upon retirement of the Note at maturity, the U.S. holder is generally treated as receiving the projected amount of any contingent payment due at maturity, as provided by the projected payment schedule (subject to adjustment, as described below). Adjustments arising from contingent payments that are greater than the projected amounts of those payments are referred to as “positive adjustments”; adjustments arising from contingent payments that are less than the projected amounts are referred to as “negative adjustments.” Positive and negative adjustments are netted for each taxable year with respect to each Note. Any net positive adjustment for a taxable year is treated as additional original issue discount income of the U.S. holder. Any net negative adjustment reduces any original issue discount on the Note for the taxable year that would otherwise accrue. Any excess is then treated as a current-year ordinary loss to the U.S. holder to the extent of original issue discount accrued in prior years. The balance, if any, is treated as a negative adjustment in subsequent taxable years. Finally, to the extent that it has not previously been taken into account, an excess negative adjustment reduces the amount realized upon a sale, exchange, retirement, redemption or other disposition of the Note.

Notwithstanding the foregoing, special rules will apply if a contingent payment on a Note becomes fixed more than six months prior to its scheduled date of payment. Generally, in such a case, a U.S. holder would be required to account for the difference between the present value of the fixed payment and the present value of the projected payment as either a positive adjustment or a negative adjustment (*i.e.*, either as additional original issue discount or as an offset to future original issue discount or as an ordinary loss, as appropriate) on the date the payment becomes fixed. Notwithstanding the preceding sentence, if all remaining contingent payments become fixed substantially contemporaneously, any positive or negative adjustment is taken into account in a reasonable manner over the remaining term of the Note. In addition, the projected payment schedule will generally be modified prospectively to reflect the fixed amount of the payment, and no further adjustment will be made when the payment is actually made. The adjusted issue price of the Note and a U.S. holder’s tax basis in the Note and the character of any gain or loss on the sale of the Note could also be affected. U.S. holders should consult their own tax advisors concerning these special rules.

A U.S. holder’s basis in a contingent payment debt instrument is increased by the original issue discount previously accrued by the U.S. holder on the contingent payment debt instrument (as determined without regard to adjustments made to reflect differences between actual and projected payments, except as discussed in the preceding paragraph) and reduced by the amount of any non-contingent payments and the projected amount of any contingent payments previously made to the U.S. holder. Gain on the sale, exchange, retirement, redemption or other disposition of a contingent payment debt instrument generally is treated as ordinary income. Loss, on the other hand, is treated as ordinary loss only to the extent of the U.S. holder’s prior net original issue discount inclusions (*i.e.*, reduced by the total net negative adjustments previously allowed to the U.S. holder as an ordinary loss) and capital loss to the extent in excess thereof. The deductibility of capital losses is subject to certain limitations.

A U.S. holder that purchases a Note for an amount other than the issue price of the Note will be required to adjust its original issue discount inclusions to account for the difference. These adjustments will affect the U.S. holder’s basis in the Note. Reports to U.S. holders may not include these adjustments. U.S. holders that purchase Notes for an amount other than the issue price should consult their tax advisors regarding these adjustments.

Prospective investors should consult their own tax advisors with respect to the application of the contingent payment debt instrument provisions to Notes.

**Foreign Currency Notes.** Certain Notes that are denominated in or on which interest is payable in a Foreign Currency are subject to special rules. As used herein, “**Foreign Currency**” means a currency other than U.S. dollars. The applicable Pricing Supplement will indicate whether we intend to treat the Notes as subject to these special rules. The following discussion summarizes the principal U.S. federal income tax consequences of owning a Note that is denominated in or on which interest is payable in a

Foreign Currency (other than a currency described in this section that is considered “hyperinflationary” for U.S. federal income tax purposes), and is not a contingent payment debt instrument or a dual currency Note. Special U.S. federal income tax considerations applicable to Notes that are denominated in or on which interest is payable in a hyperinflationary currency, are contingent payment debt instruments, or are dual currency Notes, will be discussed in the applicable Pricing Supplement.

Payments of Interest in a Foreign Currency - Cash Method. A U.S. holder who uses the cash method of accounting for U.S. federal income tax purposes and who receives a payment of interest on a Note (other than original issue discount or market discount) will be required to include in income the U.S. dollar value of the Foreign Currency payment (determined at the spot rate on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at that time, and such U.S. dollar value will be the U.S. holder’s tax basis in such Foreign Currency. No exchange gain or loss will be recognized with respect to the receipt of such payment.

Payments of Interest in a Foreign Currency - Accrual Method. A U.S. holder who uses the accrual method of accounting for U.S. federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount and reduced by amortizable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. A U.S. holder may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder may translate such interest using the spot rate on the date of receipt. The above election will apply to other debt obligations held by the U.S. holder and may not be changed without the consent of the IRS. A U.S. holder should consult a tax advisor before making the above election. A U.S. holder will recognize exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss recognized will equal the difference, if any, between the U.S. dollar value of the Foreign Currency payment received (determined at the spot rate on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above).

Purchase, Sale and Retirement of Notes. A U.S. holder who purchases a Note with previously owned Foreign Currency will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. holder’s tax basis in the Foreign Currency and the U.S. dollar fair market value of the Foreign Currency used to purchase the Note, determined on the date of purchase.

For purposes of determining the amount of any gain or loss recognized by a U.S. holder on the sale, exchange, retirement or other disposition of a Note that is denominated in a Foreign Currency, the amount realized will be based on the U.S. dollar value of the Foreign Currency on the date the payment is received or the Note is disposed of. Subject to the discussion below, such gain or loss will generally be capital gain or loss as discussed in “—Sale, Exchange, Retirement Redemption or Repayment of the Notes.” To the extent the amount realized upon the disposition of a Note represents accrued but unpaid interest, however, such amounts must be taken into account as interest income, with exchange gain or loss computed as described in “—Foreign Currency Notes—Payments of Interest in a Foreign Currency – Accrual Method” above. In the case of a Note that is denominated in Foreign Currency and is traded on an established securities market as defined in the applicable Treasury regulations, a cash basis U.S. holder (or, upon election, an accrual basis U.S. holder) will determine the U.S. dollar value of the amount realized by translating the Foreign Currency payment at the spot rate of exchange on the settlement date of the sale. Such an election by an accrual basis U.S. holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. A U.S. holder’s adjusted tax basis in a Note will equal the cost of the Note to such U.S. holder, increased by the amounts of any market discount or original issue discount previously included in income by the U.S. holder with respect to such Note and reduced by any amortized premium and any payments other than qualified stated interest received by the U.S. holder. A U.S. holder’s tax basis in a Note, and the amount of any subsequent adjustments to such U.S. holder’s tax basis, will be the U.S. dollar value of the Foreign Currency amount paid for such Note, or of the Foreign Currency amount of the adjustment, determined on the date of such purchase or adjustment.



Gain or loss realized upon the sale, exchange or retirement of a Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss, which will not be treated as interest income or expense. Such gain or loss generally will be U.S. source gain or loss. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the U.S. dollar value of the Foreign Currency principal amount of the Note, generally determined on the date such payment is received or the Note is disposed of, and the U.S. dollar value of the Foreign Currency principal amount of the Note, determined on the date the U.S. holder acquired the Note. Such Foreign Currency exchange gain or loss will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange or retirement of the Note.

Original Issue Discount. In the case of an Note or short-term debt instrument, (i) original issue discount is computed in the Foreign Currency, (ii) accrued original issue discount is translated into U.S. dollars as described in “—Foreign Currency Notes—Payments of Interest in a Foreign Currency - Accrual Method” above and (iii) the amount of Foreign Currency exchange gain or loss on the accrued original issue discount is determined by comparing the amount of income received attributable to the discount (either upon payment, maturity or an earlier disposition), as translated into U.S. dollars at the rate of exchange on the date of such receipt, with the amount of original issue discount accrued, as translated above. For these purposes, all receipts on a Note will be viewed first, as the receipt of any qualified stated interest payments called for under the terms of the Note; second, as receipts of previously accrued original issue discount (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as the receipt of principal.

Market Discount and Premium. In the case of a Note with market discount, (i) market discount is computed in the Foreign Currency, (ii) accrued market discount taken into account upon the receipt of any partial principal payment or upon the sale, exchange, retirement or other disposition of the Note (other than accrued market discount required to be taken into account currently) is translated into U.S. dollars at the exchange rate on the date of such partial principal payment or disposition date (and no part of such accrued market discount is treated as exchange gain or loss) and (iii) accrued market discount currently includible in income by a U.S. holder for any accrual period is translated into U.S. dollars on the basis of the average exchange rate in effect during such accrual period, and the exchange gain or loss is determined upon the receipt of any partial principal payment or upon the sale, exchange, retirement or other disposition of the Note in the manner described in “—Foreign Currency Notes—Payments of Interest in a Foreign Currency – Accrual Method” above with respect to the computation of exchange gain or loss on accrued interest.

With respect to a Note acquired with amortizable bond premium, if an election is made to amortize the premium, such premium is computed in the relevant Foreign Currency and reduces interest income in units of the Foreign Currency. A U.S. holder should recognize exchange gain or loss equal to the difference between the U.S. dollar value of the bond premium amortized with respect to a period, determined on the date the interest attributable to such period is received, and the U.S. dollar value of the bond premium determined on the date of the acquisition of the Note. A U.S. holder that does not elect to amortize bond premium will translate the bond premium, computed in the applicable Foreign Currency, into U.S. dollars at the spot rate on the maturity date and such bond premium will constitute a capital.

Exchange of Foreign Currencies. A U.S. holder will have a tax basis in any Foreign Currency received as interest or on the sale, exchange or retirement of a Note equal to the U.S. dollar value of such Foreign Currency, determined at the time the interest is received or at the time of the sale, exchange or retirement. As discussed above, if the Notes are traded on an established securities market, a cash basis U.S. holder (or, upon election, an accrual basis U.S. holder) will determine the U.S. dollar value of the Foreign Currency by translating the Foreign Currency received at the spot rate of exchange on the settlement date of the sale, exchange or retirement. Such an election by an accrual basis U.S. holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Accordingly, a U.S. holder’s basis in the Foreign Currency received would be equal to the U.S. dollar value of the Foreign Currency at the spot rate of exchange on the settlement date. Any gain or loss realized by a U.S. holder on a sale or other disposition of Foreign Currency (including its exchange for U.S. dollars or its use to purchase Notes) will be ordinary income or loss and will generally be U.S. source income or loss.

**Certain Other Debt Securities.** Certain Notes that we intend to treat as indebtedness for U.S. federal income tax purposes may be subject to special rules. The applicable Pricing Supplement will

discuss the principal U.S. federal income tax consequences with respect to Notes that are subject to any special rules not described herein.

*U.S. Federal Income Tax Treatment of the Notes Other Than as Indebtedness for U.S. Federal Income Tax Purposes*

**Certain Notes Treated as a Put Option and a Deposit.** We may treat certain Notes as consisting of a put option and a deposit for U.S. federal income tax purposes. The applicable Pricing Supplement will indicate whether we intend to treat the Notes as consisting of a put option and a deposit for U.S. federal income tax purposes. This section describes the U.S. federal income tax consequences of the purchase, beneficial ownership and disposition of a Note that we intend to treat as consisting of a put option and a deposit.

There are no Treasury regulations, published rulings or judicial decisions addressing the treatment for U.S. federal income tax purposes of Notes with terms that are substantially the same as the Notes described in this section. We intend to treat each Note described in this section as consisting of a put option written by the holder (the **“Put Option”**) that permits us to cash-settle the Put Option, and a deposit with us of cash, in an amount equal to the principal amount of the Note (the **“Deposit”**) to secure the U.S. holder’s potential obligation under the Put Option. Pursuant to the terms of the Notes, each holder agrees to such treatment for all U.S. federal income tax purposes. Except for the possible alternative treatments described below, the balance of this summary assumes that the Notes are so treated.

We intend to treat a portion of the stated interest payments on a Note described in this section as interest or original issue discount on the Deposit, and the remainder as put premium in respect of the Put Option (the **“Put Premium”**). The portion of the stated interest rate on a Note described in this section that constitutes interest or original issue discount on the Deposit and the portion that constitutes Put Premium will be specified in the applicable Pricing Supplement.

If the term of a Note described in this section is more than one year, U.S. holders should include the portion of the stated interest payments on the Note that is treated as interest in income, as described above under **“—U.S. Federal Income Tax Treatment of the Notes as Indebtedness for U.S. Federal Income Tax Purposes—Payments of Interest.”**

If the term of a Note described in this section is one year or less, the Deposit should be treated as a short-term obligation as described above under **“—U.S. Federal Income Tax Treatment of the Notes as Indebtedness for U.S. Federal Income Tax Purposes—Short-Term Debt Instruments.”**

The Put Premium should not be taxable to a U.S. holder upon its receipt. If the Put Option expires unexercised, the U.S. holder should recognize the total Put Premium received as short-term capital gain at such time.

If the Put Option is exercised and we cash settle the Put Option, a U.S. holder should generally recognize a short-term capital gain or loss equal to (i) the amount of cash received plus the total Put Premium received less (ii) the amount of the Deposit, plus accrued but unpaid acquisition discount or original issue discount on the Deposit.

Upon the cash settlement of a Put Option, a cash method U.S. holder of a short-term obligation that does not elect to accrue original issue discount in income currently will recognize ordinary income equal to the accrued and unpaid original issue discount.

Upon a sale, or other taxable disposition of a Note described in this section for cash, a U.S. holder should allocate the cash received between the Deposit and the Put Option on the basis of their respective values on the date of sale. The U.S. holder should generally recognize gain or loss with respect to the Deposit in an amount equal to the difference between the amount of the sales proceeds allocable to the Deposit (less accrued and unpaid **“qualified stated interest”** or accrued original issue discount that the U.S. holder has not included in income, which will be treated as ordinary interest income) and the U.S. holder’s adjusted tax basis in the Deposit (which will generally equal the initial purchase price of the Note increased by any accrued original issue discount previously included in income on the Deposit and decreased by the amount of any payment (other than an interest payment that is treated as qualified stated interest) received on the Deposit). Such gain or loss should be capital gain or loss and should be long-term capital gain or loss if the U.S. holder has held the Deposit for more than one year at the time of

such disposition. The deductibility of capital losses is subject to certain limitations. If the Put Option has a positive value on the date of a sale of a Note, the U.S. holder should recognize short-term capital gain equal to the portion of the sale proceeds allocable to the Put Option plus any previously received Put Premium. If the Put Option has a negative value on the date of sale, the U.S. holder should be treated as having paid the buyer an amount equal to the negative value in order to assume the U.S. holder's rights and obligations under the Put Option. In such a case, the U.S. holder should recognize a short-term capital gain or loss in an amount equal to the difference between the total Put Premium previously received and the amount of the payment deemed made by the U.S. holder with respect to the assumption of the Put Option. The amount of the deemed payment will be added to the sales price allocated to the Deposit in determining the gain or loss in respect of the Deposit. The deductibility of capital losses is subject to certain limitations.

Although we intend to treat each Note described in this section as consisting of a Deposit and a Put Option, there are no Treasury regulations, published rulings or judicial decisions addressing the characterization of securities with terms that are substantially the same as those of the Notes described in this section, and therefore the Notes could be subject to some other characterization or treatment for U.S. federal income tax purposes. For example, the Notes could be treated as contingent payment debt instruments for U.S. federal income tax purposes. In such a case, in general, U.S. holders should be treated as described above under “—U.S. Federal Income Tax Treatment of the Notes as Indebtedness for U.S. Federal Income Tax Purposes—Contingent Payment Debt Instruments.”

Other characterizations and treatments of Notes described in this section are possible. Prospective investors in the Notes described in this section should consult their tax advisors as to the tax consequences to them of purchasing Notes described in this section, including any alternative characterizations and treatments.

**Certain Notes Treated as Cash-Settled Options.** We may treat certain Notes as cash-settled options for U.S. federal income tax purposes. The applicable Pricing Supplement will indicate whether we intend to treat a Note as a cash-settled option for U.S. federal income tax purposes. This section describes the principal U.S. federal income tax consequences of the purchase, beneficial ownership and disposition of a Note that we intend to treat as a cash-settled option.

Upon a sale, exchange, exercise or expiration of a Note, a U.S. holder should be required to recognize taxable gain or loss in an amount equal to the difference between the amount realized upon such sale, exchange, exercise or expiration and the U.S. holder's tax basis in the Note. A U.S. holder's tax basis in a Note generally will equal such U.S. holder's initial investment in the Note. Such gain or loss would generally be treated as long-term capital gain or loss if the Note was held by the U.S. holder for more than one year at the time of such sale, exchange, exercise or expiration. The deductibility of capital loss is subject to certain exceptions.

If the Notes are characterized as cash-settled options for U.S. federal income tax purposes, then Section 1256 of the Code could apply to the Notes. Section 1256 of the Code requires that certain financial contracts, including “non-equity” options, be “marked-to-market” on the last business day of a U.S. holder's taxable year. In addition to certain other requirements, for purposes of Section 1256 of the Code, an option will only be treated as a “non-equity” option if the option is traded on (or subject to the rules of) a qualified board or exchange. Although there is no authority directly addressing the U.S. federal income taxation of instruments with terms identical to the Notes, assuming that the Notes will not be listed on any securities exchange and that it is not expected that a trading market for the Notes will develop, the Notes should not be treated as “non-equity” options for purposes of Section 1256 of the Code, and as a result Section 1256 of the Code should not apply to the Notes. Accordingly, a U.S. holder of a Note should not be required to mark a Note to market and should be required to recognize taxable gain or loss with respect to a Note only upon the sale, exchange, exercise or expiration of the Note.

If, however, the Notes are not characterized as cash-settled options for U.S. federal income tax purposes, then the U.S. federal income tax treatment of the purchase, ownership and disposition of the Notes could differ from the treatment discussed above, with the result that the timing and character of income, gain or loss recognized by a U.S. holder with respect to a Note could differ from the timing and character of income, gain or loss recognized with respect to a Note had the Notes been treated as cash-settled options for U.S. federal income tax purposes. In light of the uncertainty concerning the proper U.S. federal income tax characterization of the Notes, prospective investors are urged to consult their own tax

advisors as to the proper characterization and treatment of the Notes for U.S. federal income tax purposes.

**Certain Notes Treated as Forward Contracts or Other Executory Contracts.** We may treat certain Notes as a forward contract or other executory contract for U.S. federal income tax purposes. The applicable Pricing Supplement will indicate whether we intend to treat a Note as a forward contract or other executory contract for U.S. federal income tax purposes. This section describes the principal U.S. federal income tax consequences of the purchase, beneficial ownership and disposition of a Note that we intend to treat as a forward contract or other executory contract.

There are no Treasury regulations, published rulings or judicial decisions addressing the treatment for U.S. federal income tax purposes of Notes with terms that are substantially the same as those described in this section. Accordingly, the proper U.S. federal income tax treatment of the Notes described in this section is uncertain. Under one approach, the Notes would be treated as forward contracts or other executory contracts with respect to the Reference Rate or Reference Rates. We intend to treat each Note described in this section consistent with this approach, and pursuant to the terms of the Notes, each holder agrees to such treatment for all U.S. federal income tax purposes. Except for the possible alternative treatments described below, the balance of this summary assumes that the Notes described in this section are so treated.

Unless otherwise indicated in the applicable Pricing Supplement, if a Note that is treated as a forward contract or other executory contract provides for current interest payments, we intend to treat that interest as ordinary income at the time it accrues or is received in accordance with the U.S. holder's regular method of accounting for tax purposes.

A U.S. holder's tax basis in a Note described in this section generally will equal the U.S. holder's cost for the Note. Upon receipt of cash upon maturity or redemption and upon the sale, exchange, retirement or other disposition of the Note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized at maturity or on the redemption, sale, exchange, retirement or other disposition and the U.S. holder's tax basis in the Note. Any such gain or loss upon the maturity, redemption, sale, exchange, retirement or other disposition of the Note generally will constitute capital gain or loss, which will be long-term capital gain or loss if the Note was held for more than one year. Long-term capital gain of non-corporate taxpayers may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Although we intend to treat each Note described in this section as a forward contract or other executory contract as described above, there are no Treasury regulations, published rulings or judicial decisions addressing the characterization of securities with terms that are substantially the same as those of the Notes described in this section, and therefore the Notes could be subject to some other characterization or treatment for U.S. federal income tax purposes. For example, the Notes could be treated as "contingent payment debt instruments" for U.S. federal income tax purposes. In this case, in general, U.S. holders should be treated as described above under "—U.S. Federal Income Tax Treatment of the Notes as Indebtedness for U.S. Federal Income Tax Purposes—Contingent Payment Debt Instruments."

In addition, certain proposed Treasury regulations require the accrual of income on a current basis for contingent payments made under certain "notional principal contracts." The preamble to the proposed Treasury regulations states that the "wait and see" method of accounting does not properly reflect the economic accrual of income on those contracts, and requires current accrual of income for some contracts already in existence. While the proposed Treasury regulations do not apply to forward contracts, the preamble to the proposed Treasury regulations indicates that similar timing issues exist in the case of pre-paid forward contracts. If the IRS or the U.S. Treasury Department publishes future guidance requiring current economic accrual for contingent payments on pre-paid forward contracts, it is possible that a U.S. holder could be required to accrue income over the term of the Notes described in this section.

Other alternative U.S. federal income tax characterizations or treatments of the Notes described in this section are possible, and if applied could also affect the timing and the character of the income or loss with respect to the Notes.

Prospective investors in the Notes described in this section should consult their tax advisors as to the tax consequences to them of purchasing the Notes, including any alternative characterizations and treatments.

#### *Tax Return Disclosure Regulations*

Pursuant to Treasury regulations (the “**Disclosure Regulations**”), any taxpayer that has participated in a “reportable transaction” and that is required to file a U.S. federal income tax return must generally attach a disclosure statement disclosing such taxpayer’s participation in the reportable transaction to the taxpayer’s tax return for each taxable year for which the taxpayer participates in the reportable transaction. A penalty in the amount of \$10,000 in the case of a natural person and \$50,000 in any other case is imposed on any taxpayer that fails to file a reportable transaction disclosure statement. The Disclosure Regulations provide that, in addition to certain other transactions, a “loss transaction” constitutes a “reportable transaction.” A “loss transaction” is any transaction resulting in the taxpayer claiming a loss under Section 165 of the Code in an amount equal to or in excess of certain threshold amounts. The Disclosure Regulations specifically provide that a loss resulting from a “Section 988 transaction” (as defined in Section 988(c)(l) of the Code relating to foreign currency transactions) will constitute a Section 165 loss. In the case of individuals or trusts, whether or not the loss flows through from an S corporation or partnership, if the loss arises with respect to a Section 988 transaction, the applicable threshold amount is \$50,000 in any single taxable year. Higher threshold amounts apply depending upon the taxpayer’s status as a corporation, partnership, or S corporation, as well as certain other factors. It is important to note, however, that the Disclosure Regulations provide that the fact that a transaction is a reportable transaction shall not affect the legal determination of whether the taxpayer’s treatment of the transaction is proper. Holders should consult their own tax advisors concerning the potential application of the Disclosure Regulations to the Notes.

#### *Tax Treatment of Non-U.S. Holders*

The following discussion assumes that a particular Note will be treated for U.S. federal income tax purposes consistently with the intended treatment of the Note, as described in “—U.S. Federal Income Tax Treatment of the Notes as Indebtedness for U.S. Federal Income Tax Purposes”, “—U.S. Federal Income Tax Treatment of the Notes Other Than as Indebtedness for U.S. Federal Income Tax Purposes—Certain Notes Treated as a Put Option and a Deposit”, “—U.S. Federal Income Tax Treatment of the Notes Other Than as Indebtedness for U.S. Federal Income Tax Purposes—Certain Notes Treated as a Cash-Settled Options” or “—U.S. Federal Income Tax Treatment of the Notes Other Than as Indebtedness for U.S. Federal Income Tax Purposes—Certain Notes Treated as Forward Contracts or Other Executory Contracts.” If this assumption proves incorrect, the U.S. federal income tax consequences to the non-U.S. holder with respect to such Note could differ materially from the discussion set forth in this section.

Except as provided below, payments on the Notes to non-U.S. holders will not be subject to U.S. federal withholding tax if the following conditions are satisfied:

- the non-U.S. holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- the non-U.S. holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related to us through actual or constructive ownership;
- the non-U.S. holder is not a bank receiving interest on a loan made in the ordinary course of its trade or business;
- interest payable on the Notes is either (a) not determined by reference to any receipts, sales or other cash flow, income or profits, change in the value of any property of, or any dividend or similar payment made by us or a person related to us, within the meaning of Section 871(h)(4)(A) of the Code or (b) determined by reference to changes in the value of actively traded property or an index of the value of actively traded property, within the meaning of Section 871(h)(4)(C)(v) of the Code; and
- the payments are not effectively connected with a trade or business conducted by the non-U.S. holder in the United States and either (a) the non-U.S. holder provides a

correct, complete and executed IRS Form W-8BEN or Form W-8IMY (or successor form) with appropriate attachments, or (b) the non-U.S. holder holds its Note through a qualified intermediary (generally a foreign financial institution or clearing organization or a non-U.S. branch or office of a U.S. financial institution or clearing organization that is a party to a withholding agreement with the IRS) which has provided an IRS Form W-8IMY and has received documentation upon which it can rely to treat the payment as made to a foreign person.

If any of these conditions are not satisfied, interest (including original issue discount) on the Notes may be subject to a 30% withholding tax, unless an income tax treaty reduces or eliminates the tax or the interest is effectively connected with the conduct of a U.S. trade or business and, in either case, certain certification requirements are met. If such non-U.S. holder is a foreign corporation, it may be subject to an additional branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Notwithstanding the foregoing, we will generally withhold tax at a 30% rate on interest payments paid on Notes that we intend to treat as either (1) forward contract or other executory contract, or (2) consisting of a Put Option and a Deposit, unless such rate is reduced or eliminated by an "other income" or similar provision of an applicable income tax treaty, provided the relevant certification requirements are satisfied. Any interest payments that are effectively connected with a non-U.S. holder's conduct of a trade or business within the United States, are not subject to the withholding tax, provided the relevant certification requirements are satisfied, but instead are subject to U.S. federal income tax, as described below. If such non-U.S. holder is a foreign corporation, it may be subject to an additional branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

In general, gain realized on the sale, exchange, retirement, redemption or other disposition of the Notes by a non-U.S. holder will not be subject to U.S. federal income tax, unless:

- the gain with respect to the Notes is effectively connected with a trade or business conducted by the non-U.S. holder in the United States, or
- the non-U.S. holder is a nonresident alien individual who holds the Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied.

If the gain realized on the sale, exchange, retirement, redemption or other disposition of the Notes by the non-U.S. holder is described in either of the two preceding bullet points, the non-U.S. holder may be subject to U.S. federal income tax with respect to the gain except to the extent that an income tax treaty reduces or eliminates the tax and the appropriate documentation is provided.

#### *Notice 2008-2*

In Notice 2008-2, the IRS and the Treasury Department requested comments as to whether the purchaser of an exchange traded note or pre-paid forward contract (which may include a Note that we intend (and you agree) to treat as a forward contract or other executory contract, or as consisting of a Put Option and a Deposit, for U.S. federal income tax purposes) should be required to accrue income during its term under a mark-to-market, accrual or other methodology, whether income and gain on such a Note or contract should be ordinary or capital, and whether foreign holders should be subject to withholding tax on any deemed income accrual. Accordingly, it is possible that Treasury regulations or other guidance could provide that a U.S. holder of such a Note is required to accrue income in respect of the Note prior to the receipt of payments under the Note or its earlier sale. Moreover, it is possible that any such Treasury regulations or other guidance could treat all income and gain of a U.S. holder in respect of a Note as ordinary income (including gain on a sale), or that the Notes should be subject to the special constructive ownership rules of Section 1260 of the Code. Finally, it is possible that a non-U.S. holder of the Note could be subject to U.S. withholding tax in respect of a Note. It is unclear whether any Treasury regulations or other guidance would apply to the Notes (possibly on a retroactive basis). Prospective investors are urged to consult with their tax advisors regarding Notice 2008-2 and the possible effect to them of the issuance of Treasury regulations or other guidance that affects the U.S. federal income tax treatment of the Notes.

### *Information Reporting and Backup Withholding*

Distributions made on the Notes and proceeds from the sale of Notes to or through certain brokers may be subject to a backup withholding tax on “reportable payments” unless, in general, the holder complies with certain procedures or is an exempt recipient. Any amounts so withheld from distributions on the Notes generally will be refunded by the IRS or allowed as a credit against the holder’s U.S. federal income tax, provided the holder makes a timely filing of an appropriate tax return or refund claim.

Reports will be made to the IRS and to holders that are not excepted from the reporting requirements.

**THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN NOTES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR’S PARTICULAR CIRCUMSTANCES.**