



London
Stock Exchange

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1 December 2008

**For the attention of the
chairman/senior partner/compliance officer,
all member firms**

N41/08

STOCK EXCHANGE NOTICE

TEATHERS LIMITED – IN DEFAULT – APPLICATION OF DEFAULT RULES AND SUBMISSION OF UNSETTLED TRADE DETAILS BY COUNTERPARTIES

1. Further to Stock Exchange Notice N38/08 declaring Teathers Limited (“the defaulter”) to be a defaulter pursuant to and in accordance with rule D100 of the Rules of the London Stock Exchange (“the rules”), this Notice provides further details of the London Stock Exchange’s (“the Exchange”) default rules and procedures and the steps that counterparties need to take.

Default rules and procedures

2. As a Recognised Investment Exchange, the Exchange is required to have default rules in place to enable action to be taken in respect of on Exchange market contracts to which the defaulter is party. The default rules (rules D010 to D200 inclusive) are available on the website at <http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/rules-regulations.htm>

In accordance with the default rules and procedures, the Exchange has now commenced its default process.

3. Depending on whether the defaulter acted as a principal or agent, the rules provide a mechanism for;
 - in the case of principal transactions, providing a single net sum owed to or from the defaulter; or
 - in the case of agency transactions, putting together (by means of “read” letters) the two principals who must settle the trade on the terms on which it was originally dealt.

4. For any unsettled principal transactions, the default official is responsible for fixing the hammer price (as defined in the rules) and notifying the defaulter and its counterparties of the hammer price in accordance with rule D130. Details of the hammer prices and the mechanism for their distribution to member firms are included in Stock Exchange Notice N40/08
<http://www.londonstockexchange.com/en-gb/products/membershiptrading/rulesreg/stockexnoticesnew/>.

Data Collection

5. The defaulter, all member firms and all non member firm counterparties are required to provide the Exchange with the full details of all unsettled, on Exchange, non-central counterparty ("CCP") trades (including stock loans) to which the defaulter was a party at the declaration of default.
6. From the information obtained, the Exchange will determine the unsettled on Exchange trades, including stock loans and claims, to which the defaulter was party at the point of the declaration of default, in order to establish the net sums due to or from the defaulter and/or to issue the "read" letters.
7. Accordingly, it is important for the defaulter, member firms and non member firm counterparties to make the Exchange aware of all such transactions. Failure to notify the Exchange of relevant trades may result in an incomplete calculation of a party's net positions with the defaulter and/or an incomplete issue of "read" letters.

Management of Positions

8. Member firms and non member firm counterparties should take such steps as they see fit to manage their likely risk exposure during the period until the Exchange either produces its net amount certificates and/or issues its "read" letters.

Transactions covered by the Exchange's default rules

9. Only transactions effected on the Exchange ("Stock Exchange market contracts") will be subject to the default rules. Trades executed automatically on an Exchange order book are deemed to be Stock Exchange market contracts as described in rule 2000. Rule 3000 describes the circumstances in which trades conducted outside the order book will, or may, be traded on Exchange.
10. It is important to note that transactions effected through a CCP will be subject to the rules and default procedures of that CCP, if applicable.

Lending Arrangements

11. Lending arrangements conducted on Exchange are required to be subject to a written agreement between the two parties. The Exchange has authorised standard forms of agreement for this purpose (e.g. Global Master Securities Lending Agreement) which contain provisions in the event of default of either party. Member firms should follow the provisions of these agreements in respect of any unsettled lending arrangements with the defaulter. Under the default rules, the Exchange is required to include any net amounts arising from the termination of such arrangements in its net amount for certification and member firms and counterparties are required to provide the Exchange with net sums due to or owing from the defaulter in respect of each such arrangement.

Claims

12. The Exchange considers that any claims or other rights attached to an unsettled on Exchange market contract are within the scope of the Exchange's default rules.

Member firms and non member firm counterparties – data submission

13. Member firms and non member firm counterparties who believe they are counterparty to any unsettled, non-CCP, on Exchange transaction with the defaulter must complete the spreadsheet which can be found on the Exchange's dedicated website at:
<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/teathers/member-counterparties/member-counterparties.htm>

Each member firm's Member ID (BIC Code) should be included against each trade on the spreadsheet and also in the name of the spreadsheet.

14. The completed spreadsheet must be returned to the Exchange by Monday 22 December 2008 to the dedicated email address of defaultofficial@londonstockexchange.com. **Member firms and non member firm counterparties should ensure that all emails have the word "Teathers" in the subject field.**

Communication by the Exchange

15. The Exchange will communicate by way of Stock Exchange Notices and information published on the dedicated section of the Exchange's website <http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/teathers/teathers-default.htm> This includes a section on the current status of the default, which will be kept updated as the default process progresses.

Default officials

16. The Exchange has appointed Nick Bayley as the default official in relation to this default, together with John Newbury and Tim Rowe as deputy default officials, in accordance with rules D050 and D052 respectively.

17. Any queries on this Notice should be addressed to either:

John Newbury, Trading Services, telephone +44 20 7797 1615 (STX 31615)
email: jnewbury@londonstockexchange.com; or

Tim Rowe, Trading Services, telephone +44 20 7797 3468 (STX 33468)
email: trowe@londonstockexchange.com.

Nick Bayley
Head of Trading Services

This Stock Exchange Notice will be available on the website at
<http://www.londonstockexchange.com/en-gb/products/membershiptrading/rulesreg/stockexnoticesnew/>

Calls to London Stock Exchange plc may be recorded to enable the Exchange to carry out its regulatory responsibilities.