EnergyOn No. 2 Securitisation Notes
(Article 62 Asset Identification Code 200912TGSESUNXXN0037)

€ 440,650,000.00 Class A Asset Backed Floating Rate Securitisation Notes due 2025
Issue Price: 100%

Issued by
Tagus – Sociedade de Titularização de Créditos, S.A.
(*Incorporated in Portugal with limited liability under registered number 507 130 820*)

The Class A Asset Backed Floating Rate Securitisation Notes due 2025 (the "**Class A Notes**") of Tagus – Sociedade de Titularização de Créditos, S.A. (the "**Issuer**") will be issued on December 3, 2009 (the "**Closing Date**"). The issue price of the Class A Notes is 100% of their initial Principal Amount Outstanding (as defined).

Interest on the Class A Notes is payable on January 12, 2010 and thereafter monthly in arrear on the 12th day of each month (or, if such day is not a Business Day (as defined), the next succeeding Business Day unless such day would fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day) (each an "**Interest Payment Date**"). The First Interest Period (as defined) begins on (and including) December 3, 2009 and ends on (but excluding) January 12, 2010.

Interest on the Class A Notes will accrue from (and including) the Closing Date up to (and excluding) the Interest Payment Date falling in May, 2025 (the "**Final Legal Maturity Date**"). For each Interest Period (as defined) up to (and excluding) the second Interest Payment Date falling in the calendar year starting immediately after the occurrence of a Eurosystem Event (as defined) (the "**Step-up Date**"), interest on the Class A Notes is payable at an annual rate equal to the sum of the European Interbank Offered Rate for one month euro deposits ("**1-month EURIBOR**"), except for the First Interest Period (as defined) when the applicable EURIBOR will be the interpolated European Interbank Offered Rate for one month and two month euro deposits, *plus*, for each Interest Period, a margin of 0.90% per annum. For each Interest Period from (and including) the Step-up Date interest on the Class A Notes is payable at an annual rate equal to the sum of 1-month EURIBOR *plus*, for each Interest Period, a margin of 1.60% per annum.

Payments on the Class A Notes will be made in euro after any Tax Deduction (as defined). The Class A Notes will not provide for additional payments by way of gross-up in case that interest payable under the Class A Notes is or becomes subject to income taxes (including withholding taxes) or other taxes. See "**Information on the Securities and on the Admission to Trading of the Class A Notes – Taxation**".

The Class A Notes will be redeemed at their Principal Amount Outstanding on the Final Legal Maturity Date to the extent not previously optionally or mandatorily redeemed in whole or in part on each Interest Payment Date. See "**Information on the Securities and on the Admission to Trading of the Class A Notes**".

The Class A Notes will be subject to optional redemption in whole at their Principal Amount Outstanding, together with the accrued unpaid interest up to the relevant redemption date at the option of the Issuer, on any Interest Payment Date (a) following the occurrence of a Tax Event (as defined) or (b) on or after the Interest Payment Date on which the outstanding amount of the Credit Rights (as defined) is equal or less than 10% of the amount of such Credit Rights as at December 31, 2009 (i.e. € 447,469,000.00) (see "**Information on the Securities and on the Admission to Trading of the Class A Notes**").

The source of funds for the payment of principal and interest on the Class A Notes will be the legally established right to receive, through the electricity tariffs, the amount of additional costs to be incurred by EDP – Serviço Universal, S.A. (the "**Originator**") (as estimated for 2009) with the implementation of energetic policies relating to over costs incurred with electricity generation under the special regime that have not yet been reflected into the electricity tariffs, accrued of interest thereon. The Class A Notes are limited recourse obligations and are obligations solely of the Issuer and are not the obligations of, or guaranteed by, and will not be the responsibility of, any other entity. In particular, the Class A Notes will not be obligations of and will not be guaranteed by the Joint Arrangers and Joint Lead Managers or the Originator.

The Class A Notes will be issued in book-entry form (*forma escritural*) and nominative (*nominativas*) and in the denomination of € 50,000 each and integral multiples of € 50,000 in excess thereof and will be governed by Portuguese law. The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Class A Notes shall upon issue be integrated in the centralised system (*sistema centralizado*) and settled through the Portuguese securities settlement system (*Central de Valores Mobiliários* or "**CVM**") operated by INTERBOLSA – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("**Interbolsa**"). Recognition of the Class A Notes as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem will depend, upon issue or at any or all times during their life, on satisfaction of the Eurosystem eligibility criteria.

This Prospectus has been approved by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* or the "**CMVM**") as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). According to article 118 of the Portuguese Securities Code, the CMVM only approves this Prospectus as meeting the requirements imposed under Portuguese and EU law pursuant to the Prospectus Directive. The language of the Prospectus is English, although certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Application has been made to Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. ("**Euronext**") for the Class A Notes to be admitted to trading on Euronext Lisbon, a regulated market managed by Euronext. The approval of CMVM as competent authority under the Prospectus Directive solely relates to the Class A Notes which are to be admitted to trading on the regulated market Euronext Lisbon.

This document constitutes a prospectus for admission to trading on a regulated market of the Class A Notes for the purposes of the Prospectus Directive.

The Class A Notes are rated by Moody's Investors Service Ltd. ("**Moody's**"). It is a condition to the issuance of the Notes that the Class A Notes are rated Aaa by Moody's.

For a discussion of certain significant factors affecting investments in the Class A Notes, see "**Risk Factors**" herein.

This Prospectus is dated December 3, 2009.

Joint Arrangers and Joint Lead Managers

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RISK FACTORS

Prospective purchasers of the Notes should consider carefully, in light of the circumstances and their investment objectives, the information contained in this entire Prospectus and reach their own views prior to making any investment decision. Prospective purchasers should nevertheless consider, in addition to the other information contained in this Prospectus, the risk factors set out below before making an investment decision in respect of the Notes, as the same can materially and adversely affect the Credit Rights, the Notes and/or the business, financial condition or results of operations of the Issuer. In that case, the trading price and/or value of the Notes could decline, and the investors could lose all or part of their investment.

The risks described below are those that the Issuer believes to be material, but these may not be the only risks and uncertainties that the Issuer faces. Additional risks not currently known or which are currently deemed immaterial may also have a material adverse effect on the Credit Rights, business, financial condition or results of operations of the Issuer or result in other events that could lead to a decline in the trading price and/or value of the Notes. This Prospectus may also contain forward-looking statements that involve risks and uncertainties. The actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors.

Risk Factors relating to the Credit Rights and the Extraordinary Deviations

Risk of Change of Law, Regulatory Framework and Ministerial or Administrative Decisions

The Credit Rights are recognised pursuant to the law, applicable regulations and ministerial or administrative decisions in the sense that such Credit Rights are a legal entitlement arising from Decree-Law no. 165/2008, of 21 August, Ministerial Order no. 27677/2008, of 19 September, and Ministerial Order no. 5579-A/2009, of 16 February. This Decree-Law (together with the applicable regulations and ministerial or administrative decisions) recognises that the entities affected by it (or respective assignees) are entitled to fully recover the Extraordinary Deviations, together with interest thereon, through the Global Use of System Tariff (the "**UGS Tariff**") or any other tariff payable by all electricity consumers, starting in the year following the one in which these costs should have been reflected in the tariff. Such a recovery is to occur by means of its repercussion in the UGS Tariff in constant monthly instalments during the period between January 1, 2010 and December 31, 2024. The billing and collection process of the Extraordinary Deviations is supported by way of legal statutes and regulations and, in particular, by the provision of article 78 of the Commercial Relations Regulation (*Regulamento de Relações Comerciais*) currently in force as approved by the Energy Services Regulatory Authority (*Entidade Reguladora dos Serviços Energéticos* or "**ERSE**").

In this context, a change in the legal statutes, applicable regulations and ministerial or administrative decisions governing the Credit Rights or their billing and collection process may materially affect the Credit Rights, the right to collect such Credit Rights or the actual collection of the Credit Rights.

Failure of the DGO to perform deliveries

Payment of principal and interest on the Notes is dependent upon the distribution grid operator ("**DGO**") performing deliveries of amounts in respect of Credit Rights, as collected, through the UGS Tariff, from all consumers of electricity in Portugal. Accordingly, although the electricity consumers are the ones who bear the encumbrance which allows the payment of the Credit Rights assigned and, as such, may be considered as the ultimate debtors of the Credit Rights, the DGO is the entity which undertakes the obligation to perform the deliveries of amounts in respect of such Credit Rights, during the legally determined monthly periods. For such reason, the sole entity which has the obligation to deliver to EDP – Serviço Universal, S.A. ("**EDP SU**") the amounts pertaining to the Credit Rights is, at the present date,

EDP Distribuição – Energia, S.A. ("**EDP Distribuição**") which, following notification of the assignment of the Credit Rights in the terms provided for in the Receivables Sale Agreement, will transfer on a monthly basis the correspondent amounts directly to the Issuer Transaction Account.

In case of insolvency of the DGO or failure by it to honour its obligation to perform deliveries of amounts in respect of the Credit Rights, the electricity market regulating entities such as ERSE shall be responsible for administrating and maintaining the recovery mechanism for the Credit Rights, in particular, ensuring that a replacement entity would make such deliveries. Additionally, it is legally established that the Credit Rights are not a part of the insolvency estate of any entity involved in billing and collection activities in the National Electricity System (*Sistema Eléctrico Nacional* or "**SEN**").

Notwithstanding the above mentioned, the Issuer cannot ensure that, in case of insolvency of the DGO, all entities involved in billing and collection activities in the SEN, including, to the extent applicable, ERSE, will be able to maintain the recovery mechanism for the Credit Rights or that a replacement entity would be put in place and make the necessary deliveries and that, consequently, the collection of the Credit Rights will not be materially affected.

Commingling Risk

Pursuant to article 2.3 of Decree-Law no. 165/2008, of 21 August, and article 2 of Ministerial Order no. 27677/2008, of 19 September, the Extraordinary Deviations, together with the corresponding accrued interest, are to be recovered, on a permanent basis, through the inclusion of these amounts as one of the components of the UGS Tariff, or on any other tariff applicable to all consumers, during a 15 year consecutive period starting on January 1, 2010. Even if the UGS Tariff includes, besides the Extraordinary Deviations, other costs of the SEN, cash flows pertaining thereto must be fully identifiable and segregated as per article 2.7 of Decree-Law no. 165/2008, of 21 August.

In any case, the Issuer cannot ensure that all entities involved in billing and collection activities in the SEN will comply with the segregation required by law and, in such cases, the failure to comply with the legal established segregation by such entities might materially impact the collection of the Credit Rights and the cash flows in respect of the Credit Rights.

Risk Factors Relating to the Notes

Absence of a Secondary Market

There is currently no market for the Notes. While the Joint Lead Managers intend to make a market in the Notes, they are under no obligation to do so. There can be no assurance that a secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the holders of such Notes with liquidity of investment or that it will continue for the entire life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold the Notes until final redemption thereof. The market price of the capital in the Notes could be subject to fluctuation in response to, among other things, variations pertaining to the Credit Rights, the market for similar securities, prevailing interest rates, changes in regulation and general market and economic conditions.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. The Issuer cannot predict when these circumstances will change and if and when they do whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in the future.

Restrictions on Transfer

The Notes have not been, and will not be, registered under the United States of America 1933 Securities Act (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The offering of the Notes will be made pursuant to exemptions from the registration provisions under Regulation S of the Securities Act and from state securities laws. No person is obliged or intends to register the Notes under the Securities Act or any state securities laws. Accordingly, offers and sales of the Notes are subject to the restrictions described under "**Subscription and Sale**".

Limited Recourse Nature of the Notes

The Notes are limited recourse obligations and are obligations solely of the Issuer and will not be obligations or responsibilities of any other entity. In particular, the Notes will not be obligations of and will not be guaranteed by the Common Representative, the Transaction Manager, the Issuer Accounts Bank, the Paying Agent, the Swap Counterparty, the Swap Deposit Bank, the Joint Arrangers and Joint Lead Managers, the Originator or the Servicer.

Repayment of the Notes is limited to the funds received from or derived from the Extraordinary Deviations and any other amounts paid or to be paid on each Interest Payment Date to the Issuer pursuant to the Transaction Documents, subject to the payment of amounts ranking in priority to payment of amounts due in respect of the Notes. If there are insufficient funds available to the Issuer to pay in full all principal, interest and other amounts due in respect of the Notes upon acceleration following delivery of an Enforcement Notice or if the Notes become otherwise immediately due and payable at their Principal Amount Outstanding together with any accrued interest or upon Mandatory Redemption in Part or in Whole or upon Optional Redemption in Whole as permitted under the Conditions, then the Noteholders will have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be deemed discharged in full. No recourse may be had against any officer, member, director, employee, shareholder, security holder or incorporator of the Issuer or their respective successors or assignees for any amount due in respect of any Notes or any other obligations of the Issuer, to the extent that, in accordance with article 61 of the Securitisation Law, the redemption and remuneration of Notes and the payment of expenses and charges related to the issuance shall only be guaranteed by (i) credits directly related to them, (ii) the proceeds of their redemption, (iii) the income arising from them or (iv) other guarantees or risk coverage instruments undertaken with regard to their issuance, the remaining assets of the securitisation vehicle also not being used to such effect.

None of the Transaction Parties or any other person has assumed any obligation in case the Issuer fails to make a payment due under any of the Notes.

Limited Resources of the Issuer

The Notes will not be obligations or responsibilities of any of the parties to the Transaction Documents other than the Issuer and shall be limited to the segregated portfolio of Credit Rights corresponding to this transaction (as identified by the corresponding asset code awarded by the *Comissão do Mercado de Valores Mobiliários* (or the "**CMVM**") pursuant to article 62 of the Securitisation Law).

The obligations of the Issuer under the Notes are without recourse to any other assets of the Issuer pertaining to other issuances of securitisation notes by the Issuer or to the Issuer's own funds or to the Issuer's directors, officers, employees, managers or shareholders. None of such persons or entities has assumed or will accept any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on or in respect of the Notes.

The Issuer will not have any assets available for the purpose of meeting its payment obligations under the Notes other than the Credit Rights, the Collections, the Swap Deposit, its rights pursuant to the Transaction Documents and amounts standing to the credit of the Issuer Transaction Account and the Expenses Reserve Account. The Issuer's ability to meet its obligations in respect of the Notes, its operating expenses and its administrative expenses is wholly dependent upon:

(a) receipt by the Issuer of the deliveries of the Extraordinary Deviations' amounts in respect of the Credit Rights from the DGO;

(b) the Transaction Management, the Issuer Transaction Account, the Expenses Reserve Account and the Swap Deposit arrangements;

(c) the Swap Agreement; and

(d) the performance by all of the parties to the Transaction Documents (other than the Issuer) of their respective obligations under the Transaction Documents.

Payments to the holders of the Credit Rights are not dependent upon the level of electricity being used in the electricity system; rather they are fixed in a form of an annuity (based on interest rates reset every year), which ensures full repayment of the Credit Rights by the Final Legal Maturity Date. Pursuant to provision of article 78 of ERSE's Commercial Relations Regulation (*Regulamento de Relações Comerciais*), currently in force, as approved by ERSE and applicable to the recovery of Extraordinary Deviations, the DGO is to deliver the amounts in respect of the monthly instalments to the Issuer according to a pre-defined amount and schedule to be defined by ERSE on an annual basis.

Ultimately, as long as there is consumption of electricity in Portugal, the DGO (whoever it is) shall perform the deliveries of amounts in respect of the Credit Rights to the Issuer. The Swap Agreement will, *inter alia*, hedge the interest rate risk component of the payments received from the DGO.

The Issuer will not have any other funds available to it to meet its obligations under the Notes or any other payments ranking in priority to, or *pari passu* with, the Notes. There is no assurance that there will be sufficient funds to enable the Issuer to pay interest on the Notes or, on the redemption date of the Notes (whether on the Final Legal Maturity Date or upon acceleration following delivery of an Enforcement Notice or if the Notes become otherwise immediately due and payable at their Principal Amount Outstanding together with any accrued interest or upon Mandatory Redemption in Part or in Whole or upon Optional Redemption in Whole as permitted under the Conditions) that there will be sufficient funds to enable the Issuer to repay principal in respect of the Notes in whole or in part.

Liquidity and Credit Risk for the Issuer

The Issuer will be subject to the risk of delays in the receipt, or risk of defaults in the making, of deliveries of amounts in respect of the Credit Rights from the DGO (whoever it is). There can be no assurance that the levels or timeliness of payments of Collections will be adequate to ensure fulfilment of the Issuer's obligations in respect of the Notes on each Interest Payment Date or on the Final Legal Maturity Date.

The Originator or Servicer will not be responsible for any delays in transfer funds from the Issuer Transaction Account and the Expenses Reserve Account into the Noteholders accounts or to the accounts of the creditors of any Third Party Expenses, as applicable.

Segregation of Transaction Assets and the Issuer Obligations

The Notes and the obligations owing to the Transaction Creditors will have the benefit of the segregation principle provided pursuant to the Securitisation Law and, accordingly, the Issuer Obligations are limited, in accordance with the Securitisation Law, solely to the assets of the Issuer which collateralise the Notes, specifically, the Transaction Assets.

Both before and after any Insolvency Event in relation to the Issuer, the Transaction Assets will be available for satisfying the obligations of the Issuer to the Noteholders in respect of the Notes and the Transaction Creditors pursuant to the Transaction Documents.

The Transaction Assets and all amounts deriving therefrom may not be used by creditors of the Issuer other than the Noteholders and the Transaction Creditors and may only be used by the Noteholders and the Transaction Creditors in accordance with the terms of the Transaction Documents including the relevant Payments Priorities.

Equivalent provisions will apply in relation to any other series of securitisation notes issued by the Issuer.

CaixaBI as Servicer of the Credit Rights

Under the Receivables Servicing Agreement, CaixaBI has been named as the Servicer in respect of the Credit Rights to perform certain administrative services in relation to the Credit Rights thereon in accordance with the terms of the Receivables Servicing Agreement. While the Servicer is under contract to perform certain administrative services under the Receivables Servicing Agreement there can be no assurance that it will be willing or able to perform such services in the future. In the event the appointment of the Servicer is terminated, a successor servicer shall be appointed.

The services performed by CaixaBI do not include collection of the Credit Rights as, following notification of the assignment of the Credit Rights in the terms provided for in the Receivables Sale Agreement, the cash amount pertaining to payment of the Credit Rights are directly transferred by the DGO into the Issuer Transaction Account.

The Servicer may not resign its appointment as Servicer without a justified reason and the appointment of a successor servicer is subject to the prior approval of the CMVM.

Assignment of Credit Rights not affected by the insolvency of the Originator

In the event of the Originator becoming insolvent, the Receivables Sale Agreement, and the sale of the Credit Rights conducted pursuant to it will not be affected or terminated nor will such Credit Rights form part of the Originator's Insolvency estate pursuant to subparagraph b) no. 1 of article 8 of the Securitisation Law, except where the interested parties to said Receivables Sale Agreement acted in bad faith which woud materially affect the fulfillment of the Issuer's obligations towards the Noteholders.

Termination of appointment of the Transaction Manager

In the event of the termination of the appointment of the Transaction Manager by reason of the occurrence of a Transaction Manager Event (as defined in the Transaction Management Agreement) it would be necessary for the Issuer to appoint a substitute transaction manager. The appointment of the substitute transaction manager is subject to the condition that, *inter alia*, such substitute transaction manager is capable of administering the Issuer Accounts and performing the services of Transaction Manager.

There is no certainty that it would be possible to find a substitute or a substitute of satisfactory standing and experience, who would be willing to act as transaction manager on the terms of the Transaction Management Agreement.

In order to appoint a substitute transaction manager it may be necessary to pay higher fees than those paid to the Transaction Manager (which will not be passed on to the Originator or the Servicer) and depending on the level of fees payable to any substitute, the payment of such fees could potentially adversely affect performance of the Issuer's obligations under the Notes.

Ranking of claims of Transaction Creditors and Noteholders

Both before and after an Insolvency Event in relation to the Issuer, amounts deriving from the Transaction Assets will be available for the purposes of satisfying the Issuer Obligations to the Transaction Creditors and Noteholders in priority to the Issuer's obligations to any other creditor.

Furthermore, under the Common Representative Appointment Agreement, the Transaction Management Agreement and the Conditions, the claims of certain Transaction Creditors will rank senior to the claims of the Noteholders in accordance with the relevant payments priorities (see "**Overview of the Transaction**" – "***Pre-Enforcement Interest Payments Priorities, Pre-Enforcement Principal Payments Priorities***" and "***Post-Enforcement Payments Priorities***").

Both before and after an Insolvency Event in relation to the Issuer, amounts deriving from the assets of the Issuer other than the Transaction Assets will not be available for purposes of satisfying the Issuer's Obligations to the Noteholders and the Transaction Creditors as they are legally segregated from the Transaction Assets.

Common Representative's rights under the Transaction Documents

The Common Representative has entered into the Common Representative Appointment Agreement in order to exercise, following the occurrence of an Event of Default, certain rights on behalf of the Issuer and the Transaction Creditors in accordance with the terms of the Transaction Documents for the benefit of the Noteholders and the Transaction Creditors and to give certain directions and make certain requests in accordance with the terms and subject to the conditions of the Transaction Documents and the Securitisation Law.

Accordingly, although the Common Representative may give certain directions and make certain requests to the Originator and the Servicer on behalf of the Issuer under the terms of the Receivables Sale Agreement and the Receivables Servicing Agreement, the exercise of any action by the Originator and the Servicer in response to any such directions and requests will be made to and with the Issuer only and not with the Common Representative.

Therefore, if an Insolvency Event has occurred in relation to the Issuer, the Common Representative may not be able to circumvent the involvement of the Issuer in the Transaction by, for example, pursuing actions directly against the Originator or the Servicer under the Receivables Sale Agreement or the Receivables Servicing Agreement. Although the Notes have the benefit of the segregation principle provided for by the Securitisation Law, the above may impair the ability of the Noteholders and the Transaction Creditors to be repaid of amounts due to them in respect of the Notes and under the Transaction Documents.

Withholding taxes

Should any withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by any government or state

with authority to tax or any political subdivision or any authority thereof or therein having power to tax be required to be made from any payment in respect of the Notes (see "**Taxation**" below), neither the Issuer, the Common Representative, the Issuer Accounts Bank or the Paying Agent will be obliged to make any additional payments to Noteholders to compensate them for the reduction in the amounts that they will receive as a result of such withholding or deduction.

The Securitisation Law and the Securitisation Tax Law

The Securitisation Law was enacted in Portugal by Decree-Law no. 453/99, of 5 November, as amended by Decree-Law no. 82/2002, of 5 April, by Decree-Law no. 303/2003, of 5 December, by Decree-Law no. 52/2006, of 15 March, and by Decree-Law no. 211-A/2008, of 3 November. The Portuguese Securitisation Tax Law was enacted in Portugal by Decree-Law no. 219/2001, of 4 August, as amended by Law no. 109-B/2001, of 27 December, by Decree-Law no. 303/2003, of 5 December, by Law no. 107-B/2003, of 31 December, and by Law no. 53-A/2006, of 29 December (the "**Securitisation Tax Law**"). As at the date of this Prospectus the application of the Securitisation Law and of the Securitisation Tax Law has not been considered by any Portuguese Court and no interpretation of its application has been issued by any Portuguese governmental or regulatory authority. Consequently, it is possible that such authorities may issue further regulations relating to the Securitisation Law and of the Securitisation Tax Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

Limited provision of information

Except to the extent required under the relevant provisions of the Portuguese law, the Issuer will not be under any obligation to disclose to the Noteholders any financial or other information received by it in relation to the Credit Rights or to notify them of the contents of any notice received by it in respect of the Credit Rights. In particular it will have no obligation to keep any Noteholder or any other person informed as to matters arising in relation to the Credit Rights.

Change of law relating to the structure of the Transaction and the issue of the Notes

The structure of the transaction and, *inter alia*, the issue of the Notes are based on law, tax rules, rates, procedures and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given that law, tax rules, rates, procedures or administration practice will not change after the date of this Prospectus or that such change will not adversely impact the structure of the transaction and the treatment of the Notes, including the expected payments of interest and repayment of principal in respect of the Notes. Neither the Issuer, the Common Representative, the Joint Arrangers and Joint Lead Managers, the Transaction Manager, the Servicer, the Swap Counterparty, the Swap Deposit Bank or the Originator will bear the risk of a change of law whether in the Issuer Jurisdiction or outside.

Potential conflict of interest

Each of the Transaction Parties (other than the Issuer) and their affiliates in the course of each of their respective businesses may provide services to other Transaction Parties and to third parties and in the course of the provision of such services it is possible that conflicts of interest may arise between such Transaction Parties and their affiliates or between such Transaction Parties and their affiliates and third parties. Each of the Transaction Parties (other than the Issuer) and their affiliates may provide such services and enter into arrangements with any person without regard to or constraint as a result of any such conflicts of interest arising as a result of it being a Transaction Party in respect of the Transaction.

Interest Rate Risk

The Interest Component of the Credit Rights that the Issuer is due to receive arise on the basis of different rates to the Issuer's interest payments under the Notes. Accordingly, to the extent that the amount of any interest payable in respect of the Notes exceeds the Interest Component of the Credit Rights, then the Issuer may have insufficient funds to meet its obligations under the Notes.

To mitigate its interest rate risk, the Issuer will enter into a swap transaction (the "**Swap Transaction**") on or about the Closing Date with the Swap Counterparty. In order to meet its interest obligations under the Notes, the Issuer will rely on the performance by the Swap Counterparty of its obligations to the Issuer under the Swap Agreement, as well as on the Interest Component of the Credit Rights. To the extent that the Swap Counterparty defaults in its obligations and the Issuer is unable to find a comparable or replacement swap counterparty before any Interest Payment Date, the Issuer will be exposed to the possible variance between the Interest Component of the Credit Rights and the Issuer's interest payments under the Notes.

The Swap Agreement provides that, upon the occurrence of certain events the Issuer or the Swap Counterparty may terminate the Swap Transaction. These events will include, but are not limited to circumstances where: (a) either party fails to make any payment when due (subject to the expiry of any grace periods); (b) the Notes are redeemed in full under Condition 8.2 (*Optional Redemption in whole for taxation reasons*) or Condition 8.4 (*Optional Redemption in whole*); (c) the Common Representative is permitted to serve an Enforcement Notice following an Event of Default or the Notes become otherwise immediately due and payable at their Principal Amount Outstanding together with any accrued interest (d) there is a full Early Amortisation; (e) certain other events occur with respect to either party, including (amongst other things) insolvency, adverse tax consequences or changes in law resulting in illegality; or (f) the Swap Counterparty is downgraded below the Required Swap Rating (as defined in "**Overview of Certain Transaction Documents**" – "**Swap Agreement**" – "***Swap Counterparty rating downgrade***") or its rating is withdrawn and the Swap Counterparty fails to comply with the obligations imposed by Moody's. In the event that the Swap Transaction terminates, either the Issuer or the Swap Counterparty may be required to pay a swap termination payment based initially on the cost of a replacement transaction. If the Issuer is required to make such payment to the Swap Counterparty, the Issuer may not have sufficient funds to make payments due in respect of the Notes on an ongoing basis.

Changes in the ratings accorded to a Swap Counterparty (or any replacement swap counterparty) may affect the rating of the Notes. There is no specific obligation on the part of the Swap Counterparty or any other person or entity to maintain any particular rating, although, if the debt ratings of the Swap Counterparty are downgraded below the Required Swap Rating (as defined in "**Overview of Certain Transaction Documents**" – "**Swap Agreement**" – "***Swap Counterparty rating downgrade***"), the Swap Counterparty will be obliged to take certain remedial measures including finding a replacement counterparty, finding a guarantee or posting collateral in respect of its obligations under the Swap Agreement. However, as described above, failure to take such remedial measures within the specified period will give the Issuer the right to terminate the Swap Transaction.

Liquidity Risk

Where the Available Interest Distribution Amount is not sufficient to meet the Issuer's payments under the Swap Agreement, the Issuer may be able to defer payments under the Swap Agreement to the next Interest Payment Date. In such circumstances, there can be no assurance that the Available Interest Distribution Amount available to make such payments under the Pre-Enforcement Interest Payments Priorities on the next Interest Payment Date will be sufficient to pay amounts due under the Swap Agreement (including the deferred payments). Swap Liquidity Support Amounts (as defined in "**Overview of the Transaction**" – "**Swap Agreement**") may be deferred for a maximum of three

consecutive Interest Payment Dates or until and including the Interest Payment Date falling in January 2025. The Issuer will only be entitled to defer any Swap Liquidity Support Amounts if: (i) no event of default or termination event has occurred and is continuing under the Swap Agreement; (ii) no Potential Event of Default has occurred and is continuing under the Notes; and (iii) no change of the law has occurred which, in the reasonable opinion of the Swap Counterparty, may have a materially negative effect on either (*x*) the amount and/or timing of payments to the Swap Counterparty from the Issuer under the terms of the Swap Agreement or (*y*) the Swap Counterparty's rights and obligations under the Swap Agreement. If the Issuer is prevented from deferring any payments, it may not be able to meet its payment obligations under the Swap Agreement. If this occurs the Issuer may not have sufficient funds to make payments due in respect of the Notes. In addition, the Swap Agreement may be terminated and the Issuer may be required to make a swap termination payment to the Swap Counterparty and the Issuer may not have sufficient funds to make payments due in respect of the Notes.

RESPONSIBILITY STATEMENTS

In accordance with article 243 of the Portuguese Securities Code the following entities are responsible for the information contained in this Prospectus:

The **Issuer**, **Mr. Filipe Quintin Crisóstomo Silva**, **Mr. José Francisco Gonçalves de Arantes e Oliveira** and **Mr. Joaquim António Furtado Baptista** in their capacities as directors of the Issuer are responsible for the information contained in this document. To the best of the knowledge and belief of the Issuer and of all the aforementioned individuals, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. This statement is without prejudice to any liability which may arise under Portuguese law. The Issuer further confirms that this Prospectus contains all information which is material in the context of the issue of the Notes, that such information contained in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in it are honestly held by it and that there are no other facts the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect and all proper enquiries have been made to ascertain and to verify the foregoing. The Issuer accepts responsibility accordingly (except where another party mentioned below accepts responsibility for certain information) and the Issuer has confirmed to the Joint Arrangers and Joint Lead Managers that the Issuer accepts such responsibility.

EDP SU, in its capacity as Originator, accepts responsibility for the information contained in this document relating to itself and to the description of its rights and obligations in respect of the information relating to the Receivables Sale Agreement and/or the Credit Rights in the sections headed "**The Tariff Deficit and the Extraordinary Deviations**", "**The Portuguese Electricity Sector**" and "**Description of the Originator**" (together, the "**Originator Information**"). EDP SU confirms that, to the best of its knowledge and belief, such Originator Information is in accordance with the facts, is not misleading and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Originator as to the accuracy or completeness of any information contained in this Prospectus (other than the Originator Information) or any other information supplied in connection with the Notes or their offering.

Deustche Bank AG, London Branch in its capacity as the Transaction Manager and Issuer Accounts Bank accept responsibility for the information in this document relating to itself in this regard in the section headed "**Description of the Transaction Manager** and **Issuer Accounts Bank**" (together the "**DB Information**") and such DB Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Deustche Bank AG, London Branch as to the accuracy or completeness of any information contained in this Prospectus (other than the DB Information) or any other information supplied in connection with the Notes or their offering.

Banco Santander, S.A. in its capacity as Swap Counterparty accepts responsibility for the information in this document relating to itself in this regard in the section headed "**Description of the Swap Counterparty**" (together the "**Swap Counterparty Information**") and such Swap Counterparty Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Banco Santander, S.A. as to the accuracy or completeness of any information contained in this Prospectus (other than the Swap Counterparty Information) or any other information supplied in connection with the Notes or their offering.

Banco Santander, S.A. in its capacity as Swap Deposit Bank accepts responsibility for the information in this document relating to itself in this regard in the section headed "**Description of the Swap Deposit**

Bank" (together the "**Swap Deposit Bank Information**") and such Swap Deposit Bank Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Banco Santander, S.A. as to the accuracy or completeness of any information contained in this Prospectus (other than the Swap Deposit Bank Information) or any other information supplied in connection with the Notes or their offering.

The members of the **Supervisory Board of the Issuer**, **Mr. Manuel Corrêa Barros Lancastre**, **Mr. Guido Du Boulay Villax** and **Mr. Joaquim Maria Magalhães Luiz Gomes** in their capacities as members of the Supervisory Board of the Issuer are responsible for the accuracy of the financial statements of the Issuer required by law or regulation to be prepared as from the date on which begun their term of office following their appointment as members of the Supervisory Board of the Issuer pursuant to the Issuer's shareholders resolution passed on 25 February 2009. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Mr. Manuel Corrêa Barros Lancastre, Mr. Guido Du Boulay Villax and Mr. Joaquim Maria Magalhães Luiz Gomes as to the accuracy or completeness of any information contained in this Prospectus (other than the aforementioned financial information) or any other information supplied in connection with the Notes or their offering.

KPMG & Associados – SROC, S.A., hereby represented by **Ms. Inês Maria Bastos Viegas Clare Neves Girão de Almeida**, in its capacity as the independent auditor of the Issuer for the year 2008 and sole auditor of the Issuer for the year 2007 within the terms of the *Código das Sociedades Comerciais*, is responsible for the independent Auditors' Reports issued in connection with the audited financial statements prepared in accordance with accounting principles generally accepted in Portugal for credit securitisation companies for the year ended on 31 December 2007 and in accordance with the International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union (EU) for the year ended on 31 December 2008, which are incorporated by reference herein and confirms that the financial information relating to the Issuer in the section headed "Documents Incorporated by Reference" including the independent auditor's report, the balance sheet and profit and loss information and accompanying notes (incorporated by reference) has been, where applicable, accurately extracted from the audited financial statements for the relevant years. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by KPMG & Associados – SROC, S.A. as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with the Notes or their offering, other than the independent auditors' reports issued in connection with the audited financial statements for the years ended on 31 December 2007 and 31 December 2008.

Caixa – Banco de Investimento, S.A. in its capacity as the Servicer of the Credit Rights accepts responsibility for the information relating to the Servicer in the section headed "**Description of the Servicer**" (together the "**Servicer Information**") and such Servicer Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by CaixaBI, in its capacity as the Servicer, as to the accuracy or completeness of any information contained in this Prospectus (other than the Servicer Information) or any other information supplied in connection with the Notes or their offering.

Banco BPI, S.A., Banco Comercial Português, S.A., Banco Santander Totta, S.A. and **Caixa – Banco de Investimento, S.A.** as Joint Arrangers and Joint Lead Managers on the admission to trading of the Class A Notes in Euronext Lisbon.

Morais Leitão, Galvão Teles, Soares da Silva & Associados Sociedade de Advogados, RL as legal advisors to the Originator, responsible for the Portuguese legal matters included in the chapters "**The Portuguese Electricity Sector**" under the caption "**The National Electricity System (the "SEN")**" and "**The Tariff Deficit and the Extraordinary Deviations**".

Vieira de Almeida & Associados Sociedade de Advogados, RL as legal advisors to the Joint Arrangers and Joint Lead Managers, the Transaction Manager and the Common Representative responsible for the Portuguese legal matters included in the chapters "**Selected Aspects of Portuguese law relevant to the Credit Rights and the Transfer of the Credit Rights**" and "**Taxation**".

In accordance with article 149, no. 3 (*ex vi* article 243) of the Portuguese Securities Code, liability of the entities referred to above is excluded if any of such entities proves that the addressee knew or should have known about the shortcoming in the contents of this Prospectus on the date of issue of the contractual declaration or when the respective revocation was still possible. Pursuant to subparagraph a) of article 150 of the Portuguese Securities Code, the Issuer is strictly liable (i.e. independently of fault) if any of the members of its management board, the financial intermediaries in charge of assisting with the offer or any other entities that have accepted to be appointed in this Prospectus is held responsible for any information, forecast or study included in the same. Additionally, subparagraph b) of said article 150, also provides that the Issuer is strictly liable (i.e. independently of fault) if any of the members of the auditing body, accounting firms, chartered accountants and any other individuals that have certified or, in any other way, verified the accounting documents on which the Prospectus is based is held responsible for such information.

Further to subparagraph b) of article 243 of the Portuguese Securities Code, the right to compensation based on the aforementioned responsibility statements is to be exercised within six months following the knowledge of a shortcoming in the contents of the Prospectus and ceases, in any case, two years following (i) disclosure of the admission Prospectus or (ii) amendment that contains the defective information or forecast.

The Notes will be obligations solely of the Issuer and will not be obligations of, and will not be guaranteed by, and will not be the responsibility of, any other entity. In particular, the Notes will not be the obligations of, and will not be guaranteed by the Originator, the Servicer, the Transaction Manager, the Common Representative, the Issuer Accounts Bank, the Paying Agent, the Swap Counterparty, the Swap Deposit Bank and the Joint Arrangers and Joint Lead Managers (together the "**Transaction Parties**").

This Prospectus may only be used for the purposes for which it has been published. This Prospectus is not, and under no circumstances is to be construed as an advertisement. This Prospectus serves a purpose of admission of securities to trading on a regulated market and under no circumstances is it to be construed as an offering of the Notes to the public.

FORWARD LOOKING STATEMENTS AND OTHER INFORMATION

Forward Looking Statements

Certain statements in this Prospectus constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the success of collections, the actual cash flow generated by the Credit Rights or other matters described in such forward-looking statements to differ materially from the information set forth herein and to be materially different from any future results, performance or financial condition expressed or implied by such forward-looking statements. See "**Risk Factors**".

While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forward-looking statements, opinions and expectations contained herein are based on fair and reasonable assumptions, the matters described in such forward-looking statements may differ materially from the projections set forth in any forward-looking statements herein. Investors should not place undue reliance on forward-looking statements and are advised to make their own independent analysis and determination with respect of any forecasted periods contained in this Prospectus. No party to the offering undertakes any obligation to revise these forward-looking statements to reflect subsequent events or circumstances except to the extent that such obligation is imposed on the Issuer pursuant to article 248 of the Portuguese Securities Code on qualification of those forward-looking statements as inside information (*informação privilegiada*).

Information from third parties

Where information is stated in this Prospectus to have been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Representations about the Notes

No person has been authorised to give any information or to make any representations, other than those contained in this Prospectus, in connection with the issue and sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by any of the Transaction Parties. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

No action has been taken by the Issuer or the Joint Arrangers and Joint Lead Managers other than as set out in this Prospectus that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any preliminary prospectus, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in circumstances that will result in compliance with applicable laws, orders, rules and regulations, and the Issuer and the Joint Arrangers and Joint Lead Managers have represented that all offers and sales by them have been made on such terms.

Each person receiving this Prospectus shall be deemed to acknowledge that (i) such person has not relied on the Joint Arrangers and Joint Lead Managers or on any person affiliated with any of the Joint Arrangers and Joint Lead Managers in connection with its investment decision, and (ii) no person has been authorised to give any information or to make any representation concerning the Notes offered hereby except as contained in this Prospectus, and, if given or made, such other information or

representation should not be relied upon as having been authorised by the Issuer or the Joint Arrangers and Joint Lead Managers.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

It should be remembered that the price of securities and the income from them can go down as well as up.

Selling Restrictions Summary

This Prospectus does not constitute an offer of, or an invitation by or on behalf of any of the Transaction Parties to subscribe for or purchase any of the Notes and this document may not be used for or in connection with an offer to, or a solicitation of an offer by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Arrangers and Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "**Subscription and Sale**" herein.

Currency

In this Prospectus, unless otherwise specified, references to "**€**", "**EUR**" or "**euro**" are to the lawful currency of the member states of the European Union participating in Economic and Monetary Union as contemplated by the Treaty.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Interpretation

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings set out in this Prospectus and, in particular in the Conditions. A reference to a "Condition" or the "Conditions" is a reference to a numbered Condition or Conditions set out in the "**Terms and Conditions of the Notes**" below.

THE PARTIES

Issuer and Purchaser: Tagus – Sociedade de Titularização de Créditos, S.A., a limited liability company (*sociedade anónima*) incorporated under the laws of Portugal as a special purpose vehicle for the purposes of issuing asset-backed securities, having its registered office at Rua Castilho, no. 20, Lisbon, Portugal, with a share capital of € 250,000.00 and registered with the Commercial Registry of Lisbon under the sole registration and taxpayer number 507 130 820.

The Issuer's share capital is fully owned by Deutsche Bank (Portugal), S.A.. Deutsche Bank (Portugal), S.A.'s share capital is fully owned by Deutsche Bank Aktiengesellschaft.

Originator: EDP – Serviço Universal, S.A., a limited liability company (*sociedade anónima*) incorporated under the laws of Portugal, having its registered office at Rua Camilo Castelo Branco, no. 43, Lisbon, with a share capital of € 10,100,000.00 and registered with the Commercial Registry of Lisbon under the sole registration and tax number 507 846 044.

Servicer: Caixa – Banco de Investimento, S.A., a credit institution incorporated under the laws of Portugal, having its registered office at Rua Barata Salgueiro, no. 33, in Lisbon, Portugal, with a share capital of € 81,250,000.00 and registered with the Commercial Registry of Lisbon under the sole registration and tax number 501 898 417, in its capacity as servicer of the Credit Rights pursuant to the terms of the Receivables Servicing Agreement.

A description of the services to be performed by CaixaBI as servicer of the Credit Rights is contained in the chapter "**Overview of Certain Transaction Documents**" under the caption "**Receivables Servicing Agreement**" – "**Servicer's Duties**". The services performed by CaixaBI do not include collection of the Credit Rights as, following notification of the assignment of the Credit Rights in the terms provided for in the Receivables Sale Agreement, the cash amount pertaining to payment of the Credit Rights are directly transferred by the DGO into the Issuer Transaction Account.

Common Representative: Deutsche Trustee Company Limited, a company incorporated under the laws of England and Wales, with registered number 00338230, having its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, in its capacity as representative of the Noteholders pursuant to article 65 of the Securitisation Law in accordance with the Conditions and the Common Representative Appointment Agreement.

Transaction Manager: Deutsche Bank AG, London Branch, a corporation duly organised and existing under the law of the Federal Republic of Germany and having its principal place of business in the City of Frankfurt (Main) and operating in the United Kingdom under branch number BR000005 at

	Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, in its capacity as transaction manager and as non-exclusive agent to the Issuer pursuant to the terms of the Transaction Management Agreement.
Issuer Accounts Bank:	Deutsche Bank AG, London Branch, a corporation duly organised and existing under the law of the Federal Republic of Germany and having its principal place of business in the City of Frankfurt (Main) and operating in the United Kingdom under branch number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, in its capacity as the bank at which the Issuer Transaction Account, the Expenses Reserve Account and the Collateral Accounts are held pursuant to the terms of the Issuer Accounts Agreement.
Paying Agent:	Deutsche Bank (Portugal), S.A., a credit institution incorporated under the laws of Portugal, having its registered office at Rua Castilho, n.º 20, Lisbon, Portugal, with a share capital of € 79,619,730.00, with the sole registration and taxpayer number 502 349 620. Deutsche Bank (Portugal), S.A.'s share capital is fully owned by Deutsche Bank Aktiengesellschaft.
Swap Counterparty:	Banco Santander, S.A. established on 21 March 1857 and incorporated in its present form by a public deed executed in Santander, Spain, on 14 January 1875, having its registered office at Paseo Pereda, 9-12, Santander, Spain, and acting out of its Madrid office in its capacity as Swap Counterparty.
Swap Deposit Bank:	Banco Santander, S.A. established on 21 March 1857 and incorporated in its present form by a public deed executed in Santander, Spain, on 14 January 1875, having its registered office at Paseo Pereda, 9-12, Santander, Spain, and acting out of its Madrid office in its capacity as the bank at which the Swap Deposit is held.
Joint Arrangers and Joint Lead Managers:	Banco BPI, S.A. a credit institution incorporated under the laws of Portugal, having its registered office at Rua Tenente Valadim, 284, in Oporto, Portugal, with a share capital of € 900,000,000.00 and registered with the Commercial Registry of Oporto under the sole registration and taxpayer number 501 214 534, Banco Comercial Português, S.A., a credit institution incorporated under the laws of Portugal, having its registered office at Praça D. João I, no. 28, in Oporto, Portugal, with a share capital of € 4,694,600,000.00 and registered with the Commercial Registry of Oporto under the sole registration and tax number 501 525 882, Banco Santander Totta, S.A., a credit institution incorporated under the laws of Portugal, having its registered office at Rua do Ouro, no. 88, in Lisbon, with a share capital of € 589,810,510.00 and registered with the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 844 321 and Caixa – Banco de Investimento, S.A., a credit institution incorporated under the laws of Portugal, having its registered office at Rua Barata Salgueiro, no. 33, in

	Lisbon, Portugal, with a share capital of € 81,250,000.00 and registered with the Commercial Registry of Lisbon under the sole registration and tax number 501 898 417.
Central Securities Depositary:	INTERBOLSA – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., having its registered office at Avenida da Boavista, 3433, 4100-138 Porto, Portugal.
Rating Agency:	Moody's Investors Service Ltd.

INFORMATION ON THE SECURITIES AND ON THE ADMISSION TO TRADING OF THE CLASS A NOTES

Notes:	The Issuer intends to issue on the Closing Date, in accordance with the terms of the Common Representative Appointment Agreement and subject to the Conditions, the following Notes (the "**Notes**" or *Obrigações Titularizadas*): € 440,650,000.00 Class A Asset Backed Floating Rate Securitisation Notes due 2025; and € 200,000.00 Class B Asset Backed Securitisation Notes due 2025.
Issue Price:	The Notes will be issued at 100% of their respective initial Principal Amount Outstanding.
Form and Denomination:	The Notes will be issued in book-entry (*forma escritural*) and nominative (*nominativas*) form and in minimum denominations of € 50,000 each (the "**Minimum Denomination**"). The Notes will be tradable in integral multiples of their Minimum Denomination and will be held through the accounts of affiliate members of the Portuguese central securities depositary and the management of the Portuguese settlement system, Interbolsa, as operator and manager of the Central de Valores Mobiliários (the "**CVM**").
Status and Ranking:	The Notes will constitute direct limited recourse obligations of the Issuer and will benefit from the statutory segregation provided by the Securitisation Law (as defined in "**Risk Factors – *The Securitisation Law and the Securitisation Tax Law***"). The Class A Notes represent the right to receive interest and principal payments from the Issuer in accordance with the Conditions, the Common Representative Appointment Agreement and the relevant Payments Priorities. The Class B Notes represent the right to receive (i) 2/3 of the Differential Step-up Amounts, (ii) the Class B Notes Distribution Amounts and (iii) principal payments from the Issuer in accordance with the Conditions, the Common Representative Appointment Agreement and the relevant Payments Priorities. The Class B Notes will not be admitted to trading.
Limited Recourse:	All obligations of the Issuer to the Noteholders or to the Transaction Parties in respect of the Notes or the other Transaction Documents, including, without limitation, the Issuer Obligations, are limited in recourse and, as set out in Condition 9 (*Limited Recourse*), the Noteholders and/or the Transaction Parties will only have a claim in respect of the Transaction Assets and will not have any claim, by

operation of law or otherwise, against, or recourse to, any of the Issuer's other assets or its contributed capital.

Statutory Segregation and Security for the Notes: The Notes and the other obligations of the Issuer under the Transaction Documents owing to the Transaction Creditors will have the benefit of the statutory segregation provided by the Securitisation Law.

Use of Proceeds: On or about the Closing Date the Issuer will apply the proceeds of the issue of the Notes solely towards: (i) the purchase of the Credit Rights; (ii) the payment of certain Transaction Expenses and Third Party Expenses due on or about such date, including, without limitation, for the avoidance of doubt, the management and underwriting commission due by the Issuer to the Joint Arrangers and Joint Lead Managers pursuant to clause 15.1 of the Subscription Agreement; (iii) the setting up of the Swap Deposit; and (iv) the funding of the Expenses Reserve Account.

Rate of Interest and Payments on the Notes: The Class A Notes will represent entitlements to payment of interest in respect of each successive Interest Period:

(a) From (and including) the Closing Date up to (and excluding) the Step-up Date: at a rate equal to 1-month EURIBOR plus 0.90% per annum, except for the First Interest Period, in relation to which the applicable EURIBOR will be the interpolated European Interbank Offered Rate for 1-month and 2-month euro deposits (long first coupon);

(b) From (and including) the Step-up Date onwards: at a rate equal to 1-month EURIBOR plus 1.60% per annum.

The Class B Notes shall not bear interest and will solely represent entitlement to reimbursement of the relevant principal and the payments corresponding to 2/3 of the Differential Step-up Amounts and to the Class B Notes Distribution Amounts.

Interest Accrual Period: Interest on the Class A Notes will accrue from, and including, the immediately preceding Interest Payment Date (or, in the case of the First Interest Payment Date, the Closing Date) to, but excluding, the relevant Interest Payment Date.

Interest Payment Date: Interest on the Class A Notes is payable on January 12, 2010 and thereafter monthly in arrears on the 12th day of each month (or, if such day is not a Business Day, the immediately succeeding Business Day unless such day would fall into the next calendar month, in which case it would be brought forward to the immediately preceding Business Day).

Step-up Date: The date corresponding to the second Interest Payment Date falling in the calendar year starting immediately after the date of the occurrence of a Eurosystem Event. For the avoidance of doubt, the Step-up Date corresponds to the first day of the Interest Period from which, and

	including, a margin of 1.60% per annum is applicable on the Class A Notes.
Eurosystem Event:	The date when one of the following events occurs: (i) The Class A Notes cease to be accepted as collateral for Eurosystem credit operations; or (ii) The outcome of the valuation of the Class A Notes made by Eurosystem for the purpose of such credit operations is less than 80% of their Principal Amount Outstanding. Taking into account that: (i) the main features of the Credit Rights are similar to those of the receivables backing the EnergyOn No. 1 Securitisation Notes issued by Tagus on March 6, 2009 ("EnergyOn No. 1 Notes"), (ii) the terms and conditions of the Notes are similar to those of the EnergyOn No. 1 Notes, (iii) the eligibility criteria applied by the European Central Bank in relation to the EnergyOn No. 1 Notes and those that will apply regarding the Notes are identical, and (iv) an event qualified as an Eurosystem Event has occurred in respect of EnergyOn No. 1 Notes on April 3, 2009, there is a high possibility of an Eurosystem Event occurring during the life of the Notes.
Business Day:	A TARGET Settlement Day or, if such TARGET Settlement Day is not a day on which banks are open for business in London and in Lisbon, the next succeeding TARGET Settlement Day on which banks are open for business in London and in Lisbon.
TARGET Settlement Days:	Any day on which TARGET2 is open for the settlement of payments in euro. "**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.
Final Redemption:	Unless the Notes have previously been redeemed in full as described in Condition 8 (*Final Redemption and Optional Redemption*), the Notes will be redeemed by the Issuer on the Final Legal Maturity Date at their Principal Amount Outstanding.
Final Legal Maturity Date:	The Interest Payment Date falling on May, 2025.
Taxation in respect of the Notes:	All payments of interest and principal and other amounts due in respect of the Notes will be subject to income taxes, including applicable withholding taxes (if any), and other taxes (if any) and neither the Issuer nor any other person will be obliged to pay additional amounts in relation thereto. Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to Portuguese tax for debt notes (*obrigações*) if the holder is a Portuguese resident or has a permanent

	establishment in Portugal to which the income might be attributable. Pursuant to the Securitisation Tax Law, any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents and do not have a permanent establishment in Portugal to which the income might be attributable will be exempt from Portuguese income tax. The above-mentioned exemption from income tax does not apply to non-resident companies if (i) more than 25% of the company's share capital is held, either directly or indirectly, by Portuguese residents, or (ii) the company's country of residence is any of the jurisdictions listed as tax havens in Ministerial Order no. 150/2004, of 13 February (as amended).
No Purchase of Notes by the Issuer:	The Issuer may not at any time purchase any of the Notes.
Mandatory Redemption in Whole or in Part:	The Class A Notes will be subject to mandatory redemption in whole or in part on each Interest Payment Date on which the Issuer has an Available Principal Distribution Amount as calculated on the related Calculation Date.
Full or Partial Redemption due to Early Amortisation of the Credit Rights:	The early amortisation of the Credit Rights ("**Early Amortisation**") may be performed, in full or partially, provided that in the latter case, in relation to, at least, 25% of the outstanding amount of Credit Rights. The repayment amount (the "**Early Repayment Amount**") cannot be lower than the sum of (i) the Outstanding Principal Amount of the Notes subject to early redemption, calculated as of the effective early redemption date, (ii) interest accrued due and not paid in respect of such Notes subject to early redemption, calculated as of the effective early redemption date and (iii) the amount of all costs ("**Early Amortisation Costs**") related with the, total or partial, early redemption of the relevant Notes effectively incurred or to be incurred by the Issuer, including notably, the costs associated to the, total or partial early termination of connected financial transactions (such as the Swap Agreement) and to the early termination or amendment of related agreements (including the Contingent Purchase Price, if any, due and not paid under the Receivables Sale Agreement as of the effective early redemption date). The Early Repayment Amount will be first included in the Available Interest Distribution Amount and then in the Available Principal Distribution Amount, and accordingly such amounts will be paid in accordance with the Payment Priorities.
Optional Redemption in Whole:	Following the occurrence of any of the following events (each of the events defined in (a), (b) and (c) below, a "**Tax Event**"), the Issuer may, on the relevant Business Day, subject to certain conditions, redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date:

(a) after the date on which the Issuer is required to make any payment in respect of the Class A Notes or the Swap Counterparty is to make any payment in respect of the Swap Agreement and either the Issuer or the Swap Counterparty (as the case may be) would be required to make a deduction or withholding on account of tax in respect of such relevant payment; or

(b) a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), that requires the Issuer to make a Tax Deduction from any payment in respect of the Class A Notes (other than by reason of the relevant Noteholder having some connection with the Republic of Portugal other than the holding of the Class A Notes); or

(c) a change in the Tax law of the Issuer's Jurisdiction (or any change in the application or official interpretation of such Tax law), that would not entitle the Issuer to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or that would result in the Issuer being treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive, in each case under the Transaction Documents; or

(d) on or after the Interest Payment Date on which the outstanding amount of the Credit Rights is equal or less than 10% of the initial amount of the Credit Rights as at December 31, 2009 (i.e. € 447,469,000.00).

Paying Agent: The Issuer will appoint the Paying Agent as its agent with respect to payments due under the Notes. The Issuer will procure that, for so long as any Notes are outstanding, there will always be a Paying Agent to perform the functions assigned to it. The Issuer may at any time, by giving not less than 30 calendar days notice, replace the Paying Agent by one or more banks or other financial institutions which will assume such functions. As consideration for performance of the paying agency services, the Issuer will pay the Paying Agent a fee.

Transfers of Notes: Transfers of Notes will require appropriate entries in securities accounts, in accordance with the applicable procedures of Interbolsa. Transfers of interest in the Notes between Euroclear participants, between Clearstream, Luxembourg participants and between Euroclear participants on the one hand and Clearstream, Luxembourg participants on the other hand will be made in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg respectively.

Settlement: Settlement of the Notes is expected to be made on or about the Closing Date.

Listing:	Application has been made for the Class A Notes to be admitted to trading on Euronext Lisbon, a regulated market managed by Euronext.
Governing Law:	The Notes and each of the Transaction Documents (except for the Swap Agreement) will be governed by Portuguese law. The Swap Agreement will be governed by English law.

OVERVIEW OF THE TRANSACTION

The information in this section does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and related documents referred to herein. Prospective investors are advised to read carefully, and should rely solely on, the detailed information appearing elsewhere in this Prospectus and related documents referred to herein in making any investment decision. Capitalised terms used but not defined in this section shall have the meaning given to them elsewhere in this Prospectus.

Purchase of Credit Rights:

Under the terms of the Receivables Sale Agreement and pursuant to article 4.1 of the Securitisation Law, on the Closing Date, the Originator will sell and assign to the Issuer and the Issuer will, subject to satisfaction of certain conditions precedent, purchase the Credit Rights from the Originator.

"**Credit Rights**" means the entitlement to fully receive the Extraordinary Deviations and its accrued interest from the National Electricity System in Portugal to be included in the electricity tariffs between January 1, 2010 and December 31, 2024 and recovered by their owner in constant monthly instalments, between February 25, 2010 and January 25, 2025, as established per Decree-Law no. 165/2008, of 21 August, Ministerial Order no. 27677/2008, of 19 September, and Ministerial Order no. 5579-A/2009, of 16 February.

"**Extraordinary Deviations**" means the positive adjustments that are to be reflected in the electricity tariffs, through the inclusion thereof as one of the components of the UGS Tariff, or on any other tariff applicable to all consumers, by virtue of the additional costs to be incurred by the Originator (as estimated for 2009) with the implementation of energetic policies relating to over costs incurred with the electricity generation under the special regime that have not yet been reflected in the electricity tariffs and which the Originator is legally entitled to receive.

Consideration for Purchase of the Credit Rights:

In consideration for the assignment of the Credit Rights, the Issuer will pay the Purchase Price to the Originator.

The Purchase Price will be composed of:

(i) the amount corresponding to € 434,720,326.31 (the "**Initial Purchase Price**") paid by the Issuer to the Originator on the Closing Date; and, in case a Eurosystem Event occurs,

(ii) the contingent purchase price (the "**Contingent Purchase Price**") which will be the amount corresponding to the sum of (x) 0.35% per annum paid to the Originator by the Issuer on each Interest Payment Date from (and excluding) the Step-up Date calculated on the Principal Amount Outstanding of the Notes as at the beginning of the Interest Period ending on such Interest Payment Date (which, for the avoidance of doubt, corresponds to the date on which the Issuer is to pay to the Originator the relevant amount) (the

"**Premium Payment**") and (y) 1/3 of the Differential Step-up Amounts, if any, payable on the first twelve Interest Payment Dates from (and excluding) the Step-up Date to the extent previously received by the Issuer.

Servicing of the Credit Rights: Pursuant to the terms of the Receivables Servicing Agreement, the Servicer will agree to administer and service the Credit Rights originated and assigned by the Originator to the Issuer on behalf of the Issuer by providing the following services (the "**Services**"):

1. Control Annuity

(a) Check if the amounts pertaining to (x) the start of year and end of year balances, (y) the balances applicable interest rate and (z) the amount of annuity calculated and included into the tariff (including corresponding monthly instalment), all in relation to the Credit Rights, as calculated and published by ERSE, are correct and liaise with ERSE in connection therewith should there be a need; however, the Servicer shall not be under the obligation to have knowledge of the occurrence of a Eurosystem Event except to the extent that it has been previously notified of such an occurrence;

(b) For purposes of confirming that the calculations of the annuity for every year have been made correctly the Servicer shall apply the formula contained in no. 5 of Ministerial Order no. 5579-A/2009, of 16 February (the "**Formula**"):

$$At = (Bt \times it) \div [1 - (1 + it)^{(-Tt)}]$$

In which:

At Annuity calculated for year t

Bt Outstanding amount of the Credits Rights, at the end of year t-1, this amount corresponding the outstanding amount of the Credits Rights on the term of year t-2, accrued of interest calculated for year t-1 and deducted of the amount effectively received out of the annuity calculated for year t-1

it Applicable interest rate for calculation of the interest of year t, determined pursuant to no. 4 of Ministerial Order no. 27677/2008, of 19 September, or to no. 1 of Ministerial Order no. 5579-A/2009, of 16 February, as the case may be

Tt Number of years between January 1st of year t and 31st December of 2024

(c) Determine the Principal Component and Interest Component of the annuity and each of the monthly instalments;

(d) After reviewing the calculations of the annuity for every year, the Servicer shall promptly confirm to the Transaction Manager and to the Swap Counterparty that such calculations comply with the Formula and inform the Transaction Manager, the Swap Counterparty and the Rating Agency

about the monthly Interest Component and Principal Component expected to be received during the following tariff year, including such information in the following Monthly Servicing Report;

(e) The Servicer shall promptly notify the Transaction Manager and the Swap Counterparty in writing of the occurrence of a Eurosystem Event to the extent it has been previously notified.

2. Billing control

Verify invoices issued by EDP SU (of which it shall receive a copy).

3. Control Collections

(a) Check amount of Collections credited into the Issuer Transaction Account during each Collection Period;

(b) Determine amount of Overdue Interest credited into the Issuer Transaction Account during each Collection Period;

(c) Allocate Collections between the Principal Component, the Overdue Interest and the Interest Component of the Credit Rights;

(d) Where the amount of the Collections received by the Issuer in respect of any Collection Period is less than the amount which the Issuer should have received in respect of such Collection Period (including any amounts due but not paid in respect of previous Collection Periods), such amount shall be allocated by the Servicer:

(i) first, in or towards the Interest Component in respect of the Credit Rights;

(ii) second, in or towards the Overdue Interest in respect of the Credit Rights; and

(iii) third, in or towards the Principal Component of the Credit Rights;

(e) Where the amount of the Collections received by the Issuer in respect of any Collection Period differs from the amount scheduled to be received, the Servicer shall promptly notify in writing the Transaction Manager and the Swap Counterparty of such discrepancy and include such details in the Monthly Servicing Report.

4. Reporting

Prepare and send to the Issuer, the Transaction Manager, the Swap Counterparty and the Rating Agency, no later than 2 (two) Business Days following the end of each Collection Period, the Monthly Servicing Report.

5. Registry

Keep adequate register of all events in relation to the Credit

Rights and their collection.

6. Early Amortisation of the Credit Rights

In the event of early amortisation of the Credit Rights pursuant to no. 8 of Ministerial Order no. 27677/2008, of 19 September, and no. 4 of Ministerial Order no. 5579-A/2009, of 16 February:

(a) Upon becoming aware that:

(i) an Early Amortisation will occur, promptly inform the Issuer, the Transaction Manager, the Swap Counterparty and the Rating Agency of the expected Early Repayment Amount and effective date on which such Early Amortisation is scheduled to occur (to the extent the Servicer has been advised of these details); or

(ii) an Early Repayment Amount is paid into the Issuer Transaction Account without prior notice, promptly inform the Issuer, the Transaction Manager, the Swap Counterparty and the Rating Agency about the Early Repayment Amount which has been deposited in the Issuer Transaction Account;

(b) Obtain from the Transaction Manager the (i) Early Amortisation Costs, (ii) Outstanding Principal Amount of the Notes to be subject of early redemption and (iii) interest accrued in respect of such Notes;

(c) Liaise with ERSE in respect of the Early Repayment Amount and the amounts referred to in (b);

(d) Where prior notification of the Early Amortisation was provided, promptly inform the Issuer, the Transaction Manager, the Swap Counterparty and the Rating Agency when the Early Repayment Amount is deposited in the Issuer Transaction Account and provide confirmation that the amount received by the Issuer corresponds to the Early Repayment Amount that has been determined under (b) above or, alternatively, immediately notify the Issuer, Transaction Manager, Swap Counterparty and the Rating Agency and ERSE of any shortfall; and

(e) Allocate the Early Repayment Amount (i) to the amortisation of all outstanding amounts other than outstanding balance of the Credit Rights and, upon full discharge of these amounts, (ii) to the outstanding balance of the Credit Rights, and further communicate such allocation to the Transaction Manager and ERSE.

7. Enforcing rights

(a) Administer, implement and pursue enforcement procedures as well as any litigation or appeal in relation to the Credit Rights;

(b) Negotiate/liaise with ERSE or any other entity of the SEN, in

the interest of the Issuer, in respect to the Credit Rights.

Monthly Servicing Reporting: CaixaBI, in its capacity as the Servicer, will be required no later than 2 (two) Business Days following the end of each Collection Period to deliver to the Issuer, to the Transaction Manager, to the Rating Agency and to the Swap Counterparty a report (the "**Monthly Servicing Report**") containing information on the Credit Rights.

Investor Reporting: The Monthly Servicing Report will form part of the Investor Report, in the Transaction Manager's standard format, which the Transaction Manager, having received the Monthly Servicing Report, will not less than 5 (five) Business Days prior to each Interest Payment Date make the necessary arrangements for publication on CMVM's website and Bloomberg, and therein include details of the Notes outstanding.

In addition, each Investor Report will be made available not less than 5 (five) Business Days prior to each Interest Payment Date to the Issuer, the Common Representative, the Paying Agent, the Servicer, the Joint Arrangers and Joint Lead Managers, the Rating Agency and the Noteholders via the Transaction Manager's internet website currently located at https://tss.sfs.db.com/investpublic. It is not intended that the Investor Reports will be made available in any other format, save in certain limited circumstances with the Transaction Manager's agreement. The Transaction Manager's website does not form part of the information provided for the purposes of this Prospectus and disclaimers may be posted with respect to the information posted thereon. Registration may be required for access to such website and persons wishing to access the website will be required to certify that they are Noteholders or the other persons referred to above (as the case may be).

Issuer Accounts: On or about the Closing Date, the Issuer will establish the following accounts in its name at the Issuer Accounts Bank which will be operated by the Transaction Manager in accordance with the terms of the Transaction Management Agreement and the Issuer Accounts Agreement:

(i) the Issuer Transaction Account, for the purposes of, *inter alia*, receiving the Collections delivered by the DGO, making payments to Noteholders and the other payments due by the Issuer in accordance with the Payments Priorities;

(ii) the Expenses Reserve Account, into which an amount equal to € 1,800,000.00 from the proceeds of the Notes will be transferred on or about the Closing Date;

(iii) the Cash Collateral Account, into which any cash collateral credited by the Swap Counterparty pursuant to the terms of the Swap Agreement will be deposited.

If the Issuer Accounts Bank is no longer rated at least the Issuer

Accounts Bank Minimum Rating the Transaction Manager will notify the Rating Agency and within 30 days of the downgrade: (i) procure a replacement issuer accounts bank rated at least the Issuer Accounts Bank Minimum Rating; or (ii) procure a suitable guarantee in favour of the Issuer of the obligations of the Issuer Accounts Bank from a financial institution with the Issuer Accounts Bank Minimum Rating, and notify the Rating Agency within 10 days as from the appointment of such replacement issuer accounts bank or the execution of such guarantee.

The Issuer, the Issuer Accounts Bank and the Transaction Manager undertake to use reasonable endeavours to execute all necessary documentation and custody agreements in a form satisfactory to the Issuer Accounts Bank in order that the Issuer opens a securities collateral account within 30 days of the downgrade of the Swap Counterparty to a rating which requires collateral to be posted pursuant to the terms of the Credit Support Annex. In the event that a securities collateral account is not opened within 30 days of the downgrade, the Issuer, Issuer Accounts Bank and Transaction Manager will liaise with the Swap Counterparty regarding the timing of the opening of the account.

Swap Deposit:

On or about the Closing Date, the Issuer will set up a deposit account with the Swap Deposit Bank (the "**Swap Deposit**") in the amount of € 1,614,673.69 which will be funded from the issuance proceeds of the Notes and will be repaid to the Issuer, together with interest thereon, in 2 (two) equal fixed monthly instalments, each on the Interest Payment Dates falling in January 2010 and in February 2010.

On the Interest Payment Dates falling in January 2010 and in February 2010, the Issuer shall use the fixed monthly instalment it receives under the Swap Deposit to fund the fixed payment the Issuer will have to make under the Swap Agreement on each such Interest Payment Dates.

If the Swap Deposit Bank is no longer rated at least the Swap Deposit Bank Minimum Rating, the Swap Deposit Bank will within 30 (thirty) days of the downgrade:

(i) procure at its own cost a replacement swap deposit bank rated at least the Swap Deposit Bank Minimum Rating; or

(ii) procure at its own cost a suitable guarantee in favour of the Issuer of the obligations of the Swap Deposit Bank from a financial institution with the Swap Deposit Bank Minimum Rating; or

(iii) procure at its own cost to deposit cash collateral in favour of the Issuer for an amount corresponding to the total amount outstanding of its repayment obligations under the Swap Deposit Agreement with a financial institution with the Swap

Deposit Bank Minimum Rating.

Payments from the Issuer Transaction Account on each Business Day:

On each Business Day during a Collection Period (other than an Interest Payment Date) prior to the Notes becoming immediately due and payable, the Transaction Manager shall, on behalf of the Issuer, effect payment using monies deposited in the Issuer Transaction Account of the amounts due and payable by the Issuer on such Business Day *pari passu* and *pro rata* according to the respective amounts thereof in relation to the following in the amounts that the Issuer has instructed the Transaction Manager to pay and which are required (but in no order of priority) in connection with:

(i) any Incorrect Payments due to the DGO on such Business Day;

(ii) any Tax payments due by the Issuer on such Business Day;

(iii) any Third Party Expenses due by the Issuer on such Business Day; and

(iv) any other amounts then due and payable to third parties and incurred without breach by the Issuer of the terms of the Transaction Documents.

Statutory Segregation for the Notes, Right of Recourse and Issuer Obligations:

The Notes will have the benefit of the statutory segregation provided for by article 62 of the Securitisation Law which provides that the assets and liabilities of the Issuer in respect of each transaction entered into by the Issuer are completely segregated from the other assets and liabilities of the Issuer (*património autónomo*).

In accordance with the terms of article 61 and the subsequent articles of the Securitisation Law the right of recourse of the Noteholders is limited to the specific pool of assets, including the Credit Rights, the Collections, the Issuer Accounts, the Swap Deposit, the Issuer's rights in respect of the Transaction Documents and any other right and/or benefit, either contractual or statutory, relating thereto, purchased or received by the Issuer in connection with the Notes. Accordingly, the obligations of the Issuer in relation to the Notes and under the other Transaction Documents are limited in recourse in accordance with the Securitisation Law to the Transaction Assets.

The Transaction Assets and all amounts deriving therefrom will not be available to creditors of the Issuer other than the Noteholders and the Transaction Creditors and may only be utilised by the Noteholders and the Transaction Creditors in accordance with the terms of the Transaction Documents including the relevant Payments Priorities. Pursuant to article 63 of the Securitisation Law, the Noteholders and the Transaction Creditors are also entitled to a statutory privilege over all the Transaction Assets. The rights of the Noteholders and the Transaction Creditors regarding payment of principal and interest under the Notes and payment of the obligations to the Transaction Creditors will, in respect of the Transaction

Assets, rank senior to the rights of any other creditor of the Issuer including any creditor of the Issuer in respect of any other series of notes issued by the Issuer. Both before and after any bankruptcy event in relation to the Issuer, the Transaction Assets will only be available for the purpose of satisfying the obligations of the Issuer to the Noteholders and the Transaction Creditors in accordance with the terms of the relevant Transaction Documents.

Available Interest Distribution Amount:

Available Interest Distribution Amount means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager as at the Calculation Date immediately preceding such Interest Payment Date equal to the sum of (and for the avoidance of doubt, excluding any Differential Step-up Amounts):

(a) the amount of the Interest Component of the Credit Rights received by the Issuer during the related Collection Period;

(b) the amount of any Overdue Interest received by the Issuer during the related Collection Period;

(c) the fixed monthly instalment to be received from the Swap Deposit Bank on such Interest Payment Date under the Swap Deposit Agreement (only up to, and including, the Interest Payment Date falling in February 2010);

(d) the payment (if any) to be received from the Swap Counterparty on such Interest Payment Date under the Swap Agreement (other than any collateral posted by the Swap Counterparty under the Swap Agreement or any interest or other payment on or from such posted collateral);

(e) the amount of any Swap Replacement Premium paid by any replacement Swap Counterparty to the Issuer;

(f) the balance, if any, standing on the Expenses Reserve Account at the end of the related Collection Period;

(g) interest accrued and credited to the Issuer Transaction Account during the related Collection Period and any other amounts deposited in such account to the extent that such amounts do not fall under any of the other items of the Available Interest Distribution Amount nor under the Available Principal Distribution Amount;

(h) 1.47% of the amount of Principal Component of the Credit Rights received by the Issuer during the related Collection Period;

(i) in case of Early Amortisation, the amount of the Early Repayment Amount that is not included in the Available Principal Distribution Amount nor in any other items of the Available Interest Distribution Amount; and

(j) the amount, if any, of Available Principal Distribution Amount, upon or after redemption in full of the Notes, as calculated by the Transaction Manager on the Calculation Date immediately preceding such Interest Payment Date.

The Issuer will apply the Available Interest Distribution Amount on each Interest Payment Date in accordance with the Pre-Enforcement Interest Payments Priorities.

Available Principal Distribution Amount: Available Principal Distribution Amount means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager as at the Calculation Date immediately preceding such Interest Payment Date as being equal to:

(a) 98.53% of the amount of Principal Component of the Credit Rights received by the Issuer during the related Collection Period; and

(b) in case of Early Amortisation, 98.53% of the Early Repayment Amount, after deducting from the Early Repayment Amount accrued interest and Early Amortisation Costs, used in the reduction of the outstanding balance of the Credit Rights, to the extent not included under item (a) above.

The Issuer will apply the Available Principal Distribution Amount on each Interest Payment Date in accordance with the Pre-Enforcement Principal Payments Priorities, subject to applying funds towards payment of Tax and Incorrect Payments and, for the avoidance of doubt, excluding any Differential Step-up Amounts.

Pre-Enforcement Interest Payments Priorities: Prior to the Notes having become immediately due and payable at their Principal Amount Outstanding together with any accrued interest, the Available Interest Distribution Amount determined by the Transaction Manager in respect of an Interest Payment Date will be applied by the Transaction Manager on such Interest Payment Date in making the following payments or provisions in the following order of priority but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

(a) *first*, in or towards payment or provision of the Issuer's liability to Tax, in relation to this transaction, if any;

(b) *second*, in or towards payment of the fees, liabilities and expenses payable by the Issuer to the Common Representative (including any VAT thereon);

(c) *third*, in or towards payment on a *pari passu* and *pro rata* basis of any fees, liabilities and expenses (including any VAT thereon) payable by the Issuer to the Transaction Manager, the Paying Agent, the Issuer Accounts Bank, the

Swap Deposit Bank and any Third Party Expenses, including interest payable (and any VAT payable) thereon in accordance with the Transaction Documents to which the Issuer is a party, that would be paid or provided for by the Issuer on the next Interest Payment Date (the "**Issuer Expenses**") and any servicing fee, liabilities and expenses (including any VAT thereon) payable by the Issuer to the Servicer under the Receivables Servicing Agreement;

(d) *fourth*, in or towards payment of amounts due to the Swap Counterparty under the Swap Agreement (except for the Subordinated Swap Termination Amount);

(e) *fifth*, in or towards payment on a *pari passu* basis of (i) Interest Amount due and payable in respect of the Class A Notes on such Interest Payment Date and (ii) Premium Payment due and payable on such Interest Payment Date;

(f) *sixth*, prior to the Interest Payment Date on which the Class A Notes have been redeemed in full and all costs, fees, liabilities and expenses then outstanding have been fully paid or provided for, transfer to the Expenses Reserve Account any remaining Available Interest Distribution Amount;

(g) *seventh*, in or towards payment of the Subordinated Swap Termination Amount; and

(h) *eighth*, in release of the balance (if any) to the holders of the Class B Notes.

Pre-Enforcement Principal Payments Priorities: Prior to the Notes having become immediately due and payable at their Principal Amount Outstanding together with any accrued interest, the Available Principal Distribution Amount determined by the Transaction Manager in respect of an Interest Payment Date will be applied by the Transaction Manager on such Interest Payment Date in making the following payments in the following order of priority but in each case only to the extent that all payments of a higher priority that fall due to be paid on such Interest Payment Date have been made in full:

(a) *first*, in redeeming the Class A Notes;

(b) *second*, after redemption in full of the Class A Notes, in redeeming the Class B Notes; and

(c) *third*, upon or after redemption in full of the Class A Notes and of the Class B Notes, in or towards payment of the amount to be included in the Available Interest Distribution Amount.

Post-Enforcement Payments Priorities: Upon the Notes having become immediately due and payable at their Principal Amount Outstanding together with any accrued interest, all amounts received or recovered by the Issuer and/or the Common

Representative will be applied in making the following payments in the following order of priority but in each case only to the extent that all payments of a higher priority have been made in full:

(a) *first*, in or towards payment on a *pari passu* and *pro rata* basis of (i) any remuneration then due and payable to any receiver and all costs, expenses and charges incurred by such receiver and (ii) the Common Representative's fees and liabilities (including any VAT thereon);

(b) *second*, in or towards payment on a *pari passu* and *pro rata* basis of the Issuer Expenses to the extent not paid under (a) above and of any servicing fee, liabilities and expenses payable by the Issuer to the Servicer;

(c) *third*, in or towards payment of amounts due to the Swap Counterparty under the Swap Agreement (except for the Subordinated Swap Termination Amount);

(d) *fourth*, in or towards payment on a *pari passu* basis of (i) accrued interest on the Class A Notes but so that current interest will be paid before interest that is past due and (ii) accrued Premium Payment;

(e) *fifth*, in or towards payment on a *pari passu* basis of the Principal Amount Outstanding on the Class A Notes until all Class A Notes have been redeemed in full;

(f) *sixth*, in or towards payment of the Subordinated Swap Termination Amount; and

(g) *seventh*, in or towards payment on a *pari passu* basis of the Principal Amount Outstanding on the Class B Notes until all Class B Notes have been redeemed in full and in or towards full release of the balance (if any) to the holders of the Class B Notes.

Collateral Accounts: Any collateral posted by the Swap Counterparty on a given Business Day will be credited to the Collateral Accounts on such Business Day. The Issuer Accounts Bank will only debit the Collateral Accounts in accordance with instructions from the Transaction Manager.

Swap Agreement: Under the Swap Transaction on each Interest Payment Date from the Closing Date up to and including the Interest Payment Date falling in February 2010, the Issuer will pay to the Swap Counterparty a fixed amount of € 808,008.00. In return, on each such Interest Payment Date, the Swap Counterparty will pay to the Issuer an amount in Euros calculated by reference to the notional amount of the Swap Transaction and 1-month EURIBOR (except for the first Interest Period, in relation to which the applicable EURIBOR rate will be the interpolated European Interbank Offered Rate for 1-month and 2-

month euro deposits set on the Closing Date) plus a margin.

On each Interest Payment Date from and including the Interest Payment Date falling in March 2010 to and including the Interest Payment Date falling in February, 2025, the Issuer will pay to the Swap Counterparty an amount equal to the sum of: (A) the interest component of the monthly annuity installments scheduled to be received by the Issuer under the Credit Rights for the corresponding Collection Period; and (B) the product of 1.47% multiplied by the principal component of the monthly annuity installments scheduled to be received by the Issuer under the Credit Rights for the corresponding Collection Period. In return, on each such Interest Payment Date, the Swap Counterparty will pay to the Issuer an amount in Euros calculated by reference to the notional amount of the Swap Transaction (adjusted for any amortisation of the Class A Notes) and 1-month EURIBOR plus a margin. The margin will be increased following the occurrence of a Eurosystem Event.

Except for the first Interest Period, in relation to which the relevant EURIBOR will be set on the Closing Date, the relevant EURIBOR rate will be set two Business Days prior to the first day of the relevant Interest Period.

On each Interest Payment Date falling in the month of January, the Swap Counterparty will pay to the Issuer the relevant amount of Preset Ongoing Expenses.

The Swap Transaction will provide that in case the Credit Rights are or become subject to amortisation, redemption, repayment or reduction in full or in part prior to the scheduled date, the Swap Transaction will be divided into two transactions (the "**Excess Transaction**" and the "**Remaining Transaction**"). The Excess Transaction (which shall be terminated) shall be on identical terms to those of the Swap Transaction, except that the notional amount of the Excess Transaction shall be the notional amount of the Swap Transaction adjusted to reflect the proportion of the amortised Credit Rights and the Excess Transaction is deemed not to include any obligation by the Swap Counterparty to pay the Preset Ongoing Expenses. The Remaining Transaction (which shall continue in place of the Swap Transaction) shall also be on identical terms to those of the Swap Transaction, except that the notional amount of the Remaining Transaction shall be such part of the notional amount of the Swap Transaction which is not allocated to the Excess Transaction and that the Remaining Transaction shall be deemed to contain any obligation by the Swap Counterparty to pay the Preset Ongoing Expenses. Failure by the Issuer to pay amounts due under the Excess Transaction, including a termination payment (if any), shall give the Swap Counterparty the right to terminate the Remaining Transaction in addition to the Excess Transaction.

On each Calculation Date from the Calculation Date immediately

preceding the Interest Payment Date falling in March 2010, the Swap Counterparty (acting as calculation agent under the Swap Agreement) shall calculate the amount (if any) by which (x) the amount due to be paid by the Swap Counterparty to the Issuer on such Interest Payment Date (calculated by reference to the principal component of the monthly annuity installments actually received by the Issuer during the corresponding Collection Period) exceeds (y) the amount which would have been paid by the Swap Counterparty to the Issuer for such Interest Payment Date (if such amount had been calculated by reference to the principal component of the monthly annuity installments originally scheduled to be received by the Issuer during the corresponding Collection Period) under the terms of the Swap Agreement (a "**Note Amortisation Shortfall Reimbursement Amount**").

A Note Amortisation Shortfall Reimbursement Amount will arise in circumstances where the DGO fails to pay a relevant amount of the Principal Component of the Credit Rights when due. In such circumstances the Notes will not amortise at their scheduled rate and will continue to accrue interest on the higher principal amount. The Swap Counterparty's payment obligations under the Swap Agreement (calculated by reference to the principal amount of the Notes) will accordingly not be reduced and the Swap Counterparty will continue to make the relevant payments to the Issuer to enable it to meet its interest obligations under the Notes for such Interest Payment Date.

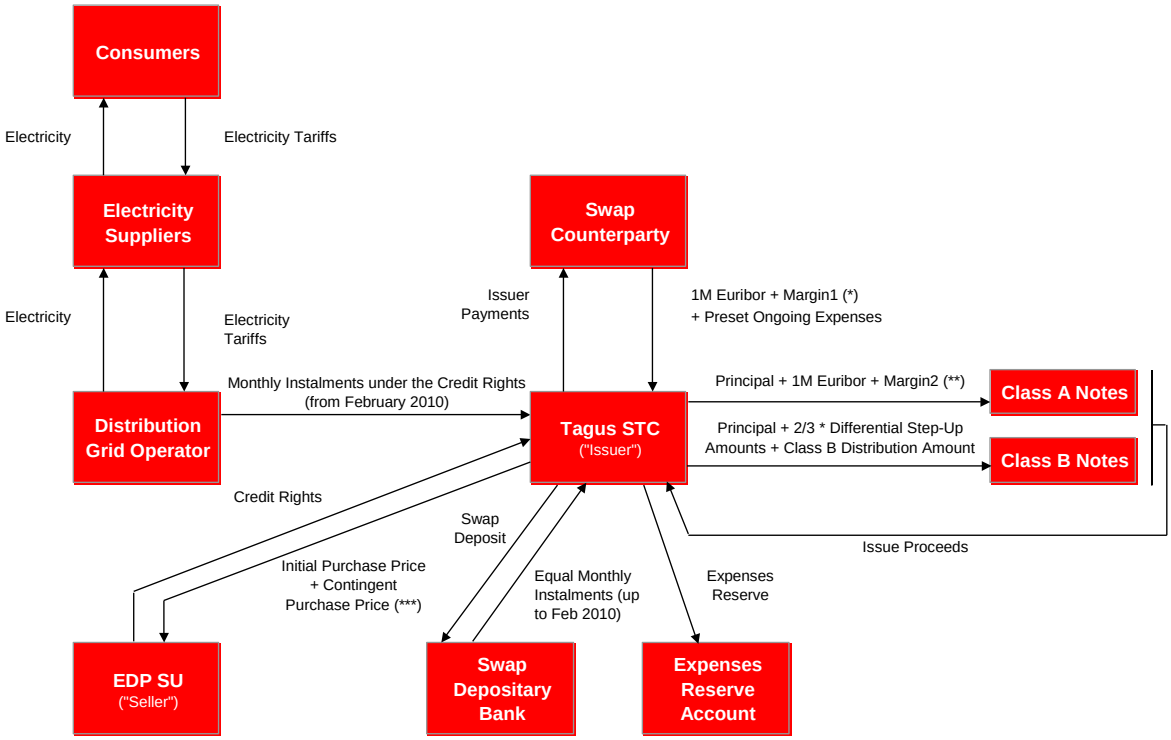
Where a Note Amortisation Shortfall Reimbursement Amount arises, the Issuer's payment obligation under the Swap Agreement for the corresponding Interest Payment Date will be increased by such amount. In order to pay such Note Amortisation Shortfall Reimbursement Amount, the Issuer may use funds (if any) standing to the credit of the Expenses Reserve Account at the end of the related Collection Period. To the extent that the Issuer is unable to pay this or any other amount under the Swap Agreement, it may be able to defer such payments, as described below.

If the DGO fails to pay a relevant amount of the Credit Rights when due, such amounts as remain outstanding from the DGO will accrue interest at a default rate.

The Swap Agreement contains a general payment deferral mechanism that will provide liquidity support to the Issuer. In relation to an Interest Payment Date on which the Issuer's payment obligations to the Swap Counterparty under the Swap Agreement exceed the Available Interest Distribution Amount available to make such payment under the Pre-Enforcement Interest Payments Priorities, the Issuer may be entitled to defer such excess amounts due under the Swap Agreement (the "**Swap Liquidity Support Amounts**"). Any such Swap Liquidity Support Amounts will accrue interest at a rate of 1-month EURIBOR plus a margin and will be

due on the following Interest Payment Date. In order to pay such accrued interest, the Issuer may use funds (if any) standing to the credit of the Expenses Reserve Account at the end of the related Collection Period. The Issuer will only be entitled to defer payments of the Swap Liquidity Support Amounts for a maximum of three consecutive Interest Payment Dates. In addition, the Issuer will only be entitled to defer any Swap Liquidity Support Amounts if: (i) no event of default or termination event has occurred and is continuing under the Swap Agreement; (ii) no Potential Event of Default has occurred and is continuing under the Notes; and (iii) no change of the law has occurred which, in the reasonable opinion of the Swap Counterparty, may have a materially negative effect on either (*x*) the amount and/or timing of payments to the Swap Counterparty from the Issuer under the terms of the Swap Agreement or (*y*) the Swap Counterparty's rights and obligations under the Swap Agreement.

STRUCTURE AND CASH FLOW DIAGRAM OF TRANSACTION



(*) Margin1: 0.90% from beginning and 1.95% after the Step-Up Date
(**) Margin2: 0.90% from beginning and 1.60% after the Step-Up Date
(***) Contingent Purchase Price = 0,35% + 1/3 * Differential Step-Up Amounts

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have been filed with the CMVM, shall be incorporated in, and form part of, this Prospectus:

- The auditor's report and audited annual financial statements of the Issuer for the financial year ended 31st December, 2007 and 31st December, 2008 and as available at www.cmvm.pt.

OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS

The description of certain Transaction Documents set out below is a summary of certain features of such documents and is qualified by reference to the detailed provisions thereof. Prospective Noteholders may inspect a copy of the documents described below upon request at the Specified Office of each of the Common Representative and Paying Agent.

RECEIVABLES SALE AGREEMENT

Purchase of Credit Rights

Under the terms of the Receivables Sale Agreement and pursuant to article 4.1 of the Securitisation Law, the Originator will assign to the Issuer and the Issuer will, subject to satisfaction of certain conditions precedent, purchase from the Originator, the Credit Rights, in an amount equivalent to the Extraordinary Deviations plus accrued interest.

Consideration for purchase of the Credit Rights

In consideration for the assignment and sale of the Credit Rights as at the Closing Date, the Issuer will pay to the Originator the Purchase Price.

The Purchase Price will be composed of (i) the amount corresponding to € 434,720,326.31 (the "**Initial Purchase Price**") paid to the Originator by the Issuer on the Closing Date and, in case a Eurosystem Event occurs, (ii) the contingent purchase price (the "**Contingent Purchase Price**") which will be the amount corresponding to the sum of (x) 0.35% per annum paid to the Originator by the Issuer on each Interest Payment Date from (and excluding) the Step-up Date calculated on the Principal Amount Outstanding of the Notes as at the beginning of the Interest Period ending on such Interest Payment Date (which, for the avoidance of doubt, corresponds to the date on which the Issuer is to pay to the Originator the relevant amount) (the "**Premium Payment**") and (y) 1/3 of the Differential Step-up Amounts, if any, payable on the first twelve Interest Payment Dates from (and excluding) the Step-up Date to the extent previously received by the Issuer.

Pursuant to no. 6 of Ministerial Order no. 27677/2008, of 19 September, 50% of the amount of the Contingent Purchase Price must be reverted to the benefit of the UGS Tariff, or to the benefit of any other tariff applicable to all consumers of electricity, through deduction of the amount to be reverted from the amount of the annual allowed revenues for EDP SU, that are recognized by ERSE in the annual calculation of the tariffs for the following year.

Effectiveness of the assignment

The assignment of the Credit Rights by the Originator to the Issuer will be governed by the Securitisation Law (See "**Selected aspects of Portuguese Law relevant to the Credit Rights and the transfer of the Credit Rights**"). The Receivables Sale Agreement will be effective to transfer the Credit Rights and any Ancillary Rights to the Issuer on the Closing Date.

The CMVM has, through the issue of the 20 digit code to the issue of the Notes, confirmed on December 2, 2009 that the Credit Rights comply with the requirements set forth in article 4.1 of the Securitisation Law and are thus eligible to be assigned for securitisation purposes.

Representations and warranties

The Originator will make certain representations and warranties in respect of itself and the Credit Rights, which are included in the Receivables Sale Agreement.

Covenants

The Originator will be required to make positive and negative covenants in favour of the Issuer in accordance with the terms of the Receivables Sale Agreement relating to it and its entering into the relevant Transaction Documents to which it is a party.

Applicable law and jurisdiction

The Receivables Sale Agreement will be governed by and construed in accordance with the laws of the Portuguese Republic. The courts of Lisbon will have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

RECEIVABLES SERVICING AGREEMENT

Servicing and collection of the Credit Rights

Pursuant to the terms of the Receivables Servicing Agreement, the Issuer will appoint the Servicer to provide certain services relating to the servicing of the Credit Rights (the "**Services**").

Sub-contractor

The Servicer may appoint any Subsidiary as its sub-contractor and may appoint any other person as its sub-contractor to carry out certain of the services subject to certain conditions specified in the Receivables Servicing Agreement. In certain circumstances the Issuer may require the Servicer to assign any rights which it may have against a sub-contractor.

Servicer's duties

The duties of the Servicer will be set out in the Receivables Servicing Agreement, and consist of:

1. Control Annuity

   (i) Check if the amounts pertaining to (x) the start of year and end of year balances, (y) the balances applicable interest rate and (z) the amount of annuity calculated and included into the tariff (including corresponding monthly instalment), all in relation to the Credit Rights, as calculated and published by ERSE, are correct and liaise with ERSE in connection therewith should there be a need; however, the Servicer shall not be under the obligation to have knowledge of the occurrence of a Eurosystem Event except to the extent that it has been previously notified of such an occurrence;

   (ii) For purposes of confirming that the calculations of the annuity for every year have been made correctly the Servicer shall apply the formula contained in no. 5 of Ministerial Order no. 5579-A/2009, of 16 February (the "**Formula**"):

   $A_t = (B_t \times i_t) \div [1 - (1 + i_t)^{\wedge}(-T_t)]$

   In which:

   A_t Annuity calculated for year t

   B_t Outstanding amount of the Credits Rights, at the end of year t-1, this amount corresponding to the outstanding amount of the Credits Rights on the term of year t-

2, accrued of interest calculated for year t-1 and deducted of the amount effectively received out of the annuity calculated for year t-1

i_t Applicable interest rate for calculation of the interest of year t, determined pursuant to no. 4 of Ministerial Order no. 27677/2008, of 19 September, or to no. 1 of Ministerial Order no. 5579-A/2009, of 16 February, as the case may be

T_t Number of years between January 1st of year t and 31st December of 2024

(iii) Determine the Principal Component and Interest Component of the annuity and each of the monthly instalments;

(iv) After reviewing the calculations of the annuity for every year, the Servicer shall promptly confirm to the Transaction Manager and to the Swap Counterparty that such calculations comply with the Formula and inform the Transaction Manager, the Swap Counterparty and the Rating Agency about the monthly Interest Component and Principal Component expected to be received during the following tariff year, including such information in the following Monthly Servicing Report;

(v) The Servicer shall promptly notify the Transaction Manager and the Swap Counterparty in writing of the occurrence of a Eurosystem Event to the extent it has been previously notified.

2. Billing control

Verify invoices issued by EDP SU (of which it shall receive a copy).

3. Control Collections

(i) Check amount of Collections credited into the Issuer Transaction Account during each Collection Period;

(ii) Determine amount of Overdue Interest credited into the Issuer Transaction Account during each Collection Period;

(iii) Allocate Collections between the Principal Component, the Overdue Interest and the Interest Component of the Credit Rights;

(iv) Where the amount of the Collections received by the Issuer in respect of any Collection Period is less than the amount which the Issuer should have received in respect of such Collection Period (including any amounts due but not paid in respect of previous Collection Periods), such amount shall be allocated by the Servicer:

(1) first, in or towards the Interest Component in respect of the Credit Rights;

(2) second, in or towards the Overdue Interest in respect of the Credit Rights; and

(3) third, in or towards the Principal Component of the Credit Rights.

(v) Where the amount of the Collections received by the Issuer in respect of any Collection Period differs from the amount scheduled to be received, the Servicer shall promptly notify

in writing the Transaction Manager and the Swap Counterparty of such discrepancy and include such details in the Monthly Servicing Report.

4. Reporting

Prepare and send to the Issuer, the Transaction Manager, the Swap Counterparty and the Rating Agency, no later than 2 (two) Business Days following the end of each Collection Period, the Monthly Servicing Report.

5. Registry

Keep adequate register of all events in relation to the Credit Rights and their collection.

6. Early Amortisation of the Credit Rights

In the event of early amortisation of the Credit Rights pursuant to no. 8 of Ministerial Order no. 27677/2008, of 19 September, and no. 4 of Ministerial Order no. 5579-A/2009, of 16 February:

(a) Upon becoming aware that:

(i) an Early Amortisation will occur, promptly inform the Issuer, the Transaction Manager, the Swap Counterparty and the Rating Agency of the expected Early Repayment Amount and effective date on which such Early Amortisation is scheduled to occur (to the extent the Servicer has been advised of these details); or

(ii) an Early Repayment Amount is paid into the Issuer Transaction Account without prior notice, promptly inform the Issuer, the Transaction Manager, the Swap Counterparty and the Rating Agency about the Early Repayment Amount which has been deposited in the Issuer Transaction Account;

(b) Obtain from the Transaction Manager the (i) Early Amortisation Costs, (ii) Outstanding Principal Amount of the Notes to be subject of early redemption and (iii) interest accrued in respect of such Notes;

(c) Liaise with ERSE in respect of the Early Repayment Amount and the amounts referred to in (b);

(d) Where prior notification of the Early Amortisation was provided, promptly inform the Issuer, the Transaction Manager, the Swap Counterparty and the Rating Agency when the Early Repayment Amount is deposited in the Issuer Transaction Account and provide confirmation that the amount received by the Issuer corresponds to the Early Repayment Amount that has been determined under (b) above or, alternatively, immediately notify the Issuer, Transaction Manager, Swap Counterparty and the Rating Agency and ERSE of any shortfall; and

(e) Allocate the Early Repayment Amount (i) to the amortisation of all outstanding amounts other than outstanding balance of the Credit Rights and, upon full discharge of these amounts, (ii) to the outstanding balance of the Credit Rights, and further communicate such allocation to the Transaction Manager and ERSE.

7. Enforcing rights

(a) Administer, implement and pursue enforcement procedures as well as any litigation or appeal in relation to the Credit Rights;

(b) Negotiate/liaise with ERSE or any other entity of the SEN, in the interest of the Issuer, in respect to the Credit Rights.

Servicer Reporting

The Servicer is required no later than 2 (two) Business Days following the end of each Collection Period to deliver to the Issuer, to the Transaction Manager, to the Rating Agency and to the Swap Counterparty a report (the "**Monthly Servicing Report**") containing information on the Credit Rights.

The Monthly Servicing Report will form part of the Investor Report, in the Transaction Manager's standard format, which the Transaction Manager, having received the Monthly Servicing Report, will not less than 5 (five) Business Days prior to each Interest Payment Date make the necessary arrangements for publication on CMVM's website and Bloomberg, and therein include details of the Notes outstanding.

In addition, each Investor Report will be made available not less than 5 (five) Business Days prior to each Interest Payment Date to the Issuer, the Common Representative, the Paying Agent, the Servicer, the Joint Arrangers and Joint Lead Managers, the Rating Agency and the Noteholders via the Transaction Manager's internet website currently located at https://tss.sfs.db.com/investpublic. It is not intended that the Investor Reports will be made available in any other format, save in certain limited circumstances with the Transaction Manager's agreement. The Transaction Manager's website does not form part of the information provided for the purposes of this Prospectus and disclaimers may be posted with respect to the information posted thereon. Registration may be required for access to such website and persons wishing to access the website will be required to certify that they are Noteholders or the other persons referred to above (as the case may be).

Representations and warranties

The Servicer will make certain representations and warranties to the Issuer in accordance with the terms of the Receivables Servicing Agreement relating to itself and its entering into the relevant Transaction Documents to which it is a party.

Covenants

The Servicer will be required to make positive and negative covenants in favour of the Issuer in accordance with the terms of the Receivables Servicing Agreement relating to it and any subcontracted servicer and its entering into the relevant Transaction Documents to which it is a party.

Servicer Events

The appointment of the Servicer will continue (unless otherwise terminated by the Issuer) until the Final Legal Maturity Date when the obligations of the Issuer under the Transaction Documents will be discharged in full. The Issuer may terminate the Servicer's appointment and appoint a successor Servicer (such appointment being subject to the prior approval of the CMVM being obtained) upon the occurrence of a Servicer Event in accordance with the provisions of the Receivables Servicing Agreement.

Any of the following events constitutes a "**Servicer Event**" under the Receivables Servicing Agreement:

(a) *Breach of obligations*: the Servicer, or some other entity on behalf of the Servicer, does not comply with any provision of the Receivables Servicing Agreement, except that no Servicer Event will occur if the failure to comply is capable of remedy and is remedied within 30 calendar days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer requiring the same to be remedied; or

(b) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount in excess of € 25,000,000.00 (twenty five million euros) (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Servicer and which

would have a material adverse effect in the ability of the Servicer to perform its obligations under the Receivables Servicing Agreement and continue(s) unsatisfied for a period of 30 calendar days after the date(s) thereof or, if later, the date therein specified for payment, except if such judgement(s) or order(s) are being contested in good faith and on appropriate legal advise; or

(c) *Security enforced*: a secured party takes possession of, or a Insolvency Official is appointed in relation to, the whole or a substantial part of the undertaking, assets and revenues of the Servicer; or

(d) *Insolvency*: an Insolvency Event occurs with respect to the Servicer; or

(e) *Winding up, liquidation, dissolution*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Servicer (otherwise than where approved by an Extraordinary Resolution for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(f) *Force Majeure*: if the Servicer is prevented or severely hindered for a period of 60 calendar days or more from complying with its obligations under the Receivables Servicing Agreement as a result of a Force Majeure Event.

If a Servicer Event occurs, the Issuer (or the Common Representative on its behalf) may at its discretion deliver a notice (the "**Servicer Event Notice**") to the Servicer. After receipt by the Servicer of a Servicer Event Notice but prior to the delivery of a notice the effect of which shall be to terminate the Servicer's appointment under the Receivables Servicing Agreement (the "**Servicer Termination Notice**"), the Servicer shall:

(a) other than as the Issuer may direct pursuant to (c) below continue to perform all of the Services (unless prevented by any Portuguese law or any applicable law) until the Servicer Termination Date;

(b) take such further action in accordance with the terms of the Receivables Servicing Agreement as the Issuer may reasonably direct in relation to the Servicer's obligations under that agreement; and

(c) stop taking any such action under the terms of the Receivables Servicing Agreement as the Issuer may reasonably direct, including dealing with the Credit Rights.

At any time after the delivery of a Servicer Event Notice the Issuer may deliver a Servicer Termination Notice to the Servicer, the effect of which shall be to terminate the Servicer's appointment under the Receivables Servicing Agreement (but without affecting any accrued rights and Liabilities under said agreement) on the Servicer Termination Date.

Replacement Servicer

After the delivery of a Servicer Event Notice, the Issuer shall use all reasonable endeavours to identify a suitable Successor Servicer.

The Successor Servicer shall be appointed by the Issuer with effect from the Servicer Termination Date.

Applicable law and jurisdiction

The Receivables Servicing Agreement will be governed by and construed in accordance with the laws of the Portuguese Republic. The courts of Lisbon will have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

COMMON REPRESENTATIVE APPOINTMENT AGREEMENT

Appointment

On the Closing Date, the Issuer and the Common Representative will enter into an agreement setting forth the form and the Conditions of the Notes and providing for the appointment of the Common Representative as common representative of the Noteholders for the Notes pursuant to article 65 of the Securitisation Law.

Pursuant to the Common Representative Appointment Agreement, the Common Representative will agree to act as Common Representative of the Noteholders in accordance with the provisions set out therein and the terms of the Conditions. The Common Representative shall have among other things the power:

(a) to exercise in the name and on behalf of the Noteholders all the rights, powers, authorities and discretions vested on the Noteholders or on it by operation of law (in its capacity as common representative of the Noteholders pursuant to article 65 of the Securitisation Law), under the Common Representative Appointment Agreement or under any other Transaction Document;

(b) to start any action in the name and on behalf of the Noteholders in any proceedings;

(c) to enforce or execute in the name and on behalf of the Noteholders any Resolution passed by a Meeting of the Noteholders; and

(d) after the delivery of an Enforcement Notice or the Notes having become otherwise immediately due and payable at their Principal Amount Outstanding together with any accrued interest, to exercise, in the name and on behalf of the Issuer, the rights of the Issuer under the Transaction Documents (other than the Common Representative Appointment Agreement).

Rights and obligations of the Common Representative

The rights and obligations of the Common Representative are set out in the Common Representative Appointment Agreement and include, but are not limited to:

(a) certifying whether any proposed modification to the Transaction Documents or the occurrence of certain events in respect of Principal Subsidiaries of the Originator or the Servicer are, in its opinion, materially prejudicial to the interests of Noteholders;

(b) giving any consent required to be given in accordance with the terms of the Transaction Documents;

(c) waiving certain breaches of the terms of the Notes or the Transaction Documents on behalf of the Noteholders; and

(d) determining certain matters specified in the Common Representative Appointment Agreement, including any questions in relation to any of the provisions therein.

Remuneration of the Common Representative

The Issuer shall pay to the Common Representative remuneration for its services as Common Representative as from the date of the Common Representative Appointment Agreement, such remuneration to be at such rate as may from time to time be agreed between the Issuer and the Common Representative. Such remuneration shall accrue from day to day and be payable in accordance with the Payments Priorities until the powers, authorities and discretions of the Common Representative are discharged.

In the event of the occurrence of a Potential Event of Default or an Event of Default or the Common Representative considering it expedient or necessary or being requested by the Issuer to undertake duties which the Common Representative and the Issuer agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Common Representative under the Common Representative Appointment Agreement, the Issuer shall pay to the Common Representative such additional remuneration as shall be agreed between them.

The rate of remuneration in force from time to time may, upon the final redemption of the whole of the Notes, be reduced by an amount as may from time to time be agreed between the Issuer and the Common Representative. Such reduction in remuneration shall be calculated from the date following such final redemption.

Termination of the Common Representative

The Noteholders may at any time, by means of resolutions passed in accordance with the relevant terms of the Conditions and the Common Representative Appointment Agreement remove the Common Representative and appoint a new Common Representative.

Applicable law and jurisdiction

The Common Representative Appointment Agreement is governed by and construed in accordance with Portuguese law. The courts of Lisbon will have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

TRANSACTION MANAGEMENT AGREEMENT

Appointment and duties

On or about the Closing Date, the Issuer, the Common Representative and the Transaction Manager will enter into a Transaction Management Agreement pursuant to which both the Issuer and the Common Representative (according to their respective interests) will appoint the Transaction Manager to perform cash management duties, to carry out certain administrative tasks on behalf of the Issuer, including:

(a) operating the Issuer Transaction Account and the Expenses Reserve Account in such a manner as to enable the Issuer to perform its financial obligations pursuant to the Notes;

(b) providing the Issuer and the Common Representative with certain cash management, calculation, notification and reporting information in relation to the Issuer Accounts;

(c) maintaining adequate records to reflect all transactions carried out by or in respect of the Issuer Accounts;

(d) upon the Issuer's reasonable request, the Transaction Manager shall assist the Issuer in complying with its responsibilities to submit information to the CMVM and to the regulated market operator, provided that (i) the production of such information is not, in the opinion of the Transaction Manager, unduly onerous and (ii) the work required of it is capable of being produced by its standard systems. In the event that the Transaction Manager determines that the work required of it would be unduly onerous, the Issuer shall pay all reasonable expenses incurred by the Transaction Manager in procuring such information and such expenses shall constitute an expense of the Transaction Manager pursuant to the definition of Issuer Expenses.

Termination

Any of the following events constitutes a "**Transaction Manager Event**" under the Transaction Management Agreement:

(a) *Non-payment*: default by the Transaction Manager in ensuring the payment on the due date of any payment required to be made under the Transaction Management Agreement when the amount required for such payment is available in cleared funds in the Issuer Transaction Account and such default continues unremedied for a period of 5 Business Days after the earlier of (i) the Transaction Manager becoming aware of the default and (ii) receipt by the Transaction Manager of written notice from the Issuer or, after the occurrence of an Event of Default, the Common Representative requiring the default to be remedied; or

(b) *Breach of other obligations*: without prejudice to paragraph (a) (*Non-payment*) above:

(i) default by the Transaction Manager in the performance or observance of any of its other covenants and obligations under the Transaction Management Agreement; or

(ii) any of the Transaction Manager Warranties proves to be untrue, incomplete or incorrect; or

(iii) any certification or statement made by the Transaction Manager in any certificate or other document delivered pursuant to the Transaction Management Agreement proves, as a result of the Transaction Manager's gross negligence, wilful default or fraud to be untrue, incomplete or incorrect, and

and in each case the Issuer or, after the occurrence of an Event of Default, the Common Representative certifies that such default or such warranty, certification or statement proving to be untrue, incomplete or incorrect could reasonably be expected to have a material adverse effect in respect of the Issuer Accounts or Services and (if such default is capable of remedy) such default continues unremedied for a period of 10 Business Days after the earlier of the Transaction Manager becoming aware of such default and receipt by the Transaction Manager of written notice from the Issuer or, after the occurrence of an Event of Default, the Common Representative requiring the same to be remedied; or

(c) *Unlawfulness*: it is or will become unlawful for the Transaction Manager to perform or comply with any of its material obligations under the Transaction Management Agreement; or

(d) *Force Majeure*: if the Transaction Manager is prevented or severely hindered for a period of 60 calendar days or more from complying with its material obligations under the Transaction Management Agreement as a result of a Force Majeure Event; or

(e) *Insolvency Event*: any Insolvency Event occurs in relation to the Transaction Manager.

The Issuer may, with the written consent of the Common Representative, or, after the occurrence of an Event of Default, the Common Representative may itself, deliver a Transaction Manager Event Notice to the Transaction Manager (with a copy to the Issuer or the Common Representative (as applicable)) immediately or at any time after the occurrence of a Transaction Manager Event.

After receipt by the Transaction Manager of a Transaction Manager Event Notice but prior to the delivery of a Transaction Manager Termination Notice, the Transaction Manager shall:

(a) hold to the order of the Issuer or, after the occurrence of an Event of Default, the Common Representative the Transaction Manager Records and the Transaction Documents;

(b) hold to the order of the Issuer or, after the occurrence of an Event of Default, the Common Representative any monies then held by the Transaction Manager on behalf of the Issuer together with any other assets of the Issuer then held by it;

(c) other than as the Issuer or, after the occurrence of an Event of Default, the Common Representative may direct pursuant to Clause 10 (v) of the Transaction Management Agreement, continue to perform all of the Services (unless prevented by any Requirement of Law or any Regulatory Direction or a Force Majeure Event) until the Transaction Manager Termination Date;

(d) take such further action in accordance with the terms of the Transaction Management Agreement as the Issuer or, after the occurrence of an Event of Default, the Common Representative may reasonably direct in relation to the Transaction Manager's obligations under the Transaction Management Agreement as may be necessary to enable the Services to be performed by a Successor Transaction Manager; and

(e) stop taking any such action under the terms of the Transaction Management Agreement as the Issuer or, after the occurrence of an Event of Default, the Common Representative may reasonably direct.

Applicable law and jurisdiction

The Transaction Management Agreement is governed by and construed in accordance with Portuguese law. The courts of Lisbon have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

ISSUER ACCOUNTS AGREEMENT

Appointment and duties

The Issuer Accounts Bank shall, on or prior to the Closing Date, open the Issuer Transaction Account, the Expenses Reserve Account and the Cash Collateral Account in the name of the Issuer, although all such accounts will be operated by the Transaction Manager for the Issuer.

The Issuer, Issuer Accounts Bank and Transaction Manager undertake to use reasonable endeavours to execute all necessary documentation and custody agreements in a form satisfactory to the Issuer Accounts Bank in order that the Issuer opens a securities collateral account within 30 days of the downgrade of the Swap Counterparty to a rating which requires collateral to be posted pursuant to the terms of the Credit Support Annex. In the event that a securities collateral account is not opened within 30 days of the downgrade, the Issuer, Issuer Account Bank and Transaction Manager will liaise with the Swap Counterparty regarding the timing of the opening of the account.

Also pursuant to the Issuer Accounts Agreement, the Issuer Accounts Bank will agree to provide the Issuer with certain services in connection with account handling and reporting requirements in relation to the monies from time to time standing to the credit of the Issuer Accounts. The Issuer Accounts Bank will pay interest on the amounts standing to the credit of the Issuer Accounts.

Termination

The Issuer Accounts Bank may resign its appointment upon not less than 30 days' notice to the Issuer (with a copy to the Common Representative), provided that:

(i) if such resignation would otherwise take effect less than 30 days before or after the Final Discharge Date or other date for redemption of the Notes or any Interest Payment Date in relation to the Notes, it shall not take effect until the thirtieth day following such date; and

(ii) such resignation shall not take effect until a successor has been duly appointed.

The Issuer may (with the prior written approval of the Common Representative) revoke its appointment of the Issuer Accounts Bank by not less than 30 days' notice to the Issuer Accounts Bank (with a copy to the Common Representative). Such revocation shall not take effect until a successor, previously approved in writing by the Common Representative, has been duly appointed.

The appointment of the Issuer Accounts Bank shall terminate forthwith if an Insolvency Event occurs in relation to the Issuer Accounts Bank. If the appointment of the Issuer Accounts Bank is terminated in accordance with this provision, the Issuer shall forthwith appoint a successor.

If the Issuer Accounts Bank is no longer rated at least the Issuer Accounts Bank Minimum Rating the Transaction Manager will notify the Rating Agency and within 30 days of the downgrade: (i) procure a replacement issuer accounts bank rated at least the Issuer Accounts Bank Minimum Rating; or (ii) procure a suitable guarantee in favour of the Issuer of the obligations of the Issuer Accounts Bank from a financial institution with the Issuer Accounts Bank Minimum Rating, and notify the Rating Agency within 10 days as from the appointment of such replacement issuer accounts bank or the execution of such guarantee.

The Issuer may (with the prior written approval of the Common Representative) appoint a successor Issuer Accounts Bank and shall forthwith give notice of any such appointment to the Common Representative, whereupon the Issuer, the Transaction Manager and the Common Representative agree that they will enter into an agreement with the successor Issuer Accounts Bank on substantially the same terms as the Issuer Accounts Agreement. Any successor Issuer Accounts Bank appointed by the Issuer must be appointed prior to the termination of appointment of the previous Issuer Accounts Bank and shall be a reputable and experienced financial institution which is rated at least the Issuer Accounts Bank Minimum Rating.

Applicable law and jurisdiction

The Issuer Accounts Agreement is governed by and construed in accordance with Portuguese law. The courts of Lisbon have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

PAYING AGENCY AGREEMENT

The Paying Agent may resign its appointment upon not less than 30 days' notice to the Issuer (with a copy to the Common Representative) and the Issuer may terminate the appointment of the Paying Agent by not less than 30 days' notice to the relevant Agent (and such appointment shall automatically terminate in case an Insolvency Event occurs in respect of the Paying Agent), provided such termination does not take effect until a successor has been duly appointed. Any successor paying agent appointed by the Issuer must be appointed prior to the termination of the appointment of the previous Paying Agent and shall be a reputable and experienced financial institution.

SWAP AGREEMENT

Under the Swap Transaction, on each Interest Payment Date from the Closing Date up to and including the Interest Payment Date falling in February 2010, the Issuer will pay to the Swap Counterparty a fixed amount of € 808,008.00. In return, on each such Interest Payment Date, the Swap Counterparty will pay to the Issuer an amount in Euros calculated by reference to the notional amount of the Swap Transaction and 1-month EURIBOR (except for the first Interest Period, in relation to which the applicable EURIBOR rate will be the interpolated European Interbank Offered Rate for 1-month and 2-month euro deposits set on the Closing Date) plus a margin.

On each Interest Payment Date from and including the Interest Payment Date falling in March 2010 to and including the Interest Payment Date falling in February, 2025, the Issuer will pay to the Swap Counterparty an amount equal to the sum of: (A) the interest component of the monthly annuity installments scheduled to be received by the Issuer under the Credit Rights for the corresponding Collection Period; and (B) the product of the percentage of principal allocated to interest multiplied by the principal component of the monthly annuity installments scheduled to be received by the Issuer under the Credit Rights for the corresponding Collection Period. In return, on each such Interest Payment Date, the Swap Counterparty will pay to the Issuer an amount in Euros calculated by reference to the notional amount of the Swap Transaction (adjusted for any amortisation of the Class A Notes) and 1-month EURIBOR plus a margin. The margin will be increased following the occurrence of a Eurosystem Event.

Except for the first Interest Period, in relation to which the relevant EURIBOR will be set on the Closing Date, the relevant EURIBOR rate will be set two Business Days prior to the first day of the relevant Interest Period.

On each Interest Payment Date falling in the month of January, the Swap Counterparty will pay to the Issuer the relevant amount of Preset Ongoing Expenses.

The Swap Transaction will provide that in case the Credit Rights are or become subject to amortisation, redemption, repayment or reduction in full or in part prior to the scheduled date, the Swap Transaction will be divided into two transactions (the "**Excess Transaction**" and the "**Remaining Transaction**"). The Excess Transaction (which shall be terminated) shall be on identical terms to those of the Swap Transaction, except that the notional amount of the Excess Transaction shall be the notional amount of the Swap Transaction adjusted to reflect the proportion of the amortised Credit Rights and the Excess Transaction is deemed not to include any obligation by the Swap Counterparty to pay the Preset Ongoing Expenses. The Remaining Transaction (which shall continue in place of the Swap Transaction) shall also be on identical terms to those of the Swap Transaction, except that the notional amount of the Remaining Transaction shall be such part of the notional amount of the Swap Transaction which is not allocated to the Excess Transaction and that the Remaining Transaction shall be deemed to contain any obligation by the Swap Counterparty to pay the Preset Ongoing Expenses. Failure by the Issuer to pay amounts due under the Excess Transaction, including a termination payment (if any), shall give the Swap Counterparty the right to terminate the Remaining Transaction in addition to the Excess Transaction.

Principal Shortfall

On each Calculation Date from the Calculation Date immediately preceding the Interest Payment Date falling in March 2010, the Swap Counterparty (acting as calculation agent under the Swap Agreement) shall calculate the amount (if any) by which (x) the amount due to be paid by the Swap Counterparty to the Issuer on such Interest Payment Date (calculated by reference to the principal component of the monthly annuity installments actually received by the Issuer during the corresponding Collection Period) exceeds (y) the amount which would have been paid by the Swap Counterparty to the Issuer for such Interest Payment Date (if such amount had been calculated by reference to the principal component of the monthly annuity installments originally scheduled to be received by the Issuer during the corresponding Collection Period) under the terms of the Swap Agreement (an "**Note Amortisation Shortfall Reimbursement Amount**").

A Note Amortisation Shortfall Reimbursement Amount will arise in circumstances where the DGO fails to pay a relevant amount of the Principal Component of the Credit Rights when due. In such circumstances the Notes will not amortise at their scheduled rate and will continue to accrue interest on the higher principal amount. The Swap Counterparty's payment obligations under the Swap Agreement (calculated by reference to the principal amount of the Notes) will accordingly not be reduced and the

Swap Counterparty will continue to make the relevant payments to the Issuer to enable it to meet its interest obligations under the Notes for such Interest Payment Date.

Where a Note Amortisation Shortfall Reimbursement Amount arises, the Issuer's payment obligation under the Swap Agreement for the corresponding Interest Payment Date will be increased by such amount. In order to pay such Note Amortisation Shortfall Reimbursement Amount, the Issuer may use funds (if any) standing to the credit of the Expenses Reserve Account at the end of the related Collection Period. To the extent that the Issuer is unable to pay this or any other amount under the Swap Agreement, it may be able to defer such payments, as described below.

If the DGO fails to a pay a relevant amount of the Credit Rights when due, such amounts as remain outstanding from the DGO will accrue interest at a default rate.

Liquidity Support

The Swap Agreement contains a general payment deferral mechanism that will provide liquidity support to the Issuer. In relation to an Interest Payment Date on which the Issuer's payment obligations to the Swap Counterparty under the Swap Agreement exceed the Available Interest Distribution Amount available to make such payment under the Pre-Enforcement Interest Payments Priorities, the Issuer may be entitled to defer such excess amounts due under the Swap Agreement (the "**Swap Liquidity Support Amounts**"). Any such Swap Liquidity Support Amounts will accrue interest at a rate of 1-month EURIBOR plus a margin and will be due on the following Interest Payment Date. In order to pay such accrued interest, the Issuer may use funds (if any) standing to the credit of the Expenses Reserve Account at the end of the related Collection Period. The Issuer will only be entitled to defer payments of the Swap Liquidity Support Amounts for a maximum of three consecutive Interest Payment Dates. In addition, the Issuer will only be entitled to defer any Swap Liquidity Support Amounts if: (i) no event of default or termination event has occurred and is continuing under the Swap Agreement; (ii) no Potential Event of Default has occurred and is continuing under the Notes; and (iii) no change of the law has occurred which, in the reasonable opinion of the Swap Counterparty, may have a materially negative effect on either (*x*) the amount and/or timing of payments to the Swap Counterparty from the Issuer under the terms of the Swap Agreement or (*y*) the Swap Counterparty's rights and obligations under the Swap Agreement.

Swap Counterparty rating downgrade

Under the terms of the Swap Agreement, if the relevant ratings of the long-term or short-term debt of the Swap Counterparty are downgraded by Moody's below the Required Swap Rating (as defined below), the Swap Counterparty will, in accordance with the terms of the Swap Agreement, be required, at its own cost, to take certain remedial measures within the time frame stipulated in the Swap Agreement. These measures may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the Required Swap Rating, or procuring another entity with the Required Swap Rating to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement. If at any time, the rating of the Swap Counterparty falls below a further rating level specified in the Swap Agreement, the remedial measures available to the Swap Counterparty may be more limited.

"**Required Swap Rating**" means that the unsecured and unsubordinated debt obligations of the relevant entity are rated no lower than "A2" by Moody's (long term) and "P-1" by Moody's (short term) (or if the relevant entity has no short term Moody's rating, "A1" by Moody's (long term)).

Early termination of the Swap Transaction

The Swap Transaction may be terminated by the Swap Counterparty in certain circumstances including, but not limited to, the following:

(a) if there is a failure by the Issuer to pay amounts due under the Swap Agreement and any applicable grace period has expired;

(b) if certain insolvency events occur with respect to the Issuer;

(c) if a change of law results in it becoming unlawful for one of the parties to perform one or more of its obligations under the Swap Agreement;

(d) if certain taxes are imposed on the Issuer or the Swap Counterparty (including withholding tax as described below);

(e) if there is a full Early Amortisation (in addition, see below for a description of a partial Early Amortisation);

(f) if the Notes are redeemed in full under Condition 8.2 (*Optional Redemption in whole for taxation reasons*) or Condition 8.4 (*Optional Redemption in whole*);

(g) a failure to pay Event of Default occurs under Condition 12.1(a);

(h) if the Common Representative is permitted to serve an Enforcement Notice following an Event of Default under Conditions 12.1(b), (c) or (d) (as set out in Condition 12 (*Events Of Default*)); and

(i) if (*i*) the Swap Liquidity Support Amounts arise on more than three consecutive Interest Payment Dates or (*ii*) the Swap Liquidity Support Amounts arise on three consecutive Interest Payment Dates and on the immediately following Calculation Date the Transaction Manager does not provide the Swap Counterparty with a notification that no Swap Liquidity Support Amounts will arise on the immediately following Interest Payment Date.

The Swap Transaction may be terminated by the Issuer in certain circumstances, including but not limited to, the following:

(a) if there is a failure by the Swap Counterparty to pay amounts due under the Swap Agreement and any applicable grace period has expired;

(b) if certain insolvency events occur with respect to the Swap Counterparty;

(c) if a breach of a provision of the Swap Agreement by the Swap Counterparty is not remedied within the applicable grace period;

(d) if a change of law results in it becoming unlawful for one of the parties to perform one or more of its obligations under the Swap Agreement; and

(e) if the Swap Counterparty is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement.

Payments on early termination

Upon an early termination of the Swap Transaction, the Issuer or the Swap Counterparty may be liable to make a swap termination payment to the other party. Such swap termination payment will be calculated

and paid in Euros. The amount of any such swap termination payment will initially be based on the market value of the Swap Transaction that is being terminated. The market value of the Swap Transaction will be determined on the basis of quotations sought from leading dealers as to the payment required to be made in order to enter into a transaction that would have the effect of preserving the economic equivalent of the respective payment obligations of the parties. Alternatively, if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result, the amount of such swap termination payment will be based upon a good faith determination of one of the party's total losses and costs (or gains). As well as the market value of (or loss/gain under) the terminated Swap Transaction, the swap termination payment will also include any unpaid amounts that became due and payable under such Swap Transaction prior to the date of termination.

Effect of partial Early Amortisation

Following a partial Early Amortisation, a proportionate partial termination of the Swap Transaction may occur as described above. In such circumstances, a swap termination payment relating to the Excess Transaction may be due from one party to the other. This termination payment will be calculated in the same way as a full swap termination payment (albeit only in relation to a part of the total Swap Transaction and the loss/gain method of calculation shall be used if quotations for the Excess Transaction cannot reasonably be obtained within two Business Days of the partial Early Amortisation). If the Issuer fails to pay any any amounts under the Excess Excess Transaction the Swap Counterparty will be permitted to terminate the Remaining Transaction. In such circumstances, if the Swap Counterparty elects to terminate the Remaining Transaction, the relevant termination payment will be calculated in the same way as a full swap termination payment (albeit only in relation to a part of the total Swap Transaction and the loss/gain method of calculation shall be used if quotations for the Remaining Transaction cannot reasonably be obtained within two Business Days of the date on which the Swap Counterparty terminates the Remaining Transaction).

Withholding tax

The Swap Counterparty will be obliged to gross up payments made by it to the Issuer under the Swap Transaction if withholding taxes are imposed on such payments, although in such circumstances the Swap Counterparty may have the right to terminate the Swap Transaction early. The Issuer will not be obliged to gross up payments made by it to the Swap Counterparty under the Swap Transaction if withholding taxes are imposed on such payments, however the Swap Counterparty may have the right to terminate such Swap Transaction in such circumstances. If either the Swap Counterparty or the Issuer terminates the Swap Transaction then the Issuer may be required to pay (or entitled to receive) a swap termination payment. In such case, payment by the Issuer of such swap termination payment may affect amounts available to the Issuer to pay interest on the Notes.

In order for certain tax treatment to be applicable to the parties, both the Issuer and the Swap Counterparty undertake to provide the other with certain documents (including certificates of residence) on an ongoing basis as provided in the Swap Agreement. Failure to provide such documents may lead to negative tax consequences. Each party has undertaken to indemnify the other in respect of such negative consequences arising as a result of a failure by such party to provide such documents, as provided for in the Swap Agreement.

Transfer of obligations under the Swap Agreement

The Swap Counterparty may, subject to certain conditions specified in the Swap Agreement, transfer its obligations under the Swap Agreement to another entity provided that such entity's unsecured and

unsubordinated debt obligations are rated no lower "A3" by Moody's (long term) and "P-2" by Moody's (short term) (or if the relevant entity has no short term Moody's rating, "A3" by Moody's (long term)).

Collateralisation of the Swap Counterparty's obligations

On or around the Closing Date, the Swap Counterparty and the Issuer will enter into a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) (the "**Swap Credit Support Document**") in support of the obligations of the Swap Counterparty under the Swap Agreement. If at any time the Swap Counterparty is required to provide collateral in respect of any of its obligations under the Swap Agreement, the Swap Credit Support Document will (subject to certain conditions set out therein and in the Swap Agreement) govern the amount and timing of transfers of collateral by the Swap Counterparty to the Issuer in support of its obligations and the amount and timing of returns (if any) of such collateral.

The Issuer will keep any collateral received from the Swap Counterparty pursuant to the Swap Credit Support Document in separate cash and/or securities accounts (the "**Collateral Accounts**"). The Issuer may only make payments or transfers utilising any monies and securities held in the Collateral Accounts if such payments and transfers are made in accordance with the terms of the Swap Credit Support Document and Swap Agreement. Amounts standing to the credit of the Collateral Accounts will not, upon enforcement of any security under the Transaction Documents or otherwise, be available to the secured creditors of the Issuer generally and may only be applied in satisfaction of amounts owing by the Swap Counterparty, or, to the extent not used in satisfaction of such amounts, to be repaid to the Swap Counterparty, in accordance with the terms of the Swap Agreement.

Governing Law

The Swap Agreement will be governed by English Law.

SWAP DEPOSIT AGREEMENT

On or about the Closing Date, the Issuer will set up a deposit account with the Swap Deposit Bank (the "**Swap Deposit**") in the amount of € 1,614,673.69, which will be funded from the issuance proceeds of the Notes and will be repaid to the Issuer, together with interest thereon, in 2 (two) equal fixed monthly instalments, each on the Interest Payment Dates falling in January 2010 and in February 2010.

On the Interest Payment Dates falling in January 2010 and in February 2010, the Issuer shall use the fixed monthly instalment it receives under the Swap Deposit to fund the fixed payment the Issuer will have to make under the Swap Agreement on each such Interest Payment Dates.

USE OF PROCEEDS

The gross proceeds of the issue of the Notes will amount to € 440,850,000.00.

The Originator agrees to allow the Transaction Expenses (including therein those incurred in respect of the admission to trading of the Class A Notes on Euronext Lisbon) and Third Party Expenses that are due and that shall be paid on or about the Closing Date to be deducted from the proceeds of the Notes.

The Issuer estimates that the total expenses related to the admission to trading sum up the amount of € 12,250.00.

On or about the Closing Date the Issuer will apply the proceeds of the issue of the Notes solely towards: (i) the purchase of the Credit Rights; (ii) the payment of certain Transaction Expenses and Third Party Expenses due on or about such date, including, without limitation, for the avoidance of doubt, the management and underwriting commission due by the Issuer to the Joint Arrangers and Joint Lead Managers pursuant to clause 15.1 of the Subscription Agreement; (iii) the setting up of the Swap Deposit; and (iv) the funding of the Expenses Reserve Account.

THE PORTUGUESE ELECTRICITY SECTOR

1. The National Electricity System (the "SEN")

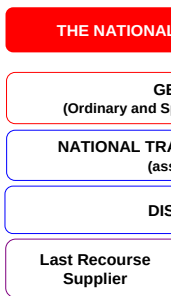
1.1. Overview

The Portuguese National Electricity System comprises five major activities:

- Electricity generation;
- Electricity transmission;
- Electricity distribution;
- Electricity supply; and
- Operation of the electricity market.

The activities of transmission, distribution and last recourse supply must be operated independently from each other and from other activities, from a legal, organisational and decision-making standpoint.

The current Electricity Regime (further described below in "**Legal and Regulatory Framework**") establishes a model in which activities relating to generation, supply and market operation are competitive and only require previous compliance with a licensing or authorisation process. The licensing process is also applicable to the activity of the last recourse supplier. Transmission and distribution activities are to be provided through the award of a public service concession (or license).



1.2. Legal & Regulatory Framework

1.2.1. EU

The Portuguese regulatory regime for the electricity sector is the product of the implementation of relevant European Union ("**EU**") legislation. The old EU electricity regime was replaced in 2003 by the Directive 2003/54/EC of the European Parliament and of the Council, of 26 June 2003 (the "**Electricity Directive**"), later repealed by Directive 2009/72/EC of the European Parliament and of the Council, of 13 July 2009, concerning common rules for the internal market in electricity (the "**New Electricity Directive**") as well as legislation relevant to the energy sector. The key EU legislative measures are outlined below.

In the 1990s, the EU began the process of creating the Internal Electricity Market ("**IEM**") aiming the promotion of competition and, to the extent possible, the elimination of barriers impeding cross-border commercial transactions, to ensure consumers the freedom to choose from a wide range of electricity suppliers. The final objective is to create a single common electricity market, in which electricity is able to circulate between Member States as easily as it circulates within each Member State.

The approval of the Directive 96/92/EC of the European Parliament and of the Council, of 19 December 1996 (the "**First Electricity Directive**") established a series of general principles defining common rules for the generation, transmission and distribution of electricity and created the framework necessary for the privatisation of publicly owned companies and, consequently, the liberalisation of the activities. The First Electricity Directive removed legal monopolies and required Member States to gradually allow large electricity customers to choose their suppliers. It also obliged vertically integrated companies to grant third parties access to their transmission and distribution networks. Furthermore, for vertically integrated companies actively involved in the generation, transmission and supply of electricity, this Directive mandated a minimum level of separation of the transmission network business from the other electricity businesses ("unbundling"). In other words, the First Electricity Directive introduced the distinction between the regulated part of the market (transmission and distribution networks) and the competitive part of the market (generation and supply).

In June 2003, the Electricity Directive was adopted, setting out common rules for the internal market in electricity. It revoked the First Electricity Directive, with a view to completing market liberalisation and establishing rules relating to the organisation and functioning of the electricity sector, access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations for operators in the electricity system. Member States were to implement this Directive by July 1, 2004.

Subsequently, given the need to establish terms for access to the grid to enable cross-border exchanges of electricity, Regulation (EC) No. 1228/2003 of the European Parliament and of the Council of 26 June 2003 on conditions for access to the network for cross-border exchanges in electricity (the "**Cross Border Electricity Trading Regulation**"), defining the single mechanism for compensation between transmission system operators, and Decision 1229/2003/EC of the European Parliament and of the Council of 26 June 2003, establishing a set of guidelines concerning trans-European electricity networks, were adopted. The Cross Border Electricity Trading Regulation shall be repealed from 3 March 2011 as established by Regulation (EC) no. 714/2009 of the European Parliament and of the Council, of 13 July 2009.

The process of liberalisation of the electricity sectors in the EU is still in transition. This has resulted in varying levels of liberalisation in the electricity sectors throughout the EU.

However, obstacles to the sale of electricity on equal terms and without discriminations or disadvantage in the EU persist, and non-discriminatory network access and an equally effective level of regulatory supervision in each Member State do not yet exist.

Following an extensive Electricity Sector Inquiry, the final report presented by the European Commission in January 2007 identified serious shortcomings in the electricity markets, calling for immediate action.

The Communication of the Commission of 10 January 2007 entitled 'An Energy Policy for Europe' highlighted the importance of completing the internal market in electricity and of creating a level playing field for all electricity undertakings established in the Community in the assumption that a well-functioning internal market in electricity should provide producers with the appropriate incentives for investing in new power generation, including in electricity from renewable energy sources, paying special attention to the most isolated countries and regions in the Community's energy market. A well-functioning market should also provide consumers with adequate measures to promote the more efficient use of energy for which a secure supply of energy is a precondition.

The security of supply of electricity became a priority in the context of European energy policy along with the implementation of a sustainable climate change policy, and the fostering of competitiveness within the internal market. To that end, cross-border interconnections were to be further developed in order to secure the supply of all energy sources at the most competitive prices to consumers and industry within the Community.

A third legislative package was then proposed by the European Commission which resulted in the approval of Directive 2009/72/EC of the European Parliament and of the Council, of 13 July 2009, concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC (the "**New Electricity Directive**"), and of Regulation (EC) no. 714/2009 of the European Parliament and of the Council, of 13 July 2009, on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) no. 1228/2003 (the "**New Cross Border Electricity Trading Regulation**").

The New Electricity Directive establishes common rules for the generation, transmission, distribution and supply of electricity, together with consumer protection provisions, with a view to improving and integrating competitive electricity markets in the Community. It lays down the rules relating to the organisation and functioning of the electricity sector, open access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems. It also lays down universal service obligations and the rights of electricity consumers and clarifies competition requirements.

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with the New Electricity Directive by 3 March 2011.

The New Cross Border Electricity Trading Regulation sets rules for cross-border exchanges in electricity, thus enhancing competition within the internal market in electricity, taking into account the particular characteristics of national and regional markets. This involves the establishment of a compensation mechanism for cross-border flows of electricity and the setting of harmonised principles on cross-border transmission charges and the allocation of available capacities of interconnections between national transmission systems. For that purpose, the New Cross Border Electricity Trading Regulation lays down basic principles with regard to tarification and capacity allocation, whilst providing the basis for the adoption of guidelines detailing further relevant principles and methodologies, in order to allow rapid adaptation to changed circumstances

In addition, the New Cross Border Electricity Trading Regulation aims facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in electricity, thus providing for mechanisms to harmonise the rules for cross-border exchanges in electricity.

All companies active in the EU must comply with European and Portuguese competition laws, namely with antitrust and merger control rules.

1.2.2. Portugal

The Portuguese energy sector underwent a significant restructuring in 2006 due to a national strategy for the energy sector established by the Council of Ministers' Resolution (CRM) no. 169/2005 of October 24. The main objectives of this restructuring were: (1) to ensure the supply of energy to Portugal by diversifying of the primary resources (namely, by promoting the development of renewable energy sources to achieve the Portuguese government's target of providing 39% of generation capacity from renewable sources in 2010, a target which was later increased by CRM no. 1/2008 to 45%) and by promoting efficiency; (2) to stimulate and favour competition to promote consumer protection and the competitiveness and efficiency of Portuguese companies operating in the energy sector; and (3) to ensure the energy sector meets certain environmental standards in order to reduce the environmental impact at the local, national and global levels.

In this context, the Electricity Directive which established common rules for the generation, transmission and distribution of electricity in Member States, and instituted rules relating to the organisation and functioning of the electricity sector, access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems, was transposed into Portuguese national law by Decree-Law no. 29/2006, of 15 February ("**Decree-Law no. 29/2006**"), thus establishing the new legal framework for the Portuguese electricity sector, and Decree-Law no. 172/2006, of 23 August ("**Decree-Law no. 172/2006**"), as amended, further developed this legal framework and established rules for activities in the electricity sector (the "**Electricity Regime**").

1.2.3. Electricity Generation

Electricity generation is fully open to competition, subject to each generator obtaining the required licenses and approvals. Electricity generation is divided in two regimes:

- Ordinary regime generation, which refers to the generation of electricity through traditional non-renewable sources and large hydroelectric plants; and
- Special regime generation, which refers to the use of alternative endogenous and renewable sources for electricity generation and for cogeneration and which benefits from incentives to invest in production capacity.

  Portuguese special regime generation is subject to different licensing requirements and benefits from special tariffs set by a number of Decree-Laws. A last recourse supplier, currently EDP SU (the "**Last Recourse Supplier**"), is obliged, pursuant to article 55 of Decree-Law no. 172/2006 to purchase the electricity generated under the special regime.

1.2.4. Electricity Transmission

Electricity transmission takes place via the National Transmission Grid (*Rede Nacional de Transporte* or "**RNT**"), which is operated under an exclusive concession granted by the Portuguese Republic to REN – Rede Eléctrica Nacional S.A., a subsidiary of REN – Redes Energéticas Nacionais, SGPS, S.A., for a 50-year period, pursuant to article 69 of Decree-Law no. 29/2006.

1.2.5. Electricity Distribution

Electricity distribution is operated through the National Distribution Grid, consisting of a medium and high voltage network, and through municipal low voltage distribution grids. The National Distribution Grid is operated through an exclusive concession granted by the Portuguese Republic.

Presently, the exclusive concession for the activity of electricity distribution in high and medium voltage has been awarded to EDP Distribuição, for a 35 year period, under article 70 of Decree-Law no. 29/2006, as a result of the conversion into a concession agreement of the former license held by EDP Distribuição. The terms of the concession are set out in Decree-Law no. 172/2006.

The low voltage distribution grids continue to be operated under concession agreements. The existing concession agreements have been maintained and refer to 278 municipalities in mainland Portugal.

1.2.6. Electricity Supply

Electricity supply under the Electricity Regime is open to competition, subject only to a licensing regime.

Suppliers may openly buy and sell electricity. For this purpose, they have the right of access to the national transmission and distribution grids upon payment of the respective access charges set by ERSE. Under market conditions, consumers are free to choose their supplier, without any additional fees for switching suppliers.

The Electricity Regime also establishes a Last Recourse Supplier responsible, pursuant to article 55 of Decree-Law no. 172/2006, and among others, for the purchase of the electricity generated by special regime generators, subject to licensing and regulation by ERSE. The Last Recourse Supplier also ensures the supply of electricity to end-user consumers that request to be supplied according to regulated tariffs previously set by ERSE. This new role is undertaken by EDP SU and by 7 local low voltage distribution concessionaires.

1.2.7. Operation of Electricity Markets

The operation of organised electricity markets is subject to authorisation to be jointly granted by the Minister of Finance and by the Minister responsible for the energy sector (the Minister of Economy and Innovation). The entity managing the organised electricity market is also subject to authorisation to be granted by the Minister responsible for the energy sector, and, whenever required by law, by the Minister of Finance. Generators operating under the ordinary regime generation and suppliers, among others, can become market members.

1.3. Market Liberalisation – MIBEL

To promote the completion of the internal market in energy, the governments of Portugal and Spain negotiated an agreement on cooperation in the electricity sector on July 29, 1998. This initial agreement was further developed on November 14, 2001, through the protocol setting out the conditions for the creation of the Iberian Electricity Market (*Mercado Ibérico de Electricidade*, "MIBEL") (the "MIBEL Agreements"). The XIX Luso-Spanish Summit, which took place on November 8, 2003 in Figueira da Foz, defined a tentative calendar for the creation of the MIBEL.

An agreement on the principles underlying the creation of MIBEL was reached on January 20, 2004, in Lisbon. However, this agreement did not enter into force. At the Santiago de Compostela Summit in October 2004, the governments of Portugal and Spain reviewed the transitional MIBEL Agreements and created a council of regulators. The council has the authority to (1) coordinate and supervise the development of MIBEL; and (2) to present mandatory, but non-binding, preliminary opinions on the imposition of fines within the context of MIBEL; (3) to coordinate the supervision powers of each entity participating in the council; and (4) to present regulatory proposals on the functioning of MIBEL. At the XXI Luso-Spanish Summit in Évora in November 2005, the Governments of Portugal and Spain reaffirmed their commitment to the construction of the MIBEL. Both countries agreed, among other things, to continue strengthening electric connections through new interconnections in the South, between Algarve and Andalucia, and in the North, at the International North-West axis, by 2011. Two of these interconnections were put into operation in 2004, the Alqueva-Balboa 400kV line and the 400kV circuit in Alto-Cartelle-Lindoso. Additionally, the Portuguese and the Spanish system operators (REN and REE) continued working to repower the Duero-Douro and Tajo-Tejo interconnections and to create two new 400kV interconnections in order to reach a total interconnection capacity of 3,000 MW.. An adequate level of interconnection capacity between the systems of the different Member States is regarded as an essential requirement for the completion of the internal energy market.

Under the MIBEL Agreements, MIBEL operates with an electricity spot market, which includes daily and intradaily markets that are initially managed by the Operador del Mercado Ibérico de Energia – Polo Español, S.A.("OMEL") and an electricity forward market that is initially managed by Operador do Mercado Ibérico de Energia - Polo Português, S.A. (the "OMIP"). In addition, electricity transactions may also be negotiated through bilateral contracts with terms of at least one year. The MIBEL Agreements also specify that the existence of two market operators, OMEL and OMIP, is temporary and that OMEL and OMIP will eventually merge into a single market operator, the Iberian Market Operator ("OMI"). On March 8, 2007, under the MIBEL Agreements, the governments of Portugal and Spain created a plan for regulatory compatibility (*Plano de Compatibilização Regulatória*) that allowed each of the holding companies to be incorporated in Portugal and Spain (each for the purpose of holding 50% of OMI) to hold up to 10% of the share capital of each other. Subsequently, the MIBEL Agreements were amended at the Braga Summit of January 18, 2008, further developing the regulatory harmonisation between Portugal and Spain. On January 22, 2009, at the Zamora Summit, the governments of Portugal and Spain decided to initiate the process of integrating OMIP and OMEL and to constitute a working group for that purpose.

Under the MIBEL Agreement, MIBEL's purpose is to become the common electricity trading space in Portugal and Spain, comprised of (1) organised and non-organised markets in which transactions or electricity agreements are entered into; and (2) markets in which financial instruments relating to such energy are traded. The creation of MIBEL requires both countries to acknowledge a single market in which all agents have equal rights and obligations and are required to comply with principles of transparency, free competition, objectivity and liquidity.

The Iberian electricity forward market managed by OMIP began operations on July 3, 2006, and since July 1, 2007, electricity operators in Portugal and Spain have used a common trading platform for spot energy that is managed by OMEL, with the purpose of creating a fully integrated electricity market for the Iberian Peninsula. The MIBEL spot market currently operates in a market split system pursuant to which electricity market prices in each country depend on (1) supply and demand in each country and (2) the available interconnection capacity between each country. It is expected that as interconnection capacity between Portugal and Spain increases, the MIBEL spot market will evolve to a single market system.

1.4. Regulatory Bodies and Respective Responsibilities

Responsibility for the regulation of the Portuguese energy sector is shared between *Direcção Geral de Energia e Geologia*, *Entidade Reguladora dos Serviços Energéticos* and *Autoridade da Concorrência*.

1.4.1. Direcção Geral de Energia e Geologia

Direcção Geral de Energia e Geologia (Energy and Geology Directorate-General, "**DGEG**") has primary responsibility for the conception, promotion and evaluation of policies concerning energy and geological resources and has the stated aim of assisting the sustainable development and the security of energy supply in Portugal. In particular, DGEG is responsible for:

- Assisting in defining, enacting, evaluating and implementing energy policies;
- Identifying geological resources in order to ensure that their potential uses are properly evaluated;
- Promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity;
- Promoting and preparing the legal and regulatory framework necessary for the promulgation of policies relating to research, usage, protection and assessment of geological resources;
- Supporting the Ministry of the Economy at the international and European level;
- Supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector (particularly in connection with the electricity transmission grid, the electricity distribution grid and the quality of service provided to energy consumers);
- Providing sector-based support to the Portuguese Government in crisis and emergency situations;
- Approving the issuance, modification and revocation of electricity generation licences; and
- Conducting the public tender procedure for the attribution of grid interconnection points in the renewable energy sector.

Whilst carrying out its responsibilities, the DGEG must consider the following national objectives:

- Guaranteed energy supply;
- Energy diversification;
- Energy efficiency; and
- Environment preservation.

1.4.2. Entidade Reguladora dos Serviços Energéticos

Entidade Reguladora dos Serviços Energéticos ("**ERSE**") is the Portuguese energy regulator. It is a fully independent regulatory authority (namely from the Government), with powers to propose and approve tariffs for gas and electricity sectors.

Under Decree-Law no. 29/2006 and Decree-Law no. 172/2006, ERSE is responsible for regulating:

- The transmission, distribution and supply of electricity;
- The logistical processes by which customers can switch electricity suppliers; and
- The operation of the electricity markets.

Under the same Decree-Laws, ERSE is also responsible for considering, approving and implementing the main Portuguese electricity regulations, which are set forth below:

- The **Tariff Regulation** sets out the criteria and methods for determining the tariffs and prices applicable to the electricity sector and for other services rendered by the concessionaire to the national electricity transmission grid and by electricity distributors to other license holders or to end consumers.

  The first Tariff Regulation was enacted in December 1998. Since then the Tariff Regulation has been amended from time to time in order to be adapted to the new legislation enacted for the promotion of a liberalized electricity market.

- The **Commercial Relations Regulation** governs the commercial relations between entities within the electricity sector. Since its first version published in December 1998, the Commercial Relations Regulation has been amended to set out the rules applicable to a fully market-oriented system, at both the wholesale and retail levels. The current regulation defines the entities acting on a commercial basis, as well as their respective functions, load profiling, client switching procedures, and the purchase of electricity by the Last Recourse Supplier (at the spot and futures markets and through bilateral arrangements). In addition, through Order 2045-B/2006 of January 25, ERSE has specified the procedures to be observed when changing suppliers. In August 2009 the Commercial Relations Regulation was amended in order to, among others, incorporate the new framework established by Decree-Law no. 165/2008, of 21 August ("**Decree-Law no. 165/2008**").

- The **Access to the Grid and Interconnections Regulation** was first enacted in December 1998 and subsequently amended. This regulation defines the entities that have the right to access the transmission and distribution grids and interconnections and the rules of network planning.

- The **Networks Operation Regulation** was enacted in June 2007. The Networks Operation Regulation sets out, among other things, the conditions that must be met to permit the management of electricity flow on the RNT and assures interoperationability between RNT and other networks.

- ERSE issued the **Conflict Resolution Regulation** in October 2002. This regulation established the rules and procedures relating to the resolution of commercial conflicts arising between operators in the electricity and natural gas sectors and between such entities and their customers.

- On January 1, 2001, DGEG issued the first **Quality of Service Regulation**. Under this regulation, DGEG sought to improve the quality of the service provided by electricity companies to their customers by imposing penalties against the electricity companies for poor performance. DGEG has defined standards by which such a company's performance will be measured. These standards came into effect on July 1, 2001.

  The Quality of Service Regulation is proposed by DGEG and approved by the Minister responsible for the energy sector. ERSE is responsible for developing the commercial sections of the Quality of Service Regulation and for supervising compliance with the regulation. DGEG is responsible for implementing the technical aspects of the regulation.

1.4.3. Autoridade da Concorrência

Autoridade da Concorrência, the Portuguese Competition Authority is an independent and financially autonomous institution entrusted by law to ensure compliance in Portugal with national and EU competition rules, specifically with respect to mergers, state aid and restrictive practices. The Portuguese Competition Authority enjoys a number of investigative powers, including inspection on business and non business premises, written requests for information. It may also impose fines on companies who violate antitrust rules. It has the power to regulate competition in all sectors of the economy, including the vertically regulated sectors, such as electricity and gas, in coordination with the relevant sector regulators. Since 1 May 2004, all national courts are entitled to apply the prohibitions contained in EU antitrust law so as to protect the individual rights conferred to citizens by the Treaty.

Part of the Competition Authority's mission is also to assure efficient operating markets with an efficient allocation of resources and the protection of consumer rights, while respecting the principles of a market economy. The main objective of competition policy is to promote an efficient market mechanism. Thus, the activities of the Authority aim to restrain the following practices (i) monopoly situations, including mergers and acquisitions that may create a dominant position and significantly reduce the degree of competition, (ii) horizontal cartels, (iii) vertical agreements that may restrict competition, (iv) abuse of dominant positions, (v) state restrictions on competition, either through regulatory measures or the abuse of dominant positions by public enterprises or other public entities-

2. The Portuguese Electricity Market / Industry[1]

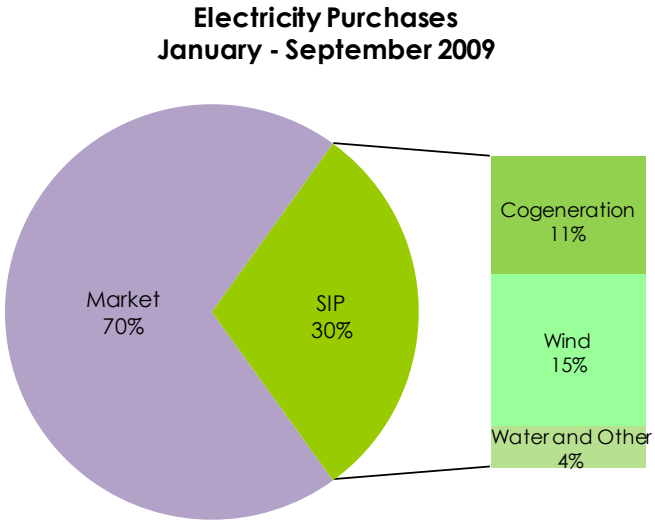
2.1. Main Drivers of Supply & Demand

2.1.1. Supply

Concerning supply, electricity is now purchased in the market, with the exception of acquisitions from small independent producers – SIP (essentially co-generators and wind producers), whose contribution is expected to increase at 14% per year between 2008 and 2012.

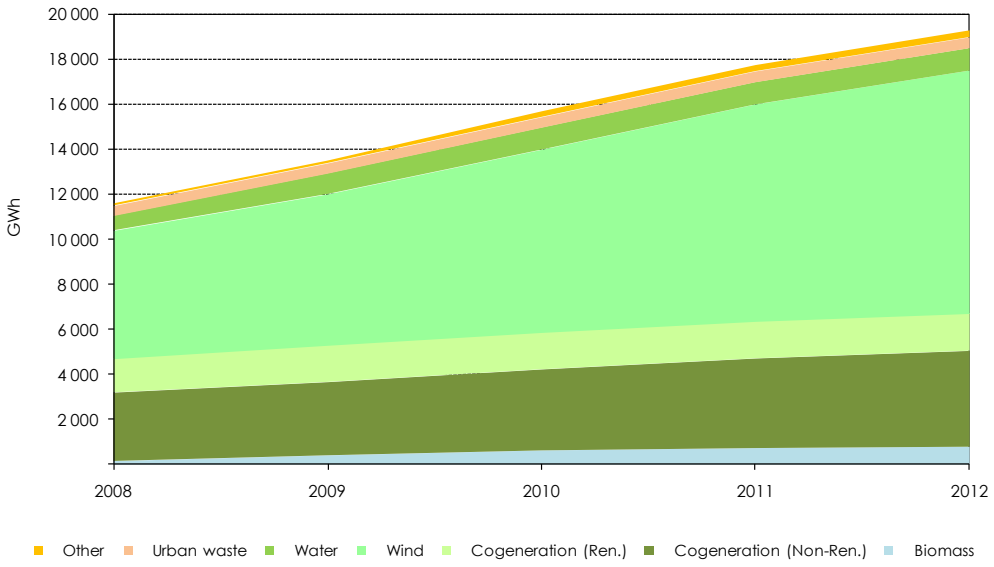
[1] All the information mentioned in this section is based on (or collected from) the relevant tables and graphics, using for that purpose the same source of information mentioned.

Electricity Supply



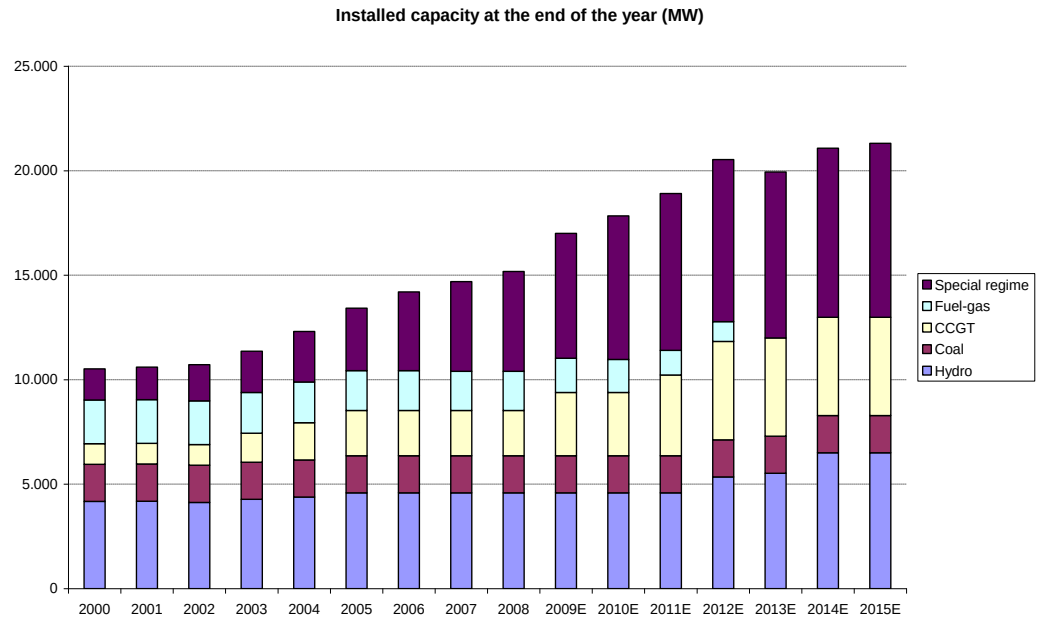
Source: EDP

Small Independent Producers 2008-2012



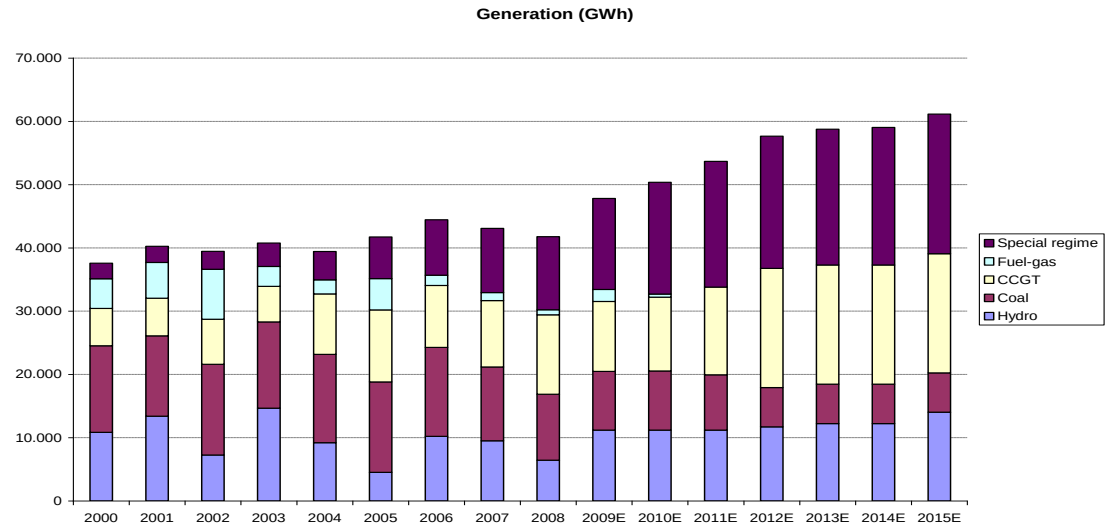
Source: EDP

Currently, the installed generation capacity in Portugal is around 15 GW and is expected to reach more than 21 GW by 2015. Special regime (in particular, wind) and Combined Cycle Gas Turbine ("**CCGT**") are the fastest growing technologies. Between 2000 and 2015, wind and CCGT are expected to grow on average 30% and 11% per year, respectively. In this period, the coal's installed capacity should remain unchanged (1,776 MW). Hydropower capacity has remained fairly constant, but it is expected to rise significantly in the future, with both the coming online of repowering of some existing projects as well as the new projects currently planned or under construction. Fuel-gas fired power plants are all expected to be decommissioned by 2013.



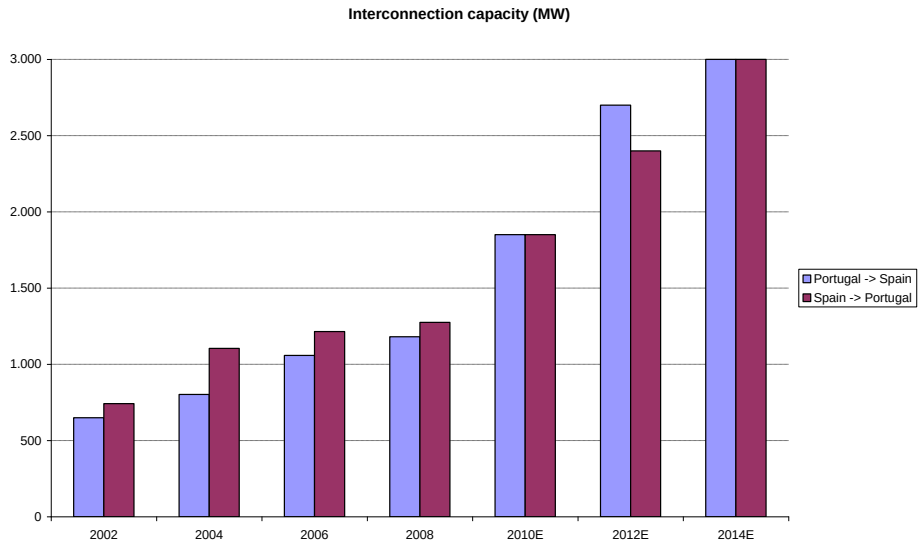
Source: EDP and REN

In 2008, electricity generated in Portugal was around 42 TWh. Between 2000 and 2008, wind generated electricity increased at an average annual rate of 57% and it is expected to remain the fastest growing technology until 2015. Thermal generation is very dependent on the hydrologic conditions. This was particularly noticeable in 2005 when very dry conditions implied lower hydro and higher thermal generation than usual. Electric power generated from CCGT has increased significantly in 2004 with the addition of new capacity. It is also expected to grow in the future due to both new capacity and fuel switching that happens when coal generation is more expensive than CCGT. This fuel switching effect occurred in 2008 as a result of increased coal and CO_2 prices, being expected to continue in the next years as a general trend.



Source: EDP and REN

Since 2002, interconnection capacity between Portugal and Spain has increased on average 10% per year. It is expected to grow even faster in the future, reaching 3,000 MW by 2014.



Source: EDP and REN

2.1.2. Demand

Electricity demand trends in the Portuguese mainland are essentially related with the level of economic activity, as only some industrial sub-sectors are responsive to price changes. The following table summarises electricity demand elasticity in the different sectors, according to estimates obtained through econometric models over the period 1970-2007.

Electricity Demand Elasticity

SECTOR		Explanatory Variables	Economic Activity Elasticity		Price Elasticity	
			Short Term	Long Term	Short Term	Long Term
INDUSTRY	**Total Manufacturing Industry**	E_{t-1},VA_t, RP_t	0.365	0.841	-0.036	-0.083
	Basic Metallurgy	VA_t, P_t	0.645	1.220	-0.267	-0.504
	Pottery, Glass, Cement and Non-Metalic Products	E_{t-1}, VA_t	0.404	0.709		
	Chemical Products, Plastic & Rubber, Metal Products, Machinery & Transport Material	E_{t-1},VA_t, RP_t	0.131	0.495	-0.078	-0.295
	Food Products, Beverages, Tobacco, Textiles, Clothing, Footwear and Leather, Wood and Cork	E_{t-1}, VA_t	0.265	1.286		
	Paper and Publishing	E_{t-1},VA_t	0.351	1.760		
SERVICES		ΔE_{t-1}, ΔGDP_t	1.061	1.861		
HOUSEHOLDS		PC_t	1.045			

E - Electricity Consumption
VA - Value Added
P - Average Price in Very High, High and Medium Voltage
RP - Relative Price of Electricity (in order to fuel)
PC - Private Consumption
GDP - Gross Domestic Product

Source: DGEG; INE; EDP Analysis

According to these results, the elasticity of electricity consumption in industry in relation to industrial value added corresponds to 0.8 in the long run and 0.4 in the short run — for every 1% increase in value added, there is an impact in electricity consumption of 0.4% in the short run and 0.8% in the long run. A more detailed analysis shows that different industrial sub-sectors exhibit different behaviour, with long-run elasticity higher than one in the case of basic metallurgy, paper and also consumption goods.

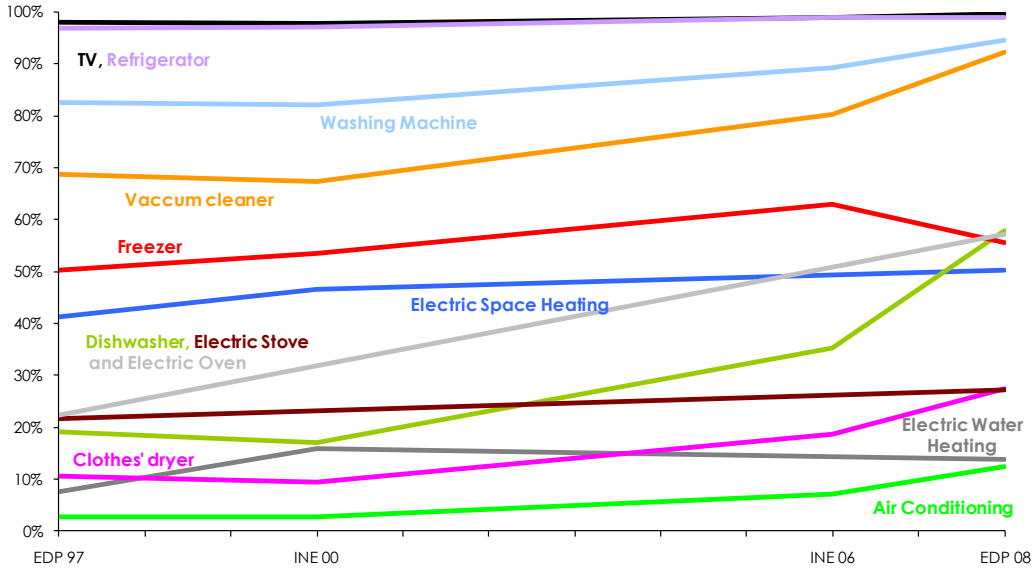
The table also shows that only some industrial sub-sectors are sensitive to price changes (basic metallurgy, metal products and machinery, with long-run elasticities of -0.5 and -0.3), leading to an aggregate result of -0.1 at overall industrial level — a 1% increase in the relative price of electricity, given by the ratio between electricity and fuel price, leads to a reduction of 0.08% in industrial electricity consumption in the long-run (the impact is only -0.04% in the short-run).

Considering the services sector, no significant price response was found, but electricity consumption is perfectly elastic to the overall level of economic activity, measured through Gross Domestic Product (GDP), in the short-run, whereas long-run elasticity is 1.9.

In the case of households, electricity consumption growth depends on the number of consumers as well as on private consumption. It may be concluded that consumption per consumer increases by about 1% in response to a 1% increase in private consumption, which may be used as a proxy for the stock and use of electric appliances of residential

consumers. The graph below illustrates the trends in appliance ownership over the last decade, showing that only 50% of the households currently own electric space heating systems. On the other hand, one should also expect that the penetration rates of clothes' dryers, electric cooking and air conditioning, which are still very low, will increase with family disposable income (and the corresponding increase in private consumption).

Electric Appliance Ownership

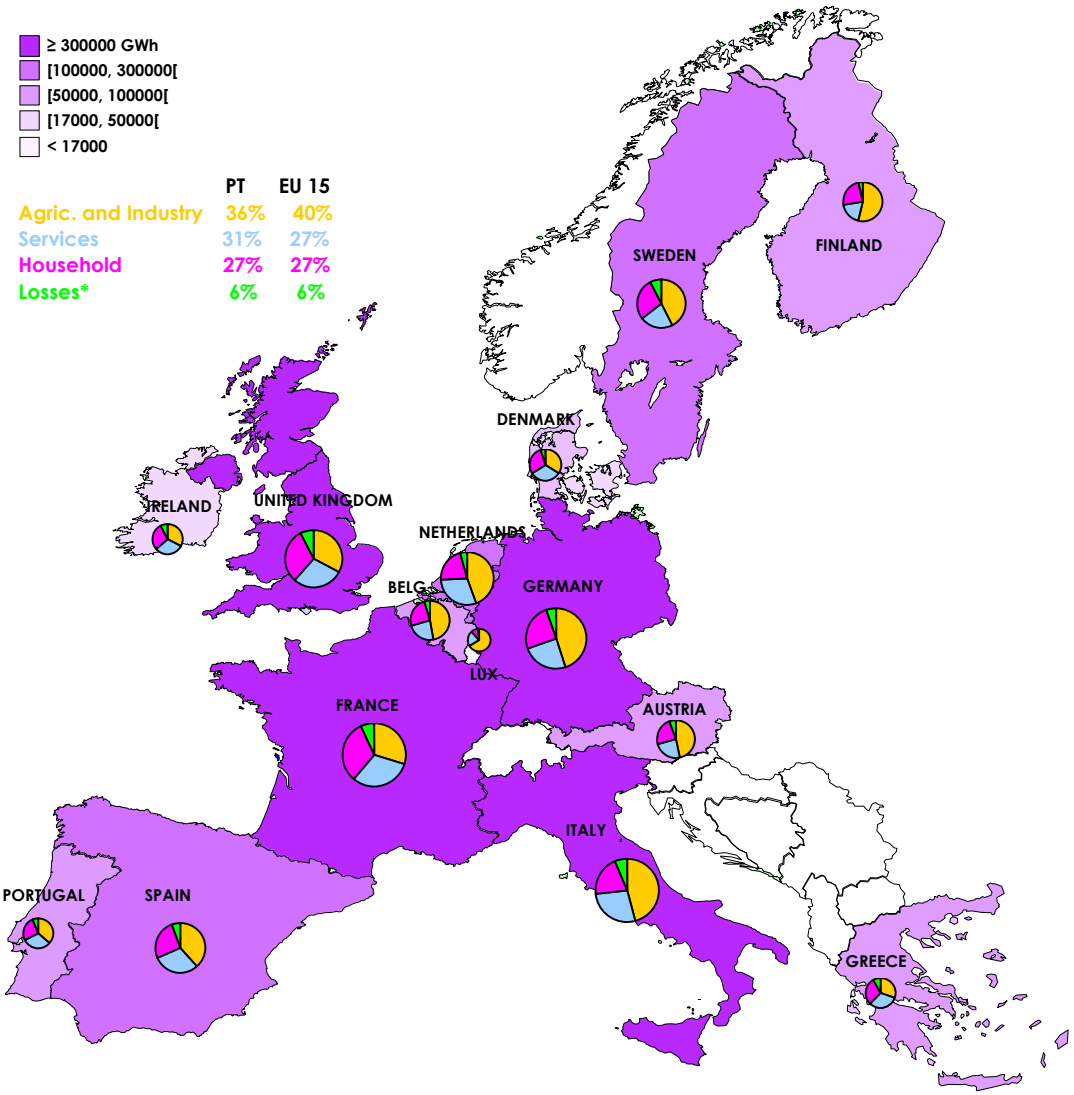


Source: Surveys on household electricity consumption (INE and EDP)

2.2. Historical Analysis and Projections of Electricity Consumption

According to OECD data for 2007, a comparison of electricity demand in a selection of European countries, which corresponds to the former 15 members of the European Union, shows that Portugal is among the group of countries with lower demand. Concerning the demand structure, one finds that the Portuguese share of the industrial sector is lower than the average, whereas services already account for 31% of total demand in Portugal (27% in the average). Despite the higher share in non industrial demand, the percentage of losses is the same (7%).

Electricity Demand in EU 15 - 2007

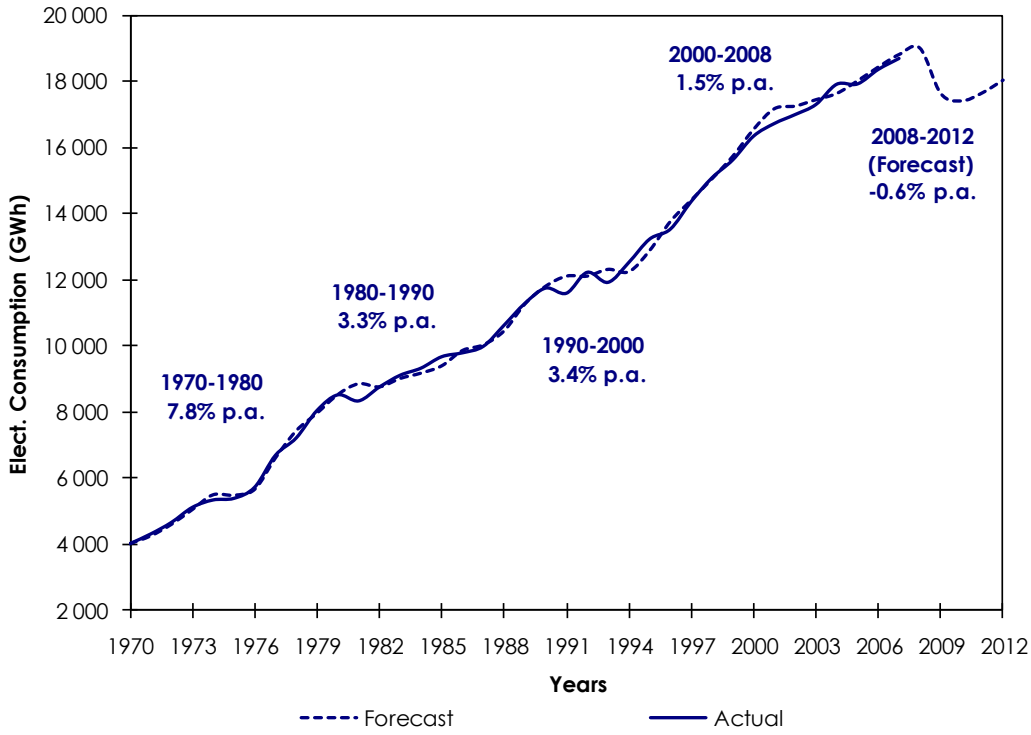


(*) Includes transmission losses
Source: OECD

Electricity demand projections for the Portuguese mainland result from the econometric models presented above, taking into account the most recent prospects for economic growth — following a 3% reduction in GDP in 2009 and a very mild recovery in 2010, the economy is expected to pick up, to attain a growth of 2% in 2012.

The graph below summarises the historical trends and future prospects for industrial consumption, showing that, after the high growth rates experienced in the 70's (almost 8% per year) electricity growth was much more moderate between 1980 and 2000 (3.3% per year), followed by a new slowdown to 1.5% per year over the period 2000-2008. As a consequence of the current economic crisis, industrial consumption is expected to fall 4.5% in 2009. Hence, despite the economic recovery assumed for the near future, the most recent forecast for industrial consumption in 2012 is below the level in 2008.

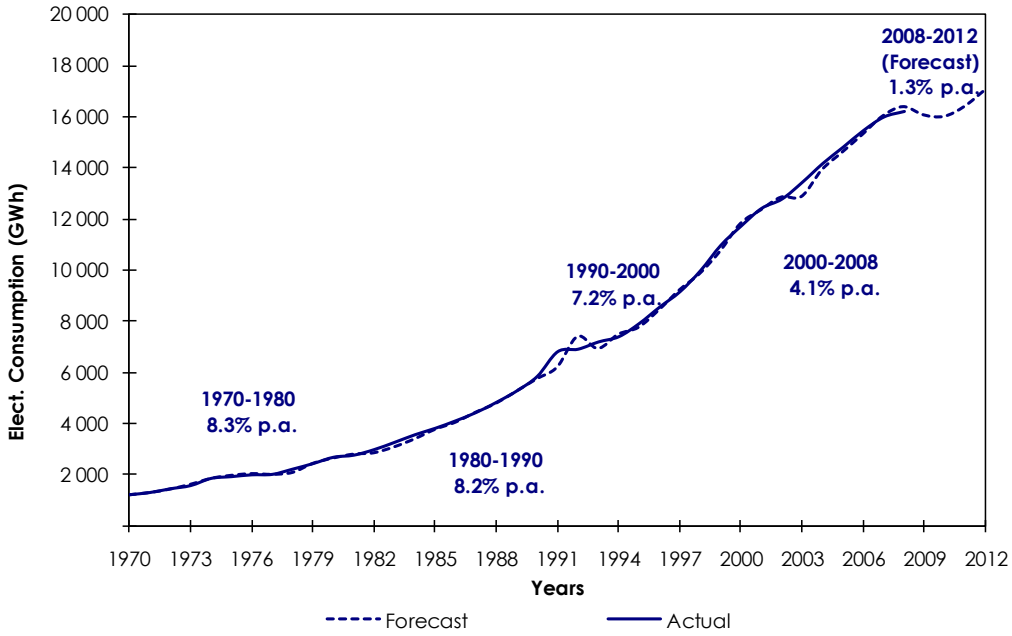
Industrial and Agricultural Electricity Consumption Trends



Source: DGEG and EDP Analysis

In the case of services, electricity consumption growth has been much higher, with an average growth rate of 7.9% per year over the 30 year period 1970-2000. Despite a big slowdown, an annual 4.1% growth rate has been observed between 2000 and 2008. The most recent prospects lead to a moderate reduction in electricity consumption in the short-run, which is expected to recover in the 2011-12 period.

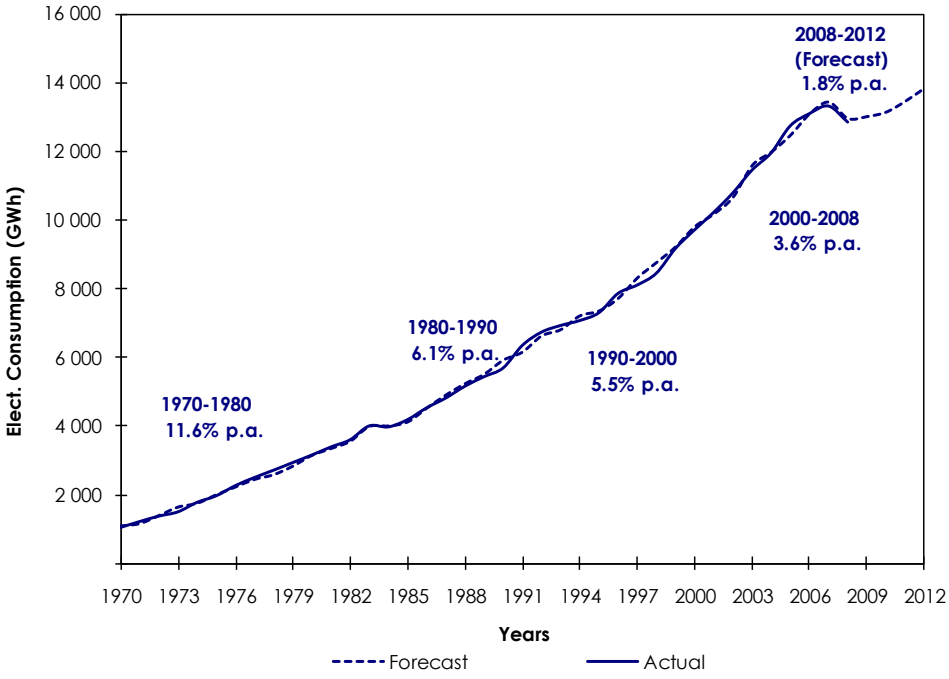
Electricity Consumption Trends in Services



Source: DGEG and EDP Analysis

The following graph shows the trend in household electricity consumption. Following a very strong expansion period in the 70's (11.6% per year), as a consequence of the development of the electricity network in rural areas, providing a more generalised access to electricity across the whole country, consumption growth has been progressively slowing down, from 6% per year in the 80's to 3.6% per year between 2000 and 2008. Prospects for the near future rely on a quite moderate rate of growth for private consumption in 2009-2010, followed by a recovery in the 2011-12 period.

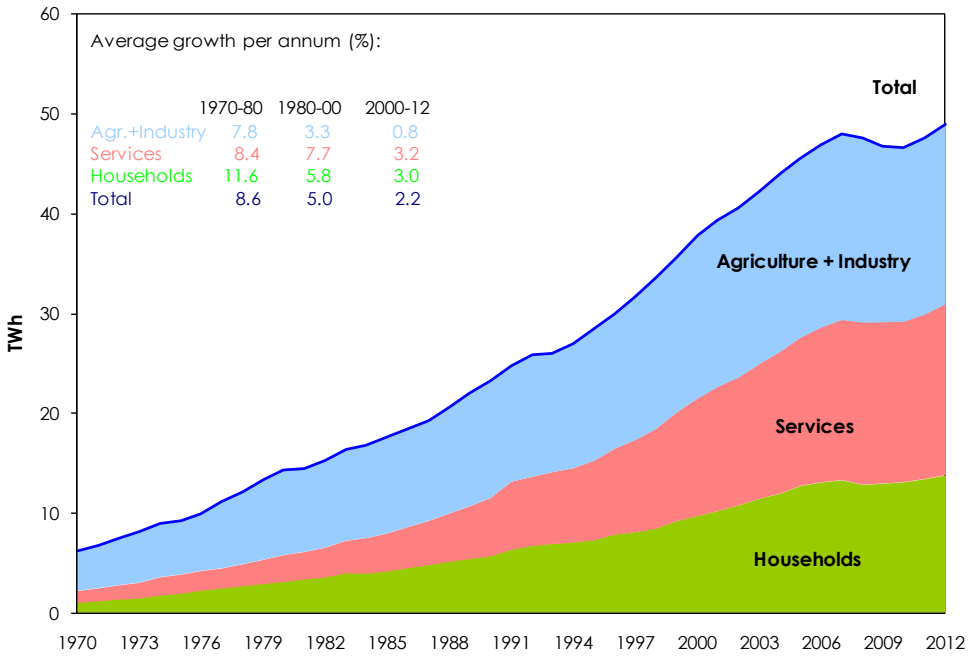
Household Electricity Consumption Trends



Source: DGEG and EDP Analysis

The chart below summarises all the results previously described, broken down by sector of economic activity.

Electricity Consumption by Sector
(Mainland)



Source: DGEG and EDP

The same results are also shown in the following table. Following an overall growth of 2.9% per year between 2000 and 2008, total electricity consumption in the Portuguese mainland is expected to grow 0.7% per year over the 2008-2012 period.

Electricity Demand Trends (GWh)

ELECTRICITY DEMAND TRENDS (GWh)				
		Actual		Forecast
Breakdown	**2000**	**2004**	**2008**	**2012**
Industry and Agriculture	16 352	17 921	18 456	18 034
Average Growth p.a. (%)		*2.3*	*0.7*	*-0.6*
Services	11 726	14 175	16 213	17 076
Average Growth p.a. (%)		*4.9*	*3.4*	*1.3*
Households	9 733	11 975	12 873	13 827
Average Growth p.a. (%)		*5.3*	*1.8*	*1.8*
Total Electricity Consumption in the Portuguese Mainland	**37 812**	**44 071**	**47 543**	**48 936**
Average Growth p.a. (%)		*3.9*	*1.9*	*0.7*
Autoconsumption	**3 457**	**2 715**	**1 074**	**1 077**
Average Growth p.a. (%)		*-5.9*	*-20.7*	*0.1*
Electricity Distributed by the Distribution Network	**34 355**	**41 357**	**46 468**	**47 859**
Average Growth p.a. (%)		*4.7*	*3.0*	*0.7*
Very High, High and Medium Voltage (VHV, HV, MV)	15 437	18 820	22 341	22 321
Average Growth p.a. (%)		*5.1*	*4.4*	*0.0*
Low Voltage (LV)	18 918	22 536	24 127	25 538
Average Growth p.a. (%)		*4.5*	*1.7*	*1.4*
Distribution Losses	**2 877**	**3 451**	**3 633**	**3 733**
Distribution Losses/(Energy distributed-VHV) (%)	*8.6*	*8.6*	*8.1*	*8.1*
Total Demand on the Distribution Network	**37 232**	**44 808**	**50 102**	**51 592**
Average Growth p.a. (%)		*4.7*	*2.8*	*0.7*

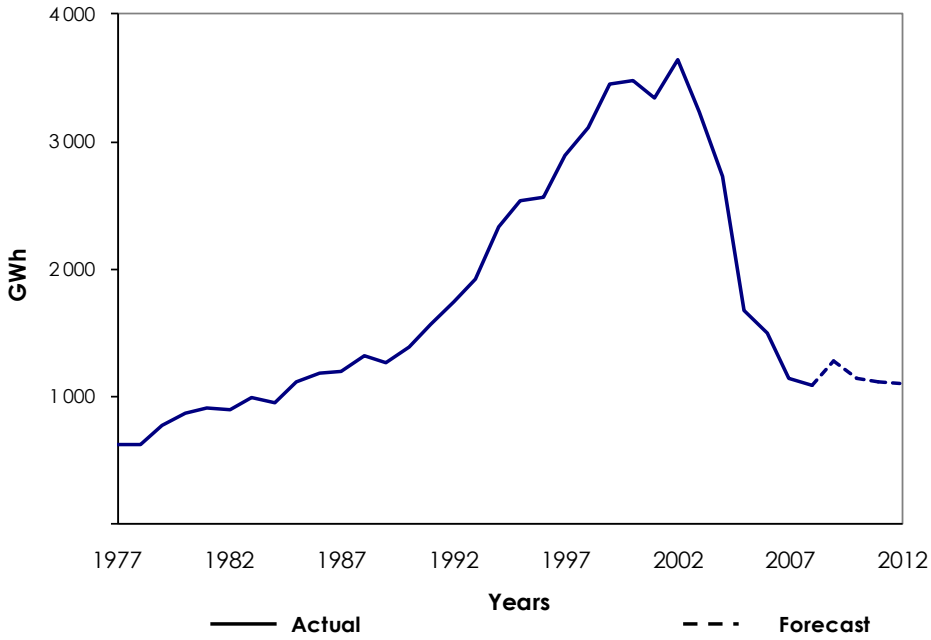
Source: DGEG and EDP

Deducting auto-consumption to total electricity consumed in the Portuguese mainland, we have the amount of electricity distributed by the distribution grid, whose recent growth has been higher due to the effect of auto-consumption reduction. However, as this effect is losing importance in the near future[2], the projections for electricity supplied by the distribution network are very close to those obtained at overall level. Hence, total demand on the distribution network is expected to grow 2.8% per year between 2000 and 2012.

[2] According to legislation published in 2002, auto-producers are entitled to sell all the electricity they generate to the public system, at a very favourable price. As a consequence, most of the electricity previously retained for auto-consumption was transferred to the distribution grid, and then acquired from the public system, at a lower price. However, this movement is expected to be fading out, as most of these transfers have already taken place.

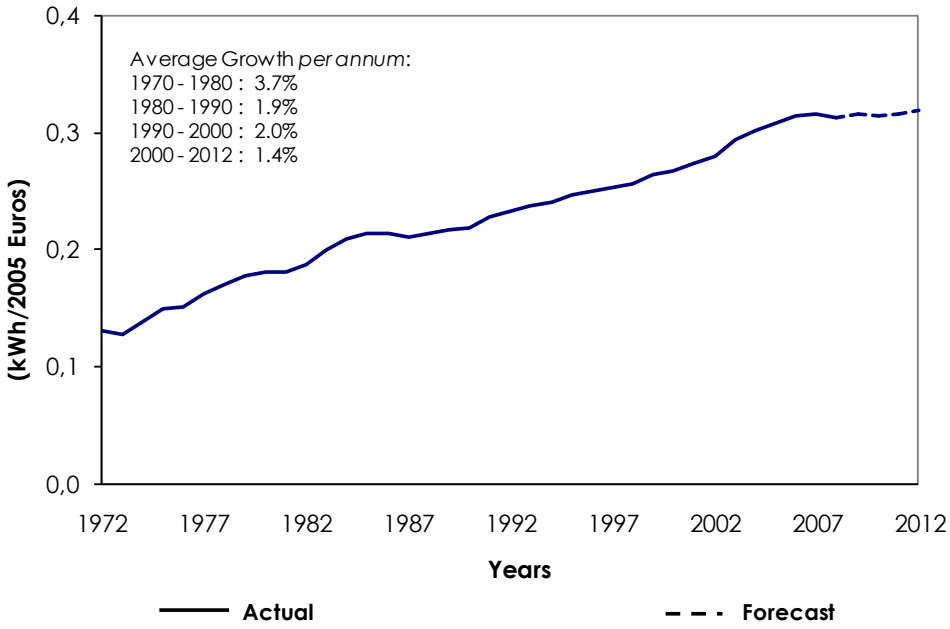
The comparison between overall electricity consumption forecast and the level of economic activity, given by GDP, gives the trend in the electricity intensity of the Portuguese economy, illustrated in the following graph. The current projections lead to a considerable slowdown in electricity intensity growth, from 2% per year between 1980 and 2000 to 1.4% per year over the 2000-2012 period.

Auto consumption



The comparison between overall electricity consumption forecast and the level of economic activity, given by GDP, gives the trend in the electricity intensity of the Portuguese economy, illustrated in the following graph. The current projections lead to a considerable slowdown in electricity intensity growth, from 2% per year between 1980 and 2000 to 1.4% per year over the 2000-2012 period.

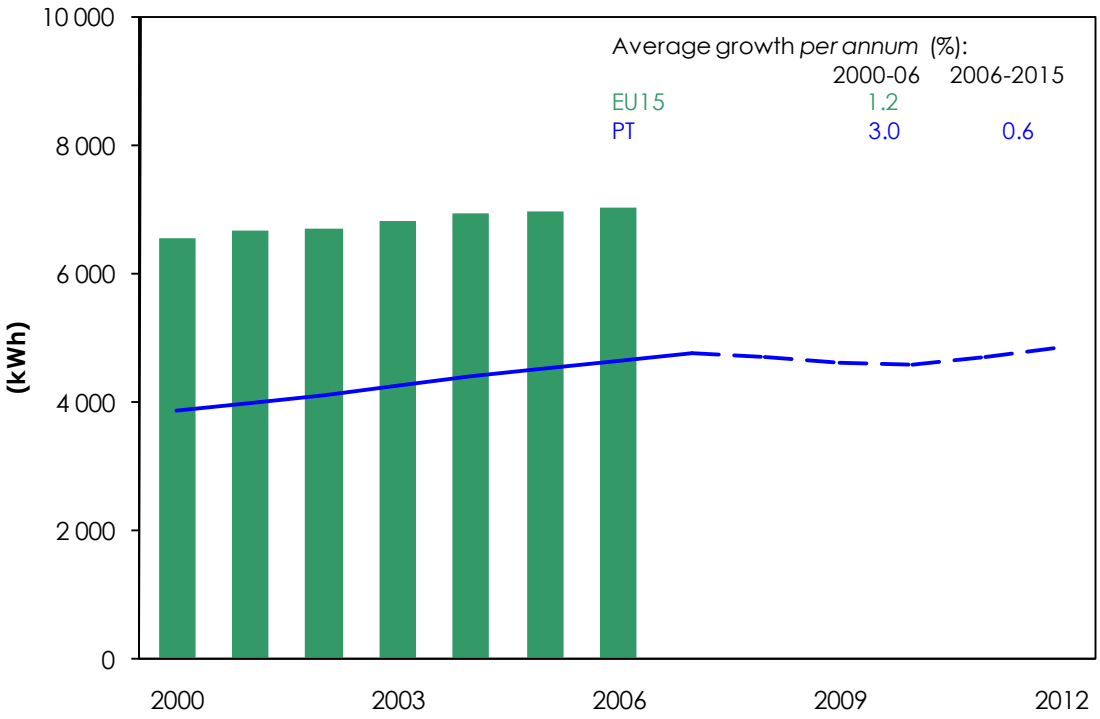
Electric Intensity – Portuguese Mainland



Sources: Banco de Portugal, DGE, INE, FMI and EDP Distribuição

An international comparison between Portugal and the former 15 countries of the European Union shows that electricity consumption *per capita* is still much lower than the average of those countries. Despite the higher growth rate in Portugal in the recent past, the actual level attained in 2006 is about 70% of the average. On the other hand, the current projections imply that Portuguese consumption per capita in 2012 will be about 70% of the average of the 15 countries in 2006.

Electricity Consumption per capita



Sources: OECD

THE TARIFF DEFICIT AND THE EXTRAORDINARY DEVIATIONS

1. Electricity Tariffs

1.1. Tariff Setting Principles and Model

Electricity tariffs are uniform across Portugal[3], and they are set annually *ex-ante* by ERSE, based on investment, cost and quantity estimations, according to the rules set in the Tariff Regulation[4] approved by ERSE. Regulatory periods have three year duration[5].

Within each regulatory period, regulated entities have to provide every year a set of information, both in terms of financial information, verified and expected future costs, energy balance and customer's characterisation (all tariff driver components). This process has two phases:

- The retrospective information must be delivered to ERSE up to 1st of May;
- The prospective information must be delivered up to 15th of June.

Up to 15th of October (each year), ERSE establishes a tariff proposal for the next year. This proposal is sent to the Tariff Council, which consists in a (mandatory) consultation board of ERSE, comprised of representatives from the electricity sector's participants, for the purpose of issuance of a non binding report by 15th of November (each year). Other entities also have the opportunity to comment on the Tariff Proposal, e.g., the Competition Authority and the relevant (regulated) utilities. Taking into account the non-binding assessment of the Tariff Council, ERSE will set the tariffs for the coming year, up to 15th of December.

ERSE establishes two sets of tariffs:

- Fully regulated end-user tariffs to be applied by the Last Recourse Supplier; and
- Access tariffs, for the use of the grid: (i) the electricity distribution grid by the suppliers (the Last Recourse Supplier and the suppliers with clients that choose to be supplied in market conditions, freely negotiated); (ii) the electricity transportation grid by the distribution operator and the suppliers or clients directly connected to such grid; and (iii) the management of the global system.

According to the Agreement that revised the agreement reached between the Portuguese Republic and the Kingdom of Spain on the constitution of the MIBEL (approved by the Parliament's Resolution no. 17/2009, of 23 March, and ratified by the Decree of the President of the Republic no. 21/2009, of 23 March), as of 1 January 2011 only consumers connected at low voltage with a contracted power below 50 kW will be allowed to benefit from the regulated end user tariff.

1.2. Different Tariffs and their Components

The Tariff Regulation establishes five activities for the tariff setting procedure, with the obligation to keep them in separated regulated accounts. Each of these activities is remunerated by a corresponding sub-tariff:

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[3] In the Portuguese mainland. And there is convergence policy for the Islands of Madeira and Azores.

[4] Available at www.erse.pt.

[5] Exception for 2005, which was a one year regulatory period.

ACTIVITIES	CORRESPONDING SUB-TARIFF
Acquisition and Electricity Selling	Energy Tariff ("E")
Global System Management	Global Use of System Tariff ("UGS")
Electricity Transmission	Transmission Grid Use Tariff ("URT")
Electricity Distribution	Distribution Grid Use Tariff ("URD")
Electricity Supply	Supply Tariff ("C")

The addition of all those sub-tariffs leads to the end-user tariffs applied by the Last Recourse Supplier, reflecting one of the main regulatory principles – the additivity concept.

At the beginning of each three year regulatory period, ERSE establishes an initially allowed revenue for each of the regulated activities (Electricity Transmission, Electricity Distribution and Regulated Electricity Supply) that reflects net operational costs (including fixed assets depreciation) plus a regulatory WACC (weighted average cost of capital) on the net regulated asset base of each activity, plus differences in allowed revenues from prior years and the corresponding invoiced amounts, including an interest component related to those differences[6].

For the regulatory period starting in 2009, the WACC for Electricity Distribution and Regulated Electricity Supply was set at 8.55%, while for Electricity Transmission it was set at 7.55% for investments non-valued at reference prices and at 9.05% for those valued at reference prices. Efficiency targets are also set, which for the 2009-2011 regulatory period were fixed by ERSE for Electricity Distribution at 3.5% per year, and for Electricity Transmission at 3.0% per year. [7]

The **Energy Tariff** is the wholesale tariff under which the Last Recourse Supplier sells energy to the regulated end-user consumers. It essentially reflects:

- The energy purchase costs in organised markets borne by the Last Recourse Supplier, and
- All the purchases to special regime producers corresponding to RES (Renewable Energy Sources) and cogeneration, valued at market prices as estimated by ERSE.

The **Global Use of System Tariff** (the "**UGS Tariff**") is not only an ancillary services tariff, taking into account that it also reflects some global costs of the National Electricity System. This tariff includes the following costs (CIEGs – *Custos de Interesse Económico Geral*):

- The costs transferred from the Energy Tariff, corresponding to the difference between the special regime generation valued at its administrative price and its value according to market prices;
- The CMECs (*Custos de Manutenção do Equilíbrio Contratual*): costs for the maintenance of contractual balance of generation plants that had Power Purchase Agreements, phased-out in July 2007;

6 Usually Euribor + spread.

7 All percentages referred to in this paragraph as set out in ERSE document "Tarifas e Preços para a energia eléctrica e outros serviços em 2009 e parâmetros para o período de regulação 2009-2011".

- The 2006 and 2007 Tariff Deficits and the Extraordinary Tariff Deviations, as explain in section "***Tariff Deficit***"; and

- Other: general economic interest costs, such as the per-equation costs of the tariffs of Azores and Madeira archipelagos, supervision costs (ERSE and the Competition Authority), promotion plans to energy efficiency and environment and others.

This **Global Use of System Tariff** (the "**UGS Tariff**") is paid by all customers, independently of being supplied by the Last Recourse Supplier or by other suppliers.

The **Transmission Grid Use Tariff** revenues, whose main components are the regulatory rate of return on net fixed transmission assets and the depreciation of those assets, also include the grid forecast operation and maintenance costs approved by the regulator. In the 2009-2011 regulatory period, ERSE introduced incentives to (i) more rational investment and system operation, (ii) a better environment and (iii) keeping in operation totally depreciated assets that are in good technical conditions. This tariff is paid to the concessionaire entity of the transmission network by the concessionaire entity of the distribution network and applies to the energy consumption of all customers. Regarding the tariff structure, the Transmission Grid Use Tariff has three components: one for capacity, one for active energy and another for reactive energy. The transmission / distribution physical frontier is done at High Voltage. The Very High Voltage tariff is only needed for customers directly connected at that voltage level. Different price levels are considered at Very High Voltage and High Voltage.

The **Distribution Grid Use Tariff** annual revenues are set by "**RPI – X**" method, given the initial fixed and variable parameters by voltage level, set at the beginning of each regulatory period. The variable parameters are applied to the energy expected consumption. The structure of this tariff is similar to the Transmission Grid Use Tariff, and has different prices for High Voltage, Medium Voltage and Low Voltage.

The **Supply Tariff** annual revenues are set by "RPI – X" method, given the initial fixed and variable parameters by voltage level, set at the beginning of each regulatory period. The variable parameters are applied to the expected number of customers under the regulated tariffs regime – clients of the Last Recourse Supplier. The structure of this tariff consists on a fixed component and an energy related component, both of which are differentiated by voltage level.

Until the end of 2006, the annual average increase of Low Voltage regulated end-user tariffs was limited by the forecasted private consumption implicit price index. Since then, there is no legal pre-established cap to tariff growth, exception made to the increases for the purposes of a step-up of 2007 in tariffs for low voltage end-users, which were exceptionally limited to 6%[8], with reference to the low normal voltage of regulated clients.

Further to determining the allowed revenues for each activity, the Tariff Regulation sets the tariffs that will recover the respective allowed revenues on an annual basis.

[8] Decree-Law no. 237-B/2006, of 18 December.

The general structure of the tariffs by activity is depicted in the next table:

Tariffs General Structure by Activity[9]

Tariffs per activity	**Tariff Price**								
	TPc	TPp	TWp	TWc	TWvn	TWsv	TWrf	TWrr	TF
E	-	-	X	X	X	X	-	-	-
UGS	X	-	X	X	X	X	-	-	-
URT_{MAT}	X	X	X	X	X	X	X	X	-
URT_{AT}	X	X	X	X	X	X	X	X	-
URD_{AT}	X	X	X	X	X	X	X	X	-
URD_{MT}	X	X	X	X	X	X	X	X	-
URD_{BT}	X	X	X	X	X	X	X	X	-
C_{NT}	-	-	X	X	X	X	-	-	X
C_{BTE}	-	-	X	X	X	X	-	-	X
C_{BTN}	-	-	X	X	X	X	-	-	X
Tariffs per activity	**Tariff Price**								
	TPc	TPp	TWp	TWc	TWvn	TWsv	TWrf	TWrr	TF
E	-	-	X	X	X	X	-	-	-
UGS	X	-	X	X	X	X	-	-	-
URT_{MAT}	X	X	X	X	X	X	X	X	-
URT_{AT}	X	X	X	X	X	X	X	X	-
URD_{AT}	X	X	X	X	X	X	X	X	-
URD_{MT}	X	X	X	X	X	X	X	X	-
URD_{BT}	X	X	X	X	X	X	X	X	-
C_{NT}	-	-	X	X	X	X	-	-	X
C_{BTE}	-	-	X	X	X	X	-	-	X
C_{BTN}	-	-	X	X	X	X	-	-	X

Source: Tariff Regulation, approved by ERSE (translation of Table 5)

[9] Legend can be found below at page 87.

The Tariff Regulation establishes the principle of tariff additivity. This principle means that tariffs to be applied to customers of the Last Recourse Supplier have the following sub-components, which are added to set the respective tariff:

Tariffs Included in End-User Tariffs to be Applied by Last Recourse Supplier[10]

Tariffs per activity	End-User Tariffs to be Applied by Last Recourse Supplier				
	MAT	AT	MT	BTE	BTN
E	X	X	X	X	X
UGS	X	X	X	X	X
URT_{MAT}	X	-	-	-	-
URT_{AT}	-	X	X	X	X
URD_{AT}	-	X	X	X	X
URD_{MT}	-	-	X	X	X
URD_{BT}	-	-	-	X	X
C_{NT}	X	X	X	-	-
C_{BTE}	-	-	-	X	-
C_{BTN}	-	-	-	-	X

Source: Tariff Regulation, approved by ERSE (translation of Table 3)

On the other hand, Access Tariffs applied by distribution operators to suppliers contain the following components:

Tariffs Included in Access Tariffs Applied by Distribution Grid Operators[11]

Tariffs per activity	Access Tariffs Applied by Distribution Grid Concessionaires				
	MAT	AT	MT	BTE	BTN
UGS	X	X	X	X	X
URT_{MAT}	X	-	-	-	-
URT_{AT}	-	X	X	X	X
URD_{AT}	-	X	X	X	X
URD_{MT}	-	-	X	X	X
URD_{BT}	-	-	-	X	X

Source: Tariff Regulation, approved by ERSE (translation of Table 4)

[10] Legend can be found below at page 87.

[11] Legend can be found below at page 87.

Legend:

E	Energy Tariff
UGS	Global Use of System Tariff
URT_{MAT}	Transmission Grid Use Tariff – Very High Voltage
URT_{AT}	Transmission Grid Use Tariff – High Voltage
URD_{AT}	Distribution Grid Use Tariff – High Voltage
URD_{MT}	Distribution Grid Use Tariff – Medium Voltage
URD_{BT}	Distribution Grid Use Tariff – Low Voltage
C_{NT}	Supply Tariff – Very High, High and Medium Voltage
C_{BTE}	Supply Tariff – Special Low Voltage
C_{BTN}	Supply Tariff – Standard Low Voltage
TPc	Subscribed Demand Power Price
TPp	Demand Price – Peak load hours
TWp	Energy Price – Peak load hours
TWc	Energy Price – Full load hours
TWvn	Energy Price – Normal low load hours
TWsv	Energy Price – Super low load hours
TWrf	Reactive Energy Price – supplied to the customer
TWrr	Reactive Energy Price – received by the network
TF	Fixed Tariff Price

1.3. Tariff Deviations and Tariff Deficits

1.3.1. Ordinary Tariff Deviations

As mentioned above, the allowed revenues of each regulated activity for year t of tariffs are defined by ERSE up to 15th of December of the preceding year (t-1), based on forecasts.

The tariff deviation regarding year t corresponds to the difference between the amounts actually charged by the regulated companies (based on tariffs published by ERSE on December of the previous year [t-1]) and the allowed revenues calculated on the basis of actual figures.

All the regulated activities may incur in tariff deviations. Some of these deviations are recovered in the following year (referring to t-1) and others only two years after (referring to t-2).

1.3.2. Tariff Deficits

Tariff deficits are created when there is a limit or a cap, imposed by law or other regulations, on the variations of the regulated tariffs above a particular level. The payment / recovery of the estimated costs which were not included in the allowed revenues of that particular year is delayed for the following years.

2006 Tariff Deficit

Until 2006, the Tariff Regulation defined a mechanism limiting the increases in Low Voltage tariffs to the private consumption implicit price index. This mechanism required that the revenues not recovered by the end-user consumer tariff and applied to Low Voltage end-users should create a tariff deficit to be recovered in the tariffs of the following years.

That deficit also included the Madeira and Azores tariff convergence costs not incorporated on the Global Use of System Tariff for 2006.

2007 Tariff Deficit

In 2007, tariffs were no longer under the limitation mechanism as a result of the 2006 new Electricity Regime and the Tariff Regulation amendment resulting thereof. However, another deficit occurred due to the extraordinary ramping energy purchase costs on that year.

Decree-Law no. 237-B/2006, of 18 December ("**Decree-Law no. 237-B/2006**"), defined a 6% limitation on the tariffs' increase for 2007, applicable to normal Low Voltage consumers.

The 2007 deficit includes a value associated with the energy purchase costs and other costs related to Madeira and Azores tariff convergence not included in the UGS tariff in 2007.

The abovementioned Decree-Law also defined the conditions for recovery of the deficits created in 2006 and 2007, namely the interest rate, and a methodology of 10 year monthly constant instalments, starting in January 1, 2008.

1.3.3. Extraordinary Deviations

Decree-Law no. 165/2008 allows extraordinary variations in energy costs to be recovered in a period of time up to 15 years. These energy costs refer to:

- Acquisition of electricity incurred by the Last Recourse Supplier;
- Energy policy, sustainability or general economic interest.

This Decree-Law resulted from the need to protect consumers from high volatility of electricity prices related to, for instance, abnormal growth in fuel costs.

Decree-Law no. 165/2008 also establishes a general rule stating that, if extraordinary events occur that significantly affect the electricity sector, ERSE may propose to the Minister responsible for the energy sector (up to 10th of September of each year) mechanisms to mitigate the immediate impact of those extraordinary events on tariffs. The proposal may only relate to exceptional events occurred in that year, and must include the conditions to reflect the total costs on the tariffs of subsequent years. The Minister will then establish the final amount of such costs to be deferred, as well as the correspondent period of recovery, instalment regime and interest rate, through a Ministerial Order.

In setting the 2009 tariffs, ERSE acknowledged that the combination of high energy cost deviations and growth of estimated costs for 2009 would have implied an extremely large tariff variation scenario (around 40%[12]).

Within this scenario, the mechanism approved by Decree-Law no. 165/2008 was invoked, allowing the spread of the following effects on electricity tariffs for a period of 15 years, starting in 2010:

- The 2007 and 2008 deviations of the electricity acquisition costs incurred by the Last Recourse Supplier; plus
- The special regime generation surcharge estimated for 2009.

1.3.4. Total Tariff Deficit and Tariff Extraordinary Deviations

The table below presents the total tariff deficit and extraordinary deviations amounts as at the end of 2008, as shown on pages 30 and 188 of ERSE's document labelled "**Tariffs for 2009**", published in December 2008.

	Deficit Amount as of 31-12-2008	**Amounts Included in 2009 Tariffs**	**Deficit Amount as of 31-12-2009**
RAA (Electricidade dos Açores)	**103,479**	**14,850**	**94,266**
2006 tariff convergence costs	36,484	5,236	33,236
2007 tariff convergence costs	66,995	9,614	61,030
RAM (Electricidade da Madeira)	**57,656**	**8,274**	**52,523**
2006 tariff convergence costs	13,338	1,914	12,151
2007 tariff convergence costs	44,318	6,360	40,372
EDP Serviço Universal	**163,855**	**23,514**	**149,267**
2006 low voltage tariff deficit	118,775	17,045	108,200
Mainland	114,143	16,380	103,980
Autonomous Regions (Madeira and Azores)	4,632	665	4,220
2007 normal low voltage tariff deficit	45,080	6,469	41,067
Mainland	43,320	6,217	39,463
Autonomous Regions (Madeira and Azores)	1,760	253	1,604
2006 and 2007 total tariff deficits	324,991	46,637	296,055

EDP Serviço Universal	**1,723,151**
2007 and 2008 extraordinary tariff deviations	1,275,682
2009 special regime generation surcharge	447,469

Total	**2,019,206**

[12] ERSE document "Tarifas e Preços para a energia eléctrica e outros serviços em 2009 e parâmetros para o período de regulação 2009-2011" and "Apresentação Tarifas 2009".

The amount of Extraordinary Tariff Deviations indicated in the table above has been calculated by ERSE at the end of 2008 on the basis of the costs with the acquisition of electricity by the Last Recourse Supplier effectively incurred in 2007 and those estimated to be incurred during 2008. Although the amount for 2008 consists in an estimation of costs, the fact that it has been recognized and accepted as a cost by ERSE in table 6-23 of the document labelled "**Tariffs for 2009**" results in this amount being used as a fixed and definitive amount for the purposes of calculation of the electricity tariffs pursuant to the methodology set in article 84 of the Tariff Regulation.

The table below presents the total tariff deficit and extraordinary deviations amounts as at the end of 2009 and 2010, including the debt service of year 2010, as shown on page 7 of ERSE's press bulletin of the 2010 Tariff proposal, published in October 2009.

	Deficit Amount as of 31-12-2009	Amounts Included in 2010 Tariffs	Deficit Amount as of 31-12-2010
EDA (BCP and CGD)	**94.266**	**12.647**	**83.126**
2006 tariff convergence costs	33.236	4.459	29.308
2007 tariff convergence costs	61.030	8.188	53.818
EEM (BCP and CGD)	**52.523**	**7.047**	**46.316**
2006 tariff convergence costs	12.151	1.630	10.715
2007 tariff convergence costs	40.372	5.416	35.602
EDP Serviço Universal	**1.872.418**	**162.086**	**1.760.559**
BCP and CGD	**149.267**	**20.026**	**131.628**
2006 low voltage tariff deficit	**108.200**	**14.516**	**95.414**
Mainland	103.980	13.950	91.693
Autonomous Regions (Madeira and Azores)	4.220	566	3.721
2007 normal low voltage tariff deficit	**41.067**	**5.510**	**36.214**
Mainland	39.463	5.294	34.800
Autonomous Regions (Madeira and Azores)	1.604	215	1.414
Tagus, S.A.*	**1.275.682**	**107.239**	**1.207.339**
2007 and 2008 extraordinary tariff deviations not considered in 2009 tariffs	1.275.682	107.239	1.207.339
2009 Special Regime Production Overcosts*	**447.469**	**34.822**	**421.592**
Total	**2.019.206**	**181.780**	**1.890.001**

Note: (*) As off 2008/12/31

The table above presents, among others, the amounts that are to be recovered through tariff 2010 referent to the 2007 and 2008 deviations of the electricity acquisition costs incurred by the Last Recourse Supplier, which are payable to Tagus – Sociedade de Titularização de Créditos, S.A., and the special regime generation surcharge estimated for 2009.

2. Extraordinary Tariff Deviations

2.1. Background of its existence

Decree-Law no. 29/2006 and Decree-Law no. 172/2006 established the new structure of the SEN, based on the principles of market liberalisation and competition, aiming at achieving Portugal's energy policy goals and contributing to consumer protection.

The current Government's political objectives for the Electricity Sector comprise the promotion of a tariff stabilisation trend in a competitive environment and the protection of consumers' economic interests.

Since 2007, the volatility of hydrological conditions has been unfavourable for hydro electricity generation, causing a significant increase in the use of coal and fuel oil technology-based power generation. During the same time and until recently, the significant increase of fossil fuels' prices also had a relevant impact on the power generation costs and, consequently, on electricity tariffs.

The existence of important fluctuations in the structural costs of the SEN, such as the costs with the acquisition of electricity, requires that the integration of the corresponding deviations is gradually made over time, in order to mitigate tariff volatility, while assuring the inter temporal balance between the regulated and the liberalised markets, thus ensuring SEN's sustainability.

Additionally, the Government's goal of enhancing electricity generation capacity through endogenous and renewable energy sources, which brings inter temporal social benefits, as well as the impacts on tariffs from other sustainable or general economic interest measures, justifies the creation of a mechanism allowing, in some circumstances, for a gradual and adequate tariff repercussion of those measures.

One of such measures has been the implementation of energetic policies that promote the investment in energy generation from renewable sources. As part of such energetic policies, and as a condition for the investment in new and more efficient renewable energy facilities, some guarantees were given to prospective investors. One of those guarantees was the assurance that all the energy generated by their renewable energy facilities was automatically sold at a price (set by Decree-Law) that allowed the stable amortization of the investments made. To that end, and as provided for under paragraph a) of no. 2 of article 55 of Decree-law 172/2006, the last recourse supplier has the obligation to acquire all the electricity generated under the special regime. Such obligation entails costs to the last recourse supplier that are recognized for regulatory and tariff purposes pursuant to paragraph b) of no. 1 of Ministerial Order no. 27677/2008, of 19 September.

Decree-Law no. 165/2008 defines the rules applicable to the recognition and the recovery of the extraordinary tariff deviations in relation to (i) the costs of acquisition of electricity by the Last Recourse Supplier and to (ii) the tariff repercussion of costs related to energy policy measures, sustainability or general economic interests. This is done in a manner to allow the mitigation of the economic effects on electricity tariffs created by such extraordinary tariff deviations while recognising the right to their recovery.

Decree-Law no. 165/2008 further determines that ERSE, upon the occurrence of exceptional circumstances capable of having a significant impact on the stability of electricity tariffs, is responsible for making a proposal to the minister in charge of the energy sector on the conditions for the repercussion into the electricity tariffs of each of the above mentioned extraordinary tariff deviations (positive or negative). In turn and in accordance with such ERSE proposal, a Ministerial Order shall establish the specific conditions of the electricity tariff repercussion of the positive and negative extraordinary tariff deviations.

During the process of setting up the electricity tariffs for 2009, ERSE acknowledged that the impact of the exceptional situation of the fossil fuel global markets, should it be promptly passed on to consumers, would result in disproportionately high increases in electricity tariffs, which could cause a systemic risk affecting the price balance on the retail market. As such, ERSE proposed to the Minister of Economy and Innovation, in accordance with the special regime under Decree-Law no. 165/2008, the repercussion in the tariffs of the increased electricity acquisition

costs borne by the Last Recourse Supplier during 2007 and 2008 to be made over a number of years for the benefit of consumers' economic interests.

In the same manner, ERSE proposed that the cost differential between the market price and the administrative price of the special regime energy generation (for example, renewable energy) estimated for 2009 to be also subject to an inter-temporal tariff repercussion.

As a result, the Ministerial Order no. 27677/2008, of 19 September, according with no. 2 of article 2 of Decree-Law no. 165/2008, determined that the value of such positive extraordinary tariff deviations, together with interest thereon, be reflected in the electricity tariffs in an inter-temporal way.

In accordance with no. 7 of article 2 of Decree-Law no. 165/2008 the said Ministerial Order also states that ERSE shall publish in the dispatch regarding the fixing of the 2009 tariffs the final amount of the said extraordinary tariff deviations, together with interest thereon, as well as publish annually, in the dispatch fixing the tariffs for that year, the total amount of those deviations outstanding and the amount that is to be recovered in the tariffs during the following year, until full recovery of such deviations.

In accordance, in the dispatch fixing the 2009 tariffs, ERSE published the amount of the positive extraordinary tariff deviations, in accordance with Decree-Law no. 165/2008 to be € 1,275,682,000.00 in relation to electricity acquisition by EDP SU and € 447,469,000.00 in relation to over costs of electricity generated in the special regime such electricity to be acquired by EDP SU pursuant to article 55 of Decree-Law no. 172/2006.

In the press bulletin for the 2010 Tariff proposal dated October 2009, ERSE identifies an amount of € 107,239,000.00 in relation to the costs with electricity acquisition, payable to Tagus – Sociedade de Titularização de Créditos, S.A. as a result of the securitization of the right to receive such amounts by EDP SU in March, 2009, and an amount of € 34,822,000.00 in relation to costs with the implementation of energetic policies relating to over costs incurred with the electricity generation under the special regime, payable to EDP SU (whom, under the Receivables Sale Agreement, assigned the right to receive such amount to the Issuer for the purpose of the issue of the Notes). Both these amounts are to be recovered in the electricity tariffs during the year of 2010.

2.2. Legal and Regulatory Specific Framework

Decree-Law no. 165/2008 is the general law governing the extraordinary tariff deviations. The highlights of its features are the following:

- Definition of the applicable rules, to be invoked only in exceptional circumstances, to the recognition and recovery of the extraordinary tariff deviations in relation to (i) the costs of electricity acquisition by the Last Recourse Supplier, EDP SU, and to (ii) the tariff repercussion of the costs related to certain energy policy measures, sustainability or general economic interests. The repercussion on the electricity tariff of such extraordinary tariff deviations must be integrally executed throughout a maximum period of 15 years.

- Acknowledgment that ERSE must recognise and disclose, in the tariff calculation process and in a segregated way for each affected entity, the amount of extraordinary tariff deviations generated in that year, as well as annually recognise the total amount of those deviations outstanding and the amount that is to be recovered through the tariffs over the following year and until full recovery of such deviations.

- Recognition that the entities affected by this Decree-Law are entitled to fully recover the extraordinary tariff deviations, together with interest calculated based on the interest rate, term and instalments established by the minister responsible for the energy sector, through the Global Use of System Tariff or any other tariff payable by all electricity consumers, starting in the year following the one in which these deviations should have been reflected in the tariff.

- Recognition that these affected entities may assign to third parties, in whole or in part, the right to receive, through the electricity tariffs, the abovementioned deviations, in which case it is applicable the regime established by article 3 of Decree-Law no. 237-B/2006, which defines the rules regarding the transmission and recovery of the tariffs' deficit and adjustments.

- Recognition that the annually calculated extraordinary tariff deviations due to the affected entities and the rights recognised in this Decree-Law maintain their existence even in the case of insolvency or activity termination of the affected entities. In this case, ERSE shall adopt the necessary measures to assure that the holder of these rights continues to recover the amounts outstanding until their full repayment.

Both Decree-Law no. 165/2008 and the Ministerial Order no. 27677/2008, of 19 September, lay out the specific features governing the extraordinary tariff deviations:

- Recognised the entitlement of the affected entities, or respective assignees, to fully receive the extraordinary tariff deviations, together with interest thereon, in constant monthly instalments, during the period between January 1, 2010 and December 31, 2024.

- Determines that interest is calculated with reference to the 3-month EURIBOR, set on the last business day of June of each year in which the tariffs are fixed, plus a spread of 0.90% accruing from January 1, 2009 (in the case of costs in relation to electricity acquisition) or July 1, 2009 (in the case of costs in relation to electricity generation in the special regime) and payable from January 1, 2010.

- Establishes that the tariff repercussion of the extraordinary tariff deviations, together with interest thereon, shall be defined so that no compensation or set-off is made with the entities holding the rights to such deviations.

- Establishes the possibility of early amortisation of the extraordinary tariff deviations, at the option of the Minister of Economy and Innovation, when, in accordance with information provided by ERSE, there are reduced tariff impacts.

- Makes ERSE responsible for ensuring compliance with this Ministerial Order, namely, to assure that (i) any regulations necessary for its execution are established, (ii) the positive extraordinary tariff deviations, together with interest thereon, are reflected in the UGS Tariff or in any other tariff applicable to the all of the electricity consumers, (iii) the payment of the positive extraordinary tariff deviations to the respective holder is made on time until their full repayment.

Reference should further be made to the publication of the Ministerial Order no. 5579-A/2009 dated 16 February, which further details the rules applicable to some of the matters governing the extraordinary tariff deviations. Particularly, said Ministerial Order provides for the possibility of a revision of the applicable interest rate (notably of the *spread*) for calculation of interest on the tariff credits should the eligibility and valuation assumptions in relation to the securities issued in order to finance the purchase of those tariff credits come to be inapplicable. In such a scenario,

article 1 of Ministerial Order no. 5579-A/2009, of 16 February, provides that the interest established in no. 4 of Ministerial Order no. 27677/2008, of 19 September may come to be calculated, until the total payment of the tariff credits referred to in no. 1 of said Ministerial Order, according to 3-month Euribor in force on the last business day of June of each year during which tariffs are set, plus a margin of 1.95% This new calculation may be applicable from the moment in which, in the context of granting securities to be issued in the context of an assignment of the mentioned tariff credits and that do not include rights to principal and/or to interest subordinated to the rights of holders of other securities issued by the assignee in such assignment, for the purpose of serving as security for monetary policy operations in the Euro system, notably for liquidity provision operations, any of the following circumstances occurs:

(a) non eligibility of those securities with the Euro system;

(b) the outcome of the valuation of those securities by the Euro system, including any valuation margin and any other risk control measures applicable, is less than 80% of its outstanding principal amount.

Such a Ministerial Order also clarified the formula for calculation of the constant instalments referred to in no. 3 of Ministerial Order no. 27677/2008, of 19 September, in accordance with the calculation methodology used by the ERSE in the similar case of Decree-Law no. 237-B/2006, as well as the purpose of the provision set forth in no. 8 of Ministerial Order no. 27677/2008, of 19 September, clarifying the conditions applicable to an early redemption of the amounts of the positive adjustments and respective interest. Accordingly, no. 4 of the Ministerial Order provides that for the purpose of no. 8 of Ministerial Order no. 27677/2008, of 19 September, the early redemption of the positive adjustments amounts and respective interest may be performed in full or partially, provided that in the latter case, in relation to, at least, 25% of the existing debt, the repayment amount cannot be lower than the sum of the outstanding principal amount subject of early redemption, calculated as of the effective early redemption, in the financing operations performed in the context of an assignment of tariff credits in relation to positive adjustments and respective interest; accrued of interest due and not paid in respect of those financing operations, calculated as of the date of reimbursement of the principal amount; as well as accrued of the amount of all costs related with the, total or partial, early redemption of the financing operations effectively incurred or to be incurred by the assignee, including notably, the costs associated to the, total or partial, early redemption of connected financial operations and to the early termination or amendment of related agreements.

2.3. Legal Assignment / Transfer to a Third Party

Decree-Law no. 165/2008 recognises that the entities affected by it are entitled to fully recover the extraordinary tariff deviations, together with interest thereon, through the UGS Tariff or any other tariff payable by all electricity consumers, starting in the year following the one in which these costs should have been reflected in the tariff.

It further states that these affected entities may assign, for any purposes, thereby including for securitisation purposes, to third parties, in whole or in part, the right to receive the extraordinary tariff deviations through the electricity tariffs. In this case, the regime established in article 3 of Decree-Law no. 237-B/2006, which defines the rules regarding the transmission and recovery of the tariffs' deficit and adjustments, is applicable.

Decree-Law no. 237-B/2006 highlights the following:

- In the case of assignment of the right to receive tariff deficits or deviations, together with accrued interest thereto, the assignees are not considered entities operating in the National

Electricity System, but they benefit from this Decree-Law's special regime regarding the enforcement of the regulated operators rights, namely those in respect to billing and collection of the assigned credits and to the delivery of the amounts collected through electricity tariffs.

- In the case of insolvency of the assignor (a regulated entity of the National Electricity System), or its respective custodians, the amounts from the tariff deficits or deviations in their possession shall not constitute a part of the respective insolvency estate. In such an event, ERSE shall determine, as soon as possible, the tariff deficit or deviation amounts and deliver them to the relevant regulated operator or to the assignee entities.

- The charges included in the electricity tariffs are exclusively allocated to the payment of the tariff deficits and deviations to each regulated operator and do not answer for any other debts of the entities in the National Electricity System's billing chain, or its custodians, and are subject to segregation in those entities' accounts.

2.4. Repayment Mechanism

2.4.1. Calculation and Incorporation into the Tariff

Based upon Ministerial Order no. 27677/2008, of 19 September, ERSE established in the tariff order for 2009 that the extraordinary deviations generated in respect of costs with the implementation of energetic policies relating to over costs incurred with the electricity generation under the special regime amount to € 447,469,000.00 (by reference to December 31, 2009) as a result of the costs incurred by the Last Recourse Supplier in that respect. These amounts, together with accrued interest, should be reflected in the tariffs on a permanent basis through the inclusion of these amounts on the UGS Tariff, or any other tariff applicable to all consumers, during a 15 year consecutive period starting on January 1, 2010.

It is also established in said Ministerial Order that the companies affected by the deficit, or the respective purchasing entities, have the right to fully receive the amounts of this deficit and its interest in monthly instalments, between January 1, 2010 and December 31, 2024.

Such interest is calculated on the basis of the 3-month EURIBOR verified on the last business day of June of each year in which electricity tariffs are set, increased by a spread of 0.90% Nevertheless, and as previously mentioned in point 2.2. above, further to the publication of Ministerial Order no. 5579-A/2009, of February 16, such interest rate may come to be calculated, until the total payment of the tariff credits referred to in no. 1 of said Ministerial Order, according to 3-month Euribor in force on the last business day of June of each year during which tariffs are set, plus a margin of 1.95% in the situations provided for in no. 2 of such Ministerial Order.

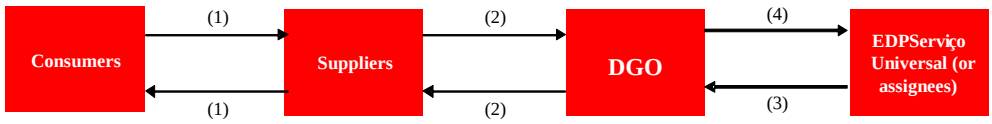
The methodology for calculating the tariff repercussion of these deviations is defined in Decree-Law no. 165/2008 and in the abovementioned Ministerial Order.

ERSE will have to incorporate this methodology into the calculation of tariffs for 2010. For such purpose, ERSE presented the regulatory changes needed to implement the legislation in the "**Tariffs for 2009**" document (page 61), and amended in accordance with the Tariff Regulation in December 2008. This regulatory change stated that the amount resulting from the mechanism provided in Decree-Law no. 165/2008 should be included in the revenues to be recovered by the DGO through the application of UGS Tariff, in its energy component. The DGO currently is EDP Distribuição.

It is also worth noting that the recovery of the extraordinary tariff deviations should allow (as legally determined by Decree-Law no. 165/2008) early repayments of debt in circumstances of reduced tariffs impacts or if there is a surplus in the system. In these cases, the costs effectively incurred with such early repayments should be reflected in the tariffs.

2.4.2. Billing and Collection System / Chain

According to the provisions of the statutes and regulations in force and, in particular, pursuant to the provision of article 78 of the Commercial Relations Regulation currently in force as approved by ERSE applicable to the recovery of the Extraordinary Tariff Deviations, the billing and collection process for the extraordinary tariff deviations is illustrated below:



- In the course of each month, all suppliers (including EDP SU) bill their customers, according to the Regulated End-User Tariff (in EDP SU's case), or the Liberalized End-User Price settled between suppliers (other than EDP SU) and their customers (1);
- DGO bills the suppliers for the amounts corresponding to the Access Tariffs that incorporate the UGS Tariff (which in turn includes the monthly amounts in respect of the Credit Rights), and receives payment in accordance with its regular billing and collection practices (2);
- Prior to the 25th calendar day of the succeeding month, EDP SU as the Last Recourse Supplier, should bill the DGO for the amount of the monthly instalments of the Extraordinary Tariff Deviations, as determined by ERSE in each tariff document (3).
- By the 25th calendar day of the same month, the DGO should pay EDP SU (or the assignee / purchaser of its rights) the billed amount (4).

In this context, and for the purposes of the Securitisation Law, the debtor notified and identified as such is the current DGO, EDP Distribuição is in a group relation with EDP, an entity which has securities admitted to trading on Euronext Lisbon.

2.5. Weight on Tariff

The Extraordinary Tariff Deviations in respect of the Credit Rights, with accrued interest, amounts to € 447,469,000.00, as results from ERSE's Order no. 58/2009 of January 2, 2009, as detailed in ERSE's document "*Tarifas e Preços para a energia elétrica e outros serviços em 2009 e parâmetros para o período de regulação 2009-2011*" published in December 2008. According to said document, such amount corresponds to less than one tenth of the electricity sector allowed revenues for 2009: Eur 5.1 billion.

Considering an interest rate of 4%, each annual instalment is estimated to be around EUR 40 million which is equivalent to around 0.8% of the electricity sector allowed revenues for 2009.

2.6. Ranking in the Tariff

The Credit Rights rank *pari passu* to all other tariff components, with the exception of the CMEC amounts, which in 2009 represent circa 1.6% of the allowed revenues.

DESCRIPTION OF THE ISSUER

1. Introduction

The Issuer is a limited liability company by shares registered and incorporated in Portugal on 11 November 2004 as a special purpose vehicle (known as "**Securitisation Company**") for the purpose of issuing asset-backed securities under the Securitisation Law and has been duly authorised by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, the "**CMVM**") through a resolution of the Board of Directors of the CMVM for an unlimited period of time and was given registration number 9114.

The registered office of the Issuer is at Rua Castilho, no. 20, Lisbon, Portugal. The contact details of the Issuer are as follows: telephone number (+351) 21 352 6334; fax number (+351) 21 311 1200. The Issuer is registered with the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 507 130 820.

The Issuer has no subsidiaries.

2. Main activities

The principal objects of the Issuer are set out in its articles of association (*Estatutos* or *Contrato de Sociedade*) and permit, *inter alia*, the purchase of a number of portfolios of assets from public and private entities and the issue of notes in series to fund the purchase of such assets and the entry into of such transaction documents to effect the necessary arrangements for such purchase and issuance including, but not limited to, handling enquiries and making appropriate filings with Portuguese regulatory bodies and any other competent authority and any relevant stock exchange.

3. Corporate bodies

The directors of the Issuer and their respective business addresses and their principal occupations outside of the Issuer are:

NAME	BUSINESS ADDRESS	PRINCIPAL OCCUPATIONS OUTSIDE OF THE ISSUER
Filipe Quintin Crisóstomo Silva	Rua Castilho, n.º 20, 1250-069 Lisboa, Portugal	Chairman of the Board of Directors of Deutsche Bank (Portugal), S.A.
José Francisco Gonçalves de Arantes e Oliveira	Rua Castilho, n.º 20, 1250-069 Lisboa, Portugal	Director of Deutsche Bank (Portugal), S.A.
Joaquim António Furtado Baptista	Rua Castilho, n.º 20, 1250-069 Lisboa, Portugal	Member of the Board of Directors of Deutsche Bank (Portugal), S.A.

There are no potential conflicts of interest between any duties of the persons listed above to the Issuer and their private interests.

The Issuer's independent auditor is KPMG & Associados – SROC, S.A. ("**KPMG**"), which is registered with the Chartered Accountants Bar under number 189 and is represented by Inês Maria Bastos Viegas Clare Neves Girão de Almeida, ROC no. 967. The registered office of KPMG is Edifício Monumental, Avenida Praia da Vitória, 71–A, 11th floor, 1069-006 Lisbon, Portugal. KPMG has taxpayer number 502 161 078.

On 26 February 2009 the Issuer's General Assembly passed a resolution on the changing of its supervisory structure with effects for the current three year period (2007-2009). Pursuant to such resolution the sole statutory audit of the Issuer (KPMG & Associados – SROC, S.A.) has been replaced by a supervisory board and an independent statutory auditor, as follows:

Members of the supervisory board:

Chairman: Manuel Corrêa de Barros de Lancastre

Members: Guido Du Boulay Villax and Joaquim Maria Magalhães Luiz Gomes

Alternate member: Catarina Isabel Lopes Antunes Ribeiro

The Supervisory Board's composition is deliberated in General Meeting, and it exercises functions for terms of three years.

Independent statutory auditor:

KPMG & Associados – SROC, S.A. ("KPMG"), which is registered with the Chartered Accountants Bar under number 189 and is represented by Inês Maria Bastos Viegas Clare Neves Girão de Almeida, ROC no. 967. The registered office of KPMG is Edífcio Monumental, Avenida Praia da Vitória, 71–A, 11th floor, 1069-006 Lisbon, Portugal. KPMG has taxpayer number 502 161 078.

The Issuer has no employees. The directors of the Issuer are officers of Deutsche Bank (Portugal), S.A..The secretary of the Issuer is Sofia Temes Domingues Ferreira de Campos da Cruz with offices at Rua Castilho, no. 20, 1250-069 Lisboa, Portugal.

The charmain of the Issuer shareholder's general meeting is Mr. Pedro Cassiano Santos and the secretary of the Issuer's shareholder meeting is Mr. André Figueiredo[13].

Legislation Governing the Issuer's Activities

The Issuer's activities are specifically governed by the Securitisation Law and supervised by the Portuguese Securities Market Commission (CMVM).

Insolvency of the Issuer

The Issuer is a special purpose vehicle and as such it is not permitted to carry out any activity other than the issue of securitisation notes and certain activities ancillary thereto including, but not limited to, the borrowing of funds in order to ensure that securitisation notes have the necessary liquidity support and the entering into of documentation in connection with each such issue of securitisation notes.

Accordingly, the Issuer will not have any creditors other than the Republic of Portugal in respect of tax liabilities, if any, the Noteholders and the Transaction Creditors, third parties in relation to any Third Party Expenses, and noteholders and other creditors in relation to other series of securitisation notes issued or to be issued in the future by the Issuer from time to time.

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[13] The Portuguese Securities Commission recently disclosed (Public consultation number 10/2008) a draft of a Decree-Law Project which amongst other amendments to the Portuguese Companies Code ("**CSC**") foresees that article 374-A of the CSC on independence and conflicts of the members of the General Meeting Board will apply only to the Chairman and to the vice-Chairman of the General Meeting Board of companies whose shares are admitted to trading on a regulated market.

The segregation principle imposed by the Securitisation Law and the related privileged nature of the noteholders' entitlements, on the one hand, together with the own funds requirements and the limited number of general creditors an STC may have, on the other, makes the insolvency of the Issuer a remote possibility. In any case, under the terms of the Securitisation Law, such remote insolvency would not prevent Noteholders from enjoying privileged entitlements to the Transaction Assets.

4. Capital requirements

The Securitisation Law imposes on the Issuer certain capitalisation requirements for supervisory purposes.

The level of capitalisation of the Issuer is determined by reference to the nominal amount outstanding of notes issued by the Issuer and traded (*em circulação*) at any given point in time. Apart from the minimum share capital, a securitisation company ("**STC**" or *sociedade de titularização de créditos*) must meet further own funds levels depending upon the nominal amount outstanding of the securitisation notes issued. In this respect, (a) if the nominal amount outstanding of the notes issued and traded is € 75 million or less, the own funds of the Issuer shall be no less than 0.5% of the nominal amount outstanding of such notes, or (b) if the nominal amount outstanding of the notes issued and traded exceeds € 75 million, the own funds of the Issuer, in relation to the portion of the nominal amount outstanding of the notes in excess of € 75 million, shall be 0.1% of the nominal amount outstanding of such notes.

An STC can use its own funds to pursue its activities. However if, at any time, the STC's own funds fall below the percentages referred to above the STC must, within three months, ensure that such percentages are met. CMVM will supervise the Issuer in order to ensure that it complies with the relevant capitalisation requirements.

The required level of capitalisation can be met, *inter alia*, through share capital, ancillary contributions (*prestações acessórias*) and reserves as adjusted by profit and losses.

The entire authorised share capital of the Issuer comprises 50,000 issued and fully paid shares (the "**Shares**") of € 5 each.

The amount of supplementary capital contributions (*prestações acessórias*) made by Deutsche Bank (Portugal), S.A. (the "**Shareholder**") so far is € 2,547,040 (which will become € 2,854,251, including EnergyOn No. 2).

5. The Shareholder

All of the Shares are held directly by the Shareholder. There are not any special mechanisms in place to ensure that control is not abusively exercised. Risk of control abuse is in any case mitigated by the provisions of the Securitisation Law and the remainder applicable legal and regulatory provisions and the supervision of the Issuer by the CMVM and the Bank of Portugal.

6. Capitalisation of Issuer

	As at October 31, 2009
Indebtedness	
EnergyOn No. 2 Securitisation Notes (Article 62 Asset Identification Code No. 200912TGSESUNXXN0037)	
Notes	€ 440,850,000.00
Other Securitisation Transactions	€ 2,475,989,390
Share capital (Authorised € 250,000; Issued 50,000 shares with a par value of € 5 each)	€ 250,000.00
Ancillary Capital Contributions	€ 2,547,040 (€ 2,854,251, including EnergyOn No. 2)
Reserves and retained earnings	€ 112,589
Total capitalisation	€ 2,909,629

In order to ensure that the Issuer has the necessary funds to issue the Notes, on or before the Closing Date the Ancillary Capital Contributions mentioned above will be increased by €307,211.

7. Other Securities of the Issuer

The Issuer has not issued any convertible or exchangeable securities/notes.

8. Financial Statements

Audited financial statements of the Issuer are to be published on an annual basis and are certified by an auditor registered with the CMVM. The first audited financial statement is for the period starting on the date of incorporation and ending on 31 December 2005.

DESCRIPTION OF THE ORIGINATOR

1. Overview of the EDP Group

EDP – Energias de Portugal, S.A. ("**EDP**") is a utility company established in Portugal and listed on Euronext Lisbon. The main features of EDP are the following:

- A vertically integrated utility and the largest generator, distributor and supplier of electricity in Portugal;
- One of the largest utility operators in the Iberian Peninsula by installed capacity and electricity generation, a market with demand growing above the EU average;
- An important position in the renewable energy generation market in the Iberian Peninsula, France, Belgium, Poland, Romania and the United States of America through its listed subsidiary EDP Renováveis, S.A., is one of the largest generator of wind energy worldwide;
- A stable and predictable cash flow generative asset base:
  - 82% EBITDA from regulated assets and long term contracted generation;
  - Electricity in Portugal sold with the benefit of a stranded costs compensation mechanism (CMEC mechanism).
- A sound financial performance and prudent financial policy targeting a single A rating;
- Current ratings of A- by S&P / A3 by Moody's / A- by Fitch;
- A supportive and stable shareholder base (see below);
- Total assets of EUR 37,627 million, net debt of EUR 14,218 million, EBITDA of EUR 1,611 million and net income of EUR 703 million, as of 30 June 2009;
- As at 30 June 2009, its market cap amounted to EUR 10,212.7 million.

Following the privatisation of EDP's share capital, which has already involved seven phases, the first in 1997 and the most recent in December 2007, the main shareholders of EDP are, as of 2 October 2009:

- Portuguese Republic (indirectly) through Parpública – Participações Públicas, SGPS, S.A.: 20.49%;
- Caixa Geral de Depósitos, S.A. (state owned bank): 5.24%;
- Iberdrola – Participações, SGPS, S.A.: 9.50%;
- Caja de Ahorros de Astúrias: 5.01%;
- José de Mello – Sociedade Gestora de Participações Sociais, S.A.: 4.82%;
- Banco Comercial Português, S.A. and BCP Group Pension Fund: 3.36%;
- Pictet Asset Management: 2.86%;
- Banco Espírito Santo, S.A.: 2.35%;
- Sonatrach: 2.23%;

- Barclays Global Investors UK Holdings Ltd.: 2.03%;
- IPIC – International Petroleum Investment Company: 2.00%.

The Portuguese Republic holds special voting rights through its 20.49% direct stake and 5.53% indirect stake through Caixa Geral de Depósitos, S.A. – the State owned bank.

Under EDP's articles of association, no shareholder, except the Portuguese Republic, may exercise voting rights that represent more than 5% of the voting share capital.

Historically, electricity has been EDP's core business in Portugal. For geographical and regulatory reasons, the regional electricity market of the Iberian Peninsula is EDP's natural market and EDP has elected it as its core market for its main energy business. In Portugal, EDP's four main subsidiaries are:

- EDP – Gestão da Produção de Energia, S.A., the electricity generation company;
- EDP Distribuição – Energia, S.A., the electricity distribution company;
- EDP SU, the last recourse supplier of electricity to regulated consumers; and
- EDP Comercial, S.A., the electricity supplier to clients in the liberalised market.

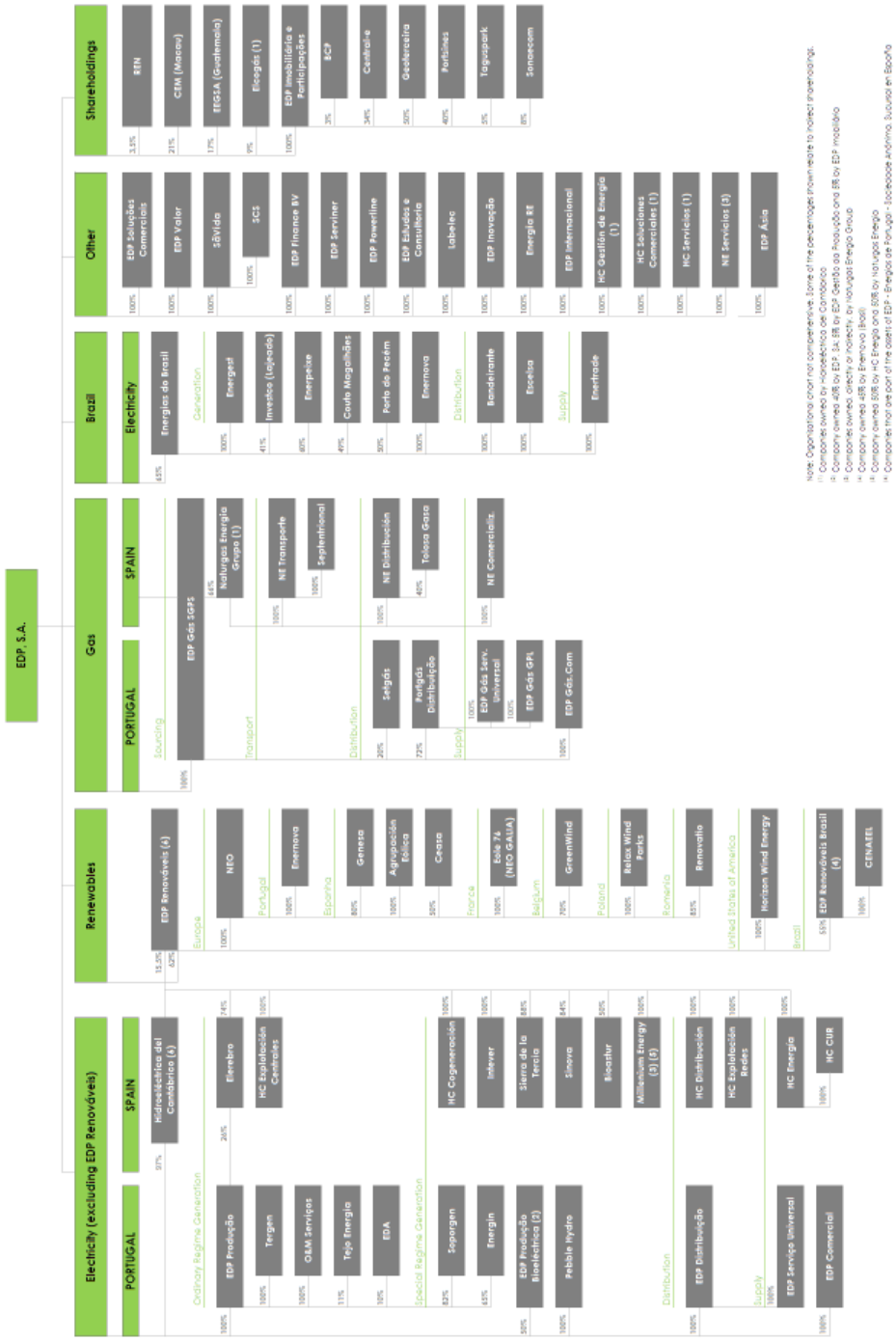
In Spain, EDP's main subsidiaries are:

- HC Energias, S.A. ("Hidrocantábrico", which is 96.86% owned by EDP), the company that operates conventional electricity generation plants and distributes and supplies electricity and gas, mainly in the Asturias and Basque regions of Spain; and
- EDP Renováveis, S.A. (62.5% owned by EDP and 15% owned by Hidrocantábrico), the company that operates the renewable energy generation business. It is listed on Euronext Lisbon and holds 100.00% of the share capital of:
    - NEO – Novas Energias, S.A., the holding company located in Spain with controlling interests in companies that develop and operate wind farms in Portugal, Spain, France, Poland, Romania and Belgium; and
    - Horizon Wind Energy LLC, a company acquired on 2 July 2007, which conducts the developments and operation of wind farms in the United States of America.

EDP also holds significant interests in the gas market both in Portugal, through Portgás – Sociedade de Produção e Distribuição de Gás, S.A. and Setgás – Sociedade de Produção e Distribuição de Gás, S.A., and in Spain, through Naturgas Energia.

EDP is also present in Brazil through EDP – Energias do Brasil, S.A., an entity which is focused on the electricity generation and distribution businesses.

EDP Group's structure as of June 30, 2009 is represented in the following chart:



2. EDP SU (the Originator)

The main activity of EDP SU consists of the trading (purchase and sale) of energy, namely electricity, and the supply of related and complementary services. As Last Recourse Supplier, EDP SU is responsible, among other, for the purchase of the electricity produced by special regime generators and the supply of electricity end-user consumers that request to be supplied according to regulated tariffs previously set by ERSE.

The company has been incorporated in December 2006 with the purpose of implementing the Electricity Directive (written into national legislation by Decree-Law no. 29/2006 and Decree-Law no. 172/2006) in

relation to the creation of a "**Last Recourse Supplier**" and to implement the principle of legal independence between the companies operating the electricity distribution grid and the companies exercising other activities related to the electric energy, including trading.

The share capital of EDP SU is exclusively held by EDP Distribuição as provided for in the law, pursuant to the demerger of EDP Distribuição's assets.

With effects as of January 1, 2007, EDP SU has been awarded a last recourse supplier license which sets the rights, obligations and other terms and conditions applicable to its activity.

The Originator has requested, for the purposes of article 2, no. 1 of Decree-Law no. 453/99, of 5 November, the waiver by the CMVM in relation to the requirement to provide annual accounts for the last three financial years, on the basis that the Originator has only been incorporated on December 2006 as a result of the demerger of the electricity supply activity which was previously embedded in EDP Distribuição – Energia, S.A.. Accordingly, the Originator has requested to CMVM that the accounts of EDP – Energias de Portugal, S.A. for the last three financial years which have been approved and certified by an auditor registered with the CMVM be used in order to fulfill the applicable legal requirements. EDP SU has registered, for the year of 2007, negative own funds in the approximate amount of € 24 million euros. Nevertheless, in accordance with Minutes no. 2/2008 of the Shareholders' General Meeting of EDP SU, dated December 19, 2008 the sole shareholder of the company, EDP Distribuição – Energia, S.A., has made available to the company € 95 million euros as additional capital contributions, non remunerated and subject to the regime applicable to the supplementary capital contributions, so as to reinforce and obtain a positive capital structure of the company.

DESCRIPTION OF THE SERVICER

Caixa – Banco de Investimento, S.A. ("**CaixaBI**") has been appointed Servicer under the Receivables Servicing Agreement.

CaixaBI is the Investment Bank of the Caixa Geral de Depósitos Group. The main company in the Group is Caixa Geral de Depósitos, S.A. ("**CGD**"), rated A+ (outlook negative) by Standard & Poor's, Aa2 (outlook negative) by Moody's Investors Service and AA- (outlook negative) by Fitch Ratings. CGD is a State Owned Bank since 1876 and the largest financial institution in Portugal by total assets.

CaixaBI offers products and services catered to its client universe – large and mid-sized corporate clients, public institutes and municipalities, institutional investors, project promoters of national and regional size and brokerage services to individuals. The Bank has both domestic and international coverage with the main focus of its activities being in Portugal, Spain and Brazil.

CaixaBI is a Portuguese Financial Institution, incorporated by shares as a limited liability company under Portuguese law, having its registered office at Rua Barata Salgueiro, no. 33, in Lisbon, Portugal, with a share capital of € 81,250,000.00 and registered with the Commercial Registry of Lisbon under the sole registration and taxpayer number 501 898 417.

DESCRIPTION OF THE TRANSACTION MANAGER AND ISSUER ACCOUNTS BANK

Deutsche Bank Aktiengesellschaft ("**Deutsche Bank**" or the "**Bank**") originated from the reunification of Norddeutsche Bank Aktiengesellschaft, Hamburg, Rheinisch-Westfälische Bank Aktiengesellschaft, Duesseldorf and Süddeutsche Bank Aktiengesellschaft, Munich; pursuant to the Law on the Regional Scope of Credit Institutions, these had been disincorporated in 1952 from Deutsche Bank which was founded in 1870. The merger and the name were entered in the Commercial Register of the District Court Frankfurt am Main on 2 May 1957. Deutsche Bank is a banking institution and a stock corporation incorporated under the laws of Germany under registration number HRB 30 000. The Bank has its registered office in Frankfurt am Main, Germany. It maintains its head office at Theodor-Heuss-Allee 70, 60486 Frankfurt am Main and branch offices in Germany and abroad including in London, New York, Sydney, Tokyo and an Asia-Pacific Head Office in Singapore which serve as hubs for its operations in the respective regions.

The Bank is the parent company of a group consisting of banks, capital market companies, fund management companies, a real estate finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies.

Deutsche Bank AG, London Branch is the London branch of Deutsche Bank AG. On 12 January 1973, Deutsche Bank AG filed in the United Kingdom the documents required pursuant to section 407 of the Companies Act 1948 to establish a place of business within Great Britain. On 14 January 1993, Deutsche Bank registered under Schedule 21A to the Companies Act 1985 as having established a branch (Registration No. BR000005) in England and Wales. Deutsche Bank AG, London Branch is an authorized person for the purposes of section 19 of the Financial Services and Markets Act 2000. In the United Kingdom, it conducts wholesale banking business and through its Private Wealth Management division, it provides holistic wealth management advice and integrated financial solutions for wealthy individuals, their families and selected institutions.

As of 30 June 2009, Deutsche Bank's issued share capital amounted to Euro 1,589,399,078.40 consisting of 620,859,015 ordinary shares without par value. The shares are fully paid up and in registered form. The shares are listed for trading and official quotation on all the German Stock Exchanges. They are also listed on the New York Stock Exchange.

The consolidated financial statements for the fiscal years starting 1 January 2007 are prepared in compliance with International Financial Reporting Standards (IFRS). As of 30 June 2009, Deutsche Bank Group had total assets of EUR 1,732,873 million, total liabilities of EUR 1,697,433 million and total equity of EUR 35,440 million on the basis of IFRS.

Deutsche Bank's long-term senior debt has been assigned a rating of A+ (outlook stable) by Standard & Poor's, Aa1 (outlook negative) by Moody's Investors Service and AA- (rating watch negative) by Fitch Ratings.

DESCRIPTION OF THE SWAP COUNTERPARTY AND SWAP DEPOSIT BANK

Banco Santander, S.A. was established on 21 March 1857 and incorporated in its present form by a public deed executed in Santander, Spain, on 14 January 1875. Banco Santander, S.A. is the parent bank of Grupo Santander. Grupo Santander is a financial group operating principally in Spain, the United Kingdom, Portugal, other European countries, Latin America and the United States, offering a wide range of financial products. Banco Santander Totta is a member of Grupo Santander.

At 30 September 2009 Grupo Santander was the eighth largest banking group in the world by market capitalisation and the largest banking group in the euro zone with a stock market capitalisation of 89.7 billion, stockholders equity of 67.0 billion and total assets of 1,082.4 billion. It had an additional 128.8 billion in mutual funds, pension funds and other assets under management at that date. As of 30 September 2009, it had 50,041 employees and 5,888 branch offices in Continental Europe, 23,046 employees and 1,331 branches in the United Kingdom, 86,267 employees and 5,754 branches in Latin America, 9,082 employees and 723 branches in Sovereign Bancorp (United States) and 1,720 employees in other geographic regions.

Abbey National plc, a wholly owned subsidiary of Grupo Santander, is a significant financial services provider in the United Kingdom, being the second largest residential mortgage lender and the third largest savings brand measured by outstanding balances, following the combinations in 2008 with Alliance & Leicester plc and Bradford and Bingley plc's retail deposits, branch network and its related employees. It also provides a wide range of retail savings accounts, and operates across the full range of personal financial services.

At 30 September 2009 Grupo Santander had in Latin America majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Puerto Rico and Uruguay. Grupo Santander's significant position in Latin America is attributable to its financial strength, high degree of diversification (by countries, businesses, products, etc.), breadth and depth of its franchise.

On 30 January 2009 Banco Santander completed the acquisition of Sovereign which became a wholly-owned subsidiary of Grupo Santander. Sovereign gives Grupo Santander the possibility to operate in the northeast of the US, one of the country's most attractive and stable areas and less prone to cyclical changes and where six of the 26 largest cities are located. Its business model, focused on retail customers and small companies, fits Santander's profile perfectly and offers a notable growth potential in earnings in coming years, both via business as well as through synergies.

SELECTED ASPECTS OF PORTUGUESE LAW RELEVANT TO THE CREDIT RIGHTS AND THE TRANSFER OF THE CREDIT RIGHTS

SECURITISATION LEGAL FRAMEWORK

Securitisation Law

Decree-Law no. 453/99, of 5 November, as amended by Decree-Law no. 82/2002, of 5 April, Decree-Law no. 303/2003, of 5 December, Decree-Law no. 52/2006, of 15 March, and Decree-Law no. 211-A/2008, of 3 November (together the "**Securitisation Law**") has implemented a specific securitisation legal framework in Portugal, which contains a simplified process for the assignment of credits. The Securitisation Law regulates, amongst other things; (i) the establishment and activity of Portuguese securitisation vehicles; (ii) the type of credits that may be securitised; and (iii) the entities which may assign credits for securitisation purposes. Some of the most important aspects of this legal framework include:

(a) the establishment of special rules facilitating the assignment of credits in the context of securitisation transactions;

(b) the types of originators/assignors which may assign their credits pursuant to the Securitisation Law;

(c) the types of credits that may be securitised and the legal eligibility criteria such credits have to comply with; and

(d) the creation of two different types of securitisation vehicles: (i) credit securitisation funds (*fundos de titularização de créditos* – "**FTC**"), and (ii) credit securitisation companies (*sociedades de titularização de créditos* – "**STC**").

Decree-Law no. 219/2001, of 4 August, as amended by Law no. 109-B/2001, of 27 December, Decree-Law no. 303/2003, of 5 December, by Law no. 107-B/2003, of 31 December, and by Law no. 53-A/2006, of 29 December (together the "**Securitisation Tax Law**") established the tax regime applicable to the securitisation of credits implemented under the Securitisation Law. The Securitisation Tax Law allows for a neutral fiscal treatment of securitisation vehicles as well as tax exemptions regarding the amounts paid by the securitisation vehicles to non-resident entities without a permanent establishment in Portuguese territory. However, where a Portuguese resident entity holds more than 25% of such non-resident entity, a 20% final withholding tax applies regarding the amounts paid by the company to such non-resident entity, unless a tax treaty that might be applicable to the situation establishes a reduced withholding tax rate. Withholding tax also becomes due in the event that such non-resident entity is located in a country or territory included in the list of countries pursuant to Ministerial Order no. 150/2004, of 13 February.

STC SECURITISATION COMPANIES

STCs are established for the exclusive purpose of carrying out securitisation transactions in accordance with the Securitisation Law. The following is a description of the main features of an STC.

Corporate structure

STCs are commercial companies (*sociedades anónimas*) incorporated with limited liability, having a minimum share capital of € 250,000.00. The shares in STCs can be held by one or more shareholders. STCs are subject to the supervision of the CMVM and their incorporation is subject to the prior authorisation by the CMVM. STCs are subject to ownership requirements. A prospective shareholder must obtain approval from the CMVM in order to establish an STC. Such approval is granted when the

prospective shareholder shows that it is capable of providing the company with a sound and prudent management.

If the shares in an STC are to be transferred to another shareholder or shareholders, prior authorisation of the CMVM of the prospective shareholder has to be obtained. The interest of the new shareholder in the STC has to be registered within 15 days of the purchase.

Regulatory compliance

In order to ensure the sound and prudent management of STCs, the Securitisation Law provides that the members of the board of directors and the members of the board of auditors meet high standards of professional qualification and personal reputation.

The members of the board of directors and the members of the board of auditors must be registered with the CMVM.

Corporate object

STCs can only be incorporated for the purpose of carrying out one or more securitisation transactions by means of the acquisition, management and transfer of receivables and the issue of securitisation notes for payment of the purchase price for the acquired receivables.

An STC may primarily finance its activities with its own funds and by issuing notes.

Without prejudice to the above, pursuant to the Securitisation Law, STCs are permitted to carry out certain financial activities, but only to the extent that such financial activities are (i) ancillary to the issuance of the securitisation notes, and (ii) aimed at ensuring that the appropriate levels of liquidity funds are available to the STC.

Types of credits which may be securitised and types of assignors

The Securitisation Law sets out details of the types of credits that may be securitised and the specific requirements which are to be met in order for such credits to be securitised.

The Securitisation Law allows a wide range of originators to assign their credits for securitisation purposes including the Portuguese Republic, public entities, credit institutions, financial companies, insurance companies, pension funds, pension fund management companies and other corporate entities whose accounts have been audited for the last three years by an auditor registered with the CMVM.

Insolvency remoteness of the STC

The segregation principle imposed by the Securitisation Law and the related privileged nature of the noteholders' entitlements, on the one hand, together with the own funds requirements and the limited number of general creditors an STC may have, on the other, makes the insolvency of an STC a remote possibility. In any case, under the terms of the Securitisation Law, such remote insolvency would not prevent noteholders from enjoying privileged entitlements to the portfolio of securitised assets.

Assignment of credits

Under the Securitisation Law, the sale of credits for securitisation is executed by way of assignment of credits. In this context the following should be noted.

The credit rights to be assigned to the Issuer on the Closing Date are credits resulting from the positive adjustments that are to be reflected in the electricity tariffs, through the inclusion thereof as one of the components of the UGS Tariff, or on any other tariff applicable to all consumers, by virtue of the

additional costs to be incurred by the Originator (as estimated for 2009) with the implementation of energetic policies relating to over costs incurred with the electricity generation under the special regime that have not yet been reflected in the electricity tariffs and to which EDP SU is entitled, in accordance with Decree-Law no. 165/2008, Ministerial Order no. 27677/2008, of 19 September, Ministerial Order no. 5579-A/2009, of 16 February, and article 55 of Decree-law no. 172/2006 (as amended by Decree-law no. 264/2007, of 24 July) which sets forth EDP SU's obligation to acquire the electricity generated under the special regime (see "*The Tariff Deficit and the Extraordinary Deviations"* above) (the "**Credit Rights**").

The Extraordinary Deviations amount to a total of € 447,469,000.00 as of December 31, 2009 accrued with the 3 month EURIBOR, applicable on the last business day of June of each year on which the tariffs are fixed, accrued with a 0.90% margin to be paid repercuted in the UGS Tariff for the period of 15 years starting from 1 January 2010 to 31 December 2024. Nevertheless, further to the publication of Ministerial Order no. 5579-A/2009, of February 16, 2009, such interest rate may come to be calculated, until the total payment of the tariff credits referred to in no. 1 of said Ministerial Order, according to 3-month Euribor in force on the last business day of June of each year during which tariffs are set, plus a margin of 1.95% in the situations provided for in no. 2 of such Ministerial Order.

In accordance with Decree-Law no. 165/2008, EDP SU may assign to third parties, in whole or in part, the right to receive the amounts relating to the Extraordinary Deviations.

Pursuant to article 4.1 of the Securitisation Law, credit rights may be assigned for securitisation purposes provided such receivables (i) have no legal or contractual limitations concerning their assignability, (ii) are of a pecuniary nature, (iii) are not subject to conditions and (iv) have not been judicially contested nor pledged or judicially seized. The CMVM has, through the issue of the 20 digit code to the issue of the Notes on December 2, 2009, confirmed its view that, according to the applicable legal provisions and the Transaction Documents, the Credit Rights comply with the aforementioned features.

Assignment formalities

There are no specific formality requirements for an assignment of credits under the Securitisation Law, a simple contract between the parties being sufficient for a valid assignment to occur. Thus, the execution of the Receivables Sale Agreement is effective to perfect the assignment of the Credit Rights between the EDP SU and the Issuer.

Further to the execution of the aforementioned agreement, the assignment of the Credit Rights will be notified on the Closing Date to the DGO and ERSE.

Assignment and Insolvency

In accordance with article 3.2 to 5 of Decree-Law no. 237-B/2006 (applicable pursuant to Decree-Law no. 165/2008), the assignees are not considered, for any purpose, as entities operating in the National Electricity System (*Sistema Eléctrico Nacional* or "**SEN**"), but they benefit, regarding the assigned rights, from the regime set forth in Decree-Law no. 237-B/2006 for the enforcement of the regulated operators' rights, namely as to billing and debt recovery and the delivery of the amounts collected through electricity tariffs, which continue to be assured. In case of insolvency of any regulated operator, or their respective depositaries, the amounts in their possession, which result from tariff stability payments, shall not constitute a part of the respective insolvency estate. Such amounts shall be exclusively used to pay the tariff stability creditors and thus may not be destined, particularly, to pay any debts of any entities that are included in National Electricity System's billing scheme or its respective depositaries, and they are subject to adequate account description and deposit, separated in those entities and their respective depositaries (See "***The Tariff Deficit and the Extraordinary Deviations***" above).

Unless an assignment of credits is effected in bad faith, such assignment under the Securitisation Law cannot be challenged for the benefit of the assignor's insolvency estate and any payments made to the assignor in respect of credits assigned prior to a declaration of insolvency will not form part of the assignor's insolvency estate even when the term of the credits falls after the date of declaration of insolvency of the assignor. In addition and further to the above paragraph, any amounts held by the servicer as a result of its collection of payments in respect of the credits assigned under the Securitisation Law will not form part of the servicer's insolvency estate.

SUMMARY OF PROVISIONS RELATING TO THE NOTES CLEARED THROUGH INTERBOLSA

General

Interbolsa manages a centralised system (s*istema centralizado*) composed by interconnected securities accounts, through which such securities (and inherent rights) are held and transferred, and which allows Interbolsa to control at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal and Interbolsa, as the controlling entity, all participate in such centralised system.

The centralised securities system of Interbolsa provides for all the procedures required for the exercise of ownership rights inherent to the notes held through Interbolsa.

In relation to each issue of securities, Interbolsa's centralised system comprises, *inter alia*, (i) the issue account, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (ii) the control accounts opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect the securities held by such participant on behalf of its customers in accordance with its individual securities accounts.

Securities held through Interbolsa will be attributed an International Securities Identification Number (''ISIN'') code through the codification system of Interbolsa and will be accepted for clearing through LCH.Clearnet, S.A. as well as through the clearing systems operated by Euroclear and Clearstream, Luxembourg and settled by Interbolsa's settlement system. Under the procedures of Interbolsa's settlement system, the settlement of trades executed through Euronext Lisbon takes place on the third Business Day after the trade date and is provisional until the financial settlement that takes place at the Bank of Portugal on the settlement date.

Form of the Notes

The Notes will be in book-entry form (*forma escritural*) and nominative (*nominativas*) and title to the Notes will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of Notes held through Interbolsa.

The Notes will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by each Interbolsa Participant on behalf of the holders of the Notes. Such control accounts reflect at all times the aggregate of Notes held in the individual securities accounts opened by the holders of the Notes with each of the Interbolsa Participants. The expression ''**Interbolsa Participant**'' means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Each person shown in the records of an Interbolsa Participant as having an interest in Notes shall be treated as the holder of the principal amount of the Notes recorded therein.

Payment of principal and interest in respect of Notes

Whilst the Notes are held through Interbolsa, payment in respect of the Notes of principal and interest will be (a) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal by the Interbolsa Participants whose control accounts with Interbolsa are credited with

such Notes and thereafter (b) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer must provide Interbolsa with a prior notice of all payments in relation to Notes and all necessary information for that purpose. In particular, such notice must contain:

(a) the identity of the Paying Agent responsible for the relevant payment; and

(b) a statement of acceptance of such responsibility by the Paying Agent.

Interbolsa must notify the Paying Agent of the amounts to be settled, which Interbolsa calculates on the basis of the balances of the accounts of the Interbolsa Participants.

In the case of a partial payment, the amount held in the current account of the Paying Agent with the Bank of Portugal (or with Caixa Geral de Depósitos, S.A. if such payment is not made in euro) must be apportioned pro-rata between the accounts of the Interbolsa Participants. After a payment has been processed, following the information sent by Interbolsa to the Bank of Portugal (or to Caixa Geral de Depósitos, S.A. if such payment has not been made in euro) whether in full or in part, such entity will confirm that fact to Interbolsa.

Transfer of Notes

Notes held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Notes. No owner of a Note will be able to transfer such Note, except in accordance with Portuguese Law and the applicable procedures of Interbolsa.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions.

1. General

1.1. The Issuer has agreed to issue the Notes subject to these Conditions and the terms of the Common Representative Appointment Agreement.

1.2. Certain provisions of these Conditions are summaries of the Common Representative Appointment Agreement, the Paying Agency Agreement, the Transaction Management Agreement and the Issuer Accounts Agreement and are subject to their detailed provisions.

1.3. The Common Representative Appointment Agreement forms part of these Conditions and the Noteholders are bound by the terms of the Common Representative Appointment Agreement and are deemed to have notice of all the provisions of the Transaction Documents.

1.4. Copies of the Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Common Representative and at the Specified Office of the Paying Agent, the initial Specified Offices of which are set out below.

1.5. Unless it obtains the prior written consent of the Originator, such consent not to be unreasonably withheld, the Issuer has undertaken to the Originator that it will not agree to an amendment to any Transaction Document to which the Originator is not a party.

1.6. The Class A Notes are rated by Moody's Investors Service Ltd. ("**Moody's**"). It is a condition to the issuance of the Notes that the Class A Notes are rated Aaa by Moody's.

2. Definitions

In these Conditions the defined terms have the meanings set out in Condition 22 (*Definitions*), and are subject to the principles of interpretation and construction which apply to the Common Representative Appointment Agreement.

3. Form, Denomination and Title

3.1. Form and Denomination

The Notes are in book-entry (*forma escritural*) and nominative (*nominativas*) form in the minimum denomination of € 50,000 each, and in integral multiples of € 50,000 in excess thereof. Title to the Notes will pass by registration in the corresponding securities account of affiliate members of the CVM.

3.2. Title

The registered holder of any Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment) whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such holder. Title to the Notes will pass by registration in the corresponding securities account at the CVM.

4. Status, Ranking and Security

4.1. Status

The Notes constitute direct limited recourse obligations of the Issuer.

4.2. Ranking

The Class A Notes will at all times rank *pari passu* amongst themselves without preference or priority in accordance with the Payments Priorities.

The Class B Notes will, in accordance with the Payments Priorities, be subordinated to the Class A Notes and will at all times rank *pari passu* amongst themselves without preference or priority.

4.3. Sole Obligations

The Notes are obligations solely of the Issuer limited to the segregated Credit Rights allocated to this transaction (as identified by the corresponding asset code awarded by the CMVM pursuant to article 62 of the Securitisation Law) and the other Transaction Assets and without recourse to any other assets of the Issuer pertaining to other issuances of securitisation notes by the Issuer or to the Issuer's own funds or to the Issuer's directors, managers or shareholders and are not obligations of, or guaranteed by, any of the other Transaction Parties.

4.4. Priority of Payments

The Issuer shall apply the Available Principal Distribution Amount and the Available Interest Distribution Amount according to the Payments Priorities.

For the avoidance of doubt, the Differential Step-up Amounts are excluded from the Available Interest Distribution Amount and any Differential Step-up Amounts shall be applied solely towards payment on the Class B Notes and on the Contingent Purchase Price on the relevant Interest Payment Dates, in accordance with the Transaction Management Agreement and the Issuer Accounts Agreement.

5. Statutory Segregation of Transaction Assets

5.1. Segregation under the Securitisation Law

The Notes and any Issuer Obligations have the benefit of the statutory segregation under the Securitisation Law.

5.2. Restrictions on Disposal of Transaction Assets

The Common Representative shall only be entitled to dispose of the Transaction Assets if the Notes have become immediately due and payable at their Principal Amount Outstanding together with any accrued interest in accordance with Condition 12 (*Events of Default*), either by virtue of the occurrence of an Event of Default mentioned in paragraph (a) of Condition 12.1. (*Non-Payment*) or upon delivery by the Common Representative of an Enforcement Notice to the Issuer, and subject to the provisions of Condition 13 (*Proceedings*).

6. Issuer Covenants

6.1. Issuer Covenants

So long as any Note remains outstanding, the Issuer shall comply with all the covenants of the Issuer, as set out in the Common Representative Appointment Agreement.

6.2. Monthly Servicing Report

The Issuer Covenants include an undertaking by the Issuer to provide to the Transaction Manager, to the Rating Agency and to the Swap Counterparty or to procure that the Servicer delivers to the Transaction Manager, to the Rating Agency and to the Swap Counterparty the Monthly Servicing Report.

7. Interest

7.1. Accrual

Each Class A Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date.

Each Class B Note shall not bear interest but bear an entitlement to receive the Class B Notes Return Amounts.

7.2. Cessation of Interest

Each Class A Note shall cease to bear interest from its due date for final redemption, unless, upon due presentation, payment of principal is improperly withheld or refused by the Issuer, in which case, it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of:

7.2.1. the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

7.2.2. the day which is seven days after the Paying Agent or the Common Representative has notified the Noteholders of such class that it has received all sums due in respect of the Notes of such class up to such seventh day (except to the extent that there is any subsequent default in payment).

7.3. Calculation Period of less than 1 year

Whenever it is necessary to compute an amount of interest in respect of any Class A Note for a period of less than a full year, such interest shall be calculated on the basis of the applicable Day Count Fraction.

7.4. Interest Payments

7.4.1. *Interest Accrual:* Interest on the Class A Notes is payable in euro in arrears on each Interest Payment Date, commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Notes for the Interest Period ending on the day immediately preceding such Interest Payment Date.

"**Interest Period**" means each period from (and including) an Interest Payment Date (or December 3, 2009 (the "**Closing Date**")) and ending (but excluding) the next succeeding (or First) Interest Payment Date. "**First Interest Period**" means the period beginning on

(and including) December 3, 2009 and ending on (but excluding) the First Interest Payment Date. For the avoidance of doubt, interest accrues on the Class A Notes on a daily basis irrespective of whether such day is a Business Day or not.

"**Interest Amount**" means, in respect of the Class A Notes for any Interest Period, the aggregate of the amount of interest calculated by multiplying the Principal Amount Outstanding of the Class A Notes on the beginning of such Interest Period by the Floating Rate of Interest as of the related Determination Date and multiplying the amount so calculated by the relevant Day Count Fraction and rounding the resultant figure to the nearest 0.01 euro.

7.4.2. *Rate of interest*: The rate of interest applicable to the Class A Notes (the "**Floating Rate of Interest**") for each Interest Period will be determined by the Transaction Manager on the following basis:

(i) on each Determination Date prior to the beginning of each Interest Period (or, in relation to the First Interest Period, on the First Determination Date), the Transaction Manager will determine the one-month EURIBOR applicable for such Interest Period; and

(ii) the Floating Rate of Interest in respect of the Class A Notes for such Interest Period shall be one-month EURIBOR determined as at the related Determination Date plus the Margin in respect of such Notes.

For the First Interest Period the applicable EURIBOR will be the interpolated European Interbank Offered Rate for one month and two month euro deposits determined by the Transaction Manager on the Closing Date (the "**First Determination Date**").

7.5. Notification of Floating Rate of Interest, Interest Amount and Interest Payment Date

As soon as practicable after each Determination Date, the Transaction Manager will cause:

(a) the Floating Rate of Interest for the Class A Notes for the related Interest Period;

(b) the Interest Amount for the Class A Notes for the related Interest Period;

(c) the Interest Payment Date next following the related Interest Period,

to be notified to the Issuer, the Common Representative and the Paying Agent and, for so long as the Class A Notes are listed on any stock exchange, such stock exchange, no later than the first day of the relevant Interest Period.

7.6. Publication of Floating Rate of Interest, Interest Amount and Interest Payment Date

As soon as practicable after receiving each notification of the Floating Rate of Interest, the Interest Amount and the Interest Payment Date in accordance with Condition 7.5 (*Notification of Floating Rate of Interest, Interest Amount and Interest Payment Date*), the Issuer will cause such Floating Rate of Interest and Interest Amount for the Class A Notes and the next following Interest Payment Date to be published in accordance with the Notices Condition.

7.7. Amendments to Publications

The Floating Rate of Interest and the Interest Amount for the Class A Notes and the Interest Payment Date so published or notified may subsequently be amended (or appropriate alternative

arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period or in the event of manifest error.

7.8. Notification regarding Collections

As soon as practicable after each Collection Period, the Servicer will confirm that the Collections that are to be payable in respect of such Collection Period have been credited to the Issuer Transaction Account through the Monthly Servicing Report.

7.9. Determination or Calculation by Common Representative

If the Transaction Manager does not at any time for any reason determine the Floating Rate of Interest or the Interest Amount for the Class A Notes or the Class B Notes Return Amounts in accordance with this Condition, the Common Representative may, or may appoint an agent on its behalf to (but without any liability accruing to the Common Representative as a result):

(a) determine the Floating Rate of Interest for the Class A Notes following the procedures described herein, adding the Margin to the relevant EURIBOR; and/or

(b) calculate the Interest Amount for the Class A Notes in the manner specified in this Condition 7; and/or

(c) calculate the Class B Notes Return Amounts.

Any determination or calculation pursuant to this Condition 7 shall be deemed to have been made by the Transaction Manager. In determining and calculating the same, the Common Representative shall apply the provisions of this Condition 7 and act in such manner as it deems fair and reasonable in the relevant circumstances.

7.10. Calculation and Notification of the Class B Notes Return Amounts

On each Calculation Date, the Transaction Manager will calculate the Class B Notes Return Amounts payable on the related Interest Payment Date and will cause such Class B Notes Return Amounts to be notified to the Issuer, the Common Representative and the Paying Agent.

8. Final Redemption, Mandatory Redemption and Optional Redemption

8.1. Final Redemption

Unless previously redeemed in full as provided in this Condition 8, the Issuer shall redeem the Notes on the Final Legal Maturity Date at their Principal Amount Outstanding. If, on the Final Legal Maturity Date, the Issuer has insufficient amounts of Available Principal Distribution Amount, the Notes shall not be redeemed in full on the Final Legal Maturity Date as a result thereof and the provisions of Condition 7.2. shall apply.

8.2. Optional Redemption in whole for taxation reasons

Following a Tax Event, the Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding, accrued with the applicable unpaid interest up to the relevant redemption date, subject to the following:

(i) that the Issuer has given neither more than 50 (fifty) nor less than 15 (fifteen) calendar days' notice to the Common Representative and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes; and

(ii) that the Issuer has provided to the Common Representative:

(a) a legal opinion (in form and substance satisfactory to the Common Representative) from a firm of lawyers in the Issuer's Jurisdiction (approved in writing by the Common Representative), opining on the relevant change in the Tax law; and

(b) a certificate signed by two directors of the Issuer to the effect that the obligation to make a Tax Deduction is legally due; and

(c) a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Payments Priorities.

A "**Tax Event**" means (a) after the date on which the Issuer is required to make any payment in respect of the Class A Notes or the Swap Counterparty is to make any payment in respect of the Swap Agreement and either the Issuer or the Swap Counterparty (as the case may be) would be required to make a deduction or withholding on account of tax in respect of such relevant payment; or (b) a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), that requires the Issuer to make a Tax Deduction from any payment in respect of the Class A Notes (other than by reason of the relevant Noteholder having some connection with the Republic of Portugal other than the holding of the Class A Notes); or (c) a change in the Tax law of the Issuer's Jurisdiction (or any change in the application or official interpretation of such Tax law), that would not entitle the Issuer to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or that would result in the Issuer being treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive, in each case under the Transaction Documents.

8.3. Mandatory redemption in whole or in part

The Class A Notes will be subject to mandatory redemption in whole or in part on each Interest Payment Date on which the Issuer has an Available Principal Distribution Amount as calculated on the related Calculation Date.

8.4. Optional redemption in whole

The Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date on or after the date on which the outstanding amount of the Credit Rights is less than 10% of the initial amount of the Credit Rights as at December 31, 2009 (i.e. € 447,469,000.00). For the exercise of this optional redemption, the Issuer undertakes to:

(i) give not more than 50 (fifty) nor less than 15 (fifteen) calendar days' notice to the Common Representative and the Noteholders of its intention to redeem the Notes;

(ii) provide to the Common Representative a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Payments Priorities.

8.5. Conclusiveness of certificates and legal opinions

Any certificate or legal opinion given by or on behalf of the Issuer (or the Originator or the Servicer, if any) pursuant to Condition 8.2 (*Optional redemption in whole for taxation reasons*)

may be relied on by the Common Representative without further investigation and shall be conclusive and binding on the Noteholders and on the Transaction Creditors.

All certificates required to be signed by the Issuer (or the Originator or the Servicer, if any) will be signed by the respective directors without personal liability.

8.6. Notice of Calculation

The Issuer will cause the Transaction Manager to notify the Common Representative and the Paying Agent of a Note principal payment and the Principal Amount Outstanding to be notified immediately after determination and, for so long as the Class A Notes are listed on Euronext Lisbon, the Transaction Manager will immediately cause details of each determination of a Note principal payment and the Principal Amount Outstanding in relation to the Notes to be published in accordance with the Notices Condition by not later than 3 Business Days prior to each Interest Payment Date.

8.7. Notice irrevocable

Any notice referred to in Condition 8.2., 8.3. or 8.4. shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at the relevant amounts as calculated pursuant to each of such Conditions.

8.8. No Purchase

The Issuer may not at any time purchase any of the Notes.

9. Limited Recourse

Each of the Noteholders will be deemed to have agreed with the Issuer that notwithstanding any other provisions of these Conditions or the Transaction Documents, all obligations of the Issuer to the Noteholders, including, without limitation, the Issuer Obligations, are limited in recourse as set out below:

(a) it will have a claim only in respect of the Transaction Assets and will not have any claim, by operation of law or otherwise, against, or recourse to, any of the Issuer's other assets or its contributed capital;

(b) sums payable to each Noteholder in respect of the Issuer's Obligations to such Noteholder shall be limited to the lesser of (i) the aggregate amount of all sums due and payable to such Noteholder and (ii) the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Transaction Assets, net of any sums which are payable by the Issuer in accordance with the Payments Priorities in priority to or *pari passu* with sums payable to such Noteholder; and

(c) on the earlier of:

(i) the third anniversary of the Final Legal Maturity Date (except if, on the date corresponding to such third anniversary, there are any pending judicial claims from the Noteholders and/or the Transaction Creditors in respect of any amounts outstanding under the Transaction Documents and the Notes); or

(ii) the date on which the Common Representative gives written notice to the Noteholders or any of the Transaction Creditors that it has determined in its sole opinion following the Servicer having certified to the Common Representative, that

there is no reasonable likelihood of there being any further realisations in respect of the Transaction Assets and the Transaction Manager having certified to the Common Representative that there is no reasonable likelihood of there being any further realisations in respect of the Issuer Transaction Account which would be available to pay in full the amounts outstanding under the Transaction Documents and the Notes,

the Noteholders and Transaction Creditors shall have no further claim against the Issuer in respect of any unpaid amounts and any unpaid amounts shall be discharged in full.

10. Payments

10.1. Principal and Interest

Payments of principal and interest in respect of the Notes may only be made in euro or in such other currencies accepted by Interbolsa for registration and clearing.

Payment in respect of the Notes of principal and interest will be (a) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal (or with Caixa Geral de Depósitos, S.A. if such payment is not made in euro) by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Notes and thereafter (b) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

10.2. Payments subject to fiscal laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 11 (*Taxation*), no commissions or expenses shall be charged to the holder of any Note in respect of such payments.

10.3. Payments on Business Days

If the due date for payment of any amount in respect of any Notes is not a business day in the place of presentation the holder shall not be entitled to payment of the amount due until the next succeeding business day in the place of presentation on which banks are open for business in such place of presentation and shall not be entitled to any further interest or other payment in respect of any such delay.

10.4. Non Business Days

The Issuer undertakes to inform Interbolsa whenever payments are expected to be made on a day on which banks are not open for general business in London and Lisbon.

10.5. Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition or Condition 7, whether by any of the Paying Agent or the Common Representative shall (in the absence of any gross negligence, wilful default or fraud) be binding on the Issuer and all Noteholders and Transaction Creditors and (in the absence of any gross negligence, wilful default, fraud or manifest error) no

liability shall attach to the relevant Paying Agent or the Common Representative in connection with the exercise or non exercise by them or any of them of their powers, duties and discretions under this Condition 10 (*Payments*).

10.6. Default interest

If the Issuer fails to pay any amount payable by it under these Conditions on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is 3% above EURIBOR. Any interest accruing under this Condition 10.6 (*Default interest*) shall be immediately payable by the Issuer. Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

11. Taxation

11.1. Payments free of Tax

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any Taxes unless the Issuer, the Common Representative or any Paying Agent (as the case may be) is required by law to make any such payment subject to any such withholding or deduction. In that event, the Issuer, the Common Representative or the Paying Agent (as the case may be) shall be entitled to withhold or deduct the required amount for or on account of Tax from such payment and shall account to the relevant Tax Authorities for the amount so withheld or deducted.

11.2. No payment of additional amounts

Neither the Issuer, the Common Representative, the Paying Agent, the Originator nor the Servicer will be obliged to pay any additional amounts to Noteholders in respect of any Tax Deduction made in accordance with Condition 11.1 (*Taxation - Payments Free of Tax*).

11.3. Taxing Jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Portuguese Republic, references in these Conditions to the Portuguese Republic shall be construed as references to the Portuguese Republic and/or such other jurisdiction.

11.4. Tax Deduction not Event of Default

Notwithstanding that the Common Representative, the Issuer or the Paying Agent is required to make a Tax Deduction in accordance with Condition 11.1 (*Taxation - Payments Free of Tax*) this shall not constitute an Event of Default.

12. Events of Default

12.1. Events of Default

Subject to the other provisions of this Condition, each of the following events shall be treated as an "**Event of Default**":

(a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes within 5 Business Days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 10 Business Days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and/or the Transaction Documents or in respect of the Issuer Covenants and such default (i) is, in the opinion of the Common Representative, incapable of remedy or (ii) being a default which is, in the opinion of the Common Representative, capable of remedy, remains unremedied for 45 calendar days or such longer period as the Common Representative may agree after the Common Representative has given written notice thereof to the Issuer; or

(c) *Insolvency*: an Insolvency Event occurs with respect to the Issuer; or

(d) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Common Representative Appointment Agreement.

12.2. Notes immediately due and payable or delivery of Enforcement Notice

(a) If an Event of Default mentioned in paragraph (a) of Condition 12.1. (*Non-Payment*) occurs, the Notes shall become immediately due and payable in accordance with the Post-Enforcement Payments Priorities without further action or formality at their Principal Amount Outstanding together with any accrued interest and Condition 12.5 (*Originator/ Servicer representations, warranties and covenants*) will immediately and automatically apply; or

(b) If an Event of Default mentioned in paragraph (b) of Condition 12.1. (*Breach of other obligations*), or in paragraph (c) of Condition 12.1. (*Insolvency*) or in paragraph (d) of Condition 12.1. (*Unlawfulness*) occurs and is continuing, the Common Representative may at its discretion and shall, if so requested in writing by the holders of at least 25% of the Principal Amount Outstanding of the Notes or if so directed by a Resolution passed by the Noteholders, deliver an Enforcement Notice to the Issuer.

12.3. Conditions to delivery of Enforcement Notice

Notwithstanding the provisions of Condition 12.2.(b), the Common Representative shall not be obliged to deliver an Enforcement Notice unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

12.4. Consequences of delivery of Enforcement Notice

Upon the delivery of an Enforcement Notice, the Notes shall become immediately due and payable in accordance with the Post-Enforcement Payments Priorities without further action or formality at their Principal Amount Outstanding together with any accrued interest.

12.5. Originator/Servicer representations, warranties and covenants

Upon the Notes having become immediately due and payable at their Principal Amount Outstanding together with any accrued interest, the Common Representative will be able to exercise in its name, on its behalf and for its benefit, all rights and benefits which the Issuer has in respect of the representations, warranties and covenants given by the Originator and the Servicer as contained in the Receivables Sale Agreement and the Receivables Servicing Agreement, respectively.

13. Proceedings

13.1. Proceedings

After the occurrence of an Event of Default, the Common Representative may at its discretion, and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Notes and the Common Representative Appointment Agreement in respect of the Notes and under the other Transaction Documents, but it shall not be bound to do so unless:

(a) so requested in writing by the holders of at least 25% of the Principal Amount Outstanding of the Notes; or

(b) so directed by a Resolution of the Noteholders,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13.2. Directions to the Common Representative

Without prejudice to Condition 13.1 (*Proceedings*), the Common Representative shall not be bound to take any action described in Condition 13.1 (*Proceedings*) and may take such action without having regard to the effect of such action on individual Noteholders or any other Transaction Creditor. The Common Representative shall have regard to the Noteholders as a class.

13.3. Restrictions on disposal of Transaction Assets

If the Notes have become immediately due and payable at their Principal Amount Outstanding together with any accrued interest, the Common Representative, acting on behalf of the Issuer as per the terms of clause 3.4 of the Common Representative Appointment Agreement, will only be entitled to dispose of the Credit Rights to a Portuguese credit securitisation fund (FTC) or to another Portuguese credit securitisation company (STC), to the Originator (if the assigned credits evidence hidden defects) or otherwise in accordance with the Securitisation Law. Save where there is an Event of Default under any Transaction Document caused by the action or inaction of the Originator, the sale by the Issuer of the Credit Rights to the Originator will depend on the Originator's consent thereto.

14. No action by Noteholders or any other Transaction Party

14.1. Noteholders may be restricted from proceeding individually against the Issuer and the Transaction Assets or to seek enforcement of the Issuer Obligations, where such action or actions, taken on an individual basis, contravene a Resolution of the Noteholders.

14.2. Furthermore, and to the extent permitted by Portuguese Law, only the Common Representative may pursue the remedies available under the general law or under the Common Representative Appointment Agreement against the Issuer and the Transaction Assets and, other than as permitted in this Condition 14.2, no Noteholder shall be entitled to proceed directly against the Issuer and the Transaction Assets or to seek enforcement of the Issuer Obligations. In particular, each Noteholder will be deemed to have agreed with and acknowledged to each of the Issuer and the Common Representative, and the Common Representative agrees with and acknowledges to the Issuer that:

(a) none of the Noteholders (nor any person on their behalf) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Common Representative to take any

proceedings against the Issuer or take any proceedings against the Issuer unless the Common Representative, having become bound to serve an Enforcement Notice or having been requested in writing or directed by a Resolution of the Noteholders in accordance with Condition 13.1 (*Proceedings*) to take any other action to enforce its rights under the Notes and the Common Representative Appointment Agreement and under the other Transaction Documents (such obligation a "**Common Representative Action**"), fails to do so within a reasonable period of becoming so bound or of having been so requested or directed and that failure is continuing (in which case each of the Noteholders shall (subject to Conditions 14.2(c) and 14.2(d)) be entitled to take any such steps and proceedings as it shall deem necessary in respect of the Issuer);

(b) none of the Noteholders (nor any person on their behalf) shall have the right to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to any of such Transaction Parties unless the Common Representative, having become bound to take a Common Representative Action, fails to do so within a reasonable period of becoming so bound and that failure is continuing (in which case each of the Noteholders shall (subject to Conditions 14.2(c) and 14.2(d)) be entitled to take any such steps and proceedings as it shall deem necessary in respect of the Issuer);

(c) until the date falling two years after the Final Discharge Date none of the Noteholders nor any person on their behalf (including the Common Representative) shall initiate or join any person in initiating any Insolvency Event or the appointment of any Insolvency Official in relation to the Issuer; and

(d) none of the Noteholders shall be entitled to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.

15. Meetings of Noteholders

15.1. Convening

The Common Representative Appointment Agreement contains Provisions for Meetings of Noteholders for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Common Representative Appointment Agreement and the circumstances in which modifications may be made if sanctioned by a Resolution.

15.2. Request from Noteholders

A meeting of Noteholders may be convened by the Common Representative or, if the Common Representative has not yet been appointed of refuses to convene the meeting, by the Chairman of the Shareholders' General Meeting of the Issuer at any time and must be convened by the Common Representative (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders holding not less than 5% of the aggregate Principal Amount Outstanding of the outstanding Notes.

15.3. Quorum

The quorum at any Meeting convened to vote on:

(a) a Resolution not regarding a Reserved Matter will be any person or persons holding or representing whatever the Principal Amount Outstanding of the Notes then outstanding; or

(b) a Resolution regarding a Reserved Matter will be any person or persons holding or representing at least 50% of the Principal Amount Outstanding of the Notes then outstanding so held or represented or, at any adjourned second meeting, any person being or representing whatever the Principal Amount Outstanding of the Notes then outstanding.

15.4. Majorities

The majorities required to pass a Resolution at any meeting convened in accordance with these rules shall be:

(a) if in respect to a Resolution not regarding a Reserved Matter, the majority of the votes cast at the relevant meeting; or

(b) if in respect to a Resolution regarding a Reserved Matter, at least 50% of the Principal Amount Outstanding of the Notes then outstanding or, at any adjourned second meeting by at least 2/3 of the votes cast at the relevant meeting.

15.5. Resolutions in writing

A Written Resolution shall take effect as if it were a Resolution.

16. Modification and Waiver

16.1. Modification

The Common Representative may, at its sole discretion, at any time and from time to time, without the consent or sanction of the Noteholders or the Transaction Creditors (other than in respect of a Reserved Matter or any provision of the Notes, these Conditions, the Common Representative Appointment Agreement or any of the Transaction Documents referred to in the definition of a Reserved Matter), concur with the Issuer and any other relevant Transaction Party in making:

(a) any modification to the Notes, these Conditions, the Common Representative Appointment Agreement or any Transaction Document in relation to which the consent of the Common Representative is requested, which, in the opinion of the Common Representative, will not be materially prejudicial to the interests of the holders of the Notes then outstanding; or

(b) any modification to the Notes, these Conditions, the Common Representative Appointment Agreement or any Transaction Document in relation to which the consent of the Common Representative is requested, if, in the opinion of the Common Representative, such modification is of a formal, minor, administrative or technical nature, results from mandatory provisions of Portuguese law, or is made to correct a manifest error or an error which is, to the satisfaction of the Common Representative, proven, or is necessary or desirable for the purposes of clarification,

provided that the Rating Agency has always been previously notified to the making of any such modification.

16.2. Waiver

In addition, the Common Representative may, at its sole discretion, at any time and from time to time, without prejudice to its rights in respect of any subsequent breach, condition, event or act, without the consent or sanction of the Noteholders or the Transaction Creditors, concur with the Issuer and any other relevant Transaction Party in authorising or waiving on such terms and

subject to such conditions (if any) as it may decide, a proposed breach or breach by the Issuer of any of the covenants or provisions contained in the Notes, these Conditions, the Common Representative Appointment Agreement or other Transaction Documents (other than in respect of a Reserved Matter or any provision of the Notes, these Conditions, the Common Representative Appointment Agreement or such other Transaction Documents referred to in the definition of a Reserved Matter) which, in the opinion of the Common Representative will not be materially prejudicial to the interests of the holders of the Notes then outstanding (provided that it may not and only the Noteholders may by Resolution determine that any Event of Default shall not be treated as such for the purposes of the Notes, these Conditions, the Common Representative Appointment Agreement or any of the Transaction Documents), provided that the Rating Agency has always been previously notified to the making of any such authorisation or waiver.

16.3. Restriction on power to waive

The Common Representative shall not exercise any powers conferred upon it by Condition 16.2 (*Waiver*) in contravention of any of the restrictions set out therein or any express direction by a Resolution of the holders of the Notes then outstanding or of a request or direction in writing made by the holders of not less than 50% in aggregate Principal Amount Outstanding of the Notes then outstanding, but no such direction or request (a) shall affect any authorisation or waiver previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of the Notes then outstanding has, by Resolution, so authorised its exercise.

16.4. Notification

Unless the Common Representative otherwise agrees, the Issuer shall cause any such consent, authorisation, waiver, modification or determination to be notified to the relevant Transaction Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

16.5. Binding Nature

Any consent, authorisation, waiver, determination or modification referred to in Condition 16.1 (*Modification*) or Condition 16.2 (*Waiver*) shall be binding on the Noteholders and the Transaction Creditors.

17. Prescription

17.1. Principal

Claims for principal in respect of the Notes shall become void twenty years of the appropriate Relevant Date.

17.2. Interest

Claims for interest in respect of the Notes shall become void five years of the appropriate Relevant Date.

18. Common Representative and Paying Agent

18.1. Common Representative's right to Indemnity

Under the Transaction Documents, the Common Representative is entitled to be indemnified by the Issuer and relieved from responsibility in certain circumstances and to be paid or reimbursed

for any Liabilities incurred by it in priority to the claims of the Noteholders and the Transaction Creditors. The Common Representative shall not be required to do anything which would require it to risk or expend its own funds.

In addition, the Common Representative is entitled to enter into business transactions with the Issuer and/or any other person who is a party to the Transaction Documents and/or any of their subsidiary or associated companies and to act as common representative for the holders of any other securities issued by or relating to the Issuer without accounting for any profit and to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such role.

For the avoidance of doubt, the Common Representative will not be obliged to enforce the provisions of the Common Representative Appointment Agreement unless it is directed to do so by the Noteholders and unless it is indemnified and/or secured and/or prefunded to its satisfaction.

18.2. Common Representative not responsible for loss or for monitoring

The Common Representative will not be responsible for any loss, expense or liability which may be suffered as a result of the Transaction Assets or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Common Representative. The Common Representative shall not be responsible for monitoring the compliance by any of the other Transaction Parties (including the Issuer, the Transaction Manager and the Servicer) with their obligations under the Transaction Documents and the Common Representative shall assume, until it has actual knowledge to the contrary, that such persons are properly performing their duties.

The Common Representative shall have no responsibility in relation to the legality, validity, sufficiency, adequacy and enforceability of the Transaction Documents.

18.3. Appointment of Substitute Common Representative

In accordance with article 65.3 of the Securitisation Law, the power of replacing the Common Representative and appointing a substitute common representative shall be vested in the Noteholders which shall appoint said substitute by a Resolution.

18.4. Paying Agent solely agent of Issuer

In acting under the Paying Agency Agreement and in connection with the Notes, the Paying Agent act solely as agent of the Issuer and (to the extent provided therein) the Common Representative and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

18.5. Initial Paying Agent

The Issuer reserves the right (with the prior written approval of the Common Representative) to vary or terminate the appointment of any Paying Agent and to appoint a successor paying agent or agent bank and additional or successor paying agent at any time, having given not less than 30 calendar days notice to the relevant Paying Agent and the Common Representative.

18.6. Maintenance of Paying Agent

The Issuer shall at all times maintain a paying agent in accordance with any requirements of any stock exchanges on which the Notes are or may from time to time be listed. The Issuer will maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax

pursuant to Council Directive 2003/48/EC, of 3 June 2003, on taxation of savings income in the form of interest payments, or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in any of the Paying Agent or in its Specified Office shall promptly be given to the Noteholders in accordance with the Notices Condition.

18.7. Common Representative Discretions

18.7.1. In the exercise of its powers and discretions under these Conditions and the Common Representative Appointment Agreement, the Common Representative will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of the Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction;

18.7.2. Except where expressly provided otherwise, and whilst the Notes are outstanding, the Common Representative shall, as regards all the powers, authorities, duties and discretions vested in it under the Conditions and the Transaction Documents, have regard only to the interests of the Noteholders in any circumstances in which, in the opinion of the Common Representative, there is any conflict, actual or potential, between their interests and those of the Transaction Creditors, and no other Transaction Creditor shall have any claim against the Common Representative for so doing;

18.7.3. To the extent permitted by Portuguese law, and whenever there is any conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders, the Common Representative shall always have regard to the Payments Priorities;

18.7.4. When the Notes are no longer outstanding, as regards all the powers, authorities, duties and discretions vested in the Common Representative described above, where, in the opinion of the Common Representative, there is conflict, actual or potential, between the interests of the Transaction Creditors, it shall only have regard to the interests of that Transaction Creditor which is, or those Transaction Creditors which are, most senior in the Payments Priorities and which claim is still outstanding thereunder and no other Transaction Creditor shall have any claim against the Common Representative for so doing. If there are two or more Transaction Creditors who rank *pari passu* in the Payments Priorities then the Common Representative shall look at the interests of such Transaction Creditors equally.

19. Notices

19.1. Valid Notices

Any notice to Noteholders shall only be validly given if such notice is published on the CMVM's website and/or if the same is notified to the Noteholders in accordance with this Notices Condition, provided that for so long as any of the Notes are listed on any stock exchange and the rules of such stock exchange's jurisdiction so require, such notice will additionally be published in accordance with the requirements applicable in such jurisdiction. It may additionally be published on a page of the Reuters service or of the Bloomberg service or on any other medium for the electronic display of data as may be previously approved in writing by the Common Representative.

19.2. Date of publication

Any notices so published shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which the publication was made.

19.3. Other Methods

The Common Representative shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the Stock Exchange (if any) on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Common Representative shall require.

20. Governing Law and Jurisdiction

20.1. Governing law

The Common Representative Appointment Agreement and the Notes and any non-contractual obligations arising therefrom are governed by, and shall be construed in accordance with, Portuguese law.

20.2. Jurisdiction

The courts of Lisbon are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes may be brought in such courts.

21. Definitions

"**Ancillary Rights**" means, in respect of the Credit Rights, (a) any advice, report, valuation, opinion, certificate, undertaking, or other statement of fact or of law or opinion given in connection with such Credit Rights to the extent transferable; (b) all monies and proceeds other than principal payable or to become payable under, in respect of or pursuant to such Credit Rights; (c) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of the Originator contained in or relating to such Credit Rights; and (d) all causes and rights of action (present and future) against any person relating to such Credit Rights and including the benefit of all powers and remedies for enforcing or protecting the Originator's right, title, interest and benefit in respect of such Credit Rights;

"**Available Interest Distribution Amount**" means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager as at the Calculation Date immediately preceding such Interest Payment Date equal to the sum of (and for the avoidance of doubt, excluding any Differential Step-up Amounts):

(a) the amount of the Interest Component of the Credit Rights received by the Issuer during the related Collection Period;

(b) the amount of any Overdue Interest received by the Issuer during the related Collection Period;

(c) the fixed monthly instalment to be received from the Swap Deposit Bank on such Interest Payment Date under the Swap Deposit Agreement (only up to, and including, the Interest Payment Date falling in February 2010);

(d) the payment (if any) to be received from the Swap Counterparty on such Interest Payment Date under the Swap Agreement (other than any collateral posted by the Swap Counterparty under the Swap Agreement or any interest or other payment on or from such posted collateral);

(e) the amount of any Swap Replacement Premium paid by any replacement Swap Counterparty to the Issuer;

(f) the balance, if any, standing on the Expenses Reserve Account at the end of the related Collection Period;

(g) interest accrued and credited to the Issuer Transaction Account during the related Collection Period and any other amounts deposited in such account to the extent that such amounts do not fall under any of the other items of the Available Interest Distribution Amount nor under the Available Principal Distribution Amount;

(h) 1.47% of the amount of Principal Component of the Credit Rights received by the Issuer during the related Collection Period;

(i) in case of Early Amortisation, the amount of the Early Repayment Amount that is not included in the Available Principal Distribution Amount nor in any other items of the Available Interest Distribution Amount; and

(j) the amount, if any, of Available Principal Distribution Amount, upon or after redemption in full of the Notes, as calculated by the Transaction Manager on the Calculation Date immediately preceding such Interest Payment Date.

The Issuer will apply the Available Interest Distribution Amount on each Interest Payment Date in accordance with the Pre-Enforcement Interest Payments Priorities;

"**Available Principal Distribution Amount**" means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager as at the Calculation Date immediately preceding such Interest Payment Date as being equal to: (a) 98.53% of the amount of Principal Component of the Credit Rights received by the Issuer during the related Collection Period; and (b) in case of Early Amortisation, 98.53% of the Early Repayment Amount, after deducting accrued interest and Early Amortisation Costs, used in the reduction of the outstanding balance of the Credit Rights to the extent not included under item (a) above;

The Issuer will apply the Available Principal Distribution Amount on each Interest Payment Date in accordance with the Pre-Enforcement Principal Payments Priorities, subject to applying funds towards payment of Tax and Incorrect Payments and, for the avoidance of doubt, excluding any Differential Step-up Amounts;

"**BCP**" and/or "**Millennium investment banking**" means Banco Comercial Português, S.A.;

"**BPI**" means Banco BPI, S.A.;

"**Business Day**" means a TARGET Settlement Day or, if such TARGET Settlement Day is not a day on which banks are open for business in London and in Lisbon, the next succeeding TARGET Settlement Day on which banks are open for business in London and in Lisbon;

"**CaixaBI**" means Caixa – Banco de Investimento, S.A.;

"**Calculation Date**" means the date that is 5 (five) Business Days before each Interest Payment Date; in relation to a Collection Period, the "**related Calculation Date**" means the Calculation Date immediately after the end of said Collection Period;

"**Cash Collateral Account**" means the cash account held in the name of the Issuer with the Issuer Accounts Bank into which any cash collateral posted by the Swap Counterparty under the Swap Agreement is deposited;

"**Class B Notes Distribution Amounts**" means any amounts available to the Issuer after full redemption of the Class A Notes and payments of all costs, fees and expenses;

"**Class B Notes Return Amounts**" means the amounts corresponding to (i) 2/3 of the Differential Step-up Amounts and (ii) the Class B Notes Distribution Amounts;

"**Clearstream, Luxembourg**" means Clearstream Banking Société anonyme, Luxembourg;

"**Closing Date**" means December 3, 2009;

"**CMVM**" means "*Comissão do Mercado de Valores Mobiliários*", the Portuguese Securities Market Commission;

"**Collateral Accounts**" means the Cash Collateral Account and any securities account held in the name of the Issuer with the Issuer Accounts Bank into which any collateral under the form of securities posted by the Swap Counterparty under the Swap Agreement is deposited;

"**Collection Period**" means each monthly period from the 26th day (exclusive) of a given month to the 26th day (inclusive) of the following month, the first Collection Period beginning on the Closing Date; in relation to a Calculation Date, the "**related Collection Period**" means the Collection Period ending immediately before such Calculation Date;

"**Collections**" means, in relation to the Credit Rights, all cash collections, and other cash proceeds thereof including any and all principal, interest, late payment or other payments in respect of such Credit Rights;

"**Common Representative**" means Deutsche Trustee Company Limited in its capacity as initial representative of the Noteholders pursuant to article 65 of the Securitisation Law and in accordance with the terms and conditions of the Notes and the terms of the Common Representative Appointment Agreement and any replacement common representative or common representative appointed from time to time under the Common Representative Appointment Agreement;

"**Common Representative Appointment Agreement**" means the agreement so named to be entered into on the Closing Date between the Issuer and the Common Representative;

"**Common Representative's Fees**" means the fees payable by the Issuer to the Common Representative in accordance with the Common Representative Appointment Agreement;

"**Common Representative's Liabilities**" means any Liabilities due to the Common Representative in accordance with the terms of the Common Representative Appointment Agreement together with interest payable in accordance with the terms of the Common Representative Appointment Agreement;

"**Conditions**" means the terms and conditions of the Notes, in or substantially in the form set out in Schedule 3 of the Common Representative Appointment Agreement, as any of them may from

time to time be modified in accordance with the Common Representative Appointment Agreement and any reference to a particular numbered Condition shall be construed in relation to the Notes accordingly;

"**Contingent Purchase Price**" means the amount corresponding to the sum of (x) 0.35% per annum paid to the Originator by the Issuer on each Interest Payment Date from (and excluding) the Step-up Date calculated on the Principal Amount Outstanding of the Notes as at the beginning of the Interest Period ending on such Interest Payment Date (which, for the avoidance of doubt, corresponds to the date on which the Issuer is to pay to the Originator the relevant amount) (the "**Premium Payment**") and (y) 1/3 of the Differential Step-up Amounts, if any, payable on the first twelve Interest Payment Dates from (and excluding) the Step-up Date to the extent previously received by the Issuer;

"**Credit Rights**" means the entitlement to fully receive the Extraordinary Deviations and its accrued interest from the National Electricity System in Portugal to be included in the electricity tariffs between January 1, 2010 and December 31, 2024 and recovered by their owners in constant monthly instalments, between February 25, 2010 and January 25, 2025, as established per Decree-Law no. 165/2008, Ministerial Order no. 27677/2008, of 19 September and Ministerial Order no. 5579-A/2009, of 16 February;

"**CVM**" means the Portuguese securities settlement system (*Central de Valores Mobiliários*) operated by INTERBOLSA – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.;

"**Day Count Fraction**" means in respect of an Interest Period, the actual number of days in such period divided by 360;

"**Determination Date**" means the date that is 2 (two) Business Days before the beginning of the related Interest Period;

"**Differential Step-up Amounts**" means the payments' entitlements corresponding to the amount referred in number 7 of the Ministerial Order no. 5579-A/2009, of 16 February, payable (together with interest thereon) in 12 consecutive equal monthly instalments, but only if and to the extent such amount (and interest thereon) ever becomes due;

"**DGO**" means the distribution grid operator of the SEN;

"**€**", "**EUR**" or "**euro**" means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty;

"**Early Amortisation**" means the early amortisation of the Credit Rights pursuant to no. 8 of Ministerial Order no. 27677/2008, of 19 September, and no. 4 of Ministerial Order no. 5579-A/2009, of 16 February;

"**Early Amortisation Costs**" means, in the case of Early Amortisation, the amount of all costs related with the total or partial early redemption of the relevant Notes effectively incurred or to be incurred by the Issuer, including notably, the costs associated to the total or partial early termination of connected financial transactions (including, for the avoidance of doubt, any amounts due on early termination under the Swap Agreement) and to the early termination or amendment of related agreements, which have been determined by the parties to all such connected financial transactions in accordance with section 32 (Determination of Early Amortisation Costs) of Schedule 1 (Services to be provided by the Transaction Manager) of the Transaction Management Agreement;

"**Early Repayment Amount**" means, in case of Early Amortisation, and pursuant to no. 4 of Ministerial Order no. 5579-A/2009, of 16 February, an amount which cannot be lower than the sum of (i) the Outstanding Principal Amount of the Notes subject to early redemption, calculated as of the effective early redemption date, (ii) interest accrued due and not paid in respect of such Notes subject to early redemption, calculated as of the effective early redemption date and (iii) the amount of Early Amortisation Costs related with the, total or partial, early redemption of the relevant Notes effectively incurred or to be incurred by the Issuer, including notably, the costs associated to the, total or partial early termination of connected financial transactions (such as the Swap Agreement) and to the early termination or amendment of related agreements;

"**EDP SU**" means EDP – Serviço Universal, S.A.;

"**Enforcement Notice**" means a notice delivered by the Common Representative to the Issuer in accordance with Condition 12.2(b), which declares the Notes to be immediately due and payable;

"**EURIBOR**" means in relation to any sum, the rate as of 11:00 a.m. Brussels time on the relevant day for the offering of deposits of such sum in euro for the relevant period which appears on Reuters Page "Euribor01". If such rate does not appear on the Reuters Page "Euribor01", the applicable rate shall be determined by the Transaction Manager using its standard valuation methodology as at the date of calculation;

"**Euroclear**" means Euroclear Bank S.A./N.V.;

"**Euronext**" means Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.;

"**Euronext Lisbon**" means Euronext Lisbon, a regulated market managed by Euronext;

"**Eurosystem**" means the monetary authority of the euro area which comprises the European Central Bank and the national central banks of the Member States whose currency is the euro;

"**Eurosystem Event**" means the date when one of the following events occurs (i) the Class A Notes cease to be accepted as collateral for Eurosystem credit operations or (ii) the outcome of the valuation of the Class A Notes made by Eurosystem for the purpose of such credit operations is less than 80% of their Principal Amount Outstanding;

"**Event of Default**" means any one of the events specified in Condition 12 (*Events of Default*);

"**Expenses Reserve Account**" means the account established with the Issuer Accounts Bank in the name of the Issuer into which an amount equal to € 1,800,000.00 from the proceeds of the Notes will be transferred to;

"**Extraordinary Deviations**" means the positive adjustments that are to be reflected in the electricity tariffs, through the inclusion thereof as one of the components of the UGS Tariff, or on any other tariff applicable to all consumers, by virtue of the additional costs to be incurred by the Originator (as estimated for 2009) with the implementation of energetic policies relating to over costs incurred with the electricity generation under the special regime that have not yet been reflected in the electricity tariffs and which the Originator is legally entitled to receive;

"**Final Discharge Date**" means the date on which the Common Representative is satisfied that all monies and other liabilities due or owing by the Issuer in connection with the Notes and/or that the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the Transaction Creditors under the Notes or the Transaction Documents have been paid or discharged in full;

"**Final Legal Maturity Date**" means the Interest Payment Date falling in May, 2025;

"**First Calculation Date**" means January 5, 2010;

"**First Determination Date**" means the Closing Date;

"**First Interest Payment Date**" means January 12, 2010;

"**First Interest Period**" means the period beginning on and including the Closing Date and ending on but excluding the First Interest Payment Date;

"**Floating Rate of Interest**" means the rate of interest applicable to the Class A Notes for each Interest Period, as determined by the Transaction Manager pursuant to Condition 7.4.2;

"**Governmental Authority**" means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government;

"**Incorrect Payments**" means a payment incorrectly paid or transferred to the Issuer Transaction Account, identified as such by the Servicer and by the Issuer (or the Transaction Manager on its behalf);

"**Indebtedness**" means any indebtedness for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 calendar days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Initial Purchase Price**" means the amount of € 434,720,326.31 to be paid by the Issuer to the Originator on the Closing Date, corresponding to the nominal amount of the Class A and Class B Notes minus (i) the Transaction Expenses and the Third Party Expenses due on or about the Closing Date, including, without limitation, for the avoidance of doubt, the management and underwriting commission due by the Issuer to the Joint Arrangers and Joint Lead Managers pursuant to clause 15.1 of the Subscription Agreement; (ii) the amount needed to fund the Expenses Reserve Account; and (iii) the amount required to set up the Swap Deposit;

"**Insolvency Event**" means, in respect of a natural person or entity:

(a) the initiation of, or consent to any Insolvency Proceedings by such person or entity;

(b) the initiation of Insolvency Proceedings against such a person or entity and such proceeding is not contested in good faith on appropriate legal advice;

(c) the application (and such application is not contested in good faith on appropriate legal advice) to any court for, or the making by any court of, an insolvency or an administration order against such person or entity;

(d) the enforcement of, or any attempt to enforce (and such attempt is not contested in good faith on appropriate legal advice) any security over the whole or a material part of the assets and revenues of such a person or entity;

(e) any distress, execution, attachment or similar process (and such process, if contestable, is not contested in good faith on appropriate legal advice) being levied or enforced or imposed upon or against any material part of the assets or revenues of such a person or entity;

(f) the appointment by any court of a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, trustee or other similar official in respect of all (or substantially all) of the assets of such a person or entity generally; or

(g) the making of an arrangement, composition or reorganisation with the creditors of such a person or entity;

"**Insolvency Proceedings**" means:

(a) the presentation of any petition for the insolvency of a natural person (whether such petition is presented by such person or another party); or

(b) the winding-up, dissolution or administration (including, without limitation and in what concerns Portuguese entities only, under the Code for the Insolvency and Recovery of Companies introduced by Decree-Law no. 53/2004, of 18 March, as amended) of an entity;

"**Interbolsa**" means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the Central de Valores Mobiliários having its registered office at Avenida da Boavista, 3433, 4100-138 Porto, Portugal;

"**Interbolsa Participant**" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg;

"**Interest Amount**" means, in respect of the Class A Notes and for any Interest Period, the aggregate of the amount of interest calculated by multiplying the Principal Amount Outstanding of the Class A Notes on the beginning of such Interest Period by the Floating Rate of Interest as of the related Determination Date and multiplying the amount so calculated by the relevant Day Count Fraction and rounding the resultant figure to the nearest 0.01 euro;

"**Interest Component**" means the interest component ("IC") of the Credit Rights for month ("m") of year ("t") determined as ICm = Bt x It ÷ 12, where "Bt" corresponds to the outstanding balance of the Credit Rights at the start of year "t" and "It" corresponds to 3-month EURIBOR as of the last business day of June of year "t-1" plus:

(a) 0.90%, which is applicable during all years prior to the year in which the Step-up Date occurs; and

(b) 1.95%, which is applicable as from the beginning of the year in which the Step-up Date occurs;

"**Interest Payment Date**" means the 12th day of each month, commencing on the First Interest Payment Date, provided that if any such day is not a Business Day, it shall be the immediately succeeding Business Day (unless such day would fall into the next calendar month, in which case it would be brought forward to the immediately preceding Business Day);

"**Interest Period**" means each period from (and including) an Interest Payment Date (or the Closing Date) and ending on (but excluding) the next succeeding (or First) Interest Payment Date; in relation to a Calculation Date, the "**related Interest Period**" means the Interest Period ending after such Calculation Date;

"**Investor Report**" means a report in the Transaction Manager's standard format to be delivered by the Transaction Manager to, *inter alia*, the Issuer, the Common Representative, the Rating Agency and the Paying Agent not less than 5 (five) Business Days prior to each Interest Payment Date;

"**Issuer**" means Tagus – Sociedade de Titularização de Créditos, S.A., a limited liability company incorporated under the laws of Portugal as a special purpose vehicle for the purposes of issuing asset-backed securities, having its registered office at Rua Castilho, no. 20, Lisbon, Portugal, with a share capital of € 250,000.00 and registered with the Commercial Registry of Lisbon under the sole registration and taxpayer number 507 130 820;

"**Issuer Accounts**" means the Issuer Transaction Account, the Expenses Reserve Account and the Collateral Accounts, and "**Issuer Account**" means any of them;

"**Issuer Accounts Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Issuer Accounts Bank and Transaction Manager and the Common Representative;

"**Issuer Accounts Bank**" means Deutsche Bank AG, London Branch, in its capacity as the bank at which the Issuer Accounts are held in accordance with the terms of the Transaction Management Agreement and Issuer Accounts Agreement, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom;

"**Issuer Accounts Bank Minimum Rating**" means, in respect of any entity, that the unsecured, unsubordinated and unguaranteed debt obligations of such entity are rated at least "A1/P-1" by Moody's;

"**Issuer Covenants**" has the meaning given to such term in Condition 6 (*Issuer Covenants*);

"**Issuer Expenses**" means any fees, liabilities and expenses payable by the Issuer to the Transaction Manager, the Paying Agent, the Issuer Accounts Bank, the Swap Deposit Bank and any Third Party Expenses, including interest payable and any VAT payable thereon in accordance with the Transaction Documents to which the Issuer is a party;

"**Issuer Obligations**" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Noteholders or the Transaction Creditors under the Transaction Documents;

"**Issuer's Jurisdiction**" means the Portuguese Republic;

"**Issuer Representations and Warranties**" means the representations and warranties given by the Issuer and set out in the Common Representative Appointment Agreement;

"**Issuer Shortfall Interest**" means, in respect of any Issuer Shortfall (as defined in the Swap Agreement) an amount equal to interest on such Issuer Shortfall (as defined in the Swap Agreement) accruing on a daily basis (without compounding), at a rate of one-month EURIBOR *plus* 1.60% per annum as determined by the Swap Counterparty in a commercially reasonable manner;

"**Issuer Transaction Account**" means the bank account no. IBAN GB91DEUT40508126930914, Intermediary Bank – Deutsche Bank AG Frankfurt (Swift BIC: DEUTDEFF), account with Deutsche Bank AG London Branch (Swift BIC: DEUTGB2L), beneficiary – Tagus STC EnergyOn No. 2 Securitisation Notes Issuer account opened in the name of the Issuer at the Issuer Accounts Bank in accordance with the terms of the Issuer Accounts Agreement;

"**Joint Arrangers**" means BCP, BPI, CaixaBI and Santander Totta;

"**Joint Lead Managers**" means BCP, BPI, CaixaBI and Santander Totta;

"**Liabilities**" means in respect of any person, any losses, liabilities, damages, costs, awards, expenses (including properly incurred legal fees) and penalties incurred by that person together with any VAT thereon;

"**Margin**" means in relation to the Class A Notes and prior to (and excluding) the Step-up Date, a margin of 0.90% per annum and, after (and including) the Step-up Date, a margin of 1.60% per annum;

"**Meeting**" means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

"**Member State**" means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

"**Monthly Period**" means the period starting on the 27th day (including) of any month and ending on the 26th day (including) of the immediately following month;

"**Monthly Servicing Report**" means a pre-agreed form report containing information on the Credit Rights;

"**Moody's**" means Moody's Investors Service Ltd.;

"**Noteholders**" means the entities who, from time to time, are holders of Notes;

"**Notes**" means the € 440,650,000.00 Class A Asset Backed Floating Rate Securitisation Notes due 2025 and the € 200,000.00 Class B Asset Backed Securitisation Notes due 2025 issued by the Issuer on the Closing Date;

"**Note Amortisation Shortfall Reimbursement Amount**" means the amount notified to the Transaction Manager by the Swap Counterparty acting as calculation agent under the Swap Agreement on any Calculation Date, being the amount by which (x) the Party B Floating Amount II payable on the immediately following Payment Date II, exceeds (y) the Party B Floating Amount II that would have been payable on the immediately following Payment Date II had the relevant Floating Notional II calculated by reference to the principal component of the monthly annuity instalment scheduled to be received by Party A (for the avoidance of doubt, capitalised terms used in this definition that are not defined elsewhere in this Prospectus bear the meanings ascribed thereto in the Swap Agreement and both (x) and (y) shall be determined by the Swap Counterparty as calculation agent under the Swap Agreement);

"**Notices Condition**" means Condition 19 (*Notices*);

"**Originator**" means EDP – Serviço Universal, S.A.;

"**Overdue Interest**" means, in respect of a Collection Period, interest payable by the DGO to the Issuer during such Collection Period as a result of late payment of any amount due in respect of the Credit Rights by the DGO to the Issuer during such Collection Period and in accordance with Regulation 1261/2009 of the Treasury and Finance Director-General of 2 January as defined under Governmental Rule 597/2005 as determined by the Servicer in relation to such Collection Period;

"**Paying Agency Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Paying Agent and the Common Representative;

"**Paying Agent**" means Deutsche Bank (Portugal), S.A., appointed in the Paying Agency Agreement to act as Paying Agent, together with any successor or additional paying agent appointed from time to time in connection with the Notes under the Paying Agency Agreement;

"**Payments Priorities**" means the provisions relating to the order of priority of payments set out in "***Overview of the Transaction – Pre-Enforcement Interest Payments Priorities, Pre-Enforcement Principal Payments Priorities*** and ***Post-Enforcement Payments Priorities***" in this Prospectus;

"**Potential Event of Default**" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

"**Premium Payment**" means, upon the occurrence of a Eurosystem Event, 0.35% per annum paid to the Originator by the Issuer on each Interest Payment Date from (and excluding) the Step-up Date calculated on the Principal Amount Outstanding of the Notes as at the beginning of the Interest Period ending on such Interest Payment Date (which, for the avoidance of doubt, corresponds to the date on which the Issuer is to pay to the Originator the relevant amount);

"**Preset Ongoing Expenses**" means the ongoing expenses set on or about the Closing Date to be paid by the Swap Counterparty to the Issuer on each Interest Payment Date falling in the month of January in accordance with the terms of the Swap Agreement;

"**Principal Amount Outstanding**" means, on any day, in relation to a Note, the principal amount of that Note upon issue less the aggregate amount of any principal payments in respect of that Note which have been paid to the relevant Noteholder;

"**Principal Component"** means the principal component ("PC") of the Credit Rights for month "m" of year "t" determined as PCm = (At – Bt x It) ÷ 12 where (in the case of the Credit Rights) "At = annuity for the year t", "Bt = outstanding balance of the Credit Rights at the start of year t" and "It = 3-month Euribor as of the last business day of June of year t-1 plus a margin of:

(a) 0.90%, which is applicable during all years prior to the year in which the Step-up Date occurs; and

(b) 1.95%, which is applicable as from the beginning of the year in which the Step-up Date occurs;

"**Prospectus**" means this Prospectus dated the Signing Date prepared in connection with the issue by the Issuer of the Notes;

"**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council, of 4 November 2003, on the prospectus to be published when securities are offered to the public or admitted to trading;

"**Provisions for Meetings of Noteholders**" means the provisions contained in Schedule 4 of the Common Representative Appointment Agreement;

"**Purchase Price**" means the Initial Purchase Price and the Contingent Purchase Price, the latter only becoming due and payable if a Eurosystem Event occurs;

"**Rating Agency**" means Moody's Investors Service Ltd.;

"**Receivables**" means the Credit Rights;

"**Receivables Sale Agreement**" means the agreement so named entered into on December 3, 2009 and made between the Originator and the Issuer;

"**Receivables Servicing Agreement**" means an agreement so named entered into on December 3, 2009 between the Servicer and the Issuer;

"**Regulatory Direction**" means, in relation to any person, a direction or requirement of any Governmental Authority with whose directions or requirements such person is accustomed to comply;

"**Relevant Date**" means in respect of any Notes, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date 7 calendar days after the date on which notice is duly given to the Noteholders in accordance with the Notices Condition that, upon further presentation of the Notes being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation or if not made for reasons not attributable to the Issuer;

"**Reserved Matter**" means any proposal:

(a) to change any date fixed for payment of principal or interest in respect of the Notes, to change the amount of principal or interest due on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;

(b) to effect the exchange, conversion or substitution of the Notes, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;

(c) to change the currency in which amounts due in respect of the Notes are payable;

(d) to alter the Payments Priorities in respect of the Notes; and/or

(e) to amend this definition.

"**Resolution**" means, in respect of matters other than a Reserved Matter, a resolution passed at a Meeting duly convened and held in accordance with the quorums of the Provisions for Meetings of Noteholders by a majority of the votes cast and, in respect of matters relating to a Reserved Matter, a resolution passed at a Meeting duly convened and held in accordance with the quorums of the Provisions for Meetings of Noteholders by at least 50% of the Principal Amount

Outstanding of the Notes then outstanding or, at any adjourned meeting by at least 2/3 of the votes cast at the relevant meeting;

"**Required Swap Rating**" means that the unsecured and unsubordinated debt obligations of the relevant entity are rated no lower than "A2" by Moody's (long term) and "P-1" by Moody's (short term) (or if the relevant entity has no short term Moody's rating, "A1" by Moody's (long term));

"**Requirement of Law**" in respect of any person, means:

(a) any law, treaty, rule, requirement or regulation;

(b) a notice by or an order of any court having jurisdiction;

(c) a mandatory requirement of any regulatory authority having jurisdiction; or

(d) a determination of an arbitrator or Governmental Authority,

in each case applicable to or binding upon that person or to which that person is subject;

"**Santander Totta**" means Banco Santander Totta, S.A.;

"**Securitisation Law**" means Decree-Law no. 453/99, of 5 November, as amended from time to time by Decree-Law no. 82/2002, of 5 April, Decree-Law no. 303/2003, of 5 December, Decree-Law no. 52/2006, of 15 March, and Decree-Law no. 211-A/2008, of 3 November;

"**Security Interest**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

"**Servicer**" means CaixaBI, in its capacity as servicer of the Credit Rights under the Receivables Servicing Agreement, or any successor thereof in accordance with the provisions of the Receivables Servicing Agreement;

"**Signing Date**" means December 2, 2009;

"**Specified Office**" means, in relation to any of the Paying Agent or the Common Representative, the office identified with the relevant name at the end of the Prospectus or any other office (which, in relation to the Paying Agent, needs to be approved by the Common Representative) notified to Noteholders pursuant to Condition 19 (*Notices*);

"**Step-up Date**" means the date corresponding to the second Interest Payment Date falling in the calendar year starting immediately after the occurrence of a Eurosystem Event (for the avoidance of doubt, the Step-up Date corresponds to the first day of the Interest Period from which, and including, a margin of 1.60% per annum is applicable on the Class A Notes);

"**Subordinated Swap Termination Amount**" means any amount due by the Issuer to the Swap Counterparty (in excess of any Swap Replacement Premium) as a result of a termination of the swap transaction under the Swap Agreement, where the Swap Counterparty is the defaulting party or the affected party in relation to a termination event arising as a result of the Swap Counterparty being downgraded by a relevant rating agency;

"**Subscription Agreement**" means an agreement so named dated on or about the Signing Date between the Issuer, the Originator and the Joint Arrangers and Joint Lead Managers;

"**Swap Agreement**" means an ISDA Master Agreement (including a Schedule, a Credit Support Annex and a Confirmation) dated on or about the Signing Date between the Issuer and the Swap Counterparty;

"**Swap Counterparty**" means Banco Santander, S.A. in its capacity as swap counterparty under the Swap Agreement;

"**Swap Counterparty Minimum Rating**" means, in respect of Moody's, the "First Trigger Required Ratings" (A) where such entity is the subject of a Moody's Short-term Rating, if such rating is "Prime-1" and its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A2" or above by Moody's and (B) where such entity is not the subject of a Moody's Short-term Rating, if its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A1" or above by Moody's and the "**Second Trigger Required Ratings**" (A) where such entity is the subject of a Moody's Short-term Rating, if such rating is "Prime-2" or above and its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A3" or above by Moody's and (B) where such entity is not the subject of a Moody's Short-term Rating, if its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A3" or above by Moody's;

"**Swap Deposit**" means an amount deposited by the Issuer with the Swap Deposit Bank, which will be deducted from the issuance proceeds of the Notes on the Closing Date and will be repaid to the Issuer together with interest thereon, in 2 (two) equal fixed monthly instalments, each on the Interest Payment Dates falling in January 2010 and in February 2010.

"**Swap Deposit Account**" means the account held in the name of the Issuer with the Swap Deposit Bank into which the Swap Deposit is credited;

"**Swap Deposit Bank**" means Banco Santander, S.A.;

"**Swap Deposit Agreement**" means an agreement so named dated on or about the Signing Date between the Issuer and the Swap Deposit Bank;

"**Swap Deposit Bank Minimum Rating**" means, in respect of any entity, that the unsecured, unsubordinated and unguaranteed debt obligations of such entity are rated at least "P-1" by Moody's;

"**Swap Replacement Premium**" means a premium or upfront payment received by the Issuer from a replacement swap counterparty;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**Tax**" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, stamp tax, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority or other regulatory body and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions shall be construed accordingly;

"**Tax Authority**" means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function, including H.M. Revenue and Customs;

"**Tax Deduction**" means any deduction or withholding on account of Tax;

"**Tax Event**" means any of the following events:

(a) after the date on which the Issuer is required to make any payment in respect of the Class A Notes or the Swap Counterparty is to make any payment in respect of the Swap Agreement and either the Issuer or the Swap Counterparty (as the case may be) would be required to make a deduction or withholding on account of tax in respect of such relevant payment; or

(b) a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), that requires the Issuer to make a Tax Deduction from any payment in respect of the Class A Notes (other than by reason of the relevant Noteholder having some connection with the Republic of Portugal other than the holding of the Class A Notes); or

(c) a change in the Tax law of the Issuer's Jurisdiction (or any change in the application or official interpretation of such Tax law), that would not entitle the Issuer to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or that would result in the Issuer being treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive, in each case under the Transaction Documents.

"**Third Party Expenses**" means any amounts due and payable by the Issuer to third parties (not being Transaction Creditors) including any liabilities payable in connection with:

(a) any filing or registration of any Transaction Documents;

(b) any Requirement of Law or any Regulatory Direction (in particular, any CMVM regulation) with whose directions the Issuer is accustomed to comply;

"**Transaction Assets**" means the specific pool of assets of the Issuer which collateralises the Issuer Obligations including, the Credit Rights, Collections, the Issuer Transaction Account, the Swap Deposit, the Issuer's rights in respect of the Transaction Documents and any other right and/or benefit either contractual or statutory relating thereto purchased or received by the Issuer in connection with the Notes;

"**Transaction Creditors**" means the Common Representative, the Paying Agent, the Transaction Manager, the Issuer Accounts Bank, the Swap Deposit Bank, the Swap Counterparty, the Joint Arrangers and Joint Lead Managers, the Originator and the Servicer;

"**Transaction Documents**" means the Prospectus, the Receivables Sale Agreement, the Receivables Servicing Agreement, the Subscription Agreement, the Common Representative Appointment Agreement, the Notes, the Transaction Management Agreement, the Issuer Accounts Agreement, the Paying Agency Agreement, the Swap Agreement, the Swap Deposit Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto;

"**Transaction Expenses**" means, in relation to the issue of the Notes, the fees and any expenses and liabilities duly incurred by the Issuer towards Transaction Creditors and Euronext according to the terms of the relevant Transaction Documents and properly documented;

"**Transaction Manager**" means Deutsche Bank AG, London Branch, in its capacity as transaction manager to the Issuer in accordance with the terms of the Transaction Management Agreement;

"**Transaction Management Agreement**" means the agreement so named to be entered into on the Closing Date between the Issuer, the Transaction Manager, the Issuer Accounts Bank and the Common Representative;

"**Transaction Party**" means any person who is a party to a Transaction Document and "**Transaction Parties**" means some or all of them;

"**Treaty**" means the treaty establishing the European Communities, as amended by the Treaty on European Union;

"**UGS Tariff**" means the Global Use of System Tariff paid by all customers, independently of being supplied by the Last Recourse Supplier or by other suppliers.

"**value added tax**" means the tax imposed in conformity with the Council Directive 2006/112/EC of November 2006 on the common system of value added tax (including in relation to the United Kingdom, value added tax imposed by the Value Added Tax Act 1994 and legislation and regulations supplemental thereto) and any other tax of a similar fiscal nature substituted for, or levied in addition to, such tax whether imposed in a member state of the European Union or elsewhere;

"**VAT**" means value added tax provided for in the VAT Legislation and any other tax of a similar fiscal nature whether imposed in Portugal (instead of or in addition to value added tax) or elsewhere from time to time;

"**VAT Legislation**" means the Portuguese Value Added Tax Code approved by Decree-Law no. 394-B/84, of 26 December, as amended from time to time; and

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

Any defined terms used in these Conditions which are not defined above shall bear the meanings given to them in the Transaction Documents.

TAXATION

Portuguese Taxation

The following is a summary of the current Portuguese withholding tax treatment at the date hereof in relation to certain aspects of the Portuguese taxation of payments of principal and interest in respect of, and transfers of, the Notes. The statements do not deal with other Portuguese tax aspects regarding the Notes and relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide, does not constitute tax or legal advice and should be treated with appropriate caution. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date. Noteholders who may be liable to taxation in jurisdictions other than Portugal in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions). In particular, Noteholders should be aware that they may be liable to taxation under the laws of Portugal and of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of Portugal.

The reference to "**interest**" and "**capital gains**" in the paragraphs below mean "**interest**" and "**capital gains**" as understood in Portuguese tax law. The statements below do not take any account of any different definitions of "**interest**" or "**capital gains**" which may prevail under any other law or which may be created by the Conditions or any related documentation.

The present transaction qualifies as a securitisation transaction (*operação de titularização de créditos*) for the purposes of the Securitisation Law. Portuguese tax-related issues for transactions which qualify as securitisation transactions under the Securitisation Law are generally governed by Decree-Law no. 219/2001, of 4 August, as amended by Law no. 109-B/2001, of 27 December, by Decree-Law no. 303/2003, of 5 December, by Law no. 107-B/2003, of 31 December, and by Law no. 53-A/2006, of 29 December (the "**Securitisation Tax Law**").

Noteholder's Income Tax

Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to the Portuguese tax regime established for debt securities (*obrigações*).

Any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents for tax purposes and do not have a permanent establishment in Portugal to which the income is attributable will be exempt from Portuguese income tax. The exemption from income tax liability does not apply to non-residents if: (i) more than 25% of its share capital is held, either directly or indirectly, by Portuguese residents, or (ii) its country of residence is any of the jurisdictions listed as tax havens in Ministerial Order 150/2004 of 13 February 2004, as amended ("**Tax Haven**"). To qualify for the exemption, Noteholders will be required to provide the Issuer, as the entity responsible for the withholding, with an adequate evidence of non residence status prior to Interest Payment Date according to the requirements and procedures set forth in the Securitisation Tax Law, as follows:

1) When the entities at stake are central banks, public law institutes or international bodies, credit institutions, financial companies, investment funds, pension funds, or insurance companies domiciled in a OEDC country or in a country with whom Portugal as entered into a double taxation treatment and are subject to a special supervision regime or administrative registration, then the following rules shall apply:

    (i) The corresponding tax identification, if the corresponding holder has one; or

(ii) A certificate issued by the entity responsible for registration or by the supervisory entity confirming the legal existence of the holder and its domicile; or

(iii) A declaration issued by the relevant holder, duly signed and authenticated, in case the entity at stake is a central bank, public law institute forming part of the public administration, either central, regional, periferic, indirect or autonomous administration of a residence or international bodies; or

(iv) Evidence of the non-resident status pursuant to paragraph 3) below in case the holder chooses to use the means of evidence provided for therein.

2) When the entities at stake are working emigrants, through the documents provided for the evidence of such status in Ministerial Order of the Portuguese Minister of Finance regulating the emigrant saving system *("sistema poupança-emigrante");*

3) In the remaining cases, according to the following rules:

(i) The evidence must be made by presentation of a residence certificate or equivalent document issued by the tax authorities or the Portuguese Consulate, providing evidence of the residence in a foreign country, or by document specifically issued by an official entity of the respective State forming part of the public administration, either central, regional, periferic, indirect or autonomous administration with the purpose of certifying the residence in that State, not being admissible for this purpose namely identification documents such as passport or personal identity card, or document from which it shall only be possible to indirectly presume an eventual residence relevant for tax purposes, such as a working permit or a permit of staying;

(ii) The document mentioned in 3) (i) above is necessarily the original or duly certified copy and must have an issuing date not before three years nor after three months in respect of the execution transaction date and of the date of the income receiving, notwithstanding the provision set forth in subparagraph (iii) below;

(iii) If the document' expire date is inferior or if the document indicates a reference year, the document shall be valid for the referenced year and for the subsequent year, when the subsequent year is the same as the year of issuing of the document.

4) In the general terms provided for in the IRS Code and IRC Code and respective complementary legislation, in the situations not provided for in subparagraphs (i), (ii) and (iii) of paragraph 3) above.

If the above exemption does not apply, interest payments on the Notes made to non-resident individuals or legal persons are subject to a final withholding tax at the current rate of 20% Under the double taxation conventions entered into Portugal which are in full force and effect on the date of this Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5%, depending on the applicable convention and provided that the relevant formalities and procedures are met in order to benefit from such reduction, Noteholders shall comply with certain requirements established by the Portuguese Tax Authorities, aimed at verifying the non-resident status and entitlement to the respective tax treaty benefits (currently tax form 21 RFI). The reduction may apply at source or through the refund of the excess tax withheld.

Capital gains obtained by non-resident entities on the transfer of the Notes are exempt from corporate income tax in the same terms referred above for interest payments, unless the said exemption does not apply. In such cases, capital gains are subject to taxation at a 25% flat rate. Under the double taxation conventions entered into by Portugal, Portugal as the State of Source is usually restricted on its taxation

powers to tax such gains and hence those gains are not generally subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis. Capital gains obtained by non-resident individuals on the transfer of the Notes are not subject to tax for personal income tax purposes. Accrued interest does not qualify as capital gains for tax purposes.

Interest derived from the Notes and capital gains obtained with the transfer of the Notes by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the interest or capital gains are attributable are included in their taxable income and are subject to progressive corporate tax rate according to which a 12.5% tax rate will be applicable on the first € 12,500.00 of taxable income and a 25% tax rate will be applicable on taxable income exceeding € 12,500.00 to which may be added a municipal surcharge («*derrama*») of up to 1.5%, over the Noteholders taxable profits. Withholding tax at a rate of 20% applies, which is deemed to be a payment on account of the final tax due.

Interest payments on the Notes to Portuguese tax resident individuals are subject to final withholding tax for personal income tax purposes at the current rate of 20%, unless the individual elects for aggregation to his taxable income, subject to tax at progressive rates of up to 42% In this case, the tax withheld will be creditable against the recipient's final tax liability.

Capital gains obtained by Portuguese tax resident individuals with the transfer of the Notes are not subject to tax for personal income tax purposes. Accrued interest does not qualify as capital gains for tax purposes.

Payments of principal on Notes are not subject to Portuguese withholding tax. For these purposes, principal shall mean all payments carried out without any remuneration component.

Stamp Tax

An exemption from stamp tax will apply to the assignment for securitisation purposes of the Receivables by the Originator to the Issuer or on the commissions paid by the Issuer to the Servicer pursuant to the Securitisation Tax Law.

Value Added Tax

An exemption from VAT will apply to the servicing activities referred to in the Securitisation Tax Law.

EU Savings Directive

Portugal has implemented the EC Council Directive 2003/48/EC, of 3 June 2003, on taxation savings income into the Portuguese law through Decree-Law no. 62/2005, of 11 March, as amended by Law no 39-A/2005, of 29 July.

The forms currently applicable to comply with the reporting obligations arising from the implementation of the EU Savings Directive were approved by Governmental Order (*Portaria*) no. 563-A/2005, of 28 June, and may be available for viewing and downloading at www.portaldasfinancas.gov.pt.

SUBSCRIPTION AND SALE

General

The Joint Arrangers and Joint Lead Managers have, upon the terms and subject to the conditions contained in the Subscription Agreement, agreed to subscribe and pay for the Notes at their issue price of 100% of their aggregate initial Principal Amount Outstanding. The Joint Arrangers and Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes. The Issuer and the Originator have agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Notes. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes.

United States of America

The Notes have not been, and will not be, registered under the US Securities Act 1933, as amended (the "**Securities Act**") and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code. The sections referred to in such legend provide that a United States person who holds a Note will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

In relation to the Notes, each of the Joint Arrangers and Joint Lead Managers has further represented to and agreed with the Issuer that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services Market Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ireland

The Notes may not lawfully be offered for sale to persons in Ireland except in circumstances which do not require the publication of a prospectus pursuant to article 3 of the Prospectus Directive. The Notes will not, to the extent applicable, be underwritten or placed otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended).

Portugal

In relation to the Notes, each of the Joint Arrangers and Joint Lead Managers has agreed with the Issuer that (i) it has not directly or indirectly taken any action or offered, advertised or sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer pursuant to the *Código dos Valores Mobiliários* (the Portuguese Securities Code) and in circumstances which could qualify the issue of the Notes as an issue in the Portuguese market or otherwise than in accordance with all applicable laws and regulations and (ii) it has not directly or indirectly distributed and will not directly or indirectly distribute any document, circular, advertisements or any offering material except in accordance with all applicable laws and regulations.

The Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to professional investors ("*operatori qualificati*") as defined in article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and the relevant implementing CONSOB (the Italian Securities Exchange Commission) regulations, as amended from time to time, and article 2 of the Prospectus Directive; or

(b) in other circumstances which are exempted from the rules on solicitation of investments pursuant to article 100 of the Financial Services Act and article 33, first paragraph, of CONSOB Regulation no. 11971, of 14 May 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree no. 385 of 1 September 1993, as amended (the "**Banking Act**");

(ii) in compliance with article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(iii) in accordance with any other applicable laws and regulations or requirement imposed by CONSOB.

France

Each of the Joint Arrangers and Joint Lead Managers has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, the Notes to the public in France and that offers and sales will be made only in France to (i) providers of investment services relating to portfolio management for the account of third parties and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their

account, as defined and in accordance with articles L.411-1, L.411-2 and D 411-1 of the French *Code Monétaire et Financier*.

In addition, each of the Joint Arrangers and Joint Lead Managers has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France the Prospectus or any other offering material relating to the Notes other than to investors to whom offers and sales of the Notes in France may be made as described below.

Spain

The Joint Arrangers and Joint Lead Managers have represented and agreed that the Notes may not be offered or sold in Spain other than by institutions authorised under the Securities Market Law 24/1988 of 28 July (*Ley 24/1988, de 28 de Julio, del Mercado de Valores)*, and Royal Decree 867/2001 of 20 July on the Legal Regime Applicable to Investment Services Companies (*Real Decreto 867/2001, de 20 de Julio, sobre el Régimen Jurídico de las empresas de servicios de inversion*), to provide investment services in Spain, and in compliance with the provisions of the Securities Market Law and any other applicable legislation.

Belgium

The Joint Arrangers and Joint Lead Managers have undertaken not to offer, sell, resell, transfer or deliver, directly or indirectly, any Notes, or to distribute or publish the prospectus or any other material relating to the Notes, to any individual or legal entity in Belgium other than: (i) investors required to invest a minimum of € 250,000.00 (per investor and per transaction); and (ii) institutional investors as defined in article 3,28 of the Belgium Royal Decree of 7 July 1999 on the public character of financial transactions, acting for their own account.

Public Offers Generally

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Joint Arrangers and Joint Lead Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those notes which has been approved by the competent authority in that Relevant Member State or, where appropriate approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of:

  (i) an average of at least 250 employees during the last financial year;

  (ii) a total balance sheet of more than € 43,000,000.00; and

  (iii) an annual net turnover of more than € 50,000,000.00, as shown in its last annual or consolidated accounts; or

(iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchased or subscribe for the Notes, as the same may be varied in the Relevant Member State by an measure implementing the Prospectus Directive in such Relevant Member State, and the expression "**Prospectus Directive**", whenever used in this chapter, means Directive 2003/71/EC of the European Parliament and of the Council, of 4 November 2003, on the prospectus to be published when securities are offered to the public or admitted to trading, and includes any relevant implementing measure in each Relevant Member State.

Save for applying for admission of the Notes to trading on Euronext Lisbon, no action has been or will be taken in any jurisdiction by the Issuer or any Transaction Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Investor Compliance

Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Arrangers and Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated November 30, 2009.

2. It is expected that the Class A Notes will be admitted to the regulated market Euronext Lisbon and for trading on its main market on the Closing Date.

3. There are no governmental, litigation or arbitration proceedings, including any which are pending or threatened of which the Issuer is aware, which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position of the Issuer.

4. Since the date of the most recent publicly available financial statements of the Issuer (2008), the Issuer has no other outstanding or created but unissued loan capital, term loans, borrowings, indebtedness in the nature of borrowing or contingent liabilities, nor has the Issuer created any mortgages, charges or given any guarantees.

5. Since 31 December 2008 (the date of the most recent audited annual accounts of the Issuer) there has been (i) no significant change in the financial or trading position of the Issuer, and (ii) no material adverse change in the financial position or prospects of the Issuer.

6. The Notes have been accepted for clearance through Interbolsa. The ISIN and the Common Codes for the Notes are as follows:

	COMMON CODE	ISIN
Class A Notes	047152500 TAGUS-SOCIEDADE D CL.A 00/05/12	PTTGUDOM0002
Class B Notes	047153093 TAGUS-SOCIEDADE D CL.B 30/05/25	PTTGUEOM0001

7. Effective Interest Rate

   The effective interest rate is the one that equals the discounted value of the Notes future cash flows to the subscription price paid at Closing Date.

   The estimated effective interest rates of the Class A Notes are presented below:

   Effective Interest Rate (gross): 1.3619%

   Effective Interest Rate (net of 20% withholding tax): 1.0882%

   These estimated effective interest rates are based on the following assumptions:

   (i) The EURIBOR 3-months used in the calculation of the Credit Rights' monthly instalments is constant at 1,099% (rate as of June 30, 2009);

   (ii) The EURIBOR 1-month used in the calculation of the Class A Notes' coupon is constant at 0.434% (rate as of November 23, 2009);

   (iii) The interpolated rate between EURIBOR 1-month and EURIBOR-2 months used in the calculation of the Class A Notes' first coupon is 0.4951% (rate as of November 23, 2009);

(iv) A Eurosystem Event does not occur during the life of the Class A Notes and, as a consequence, there is no Step-up Date and the Margin is 0.90% throughout the life of the Class A Notes;

(v) The Class A Notes are estimated to be amortised monthly on the Interest Payment Dates falling between March, 2010 and February, 2025, without prejudice for the Final Legal Maturity Date falling in May, 2025. This amortisation profile results from the application by the Issuer of the Available Principal Distribution Amount in accordance with the Pre-Enforcement Principal Payments Priorities taking into account the expected amortisation profile of the Credit Rights that results from the EURIBOR 3-months assumption referred in (i) above.

These estimated effective interest rates may be affected by potential fees or expenses charged by the custodian upon which the Noteholders have deposited their Class A Notes.

8. The *Comissão do Mercado de Valores Mobiliários*, pursuant to article 62 of the Securitisation Law, has assigned asset identification code 200912TGSESUNXXN0037 to the Notes.

9. Copies of the following documents will be available in physical and/or electronic form at the Specified Office of the Paying Agent during usual business hours on any week day (Saturdays, Sundays and public holidays excepted) after the date of this document and for the life of the Notes:

(a) the *Estatutos* or *Contrato de Sociedade* (constitutional documents) of the Issuer;

(b) the following documents:

(1) Receivables Sale Agreement,

(2) Receivables Servicing Agreement;

(3) Common Representative Appointment Agreement;

(4) Transaction Management Agreement;

(5) Issuer Accounts Agreement; and

(6) Master Execution Deed.

10. The most recent publicly available financial statements for the 2007 and 2008 accounting financial periods of the Issuer will be available for inspection at the following website: www.cmvm.pt.

11. The securitised assets backing the issue have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the securities.

12. The Notes shall be freely transferable. No transaction made on the Stock Exchange after the Closing Date shall be cancelled.

13. Any website (or the contents thereof) referred to in this Prospectus does not form part of this Prospectus as approved by the CMVM.

14. The Securitisation Law combined with the holding structure of the Issuer and the role of the Common Representative is together intended to prevent any abuse of control of the Issuer.

15. Any foreign language included in this document is for convenience purposes only.

Post-issuance information

The Issuer intends to provide any post issuance information where it is required to do so by law in relation to the issue of the Notes and as applicable pursuant to the legal provisions of the Portuguese Securities Code, notably article 244 and following.

REGISTERED OFFICE OF THE ISSUER

TAGUS – Sociedade de Titularização de Créditos, S.A.
Rua Castilho, no. 20 Lisbon, Portugal

ORIGINATOR

EDP – Serviço Universal, S.A.
Rua Camilo Castelo Branco, no. 43, Lisbon, Portugal

SERVICER

Caixa-Banco de Investimento, S.A.
Rua Barata Salgueiro, no. 33, Lisbon, Portugal

JOINT ARRANGERS AND JOINT LEAD MANAGERS

Banco BPI, S.A.
Rua Tenente Valadim, no. 284, Oporto, Portugal

Banco Comercial Português, S.A.
Praça D. João I, no. 28, Oporto, Portugal

Banco Santander Totta, S.A.
Rua do Ouro, no. 88, Lisbon, Portugal

Caixa-Banco de Investimento, S.A.
Rua Barata Salgueiro, no. 33, Lisbon, Portugal

TRANSACTION MANAGER and ISSUER ACCOUNTS BANK

Deutsche Bank AG, London Branch
Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom

COMMON REPRESENTATIVE

Deutsche Trustee Company Limited
Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom

PAYING AGENT

Deutsche Bank (Portugal), S.A.
Rua Castilho, no. 20, Lisbon, Portugal

SWAP COUNTERPARTY and SWAP DEPOSIT BANK

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To the Joint Arrangers and Joint Lead Managers, the Transaction Manager and the Common Representative as to Portuguese law

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