Registration Document
Dated June 24, 2014

EM Falcon Limited

(a private limited company incorporated under the laws of Ireland)

NOTE ISSUANCE PROGRAM

EM Falcon Limited (the "**Issuer**") may issue notes (the "**Notes**") from time to time under the Note **Issuance Program** (the "**Program**") described herein in one or more series (each a "**Series**"). The Notes will be issued pursuant to an indenture (the "**Applicable Indenture**") with The Bank of New York Mellon or such other trustee specified in the Applicable Supplement (the "**Trustee**").

This document has been prepared for the purpose of providing the disclosure information with regard to the Issuer and the Program and has been approved by the Central Bank of Ireland (the "**Central Bank**") as a registration document ("**Registration Document**") for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**") for the purpose of giving information with regard to the issue of Notes under the Program during the period of 12 months after the date hereof.

In respect of each Series of Notes, the Issuer will prepare an Applicable Supplement (each an "**Applicable Supplement**", and together with this Registration Document, the "**Placement Memorandum**") which will describe certain terms of the relevant Series of Notes, any Applicable Transaction Agreement, each Underlying Security, each Reference Asset and any other relevant information. In respect of each Series of Notes to be admitted to the Official List (the "**Official List**") of The Irish Stock Exchange plc (the "**Irish Stock Exchange**") and to be admitted to trading on the regulated market of the Irish Stock Exchange (the "**Regulated Market**") or other regulated markets for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive), the relevant Applicable Supplement will constitute a Securities Note (each a "**Securities Note**") for that Series for the purposes of the Prospectus Directive and the Prospectus Regulations. Together, this Registration Document and the related Securities Note shall comprise the prospectus (the "**Prospectus**") for a Series of Notes admitted to the Official List and trading on the Regulated Market for the purposes of the Prospectus Directive and the Prospectus Regulations. The Applicable Supplement constitutes Listing Particulars ("**Listing Particulars**") for the purpose of any Series of Notes that will be admitted to trading on the Global Exchange Market of the Irish Stock Exchange (the "**Global Exchange Market**").

This Registration Document has been approved by the Central Bank, as competent authority under the Prospectus Directive. The Central Bank only approves this Registration Document as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application will be made to the Irish Stock Exchange for Notes issued under the Program during the period of 12 months from the date hereof to be admitted to the Official List and trading on its Regulated Market. Such approval relates only to the Notes which are to be admitted to trading on the Regulated Market or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

This Registration Document constitutes Base Listing Particulars (the "**Base Listing Particulars**") where Notes are to be listed or admitted to trading on the Global Exchange Market. Application has been made to the Irish Stock Exchange for the approval of this document as Base Listing Particulars. Application will be made for the Notes issued under the Program during the period of 12 months from the date hereof to be admitted to trading on the Global Exchange Market.

The credit ratings included or referred to in this Registration Document have not been issued or endorsed by any credit rating agency which is established in the European Union and registered under Regulation (EC) NO 1060/2009 on credit rating agencies (the "**CRA Regulation**").

Tranches (as defined in "Description of the Notes – General") of Notes to be issued under the Program will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Applicable Supplement.

Each Series of Notes may include one or more classes (each, a "**Class**"). The rights of one or more Classes of any Series of Notes may be senior or subordinate to the rights of one or more of the other Classes. If a Series of Notes includes two or more Classes, such Classes may differ as to timing, order of priority of payment, interest rate or amount of payments of principal or interest or both. Information regarding each Class of Notes will be set forth in the Applicable Supplement.

Each Series of Notes will have recourse only to the secured assets relating to such Series (the "**Charged Assets**"), as more particularly described in the Applicable Supplement.

The Charged Assets will provide the sole source of funds to meet the obligations of the Issuer to the creditors of the relevant Series of Notes, including the holders of such Series of Notes (the "**Holders**"), and the creditors with respect to all other obligations of the Issuer attributable to such Notes. If the amounts received from the Charged Assets are insufficient to make payment of all amounts due in respect of such Series and all other obligations attributable to such Notes in accordance with the Priority of Payments, no other assets of the Issuer will be available to meet that shortfall and all further claims of the Holders in respect of such Series of Notes will be extinguished and will not revive.

The Notes will not be an obligation of or interest in Morgan Stanley or any affiliate.

In making an investment in the Notes, Holders should consider the risks of such an investment, including the Risk Factors described in this Registration Document and any additional Risk Factors described in the Applicable Supplement.

Unless provided otherwise in the Applicable Supplement, the Notes will be issued in book entry form and will be represented by one or more global notes in the name of a nominee of The Depository Trust Company, Euroclear Bank S.A./N.V. or Clearstream Banking *société anonyme.* The Notes will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws, and the Issuer will not be registered under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). Sales or other transfers of Notes may be made only (i) to qualified institutional buyers as defined under Rule 144A under the Securities Act which are also "Qualified Purchasers," as defined in Section 2(a)(51) of the Investment Company Act and/or (ii) to non-U.S. persons in offshore transactions in accordance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that the seller of any Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. See "Description of the Notes – Transfer Restrictions."

The Notes are offered by the Distributor (as defined herein), subject to prior sale, when, as and if issued and subject to acceptance by the Trustee, with a minimum subscription as set forth in the Applicable Supplement. The Distributor reserves the right to offer Notes at a price different from the initial offering price as described in the Applicable Supplement (the "**Issue Price**") at any time.

This Registration Document shall not constitute a prospectus for purposes of the Securities Act. This Registration Document is not an offering to the public in the United States, and the offer and sale of the Notes pursuant to this Registration Document shall be subject to the transfer restrictions set forth herein.

MORGAN STANLEY

NOTICE TO INVESTORS

Holders should read the Notice to Investors and Transfer Restrictions set forth herein and, if applicable, in the Applicable Supplement and should read and carefully consider the Risk Factors set forth in this Registration Document and any additional Risk Factors appearing in the Applicable Supplement. Each purchaser of the Notes, whether by initial purchase or by transfer, will, by its purchase of its Notes, be deemed to have made each of the representations and agreements set forth in the Notice to Investors and Transfer Restrictions herein and in the Applicable Supplement or will be required to execute and deliver to the Issuer and the Distributor an Investor Letter in the form required by the Applicable Indenture.

This Registration Document does not constitute an offer to sell or a solicitation of any offer to buy any security other than the Notes offered hereby, nor constitute an offer to sell or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation to such person.

The Trustee has not participated in the preparation of this Registration Document and assumes no responsibility for its contents, other than the information set forth under the heading "Trustee and Agents".

The purchase of Notes is suitable only for, and should be made only by, investors who can bear the risks of limited liquidity and who can understand and bear the financial and other risks of such an investment for a significant period of time. The Notes are subject to restrictions on transfer which could also limit their liquidity.

Each Transaction Counterparty, the Distributor and their affiliates (the "**Morgan Stanley Affiliates**") may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with any Underlying Securities Issuer, any Reference Assets Issuer, any entities identified as "Reference Entities" in the Applicable Supplement (the "**Reference Entities**"), or any of their respective affiliates (or any other person or entity having obligations relating to the issuer of the Underlying Securities, Reference Assets or any Reference Entity) and may act with respect to such business in the same manner as if the Notes did not exist, regardless of whether any such action might have an adverse effect on any Underlying Securities Issuer, any Reference Assets Issuer, any Reference Entity, or on a purchaser of the Notes (including, without limitation, any action which might constitute or give rise to a Credit Event). Any Morgan Stanley Affiliate may vote its interest (if any) in any obligations it holds of any Underlying Securities Issuer, any Reference Assets Issuer, and any Reference Entity (or of any of their respective affiliates), purchase or sell such obligations, provide bid and offer prices with respect thereto, affect the market value thereof, and otherwise participate in the secondary market for such obligations as if the Notes did not exist, regardless of whether any such action might have an adverse effect on any Underlying Securities Issuer, any Reference Assets Issuer, any Underlying Security, any Reference Asset, any Reference Entity or any Holder of a Note.

The Morgan Stanley Affiliates may, whether by virtue of the types of relationships described above or otherwise, at the date hereof or at any time hereafter be in possession of information in relation to any Underlying Securities Issuer, any Reference Assets Issuer, Reference Entity, Reference Asset or any of their respective obligations which is or may be material in the context of the Notes and which is not or may not be known to the general public. None of the Morgan Stanley Affiliates has any obligation, and the offering of the Notes and the execution of any Applicable Transaction Agreements does not create any obligation on the part of any Morgan Stanley Affiliate, to disclose to the purchaser of the Notes any such relationship or information (whether or not confidential).

No person is authorized to give any information or to make any representation not contained in this Registration Document, and any information or representation not contained herein must not be relied upon as having been authorized by or on behalf of any Morgan Stanley Affiliate or the Trustee. The delivery of this Registration Document at any time does not imply that information contained herein is correct at any time subsequent to the date hereof.

It is not intended that the Issuer will issue notes with a maturity of less than one year. Where the Issuer wishes to issue Notes with a maturity of less than one year, it shall ensure that the Notes are issued in accordance with an exemption granted under section 8(2) of the Central Bank Act, 1971, as amended.

This Registration Document has been filed with the Central Bank. Upon approval of this document by the Central Bank, this document will be filed with the Irish Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). THE NOTES MAY NOT BE OFFERED OR SOLD (A) WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED UNDER THE SECURITIES ACT), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (A "**QUALIFIED INSTITUTIONAL BUYER**") IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT OR PURSUANT TO ANY OTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (B) TO ANY PERSON WHO IS NOT A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT (A "**QUALIFIED PURCHASER**"). ACCORDINGLY, THE NOTES ARE BEING OFFERED HEREBY ONLY (1) TO U.S. PERSONS, EACH OF WHOM IS BOTH (A) A QUALIFIED INSTITUTIONAL BUYER AND (B) A QUALIFIED PURCHASER AND/OR (2) TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

PURCHASERS AND SUBSEQUENT TRANSFEREES OF THE NOTES IN GLOBAL FORM WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS WITH AND FOR THE BENEFIT OF THE ISSUER. PURCHASERS AND TRANSFEREES OF INTERESTS IN NOTES ISSUED AS DEFINITIVE NOTES WILL BE REQUIRED TO EXECUTE AND DELIVER A CERTIFICATE CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS. FOR CERTAIN RESTRICTIONS ON RESALES, SEE "ERISA CONSIDERATIONS" AND "TRANSFER RESTRICTIONS" BELOW AND IN THE APPLICABLE SUPPLEMENT.

THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT NO REGISTRATION STATEMENT OR APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (who has taken reasonable care to ensure that such is the case), the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information. MS accepts responsibility solely for the information set forth under the heading "Morgan Stanley

Entities" in this Registration Document. To the best knowledge and belief of MS, such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Trustee accepts responsibility for the information contained in the section of this document headed "Trustee and Agents" only. To the best knowledge and belief of the Trustee, such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has only made very limited queries with regards to the accuracy and completeness of the information under the section entitled "Morgan Stanley Entities" and "Trustee and Agents" in this Registration Document (the "**Third Party Information**"). This information has been accurately reproduced from publicly available information identified by the relevant entities and, so far as the Issuer is aware, no facts have been omitted which would render the reproduced information inaccurate or misleading. Prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquires in respect of, the accuracy and completeness of the Third Party Information.

INFORMATION APPLICABLE TO NON-U.S. INVESTORS

THIS REGISTRATION DOCUMENT HAS BEEN FILED WITH THE CENTRAL BANK OF IRELAND AND WILL BE AVAILABLE ON THE WEBSITE OF THE CENTRAL BANK OF IRELAND FROM THE DATE OF APPROVAL.

PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Distributor must represent and agree 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 Notes which are the subject of the offering contemplated by this Registration Document as completed by the Applicable Supplement 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 such Notes to the public in that Relevant Member State:

(a) if the Applicable Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such 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, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant distributor or distributors nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Distributor to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, (i) 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 purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in

that Member State, (ii) the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State, and (iii) the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

The Applicable Supplement describes certain terms of the relevant Series of Notes, and this Registration Document must be read in conjunction with the Applicable Supplement. If there is a conflict between the provisions of the Applicable Supplement and the provisions of this Registration Document, the provisions of the Applicable Supplement will control.

The distribution of this Registration Document and the offering of the Notes in certain jurisdictions may be restricted by law. Persons receiving this Registration Document should inform themselves about and observe any such restriction. This Registration Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offerings and sales of Notes and on distribution of this Registration Document, see "Plan of Distribution" herein and the Applicable Supplement.

Notwithstanding anything to contrary above, from the commencement of discussions with respect to any particular transaction, all parties to such transaction (and any employee, representative, or other agent of any party to such transaction) may disclose to any and all persons, without limitation of any kind, the U.S. federal tax treatment and tax structure of such transaction and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such U.S. federal tax treatment and tax structure. Each of the parties to such transaction further acknowledges and agrees that: (i) the disclosure of the U.S. federal tax treatment or the tax structure of such transaction is not limited in any manner by an express or implied understanding or agreement, oral or written, whether or not such understanding or agreement is legally binding; and (ii) it does not know or have reason to know that its use or disclosure of the information relating to the U.S. federal tax treatment or tax structure of such transaction is limited in any other manner, such as where such transaction is claimed to be proprietary or exclusive, for the benefit of any person.

The Trustee has not participated in the preparation of this Registration Document and assumes no responsibility for its contents, other than the information set forth under the heading "Trustee and Agents".

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Notes, the Issuer will pursuant to the Applicable Indenture, for so long as any Note is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act, promptly furnish upon request by the Holder, beneficial owner or prospective purchaser (designated by such Holder) of a Note to such Holder, beneficial owner or prospective purchaser the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of such request, the Issuer is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. All information made available by the Issuer pursuant to the terms of this paragraph may also be obtained during usual business hours free of charge at the office of the Trustee, provided that the Issuer has provided such information to the Trustee.

DEFINED TERMS

An index of defined terms used in this Registration Document may be found starting on page 96 hereof.

FORWARD LOOKING STATEMENTS

This Registration Document contains statements that constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act. In addition, in the future the Issuer and others on the Issuer's behalf may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the Issuer's plans, objectives, goals, future economic performance or prospects, the potential effect on the Issuer's future performance of certain contingencies and assumptions underlying such statements. Any such statements contained herein are based upon certain reasonable assumptions. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results. Accordingly, the projections are only an estimate and such forward-looking statements involve inherent risks and uncertainties, both general and specific, that the projections, forecasts, predictions or other outcomes described or implied in forward-looking statements will not be achieved. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Trustee, any Transaction Counterparty, the Collateral Disposal Agent, the Distributor or any of their respective Affiliates or any other person or entity of the results that will actually be achieved by the Issuer. None of the Issuer, the Trustee, any Transaction Counterparty, the Collateral Disposal Agent, the Distributor, and their respective Affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition. Prospective investors are cautioned that a number of important factors could cause results to differ materially from the projections, forecasts, predictions or other outcomes described in such forward-looking statements.

TABLE OF CONTENTS

Page

RISK FACTORS

This Registration Document should be read and construed together with any Applicable Supplement.

The purchase of the Notes involves substantial risks, including without limitation the risks described below.

Risks Relating to Global Events

General

Since mid-2007, the global economy and financial markets have experienced extreme levels of instability.

The initial trigger for the instability was a downturn in the U.S. housing market. By mid-2007, concerns about the value of mortgage assets held by global commercial banks, investment banks, government sponsored entities, hedge funds, structured investment vehicles and institutional investors led to a general tightening of available credit and liquidity in the global financial markets.

During 2008, the initial instability intensified into a severe global financial crisis.

In response to the crisis various governments and central banks took substantial measures to ease liquidity problems and enacted fiscal stimulus packages and measures to support certain entities affected by the crisis. Such measures included establishing special liquidity schemes and credit facilities, bank recapitalization programmes and credit guarantee schemes.

In an attempt to counteract recessionary pressures, the central banks of the United States, the United Kingdom and certain other countries and the European Central Bank also lowered interest rates, in some cases to record low levels.

No assurance can be given that any recovery will be sustained or that certain economies will not encounter a "double dip" recession. In particular, a number of countries have accumulated significant levels of public debt both absolutely and relative to GDP. This has led to international "bail-outs " of certain countries and resulted in general concerns about sovereign credit defaults which could undermine any recovery and could have the effect of taking the credit crisis into a new recessionary phase.

The above factors have also led to substantial volatility in markets across asset classes, including (without limitation) stock markets, foreign exchange markets, fixed income markets and credit markets.

There can be no assurance that any steps taken by governments or international or supra-national bodies to ameliorate the global financial crisis will be successful or will continue to be available, or that any recovery will continue. The structure, nature and regulation of financial markets in the future may be fundamentally altered as a consequence of the global financial crisis, possibly in unforeseen ways. There can be no assurance that similar or greater disruption may not occur in the future for similar or other reasons. In addition, the attempts being taken to reduce the high level of sovereign debt may themselves contribute to a further global recession.

Prospective investors should ensure that they have sufficient knowledge and awareness of the global financial crisis and the response thereto and of the economic situation and outlook as they consider necessary to enable them to make their own evaluation of the risks and merits of an investment in the Notes. In particular, prospective investors should take into account the considerable uncertainty as to how the global financial crisis and the wider economic situation will develop over time.

Any person who had held securities during the periods considered above, particularly structured securities, would be highly likely to have suffered significant adverse effects as a result of such holding, including, but not limited to, major reductions in the value of those securities and a lack of liquidity. Prospective investors should consider carefully whether they are prepared to take on similar risks by virtue of an investment in the Notes.

Impact on Liquidity

The events outlined above have had an extremely negative effect on the liquidity of financial markets generally and in the markets in respect of certain financial assets or in the obligations of certain obligors. This has particularly been the case with respect to the market for structured assets and the obligations of financial institutions and certain

sovereigns. Such assets may either not be saleable at all or may only be saleable at significant discounts to their estimated fair value or to the amount originally invested. No assurance can be given that liquidity in the market generally, or in the market for any particular asset class or in the obligations of any particular financial institution or sovereign, will improve or that it will not worsen in the future. Such limited liquidity may have a negative impact on the value of the Notes, the value of the Charged Assets or the value of the Applicable Transaction Agreement, both in terms of the assets or indices referenced therein and in terms of the value of the obligations of the Transaction Counterparty. In particular, should the Notes be redeemed early, Noteholders will be exposed to the realization value of the Charged Assets and the termination value of the Applicable Transaction Agreement, which value might be affected (in some cases significantly) by such lack of liquidity.

Impact on Credit

The events outlined above have negatively affected the creditworthiness of a number of entities or governments, in some cases to the extent of collapse or requiring rescue from governments or international or supra-national bodies. Such credit deterioration has and may continue to be widespread. The value of the Notes or of the amount of payments under them may be negatively affected by such widespread credit deterioration. Prospective investors should note that recoveries on assets of affected entities have in some cases been *de minimis* and that similarly low recovery levels may be experienced with respect to other entities or governments in the future which may include the obligors of the Charged Assets (or any guarantor or credit support provider in respect thereof) and the Transaction Counterparty.

Impact on Valuations and Calculations

Since 2007, actively traded markets for a number of asset classes and obligors have either ceased to exist or have reduced significantly. To the extent that valuations or calculations in respect of instruments related to those asset classes were based on quoted market prices or market inputs, the lack or limited availability of such market prices or inputs has significantly impaired the ability to make accurate valuations or calculations in respect of such instruments. No assurance can be given that similar impairment may not occur in the future.

Furthermore, in a number of asset classes, a significant reliance has historically been placed on valuations derived from models that use inputs that are not observable in the markets and/or that are based on historical data and trends. Such models often rely on certain assumptions about the values or behavior of such unobservable inputs or about the behavior of the markets generally or interpolate future outcomes from historical data. In a number of cases, the extent of the market volatility and disruption has resulted in the assumptions being incorrect to a significant degree or in extreme departures from historical trends. Where reliance is placed on historical data, in certain instances such data may only be available for relatively short time periods (for example, data with respect to prices in relatively new markets) and such data may not be as statistically representative as data for longer periods.

Prospective investors should be aware of the risks inherent in any valuation or calculation that is determined by reference to a model and that certain assumptions will be made in operating the model which may prove to be incorrect and give rise to significantly different outcomes to those predicted by the model.

Impact of Increased Regulation and Nationalization

The events since 2007 have seen increased involvement of governmental and regulatory authorities in the financial sector and in the operation of financial institutions. In particular, governmental and regulatory authorities in a number of jurisdictions have imposed stricter regulatory controls around certain financial activities and/or have indicated that they intend to impose such controls in the future. The United States, the European Union and other jurisdictions are actively considering or are in the process of implementing various reform measures. Such regulatory changes and the method of their implementation may have a significant impact on the operation of the financial markets. It is uncertain how a changed regulatory environment will affect the Issuer, the treatment of instruments such as the Notes and the Transaction Counterparty. In addition, governments have shown an increased willingness, wholly or partially to nationalize financial institutions, corporates and other entities in order to support the economy. Such nationalization may impact adversely on the value of the stock or other obligations of any such entity. In addition, in order to effect such nationalization, existing obligations or stock might have their terms mandatorily amended or be forcibly redeemed. To the extent that the obligors of the Charged Assets (or any guarantor or credit support provider in respect thereof), the Transaction Counterparty or any other person or entity

connected with the Notes is subject to nationalization or other government intervention, it may have an adverse effect on a holder of a Note.

Systemic Risk

Financial institutions and other significant participants in the financial markets that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk". Financial institutions such as the Distributor, the Trustee, the Transaction Counterparty and the Agents (or any affiliate of any of them) and any obligors of the Charged Assets (or any guarantor or credit support provider in respect thereof) that are financial institutions or are significant participants in the financial markets are likely routinely to execute a high volume of transactions with various types of counterparties, including brokers and dealers, commercial banks, investment banks, insurers, mutual and hedge funds and institutional clients. To the extent they do so, they are and will continue to be exposed to the risk of loss if counterparties fail or are otherwise unable to meet their obligations. In addition, a default by a financial institution or other significant participant in the financial markets, or concerns about the ability of a financial institution or other significant participant in the financial markets to meet its obligations, could lead to further significant systemic liquidity problems and other problems that could exacerbate the global financial crisis and as such have a material adverse impact on other entities.

Limited Recourse; Notes Payable Solely from Charged Assets; Notes Not Payable from Charged Assets of Other Series

Unless otherwise specified in the Applicable Supplement, the Notes will not be obligations or responsibilities of, and will not be guaranteed by, the Trustee, any Transaction Counterparty, any Transaction Counterparty Guarantor, the Distributor, any Agent or any company in the same group of companies as or any affiliate of any of the foregoing. Each Holder by its holding of Notes of a particular Series will be deemed to agree that the obligations of the Issuer will be payable solely from the Charged Assets relating to such Series of Notes. No assurance can be made that the amount of Charged Assets available for and allocated to the repayment of a Series of Notes at any particular time will be sufficient to cover all amounts that would otherwise be due and payable in respect of such Series of Notes. If proceeds of the Charged Assets received by the Trustee for the benefit of the Holders are insufficient to make payments on such Series of Notes, no other assets will be available for payment of the deficiency, and following liquidation of the Charged Assets, the obligations of the Issuer to pay such deficiency will be extinguished. **Holders of the Notes of a particular Series will have recourse only to the related Charged Assets (and, only if so specified in the Applicable Supplement, any guarantee of the Notes) and will not have any recourse to the general assets of the Issuer or any Charged Assets of the Issuer relating to any other Series of Notes.**

Only if specified in the Applicable Supplement, payment in respect of a Series of Notes will be guaranteed by a Morgan Stanley Affiliate acting as guarantor, pursuant to which such Morgan Stanley Affiliate will guarantee the Issuer's performance of its payment obligations under the Notes of such Series. If no guarantee is specified in the Applicable Supplement, a Series of Notes will not be obligations or responsibilities of, and will not be guaranteed by, any guarantor or any Morgan Stanley Affiliate.

Transaction Counterparty and Distributors Not Adviser or Fiduciary

Neither the Transaction Counterparty nor any of the Distributors is acting as a fiduciary or adviser to the Issuer or the Holders. In selecting any Reference Entities, any Reference Assets, any Underlying Securities or any other asset of the Issuer and in performing its obligations under any Applicable Transaction Agreement, neither the Transaction Counterparty nor any of the Distributors will act as an adviser, fiduciary or agent of the Issuer or the Holders, but will take such actions as are permitted under any such Applicable Transaction Agreement and which it deems to be in its interests, which may be adverse to the interests of the Issuer or the Holders.

Emerging Market Risk

Certain of the Reference Assets may be issued by issuers or obligors that are organized or have their principal place of business in countries that do not have a sovereign debt rating or that have a sovereign debt rating below "Aa2" by Moody's and "AA" by S&P and "AA" by Fitch ("**Emerging Markets**"). Investments in Emerging Market debt securities and loans involve certain special risks related to regional economic conditions and sovereign risks which are not normally associated with investments in the securities of issuers not organized or located in Emerging

Market countries, including: (1) risks associated with political and economic uncertainty, including but not limited to the risk of nationalization or expropriation of assets and the risk of war, terrorism and revolution; (2) fluctuations of currency exchange rates, including but not limited to the risk of devaluation; (3) lower levels of disclosure and regulation in foreign securities markets and different accounting, auditing and financial reporting standards and auditing practices than in the United States; (4) confiscatory taxation, taxation of income earned in foreign nations or other taxes or restrictions imposed with respect to investments in foreign nations; (5) foreign exchange controls (which may include suspension of the ability to transfer currency from a given country and repatriation of investments); (6) uncertainties as to the status, interpretation and application of laws; and (7) risks relating to the custody, transfer, settlement, registration of ownership and pledge of securities, including the risk that such securities could be counterfeit or subject to a defect in title or claims to ownership by other parties. In addition there is often less publicly available information about foreign issuers than about those in the United States.

The economies of individual Emerging Market countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Governments of many Emerging Markets countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Accordingly, government actions could have significant effect on economic conditions in an Emerging Markets country and on market conditions, prices and yields of the Reference Assets. Moreover, the economies of developing countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. With respect to any Emerging Markets country, there is the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, economic or social instability or diplomatic developments (including war or terrorism) which could affect adversely the economies of such countries or the value of any Reference Asset purchased from issuers in those countries. It also may be difficult to obtain and enforce a judgment relating to a Reference Asset in a court outside the United States.

Emerging Markets debt securities and loans are generally unsecured and may be subordinated to certain other obligations of the issuer thereof. Many of such securities have lower ratings than comparable U.S. securities, reflecting a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest or any other payments. Such investments may be speculative.

Experience in the Emerging Markets suggests that selling pressure from an external shock like the devaluation of an Emerging Markets currency can cause a severe decline in asset prices and severely impair the ability of obligors located in countries affected by such events to service their foreign debt, accentuating the impact of the external shock. There can be no assurance that abrupt declines in asset prices will not reoccur or that the effect of such a decline will be limited to the country or countries in which it originated. In addition, there can be no assurance that businesses and governments located in Emerging Markets countries will not experience difficulties in servicing their foreign debt due to such events. It is possible that the portfolio of Reference Assets will, from time to time, include Reference Assets whose direct or indirect obligors are located in some or all of the aforementioned locations or other locations with similar or different difficulties.

Limited Liquidity; Resale Restrictions

The Notes are a highly illiquid investment. There is currently no secondary market for the Notes and it is extremely unlikely that a significant secondary market in the Notes will develop or that if a secondary market does develop that it will continue or will be sufficient to provide the Holders with liquidity.

The limited scope of information available to the Issuer, the Trustee and the Holders regarding the Reference Entities, the Reference Assets, the Underlying Securities and the nature of any Credit Event (as defined in "The Charged Assets—Applicable Swap Agreements"), may affect the liquidity of the Notes.

The Notes are subject to significant restrictions on transfer that could also limit their liquidity.

Consequently, the purchase of Notes is suitable only for, and should be made only by, investors who understand and can bear the risks of such an investment (including without limitation the substantial credit, financial and liquidity risks of such an investment) for an indefinite period of time or until final redemption or maturity of the Notes.

See "Transfer Restrictions" herein and "ERISA Considerations" herein.

Subordination of the Notes

The rights of the Holders of the Notes of each Series with respect to the Charged Assets related to such Series will be subject to prior claims of each relevant Secured Party, and may be subject to the claims of any other creditor of the Issuer that is entitled to priority as a matter of law or by virtue of any nonconsensual lien that such creditor has on the Charged Assets related to such Series or pursuant to the Priority of Payments.

With respect to a Series, no payments of interest from Interest Proceeds will be made on any Class of such Series on any Payment Date until current and defaulted interest on the Notes of each Class to which such Class is subordinated has been paid, and no payments of principal will be made on any such Class on any Payment Date until principal of the Notes of each Class of such Series to which such Class is subordinated has been paid in accordance with the Priority of Payments.

There can be no assurance that the Holders will receive the full amounts payable by the Issuer under the Notes or that they will receive any return on their investment in the Notes. In particular, if certain events described herein or in the Applicable Supplement occur, returns to a Holder of a Note could be reduced to as low as zero.

Issuer's Ability to Pay Interest under the Notes

If specified in the Applicable Supplement, the Transaction Counterparty will make payments of interest and/or periodic payments due from it under any Applicable Transaction Agreement to the Issuer, and such amounts will be applied in payment of amounts due to the Holders in accordance with the Priority of Payments.

The ability of the Issuer to meet its obligations to pay interest on the Notes after payment in full has been made by the Issuer of all amounts due and owing which rank in priority thereto, will depend on (i) the performance of the Reference Assets, (ii) the performance by or on behalf of any Transaction Counterparty of its obligations under any Applicable Transaction Agreement and the performance of any Transaction Counterparty Guarantor under any Transaction Counterparty Guarantee and (iii) receipt by the Issuer of the sums of principal and interest and other amounts receivable by the Issuer in respect of the Underlying Securities, if applicable.

Acceleration or Early Redemption in Certain Circumstances

The Notes are subject to acceleration upon the occurrence of an Indenture Event of Default or early redemption upon the occurrence of an Early Redemption Event, as described herein. In such circumstances, the Underlying Securities and/or Reference Assets will, subject to the Holder not having elected to receive Underlying Securities and/or Reference Assets, be liquidated (to the extent not previously redeemed) and the proceeds applied in accordance with the Priority of Payments, unless otherwise specified in the relevant Applicable Supplement. The net proceeds (if any) of any realization of the Underlying Securities and/or Reference Assets may be insufficient to pay amounts due to the Holders in respect of the Notes.

In the event of an acceleration or early redemption, unless specified otherwise in the Applicable Supplement, each Holder may elect in writing to the Trustee to receive Underlying Securities and/or Reference Assets instead of payment of the Principal Balance of the Notes held by such Holder, in which case the Trustee will, subject to execution by such Holder of any necessary documentation, deliver to such Holder Underlying Securities and/or Reference Assets with a face amount equal to the Principal Balance of the Notes held by such Holder, less a pro rata portion of any Underlying Securities and/or Reference Assets required to be liquidated to fund amounts payable at a senior level in the Priority of Payments, unless otherwise specified in the relevant Applicable Supplement. The market value of such Underlying Securities and/or Reference Assets at the time of delivery may be less than the Principal Balance of the Notes.

Regulatory Risk

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes that may be applicable to a particular person or activity. Non-compliance could lead to fines, public reprimands, damage to

reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorizations to operate. Recent regulatory proposals and a dynamic global political environment have made it difficult to plan for future legislation, and the Issuer or the Reference Entities may be affected by the fiscal, regulatory or other policies and other actions of various governmental and regulatory authorities in the European Union, the United States, and elsewhere. All of these are subject to change, particularly in an environment where recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in the European Union, the United States and elsewhere are implementing measures to increase regulatory control in their respective banking sectors, including by imposing enhanced capital and liquidity requirements, which may increase transactional costs for the Issuer.

Valuation of the Notes Dependent on Valuation of the Applicable Transaction Agreement

The value of a Series of Notes may be dependent on the value of the Applicable Transaction Agreement (if an Applicable Transaction Agreement is so specified in the Applicable Supplement). The Applicable Transaction Agreement may or may not be traded among market participants in a liquid market and thus may not be subject to readily determinable market prices. In the event the Applicable Transaction Agreement does not have a readily determinable market price, its valuation may be derived from valuation methods such as discounted cash flow models or other valuation techniques that provide a reasonable estimate of what the price may be should the Applicable Transaction Agreement be traded. However, these valuation methods may be materially different than the price of the Applicable Transaction Agreement were it to be traded.

Additional Risk Factors Related to the Issuer

The Issuer is subject to risks, including the location of its COMI, the appointment of examiners, claims of preferred creditors and floating charges.

The Issuer has its registered office in Ireland. As a result there is a rebuttable presumption that its centre of main interest ("**COMI**") is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the decision by the European Court of Justice ("**ECJ**") in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of 29 May 2000 on Insolvency Proceedings, that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if "factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect". As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI is not located in Ireland, and is held to be in a different jurisdiction within the European Union, Irish Insolvency proceedings would not be applicable to the Issuer.

Examinership

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended (the "**1990 Act**") to facilitate the survival of Irish companies in financial difficulties. An examiner may be appointed to a company whose COMI (as defined above) is in Ireland in circumstances where it is unable, or likely to be unable, to pay its debts.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, negative pledges given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of

arrangement may be approved by the Irish High Court when a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favor of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer is a special purpose entity and that all its liabilities are of a limited recourse nature means that it is unlikely that an examiner would be appointed to the Issuer.

If however, for any reason, an examiner were appointed while any amounts due by the Issuer under the Notes were unpaid, the primary risks to the holders of Notes would be as follows:

(i) the Trustee, acting on behalf of Holders, would not be able to enforce rights against the Issuer during the period of examinership; and

(ii) a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Holders irrespective of the Holders' views.

Preferred Creditors

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Holders, the Holders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular:

(i) each series of Notes will be secured in favour of the Trustee for the benefit of itself and the other secured creditors by security over such Series of Notes and assignments of various of the Issuer's rights under the Transaction Documents relating to such Series of Notes. Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE and VAT;

(ii) under Irish law, for a charge to be characterized as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and

(iii) in an insolvency of the Issuer, the claims of certain other creditors (including the Irish Revenue Commissioners for certain unpaid taxes), as well as those of creditors mentioned above, will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges.

Risks Associated with Reference Assets and/or Underlying Securities

Reference Assets Default

If applicable, the Holders will be exposed to the credit of the Reference Assets Issuer and the performance of the Reference Assets to the full extent of their investment in the Notes. If the Reference Assets fail to perform, or fail to perform well enough for the Issuer to make payments on the Notes, and if such failure continues after the expiration of any applicable grace period, or if any other event occurs which constitutes a Reference Assets Default (as defined in "Description of the Notes—Indenture Events of Default"), the Applicable Transaction Agreement will be subject to termination as described herein or in the Applicable Supplement. If the Applicable Transaction Agreement is terminated, the Issuer will, out of the proceeds of the Reference Assets, pay certain accrued and unpaid expense payments due to the Trustee and other service providers of the Issuer and amounts due to the Transaction Counterparty under the Applicable Transaction Agreement (including any Swap Breakage Fee) before distributing the remaining proceeds, if any, first, to the Holders of the Notes that are characterized as debt of the Issuer ("**Debt Notes**") and, second, to the Holders of the Equity Notes (or such other priority of payments as may be specified in the Applicable Supplement). If a Reference Assets Default occurs, then the amount distributed to the Holders could be substantially less than the Holders' original investment in the Notes and could even be zero.

Underlying Securities Default

If applicable, the Holders will be exposed to the credit of the issuer of the Underlying Securities to the full extent of their investment in the Notes. If the issuer of the Underlying Securities is late in making any payment of interest or principal or other amounts with respect to the Underlying Securities, and if such failure continues after the expiration of any applicable grace period, or if any other event occurs which constitutes an Underlying Securities Default (as defined in "Description of the Notes—Indenture Events of Default"), the Applicable Transaction Agreement will be subject to termination as described herein. If the Applicable Transaction Agreement is terminated, the Issuer will, out of the proceeds of the Underlying Securities, pay certain accrued and unpaid expense payments due to the Trustee and other service providers of the Issuer and amounts due to the Transaction Counterparty under the Applicable Transaction Agreement (including any Swap Breakage Fee) before distributing the remaining proceeds, if any, first, to the Holders of the Debt Notes and, second, to the Holders of the Equity Notes (or such other priority of payments as may be specified in the Applicable Supplement). If an Underlying Securities Default occurs, then the amount distributed to the Holders could be substantially less than the Holders' original investment in the Notes and could even be zero.

Conflicts of Interest

You should assume that any Transaction Counterparty, the Distributors and their affiliates (the "**Morgan Stanley Affiliates**") will accept deposits from, make loans or otherwise extend credit to, and generally engage in commercial or investment banking or other business with any Reference Assets Issuer, Underlying Securities Issuer or Reference Entity or one or more of their respective affiliates (or another person or entity having obligations relating to any Reference Assets Issuer, Underlying Securities Issuer or Reference Entity) and is most likely to act with respect to such business as if the Notes did not exist, regardless of whether any such action might have an adverse effect on any Reference Assets Issuer, Underlying Securities Issuer or Reference Entity or any of their respective affiliates or any investor in the Notes (including, without limitation, any action which might constitute or give rise to a Credit Event). You should assume that the Morgan Stanley Affiliates will vote any interests they may have in obligations of any Reference Assets Issuer, Underlying Securities Issuer or Reference Entity (or of any of their respective affiliates), and purchase or sell such obligations, provide bid and offer prices with respect thereto, affect the market value thereof, and otherwise participate in the secondary market for such obligations as if the Notes did not exist, regardless of whether any such action would have an adverse effect on any Reference Assets Issuer, any Reference Assets, any Underlying Securities Issuer, any Underlying Securities, any Reference Entity or any Holder of a Note.

You should assume that the Morgan Stanley Affiliates will, whether by virtue of the types of relationships described above or otherwise, at the date hereof or at any time hereafter, be in possession of information in relation to a Reference Asset, a Reference Assets Issuer, an Underlying Securities Issuer, a Reference Entity or any of their respective obligations which is or may be material in the context of the Notes and which is not or may not be known to the general public. None of the Morgan Stanley Affiliates has any obligation, and the offering of the Notes and the execution of any Applicable Transaction Agreement does not create any obligation on the part of any Morgan Stanley Affiliate, to disclose to any purchaser of the Notes any such relationship or information (whether or not confidential) and you should assume that the Morgan Stanley Affiliates will not disclose such relationship or information to you.

Legal Investment Considerations

Neither the Issuer nor the Distributor makes any representation as to the proper characterization of the Notes of any Series for legal investment or other purposes, as to the ability of particular investors to purchase the Notes of any Series for legal investment or other purposes or as to the ability of particular investors to purchase the Notes of any Series under applicable investment restrictions. All institutions the activities of which are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Notes of a given Series are subject to investment, capital or other restrictions. Without limiting the generality of the foregoing, neither the Issuer nor the Distributor makes any representation as to the characterization of the Notes of any Series as a U.S.-domestic or foreign (non-U.S.) investment under any state insurance code or related regulations, and they are not aware of any published precedent that addresses such characterization. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of securities similar to the Notes) may affect the liquidity of the Notes.

U.S. Regulatory considerations

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on July 21, 2010 ("**Dodd-Frank**"), establishes a comprehensive new U.S. regulatory regime for a broad range of derivatives contracts (collectively referred to in this risk factor as "covered swaps"). Among other things, Title VII provides the Commodity Futures Trading Commission ("**CFTC**") and the SEC with jurisdiction and regulatory authority over many different types of derivatives that are currently traded over the counter, requires the establishment of a comprehensive registration and regulatory framework applicable to covered swap dealers and other major market participants, requires many types of covered swaps to be exchange-traded or executed on swap execution facilities and centrally cleared, and contemplates the imposition of capital requirements and margin requirements for uncleared transactions in covered swaps.

While Title VII provided that it was to go into effect on July 16, 2011, the SEC and CFTC have repeatedly delayed the effective date of many of Title VII's requirements through exemptive orders, no-action letters or other forms of relief, and may continue to extend the date until they finish adopting regulations to implement Title VII. While the CFTC has adopted a number of regulations under Title VII and many of the obligations under those regulations have become effective, the SEC is significantly behind the CFTC and its rules are not yet in effect. As Title VII's requirements go into effect, it is clear that covered swap counterparties, dealers and other major market participants, as well as commercial users of covered swaps, will experience new and/or additional regulatory requirements, compliance burdens and associated costs.

There is no assurance that the issuance of the Notes and the entry into of an Applicable Transaction Agreement that is a swap agreement would not subject the Issuer, the Transaction Counterparty or other transaction parties to regulation under Title VII. Accordingly, there is no assurance that such an Applicable Transaction Agreement would not be treated as a covered swap under Title VII, nor is there assurance that the Issuer would not be required to comply with additional regulation under the U.S. Commodity Exchange Act, as amended, including by Dodd-Frank (the "**CEA**"), as described immediately below. If such an Applicable Transaction Agreement is treated as a covered swap under Title VII, the Issuer may be required to comply with additional regulation under the CEA.

Such additional regulations and/or registration requirements may result in, among other things, increased reporting obligations as described in part under "—U.S. and European Recordkeeping, Reporting and Other Compliance Matters," below, and also in extraordinary, non-recurring expenses of the Issuer, thereby materially and adversely impacting a transaction's value. Any such additional registration requirements could result in one or more service providers or counterparties to the Issuer resigning, seeking to withdraw or renegotiating their relationship with the Issuer. To the extent any service providers resign, it may be difficult to replace such service providers.

Under Dodd-Frank, if the Applicable Transaction Agreement entered into between the Issuer and the Transaction Counterparty is a covered swap, it may be subject to mandatory execution, clearing and documentation requirements. Even if not required to be cleared, it may be subject to mandatory initial and variation margining and documentation requirements. Any of the foregoing requirements and/or other requirements or obligations under Dodd-Frank could materially increase costs associated with the Program and could materially and adversely affect the value of the Notes.

Risks relating to U.S. Commodity Pool Regulation

The CFTC has rescinded a rule which formerly provided an exemption from registration as a commodity pool operator ("**CPO**") or a "commodity trading advisor" ("**CTA**") under the CEA in respect of certain transactions and investment vehicles involving sophisticated investors. Dodd-Frank also expanded the definition of "commodity pool" to include any form of enterprise operated for the purpose of trading in commodity interests, including swaps. It should also be noted that the definition of "swap" under Dodd-Frank is itself broad and expressly includes certain interest rate swaps, currency swaps and total return swaps. The term "commodity pool operator" has been expanded to include any person engaged in a business that is of the nature of a commodity pool or similar enterprise and in connection therewith, solicits, accepts, or receives from others, funds, securities or property for the purpose of trading in commodity interests, including any swaps. The CFTC has taken an expansive interpretation of these definitions, and has expressed the view that entering into a single swap could make an entity a "commodity pool" subject to regulation under the CEA. The CFTC has also provided extensive exemptive relief in respect of these matters although there is no guarantee that all or any aspects of the Program will be able to take advantage of such relief.

No assurance can be made that either the U.S. federal government or a U.S. regulatory body (or other authority or regulatory body) will not take further legislative or regulatory action, and the effect of such action, if any, cannot be known or predicted. If the Issuer was deemed to be a "commodity pool", then whoever is deemed to be acting as a CPO in respect thereof would be required to register as such with the CFTC. It is possible whether or not the Issuer is a commodity pool that one or more parties could also be deemed to be providing commodity trading advice to it, which could mean, absent an exemption, that any such person could be required to register as a CTA. While there remain certain limited exemptions from registration, because the wording of these regulations applies to traditional commodity pools and was not drafted with transactions such as those contemplated by the Program in mind, these exemptions may not be available to avoid registration with respect to the Issuer or other parties. In addition, if the Issuer were deemed to be a "commodity pool", it would have to comply with a number of reporting requirements that are geared to traded commodity pools. Complying with these requirements on an ongoing basis could impose significant costs on the Issuer that may materially and adversely affect the value of the Notes. It is also presently unclear how investment vehicles such as the Issuer could comply with certain of these reporting requirements on an ongoing basis. Such registration and other requirements would also involve material ongoing costs to the Issuer. The scope of such requirements and related compliance costs is uncertain but could materially and adversely affect the value of the Notes.

Risks relating to U.S. Volcker Rule

On December 10, 2013, the SEC, the CFTC and three U.S. banking regulators approved a final rule to implement the Volcker Rule. Subject to certain exceptions, the Volcker Rule prohibits sponsorship of and investment in certain "covered funds" by "banking entities", a term that includes most internationally active banking organizations, including those Morgan Stanley Affiliates which may hold Notes, the Transaction Counterparty that acts as counterparty to the Applicable Transaction Agreement. Even if an exception allows a banking entity to sponsor or invest in a covered fund, the banking entity may be prohibited from entering into certain "covered transactions" with that covered fund. Covered transactions include (among other things) entering into a swap transaction or guaranteeing notes if the swap or the guarantee would result in a credit exposure to the covered fund.

If the Issuer is considered a covered fund and if any Morgan Stanley Affiliate is deemed to be a "sponsor" of the Issuer, the Transaction Counterparty could be prohibited from entering into any Applicable Swap Agreement with the Issuer, which could cause the early redemption of the Notes. Alternatively, the Issuer may incur additional costs in seeking a new swap counterparty in order to maintain the Notes, although there is no guarantee that it will be able to find such a counterparty. Such costs could materially and adversely affect the value of and any return on the Notes. If the Issuer is considered a covered fund, the liquidity of the market for the Notes may be materially and adversely affected, since banking entities could be prohibited from, or face restrictions in, investing in the Notes. This could make it difficult or impossible for Noteholders to sell the Notes or it could materially and adversely affect their market value.

U.S. and European Swaps Reporting, Recordingkeeping and Other Compliance Matters

The ISDA 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol (the "**EMIR Protocol**") enables parties to amend the terms of their Protocol Covered Agreements (as defined in the EMIR Protocol) to reflect the portfolio reconciliation and dispute resolution requirements imposed EMIR as well as to include a disclosure waiver to help ensure parties can meet the various reporting and record keeping requirements under EMIR without breaching confidentiality restrictions.

Separately, the ISDA August 2012 DF Protocol Agreement as published on August 13, 2012 by ISDA and the ISDA March 2013 DF Protocol Agreement as published on March 22, 2013 by ISDA (together, the "**ISDA DF Protocols**") enable parties to amend the terms of their Protocol Covered Agreements (as defined in the ISDA DF Protocols) to comply with certain entity- and transaction-level requirements under Dodd-Frank and the CFTC's regulations promulgated thereunder, including business conduct standards, large trader reporting, position limits, real-time reporting and recordkeeping requirements.

In order for the Issuer and the Swap Counterparty to comply with the implementation of EMIR and Dodd-Frank, they may adhere to the EMIR Protocol and/or the ISDA Protocols, or may alternatively enter into bilateral or other alternative arrangements or agreements that would have an analogous effect, and amend, restate, replace, supplement or otherwise modify such arrangements or agreements from time to time. The compliance cost of these requirements of EMIR and Dodd-Frank cannot be established at this time. Further, any such arrangement or

agreements will be entered into in the sole discretion of the Issuer, without the consent of the Holders of the Notes irrespective of any impact such arrangements or agreements may have on the value of the Notes.

U.S. Federal Income Tax Consequences Relating to the Issuer and the Holders

Depending on the terms of a particular Series or Class of Notes, such Notes may not be characterized as debt for U.S. federal income tax purposes despite the form of the Notes as debt instruments. Based on the capital structure of the Series or Class of Notes and the characteristics of the Issuer (including the Notes being the sole economic interests in a Series of Notes secured by the related Charged Assets), the Notes, when issued, may be treated either as debt or equity of the related Series of Notes for U.S. federal income tax purposes, or as representing an undivided proportionate ownership interest in the related Charged Assets directly. Additional alternative characterizations may also be possible.

Each prospective investor is urged to consult with its own tax advisers as to the federal income, state, local, non-U.S. and other tax consequences to them of the purchase, ownership and disposition of the Notes. See "Certain U.S. Federal Income Tax Considerations" herein and the discussion in the Applicable Supplement under the heading "Certain U.S. Federal Income Tax Considerations" for a more detailed discussion of the U.S. federal income tax issues arising in connection with the purchase, ownership and disposition of the Notes.

FATCA Withholding

The foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**"), impose a withholding tax of 30% on certain U.S.-source payments and proceeds from the sale of assets that give rise to certain U.S.-source payments, as well as a portion of certain payments by non-U.S. entities to persons that fail to meet certain certification or reporting requirements under FATCA. This withholding tax may be imposed on (i) payments to the Issuer if the Issuer does not comply with any local law provisions enacted by Ireland to implement the intergovernmental agreement described below, or (ii) if the Issuer or any other non-U.S. financial institutions through which payments on the Notes are made provides certain information on its account holders (a "**Participating FFI**") to the Irish Revenue Commissioners or the U.S. Internal Revenue Service ("**IRS**"), as the case may be, and is required to withhold under FATCA, certain payments to (a) an investor who does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or (b) any foreign financial institution ("**FFI**") to or through which payment on such Notes is made that is not a Participating FFI or otherwise exempt from FATCA withholding. Withholding would be imposed from (x) July 1, 2014 in respect of U.S.-source interest payments made on or after that date, (y) January 1, 2017 in respect of payments that are treated as payments of proceeds from the sale of assets that give rise to certain U.S.-source payments and (z) January 1, 2017 at the earliest in respect of "foreign passthru payments". Withholding generally is not required with respect to payments on Notes that are issued prior to July1, 2014 unless such notes are materially modified on or after that date or such Notes are treated as equity for U.S. federal income tax purposes. Withholding generally is not required with respect to Notes that only give rise to "foreign passthru payments" that are issued prior to the date that is six months after the date on which the final regulations defining the term "foreign passthru payments" are filed with the Federal Register unless such notes are materially modified on or after that date or such Notes are treated as equity for U.S. federal income tax purposes.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. In particular, Ireland has entered into an intergovernmental agreement (the "**IGA**") with the United States to help implement FATCA for certain Irish entities. The full impact of such an agreement on the Issuer and the Issuer's reporting and withholding responsibilities under FATCA is unclear. The Issuer may be required to report certain information on its U.S. account holders, which may include holders of Notes, to the Irish Revenue Commissioners in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable Irish law. It is not yet certain how the United States and Ireland will address withholding on "foreign passthru payments" (which may include payments on the Notes) or if such withholding will be required at all.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

In addition, if the Issuer fails to comply with any legislation or other rules implementing the IGA, and becomes subject to the 30% withholding tax, the Issuer may have less cash to make interest and principal payments on the Notes. In addition, the imposition of withholding tax on the Issuer will generally constitute a Tax Redemption Event.

The application of FATCA to Notes (i) issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register, in the case of Notes payments on which could be treated as "foreign passthru payments" or (ii) whenever issued, in the case of Notes treated as equity for U.S. federal income tax purposes may be addressed in the Applicable Supplement to this Registration Document.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

Limited Information

Holders should do their own review and investigation of any Underlying Securities, any Applicable Transaction Agreement(s), the Reference Assets and the Reference Entities to the same extent as if they were making a direct investment in the Underlying Securities, the Applicable Transaction Agreement(s), the Reference Assets and obligations of the Reference Entities. Further, Holders should review for themselves the Applicable Indenture setting forth the terms of the Notes. A copy of each related Applicable Transaction Agreement will be attached as an annex to the Applicable Supplement. Copies of the Master Agreement (if any), the sets of definitions published by ISDA and forming part of the Applicable Transaction Agreement (where applicable), as well as the Applicable Indenture and the other documents executed in connection with the issuance of the Notes, will be available upon request from the Trustee.

Ratings

There is no requirement that the Notes of each Series be rated by any Rating Agency. If the Issuer applies for ratings on one or more Classes of Notes of a Series, there can be no assurance that any such rating will remain for any given period of time or that a rating will not be lowered or withdrawn by any applicable Rating Agency if, in its judgment, circumstances so warrant. In the event that a rating initially assigned to the Notes is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes and the market value of the Notes is likely to be adversely affected.

Additional Risk Factors Applicable to Credit-Linked Notes and Total Return Swap-Linked Notes

The following additional Risk Factors apply only to Credit-Linked Notes and Total Return Swap-Linked Notes. Prior to making an investment decision relating to Credit-Linked Notes or Total Return Swap-Linked Notes of any Series, prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Registration Document and any Applicable Supplement, the following factors:

Risks Associated with the Reference Entities

Under the Swap Agreement, there may be multiple transactions, each relating to a particular Class of Notes. The transactions will be linked to a portfolio of specified reference entities ("**Reference Portfolio**") specified in the Applicable Supplement. Since payments under the Swap Agreement will be linked to the credit of each of the Reference Entities, and payments under the Credit-Linked Notes and Total Return Swap-Linked Notes rely on the Swap Agreement, once the Incurred Loss Amount under (and as defined in) the Swap Agreement exceeds the Loss Threshold Amount specified in the Credit Confirmation, Holders of such Notes will be exposed to the credit risk of the Reference Entities to the full extent of the value of their Notes. Upon the occurrence of a Credit Event, Holders of Credit-Linked Notes or Total Return Swap-Linked Notes could lose a substantial portion, or all, of the value of their Notes. In particular, upon the occurrence of a Credit Event in respect of any of the Reference Entities, the principal amount of the Notes may be reduced as set out herein without any repayment of principal and, as provided herein, the right to receive payment of any such principal amount will be extinguished in accordance with the provisions herein. The likelihood of a Credit Event occurring with respect to a Reference Entity will generally fluctuate with, among other things, the financial condition of the Reference Entities, general economic conditions,

the condition of certain financial markets, political events, developments or trends in any relevant industry and changes in prevailing interest rates.

No obligation of a Reference Entity will constitute a part of the property of the Issuer and Holders will have no right to vote or exercise any other right or remedy with respect to a Reference Entity or any of its obligations and will have no legal or equitable interest therein.

None of the Transaction Counterparty, the Distributors and Morgan Stanley Affiliates makes any representations to investors concerning (i) any Reference Entity or its condition or creditworthiness or (ii) the merits of an investment in the Notes. Investors should consult independent sources as to the condition of each Reference Entity, as well as the risks associated with an investment in an obligation issued or, to the extent permitted under the Swap Agreement, guaranteed by any Reference Entity to the same extent as if they were making a direct investment in obligations of such Reference Entity. Each investor will be deemed to have represented and warranted to the Transaction Counterparty and the Distributors that it has made its own investigation of the condition and creditworthiness of the Reference Entities and has determined that it can bear any loss associated with an investment in the Notes as described herein.

Deferral of Payments on the Notes due to Holdover

If one or more Reference Entities are Unsettled Reference Entities on the Business Day prior to the Scheduled Maturity Date, then principal that is otherwise payable on the Scheduled Maturity Date may be deferred and be subject to reduction as described herein. See "—Payments at or after Scheduled Maturity and upon Redemptions—On or after the Scheduled Maturity Date" in the Applicable Supplement. No interest on the Notes will accrue after the Scheduled Maturity Date.

Credit of Transaction Counterparty and Transaction Counterparty Guarantor

The receipt by Holders of payments on their Notes will be dependent on the Issuer's timely receipt of payments from, and therefore the credit of, the Transaction Counterparty and the Transaction Counterparty Guarantor.

Liability for Swap Breakage Fees

The Swap Agreement may be terminated early if a Swap Event of Default or a Swap Termination Event (each as defined in "The Charged Assets—Applicable Swap Agreements") with respect to the Transaction Counterparty or the Issuer occurs or if an Indenture Event of Default or Early Redemption Event occurs. If a Swap Event of Default, a Swap Termination Event, an Indenture Event of Default or an Early Redemption Event occurs, then the Swap Agreement will be subject to termination and, as a result of such termination, the Issuer or the Transaction Counterparty will pay a termination payment in accordance with Section 6(e) of the Master Agreement (the "**Swap Breakage Fee**"). The Issuer will pay a Swap Breakage Fee to the Transaction Counterparty if the value of the Swap Agreement is in favor of the Transaction Counterparty and the Transaction Counterparty will pay a Swap Breakage Fee to the Issuer if the value of the Swap Agreement is in favor of the Issuer, subject to the Priority of Payments. The value of the Swap Agreement may be highly volatile, and it is not possible to estimate the amount of the Swap Breakage Fee paid or foregone by the Holders of the Notes. The Holders of, first, the Equity Notes and, second, the Debt Notes will effectively pay any Swap Breakage Fee payable by the Issuer, in proportion to the amount of their respective investment in the Notes, up to the limit of such investment.

Unless otherwise specified in the Applicable Supplement, the Program does not distinguish between Swap Breakage Fees that are payable by the Issuer as a consequence of an early termination of the Applicable Transaction Agreement in respect of which termination the Transaction Counterparty (and not the Issuer) is the sole affected or defaulting party and Swap Breakage Fees that are payable by the Transaction Counterparty as a consequence of an early termination of the Applicable Transaction Agreement in respect of which termination the Issuer (and not the Transaction Counterparty) is the sole affected or defaulting party. All amounts due to the Transaction Counterparty are senior to all Note payments under the Applicable Indenture. As a result, all Swap Breakage Fees payable by the Issuer in respect of which the Transaction Counterparty is the sole affected or defaulting party are payable prior to any payment of interest or principal on the Notes, notwithstanding that such Swap Breakage Fees are payable to the party at fault.

Additional Risk Factors Applicable to Participation-Linked Notes

The following additional Risk Factors apply only to Participation-Linked Notes. Prior to making an investment decision relating to Participation-Linked Notes of any Series, prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Registration Document and any Applicable Supplement, the following factors:

Investing in Loans Involves Particular Risks

The Issuer may acquire interests in loans indirectly by purchasing a participation interest ("**Participation Interest**") from the selling institution or through the acquisition of synthetic securities. As described in more detail below, holders of Participation Interests are subject to additional risks not applicable to a holder of a direct interest in a loan.

Participations by the Issuer in a Transaction Counterparty's portion of a loan typically result in a contractual relationship only with such Transaction Counterparty, not with the borrower. In the case of a Participation Interest, the Issuer will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such Transaction Counterparty of such payments from the borrower. By holding a Participation Interest in a loan, the Issuer generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and the Issuer may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the Issuer will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan. In the event of the insolvency of the Transaction Counterparty, the Issuer, by owning a Participation Interest, may be treated as a general unsecured creditor of the Transaction Counterparty, and may not benefit from any set off between the Transaction Counterparty and the borrower. In addition, the Issuer may purchase a participation from a Transaction Counterparty that does not itself retain any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When the Issuer holds a Participation Interest in a loan it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each Transaction Counterparty will reserve the right to administer the loan sold by it as it sees fit and to amend the documentation evidencing such loan in all respects. Votes by the Transaction Counterparty in connection with such matters may have interests different from those of the Issuer and may fail to consider the interests of the Issuer in connection with their votes.

Certain of the loans or Participation Interests may be governed by the law of a jurisdiction other than a United States jurisdiction. Risks of investing outside the United States may include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, foreign companies may be subject to accounting, auditing and financial reporting standards, practices and requirements different from those applicable to U.S. companies. The economies of individual non U.S. countries may also differ from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, capital reinvestment, resource self-sufficiency and balance of payments position. The Issuer is unable to provide any information with respect to the risks associated with purchasing a loan or a Participation Interest under an agreement governed by the laws of a jurisdiction other than a United States jurisdiction, including characterization under such laws of such Participation Interest or sub-Participation Interest in the event of the insolvency of the institution from whom the Issuer purchases such Participation Interest or sub-Participation Interest or the insolvency of the institution from whom the grantor of the sub-Participation Interest purchased its Participation Interest.

Participations are sold strictly without recourse to the selling institutions, and the selling institutions will generally make no representations or warranties about the underlying loans, the borrowers, the documentation of the loans or any collateral securing the loans. In addition, the Issuer will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower. Because of certain factors including confidentiality provisions, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not purchased or sold as easily as are publicly traded securities.

OVERVIEW OF PRINCIPAL TERMS

The following overview is qualified in its entirety by reference to the documents described herein and to the information included elsewhere in this Registration Document.

Securities Offered	The Notes described herein and in the Applicable Supplement (the "**Notes**").
Issuer	EM Falcon Limited, a private limited company incorporated under the laws of Ireland (the "**Issuer**"). Each Series of Notes will be issued by the Issuer pursuant to the indenture described in the Applicable Supplement between the Trustee and the Issuer (the "**Applicable Indenture**").
Collateral Disposal Agent	Morgan Stanley & Co. LLC ("**MS&Co**") or any of its affiliates (in such capacity, the "**Collateral Disposal Agent**"), unless otherwise specified in the Applicable Supplement.
Trustee	The Bank of New York Mellon ("**BNYM**" or the "**Trustee**") or such other banking corporation or association specified in the Applicable Supplement.
Distributor	MS&Co or any of its affiliates (the "**Distributor**") and/or any other dealer specified in the Applicable Supplement.
Corporate Services Provider	Ogier Corporate Services (Ireland) Limited.
The Notes	The Notes may be issued in one or more series (each, a "**Series**"), each as described in the Applicable Supplement. Any Series of Notes may be issued in book-entry form and may, subject to the Applicable Supplement, be represented by one or more Global Notes registered in the name of a nominee of The Depository Trust Company ("**DTC**"), Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream**"), or in registered form in the name of each purchaser of such Notes or its nominee. Subject to certain limited exceptions no Notes will be issued in definitive form. See "Description of the Notes" herein. Each Series of Notes may include one or more classes (each, a "**Class**"). The rights of one or more Classes of any Series of Notes may be senior or subordinate to the rights of one or more of the other Classes. A Series of Notes may include two or more Classes which differ as to the timing, order of priority of payment, interest rate or amount of payments of principal or interest or both. Each Class of Notes within a Series may include more than one tranche (each, a "**Tranche**"), which differ as to the currency, interest rate or timing of payments. Information regarding each Class of a Series of Notes, and each Tranche within a Class, will be set forth in the Applicable Supplement. The Notes of each Series are expected to reference a particular class of assets (the "**Reference Assets**") originated in one or more emerging market(s) or non-emerging market(s). The Issuer is expected to obtain exposure to such assets (i) directly, by purchasing such Reference Assets and/or (ii) synthetically,

by entering into one or more Applicable Transaction Agreement(s) with a Transaction Counterparty. Where the Applicable Transaction Agreement consists of a Credit Confirmation, the Notes of the related Series are referred to herein as "**Credit-Linked Notes**." Where the Applicable Transaction Agreement consists of a Total Return Confirmation, the Notes of the related Series are referred to herein as "**Total Return Swap-Linked Notes**." Where the Applicable Transaction Agreement consists of a Participation Agreement, the Notes of the related Series are referred to herein as "**Participation-Linked Notes**." Where the Applicable Transaction Agreements consist of multiple types of Transactions, the Notes of the related Series are referred to herein as "**Hybrid Notes**." Other types of Notes (including, without limitation, currency-linked notes) may be specified in the Applicable Supplement.

Applicable Supplement..... The Applicable Supplement relating to each Series of Notes will set forth, among other matters, the following terms, in each case if applicable: (i) with respect to such Series, (A) the Issue Date, (B) the type of Notes constituting such Series (which may include Participation-Linked Notes, Credit-Linked Notes, Total Return Swap-Linked Notes, Hybrid Notes or any other type of Notes described in such Applicable Supplement), (C) the authorized denominations of the Notes, (D) the rate at which interest will accrue thereon or other method of calculating interest, (E) the dates on which interest on the Notes is payable, (F) the date on which principal of the Notes is scheduled to be repaid, subject to adjustments (such date as adjusted, if applicable, the "**Maturity Date**"), (G) possible early redemption of such Series, including any right of the Transaction Counterparty to call such Series from Holders and the terms and conditions of such call, (H) events of default that differ from those specified herein, (I) whether such Series will be issued in multiple Classes or Tranches, (J) whether such Series will be issued in book-entry form or as Definitive Notes, and (K) possible holdover in respect of the Notes, under which the principal payments may be delayed because of the occurrence of a Credit Event on or before the scheduled principal payment date (a "**Holdover**"); (ii) with respect to each Applicable Transaction Agreement, (A) the Transaction Counterparty, (B) the type of Transaction (which may include Credit Confirmations, Total Return Confirmations, and/or any other type of Transaction specified in such Applicable Supplement), (C) descriptions of the confirmation(s) and/or other such Asset Exposure Documentation as may be specified in such Applicable Supplement, the form(s) of which will be attached as annexes to such Applicable Supplement and (D) the Transaction Counterparty Guarantee and Transaction Counterparty Guarantor; and (iii) with respect to the Underlying Securities, (A) the principal amount of the Underlying Securities, (B) the rate at which interest accrues on the Underlying Securities, if applicable, and (C) the dates on which interest, if applicable, and principal are payable on the Underlying Securities.

Interest Payments.....	Interest in respect of each Series of Notes will be paid at such times and in such manner as described herein and the Applicable Supplement. Unless provided otherwise in the Applicable Supplement, interest on the Notes will be paid net of any applicable withholding tax.
Principal Payments	Principal in respect of each Series of Notes will be paid at such times and in such manner as described herein and the Applicable Supplement. The Applicable Supplement will also describe the circumstances and times under which the principal of the Notes of the relevant Series may be reduced or redeemed prior to their scheduled maturity date.
Indenture Events of Default.....	Upon the occurrence of an Indenture Event of Default relating to a Series of Notes, the Trustee will, unless otherwise provided in the Applicable Supplement, (i) liquidate the Charged Assets and pay the proceeds as provided in the Applicable Supplement or (ii) subject to the receipt by the Trustee from any Holder of the relevant Class of Notes of an election to receive physical delivery of the Charged Assets, liquidate the Charged Assets to the extent sufficient to cover any amounts that rank in priority to payments due to the Holders and the *pro rata* entitlement of any Holders who do not make such an election and distribute to such electing Holders their *pro rata* entitlement to the remaining Charged Assets.
Early Redemption Events	Unless otherwise provided in the Applicable Supplement, the events described in "Description of the Notes—Redemptions—Early Redemption Events" will constitute an Early Redemption Event in respect of each Series of Notes. Upon the occurrence of an Early Redemption Event, unless otherwise provided in the Applicable Supplement, the Calculation Agent will arrange for and administer the liquidation of the Underlying Securities and the Permitted Investments, if any, and the Trustee will apply the proceeds in accordance with the Priority of Payments and otherwise as provided in the Applicable Supplement.
Use of Proceeds	Unless otherwise specified in the Applicable Supplement, the proceeds from the issuance and sale of the Notes of each Series, together with any upfront payments received by the Issuer in connection with any Applicable Transaction Agreements, are expected to be applied by the Issuer to (i) acquire (a) the Underlying Securities and/or Reference Assets and/or (b) such other assets as may be specified in the Applicable Supplement and (ii) make any up front payments due from the Issuer in connection with any Applicable Transaction Agreements. If so specified in the Applicable Supplement, the Issuer may receive Underlying Securities and/or Reference Assets in lieu of cash in connection with the issuance and sale of the Notes of a Series.
Limited Recourse.....	The Charged Assets will provide the sole source of funds to meet the obligations of the Issuer to the creditors of the relevant Series of Notes. The Charged Assets will not be available or used to meet liabilities to, and will be absolutely protected from, any other creditors of the Issuer who are not creditors in respect of the relevant Series of Notes, and who accordingly will not be entitled to recourse to the Charged Assets relating to such

	Series. The fees and claims of, amongst others, the Trustee and any agent or receiver shall have priority up to a specified amount over the claims of the Holders of a Series of Notes in respect of the Charged Assets and the net proceeds (if any) of any realization of the security for such Notes may be insufficient to pay amounts due to such Holders. If proceeds of the Charged Assets in respect of a Series are insufficient to make payments on the Notes of that Series and to any other secured creditors relating to that Series, no other assets will be available for payment of the deficiency, and following liquidation of the Charged Assets, the obligations of the Issuer to pay such deficiency will be extinguished. Holders of a Series of Notes will not have any recourse to the general assets of the Issuer or any assets forming part of the Charged Assets of any other Series of Notes.
Charged Assets	In respect of each Series of Notes, the assets securing such Series of Notes will consist of the property and rights set out in the Applicable Supplement (collectively, the "**Charged Assets**"). See "The Charged Assets—Underlying Securities" and "The Charged Assets—The Applicable Transaction Agreements" herein and in the Applicable Supplement.
Underlying Securities and Reference Assets	If so specified in the Applicable Supplement, on the date of issuance of the Notes of any Series (the "**Issue Date**"), the Issuer will purchase the Underlying Securities and/or Reference Assets described in such Applicable Supplement.
Applicable Transaction Agreements.....	On or about the Issue Date of a given Series of Notes, the Issuer will enter into one or more agreements (the "**Applicable Transaction Agreements**") with one or more Transaction Counterparties, in each case as specified in such Applicable Supplement. Unless otherwise specified in the Applicable Supplement, it is expected that such Applicable Transaction Agreements will consist of one or more of the following: (i) a swap agreement (the "**Applicable Swap Agreement**") between the Issuer and a Transaction Counterparty (consisting of the Master Agreement and one or more confirmations evidencing one or more transactions (each, a "**Transaction**"), which are expected to include (a) credit default swap transactions (each, a "**Credit Confirmation**"), (b) total return swap transactions (each, a "**Total Return Confirmation**") and/or (c) other type of derivative transactions, in each case as described in the Applicable Supplement), (ii) a participation agreement (a "**Participation Agreement**") representing a participation interest in a loan and/or (iii) such other agreement(s) or transaction(s) as may be specified in the Applicable Supplement.
Master Agreement	The Issuer and the Transaction Counterparty entered into a master agreement on October 29, 2008 (the "**Master Agreement**") consisting of the 2002 ISDA Master Agreement (Multicurrency-Cross Border) published by the International Swaps and Derivatives Association, Inc. ("**ISDA**") (www.isda.org) and a schedule thereto.
Transaction Counterparty	Unless otherwise specified in the Applicable Supplement, Morgan Stanley Capital Services LLC ("**MSCS**") will enter into

	each Applicable Transaction Agreement with the Issuer (MSCS, in its capacity under each such Applicable Transaction Agreement, the "**Transaction Counterparty**").
Guarantee of Transaction Counterparty's Obligations	Unless otherwise provided in the Applicable Supplement, the payment obligations of the Transaction Counterparty under each Applicable Transaction Agreement will be unconditionally and irrevocably guaranteed by Morgan Stanley (in such capacity, the "**Transaction Counterparty Guarantor**") pursuant to a guarantee issued by the Transaction Counterparty Guarantor (the "**Transaction Counterparty Guarantee**"). The obligations of the Transaction Counterparty and the Transaction Counterparty Guarantor will be unsecured.
Collateral Disposal Agreement.....	Unless otherwise specified in the Applicable Supplement, in connection with each Series of Notes, the Issuer will enter into a collateral disposal agreement (the "**Collateral Disposal Agreement**") with the Collateral Disposal Agent.
U.S. Federal Income Tax Considerations	See "Certain U.S. Federal Income Tax Considerations" herein and in the Applicable Supplement.
ERISA and Other Considerations.....	Employee benefit plans and certain other plans and those acting on behalf of such plans or with plan assets may be subject to conditions with respect to, or otherwise restricted in, their ability to buy Notes in the initial distribution and thereafter. Plan investors should consult with their counsel and other advisors prior to making an investment in the Notes. See "ERISA Considerations."
Private Placement; Transfer Restrictions.....	The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and the Issuer will not be registered under the U.S. Investment Company Act of 1940, as amended. Unless otherwise specified in the Applicable Supplement, Notes will be offered only (A) in a combined offering (i) to Qualified Institutional Buyers who are also Qualified Purchasers in accordance with Rule 144A under the Securities Act and (ii) to non-U.S. persons in offshore transactions in accordance with Regulation S under the Securities Act, or (B) in an offering only to non-U.S. persons in offshore transactions in accordance with Regulation S under the Securities Act; in each case in minimum amounts for any single beneficial owner as set forth in the Applicable Supplement. Each purchaser of the Notes (whether by initial purchase or by transfer) will be deemed to have made the representations and agreements set forth in the Notice to Investors or will be required to sign and deliver an investor letter substantially in the form required by the Applicable Indenture and which is available from the Trustee and the Distributor (the "**Investor Letter**"). See "Transfer Restrictions" below and in the Applicable Supplement.
Ratings.....	The Notes of a Series may be assigned a credit rating by one or more nationally recognized rating agencies. The rating of the Notes, if any, and the rating agency or agencies that assigned such rating will be specified in the Applicable Supplement. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes

already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Applicable Supplement.

Listing..... This Registration Document has been approved by the Central Bank, as competent authority under the Prospectus Directive. The Central Bank only approves this Registration Document as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes that are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive) or which are to be offered to the public in any Member State of the European Economic Area. Application will be made to the Irish Stock Exchange for the Notes issued under the program during the period of 12 months from the date hereof to be admitted to the Official List and trading on its Regulated Market. Application has been made to the Irish Stock Exchange for the approval of this document as Base Listing Particulars. Application will be made for the Notes issued under the Program during the period of 12 months from the date hereof to be admitted to trading on the Global Exchange Market.

The Notes may also be listed on such other or further stock exchanges as may be specified in the Applicable Supplement relating to each Series of Notes in which event such additional listing shall be notified to the Irish Stock Exchange. The Issuer may also issue unlisted Notes.

Irish Listing Agent..... With respect to any Series of Notes which are listed on the Regulated Market or the Global Exchange Market of the Irish Stock Exchange, Arthur Cox Listing Services Limited will be the Irish listing agent (the "**Irish Listing Agent**"), unless otherwise specified in the Applicable Supplement.

Any notifications sent to the Irish Listing Agent will be forwarded by the Irish Listing Agent to the Companies Announcement Office for publication on the website of the Irish Stock Exchange.

DESCRIPTION OF THE ISSUER

The Issuer is a special purpose vehicle established for the purpose of issuing asset backed securities and was incorporated in Ireland as a private limited company on July 9, 2008, registered number 459783 under name EM Falcon Limited, under the Companies Acts 1963-2005 (as amended) of Ireland (the "**Companies Acts**"). The registered office of the Issuer is 2nd Floor, 11/12 Warrington Place, Dublin 2, Ireland and its phone number is +353 1 775 2600.

The authorized share capital of the Issuer is EUR 100 divided into 100 ordinary shares of par value EUR 1 each (the "**Shares**"). The Issuer has issued 1 Share, which is fully paid and is held on trust by Ogier Trustee (Ireland) Limited (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") dated September 5, 2008, under which the Share Trustee holds the Share on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Share. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

Ogier Corporate Services (Ireland) Limited (the "**Corporate Services Provider**"), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on October 28, 2008 between the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party.

The Corporate Services Provider's principal office is 2nd Floor, 11/12 Warrington Place, Dublin 2, Ireland.

Business

The principal objects of the Issuer are set forth in clause 2 of its Memorandum of Association and include, *inter alia*, the power to issue securities and to raise or borrow money, to grant security over its assets for such purposes, to lend with or without security and to enter into derivative transactions. Cash flow derived from the Charged Assets securing a Series of Notes will be the Issuer's only source of funds to fund payments in respect of such Notes.

So long as any of the Notes remain outstanding, the Issuer will be subject to the restrictions set out in the Applicable Indenture. In particular, the Issuer has undertaken not to carry out any business other than the establishment of the Program and the issue of Notes and the entry into of agreements related thereto and does not and will not have any substantial assets other than the Charged Assets for the Notes and does not and will not have any substantial liabilities other than in connection with the Notes and any secured obligations.

Save in respect of the fees generated in connection with each Series of Notes, any related profits and the proceeds of any deposits and investments made from such fees or from amounts representing the proceeds of the Issuer's issued share capital, the Issuer will not accumulate any surpluses.

Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer since June 30, 2013. Save for the issues of Notes under the Program and their related arrangements, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Directors and Company Secretary

The Issuer's Articles of Association provide that the Board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

Niall Gallagher	2nd Floor, 11/12 Warrington Place, Dublin 2, Ireland
Roddy Stafford	2nd Floor, 11/12 Warrington Place, Dublin 2, Ireland

The Company Secretary is Ogier Corporate Services (Ireland) Limited.

Financial Statements

The Issuer will prepare and publish audited financial statements on an annual basis. The Issuer's most recent financial statements are in respect of the periods ending on June 30, 2012 and June 30, 2013. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on June 30 in each year.

The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer.

The auditors of the Issuer are Deloitte & Touche of Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified to practice in Ireland.

By resolution as of January 8, 2010 the Issuer dispensed with the holding of annual general meetings.

Documents Incorporated by Reference

This Registration Document should be read and construed in conjunction with the published audited annual financial statements of the Issuer as of and for the periods ended June 30, 2012 and June 30, 2013. Such financial statements are the most recently published audited financial statements of the Issuer and have been filed with the Irish Stock Exchange. The financial statement for the period ended June 30, 2012 is available at http://www.ise.ie/app/announcementDetails.aspx?ID=11583083, and the financial statement for the period ended June 30, 2013 is available at http://www.ise.ie/app/announcementDetails.aspx?ID=11948884. Such annual financial statements shall be deemed to be incorporated in, and form part of, this Registration Document, save that any statement contained in any of the documents incorporated by reference in, and forming part of, this Registration Document shall be deemed to be modified or superseded for the purpose of this Registration Document to the extent that a statement contained herein modified or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Registration Document.

TRUSTEE AND AGENTS

Trustee

Unless otherwise specified in the Applicable Supplement, BNYM will, in respect of any Series of Notes, act as trustee (in such capacity, the "**Trustee**") on behalf of the Holders of such Series of Notes pursuant to the Applicable Indenture. The Trustee may resign upon 30 days' written notice to the Issuer, the Rating Agencies, if applicable and the Corporate Services Provider; provided that no resignation will be effective until a successor has been appointed. Upon such notice, the Issuer will appoint a successor trustee. If no successor trustee is appointed within 30 days after the giving of such notice of resignation, the resigning trustee may petition a court of competent jurisdiction for appointment of a successor trustee.

The Trustee shall at all times have a long-term deposit rating (or, if the Trustee is a wholly owned subsidiary of a bank holding company and not rated, the bank holding company shall have a long-term senior unsecured debt rating) of at least "Baa1" not on watch for downgrade by Moody's (if rated "Baa1"), or at least "BBB+" not on watch for downgrade by S&P (if rated "BBB+"), or at least "BBB+" not on watch for downgrade by Fitch (if rated "BBB+"). If at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph, it shall notify the Issuer of such ineligibility and resign immediately in the manner and with the effect described in the previous paragraph.

The Issuer (except during an Indenture Event of Default) will remove the Trustee, or any Holder who has been a bona fide holder of a Note for at least six months may, on behalf of such Holder and all others similarly situated, petition a court of competent jurisdiction to remove the Trustee, if the Trustee ceases to be eligible to continue as such under the Applicable Indenture or if at any time the Trustee becomes incapable of acting, or is adjudged bankrupt or insolvent, or a receiver or liquidator for the Trustee or its property is appointed or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The Transaction Counterparty under an Applicable Transaction Agreement will also be entitled to request that the Issuer at any time use its reasonable best efforts to remove the Trustee. Any such removal of the Trustee and appointment of a successor trustee will not become effective until acceptance of the appointment by the successor trustee. In addition, an act of the Holders of at least a majority of the Principal Balance of each Class of Notes entitled to vote may remove the Trustee at any time. Any removal of the Trustee and appointment of a successor trustee will be notified by the Issuer to the Holders, any Transaction Counterparty and the Rating Agencies, if applicable.

The Trustee will not be liable for taking any action, or for refraining from taking any action, in good faith in accordance with the directions of the Issuer, any Transaction Counterparty and/or Holders pursuant to the Applicable Indenture, unless such liability arises from the Trustee's own negligence, willful misconduct or bad faith. The Trustee, any Agent or any other entity of The Bank of New York Mellon Group (the "**BNYM Group** ") will not be liable for any losses or damages of any kind whatsoever to any party arising from the Trustee, any Agent or any BNYM Group member receiving or transmitting data from or to the Issuer, any Holder or any party to any Applicable Transaction Agreement (including the Transaction Counterparty) via any non-secure method of transmission or communication, such as, without limitation, facsimile or email.

The Applicable Indenture will contain provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust.

The pre-enforcement fees and expenses of the Trustee incurred in the ordinary course of business will be paid by a Morgan Stanley Affiliate and will not be borne by the Issuer.

Paying Agents, Registrar, Agent Bank and Transfer Agents

Unless otherwise specified in the Applicable Supplement, BNYM will act as principal paying agent (in such capacity, the "**Principal Paying Agent**"), as transfer agent (in such capacity, a "**Transfer Agent**"), as registrar (in such capacity, the "**Registrar**") and as agent bank (in such capacity, the "**Agent Bank**"). As used herein, "**Principal Paying Agent**", "**Registrar**", "**Agent Bank**" and "**Transfer Agent**" (each, an "**Agent**") mean the persons so specified in the Applicable Indenture and include any successor or additional principal paying agent, registrar, agent bank or transfer agent, as the case may be, appointed from time to time in connection with the Notes. Each Agent

may resign upon 30 days' written notice to the Trustee, the Corporate Services Provider and the Issuer; *provided* that no resignation will be effective until a successor has been appointed. Upon such notice, the Issuer will appoint a successor paying agent, registrar, agent bank or transfer agent. If no successor paying agent, registrar, agent bank or transfer agent is appointed within 30 days after the giving of such notice of resignation, the resigning Agent may petition a court of competent jurisdiction for the appointment of a successor paying agent, registrar, agent bank or transfer agent, as applicable.

The Principal Paying Agent shall at all times have a short-term deposit rating (or, if the Principal Paying Agent is a wholly owned subsidiary of a bank holding company and not rated, the bank holding company shall have a short-term senior unsecured debt rating) of at least "P-1" not on watch for downgrade by Moody's (if rated "P-1"), or at least "A-1" not on watch for downgrade by S&P (if rated "A-1"), or at least "F1" not on watch for downgrade by Fitch (if rated "F1") (the "**Ratings Requirement**"). If at any time the Principal Paying Agent shall cease to satisfy the Ratings Requirement, it shall, within 30 calendar days, either (A) transfer its rights and obligations under the Indenture to another party that satisfies the Ratings Requirement or (B) provide the Issuer with an agreement or instrument (including any guarantee, insurance policy, security agreement or pledge agreement) whose terms provide for the guarantee of the Principal Paying Agent's obligations under the Indenture by a third party who satisfies the Ratings Requirement.

The Issuer may remove any Agent. In addition, an act of the Holders of at least a majority of the Principal Balance of each Class of Notes entitled to vote may remove the Agent at any time. Any such removal of an Agent and appointment of a successor thereto will not become effective until acceptance of the appointment by the successor paying agent, registrar, agent bank or transfer agent, as applicable.

The Issuer (except during an Indenture Event of Default, in which case the Trustee) will remove the Agent, or any Holder who has been a bona fide holder of a Note for at least six months may, on behalf of such Holder and all others similarly situated, petition a court of competent jurisdiction to remove the Agent, if the Agent ceases to be eligible to continue as such under the Applicable Indenture or if at any time the Agent becomes incapable of acting, or is adjudged bankrupt or insolvent, or a receiver or liquidator for the Agent or its property is appointed or any public officer takes charge or control of the Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Any such removal of the Agent and appointment of a successor agent will not become effective until acceptance of the appointment by the successor agent.

No Agent will be liable for taking any action, or for refraining from taking any action, in good faith in accordance with the direction of the Issuer, the Trustee or the Holders pursuant to the Applicable Indenture, unless such liability arises from such Agent's own negligence, willful misconduct or bad faith.

The pre-enforcement fees and expenses of the Agents incurred in the ordinary course of business will be paid by a Morgan Stanley Affiliate and will not be borne by the Issuer.

Securities Intermediary

Unless otherwise specified in the Applicable Supplement, BNYM will act as securities intermediary (in such capacity, the "**Securities Intermediary**"). The Securities Intermediary may at any time resign by notice to the Trustee and may at any time be removed by notice from the Trustee; *provided*, however, that it shall be the responsibility of the Trustee to appoint a successor Securities Intermediary.

The Securities Intermediary shall at all times satisfy (or, if the Securities Intermediary is a wholly owned subsidiary of a bank holding company and not rated, the bank holding company shall satisfy) the Ratings Requirement. If at any time the Securities Intermediary shall cease to satisfy the Ratings Requirement, it shall, within 30 calendar days, either (A) transfer its rights and obligations under the Indenture to another party that satisfies the Ratings Requirement or (B) provide the Issuer with an agreement or instrument (including any guarantee, insurance policy, security agreement or pledge agreement) whose terms provide for the guarantee of Securities Intermediary's obligations under the Indenture by a third party who satisfies the Ratings Requirement.

DESCRIPTION OF THE NOTES

The following is a summary of the general terms and conditions which govern the Notes of each Series. These general terms and conditions may be supplemented, amended or replaced in whole or in part by any Applicable Supplement. The summary is qualified in its entirety by reference to the Applicable Indenture, copies of which are available upon request from the Trustee. Capitalized terms used herein have the meanings ascribed to them in the Applicable Indenture unless the context otherwise requires.

General

It is expected that the Issuer will issue Notes in multiple Series. A Series may consist of a single class or multiple classes (each, a "**Class**") of Notes. A Class may consist of a single tranche or multiple tranches (each, a "**Tranche**"). The Issuer may issue Notes at any time as it determines.

The Notes of each Series will be issued in one or more Classes pursuant to an indenture (as the same may be amended or modified from time to time, the "**Applicable Indenture**"), between the Issuer and the Trustee. The Notes of each Series will be limited recourse obligations of the Issuer. If the Charged Assets relating to a Series of Notes are insufficient to pay any amounts due in respect of the Notes and to other creditors relating to such Series of Notes, the Issuer will have no other assets available to cover such deficiency, and all claims in respect of such unpaid amounts will be extinguished.

Payments on the Notes will be made pursuant to the Applicable Indenture. Unless provided otherwise in the Applicable Supplement, BNYM will act as Trustee, Securities Intermediary, Principal Paying Agent, Agent Bank, Transfer Agent and Registrar.

Each purchaser of a Note, by its purchase thereof, will be deemed to make certain representations and agreements or will be required to execute and deliver an Investor Letter in the form required by the Applicable Indenture.

References in the Notes to "**U.S.$**", "**$**" or "**U.S. dollars**," are to the lawful currency from time to time of the United States of America.

Form, Denomination and Transfer

Form and Denomination

Unless otherwise specified in the Applicable Supplement, the form and denomination of Notes will be as follows. For purposes of this discussion: (i) if a Series is issued without being divided into two or more Classes, then the whole Series will be treated as a single Class; and (ii) if a Class is divided into two or more Tranches at the time such Class is issued, then each such Tranche will be treated as a single Class.

Unless specified in the Applicable Supplement, each Class of Notes sold in accordance with Regulation S under the Securities Act ("**Regulation S**") will initially be represented by one or more permanent global notes in registered form without interest coupons (each, a "**Regulation S Global Note**"), and shall either be deposited with the Trustee as custodian for, and registered in the name of, Cede & Co. ("**Cede**"), as nominee of The Depository Trust Company ("**DTC**") for the accounts of Euroclear Bank, S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") or be deposited with a common depositary for Euroclear and Clearstream and registered in the name of a nominee of such common depositary. Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream. Beneficial interests in a Regulation S Global Note may not be held by a U.S. person (as defined in Regulation S under the Securities Act) at any time. Regulation S Global Notes that represent a Class of Notes that has been sold in accordance with Regulation S only (a "**Regulation S Only Offering**") (as specified in the Applicable Supplement) may not at any time be held by, or transferred to, a U.S. person (as defined in Regulation S under the Securities Act).

Only in the case where the Regulation S Global Note represents all or part of a Class of Notes that has been issued in accordance with Regulation S and Rule 144A (a "**Combined Offering**") (as specified in the Applicable Supplement), may beneficial interests in a Regulation S Global Note be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note (as defined below), and then only in accordance with certification requirements and only in denominations greater than or equal to the minimum denominations applicable to interests in a Rule 144A Global Note, provided that, in the case of a transfer in part, but not in whole,

of a Holder's beneficial interest in such Note, the remaining amount held by such Holder is equal to or greater than the minimum denomination specified in the Applicable Supplement. By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent that it is not a U.S. person and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest only to a person whom the seller reasonably believes to be a non-U.S. person or, only in the case of a Combined Offering, to a person who takes delivery in the form of an interest in a Rule 144A Global Note.

A Class of Notes sold in accordance with Rule 144A under the Securities Act ("**Rule 144A**") and qualified for resale under Rule 144A will initially be represented by one or more permanent global notes in registered form without interest coupons (each, a "**Rule 144A Global Note**") deposited with the Trustee as custodian for DTC and registered in the name of Cede, as nominee of DTC. Investors may hold their interests in the Rule 144A Global Notes directly through DTC, if they are participants in DTC ("**DTC Participants**"), or indirectly through organizations which are DTC Participants.

The Regulation S Global Notes and the Rule 144A Global Notes are referred to herein as "**Global Notes**". Beneficial interests in Global Notes will be subject to certain restrictions on transfer set forth therein and in the Applicable Indenture and, in the case of Rule 144A Global Notes, as set forth in Rule 144A, and such Global Notes will bear the applicable legends regarding the restrictions set forth under "Transfer Restrictions" in the Applicable Supplement. In the case of a Combined Offering, a beneficial interest in a Regulation S Global Note representing a Class of Notes may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note representing such Class of Notes, only upon receipt by the Transfer Agent of the applicable written certification from the transferor (in the form provided in the Applicable Indenture) to the effect that the transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer, within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A, who is also a qualified purchaser for purposes of the Investment Company Act and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Notes representing a Class of Notes may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note representing such Class of Notes, only upon receipt by the Trustee of the applicable written certification (in the form provided in the Applicable Indenture) to the effect that the transfer is being made to a non-U.S. person in accordance with Regulation S under the Securities Act.

In the case of a Combined Offering, any beneficial interest in a Regulation S Global Note representing a Class of Notes that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note representing such Class of Notes will, upon transfer, cease to be an interest in such Regulation S Global Note and become an interest in the applicable Rule 144A Global Note and, accordingly, will thereafter be subject to all applicable transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A Global Note representing such Class of Notes for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note representing a Class of Notes that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note representing such Class of Notes will, upon transfer, cease to be an interest in such Rule 144A Global Note and become an interest in the applicable Regulation S Global Note and, accordingly, will thereafter be subject to all applicable transfer restrictions and other procedures applicable to beneficial interests in a Regulation S Global Note representing such Notes for so long as it remains such an interest.

If (i) any Global Note is registered in the name of Cede, as nominee of DTC, and DTC notifies the Issuer that it is unwilling or unable to continue as a depositary or at any time ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and a successor depositary so registered is not appointed by the Issuer within 90 days of such notice, (ii) Euroclear or Clearstream are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announce an intention to permanently cease business or in fact do so, or (iii) the Issuer in its sole discretion determines that a Global Note representing the Notes will be exchanged for notes in definitive registered form of such Class (each, a "**Definitive Note**" and collectively, the "**Definitive Notes**"), interests in such Global Note, upon written notice to the Principal Paying Agent and to the Holders of such Class, will be transferred to the beneficial owners thereof in the form of Definitive Notes, without interest coupons, in Authorized Denominations. A Definitive Note will be issued to each Holder in respect of its registered holding of the Notes against delivery by such Holder of a written order tendered to the Registrar containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Notes. In such circumstances, the Issuer will cause

sufficient Definitive Notes of such Class to be executed and delivered to the Registrar and/or the Transfer Agents, as the case may be, for completion, authentication and dispatch to the relevant Holders.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Initially no definitive Notes will be issued. Consequently, there will be no ability to transfer interests in a Rule 144A Global Note to such persons. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities which do not participate, directly or indirectly, in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Notes Offered Through Euroclear and Clearstream

If the Applicable Supplement specifies that the Notes are being offered and sold outside the United States to non-U.S. Persons in accordance with Regulation S, the Applicable Supplement may also specify that investors who purchase the Notes in such offshore transactions may hold their interests in the global certificate directly through Euroclear as operator of the Euroclear system and Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. The Euroclear operator and Clearstream will hold interests in the global certificate on behalf of their accountholders, through their respective depositaries, which in turn will hold such interests in the global certificate in the depositaries' names on the books of the depositary, as further described below.

The Issuer may also specify in the Applicable Supplement that Notes being offered and sold exclusively to "qualified institutional buyers" (as defined in Rule 144A) ("**QIBs**") in accordance with Rule 144A may be held through Euroclear and Clearstream.

Custodial and depositary links have been established with Euroclear and Clearstream and, if applicable for any particular Series of Notes, DTC to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading.

Distributions of principal and interest and any other amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by Euroclear or Clearstream from the relevant Agent, to the cash accounts of Euroclear or Clearstream accountholders in accordance with the relevant system’s rules and procedures.

Transfers within and between DTC, Euroclear and Clearstream

A beneficial interest in a Regulation S Global Note issued in a Combined Offering may only be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the Applicable Indenture) to the effect that such transfer is being made to a person that is a U.S. person (within the meaning of Regulation S) that is a QIB who is also a "qualified purchaser" ("**Qualified Purchaser**") within the meaning of Section 2(a)(51) of the Investment Company Act and in accordance with Rule 144A.

A beneficial interest in a Rule 144A Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through a Regulation S Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the Applicable Indenture) to the effect that such transfer is being made to a non-U.S. person (within the meaning of Regulation S) in accordance with Regulation S.

Any beneficial interest in either a Rule 144A Global Note or a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as it remains such an interest.

So long as DTC or its nominee or Euroclear, Clearstream, their common depositary or its nominee, is the Holder of a Global Note, as the case may be, DTC, Euroclear, Clearstream, or their common depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Applicable Indenture and the Notes. All payments in respect of Notes represented by a Global

Note will be made to DTC or its nominee, or Euroclear, Clearstream, their common depositary or its nominee, as the case may be, as the Holder thereof. None of the Issuer, the Registrar, any Agent, or any Distributor or any affiliate thereof or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer will not impose any fees in respect of the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream and DTC.

Interests in Regulation S Global Notes and Rule 144A Global Notes will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Global Notes will be credited to Euroclear or Clearstream accountholder securities accounts on the Issue Date (as specified in the Applicable Supplement) against payment in same day funds. DTC Participants acting on behalf of purchasers electing to hold book-entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC's Same-Day Funds Settlement ("**SDFS**") system. DTC Participant securities accounts will be credited with book-entry interests in the Notes following confirmation of receipt of payment to the Issuer.

Trading between Euroclear and/or Clearstream Accountholders

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream to purchasers of book-entry interests in the Notes through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, and will be settled using the procedures applicable to conventional eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's SDFS system in same-day funds, if payment is effected in U.S. dollars or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

Trading between DTC Seller and Euroclear/Clearstream Purchaser

When book-entry interests in the Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to such certification procedures as are provided in the Applicable Indenture), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream accountholder. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede and represented by the Rule 144A Global Note and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream and represented by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, as the case may be, for credit to the relevant accountholder on the first business day in Brussels or Luxembourg, as the case may be, following the settlement date.

Trading between Euroclear/Clearstream Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream accountholder holding a beneficial interest in the Regulation S Global Note to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note (subject to such certification procedures as are provided in the Applicable Indenture), the Euroclear or Clearstream accountholder must send to Euroclear or Clearstream delivery free of payment instructions by 7:45 pm, Brussels or Luxembourg time, one business day in Brussels or Luxembourg, as the case may be, prior to the settlement date. Euroclear or Clearstream, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream and the

Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream will (i) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (ii) instruct the Registrar to (a) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream and represented by the Regulation S Global Note and (b) increase the amount of Notes registered in the name of Cede and represented by the Rule 144A Global Note.

The information in this section regarding the procedures of Euroclear, Clearstream and DTC to facilitate the transfers of beneficial interests in the Notes among participants of DTC, and accountholders of Clearstream and Euroclear has been obtained from sources that the Issuer believes to be reliable but prospective investors are advised to make their own enquiries as to such procedures. None of Euroclear, Clearstream or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Registrar, any Agent, the Trustee or any Distributor or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above. None of the Trustee or the Agents will have any responsibility with respect to the accuracy of the records of DTC, Euroclear or Clearstream or of any nominees thereof or of their respective direct or indirect participants or accountholders.

Pre-Issue Trades Settlement

It is expected that delivery of the Notes will be made against payment therefor on or about a date which will occur more than three business days after the date of pricing of the Notes. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the U.S. secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes may initially settle on or about a date which will occur more than three business days after the date of pricing of the Notes, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

Description of Euroclear, Clearstream and DTC

The Issuer has obtained the information in this section concerning Euroclear, Clearstream and DTC and the book-entry system and procedures from sources that it believes to be reliable.

Euroclear

Euroclear was created in 1968 to hold securities for participants of Euroclear ("**Euroclear Participants**") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank, S.A./N.V. (the "**Euroclear Operator**") under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation (the "**Cooperative**"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly. Because the Euroclear Operator is a Belgian banking corporation, the Euroclear Operator is regulated and examined by the Belgian Banking Commission. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (the "**Euroclear Terms and Conditions**"). The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of

payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Euroclear Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants. Distributions with respect to interests in the Global Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Euroclear Terms and Conditions, to the extent received by or on behalf of Euroclear. Euroclear has further advised us that investors that acquire, hold and transfer interests in the Global Notes by book-entry through accounts with the Euroclear Operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the Global Notes.

Clearstream

Clearstream (formerly Cedelbank) is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations ("**Clearstream Participants**") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*). Clearstream Participants are financial institutions around the world, including other securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. In the United States, Clearstream Participants are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to others that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly. Distributions with respect to interests in a Global Note held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by or on behalf of Clearstream.

DTC

DTC is a limited-purpose trust company organised under the laws of the State of New York and a "banking organisation" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC Participants and facilitates the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants. DTC is owned by a number of DTC Participants and by NYSE Euronext and the Financial Industry Regulatory Authority, Inc. DTC Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organisations. Indirect access to DTC is also available to others, such as banks, brokers, dealers and trust companies, which clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly. The rules applicable to DTC and DTC Participants are on file with the U.S. Securities and Exchange Commission.

Transfers

A Note may be transferred in whole or in part in an Authorized Denomination upon the surrender of the relevant Note, together with an appropriate form of transfer duly completed and executed, at the specified offices of the Registrar or the Transfer Agent. In the case of a transfer of only a part of a Note, the principal amount of the Note transferred and the principal amount of the Note not transferred must each be an Authorized Denomination. Further, a new Note in respect of the balance not transferred will be issued to the transferor.

Each new Note to be issued upon a transfer of Notes will (in the place of the specified offices of the Registrar or the Transfer Agent, as the case may be) be available for delivery at the specified offices of the Registrar or the Transfer Agent, if so stipulated in the request for exchange or form of such transfer, or be mailed at the risk of the holder entitled to the Note to such address as may be specified in such request or form of transfer.

Registration of Notes upon exchange or transfer will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to such exchange or transfer (other than exchanges of Global Notes for Definitive Notes not involving transfer).

Beneficial interests in all Global Notes and the Definitive Notes will be subject to certain restrictions on transfer, and such Notes will bear the applicable restrictive legend, as described in "Transfer Restrictions" below and in the Applicable Supplement. In addition, transfer of beneficial interests in any Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, and, where applicable, the rules and procedures of Euroclear and Clearstream, which may change from time to time.

The Notes will be issued in minimum denominations and integral multiples as specified in the Applicable Supplement ("**Authorized Denominations**"); provided that such minimum denomination shall not be less than EUR 100,000 (or the equivalent in another currency converted as of the date of issuance of the Notes).

Title

Each Note will be numbered serially with an identifying number that will be recorded in the register (the "**Register**") which the Issuer will cause to be kept by the Registrar. Title to the Notes passes by registration of transfer in the Register. Subject as provided below, a "**Holder**" or "**holder**" means the person in whose name a Note is registered. The Holder will (except as otherwise required by law) be treated as the absolute owner of the relevant Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss), and none of the Issuer, the Trustee, the Agents, any other agent of the Issuer, the Trustee or any agent and any other person will be liable for so treating the Holder.

Status and Ranking

The Notes are direct, limited recourse obligations of the Issuer. The Issuer's obligations with respect to the Notes will be funded from the proceeds of the Charged Assets. To the extent set forth herein, the proceeds of the Charged Assets will be applied to Classes of Notes in Order of Seniority. Accordingly, the obligations of the Issuer with respect to any Class of Notes are subordinate in payment priority to the obligations of the Issuer with respect to more senior Classes of Notes.

The fees and claims of, amongst others, the Trustee and any agent or receiver shall have priority up to a specified amount over the claims of the Holders of a Series of Notes in respect of the Charged Assets and the net proceeds (if any) of any realization of the security for such Notes may be insufficient to pay amounts due to such Holders.

The obligations of the Issuer to pay any amounts due and payable in respect of the Notes and any Applicable Transaction Agreements shall be limited to the proceeds available at such time to make such payments in accordance with the Priority of Payments. Notwithstanding anything to the contrary in the Applicable Indenture or any Applicable Transaction Agreement, if the net proceeds of realization of the security constituted by the Applicable Indenture upon enforcement thereof are less than the aggregate amount payable in such circumstances by the Issuer in respect of the Notes and to the other Secured Parties (such negative amount being referred to herein as a "**shortfall**"), all of the obligations of the Issuer in respect of the Notes of such Series and its obligations to the other Secured Parties of such Series in such circumstances will be limited to such net proceeds which shall be applied in accordance with the Priority of Payments. In such circumstances the Issuer will not be obligated to pay, and the other assets (if any) of the Issuer will not be available for payment of, such shortfall which shall be suffered by the Secured Parties in accordance with the Priority of Payments (applied in reverse order), the rights of the Secured Parties to receive any further amounts in respect of such obligations shall be extinguished and shall not thereafter revive and none of the Holders or the other Secured Parties may take any further action to recover such amounts.

None of the Holders of any Series, nor the other Secured Parties (nor any other person acting on behalf of any of them) shall be entitled at any time, until the expiration of a period of two years plus one day (or, if longer, such other preference period under applicable law plus one day) after payment in full of the aggregate Principal Balance of, interest on and all other amounts (if any) payable in respect of the Notes of all Series (and not extinguished in accordance with Section 1.18 of the Applicable Indenture and the terms and conditions of the Notes), to institute against the Issuer, or join any other Person in instituting against the Issuer, any bankruptcy, examinership, reorganization, arrangement, receivership, insolvency or liquidation proceedings or similar proceedings under applicable law, relating to the Notes of any Series, the Applicable Indenture or otherwise owed to the Secured

Parties, save that the Trustee may prove or lodge a claim in the event of a liquidation or receivership or similar proceedings of the Issuer initiated by another person.

In addition, none of the Holders of any Series nor any of the other Secured Parties shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenant or agreement entered into or made by the Issuer pursuant to the terms of the Applicable Indenture or any other document relating to the Notes to which the Issuer is a party or any notice or documents which it is requested to deliver hereunder or thereunder.

Security

As security for its obligations under the Notes, the Applicable Indenture and any Applicable Transaction Agreements, the Issuer will pledge to the Trustee for the benefit of the Holders, each Transaction Counterparty, the Trustee and any other party or parties specified in the Applicable Supplement (together, the "**Secured Parties**") the Issuer's rights and interest in the Charged Assets relating to such Series. The proceeds of the Charged Assets will be applied in accordance with the Priority of Payments set out in "—Collections and Allocations of Collections—Allocations."

Guarantee

The Applicable Supplement may also provide that, in respect of a Series of Notes, a Morgan Stanley Affiliate will enter into a guarantee for the benefit of the Holders of the Notes of such Series pursuant to which such Morgan Stanley Affiliate will guarantee the Issuer's performance of its payment obligations under the Notes of such Series.

Restrictions

So long as any Notes remain outstanding, the Issuer has agreed pursuant to the Indenture that, inter alia, it will not: (i) sell, transfer, exchange, assign, lease, convey or otherwise dispose of any of its segregated assets, except as in accordance with the Applicable Indenture and the other Transaction Documents, (ii) open any office or branch or other permanent establishment outside of Ireland, (iii) incur any other indebtedness for borrowed money other than with respect to the issue of other Series of Notes and related transactions; (iv) engage in any business (other than the acquisition and holding of the Charged Assets with respect to each Series of Notes and the investment in any Underlying Securities and Reference Assets in accordance with the terms of the Applicable Indenture, the entry into the Applicable Indenture, any Applicable Transaction Agreements, the Corporate Services Agreement, the Disbursements Agreement, and certain other related agreements, the issue and redemption of the Notes collateralized by the Charged Assets, the exercise of all rights and powers incidental to the ownership of the Charged Assets, the performance of its obligations under the foregoing agreements and instruments and matters ancillary or relating thereto); (v) issue further shares; (vi) permit the transfer of shares to or for the benefit of U.S. persons; (vii) declare any dividends; (viii) have any subsidiaries; (ix) merge with or be acquired by any other entity or give any guarantee; or (x) assume any other liability, except for its reasonable expenses incurred in the ordinary course of its business; and that, inter alia, it will: (i) maintain its registered office and head office in Ireland and preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises as a private limited company incorporated under the laws of Ireland, and (ii) take actions as may be necessary or advisable to protect the Charged Assets.

Principal

Scheduled Maturity Date; Principal Payments

Unless previously redeemed as a result of an Indenture Event of Default or Early Redemption Event as described in the Applicable Supplement, no payments of the Principal Balance of any Series of the Notes ("**Principal Payments**") will be made until the scheduled maturity date of the Notes specified in the Applicable Supplement (the "**Scheduled Maturity Date**").

On the earliest of the Initial Principal Payment Date or, if applicable, the last day of the Holdover period (the "**Final Principal Payment Date**"), the aggregate Principal Balance of the Notes (after giving effect to the reduction of Principal Balance to be made in connection with Principal Reduction Amounts, if any, required to be made on such date), to the extent not reduced or redeemed on or before the Final Principal Payment Date, together with all accrued interest thereon and on any Principal Balance being reduced in connection with any Principal Reduction Amounts being made on such date, will be due and payable in full.

The Trustee, on behalf of the Issuer, will inform the Irish Listing Agent, so long as any Notes of a Series are listed on the Irish Stock Exchange, of the outstanding Principal Balance of the Notes of such Series following each Payment Date and if any Class of Notes rated by a Rating Agency does not receive scheduled payments of principal or interest on a Payment Date. The Trustee, on behalf of the Issuer, will inform the Irish Listing Agent, so long as any Class of Notes is listed on the Irish Stock Exchange, of the amount of any distributions on such Notes on each Payment Date. In addition, for so long as any of Notes of a Series are listed on the Irish Stock Exchange and such exchange so requires, notice of the Scheduled Maturity Date of any Class of Notes of such Series shall be made on the Irish Stock Exchange's website.

Initial Principal Payment Date

On the Maturity Date or such earlier date, if any, on which the Notes are first redeemed (whichever such date first occurs, the "**Initial Principal Payment Date**"), the Issuer will redeem Notes, in the Order of Seniority, with an aggregate Principal Balance equal to:

(i) the aggregate Principal Balance of the Notes (after giving effect to the reduction of Principal Balance to be made in connection with any Principal Reduction Amounts); *minus*

(ii) if Holdover is specified as applicable in the Applicable Supplement, the Holdover Amount, if any, specified in the Applicable Supplement.

Holdover

Repayment or reductions after the Initial Principal Payment Date of any Principal Balance outstanding will be made in accordance with the Applicable Supplement, if applicable.

Principal Balance

The funds available to the Issuer to make payments due on any particular Payment Date will be allocated in order of priority beginning with interest and principal payable on the senior-most outstanding Class of Notes until paid in full and then progressing to interest and principal payable on each next junior outstanding Class of Notes until paid in full (the "**Order of Seniority**").

The "**Initial Principal Balance**" of each Class of Notes will be the face amount of such Class of Notes as of the date of issuance for the relevant Series, as specified in the Applicable Supplement. As of any date of determination thereafter, the "**Principal Balance**" of any Class of Notes will be an amount determined as follows:

(i) the Initial Principal Balance of such Class of Notes; *minus*

(ii) the aggregate amount of reductions in connection with Principal Reduction Amounts applied to the Principal Balance of such Class of Notes on or before such date of determination, with each such reduction described in this clause (ii) being in an amount equal to the related Principal Reduction Amounts, taking effect on the relevant Principal Reduction Date and being applied to reduce the Principal Balance of each Class of Notes until such Principal Balance is reduced to zero in Inverse Order of Seniority; *plus*

(iii) the aggregate amount of Principal Reimbursement Amounts applied to the Principal Balance of such Class of Notes on or before such date of determination, with each such increase described in this clause (iii) being an amount equal to the related Principal Reimbursement Amounts, taking effect on the relevant Principal Reimbursement Date and being applied to increase the Principal Balance of each Class of Notes until the aggregate amount of Principal Reduction Amounts applied to the Principal Balance of such Class of Notes prior to such date of determination is reduced to zero in Order of Seniority; *minus*

(iv) the aggregate amount of Principal Payments (if any) made in respect of the Notes of such Class on or before such date.

Payments in respect of each Class of Notes will be applied *pro rata* among the Notes of such Class according to their respective Principal Balances.

"**Principal Reduction Amount**" has the meaning specified in the Applicable Supplement.

"**Principal Reduction Event**" has the meaning specified in the Applicable Supplement.

"**Cash Settlement Amount**" has the meaning specified in the Applicable Supplement.

"**Principal Reduction Date**" has the meaning specified in the Applicable Supplement.

"**Event Determination Date**" has the meaning specified in the Applicable Supplement.

"**Inverse Order of Seniority**" means, with respect to the Notes of any Series, the order of priority beginning with the most junior outstanding Class of Notes progressing to each next most senior outstanding Class of Notes.

Interest

Interest Rates

Unless otherwise specified in the Applicable Supplement, the interest on any Class of Notes bearing a floating interest rate ("**Floating Rate Notes**") will be based on LIBOR. Each Class of Floating Rate Notes will bear interest on its Principal Balance at a per annum floating rate (each, a "**Floating Rate**") equal to the sum of LIBOR for the relevant period *plus* the applicable margin specified in the Applicable Supplement (the "**Margin**"). Unless otherwise specified in the Applicable Supplement, the calculation of each such Floating Rate will be made in accordance with the procedures described below.

Unless otherwise specified in the Applicable Supplement, each Class of Notes with a fixed interest rate (the "**Fixed Rate Notes**") will bear interest on its Principal Balance at a per annum fixed rate (each, a "**Fixed Rate**" and, together with the Floating Rate, each, an "**Interest Rate**") specified in the Applicable Supplement.

Interest Payments

Interest shall accrue during each Interest Accrual Period on each Class of Notes and will be payable in arrears on each Interest Payment Date specified for such Class of Notes in the Applicable Supplement (each, an "**Interest Payment Date**").

Any interest accrued but unpaid on any Interest Payment Date shall, to the fullest extent permitted by applicable law, accrue interest from and including such Interest Payment Date to but excluding the succeeding Interest Payment Date at the Interest Rate applicable to each Class of Notes on such day.

With respect to each Interest Payment Date for any Global Note, interest payments in respect of such Note will be made to the Holders of record as of the close of business on the 12th Business Day immediately preceding such Interest Payment Date (a "**Global Note Record Date**"). With respect to each Interest Payment Date for any Definitive Note, interest payments in respect of such Note will be made to the Holders of record as of the close of business on the 15th Business Day immediately preceding such Interest Payment Date (a "**Definitive Note Record Date**"). As used herein, "**Record Date**" means a Global Note Record Date or a Definitive Note Record Date, as applicable.

As used herein, "**Principal Payment Date**" means the Initial Principal Payment Date or the Final Principal Payment Date, as applicable. "**Payment Date**" means a Principal Payment Date or an Interest Payment Date, or both, as the context may require. Unless otherwise specified in the Applicable Supplement, "**Business Day**" means any day, other than a Saturday or Sunday, that is a day on which commercial banks are generally open for business in New York, New York and the city in which the corporate trust office of the Trustee is located.

Each Note (or, in the case of the redemption of only part of a Note, that part of such Note) will cease to bear interest from the Initial Principal Payment Date occurring with respect to such Note (or the applicable redemption date) unless payment of the amount of principal due on such day is withheld or refused after, solely in the case of such Initial Principal Payment Date, due presentation of such Note. In such event, such Note (or portion thereof) will continue to bear interest (both before and after judgment) until the earlier of (i) 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 Holder and (ii) the day that is seven days after the Trustee or the Principal Paying Agent has notified Holders of receipt of all sums due in respect of all

the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Holder).

Determination of Floating Rate

Unless otherwise specified in the Applicable Supplement, the Floating Rate applicable from time to time to the Notes will be determined by the Agent Bank in accordance with the following provisions:

(i) On the second London Banking Day immediately preceding the first day of each Interest Accrual Period (each such day, an "**Interest Determination Date**"), the Agent Bank will determine "**LIBOR**" based on the offered rate for deposits in the currency in which the Notes are denominated (the "**Specified Currency**") for a period of the designated maturity specified in the Applicable Supplement (and, if no such period is designated, such period will be deemed equal to the Interest Accrual Period) (the "**Designated Maturity**"), commencing on the first day of such Interest Accrual Period (the "**Interest Reset Date**") that appears on the display page (the "**Display Page**") specified in the Applicable Supplement, for the purpose of displaying the London interbank offered rate of major banks for the Specified Currency, as of 11:00 a.m., London time, on such Interest Determination Date (or, in the case of the first Interest Determination Date, if the Interest Accrual Period is not a period for which a rate appears, the Agent Bank will determine such rate by interpolation (rounded to the nearest one hundred-thousandth of a percentage point) between the offered rates for deposits in the Specified Currency for periods that are shorter and longer than the Interest Accrual Period, in each case commencing on the Interest Reset Date, that appear on the Display Page as of 11:00 a.m., London time, on the first Interest Determination Date). Notwithstanding the foregoing, if no offered rate appears on the Display Page, LIBOR for such Interest Accrual Period will be determined as described in paragraph (ii) below.

(ii) With respect to an Interest Determination Date on which no offered rate appears on the Display Page, the Agent Bank will request the principal London office of each of four major banks in the London interbank market, selected by the Agent Bank (after consultation with the Issuer), to provide the Agent Bank with its offered quotation for deposits in the Specified Currency for a period equal to the relevant Interest Accrual Period (assuming no reduction in Principal Balance and no occurrence of a Principal Payment Date prior to the beginning of the next Interest Accrual Period), commencing on the second London Banking Day immediately following such Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount that is representative for a single transaction in the Specified Currency in such market at such time. If at least two such quotations are provided, LIBOR for the relevant Interest Accrual Period will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR for such Interest Accrual Period will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. in the City of New York on such Interest Determination Date by three major banks in the City of New York selected by the Agent Bank (after consultation with the Issuer) for loans in the Specified Currency to leading European banks, for a period equal to the relevant Interest Accrual Period (assuming no reduction in Principal Balance and no occurrence of a Principal Payment Date prior to the beginning of the next Interest Accrual Period), commencing on the second London Banking Day following such Interest Determination Date and in a principal amount that is representative for a single transaction in the Specified Currency in such market at such time; *provided*, *however*, that if any of the banks so selected by the Agent Bank is not quoting as mentioned in this sentence, the Floating Rate on each Class of Notes in effect for such Interest Accrual Period will be the rate of interest on such Class of Notes in effect on such Interest Determination Date.

(iii) The Floating Rate applicable to each Class of Notes for the Interest Accrual Period relating to an Interest Determination Date will be the sum of LIBOR as determined by the Agent Bank on such Interest Determination Date and the applicable Margin for such Class.

(iv) Subject to applicable law, there will be no maximum or minimum Floating Rate.

"**London Banking Day**" means any day on which dealings in the Specified Currency are transacted in the London interbank market.

Calculation of Interest

The Agent Bank will, as soon as practicable after 11:00 a.m., London time, on each Interest Determination Date, determine the Interest Rate applicable to each Class of Notes.

Unless provided otherwise in the Applicable Supplement, on each Interest Payment Date, the amount of interest due in respect of each Class of Notes will be equal to (i) the sum obtained by adding the products, determined with respect to each day in the related Interest Accrual Period (such number calculated in accordance with the applicable Day Count Fraction as specified in the Applicable Supplement), of (a) the applicable Interest Rate *divided* by 360 and (b) the Principal Balance of each Class of Notes on such day *minus* (ii) if one or more Principal Payment Dates have occurred with respect to the Notes of such Class during such Interest Accrual Period (other than on the first day of such Interest Accrual Period), the aggregate amount of interest paid in respect of the Notes of such Class on such Principal Payment Dates.

Any overdue interest on the Notes of any Class will, to the fullest extent permitted by applicable law, bear interest for each day until paid at the Interest Rate applicable to such Class of Notes on each such day.

The "**Interest Accrual Period**" with respect to any Class of Notes for any Payment Date shall be the period from and including the preceding Interest Payment Date (or, in the case of the first Payment Date, from and including the Initial Interest Accrual Period Start Date, which shall be the Issue Date, unless otherwise specified in the Applicable Supplement) to but excluding such Payment Date.

The determination by the Agent Bank or the Trustee (as the case may be) of the Interest Rate and the interest payable on any Interest Payment Date will (in the absence of manifest error) be final and binding upon all parties and the Holders.

Notification of Interest Rate and Interest Payments

The Agent Bank will notify in writing the Issuer, the Trustee, the Principal Paying Agent and DTC, Euroclear or Clearstream, as the case may be, of the Interest Rate and the projected amount of interest due on each Class of Notes for each Interest Accrual Period and the relevant Payment Date as soon as possible after their determination and verification (or redetermination, in the event of a reduction in the Principal Balance or the occurrence of a Principal Payment Date after such determination) but in no event later than the fourth Business Day thereafter. The amount of interest and Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a lengthening or shortening of the Interest Accrual Period. In addition, the amount of interest is subject to change if there is a reduction in Principal Balance or a Principal Payment Date on a date other than an Interest Payment Date. Following receipt of notice thereof, the Trustee will communicate the Interest Rate applicable to each Class of Notes listed on the Irish Stock Exchange to the Irish Listing Agent (if and for so long as any Class of Notes is listed on the Irish Stock Exchange).

Determination or Calculation by Trustee

If the Agent Bank fails to determine an Interest Rate at any time or for any reason or if the Agent Bank fails to calculate the amount of interest payable on any Class of Notes on a Payment Date in accordance with the terms of the Applicable Indenture at any time or for any reason, the Trustee will determine the applicable Interest Rate in accordance with the terms of the Applicable Indenture or, as the case may be, the Trustee will calculate or verify the amount of interest payable on a Payment Date in accordance with such procedures, and each such determination will be deemed to have been made by the Agent Bank, as the case may be. The determination by the Agent Bank or the Trustee (as the case may be) of an Interest Rate and calculation thereby of the amount of interest payable on a Payment Date will, in the absence of manifest error, be final and binding on all parties and the Holders. None of Morgan Stanley Capital Services LLC, in its capacity as the Calculation Agent or any other person that may be designated as Calculation Agent in the Applicable Supplement (the "**Calculation Agent**"), the Agent Bank and the Trustee will, in connection therewith, be under any duty towards any person other than the Issuer. In addition, for so long as any of the Notes are listed on the Irish Stock Exchange and such exchange so requires, the Issuer will publish a notice on the Irish Stock Exchange's website of the appointment, termination or change in the office of the Calculation Agent.

Agent Bank

The Issuer agrees that, so long as any of the Notes remain outstanding, there will at all times be an Agent Bank in relation to the Notes, the appointment of which may be terminated by the Issuer as described in "—Payments" below.

Redemptions

In connection with any redemption of the Notes of any Series, Holders may, by written notice to the Trustee, elect to receive Underlying Securities or Reference Assets with a face amount equal to the Principal Balance of their Notes (subject to any reductions to pay amounts ranking senior in the Priority of Payments), subject to the execution by such Holder of any documentation and the completion by the Holder of any formalities necessary to effect delivery of the Underlying Securities or the Reference Assets. Delivery of such Underlying Securities or Reference Assets to the Holders will be in lieu of any cash payment thereon.

Early Redemption

Unless otherwise provided in the Applicable Supplement, the Notes will be subject to early redemption by the Issuer following an Early Redemption Event (as described below) (an "**Early Redemption**"). The Notes may not be amortized or redeemed other than as provided herein or in the Applicable Supplement. The redemption price of the Notes of each Class will be equal to (i) the Principal Balance of the Notes of such Class *plus* (ii) accrued but unpaid interest to but excluding the redemption date and shall be paid on such redemption date subject to the Priority of Payments. Any such redemption date will occur on the Business Day after receipt by the Issuer of all proceeds of the Charged Assets.

Early Redemption Events

The occurrence of any of the following events will constitute an Early Redemption Event (an "**Early Redemption Event**"): (i) an Applicable Transaction Agreement Redemption Event, (ii) a Tax Redemption Event, (iii) an Underlying Securities Early Redemption, (iv) if the Applicable Transaction Agreement includes a Credit Confirmation under which physical settlement is designated, unless otherwise stated in the Applicable Supplement, a Credit Event Redemption Event or (v) any other early redemption event described in the Applicable Supplement.

An "**Applicable Transaction Agreement Redemption Event**" occurs when an Applicable Transaction Agreement is terminated (unless such termination occurs as a result of an Indenture Event of Default or any other Early Redemption Event) without replacement thereof (on or prior to such termination) that is satisfactory to and has the prior written approval of the Trustee, at the direction of the Transaction Counterparty, and that satisfies the Rating Condition.

A "**Tax Redemption Event**" occurs when:

(i) the Issuer on the occasion of the next payment due in respect of the Notes would be required to withhold or account for tax;

(ii) the Issuer would be unable to make payment of any amount due on the Notes because (a) the Issuer becomes subject to tax in respect of its income with respect to the Underlying Securities or Reference Assets or payments made to it under an Applicable Transaction Agreement, (b) the Issuer becomes subject to an obligation to deduct or withhold tax on payments made by it under an Applicable Transaction Agreement and to pay an additional amount under any such Applicable Transaction Agreement in respect thereof, or (c) the payments in respect of the Underlying Securities or Reference Assets or payments made to the Issuer under any such Applicable Transaction Agreement are made net of any tax; or

(iii) any exchange controls or other currency exchange or transfer restrictions or taxes are imposed on the Issuer or any payments to be made to or by the Issuer or for any reason the cost to the Issuer of complying with its obligations under or in connection with any Applicable Transaction Agreement would (in the sole opinion of the Issuer) be materially increased, the Issuer having used its reasonable efforts to procure the substitution of a company incorporated in another jurisdiction (in which jurisdiction the relevant tax, exchange control, or currency exchange or transfer restrictions does not apply) as the principal obligor in respect of the Notes, or the establishment of a branch

office in another jurisdiction (in which jurisdiction the relevant tax, exchange control, or currency exchange or transfer restrictions does not apply) (in each case subject to the satisfaction of certain conditions as more fully specified in the Applicable Indenture) from which it may continue to carry out its functions under the Applicable Transaction Agreement, and the Issuer, having used its reasonable efforts, is unable to arrange such substitution before the next payment is due in respect of the Notes.

Notwithstanding the foregoing, if any of the taxes referred to in clause (i) of the definition of Tax Redemption Event arises:

(a) owing to the connection of any Holder, or any third party having a beneficial interest in the Notes with the place of incorporation or tax jurisdiction of the Issuer otherwise than by reason only of the holding of any Note or receiving principal or interest in respect thereof;

(b) by reason of the failure by the relevant Holder to comply with any applicable procedures or reporting requirements required to establish non-residence or other claim for exemption from such tax;

(c) and such taxes would not have been imposed but for the failure of any representation or deemed representation of a Holder or beneficial owner to be true; or

(d) as a result of a failure by a Holder or beneficial owner of the Notes to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, amended, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

then, to the extent it is able to do so, the Issuer will deduct such taxes from the amounts payable to the relevant Holder and will not redeem the Notes but this will not affect the rights of the other Holders hereunder. Any such deduction will not constitute an Early Redemption Event or an Indenture Event of Default.

An "**Underlying Securities Early Redemption**" occurs when the Underlying Securities are redeemed pursuant to an early redemption prior to their scheduled maturity date, unless such Underlying Securities:

(i) amortize in accordance with their terms following the occurrence of an early amortization event in respect of the Underlying Securities pursuant to the terms thereof; or

(ii) are redeemed in full following the exercise by the issuer of the Underlying Securities of its option to redeem the Underlying Securities in full prior to their scheduled maturity date,

and, in the case of clause (i) or (ii) above, the holder of such Underlying Securities receives payment in full in respect of the principal amount of the Underlying Securities being amortized or redeemed, as applicable.

A "**Credit Event Redemption Event**" occurs when the Transaction Counterparty provides a Credit Event Notice pursuant to the related Credit Confirmation. Upon delivery of a Credit Event Notice, the Issuer's obligations to pay interest on the Notes shall cease from the previous Interest Payment Date and the Notes will be redeemed as described below.

Liquidation of Charged Assets Due to an Early Redemption Event

In case of an Early Redemption Event (other than a Credit Event Redemption Event), the Calculation Agent, on behalf of the Issuer, will attempt to obtain from five dealers in the Underlying Securities or Reference Assets and the Permitted Investments, if any, (each such dealer, which may or may not include an affiliate of the Dealer, a "**Reference Dealer**") a firm bid quotation in respect of the purchase of the Underlying Securities or the Permitted Investments from the Issuer. Upon receipt by the Calculation Agent of all quotations (to the extent provided) the Calculation Agent shall arrange for the sale by the custodian of the Underlying Securities or Reference Assets to the Reference Dealer which provided the highest quotation. Save as set out in the last paragraph of this section, the Trustee will apply the liquidation proceeds of the Underlying Securities or Reference Assets and the Permitted Investments, if any, and the termination payments or disposition proceeds paid to the Issuer under any Applicable Transaction Agreement in accordance with the Priority of Payments, but in each case without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such

action to, any Secured Party; *provided* that the Trustee will not be required to take any action that would involve the Trustee in any liability or expense unless previously indemnified and/or secured to its satisfaction in its sole discretion.

In the case of a Credit Event Redemption Event, the Issuer shall cause the Collateral Disposal Agent to sell the Underlying Securities and/or Permitted Investments and deliver to the Transaction Counterparty the notional amount of the related credit default swap plus any unpaid amounts and Swap Breakage Fees under the Applicable Transaction Agreement (the Applicable Transaction Agreement having been terminated). The Transaction Counterparty shall deliver to the Issuer (i) Deliverable Obligations and (ii) any unpaid amounts and Swap Breakage Fees under the Applicable Transaction Agreement. For the avoidance of doubt, if delivery of the amount described above by the Issuer to the Transaction Counterparty does not cover the Issuer's obligations to the Transaction Counterparty, including but not limited to any Swap Breakage Fees, or if the Issuer fails to deliver such amount to the Transaction Counterparty, the principal amount of the Deliverable Obligations delivered by the Transaction Counterparty to the Issuer will be adjusted to cover any outstanding obligation of the Issuer to the Transaction Counterparty.

If a Credit Event Redemption Event occurs, the Issuer or any designated agent thereof or third party may deliver to or to the order of each Holder (to the extent and in the manner permitted by applicable laws and regulations) to the relevant settlement accounts of such Holders one or more Deliverable Obligations as selected by the Calculation Agent (as defined herein) in a face amount (excluding accrued but unpaid interest) equivalent to the Principal Balance of the Notes (or, if less, a ratable portion of the Deliverable Obligations delivered by the Transaction Counterparty).

If any of the Deliverable Obligations are denominated in a currency other than U.S. dollars, the Calculation Agent will determine the amount of Deliverable Obligations to be delivered in accordance with customary market practice in relation to any foreign exchange rate.

If, at any time prior to delivery of the Deliverable Obligations, the Calculation Agent determines that, due to an event beyond the control of the Issuer, it is (i) impossible or illegal for the Issuer to accept delivery of Deliverable Obligations from any party, or for such party to effect delivery to the Issuer, of all or any of the Deliverable Obligations under any financial instrument providing for delivery of such Deliverable Obligations and entered into between the Issuer and such party (including, without limitation, failure of the relevant clearance system or due to any law, regulation or court order), or (ii) the Issuer otherwise is unable to acquire any of the Deliverable Obligations, and unless the Calculation Agent has subsequently determined that such impossibility, illegality or inability has ceased to apply, the Issuer may (in lieu of delivery thereof) pay to the Holders the market value of such Deliverable Obligations that are impossible or illegal to deliver (each as determined by the Calculation Agent in its sole discretion and in accordance with the applicable Credit Confirmation), all as determined by the Calculation Agent in good faith in accordance with the applicable Credit Confirmation no later than 90 Business Days after the Credit Event Notice Delivery Date in respect of the related Reference Entity. Such payment will be made on the second Business Day following the Calculation Agent's determination of such market value.

As used above, "**Deliverable Obligation**" means any deliverable obligation delivered by the Transaction Counterparty as permitted by the applicable Credit Confirmation.

On first becoming aware of the occurrence of any Early Redemption Event, the Issuer and the Transaction Counterparty will give notice thereof in writing to the Issuer or the Transaction Counterparty, as applicable, the Swap Calculation Agent, the Rating Agency, the Calculation Agent and the Trustee. If any Notes of a Series experiencing an Early Redemption Event are listed on the Irish Stock Exchange and such exchange so requires, the Transaction Counterparty will also deliver notice of such event to the Irish Listing Agent for publication on the website of the Irish Stock Exchange. Upon giving or, as the case may be, receiving such notice, the Applicable Swap Agreement will be terminated and the Swap Calculation Agent will calculate the Swap Breakage Fee. If a Swap Breakage Fee is payable by the Issuer, such amount will be paid and applied in accordance with the Priority of Payments. The Collateral Disposal Agent will, (after receiving notice of the Early Redemption Event), acting on behalf of the Issuer, and, subject to the relevant provisions of the Applicable Indenture, proceed to arrange for and administer the sale or redemption of the Underlying Securities or Reference Assets and Permitted Investments, if any, on behalf of the Issuer in accordance with the Applicable Indenture and upon receipt of the sale or redemption proceeds thereof and any Swap Breakage Fee payable to the Issuer by the Transaction Counterparty, the Issuer will give not more than 30 nor less than 15 days' notice (or such other number of days as may be agreed by the Trustee)

to the Secured Parties (which notice shall be irrevocable) of the date on which the liquidation proceeds will be applied.

Prior to giving any notice of redemption in respect of an Applicable Transaction Agreement Redemption Event, the Issuer will deliver to the Trustee a certificate signed by a director of the Issuer demonstrating that the conditions precedent to the obligations of the Issuer so to redeem have occurred and, in the case of a redemption of Notes in respect of clause (i) or part (a) or part (b) of clause (ii) of the definition of Tax Redemption Event, an opinion of legal advisers of recognized standing to the Issuer in the relevant jurisdiction to the effect that the Issuer has or will become obliged to withhold, account for or subject to such tax. The Trustee may rely on the aforementioned certificate and/or opinion without further inquiry.

Notwithstanding the foregoing, by written notice to the Trustee, any Holder may elect to take physical delivery of Underlying Securities or the Reference Assets in lieu of payment of the Principal Balance of the Notes held by such Holder, subject to the execution by such Holder of any documentation necessary to effect delivery of the Underlying Securities or Reference Assets. In such circumstances, the Trustee will cause the Collateral Disposal Agent to liquidate the Charged Assets to the extent sufficient to cover any amounts that rank in priority to payments due to the Holders and deliver to such Holder, in consultation with the Calculation Agent, Underlying Securities or Reference Assets having a face amount equal to the Principal Balance of the Notes held by such Holder, less the *pro rata* amount of such prior-ranking payments. The Trustee will cause the Collateral Disposal Agent to liquidate any remaining Charged Assets and distribute the proceeds of such liquidation to all Holders that have not elected to take physical delivery of the Underlying Securities or Reference Assets.

Optional Early Redemption of Notes held by Morgan Stanley Affiliates

In the case of any Notes ("**MS Notes**") held by a Morgan Stanley Affiliate which were acquired by it in a market-making or riskless principal transaction, such Morgan Stanley Affiliate may at any time deliver a notice requiring the Issuer to redeem (such redemption an "**MS Note Redemption**") such MS Notes on the date specified in such notice (the "**MS Note Redemption Date**") by, at the option of such Morgan Stanley Affiliate, either:

(i) (A) delivery by the Issuer to or to the account of such Morgan Stanley Affiliate of the Relevant Portion of the Underlying Securities or Reference Assets and (B) either (i) with respect to Applicable Transaction Agreements consisting of Applicable Swap Agreements, termination of the Relevant Portion of the relevant Transactions under such Applicable Swap Agreements, without termination payments being made by either party or (ii) with respect to Applicable Transaction Agreements not consisting of Applicable Swap Agreements, disposition of the Relevant Portion of such Applicable Transaction Agreements; or

(ii) (A) liquidation by the Issuer of the Relevant Portion of the Underlying Securities or Reference Assets, (B) either (i) with respect to Applicable Transaction Agreements consisting of Applicable Swap Agreements, termination of the Relevant Portion of the relevant Transactions under such Applicable Swap Agreements, with corresponding termination payments being calculated in accordance with the Applicable Swap Agreement or (ii) with respect to Applicable Transaction Agreements not consisting of Applicable Swap Agreements, disposition of the Relevant Portion of such Applicable Transaction Agreements and (C) payment to or from the account of such Morgan Stanley Affiliate of an amount equal to (I) the proceeds of such liquidation of the Underlying Securities or Reference Assets plus (II) any termination payment paid to the Issuer with respect to termination of the Relevant Portion of any Applicable Swap Agreement less (III) any termination payment paid by the Issuer with respect to termination of the Relevant Portion of any Applicable Swap Agreement less (IV) an amount equal to all claims which rank in priority to the claims of the Holders (and a pro rata amount will be payable in respect of each Note),

provided that in each case the following conditions are satisfied:

(A) if the MS Notes are Equity Notes, the Issuer has received advice (copied to the Trustee) from tax counsel that the redemption of the MS Notes will not cause any Class of Debt Notes to cease to be indebtedness for U.S. federal income tax purposes; and

(B) if a Principal Reduction Event in respect of which either (x) the related Principal Reduction Amount has not been paid and could result in a reduction in the Principal Balance of the Class of

Notes of which the MS Notes form part or (y) the Transaction Counterparty has not waived the right to deliver a Credit Event Notice, the Issuer will not redeem the MS Notes in whole on the MS Note Redemption Date but instead will defer to the first Business Day following the Principal Reduction Date for such Credit Event (the "**Deferred MS Note Redemption Date**") the redemption of a portion of the MS Notes on a *pro rata* basis in an outstanding Principal Balance equal to the maximum amount by which the Principal Balance of the MS Notes could be reduced as a result of such Credit Event. On the Deferred MS Note Redemption Date, the Issuer will redeem each outstanding MS Note at the Principal Balance of such Note as of the Deferred MS Note Redemption Date (with accrued but unpaid interest to but excluding the Deferred MS Note Redemption Date) in the manner set out in sub-paragraph (i) or (ii) above.

Following any MS Note Redemption, the terms of any Applicable Transaction Agreement will be amended to take into account such redemption.

For this purpose, "**Relevant Portion**" means, in relation to the notional amount of any Applicable Transaction Agreement or the aggregate principal amount of the Underlying Securities or Reference Assets, a share thereof corresponding to the proportion which the Principal Balance of the Notes to be redeemed bears to all of the Notes of such Series (including the Notes to be redeemed).

The consent of the Holders and the Transaction Counterparty and Rating Confirmation shall not be required with respect to any MS Note Redemption, provided that the Transaction Counterparty shall give prior written notice of such MS Note Redemption to the Rating Agencies.

Sale of Underlying Securities or Reference Assets to Morgan Stanley Affiliates

In arranging for the sale of any of the Underlying Securities or Reference Assets as described herein, the Collateral Disposal Agent, acting on behalf of the Issuer, may arrange for the sale of all or part thereof to itself or any other Morgan Stanley Affiliate (including, without limitation, the Transaction Counterparty). The Transaction Counterparty, in such capacity, or any Morgan Stanley Affiliate will not at any time be required to purchase any Underlying Securities or Reference Assets from the Issuer upon liquidation thereof. Notwithstanding the foregoing, the Underlying Securities or Reference Assets may only be sold to a Morgan Stanley Affiliate if (i) such Morgan Stanley Affiliate is the highest bidder and (ii) bids were also received in respect of the Underlying Securities or Reference Assets from at least two dealers that are not Morgan Stanley Affiliates.

Investment in Substitute Underlying Securities

Unless provided otherwise in the Applicable Supplement, if (i) the Underlying Securities initially purchased by the Issuer and identified as such in the Applicable Supplement (the "**Initial Underlying Securities**") amortize prior to their scheduled maturity date in accordance with their terms or (ii) are redeemed in full following the exercise by the issuer of the Initial Underlying Securities of its option to redeem the Initial Underlying Securities in full prior to the scheduled maturity date of the Initial Underlying Securities and, in either case, the holder of such Initial Underlying Securities receives payment in full in respect of the principal amount of the Initial Underlying Securities being amortized or redeemed, as applicable, then the Calculation Agent, acting on behalf of the Issuer, may, at any time after such Initial Underlying Securities are amortized, invest the proceeds thereof in replacement Underlying Securities (the "**Substitute Underlying Securities**"), *provided* that (i) any such Substitute Underlying Securities satisfy the criteria set forth in the Applicable Supplement and (ii) a security interest in such Substitute Underlying Securities is granted to the Secured Parties simultaneously with the acquisition thereof. Upon investment in the Substitute Underlying Securities, the relevant payment due to the Transaction Counterparty from the Issuer under any applicable interest rate confirmation will be adjusted to reflect the interest rate or distribution rate in respect of such Substitute Underlying Securities.

For the avoidance of doubt, if (i) an early amortization event occurs in respect of the Initial Underlying Securities pursuant to the terms thereof or (ii) the issuer of the Initial Underlying Securities exercises its option to redeem the Initial Underlying Securities in full prior to the scheduled maturity date of the Initial Underlying Securities, but, in any such case, (A) the holders thereof do not receive payment in full of an amount equal to the amount of principal to be amortized or redeemed in respect of such Initial Underlying Securities or (B) such Initial Underlying Securities fall due to be redeemed or amortized for a reason other than the occurrence of an early amortization event in respect of the Initial Underlying Securities pursuant to the terms thereof or the exercise by any Initial Underlying Securities

issuer of its option to redeem the Initial Underlying Securities in full prior the Initial Underlying Securities Maturity Date, then (x) the Calculation Agent or the Collateral Disposal Agent, as applicable, will not be entitled to reinvest the proceeds of any such redemption in Substitute Underlying Securities and (y) an Underlying Securities Early Redemption will be deemed to occur.

Purchases

The Issuer will not be permitted to purchase any Notes at any time.

Cancellation

All Notes redeemed by the Issuer will be cancelled and may not be reissued or resold.

Payments

Payments of interest and, if applicable, principal on each Note will be made to the person in whose name such Note is registered on the related Record Date or, in the case of a Principal Payment Date, on such Principal Payment Date. So long as DTC or its nominee, or Euroclear, Clearstream, or their common depositary or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, or Euroclear, Clearstream, or their common depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Applicable Indenture and the Notes. Payments of principal and interest on the Global Notes will be made to DTC or its nominee, or Euroclear, Clearstream, their common depositary or its nominee, as the registered owner or holder thereof. Payments of principal and interest on the Global Notes will be made by wire transfer in immediately available funds to an account maintained by DTC or its nominee, or Euroclear, Clearstream, or their common depositary or its nominee, and identified in writing to the Registrar and Principal Paying Agent no later than 15 Business Days before the initial Payment Date (or, if changed, no later than 15 Business Days before any subsequent Payment Date) or, if a wire transfer cannot be effected, by a check delivered to DTC or its nominee, or Euroclear, Clearstream, or their common depositary or its nominee, at its address specified as of the Record Date in the Register, which address may be changed by written notice to the Registrar and Principal Paying Agent no later than 15 Business Days before the relevant Payment Date.

Payments of principal and interest on any Definitive Notes will be made by wire transfer in immediately available funds to an account identified in writing no later than 15 Business Days before the initial Payment Date (or, if changed, no later than 15 Business Days before any subsequent Payment Date) by each registered owner of such Definitive Notes to the Registrar and Principal Paying Agent or, if a wire transfer cannot be effected, by a check mailed by the Principal Paying Agent on such Payment Date to each such registered owner at the address identified by each such registered owner in writing no later than 15 Business Days before the relevant Payment Date to the Registrar and Principal Paying Agent.

None of the Issuer, the Trustee and any Agent will have any responsibility or liability for any aspects of the records maintained by DTC, its nominee, Euroclear, Clearstream, or their common depositary or its nominee, or any of their accountholders relating to or for payments made thereby on account of beneficial interests in any Global Note or for maintaining, supervising or reviewing records relating to such beneficial interests.

The Issuer expects that DTC or its nominee, or Euroclear, Clearstream, or their common depositary or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note held by DTC or its nominee, or Euroclear, Clearstream, or their common depositary or its nominee, will immediately credit DTC Participants' or Euroclear or Clearstream accountholders' (as the case may be) accounts with payments in amounts proportionate to their respective beneficial interests in such Global Note as shown on the records of DTC or its nominee, or Euroclear, Clearstream, or their common depositary or its nominee. The Issuer also expects that payments by DTC Participants, including Euroclear and Clearstream or their respective depositaries, or Euroclear or Clearstream accountholders, as the case may be, to owners of beneficial interests in such Global Note held through such DTC Participants or Euroclear or Clearstream accountholders (as the case may be) will be governed by standing instructions and customary practices, as is now the case with respect to securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants or Euroclear or Clearstream accountholders, as the case may be. In addition, no beneficial owner of an interest will receive payments, except in accordance with DTC's, Euroclear's or Clearstream's applicable rules and operating procedures (as the case may be and in addition to those under the Applicable Indenture referred to herein).

BNYM will act as Principal Paying Agent, Registrar, Agent Bank and Transfer Agent. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of BNYM or any of its successors in any of BNYM's respective capacities, subject to the conditions set forth in the Applicable Indenture. Any such termination and any related appointment of a successor in any of such capacities will only take effect (other than in the case of insolvency, when it will be of immediate effect) after not more than 45 and not less than 30 days' notice thereof will have been given to the Holders and a replacement principal paying agent, paying agent, transfer agent, agent bank or registrar (as the case may be) has been appointed.

Collections and Allocations of Collections

Collections

All payments received by the Issuer from the Charged Assets including the proceeds of the liquidation thereof (together, the "**Collections**") will at all times be applied by the Trustee on a Payment Date in accordance with the Priority of Payments specified in "—Allocations" below.

All Collections will be deposited into an account located in the United States established with the Trustee (the "**Collection Account**") operated by the Trustee through its London Branch.

Calculations made on or as of a specified day will, unless the context requires otherwise, be made on or as of the close of business on such day or, if such day is not a Business Day, on or as of the close of business on the last Business Day prior to such day.

Allocations

Unless otherwise specified in the Applicable Supplement, on each Payment Date, or date on which the proceeds of the Charged Assets are distributed by the Trustee, the Collections in the Collection Account will be allocated and applied by the Trustee in the following amounts and in the following order of priority (the "**Priority of Payments**"):

(i) *first*, to the payment of (1) first, Administrative Expenses and (2) second, Administrative Indemnities, in an amount not to exceed $100,000 on any such Payment Date;

(ii) *second*, on a *pari passu* and *pro rata* basis, to each Transaction Counterparty, an amount equal to all amounts due and payable by the Issuer to each such Transaction Counterparty on or prior to such Payment Date pursuant to the provisions of each Applicable Transaction Agreement (including any Swap Breakage Fees);

(iii) *third*, to each Class of Holders, in Order of Seniority, an amount equal to:

  (a) the amount of interest due and payable in respect of such Class of Notes on such Payment Date; and

  (b) the amount of any overdue interest in respect of such Class of Notes on such Payment Date; and

  (c) if such date is a Principal Payment Date, the Principal Balance of such Class of Notes due and payable on such Principal Payment Date;

(iv) *fourth*, to the payment of any Administrative Expenses and Administrative Indemnities not covered in clause (i) above without limitation and in the same order; and

(v) *finally*, in respect of the Final Principal Payment Date only, all remaining amounts held by the Trustee in the Collection Account as of such Final Principal Payment Date to the Holders of the Notes outstanding with a Principal Balance greater than zero immediately prior to the application of clause (iii) above, and if there remained more than one Class of Notes outstanding with a Principal Balance greater than zero prior to such application, then to the most junior Class of such outstanding Notes; provided, however, that if any Class of Notes (other than the junior-most Class of Notes originally issued) would receive a distribution under this clause (vi) in excess of the accrued and unpaid interest and outstanding Principal Balance of such Class of Notes (determined

without regard to reductions of principal in connection with Cash Settlement Amounts), such excess amount shall instead be distributed to the Class of Notes immediately junior thereto.

Notwithstanding anything above to the contrary, Holders of Notes may be required to receive Deliverable Obligations, or may elect to receive Underlying Securities, in lieu of cash distributions to the extent and in the circumstances described under "Description of the Notes—Redemptions."

"**Administrative Expenses**" means, with respect to a given Series of Notes, amounts due or accrued with respect to any Payment Date (which shall be payable in the following order) to:

(i) any Person not listed in subclause (ii) through (iv) below in respect of any governmental fee, including all taxes and filing, registration and annual return fees payable by the Issuer;

(ii) the Trustee, its fees pursuant to the Applicable Indenture;

(iii) the Trustee, its expenses pursuant to the Applicable Indenture;

(iv) pro rata, the Principal Paying Agent, the Transfer Agent, the Agent Bank and the Registrar, their fees pursuant to the Applicable Indenture; and

(v) pro rata:

(a) the Collateral Disposal Agent under the Collateral Disposal Agreement;

(b) the independent accountants, auditors, agents and counsel of the Issuer for fees, including retainers, and expenses;

(c) each Rating Agency for fees and expenses (if any) incurred by the Issuer in connection with ratings of such Notes, on-going surveillance of such ratings and the provision of credit estimates; and

(d) any other Person in respect of any other reasonable fees or expenses of the Issuer not prohibited under the Applicable Indenture (including, without limitation, any monies owed to the Corporate Services Provider under the Corporate Services Agreement and registered office fees and any fees to be paid to the Irish Stock Exchange) and any reports and documents delivered pursuant to or in connection with the Applicable Indenture and such Notes.

For the avoidance of doubt, Administrative Expenses shall not include any item included in the definition of "Administrative Indemnities".

"**Administrative Indemnities**" means, with respect to a given Series of Notes, amounts due or accrued with respect to any Payment Date (which shall be payable in the following order) to (i) the Trustee, in respect of any indemnification payments (including expenses relating to indemnification obligations) due and payable to it pursuant to the Applicable Indenture and (ii) any other person, including any Agent, in respect of any indemnification payments (including expenses relating to indemnification obligations) due and payable to it to the extent specifically permitted under the Applicable Indenture or Applicable Transaction Agreement. For the avoidance of doubt, fees and expenses of counsel with respect to indemnification obligations shall be Administrative Indemnities.

Indenture Events of Default

Unless otherwise specified in the Applicable Supplement, each of the following events constitutes an "**Indenture Event of Default**" with respect to a Series of Notes:

(i) the Issuer defaults in the payment of any interest or principal on any Note when such interest or principal becomes due and payable and such default continues for a period of five days after written notice of such default is given to the Issuer and the Transaction Counterparty by the Trustee or Principal Paying Agent;

(ii) the Issuer fails to perform or observe any of its other obligations under the Notes or the Applicable Indenture and such failure continues for a period of 30 days following the delivery by the Trustee to the Issuer of written notice (which notice may be delayed as permitted under the Applicable Indenture) requiring the same to be remedied;

(iii) (a) the entry of a decree or order by a court with competent jurisdiction adjudging the Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer under any applicable law, or appointing a receiver, liquidator, examiner, assignee, or sequestrator (or other similar official) of the Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 15 consecutive days; or (b) the institution by the Issuer of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to the institution of bankruptcy or similar insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, examiner, assignee, trustee or sequestrator (or other similar official) of the Issuer or of any substantial part of its property, respectively, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of any action by the Issuer in furtherance of any such action;

(iv) the Issuer is required to register or is registered as an "investment company" under the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**"); or

(v) an Underlying Securities Default or Reference Assets Default.

Unless otherwise specified in the Applicable Supplement, an "**Underlying Securities Default**" shall mean one of the following events: (i) the acceleration of the outstanding Underlying Securities under the terms of the Underlying Securities; (ii) the failure of the issuer of the Underlying Securities to pay an installment of principal of, or any amount of interest due on (to the extent that interest is not permitted to be deferred under the terms of the Underlying Securities), the related Underlying Securities after the due date thereof specified in the Applicable Supplement and after the expiration of any applicable grace period, or (iii) the occurrence of any event of default under such Underlying Securities caused by the insolvency or bankruptcy of the issuer of the Underlying Securities. An Underlying Securities Default shall be deemed to have occurred for all purposes notwithstanding the rescission or annulment of such declaration of acceleration under such Underlying Securities or the subsequent payment (after such applicable grace period) of such overdue principal or interest. The Applicable Supplement will set forth any additional events of default under the Underlying Securities, if any, that will trigger an Underlying Securities Default with respect thereto.

Unless otherwise specified in the Applicable Supplement, a "**Reference Assets Default**" shall mean one of the following events: (i) the acceleration of the outstanding Reference Assets under the terms of the Reference Assets; (ii) the failure of the issuer of the Reference Assets to pay an installment of principal of, or any amount of interest due on (to the extent that interest is not permitted to be deferred under the terms of the Reference Assets), the related Reference Assets after the due date thereof specified in the Applicable Supplement and after the expiration of any applicable grace period, or (iii) the occurrence of any event of default under such Reference Assets caused by the insolvency or bankruptcy of the issuer of the Reference Assets. A Reference Assets Default shall be deemed to have occurred for all purposes notwithstanding the rescission or annulment of such declaration of acceleration under such Reference Assets or the subsequent payment (after such applicable grace period) of such overdue principal or interest. The Applicable Supplement will set forth any additional events of default under the Reference Assets, if any, that will trigger a Reference Assets Default with respect thereto.

In the case of any event described above, the Notes will be accelerated only if, after the expiration of any applicable grace period and while such event is continuing, the Trustee, if so directed in writing by the Holders of at least a majority of the Principal Balance of each Class of Notes entitled to vote and the Transaction Counterparty (unless the Indenture Event of Default arose due to the actions of, or failure to act by, the Transaction Counterparty), declares the Notes to be due and payable.

Upon the occurrence of an Indenture Event of Default, the Trustee will provide the Holders with notice of such Indenture Event of Default.

In the event of acceleration, the Notes will be redeemed in the manner described in "—Principal" above. Upon such acceleration, the Trustee will, unless otherwise provided in the Applicable Supplement, (i) liquidate the Charged Assets and pay the proceeds in accordance with the Priority of Payments or (ii) subject to receipt by the Trustee of a written request by any Holder and to the execution by such Holder of any documentation necessary to effect delivery of the Underlying Securities or Reference Assets, liquidate the Charged Assets to the extent sufficient to cover any amounts that rank in priority, in accordance with the Priority of Payments (which, following an Event of Default, will include all Administrative Expenses and Administrative Indemnities without regard to the cap set forth in the Priority of Payments), to payments due to the Holders and deliver to such Holder, in consultation with the Calculation Agent, Underlying Securities or Reference Assets having a face amount equal to the Principal Balance of the Notes held by such Holder, less the *pro rata* amount of such prior-ranking payments. In the circumstances set out in sub-clause (ii) above, the Trustee will liquidate any remaining Charged Assets and distribute the proceeds of such liquidation to all Holders that have not elected to take physical delivery of the Underlying Securities or Reference Assets.

Subject to the prior rights of the Transaction Counterparty, the Trustee will be entitled to protect and enforce the rights of the Holders in respect of the Charged Assets. Prior to the acceleration of the Notes as a result of the occurrence of any Indenture Event of Default, the Transaction Counterparty will be permitted (but not required) to use commercially reasonable efforts to remedy an Indenture Event of Default.

At any time after an acceleration of the Notes and before a judgment or decree for payment of the money due has been obtained by the Trustee and *provided* that all Indenture Events of Default have been cured or waived in accordance with the terms of the Applicable Indenture, the Holders of at least a majority of the Principal Balance of each Class of Notes entitled to vote and the Transaction Counterparty (unless such acceleration arose due to the actions of, or failure to act by, the Transaction Counterparty) may, by written notice to the Issuer and Trustee, rescind and annul such acceleration and its consequences if the Issuer has paid or deposited with the Trustee (or provided for the payment or deposit with the Trustee of) an amount sufficient to pay all overdue interest in respect of the Notes and the Principal Balance of and interest on any Notes which have become due otherwise than by reason of such acceleration.

Each Applicable Indenture applies separately to each Series. As a result, an Indenture Event of Default under one Series in and of itself does not constitute an Indenture Event of Default under another Series.

The Indenture Events of Default may be varied or amended in respect of any Series of Notes as set out in the Applicable Supplement.

Permitted Investments

The Trustee, at the direction of the Issuer (such direction to be made in consultation with the Calculation Agent), will invest any funds held in the Collection Account, not otherwise applied in accordance with the Priority of Payments, in Permitted Investments until such time as such funds are required for payment under the Applicable Transaction Agreements or Applicable Indenture. All income received from time to time on such Permitted Investments by the Issuer will be reinvested by the Trustee in additional Permitted Investments, as directed by the Issuer. On the Final Principal Payment Date, the Trustee will sell all Permitted Investments and will apply the proceeds thereof in accordance with the Priority of Payments. In no event will the Trustee be liable to the Issuer, the Holders or to any other party as a result of the prices at which it sells Permitted Investments or as a result of an inability to sell such Permitted Investments as a result of market conditions.

"**Permitted Investments**" means any of the following investments selected by the Issuer in its sole and absolute discretion (provided that, in the case of clauses (i) and (ii) below, at the time of purchase of the relevant asset, payments in respect thereof are not subject to any deduction or withholding on account of tax by virtue of such asset being held by or on behalf of the Issuer):

(i) any U.S. dollar-denominated senior debt securities of the United States of America issued by the U.S. Treasury Department and backed by the full faith and credit of the United States of America with a maturity that falls no later than the next following Interest Payment Date in respect of the Notes; and/or

(ii) any U.S. dollar denominated investment that is an offshore money market fund or liquidity fund or similar investment vehicle that principally invests in short term fixed income obligations, including, without limitation, any investment vehicle for which the Calculation Agent or the Trustee, or an affiliate of any of them, provides services, provided that (a) such fund has a Moody's money market fund rating of at least "Aaa/MR1+" and an S&P rating of at least "AAAm" and a Fitch rating of at least "AAA/V1+", (b) such fund distributes interest or dividends on such investment on a regular basis and at least quarterly, (c) the Issuer will not invest in any one such money market fund or liquidity fund an amount exceeding, in the aggregate, 10% of the share capital of such fund unless the Rating Condition is satisfied prior to investment in such funds and (d) the maturity date of such fund falls no later than the next following Interest Payment Date in respect of the Notes; and/or

(iii) U.S. dollars placed on deposit; and/or

(iv) any repurchase or similar arrangements that satisfies the Rating Condition, if applicable; and/or

(v) any other investment approved by each of (x) the Rating Agencies, if applicable, (y) the Transaction Counterparty (which approval shall not be unreasonably withheld) and (z) the Holders of at least a majority of the aggregate Principal Balance of each Class of Notes of the related Series;

provided, that, each such investment shall be a "qualifying asset" for the purpose of Section 110 of the Taxes Consolidation Act 1997 of Ireland (as determined by the Calculation Agent).

For the avoidance of doubt, in the case of clause (iii) above, the approval of the Holders or the Rating Agencies, if any, will not be required.

Enforcement

At any time after the occurrence and during the continuance of an Indenture Event of Default or after acceleration of a Series of the Notes, the Trustee will, subject to it having been indemnified to its satisfaction in its sole discretion by the Secured Parties requesting action by the Trustee from and against all proceedings, claims and demands to which it may be or become liable and all fees, costs, charges and expenses which it may incur, and in any case may, at its discretion, to the extent permitted by applicable law, take steps to protect and enforce the rights of the Secured Parties in respect of the Charged Assets in accordance with the Applicable Indenture.

Only the Trustee may pursue the remedies available under applicable law or under the Applicable Indenture and the Notes to enforce the rights of the Holders, and no Secured Party will be entitled to proceed directly against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Applicable Indenture, fails or neglects to do so within a reasonable period and such failure or neglect is continuing. Following the application of the net proceeds of the Charged Assets in accordance with the Applicable Indenture, neither the Trustee nor any Holder may take any further steps against the Issuer to recover any sum still unpaid and the Issuer's liability for any sum still unpaid with respect to the relevant Series will be extinguished. In particular, none of the Trustee nor any Holder will be entitled to petition or take any other step for the winding-up of the Issuer; *provided* that the Trustee may prove or lodge a claim in the event of a liquidation of the Issuer initiated by another person.

Holders of one Series of Notes will not have any recourse to any assets other than the Charged Assets of that Series.

Prescription

Claims in respect of principal and interest for any Series will be prescribed unless made within a period of six years of the Applicable Date. Any moneys held by the Trustee in trust for the payment of any amount due with respect to any Note that remain unclaimed for two years after such amount has become due and payable to such Holder will be discharged from such trust and paid to the Issuer, and thereafter such Holder will be able to claim such moneys only from the Issuer and shall look only to the relevant Charged Assets of the Issuer for payment thereof.

As used herein, "**Applicable Date**" means the date on which such payment first becomes due, but if the full amount of the moneys payable has not been received by the Trustee on or prior to such due date, it means the date on which,

the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with the procedures described below.

Agents

In acting under the Applicable Indenture, the Paying Agents, the Registrar, the Transfer Agent and the Agent Bank will act solely as agents of the Issuer (each, an "**Agent**") and will not assume any obligation or relationship of agency or trust to or with the Holders, unless an Indenture Event of Default has occurred, when the Principal Paying Agent, the Registrar, the Transfer Agent and the Agent Bank will (if the Trustee so directs) act as agents of the Trustee.

Replacement of Notes

If any Note at any time becomes mutilated, defaced, destroyed, stolen or lost, it may be replaced at the cost of the applicant at the specified office of the Registrar (or at such other office of the Registrar as the Issuer may from time to time notify the Holders in accordance with the procedures described in "—Notices"), upon payment by the applicant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security and indemnity as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

Notices

Notices to Holders will be mailed or faxed to them at their respective addresses or fax numbers specified in the Register. Any such notice will be deemed to have been given on the day of such mailing or faxing. In addition, for so long as any of the Notes are listed on the Irish Stock Exchange, any notices to the Holders of Notes of a Series listed on the Irish Stock Exchange will also be submitted to the Irish Listing Agent for publication by the Companies Announcement Office on the website of the Irish Stock Exchange.

On or prior to each Interest Payment Date, as applicable, the Trustee (with respect to items (ii) and (iii) below, based solely upon information provided by, as applicable, the Transaction Counterparty, the Calculation Agent and/or the Swap Calculation Agent) will prepare a servicing report (the "**Servicing Report**") setting forth the following information or such other information set forth in the Applicable Supplement: (i) the Principal Balance for the calculation period preceding such Interest Payment Date and the Interest Rate for such period; (ii) a copy of each notice or report provided under each Applicable Transaction Agreement (including, in the case of each Applicable Swap Agreement, any Credit Event Notice or Notice of Publicly Available Information) since the last such report (or, in the case of the first such report, since the date of issuance of the relevant Notes); and (iii) the amount of the Principal Reduction Amount, if any, determined by the Calculation Agent on or prior to such Interest Payment Date. The Trustee will deliver or make available a copy of the Servicing Report to (i) the Irish Listing Agent for publication on the Irish Stock Exchange's website and (ii) the Holders, promptly after each Interest Payment Date, but in no event later than the fifth Business Day following such Interest Payment Date.

The Trustee (based solely upon information provided by the Transaction Counterparty, the Calculation Agent and/or the Swap Calculation Agent) will, on or prior to each Interest Payment Date (each such date, a "**Portfolio Report Delivery Date**"), compile a report (the "**Portfolio Report**"), setting forth information determined as of three Business Days preceding the Portfolio Report Delivery Date (each such date, a "**Portfolio Report Determination Date**"). The Trustee on behalf of the Issuer shall deliver such Portfolio Report promptly after each Interest Payment Date, but in no event later than the fifth Business Day following such Interest Payment Date, to each Rating Agency, each Holder, the Transaction Counterparty and the Irish Listing Agent for publication on the Irish Stock Exchange's website. The Portfolio Report will contain the following information as of the applicable Portfolio Report Determination Date: (i) a list of all the Reference Entities and Reference Obligations (in the case of Reference Entities, grouped into the applicable reference transaction portfolio); (ii) the total loss amount and loss amount following the occurrence of a Credit Event in connection with each reference transaction portfolio, indicating any change in such total loss amount or loss amount since the last Portfolio Report (or, in the case of the first Portfolio Report, since the date of issuance of the relevant Notes); (iii) if applicable, the Cash Settlement Amounts in connection with each reference transaction portfolio, indicating any change in such Cash Settlement Amounts since the last Portfolio Report (or, in the case of the first Portfolio Report, since the date of issuance of the relevant Notes); and (iv) the senior unsecured debt rating for each Reference Entity and the rating of each Reference Obligation, indicating any change in such rating since the last Portfolio Report (or, in the case of the first Portfolio

Report, since the date of issuance of the relevant Notes). The Trustee will have no obligation to verify any information provided to it by the Transaction Counterparty, the Calculation Agent and/or the Swap Calculation Agent.

Additional Series; Modification of the Applicable Indenture and the Notes

Additional Series

The Issuer may issue multiple Series of Notes and, subject to the Applicable Supplement, each Series will be secured by different Charged Assets.

Modification without Consent

Without notice to or the consent of the Holders or any Transaction Counterparty, the Issuer and the Trustee (having given notice to the Rating Agencies) may execute a supplemental indenture for the purpose of: (i) adding to the covenants of the Issuer in the Applicable Indenture or the Notes or surrendering any rights of the Issuer in the Applicable Indenture, *provided* that any such addition of covenants or surrender of rights or powers shall not have an adverse effect on the rights and interests of any Class of Notes; (ii) curing any ambiguity in the Applicable Indenture or the Notes that does not materially adversely affect the rights and interests of any of the Holders or the Transaction Counterparty; (iii) evidencing and providing for the acceptance of appointment by a successor entity to the Issuer or a successor entity to any of the Trustee, the Registrar, the Agent Bank, the Transfer Agent or the Paying Agents; (iv) correcting, modifying or supplementing any provision of the Applicable Indenture or the Notes which may be inconsistent with any other provision of the Applicable Indenture or in any of the Notes, and that does not materially adversely affect the rights and interests of any of the Holders or the Transaction Counterparty; (v) pledging any property to the Trustee or correcting or amplifying the description of, or better assuring, conveying or confirming unto the Trustee, any property pledged under the Applicable Indenture; (vi) making any change in the Applicable Indenture or the Notes requested by a Rating Agency, following the downgrade of the senior, unsecured short-term debt obligations of the Transaction Counterparty; (vii) making any change in the Applicable Indenture or the Notes that does not adversely affect the rights and interests of the Holders or the Transaction Counterparty; (viii) to make any change required by the stock exchange on which any Class of Notes is listed, if any, in order to permit or maintain such listing; (ix) facilitating that acquisition by the Issuer of or entry by the Issuer into any Underlying Security or Permitted Investment; or (x) to create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Notes of the same series, *provided* that any change described in clauses (i), (iii) (with respect a successor entity to the Issuer only), (vi) or (vii) of this paragraph will be subject to satisfaction of the Rating Condition.

The Issuer may, without the consent of the Holders, change its place of residence for taxation purposes; *provided* (i) that the Issuer does all such things as may be required in order that such change in the place of residence of the Issuer for taxation purposes is fully effective, (ii) the Issuer receives an opinion of counsel (with a copy to the Trustee) that such change will not have an adverse effect on the rights and interests of any Class of Notes or the Transaction Counterparty and (iii) the Issuer sends written notice to the Holders and the Rating Agencies of such change in the place of residence.

Modification with Consent

Except as set forth below: (i) with the consent of (a) the Holders of at least a majority of the aggregate Principal Balance of each Class of Notes affected by such supplemental indenture and entitled to vote and (b) the Transaction Counterparty; and (ii) having given notice to the Rating Agencies, the Trustee and the Issuer may execute a supplemental indenture to add provisions to, or change in any manner or eliminate any provisions of, the Applicable Indenture or modify in any manner the rights of the holders of the Notes of each such Class or the rights of the Transaction Counterparty. Without both (i) the consent of each Holder of a Note of the relevant Series and the Transaction Counterparty and (ii) satisfaction of the Rating Condition, however, no supplemental indenture may: (a) change the Scheduled Maturity Date or any Payment Date, or reduce the Principal Balance of any Note or the amount of interest payable thereon or change the coin or currency in which any Note or interest thereon is payable; (b) change the Inverse Order of Seniority for reduction of Principal Balance or change the Priority of Payments for the application of Collections; (c) impair the right to institute suit for the enforcement of any such payment on or after the date any such payment becomes due and payable; (d) reduce the percentage of Principal Balance, whether

of a Class or Classes, the consent of the Holders of which is required for the execution of any such amendment or supplement to the Applicable Indenture, or the consent of the Holders of which is required for any waiver of compliance with provisions of the Applicable Indenture or for any waiver of Indenture Events of Default under the Applicable Indenture and their consequences provided for in the Applicable Indenture; (e) change any obligation to redeem Notes or change any redemption price or dates; (f) modify or alter the provisions of the Applicable Indenture regarding the voting of Notes held by the Transaction Counterparty or any affiliate of the Transaction Counterparty; (g) permit the creation of any lien ranking prior to or on a parity with the lien of the Trustee for the benefit of, *inter alios*, the Holders under the Applicable Indenture with respect to any part of the Charged Assets, or except as otherwise permitted thereunder, terminate the lien under the Applicable Indenture on any property at any time subject thereto or deprive a Holder of the security afforded by such liens; or (h) modify certain provisions of the Applicable Indenture relating to amendments, control or limitation on suits by Holders.

In determining whether the Holders of the requisite percentage of the Principal Balance of the Notes of any Class have given any request, demand, authorization, direction, notice, consent or waiver requested or required to be obtained from the holders of Notes, the Notes owned by the Transaction Counterparty or any affiliate of the Transaction Counterparty will be disregarded and will not be entitled to vote in respect thereof; *provided* that if the Transaction Counterparty or an affiliate of the Transaction Counterparty holds all of the Notes of a Class or Classes, such Notes will not be so disregarded, and will be entitled to vote in respect of any matter that affects only such Class or Classes.

In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to, those in relation to any proposed modification, waiver, authorization, substitution or exchange as aforesaid) the Trustee will not have regard to the consequences of such exercise for individual Holders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee will not be entitled to require, nor will any Holder of a Note be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders.

The Trustee will, for so long as any of the Notes of a given Series are listed on the Irish Stock Exchange, notify the Irish Listing Agent who will forward such notice to the Irish Stock Exchange of any material modifications to the Applicable Indenture affecting such Series.

"**Rating Agencies**" means those rating agencies, if any, specified in the Applicable Supplement.

"**Rating Condition**" means, (i) if a Series is not rated, is not applicable, and there is no requirement to satisfy any Rating Condition and (ii) if a Series is rated, with respect to any action subject to such condition, that the Rating Agencies have notified the Issuer and the Trustee that such action will not result in a reduction or withdrawal of the then current rating of any outstanding Class of Notes rated by such Rating Agencies.

Modification of the Applicable Transaction Agreements and the Corporate Services Agreement

Subject to the provisions of the Applicable Indenture, the Trustee will not approve or consent to or otherwise agree to any amendment or supplement to, or other modification of, the Applicable Transaction Agreements, the Corporate Services Agreement or any other agreement (other than (i) corrective or clarifying amendments, (ii) amendments to facilitate the acquisition by the Issuer or the entry by the Issuer into, any Underlying Securities, Reference Assets or Permitted Investments, (iii) in the case of the Corporate Services Agreement only, amendments which, as evidenced by a certificate of an officer or a duly authorized attorney of the Issuer and an Opinion of Counsel, do not have a materially adverse effect on the rights and interests of the Holders entitled to vote, (iv) in the case of any Applicable Transaction Agreement as to which a Transaction Counterparty Guarantee exists, a transfer by the Applicable Transaction Counterparty of its rights and obligations to a Morgan Stanley Affiliate; *provided* that a guarantee similar to the Transaction Counterparty Guarantee is issued in respect of the obligations of such Morgan Stanley Affiliate, (v) in the case of any Applicable Transaction Agreement that includes an ISDA Credit Support Annex or ISDA Credit Support Deed, any amendments to such ISDA Credit Support Annex or ISDA Credit Support Deed, (vi) making any change to any such document necessary to maintain the then-current rating of the Notes following the downgrade of the senior, unsecured short-term debt obligations of the Transaction Counterparty, *provided* that following such change the Rating Condition is satisfied, or (vii) amendments to any Applicable Transaction Agreements, Corporate Services Agreement or any other agreement to facilitate the Issuer's compliance with Sections 1471 through 1474 of the Code, including permitting or requiring the Issuer to enter into an agreement

described in Section 1471(b) of the Code, requiring Holders to provide certain information and waivers of non-U.S. law to the Issuer, and/or requiring the Issuer to withhold on payments to certain Holders pursuant to Section 1471(b)(1)(D) of the Code; *provided* that in each case of (i) through (vii) the Rating Condition is satisfied), without the consent of the Transaction Counterparty and the consent of the Holders of at least a majority of the Principal Balance of each Class of Notes materially adversely affected by such amendment, supplement or modification; *provided*, that in the event of any amendment, supplement or modification that does not materially adversely affect all Tranches in a Class, only the materially adversely affected Tranches may vote with respect to such amendment, supplement or modification and such materially adversely affected Tranches shall be deemed as a single "Class" for purposes of determining whether the requisite consent has been obtained hereunder; *provided, further*, that in the event that the Holders of at least a majority of the Principal Balance of each such Class of Notes have not provided or denied such consent within ten (10) Business Days from the day such Holders have been notified of such proposed amendment, supplement or other modification of any Applicable Transaction Agreement, Corporate Services Agreement, or any other agreement, the consent of such Holders shall be deemed given; *provided, further*, that the Trustee shall receive an Opinion of Counsel and an Officers' Certificate stating that all conditions precedent, if any, provided for in the Applicable Indenture relating to the proposed action have been complied with. The Trustee shall notify the Holders of such action in accordance with the Applicable Indenture. Notwithstanding anything to the contrary in the Applicable Indenture, the Trustee shall not be required to enter into any modification, amendment or supplement that adversely affects its rights or duties under the Indenture. For the purpose of this paragraph, (i) "**Opinion of Counsel**" means a written opinion addressed and delivered to the Trustee (which may be among other addressees) by legal counsel who may, except as otherwise expressly provided in the Applicable Indenture, be counsel for the Issuer or its affiliates who shall be satisfactory to the Trustee and (ii) "**Officers' Certificate**" means a certificate signed by any director or attorney of the Issuer and delivered to the Trustee.

Taxation

Payments under the Notes will be made without deduction or withholding for or on account of any present or future tax, duty, assessment or governmental charge imposed upon or as a result of such payments ("**Taxes**"), unless required by law or pursuant to an agreement with any governmental authority. Unless provided otherwise in the Applicable Supplement, to the extent any such Taxes are so levied or imposed, the Issuer will deduct or withhold amounts sufficient to cover such Taxes and will not pay any additional amounts to a Holder of the Notes in respect of such Taxes.

Governing Law

The Notes, the Applicable Indenture (including the grant by the Issuer of the security interest in the Charged Assets and the enforcement by the Trustee of such security interest (except to the extent that the perfection of the Issuer's or the Trustee's interest in the Charged Assets, or remedies under the Applicable Indenture in respect thereof, may be governed by the laws of a jurisdiction other than the State of New York, in which case the laws of such jurisdiction will apply to such extent)) and, unless provided otherwise in the Applicable Supplement, the Applicable Transaction Agreements, will be governed by and will be construed in accordance with the law of the State of New York. The Corporate Services Agreement will be governed by, and will be construed in accordance with, the laws of Ireland. The Issuer will submit to the non-exclusive jurisdiction of the New York courts for all purposes in connection with the Notes, the Applicable Indenture, the Applicable Transaction Agreements and will appoint Morgan Stanley & Co. LLC to accept service of process on its behalf. It is expected that each Transaction Counterparty will submit to the non-exclusive jurisdiction of the New York courts for all purposes in connection with the related Applicable Transaction Agreement.

THE CHARGED ASSETS

General

The Charged Assets of the Issuer in respect of any Series of Notes will, unless otherwise specified in the Applicable Supplement, consist of: (i) the Reference Assets and/or the Underlying Securities; (ii) the Issuer's rights under any Applicable Transaction Agreements described in the Applicable Supplement (including any Transaction Counterparty Guarantee) and the other agreements entered into in connection with such Series of Notes; (iii) any Permitted Investments purchased by the Issuer; (iv) the related Collection Account and the related accounts to which the Underlying Securities, Reference Assets and any Permitted Investments are credited; (v) certain property incidental thereto; and (v) the proceeds of the foregoing (collectively, the "**Charged Assets**").

The Charged Assets will be available solely to meet the obligations of the Issuer to the Holders of a Series of Notes and all other obligations of the Issuer attributable to that Series of Notes. If the amounts received from the Charged Assets (whether or not any security interest granted in respect thereof has been enforced) are insufficient to make payment of all amounts due in respect of the Notes of the relevant Series and all other obligations attributable to that Series of Notes (after meeting the payments that are due from the Issuer and that rank in priority in accordance with the Priority of Payments), no other assets of the Issuer will be available to meet that deficiency and all further claims of the Holders in respect of such Notes will be extinguished.

Reference Assets

Reference Assets

As specified in the Applicable Supplement, the Reference Assets constituting a portion of the Charged Assets with respect to an issuance of a Series of Notes (the "**Reference Assets**") may consist of all or a portion of one or more issuances, series or classes of debt obligations of one or more issuers (the "**Reference Asset Issuer(s)**") identified in the Applicable Supplement, provided always that the Reference Assets will be "qualifying assets" for the purpose of Section 110 of the Taxes Consolidation Act 1997 of Ireland. As may be more particularly described in the Applicable Supplement, such debt obligations may have been purchased by MS&Co (or an affiliate thereof) in the secondary market or directly from the issuer of such Reference Assets.

Limited Information on Reference Assets

Any information concerning any Reference Assets or any Reference Assets Issuer that is set forth in the Applicable Supplement will, unless otherwise specified, be based upon publicly available sources, will not have been independently checked or verified by the Issuer, the Distributor, any Transaction Counterparty, the Trustee or anyone else, and will not purport to be complete or to include information which will be material to a prospective investor in the Notes of the related Series. Prospective investors in the Notes of such Series are urged to undertake their own investigation as to the creditworthiness of any Reference Assets Issuer as well as the terms of, and the risks associated with, the Reference Assets.

Voting of Reference Assets; Modification of Reference Assets Indenture

In the event that the Trustee receives a request from the applicable trustee of the Reference Assets or any Reference Assets Issuer for its consent to any amendment, modification or waiver under the indenture relating to the Reference Assets (the "**Reference Assets Indenture**") or other document relating to the Reference Assets, or receives any other solicitation for any action with respect to the Reference Assets, the Trustee shall request instructions from the Holders as to whether or not to consent to or vote to accept such amendment, modification, waiver or solicitation and shall vote in accordance with the instructions of the Holders of at least a majority of the aggregate Principal Balance of each Class of Notes affected thereby. In the absence of any such instruction, the Trustee will be under no obligation to take any action in respect of such Reference Assets. The Trustee will also notify the Transaction Counterparty and the Rating Agency of its receipt of such a request from the relevant trustee or solicitation for action with respect to the Reference Assets.

Exchange offers on Reference Assets

In the event that an offer is made by any Reference Assets Issuer to issue new obligations in exchange and substitution for any of the related Reference Assets, the Trustee will not accept any such offer. The Trustee will also notify the Rating Agencies.

Event of Default on Reference Assets

In the event that an event of default occurs and is continuing with respect to any Reference Assets, the Trustee will notify each Holder of the Notes and any applicable Rating Agency of such occurrence as promptly as practicable (and in any event within five Business Days after a Responsible Officer of the Trustee has received written notice of such default).

"**Responsible Officer**" means, with respect to the Trustee, means any officer assigned to the Corporate Trust Administration Unit (or any successor division or unit) of the Trustee located at the Corporate Trust Office of the Trustee, who shall have direct responsibility for the administration of the Applicable Indenture, and which in certain other limited circumstances, as specified in the Applicable Indenture, shall include any other officer of the Trustee to whom any corporate trust matter is referred because of such officer's knowledge of and familiarity with the particular subject.

Prepayment of Initial Reference Assets

The Trustee will be required to notify the Rating Agencies of any prepayment of the initial Reference Assets.

Underlying Securities

Underlying Securities

As specified in the Applicable Supplement, the Underlying Securities constituting a portion of the Charged Assets with respect to an issuance of a Series of Notes (the "**Underlying Securities**") may consist of all or a portion of one or more issuances, series or classes of debt obligations of a single issuer (the "**Underlying Securities Issuer**") identified in the Applicable Supplement, provided always that the Underlying Securities will be "qualifying assets" for the purpose of Section 110 of the Taxes Consolidation Act 1997 of Ireland. As may be more particularly described in the Applicable Supplement, such debt obligations may have been purchased by MS&Co (or an affiliate thereof) in the secondary market or directly from the issuer of such Underlying Securities.

Limited Information on Underlying Securities

Any information concerning any Underlying Securities or any Underlying Securities Issuer that is set forth in the Applicable Supplement will, unless otherwise specified, be based upon publicly available sources, will not have been independently checked or verified by the Distributor, any Transaction Counterparty, the Trustee or anyone else, and will not purport to be complete or to include information which will be material to a prospective investor in the Notes of the related Series. Prospective investors in the Notes of such Series are urged to undertake their own investigation as to the creditworthiness of any Underlying Securities Issuer as well as the terms of, and the risks associated with, the Underlying Securities.

Voting of Underlying Securities; Modification of Underlying Securities Indenture

In the event that the Trustee receives a request from the applicable trustee of the Underlying Securities or any Underlying Securities Issuer for its consent to any amendment, modification or waiver under the indenture relating to the Underlying Securities (the "**Underlying Securities Indenture**") or other document relating to the Underlying Securities, or receives any other solicitation for any action with respect to the Underlying Securities, the Trustee shall request instructions from the Holders as to whether or not to consent to or vote to accept such amendment, modification, waiver or solicitation and shall vote in accordance with the instructions of the majority of the Holders. In the absence of any such instruction, the Trustee will be under no obligation to take any action in respect of such Underlying Securities. The Trustee will also notify the Transaction Counterparty and the Rating Agency of its receipt of such a request from the relevant trustee or solicitation for action with respect to the Underlying Securities.

Exchange offers on Underlying Securities

In the event that an offer is made by any Underlying Securities Issuer to issue new obligations in exchange and substitution for any of the related Underlying Securities, the Trustee will not accept any such offer. The Trustee will also notify the Rating Agencies.

Event of Default on Underlying Securities

In the event that an event of default occurs and is continuing with respect to any Underlying Securities, the Trustee will notify each Holder of the Notes and any applicable Rating Agency of such occurrence as promptly as practicable (and in any event within five Business Days after the a Responsible Officer of the Trustee has received written notice of such default).

Prepayment of Initial Underlying Securities

The Trustee will be required to notify the Rating Agencies of any prepayment of the Initial Underlying Securities.

Applicable Transaction Agreements

The Applicable Supplement may provide that the Issuer, in respect of a Series of Notes, will enter into a related agreement with the applicable Transaction Counterparty (the "**Applicable Transaction Agreement**"), pursuant to which the Issuer will obtain exposure to one or more Reference Assets and/or Reference Entities. It is expected that such Applicable Transaction Agreements will consist of one or more of the following: (i) an Applicable Swap Agreement (consisting of the Master Agreement and one or more confirmations evidencing one or more Transactions, which are expected to include (a) Credit Confirmations, (b) Total Return Confirmations and/or (c) other type of derivative transactions, in each case as described in the Applicable Supplement); (ii) a Participation Agreement; and/or (iii) such other agreement(s) or transaction(s) as may be specified in the Applicable Supplement.

The obligations of the Issuer to each Transaction Counterparty will be secured by a security interest in the Charged Assets granted by the Issuer in favor of the Secured Parties pursuant to the Applicable Indenture. Each Transaction Counterparty will be a secured party under the Applicable Indenture.

An Applicable Transaction Agreement may provide for periodic exchanges of payment amounts or, in certain cases, a single exchange or series of exchanges upon the maturity or prospective maturities of the related Underlying Securities or Reference Assets, or both. In the case of an Applicable Transaction Agreement consisting of a Participation Agreement, the Issuer will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the Transaction Counterparty selling the participation interest in the related loan, and only upon receipt by such Transaction Counterparty of such payments from the borrower under such loan. The Applicable Supplement will set forth the specific terms of each Applicable Transaction Agreement, including the timing and method of calculation of payments under such Applicable Transaction Agreement.

The terms of each Applicable Transaction Agreement are fundamental to an informed investment decision with respect to the Notes and must be considered carefully.

Applicable Swap Agreements

The Applicable Supplement may provide that the Issuer, in respect of a Series of Notes, will enter into a related swap agreement with the applicable Transaction Counterparty (the "**Applicable Swap Agreement**"). The Applicable Supplement may describe certain provisions of the Applicable Swap Agreement that differ from the description thereof contained in this Registration Document, and such differences may be material. In addition, to the extent not set forth in this Registration Document, the specific terms of such Applicable Swap Agreement, particularly the method of calculation of payments by the Transaction Counterparty thereunder and the timing of such payments, will be set forth in the Applicable Supplement.

The following summaries of provisions of the Applicable Swap Agreement are not and do not purport to be complete and are subject to the detailed provisions of the form of Applicable Swap Agreement. Copies of the form of Applicable Swap Agreement (including the Transaction Counterparty Guarantee) will be available for inspection

at the registered office of the Issuer and at the corporate trust office or agency of the Trustee, at the addresses and in the matter set forth in the Applicable Supplement.

General

As further described in the Applicable Supplement, for any Series of Notes, the derivatives transaction or transactions that the Issuer may enter into under the Applicable Swap Agreement may be one or more of the following: (i) a rate swap transaction, credit default swap, total rate of return swap, basis swap, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions); (ii) any combination of these transactions; or (iii) any other transaction identified in such Applicable Swap Agreement or the relevant confirmation and described in such Applicable Supplement, provided always that it will be a "qualifying asset" for the purposes of Section 110 of the Taxes Consolidation Act 1997 of Ireland. Such transactions may be documented in the form of either or both of the Standard Terms Supplement for a Credit Derivative Transaction on Mortgage-Backed Security with Pay-As-You-Go or Physical Settlement (Form I) (Dealer Form) and Form of Confirmation (published on April 5, 2007) and the Credit Derivative Transaction on Collateralized Debt Obligation with Pay-As-You-Go or Physical Settlement (Dealer Form) (published on June 6, 2007), or any successor forms thereto, as specified in the Applicable Supplement.

Unless otherwise indicated in the Applicable Supplement, the Applicable Swap Agreement will be in the form of the 2002 ISDA Master Agreement (Multicurrency—Cross Border), including the schedule thereto (the "**Master Agreement**"), published by the International Swaps and Derivatives Association, Inc. ("**ISDA**") and will incorporate the 2000 ISDA Definitions (as published by ISDA, the "**ISDA Definitions**"), except as modified to reflect the terms of the related Notes, the Applicable Indenture and the derivatives transaction or transactions provided for in such Applicable Swap Agreement. Except as expressly set forth therein, the Applicable Swap Agreement will be governed in all relevant prospects by the provisions set forth in the Master Agreement and the ISDA Definitions, without regard to any amendments or modifications to the Master Agreement or the ISDA Definitions published by ISDA subsequent to the date of such Applicable Swap Agreement.

Payments under Applicable Swap Agreements

In general, under the Applicable Swap Agreement, the Issuer and the Transaction Counterparty will each agree to exchange certain payments on each payment date (each, a "**Swap Payment Date**") under such Applicable Swap Agreement. All payments to be made by the Issuer will be made by the Trustee in accordance with the provisions of the Applicable Indenture. The amounts to be exchanged by the parties on a Swap Payment Date may both be floating amounts, calculated with reference to one or more interest rate bases or other types of bases, in each case as set forth in the Applicable Supplement, or one such amount may be floating and the other fixed. In addition, such amounts will also be calculated with reference to the notional principal amount of the derivatives transaction or transactions under such Applicable Swap Agreement. Under no circumstances will the Issuer or the Transaction Counterparty be required to gross up any payment on account of any applicable tax.

Modification and Amendment of Applicable Swap Agreements

Unless otherwise specified in the Applicable Supplement, the Applicable Indenture will provide that the Trustee will not approve or consent or otherwise agree to any amendment or supplement to or other modification of the Applicable Swap Agreement (save for certain exceptions, including (i) corrective or clarifying amendments and (ii) any change to any document requested by a Rating Agency (if any), following the downgrade of the debt obligations of the Transaction Counterparty, *provided* that following such change the Rating Condition is satisfied), without the consent of the Holders of at least a majority of the Principal Balance of each Class of Notes entitled to vote and the consent of the Transaction Counterparty.

Conditions Precedent

Unless otherwise specified in the Applicable Supplement, the respective obligations of the Transaction Counterparty and the Issuer to pay any amount due under the related Applicable Swap Agreement will be subject to the following conditions precedent: (i) no Swap Event of Default (as defined below under "—Defaults Under Applicable Swap Agreement") (or event that with the giving of notice or lapse of time or both would become a Swap Event of Default) shall have occurred and be continuing; (ii) no Early Termination Date (as defined below under "—Early

Termination of Applicable Swap Agreements") has occurred or has been effectively designated; and (iii) any other condition precedent specified in the Applicable Supplement.

Defaults Under Applicable Swap Agreements

Unless otherwise noted in the Applicable Supplement, "Events of Default" under the Applicable Swap Agreement (each, a "**Swap Event of Default**") are limited to: (i) the failure of the Issuer to pay any amount when due after giving effect to the applicable grace period, if any; (ii) the failure of the Transaction Counterparty or the Transaction Counterparty Guarantor to pay any amount when due under such Applicable Swap Agreement after giving effect to the applicable grace period, if any; (iii) the occurrence of certain events of insolvency or bankruptcy of the Issuer, the Transaction Counterparty or the Transaction Counterparty Guarantor and (iv) certain other standard events of default under the Master Agreement, including "Credit Support Default" (with respect to the Transaction Counterparty) and "Merger without Assumption" (with respect to the Transaction Counterparty), as described in Sections 5(a)(iii) and 5(viii) of the Master Agreement. The following events of default are not Swap Events of Default under the Applicable Swap Agreement: "Breach of Agreement", "Misrepresentation", "Default Under Specified Transaction", and "Cross Default" as described in Sections 5(a)(ii), 5(a)(iv), 5(a)(v), and 5(a)(vi), respectively, of the Master Agreement.

Swap Termination Events

Unless otherwise specified in the Applicable Supplement, "Termination Events" under the Applicable Swap Agreement (each, a "**Swap Termination Event**") consist of the following: (i) the adoption of any change in any applicable law, or the change in the interpretation of any law by any court or governmental authority, which causes it to become unlawful for (A) the Issuer or the Transaction Counterparty or both, as applicable (the "**Affected Party**" or "**Affected Parties**"), to perform any obligation to make or receive a payment pursuant to the Applicable Swap Agreement or (B) the Transaction Counterparty Guarantor to perform its obligations under the Transaction Counterparty Guarantee; (ii) actions taken by a taxing authority or brought by a court of competent jurisdiction or a change in tax law, with the result that one of the parties to such Applicable Swap Agreement (an "**Affected Party**") will probably be required to (A) pay an additional amount to the other party as a result of the imposition of certain withholding taxes or (B) receive a payment from which an amount is deducted or withheld on account of the imposition of such withholding tax, in each case under the Applicable Swap Agreement (a "**Tax Event**"); (iii) a "Tax Event Upon Merger" as such term is more particularly described in Section 5(b)(iii) of the Master Agreement; (iv) "Credit Event Upon Merger" as described in 5(b)(iv) of the Master Agreement with respect to the Transaction Counterparty; and (v) any Additional Termination Events specified in the Applicable Swap Agreement.

Unless otherwise specified in the Applicable Supplement, "Additional Termination Events" under the related Applicable Swap Agreement consist of the following: (i) if an Indenture Event of Default in respect of the Notes occurs and the Trustee gives the relevant notice to the Issuer; (ii) if the Notes are redeemed in whole prior to the Scheduled Maturity Date (otherwise than as a result of an Indenture Event of Default) or the outstanding principal balance of such Notes becomes zero; or (iii) if any Applicable Indenture is supplemented, amended or modified or any provision of the same is waived, in each case, without prior written consent of the Transaction Counterparty, and which supplement, modification or waiver, is in the reasonable judgment of the Transaction Counterparty materially adverse to the interests of the Transaction Counterparty.

Early Termination of Applicable Swap Agreements

Unless otherwise specified in the Applicable Supplement, upon the occurrence of a Swap Termination Event (which, by the terms of the Master Agreement, includes Additional Termination Events and Events of Default), the date on which the Swap Agreement will terminate (also, an "**Early Termination Date**") must be designated by one of the parties, as specified in each case in the Applicable Swap Agreement, and will occur only upon notice and, in certain cases, after any Affected Party has (or Affected Parties have, if applicable) used reasonable efforts to transfer their rights and obligations under the Applicable Swap Agreement to a related entity within a limited time period after notice has been given of the Swap Termination Event, all as set forth in the Applicable Swap Agreement.

In the event that the Trustee becomes aware that a Swap Termination Event occurs with respect to which the Transaction Counterparty is the Affected Party, the Trustee will under the terms of the Applicable Indenture, designate a Swap Termination Event. If a Swap Termination Event occurs and, when applicable, an Early

Termination Date is designated, the Applicable Swap Agreement will terminate and Swap Breakage Fees may be payable by the Issuer to the Transaction Counterparty or by the Transaction Counterparty to the Issuer.

Prior to the complete discharge of the Applicable Indenture, if the Issuer is liable for a Swap Breakage Fee, such payments will be paid according to the Priority of Payments set forth in the Applicable Indenture. If the Issuer retains Underlying Securities following the complete discharge of the Applicable Indenture and the Issuer is liable for a Swap Breakage Fee, such Underlying Securities may be sold by the Trustee in order to fund such payments. See "—Swap Breakage Fees."

If provided for in the Applicable Supplement, under certain circumstances the Transaction Counterparty may have the option to terminate the Applicable Swap Agreement prior to its final termination date, in which event it may be required to call the Underlying Securities at a price set forth in the Applicable Supplement. If and as provided in the Applicable Supplement, Swap Breakage Fees under the Applicable Swap Agreement may be payable by the Issuer or the Transaction Counterparty.

In addition, if provided for in the Applicable Supplement, under certain circumstances the Transaction Counterparty may have the option to terminate the Applicable Swap Agreement prior to its final termination date, in which event it may be required to put the Underlying Securities at a price set forth in the Applicable Supplement, subject to the consent of a majority of the Holders of the Notes. If and as provided in the Applicable Supplement, proceeds from the Underlying Securities will be invested in Permitted Investments.

In addition to the termination events described above, unless otherwise specified in the Applicable Supplement, to the extent that the aggregate principal amount of the Underlying Securities held by the Issuer is reduced through redemption, prepayment or exchange, the corresponding swap notional amount subject to the Applicable Swap Agreement will be reduced automatically.

Swap Breakage Fees

Unless otherwise specified in the Applicable Supplement, the Applicable Indenture provides for "**Swap Breakage Fees**" as any amounts payable under the Applicable Swap Agreement as a consequence of an early termination of the Applicable Swap Agreement, whether to or by the Issuer, as the case may be.

For the avoidance of doubt, the term "Swap Breakage Fees" does not include any amounts accrued and unpaid to or by the Issuer under the Applicable Swap Agreement, as of the Early Termination Date, that would have been required to be paid (either on such Early Termination Date or on any other date, whether earlier or later) absent an early termination.

If the Applicable Swap Agreement is terminated prior to maturity thereof, the value of the Applicable Swap Agreement will be established on the basis of third party market quotations for a replacement swap agreement, other relevant market date supplied by third parties or, if such information is not available, internal market quotations or other market data, in each case in accordance with the procedures set forth in detail in the Applicable Swap Agreement. The value may be positive for the Issuer, in which case a Swap Breakage Fee will be due from the Transaction Counterparty to the Issuer, or it may be positive for the Transaction Counterparty, or result in a net loss to the Issuer, in which case a Swap Breakage Fee will be due to the Transaction Counterparty.

The Swap Breakage Fees payable by the Issuer will be limited to the assets of the Issuer, and Holders will not be liable to the Transaction Counterparty for Swap Breakage Fees to the extent, if any, that the amount of such fees exceeds the value of the assets of the Issuer.

Transfers of Applicable Swap Agreements

Unless otherwise provided in the Applicable Supplement, the Transaction Counterparty may transfer its rights and obligations under the Applicable Swap Agreement at its own discretion and its own expense to any third party (including, for the avoidance of doubt, an affiliate of the Transaction Counterparty); *provided* that (i) the ratings assigned to the short term senior unsecured debt obligations of such transferee (or an entity which is guaranteeing the obligations of such transferee under the Agreement) satisfy the rating requirements applicable to the Transaction Counterparty at the time of such transfer and (ii) the Rating Condition is satisfied. Each of the Issuer and the Transaction Counterparty may transfer its rights and obligations to the Trustee if such transfer is made in accordance with the terms of the Applicable Indenture and *provided* that the Transaction Counterparty will not be obliged to pay

any greater amounts and will not receive less as a result of such transfer or assignment than would have been the case if such transfer or assignment had not taken place and will not incur any costs, expenses or liabilities in respect of any such transfer or assignment.

Governing Law

Unless otherwise specified in the Applicable Supplement, the Applicable Swap Agreement will be governed by the law of the State of New York and the federal and state courts in the Borough of Manhattan in the City of New York shall have non-exclusive jurisdiction in respect of any action arising out of or relating to the Applicable Swap Agreement.

Transaction Counterparty Guarantee of Morgan Stanley; Other Guarantee or Support

In general, unless otherwise specified in the Applicable Supplement, the payment obligations of the Transaction Counterparty under the Applicable Swap Agreement will be general, unsecured obligations of the Transaction Counterparty. With respect to an Applicable Swap Agreement with respect to which the Transaction Counterparty is MSCS, pursuant to the Transaction Counterparty Guarantee to be delivered with respect to such Applicable Swap Agreement, Morgan Stanley ("**MS**") will unconditionally and irrevocably guarantee the due and punctual payment of all amounts payable by MSCS under the Applicable Swap Agreement. Pursuant to such Transaction Counterparty Guarantee, MS will agree to pay or cause to be paid all such amounts upon the failure of MSCS punctually to pay any such amount and written demand by the Trustee to MS to pay such amount. With respect to any Applicable Swap Agreement in which the obligations of the Transaction Counterparty are not guaranteed by MS, the Applicable Supplement will describe the material provisions of any guarantee or other type of support, if any, of the obligations of such Transaction Counterparty.

Participation Agreements

The Applicable Supplement may provide that the Issuer, in respect of a Series of Notes, will enter into a related Participation Agreement with the applicable Transaction Counterparty. The Applicable Supplement may describe certain provisions of such Participation Agreement that differ from the description thereof contained in this Registration Document, and such differences may be material. In addition, to the extent not set forth in this Registration Document, the specific terms of such Participation Agreement will be set forth in the Applicable Supplement.

The following summaries of provisions of the Participation Agreement are not and do not purport to be complete and are subject to the detailed provisions of the form of Participation Agreement. Copies of the form of Participation Agreement will be available for inspection at the corporate trust office or agency of the Trustee, at the addresses and in the matter set forth in the Applicable Supplement.

General

The Issuer may acquire interests in loans indirectly by purchasing a participation interest from the applicable Transaction Counterparty. Participations by the Issuer in a Transaction Counterparty's portion of a loan will typically result in a contractual relationship only with such Transaction Counterparty, not with the borrower. The Issuer will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the Transaction Counterparty upon receipt by such Transaction Counterparty of such payments from the borrower. By holding a participation interest in a loan, the Issuer generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and the Issuer may not directly benefit from the collateral supporting the loan in which it has purchased the participation.

As a result, the Issuer will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan. In the event of the insolvency of the Transaction Counterparty, the Issuer, by owning a participation interest, may be treated as a general unsecured creditor of the Transaction Counterparty, and may not benefit from any set off between the Transaction Counterparty and the borrower. In addition, the Issuer may purchase a participation from a Transaction Counterparty that does not itself retain any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When the Issuer holds a participation interest in a loan it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each Transaction Counterparty will reserve the right to administer the loan sold by

it as it sees fit and to amend the documentation evidencing such loan in all respects. Transaction Counterparties voting in connection with such matters may have interests different from those of the Issuer and may fail to consider the interests of the Issuer in connection with their votes.

The purchaser of an assignment of an interest in a loan typically succeeds to all the rights and obligations of the assigning selling institution and becomes a lender under the loan agreement with respect to that loan. As a purchaser of an assignment, the Issuer generally will have the same voting rights as other lenders under the applicable loan agreement, including the right to vote to waive enforcement of breaches of covenants or to enforce compliance by the borrower with the terms of the loan agreement, and the right to set off claims against the borrower and to have recourse to collateral supporting the loan. Such votes may be subject to a majority or greater vote of lenders.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS REGISTRATION DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Program, and the relevant Applicable Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with initial purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, non-U.S. or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own or are deemed to own, (directly or indirectly) 10 per cent. or more of the voting stock of the Issuer, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, investors liable for the net investment income tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term may be discussed in the relevant Applicable Supplement.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

"**Non-U.S. Holder**" means any holder (or beneficial holder) of a Note that is not a U.S. Holder.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Tax Treatment of the Issuer and each Series

The Issuer intends to treat each Series of Notes secured by the related Charged Assets as a separate business entity for U.S. federal income tax purposes because there is no sharing of the economics of the Charged Assets related to one Series of Notes with another Series of Notes, and the Issuer assumes each Holder will treat each Series of Notes as a separate business entity for U.S. federal income tax purposes. In furtherance of this treatment, the Issuer will elect to treat each Series of Notes as a corporation for U.S. federal income tax purposes. However, there is no authority directly on point that addresses the treatment of a Series of Notes secured solely by the related Charged Assets as a separate business entity that is eligible to make an entity classification election (i.e., a "check-the-box" election) for U.S. federal income tax purposes. Thus, the validity of the election to treat a Series of Notes (for U.S. federal income tax purposes) as a separate corporation cannot be free from doubt.

In the event that a Series of Notes is not respected as a separate corporation by the U.S. Internal Revenue Service ("**IRS**"), the treatment of Holders for U.S. federal income tax purposes may differ from the treatment that would have applied if each Series of Notes had been respected as a separate corporation (and these differences may have significant effects on the timing and character of income from the Notes for U.S. federal income tax purposes). In addition, if the IRS recharacterizes the Issuer or a Series of Notes as a partnership for U.S. federal income tax purposes, the "deemed partnership" may be required to withhold on payments or allocations of income to its "deemed partners" and this withholding could materially affect its ability to make payments on Notes.

The following discussion assumes that the IRS will respect the treatment of each Series of Notes as a separate corporation for U.S. federal income tax purposes. U.S. Holders should consult their tax advisers regarding the tax consequences that may result if a Series of Notes were not respected as a separate corporation for U.S. federal income tax purposes.

The Issuer believes that the limited and passive nature of its activities should not constitute a trade or business and will further rely on Section 864(b)(2)(A)(ii) of the Code and Proposed Treasury Regulation Section 1.864(b)-1, which provide, in pertinent part, that trading in stocks or securities, or derivatives, respectively, for a taxpayer's own account, whether by the taxpayer or his employees or through a resident broker, commission agent, custodian, or other agent, and whether or not any such employee or agent has discretionary authority to make decisions in effecting their transactions, will not constitute the conduct of a "trade or business within the United States," provided that the taxpayer is not a dealer in stocks or securities. It is possible that the IRS could deem the Issuer to be engaged in a trade or business within the United States. If the Issuer were deemed to be engaged in a trade or business within the United States, it would be subject to U.S. federal income tax on its taxable income effectively connected to such trade or business and to the 30% branch profits tax. The imposition of such taxes would materially affect the Issuer’s financial ability to repay the Notes.

U.S. Withholding Taxes on Payments to the Issuer

Although, based on the foregoing, the Issuer and each Series of Notes are not expected to be subject to U.S. federal income tax on a net income basis, income derived by a Series of Notes may be subject to withholding taxes imposed by the United States or other countries. Generally, U.S.-source interest income received by a foreign corporation not engaged in a trade or business within the United States is subject to U.S. withholding tax at a 30% rate. Since payments to the Issuer with respect to the Charged Assets are generally not subject to a gross-up, the imposition of a withholding tax could adversely affect the return of the Holders.

The Code provides an exemption (the "**Portfolio Interest Exemption**") from this withholding tax for interest paid with respect to certain debt obligations. Payments of U.S.-source interest will be eligible for the Portfolio Interest Exemption, provided that, in the case of amounts treated as interest or original issue discount on obligations with a maturity of more than 183 days, (i) the amount of the payment is not determined by reference to any receipts, sales or other cash flow, income or profits, change in value of any property of, or dividend or similar payment made by, the issuer or a person related to the issuer (a "**Contingent Payment**"), (ii) the holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the issuer entitled to vote, (iii) the holder is not for U.S. federal income tax purposes a controlled foreign corporation related to the issuer through stock ownership, (iv) the holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, (v) the debt obligation is a registered obligation, and (vi) the holder provides the issuer or its paying agent with a U.S. Internal Revenue Service Form W-8. Principal, premium and interest on a Note that are determined by

reference to changes in the value of property, the yield on property, or changes in any index based on such value or yield generally should not be Contingent Payments if the property is traded on an exchange or inter-dealer market that satisfies the requirements necessary for the property to qualify as "actively traded property" within the meaning of Section 1092(d) of the Code.

Therefore, payments to the Issuer of earnings on and principal of the Charged Assets generally should not be subject to withholding of U.S. federal income tax if appropriate certification (Form W-8BEN or other appropriate form) is provided by the Series of Notes to the payor.

Under U.S. Treasury regulations, the IRS may disregard the participation of an intermediary in a "conduit" financing arrangement. If a Series of Notes were regarded as a conduit, U.S. withholding tax could apply to U.S.-source interest unless the Holder would have been entitled to receive that interest directly free of withholding tax. To avoid the application of these regulations, non-U.S. holders may be required to provide a Form W-8 or other appropriate form to the Issuer.

FATCA Withholding

The foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**"), impose a withholding tax of 30% on certain U.S.-source payments and proceeds from the sale of assets that give rise to certain U.S.-source payments, as well as a portion of certain payments by non-U.S. entities to persons that fail to meet certain certification or reporting requirements under FATCA. This withholding tax may be imposed on (i) payments to the Issuer if the Issuer does not comply with any local law provisions enacted by Ireland to implement the intergovernmental agreement described below, or (ii) if the Issuer or any other non-U.S. financial institutions through which payments on the Notes are made provides certain information on its account holders (a "**Participating FFI**") to the Irish Revenue Commissioners or the IRS, as the case may be, and is required to withhold under FATCA, certain payments to (a) an investor who does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or (b) any foreign financial institution ("**FFI**") to or through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding. Withholding would be imposed from (x) July 1, 2014 in respect of U.S.-source interest payments made on or after that date, (y) January 1, 2017 in respect of payments that are treated as payments of proceeds from the sale of assets that give rise to certain U.S.-source payments and (z) January 1, 2017 at the earliest in respect of "foreign passthru payments". Withholding generally is not required with respect to payments on Notes that are issued prior to July 1, 2014 unless such notes are materially modified on or after that date or such Notes are treated as equity for U.S. federal income tax purposes. Withholding generally is not required with respect to on Notes that only give rise to "foreign passthru payments" that are issued prior the date that is six months after the date on which the final regulations defining the term "foreign passthru payments" are filed with the Federal Register unless such notes are materially modified on or after that date or such Notes are treated as equity for U.S. federal income tax purposes.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. In particular, Ireland has entered into an intergovernmental agreement (the "**IGA**") with the United States to help implement FATCA for certain Irish entities. The full impact of such an agreement on the Issuer and the Issuer's reporting and withholding responsibilities under FATCA is unclear. The Issuer may be required to report certain information on its U.S. account holders, which may include holders of Notes, to the Irish Revenue Commissioners in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable Irish law. It is not yet certain how the United States and Ireland will address withholding on "foreign passthru payments" (which may include payments on the Notes) or if such withholding will be required at all.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

In addition, if the Issuer fails to comply with any legislation or other rules implementing the IGA, and becomes subject to the 30% withholding tax, the Issuer may have less cash to make interest and principal payments on the

Notes. In addition, the imposition of withholding tax on the Issuer will generally constitute a Tax Redemption Event.

The application of FATCA to Notes (i) issued or materially modified on or after January 1, 2014 or, if later, the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register, in the case of Notes payments on which could be treated as "foreign passthru payments" or (ii) whenever issued, in the case of Notes treated as equity for U.S. federal income tax purposes may be addressed in the Applicable Supplement to this Registration Document.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

Applicable Swap Agreements

The following discussion applies only to Credit-Linked Notes and Total-Return Swap-Linked Notes and any other Series of Notes as to which the Applicable Transaction Agreements include an Applicable Swap Agreement.

Payments under credit default swaps and total return swaps do not generally constitute interest for purposes of U.S. withholding taxes. Unless the Applicable Supplement provides otherwise, the Issuer intends to treat a Credit Default Swap or a Total Return Swap as a "notional principal contract" (or, possibly, an option) for U.S. federal income tax purposes. Generally, payments made pursuant to a notional principal contract (or an option) are not subject to U.S. withholding tax, provided the payments are not "dividend equivalent" payments as defined in Section 871(m)(2) of the Code. However, the IRS may seek to characterize a credit default swap or a total return swap in a manner that would make payments under such a swap subject to U.S. withholding tax. Further, the IRS may seek to characterize a total return swap as direct ownership by the Issuer or Series of the Reference Assets. Such a characterization may have adverse tax consequences.

U.S. Federal Income Tax Characterization of the Notes

The characterization of a Series or Class of Notes may be uncertain and will depend on the terms of those Notes. The determination of whether an obligation represents debt, equity, or some other instrument or interest is based on all the relevant facts and circumstances. There may be no statutory, judicial or administrative authority directly addressing the characterization of some of the types of Notes that are anticipated to be issued under the Program or of instruments similar to such Notes.

Depending on the terms of a particular Series or Class of Notes, such Notes may not be characterized as debt for U.S. federal income tax purposes despite the form of the Notes as debt instruments. Based on the capital structure of the Series or Class of Notes and the characteristics of the Issuer (including the Notes being the sole economic interests in a Series of Notes secured by the related Charged Assets), the Notes, when issued, may be treated either as debt or equity of the related Series of Notes for U.S. federal income tax purposes, or even as representing an undivided proportionate ownership interest in the related Charged Assets directly. Additional alternative characterizations may also be possible.

The Applicable Supplement will specify, with respect to each class of Notes, how the Issuer intends to treat the Notes for U.S. federal income tax purposes, and in each case, Holders will be required to treat the Notes consistently with such intention. However, no rulings will be sought from the IRS regarding the characterization of any of the Notes issued hereunder for U.S. federal income tax purposes. Each holder should consult its own tax adviser about the proper characterization of the Notes for U.S. federal income tax purposes and consequences to such holder of acquiring, owning or disposing of the Notes.

Tax Treatment of U.S. Holders of the Notes

U.S. Federal Income Tax Treatment of Notes Treated as Debt

The following summary applies to Notes that are properly treated as debt for U.S. federal income tax purposes.

Payments of Interest

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "**foreign currency**"), other than interest on a "**Discount Note**" that is not "**qualified stated interest**" (each as defined below under "Original Issue Discount — General"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and OID, if any, accrued with respect to the Notes (as described below under "Original Issue Discount") generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount ("**OID**").

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a de minimis amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**installment obligation**") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "**qualified stated interest**." A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will generally be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will generally be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments. Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "de minimis market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Under current law, any gain recognized on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified de minimis amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term

thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

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

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. See "Contingent Payment Debt Instruments" below for a discussion of the U.S. federal income tax treatment of such Notes.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortizable bond premium," in which case the amount required to be included in the U.S. Holder’s income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note’s yield to maturity) to that year. Any election to amortize bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount — Election to Treat All Interest as Original Issue Discount."

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount — General," with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable bond premium (described above under "Notes Purchased at a Premium") or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "Market Discount" to include market discount in income currently over the life of all debt instruments having market discount that are acquired on or after the first day of the first taxable year to which the election applies. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Contingent Payment Debt Instruments

Certain Series or Classes of Notes may be treated as "contingent payment debt instruments" for U.S. federal income tax purposes ("**Contingent Notes**"). Under applicable U.S. Treasury regulations, interest on Contingent Notes will be treated as OID, and must be accrued on a constant-yield basis based on a yield to maturity that reflects the rate at which the Issuer would issue a comparable fixed-rate non-exchangeable instrument (the "comparable yield"), in accordance with a projected payment schedule. This projected payment schedule must include each non-contingent payment on the Contingent Notes and an estimated amount for each contingent payment, and must produce the comparable yield.

The Issuer is required to provide to holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments on Contingent Notes. This schedule must produce the comparable yield. The Applicable Supplement will contain the comparable yield and projected payment schedule or contact information that will allow a U.S. Holder to obtain it.

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE WILL NOT BE DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF CONTINGENT NOTES FOR UNITED STATES FEDERAL INCOME TAX PURPOSES AND WILL NOT CONSTITUTE A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO THE HOLDERS OF THE NOTES.

The use of the comparable yield and the calculation of the projected payment schedule will be based upon a number of assumptions and estimates and will not be a prediction, representation or guarantee of the actual amounts of interest that may be paid to a U.S. Holder or the actual yield of the Contingent Notes. A U.S. Holder will generally be bound by the comparable yield and the projected payment schedule determined by the Issuer, unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly discloses such schedule to the IRS, and explains to the IRS the reason for preparing its own schedule. The Issuer's determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

A U.S. Holder of a Contingent Note will generally be required to include OID in income pursuant to the rules discussed in the third paragraph under "Original Issue Discount – General," above, applied to the projected payment schedule. The "adjusted issue price" of a Contingent Note at the beginning of any accrual period is the issue price of the Note increased by the amount of accrued OID for each prior accrual period (determined without regard to any positive or negative adjustments reflecting the difference between actual payments and projected payments), and decreased by the projected amount of any payments on the Note. No additional income will be recognized upon the receipt of payments of stated interest in amounts equal to the annual payments included in the projected payment schedule described above. Any differences between actual payments received by the U.S. Holder on the Notes in a taxable year and the projected amount of those payments will be accounted for as additional interest (in the case of a positive adjustment) or as an offset to interest income in respect of the Note (in the case of a negative adjustment), for the taxable year in which the actual payment is made. If the negative adjustment for any taxable year exceeds the amount of OID on the Contingent Note for that year, the excess will be treated as an ordinary loss, but only to the extent the U.S. Holder's total OID inclusions on the Contingent Note exceed the total amount of any ordinary loss in respect of the Contingent Note claimed by the U.S. Holder under this rule in prior taxable years. Any negative

adjustment that is not allowed as an ordinary loss for the taxable year is carried forward to the next taxable year, and is taken into account in determining whether the U.S. Holder has a net positive or negative adjustment for that year. However, any negative adjustment that is carried forward to a taxable year in which the Contingent Note is sold, exchanged or retired, to the extent not applied to OID accrued for such year, reduces the U.S. Holder's amount realized on the sale, exchange or retirement.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Purchase, Sale and Retirement of Notes

Notes other than Contingent Notes

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. A U.S. Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note.

The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "Original Issue Discount — Market Discount" or "Original Issue Discount — Short Term Notes" or attributable to changes in exchange rates (as discussed below), gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

Contingent Notes

Gain from the sale or retirement of a Contingent Note will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total interest inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Gain or loss realized by a U.S. Holder on the sale or retirement of a Contingent Note will generally be foreign source.

A U.S. Holder's tax basis in a Contingent Note will generally be equal to its cost, increased by the amount of interest previously accrued with respect to the Note (determined without regard to any positive or negative adjustments reflecting the difference between actual payments and projected payments), increased or decreased by the amount of any positive or negative adjustment that the Holder is required to make to account for the difference between the Holder's purchase price for the Note and the adjusted issue price of the Note at the time of the purchase, and decreased by the amount of any projected payments scheduled to be made on the Note to the U.S. Holder through such date (without regard to the actual amount paid).

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income (or OID), a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that

does not elect to take bond premium (other than acquisition premium) into account currently will recognize a capital loss when the Note matures.

Foreign Currency Contingent Notes

Special rules may apply to determine the accrual of OID, and the amount, timing, source and character of any gain or loss on a Contingent Note that is denominated in, or determined by reference to, a foreign currency (a "**Foreign Currency Contingent Note**"). The rules applicable to Foreign Currency Contingent Notes are complex, and U.S. Holders are urged to consult their tax advisers concerning the application of these rules.

Under these rules, a U.S. Holder of a Foreign Currency Contingent Note will generally be required to accrue OID in the foreign currency in which the Foreign Currency Contingent Note is denominated (i) at a yield at which the Issuer would issue a fixed rate debt instrument denominated in the same foreign currency with terms and conditions similar to those of the Foreign Currency Contingent Note, and (ii) in accordance with a projected payment schedule determined by the Issuer, under rules similar to those described above under "Contingent Payment Debt Instruments." The amount of OID on a Foreign Currency Contingent Note that accrues in any accrual period will be the product of the comparable yield of the Foreign Currency Contingent Note (adjusted to reflect the length of the accrual period) and the adjusted issue price of the Foreign Currency Contingent Note. The adjusted issue price of a Foreign Currency Contingent Note will generally be determined under the rules described above, and will be denominated in the foreign currency of the Foreign Currency Contingent Note.

OID on a Foreign Currency Contingent Note will be translated into U.S. dollars under translation rules similar to those described above under "Foreign Currency—Interest." Any positive adjustment (i.e. the excess of actual payments over projected payments) in respect of a Foreign Currency Contingent Note for a taxable year will be translated into U.S. dollars at the spot rate on the last day of the taxable year in which the adjustment is taken into account, or if earlier, the date on which the Foreign Currency Contingent Note is disposed of. The amount of any negative adjustment on a Foreign Currency Contingent Note (i.e. the excess of projected payments over actual payments) that is offset against accrued but unpaid OID will be translated into U.S. dollars at the same rate at which the OID was accrued. To the extent a net negative adjustment exceeds the amount of accrued but unpaid OID, the negative adjustment will be treated as offsetting OID that has accrued and been paid on the Foreign Currency Contingent Note, and will be translated into U.S. dollars at the spot rate on the date the Foreign Currency Contingent Note was issued. Any net negative adjustment carry forward will be carried forward in the relevant foreign currency.

Sale or Retirement

Notes other than Foreign Currency Contingent Notes. As discussed above under "Purchase, Sale and Retirement of Notes," a U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent

of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Foreign Currency Contingent Notes. Upon a sale, exchange or retirement of a Foreign Currency Contingent Note, a U.S. Holder will generally recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's tax basis in the Foreign Currency Contingent Note, both translated into U.S. dollars as described below. A U.S. Holder's tax basis in a Foreign Currency Contingent Note will equal (i) the cost thereof (translated into U.S. dollars at the spot rate on the issue date), (ii) increased by the amount of OID previously accrued on the Foreign Currency Contingent Note (disregarding any positive or negative adjustments and translated into U.S. dollars using the exchange rate applicable to such OID) and (iii) decreased by the projected amount of all prior payments in respect of the Foreign Currency Contingent Note. The U.S. dollar amount of the projected payments described in clause (iii) of the preceding sentence is determined by (i) first allocating the payments to the most recently accrued OID to which prior amounts have not already been allocated and translating those amounts into U.S. dollars at the rate at which the OID was accrued and (ii) then allocating any remaining amount to principal and translating such amount into U.S. dollars at the spot rate on the date the Foreign Currency Contingent Note was acquired by the U.S. Holder. For this purpose, any accrued OID reduced by a negative adjustment carry forward will be treated as principal.

The amount realized by a U.S. Holder upon the sale, exchange or retirement of a Foreign Currency Contingent Note will equal the amount of cash and the fair market value (determined in foreign currency) of any property received. If a U.S. Holder holds a Foreign Currency Contingent Note until its scheduled maturity, the U.S. dollar equivalent of the amount realized will be determined by separating such amount realized into principal and one or more OID components, based on the principal and OID comprising the U.S. Holder's basis, with the amount realized allocated first to OID (and allocated to the most recently accrued amounts first) and any remaining amounts allocated to principal. The U.S. dollar equivalent of the amount realized upon a sale, exchange or unscheduled retirement of a Foreign Currency Contingent Note will be determined in a similar manner, but will first be allocated to principal and then any accrued OID (and will be allocated to the earliest accrued amounts first). Each component of the amount realized will be translated into U.S. dollars using the exchange rate used with respect to the corresponding principal or accrued OID. The amount of any gain realized upon a sale, exchange or unscheduled retirement of a Foreign Currency Contingent Note will be equal to the excess of the amount realized over the holder's tax basis, both expressed in foreign currency, and will be translated into U.S. dollars using the spot rate on the payment date. Gain from the sale or retirement of a Foreign Currency Contingent Note will generally be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total OID inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Gain or loss realized by a U.S. Holder on the sale or retirement of a Foreign Currency Contingent Note will generally be foreign source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Foreign Currency Contingent Notes.

A U.S. Holder will also recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the receipt of foreign currency in respect of a Foreign Currency Contingent Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to the principal or accrued OID to which such payment relates.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

U.S. Federal Income Tax Treatment of Certain Notes Not Treated as Debt

The following summary may apply to certain Notes that are not treated as debt for U.S. federal income tax purposes. This summary does not discuss all types of Notes that may not be treated as debt for U.S. federal income tax

purposes. The Applicable Supplement will specify if the discussion below will apply to a particular Series or Class of Notes. The U.S. federal income tax consequences of owning Notes that are not treated as debt for U.S. federal income tax purposes and are not described below will be discussed, as appropriate, in the Applicable Supplement.

Equity Notes

Certain Notes may be treated as equity in such Series of Notes for U.S. federal income tax purposes. The following discussion will apply to Notes that are characterized as equity of such Series of Notes ("**Equity Notes**").

Investment in a Passive Foreign Investment Company

Each Series of Notes treated as a corporation for U.S. federal income tax purposes will constitute a "passive foreign investment company" ("**PFIC**") for U.S. federal income tax purposes. Except as provided below, U.S. Holders of Equity Notes will be considered U.S. shareholders in a PFIC.

A U.S. Holder will be subject to a special tax on so–called "excess distributions," including both certain distributions from a Series of Notes' and gain on the sale of Equity Notes. A U.S. Holder will have an excess distribution if distributions on the Equity Notes during any tax year exceed 125% of the average amount received during the three preceding tax years (or, if shorter, the U.S. Holder's holding period for Notes). To compute the tax on an excess distribution, (i) the excess distribution is allocated ratably over the U.S. Holder's holding period for Equity Notes, (ii) the amount allocated to the current tax year is taxed as ordinary income, and (iii) the amount allocated to each previous tax year is taxed at the highest applicable marginal rate in effect for that year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax. Each U.S. Holder of Equity Notes that are treated as interests in a PFIC will be required to make an annual return on IRS Form 8621, reporting distributions received and gains realized with respect to each PFIC in which it holds a direct or indirect interests. A U.S. Holder's failure to file the IRS Form 8621 will cause the statute of limitations for such U.S. Holder's U.S. federal income tax return to remain open with regard to the items required to be included on the IRS Form 8621 until three years after the U.S. Holder files the IRS Form 8621, and, unless such failure is due to reasonable cause and not willful neglect, the statute of limitations for the U.S. Holder's entire U.S. federal income tax return will remain open during such period.

QEF Election

A U.S. Holder can avoid many of the adverse consequences of a Series of Notes' classification as a PFIC by making a "qualified electing fund" ("**QEF**") election. However, the Issuer may not provide U.S. Holders with the information necessary to make a QEF election. If a U.S. Holder makes a QEF election, the holder will be required to include in gross income each year (i) as ordinary income, its pro rata share of such Series of Notes' earnings and profits in excess of net capital gains and (ii) as long-term capital gain, its pro rata share of such Series of Notes' net capital gain, in each case, whether or not such Series of Notes actually makes any distribution. In certain cases where such Series of Notes does not distribute all of its earnings in a taxable year, a U.S. Holder may be able to elect to defer payment, subject to an interest charge for the deferral period, of the tax on income recognized on account of the QEF election. Absent such an election a U.S. Holder that makes a QEF election could owe tax on significant "phantom income." Amounts previously subject to tax as income of the U.S. Holder under the QEF regime will not be subject to tax when they are distributed to a U.S. Holder. An electing U.S. Holder's basis in the Equity Notes will be increased by any amounts included in income currently as described above and decreased by any amounts not subjected to tax at the time of distribution.

U.S. Holders of Equity Notes should consider carefully whether to make a QEF election with respect to the Equity Notes and the consequences of not making such an election.

Mark to Market Election

U.S. Holders can avoid some of the adverse consequences of a Series of Notes' classification as a PFIC by making a mark to market election with respect to the Equity Notes, provided that the Equity Notes are "marketable." In general, the Issuer does not expect that the Equity Notes will be marketable. U.S. Holders are urged to consult their

tax advisers regarding whether a mark-to-market election is available and should be made with respect to its Equity Notes as of the date of purchase.

Investment in a Controlled Foreign Corporation

Each Series of Notes treated as a corporation for U.S. federal income tax purposes may be classified as a controlled foreign corporation ("**CFC**"). In general, a foreign corporation will be classified as a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, is owned (directly, indirectly or by attribution) by U.S. Shareholders. A "U.S. Shareholder" for this purpose, is any U.S. person that possesses (actually or constructively) 10% or more of all interests treated for U.S. federal income tax purposes as voting equity of the Issuer. It is possible that the IRS would assert that the Equity Notes are de facto voting securities and that U.S. Holders each possessing (actually or constructively) 10% or more of the aggregate outstanding amount of a Series of Notes that are Equity Notes are U.S. Shareholders. If this argument were successful and more than 50% of the aggregate outstanding amount or value of a Series of Notes that are Equity Notes are owned (actually or constructively) by such U.S. Shareholders, the Series of Notes would be treated as a CFC.

If a Series of Notes were treated as a CFC, a U.S. Shareholder of that Series of Notes would be treated, subject to certain exceptions, as receiving a deemed dividend (taxable as ordinary income) at the end of the taxable year of the Series of Notes in an amount equal to that person's pro rata share of the "subpart F income" of that Series of Notes for the tax year. Among other items, and subject to certain exceptions, subpart F income includes dividends, interest, annuities, gains from the sale of shares and securities, certain gains from commodities transactions, certain types of insurance income, income from notional principal contracts, and income from certain transactions with related parties. The Issuer believes that predominately all of each Series of Notes' income would be subpart F income. If more than 70% of a Series of Notes' earnings constitute subpart F income, then 100% of its earnings would be so treated.

In addition, if a Series of Notes were a CFC, such Series of Notes generally would not be treated as a PFIC at all with respect to any Equity Notes owned by a Holder that qualifies as a U.S. Shareholder. If such a U.S. Holder subsequently ceases to be a U.S. Shareholder, the U.S. Holder will be treated as owning an interest in a PFIC as of the day following the cessation.

Distributions on Equity Notes

Payments of interest on the Equity Notes will generally be treated as distributions with respect to stock of the corporation that the Series of Notes is treated as being for U.S. federal income tax purposes. The treatment of actual distributions of cash on the Equity Notes, in very general terms, will vary depending on whether the PFIC or CFC rules apply. Except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC or QEF rules, some or all of any distributions with respect to the Equity Notes may constitute "excess distributions," taxable as previously described. See "—Investment in a Passive Foreign Investment Company." Distributions in excess of such previously taxed amounts will be taxable to U.S. Holders as ordinary income upon receipt, to the extent of any remaining amounts of untaxed current and/or accumulated earnings and profits of the Issuer. These distributions will not be eligible for the dividends received deduction allowed to corporations or the special reduced rate applicable to certain dividends received by non-corporate holders. Distributions in excess of previously taxed amounts and any remaining current and/or accumulated earnings and profits of the Series of Notes will be treated first as a non-taxable reduction to the U.S. Holder's tax basis for the Equity Notes to the extent thereof and then as capital gain.

Foreign Currency Distributions

Distributions paid in a foreign currency will generally be translated into U.S. dollars by reference to the exchange rate in effect on the day the distributions are received by the U.S. Holder, regardless of whether the foreign currency is converted into U.S. dollars at that time. If distributions received in a foreign currency are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the distribution. However, to the extent the distribution is treated as a distribution of previously taxed amounts under the CFC or QEF rules described above, a U.S. Holder will be required to recognize

exchange gain or loss attributable to movements in exchange rates between the time of the deemed dividend under the CFC or QEF rules and the distribution.

Disposition of Equity Notes

In general, a U.S. Holder of an Equity Note will recognize gain or loss upon the sale, exchange, redemption or other taxable disposition of the Note equal to the difference between the amount realized and such Holder's adjusted tax basis in the Note. A U.S. Holder may realize gain on Equity Notes not only through a sale or other disposition, but also by pledging the Notes as security for a loan in the case of Equity Notes in a PFIC or entering into certain constructive disposition transactions.

Initially, a U.S. Holder's tax basis for an Equity Note will equal its U.S. dollar cost. The U.S. dollar cost of an Equity Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase. This basis will be increased by amounts taxable to the U.S. Holder by virtue of the CFC or QEF rules, if applicable, and decreased by actual distributions from the Series of Notes that are deemed to consist of the previously taxed amounts or are treated as a non-taxable reduction to the U.S. Holder's tax basis for the Equity Note (as described above). The amount realized on a sale or other disposition of Notes for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date.

If the PFIC rules are applicable, any gain realized on the sale, exchange, redemption or other taxable disposition of a Note will generally be treated as an excess distribution and taxed as ordinary income and subject to an additional tax reflecting a deemed interest charge under the special tax rules described above. See "—Investment in a Passive Foreign Investment Company."

If the CFC rules rather than the PFIC rules apply, then any gain realized by such U.S. Holder upon the disposition of a Note, other than gain constituting an excess distribution under the PFIC rules, if applicable, will be treated as ordinary income to the extent of the U.S. Holder's share of the current and/or accumulated earnings and profits of the Series of Notes. In this regard, earnings and profits will not include any amounts previously taxed pursuant to the CFC rules. Any gain in excess in excess of those current and/or accumulated earnings profits or loss will be long-term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of the disposition. In certain circumstances, U.S. Holders who are individuals (or whose income is taxable to U.S. individuals) may be entitled to preferential treatment for net long–term capital gains, but the ability of U.S. Holders to offset capital losses against ordinary income is limited.

Certain Reporting Requirements

A U.S. Holder of Equity Notes that owns (actually or constructively) at least 10% by vote or value of a Series of Notes may be required to file an information return on IRS Form 5471. A U.S. Holder of Equity Notes generally is required to provide additional information regarding the Series of Notes annually on IRS Form 5471 if it owns (actually or constructively) more than 50% by vote or value of the Series of Notes. If requested by a U.S. Holder, the Issuer will provide information (at the requesting U.S. Holder's expense) sufficient to permit such Holder to determine its allocable share of the earnings of the Series of Notes and to file IRS Form 5471. U.S. Holders should consult their own tax advisors regarding whether they are required to file IRS Form 5471.

A U.S. Holder (including a tax exempt entity) that purchases Equity Notes for cash will be required to file an IRS Form 926 or similar form with the IRS, if (i) such Holder owned, directly or by attribution, immediately after the transfer at least 10% by vote or value of the Series of Notes or (ii) the transfer, when aggregated with all transfers made by such U.S. Holder (or any related U.S. Holder) with respect to the Series of Notes within the preceding 12 month period, exceeds $100,000. **In the event a U.S. Holder fails to file any such required form, the Holder could be required to pay a penalty equal to 10% of the gross amount paid for the Equity Notes (subject to a maximum penalty of $100,000 or more in cases involving intentional disregard)**. U.S. Holders should consult their tax advisors with respect to this or any other reporting requirement which may apply with respect to their acquisition of the Equity Notes.

Foreign Financial Asset Reporting

Legislation enacted in 2010 imposes reporting requirements for U.S. Holders on the holding of certain foreign financial assets, including debt or equity of foreign entities, if the aggregate value of all of these assets exceeds $50,000 at the end of the taxable year or $75,000 at any time during the taxable year. The thresholds are higher for individuals living outside the United States and married couples filing jointly. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are regularly traded on an established securities market and held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of this legislation.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds the relevant thresholds in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders). In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realizes a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

Tax Treatment of Non-U.S. Holders of Notes

Subject to the discussion of backup withholding below and assuming a Non-U.S. Holder is not subject to withholding under FATCA, or deemed to own its share of the Charged Assets directly, interest (including OID, if any) and any proceeds of a sale or other disposition on the Notes, as well as distributions and other proceeds with respect to Equity Notes, are currently exempt from U.S. federal income tax, including withholding taxes, if paid to a Non-U.S. Holder unless (i) the Non-U.S. Holder is an insurance company carrying on a United States insurance business to which the interest or distribution is attributable, or (ii) the Non-U.S. Holder is an individual or corporation that has an office or other fixed place of business in the United States to which the interest or distribution is attributable, the interest or distribution is derived in the active conduct of a banking, financing, or similar business within the United States or is received by a corporation the principal business of which is trading in stock or securities for its own account, and certain other conditions exist.

In addition, (i) subject to the discussion of backup withholding below, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized on the sale or exchange of a Note, provided that the Non-U.S. Holder is not subject to withholding under FATCA, such gain is not effectively connected with the conduct by the holder of a United States trade or business and, in the case of a Non-U.S. Holder who is an individual, the holder is not present in the United States for a total of 183 days or more during the taxable year in which the gain is realized and certain other conditions are met and (ii) the Notes will be deemed to be situated outside the United States for purposes of the U.S. federal estate tax and will not be includible in the gross estate for purposes of such tax in the case of a nonresident of the United States who is not a citizen of the United States at the time of death.

Backup Withholding and Information Reporting

In general, payments of interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these

payments, including payments of OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Payments of principal, interest and accrued OID on, and the proceeds of sale or other disposition of Notes, as well as distributions and other proceeds with respect to Equity Notes, by a U.S. paying agent or other U.S. intermediary to a holder of a Note that is a Non-U.S. Holder will not be subject to backup withholding and information reporting requirements if appropriate certification (Form W-8BEN or some other appropriate form) is provided by the holder to the payor and the payor does not have actual knowledge or reason to know that the certificate is false.

IRISH TAXATION

Introduction

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Holders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

TAXATION OF HOLDERS

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

(a) the Notes are quoted Eurobonds i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as the Irish Stock Exchange) and which carry a right to interest; and

(b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:

  (i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or

  (ii) the Holder is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and

(c) one of the following conditions is satisfied:

  (i) the Holder is resident for tax purposes in Ireland; or

  (ii) the Holder is subject, without any reduction computed by reference to the amount of such interest, premium or other distribution, to a tax in a relevant territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory; or

  (iii) the Holder is not a company which, directly or indirectly, controls the Issuer, is controlled by the Issuer, or is controlled by a third company which also directly or indirectly controls the Issuer, and neither the Holder, nor any person connected with the Holder, is a person or persons:

    (A) from whom the Issuer has acquired assets;

    (B) to whom the Issuer has made loans or advances; or

    (C) with whom the Issuer has entered into a swap agreement,

    where the aggregate value of such assets, loans, advances or swap agreements represents not less than 75 per cent. of the assets of the Issuer; or

  (iv) at the time of issue of the Notes, the Issuer was not in possession, or aware, of any information which could reasonably be taken to indicate whether or not the beneficial owner of the Notes would be subject to tax on any interest payments.

  where the term:

  "relevant territory" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty ("**Relevant Territory**"); and

  "swap agreement" means any agreement, arrangement or understanding that—

I. provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof, and

II. transfers to a person who is a party to the agreement, arrangement or understanding or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in an asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

Thus, so long as the Notes continue to be quoted on the Irish Stock Exchange, are held in DTC, Euroclear and/or Clearstream, Luxembourg, and one of the conditions set out in paragraph (c) above is met, interest on the Notes can be paid by any paying agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a paying agent outside Ireland and one of the conditions set out in paragraph (c) above is met.

Encashment Tax

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realized by a bank or encashment agent in Ireland on behalf of any Holder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Income Tax, PRSI and Universal Social Charge

Notwithstanding that a Holder may receive interest on the Notes free of withholding tax, the Holder may still be liable to pay Irish tax with respect to such interest. Holders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax. In the case of Holders who are non-resident individuals such Holders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of Section 110 of the Taxes Consolidation Act 1997 ("**TCA**"), the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. Secondly, interest payments made by the Issuer in the ordinary course of its trade or business to a company are exempt from income tax provided the recipient company is not resident in Ireland and is either resident for tax purposes in a Relevant Territory which imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory or the interest is exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which will come in to force once all ratification procedures have been completed. Thirdly, interest paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from income tax where the recipient is a person not resident in Ireland and resident in a Relevant Territory. Finance Act 2012 extended the quoted Eurobond exemption to companies which are under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory are resident for the purposes of tax in a Relevant Territory and are not under the control of person(s) who are not so resident, and to 75% subsidiary companies of a company or companies the principal class of shares in which is substantially and regularly traded on a recognised stock exchange. For the purposes of these exemptions and where not specified otherwise, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the case of Holders who are individuals, is subject to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to income tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Holder.

Capital Gains Tax

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, will be levied at 33 per cent) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) of the Irish Stamp Duties Consolidation Act, 1999 so long as the Issuer is a qualifying company for the purposes of Section 110 of the TCA and the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

EU Savings Directive

Ireland has implemented the EC Council Directive 2003/48/EC on the taxation of savings; income into national law. Accordingly, any Irish paying agent making an interest payment on behalf of the Issuer to an individual or certain residual entities resident in another Member State of the European Union or certain associated and dependent territories of a Member State will have to provide details of the payment and certain details relating to the Holder (including the Holder's name and address) to the Irish Revenue Commissioners who in turn is obliged to provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

The Issuer, or any person or agent acting on behalf of the Issuer, shall be entitled to require Holders to provide any information regarding their tax status, identity or residency in order to satisfy the disclosure requirements in Directive 2003/48/EC and Holders will be deemed by their subscription for Notes to have authorised the automatic disclosure of such information by the Issuer, or any person or agent acting on behalf of the Issuer, to the relevant tax authorities.

ERISA CONSIDERATIONS

The advice below was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. The advice is written to support the promotion or marketing of the transaction. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The foregoing disclaimer is provided to satisfy obligations under Circular 230 governing standards of practice before the Internal Revenue Service.

The United States Employee Retirement Income Note Act of 1974, as amended ("**ERISA**") imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA and subject to Title I of ERISA), including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans and on those persons who are fiduciaries with respect to such plans. Investments by such plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that such plan's investments be made in accordance with the documents governing such plan. The prudence of a particular investment must be determined by the responsible fiduciary of such plan by taking into account such plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of employee benefit plans (as defined in Section 3(3) of ERISA and subject to Title I of ERISA) (as well as those plans that are not subject to ERISA but which are defined in Section 4975(e)(1) of the Code and subject to Section 4975 of the Code, such as individual retirement accounts (collectively, "**Plans**") and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

The U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulations**"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA and Section 4975 of the Code, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulations, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the 1940 Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or, as further discussed below, that equity participation in the entity by "benefit plan investors" is not "significant."

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the Notes are acquired with the assets of a Plan with respect to which the Issuer, Distributor, Trustee, any seller of Charged Assets to the Issuer, or any Transaction Counterparty with respect to the Issuer, or any of their respective affiliates, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts), and PTCE 96-23 (relating to transactions effected by in-house asset managers) (collectively, "**Investor-Based Exemptions**"). There is also a statutory exemption that may be available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code to a party in interest that is a service provider to a Plan investing in the Notes for adequate consideration, provided such service provider is not (i) the fiduciary with respect to the Plan's assets used to acquire the Notes or an affiliate of such fiduciary or (ii) an affiliate of the employer sponsoring the Plan (the "**Service Provider Exemption**"). Adequate consideration means fair market value as determined in good faith by the Plan fiduciary pursuant to regulations to be promulgated by the U.S. Department of Labor. There can be no assurance that any of these

Investor-Based Exemptions or the Service Provider Exemption or any other administrative or statutory exemption will be available with respect to any particular transaction involving the Notes.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Any insurance company proposing to invest assets of its general account in Notes should consider the extent to which such investment would be subject to the requirements of Title I of ERISA and Section 4975 of the Code in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA on August 20, 1996. In particular, such an insurance company should consider (i) the exemptive relief granted by the U.S. Department of Labor for transactions involving insurance company general accounts in PTCE 95-60 and (ii) if such exemptive relief is not available, whether its purchase of Notes will be permissible under the final regulations issued under Section 401(c) of ERISA. The final regulations provide guidance on which assets held by an insurance company constitute "plan assets" for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code. The regulations do not exempt the assets of insurance company general accounts from treatment as "plan assets" to the extent they support certain participating annuities issued to Plans after December 31, 1998.

The ERISA Debt Notes

The Plan Asset Regulations define an "equity interest" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. The Applicable Supplement will indicate which Notes should be treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations. This determination will be based in part upon (i) tax counsel's opinion as to which Notes will be classified as debt for U.S. federal income tax purposes when issued and (ii) the traditional debt features of the Notes, including the reasonable expectation of purchasers the Notes that they will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. Based upon and subject to the foregoing and other considerations, and subject to the considerations described below, those designated classes of Notes ("**ERISA Debt Notes**") may be purchased by a Plan. Nevertheless, without regard to whether the ERISA Debt Notes are considered debt or equity interests, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if ERISA Debt Notes are acquired with the assets of a Plan with respect to which the Issuer, the Distributor, the Trustee, or in certain circumstances, any of their respective affiliates, is a party in interest or a disqualified person. The Investor-Based Exemptions or the Service Provider Exemption may be available to cover such prohibited transactions.

By its purchase of any ERISA Debt Notes, each purchaser and subsequent transferee thereof will be deemed to have represented and warranted, at the time of its acquisition and throughout the period it holds such ERISA Debt Notes, either that (a) it is neither a Plan nor any entity whose underlying assets include "plan assets" by reason of such Plan's investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and disposition of an ERISA Debt Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, a non-exempt violation of any substantially similar law). Any purported transfer of an ERISA Debt Note, or any interest therein to a purchaser or transferee that does not comply with the requirements specified in the applicable documents will be of no force and effect and shall be null and void *ab initio*.

The ERISA Equity Notes

Equity participation in an entity by "benefit plan investors" is "significant" and will cause such Series of Notes to be deemed the assets of an investing Plan (in the absence of another applicable Plan Asset Regulations exception) if 25% or more of the value of any class of equity interest in such entity is held by "benefit plan investors" (the "**25% Limit**"). The Pension Protection Act of 2006 effectively amended, under Section 3(42) of ERISA, the definition of "benefit plan investors" in the Plan Asset Regulations. Employee benefit plans that are not subject to Title I of ERISA and plans that are not subject to Section 4975 of the Code, such as U.S. governmental and church plans or non-U.S. plans, are not considered "benefit plan investors." Accordingly, only employee benefit plans subject to the

fiduciary responsibility provisions of ERISA or Section 4975 of the Code or an entity whose underlying assets include plan assets by reason of such plan's investment in the entity are considered in determining the 25% Limit is exceeded. Therefore, the term "benefit plan investor" includes (a) an "employee benefit plan" (as defined in Section 3(3) of Title I of ERISA) that is subject to the fiduciary responsibilities provisions of ERISA, (b) a "plan" as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, (c) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity or (d) a "benefit plan investor" as such term is otherwise defined in any regulations promulgated by the U.S. Department of Labor under Section 3(42) of ERISA (collectively, "**Benefit Plan Investors**").

Under the Plan Asset Regulations, where the value of a Plan's equity interest in an entity relates solely to identified property of the entity, such property is treated as the sole property of a separate entity. Since the holders and creditors of the Notes of each Series will have recourse only to the Charged Assets relating to such Series, the equity interests of any Holder with respect to any Series of Notes are deemed to relate only to such Charged Assets and not to the Charged Assets relating to any other Series of Notes. Accordingly, and assuming that the Charged Assets relating to each Series of Notes are different are different from one another, the Charged Assets relating to any Series of Notes will be deemed to be held by a separate entity for purposes of ERISA. Therefore, the determination of whether equity participation by benefit plan investors is significant and exceeds the 25% Limit is performed for each Series of Notes on a separate basis and for each class of equity in Series of Notes on a separate class-by-class basis. The Applicable Supplement will indicate which classes in a Series of Notes will likely be considered equity investments for the purposes of applying Title I of ERISA and Section 4975 of the Code (the "**ERISA Equity Notes**"). In order to not exceed the 25% Limit, no Benefit Plan Investor shall be permitted to acquire ERISA Equity Notes in the initial offering of a Series of Notes or thereafter. Therefore, the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code should not be applicable to any Series of Notes or the Issuer. An unlimited number of other types of employee benefit plans, such as governmental or non-U.S. plans may invest in the ERISA Equity Notes as their investment is disregarded for these purposes.

Each purchaser and subsequent transferee of ERISA Equity Notes will be deemed to have represented and warranted that (1) such purchaser or transferee is not a Benefit Plan Investor and (2) if the purchaser or transferee is a governmental, church, non-U.S. or other plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of ERISA Equity Notes will not constitute or result in a non-exempt violation under any such substantially similar law. Any purported transfer of the ERISA Equity Notes, or any interest therein, to a purchaser or transferee that does not comply with the requirements of this paragraph will be of no force and effect, shall be null and void *ab initio* and the Issuer will have the right to direct the purchaser to transfer the ERISA Equity Notes, or any interest therein, as applicable, to a person who meets the foregoing criteria.

Other Considerations

There can be no assurance that, despite the prohibitions relating to purchases by Benefit Plan Investors, that Benefit Plan Investors will not in actuality own 25% or more of a class of outstanding ERISA Equity Notes.

If for any reason the assets of the Issuer are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code because the 25% Limit is exceeded (or any Class of ERISA Debt Notes recharacterized as ERISA Equity Notes), certain transactions that might be entered into by, or on behalf of, the Issuer in the ordinary course of its business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded at significant cost to the Issuer. In addition, the Issuer may be prevented from engaging in certain investments (as not being deemed consistent with the ERISA prudent investment standards) or engaging in certain transactions or fee arrangements because they might be deemed to cause non-exempt prohibited transactions. It also is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of a Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of Plans, would be satisfied. In addition, it is unclear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to the requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE ERISA AND OTHER IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. MOREOVER, THE MATTERS DISCUSSED ABOVE MAY BE AFFECTED BY FUTURE REGULATIONS,

RULINGS AND COURT DECISIONS, SOME OF WHICH MAY HAVE RETROACTIVE APPLICATION AND EFFECT. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL AND OTHER ADVISORS PRIOR TO INVESTING TO DETERMINE THE ERISA IMPLICATIONS OF SUCH INVESTMENTS IN LIGHT OF SUCH INVESTOR'S CIRCUMSTANCES.

THE SALE OF NOTES TO A PLAN IS IN NO RESPECT A REPRESENTATION BY THE DISTRIBUTOR, THE TRUSTEE, THE ISSUER OR THE TRANSACTION COUNTERPARTY THAT THIS INVESTMENT MEETS ALL RELEVANT REQUIREMENTS WITH RESPECT TO INVESTMENTS BY PLANS GENERALLY OR ANY PARTICULAR PLAN OR THAT THIS INVESTMENT IS APPROPRIATE FOR PLANS GENERALLY OR ANY PARTICULAR PLAN.

PLAN OF DISTRIBUTION

Except as otherwise provided in the Applicable Supplement, in respect of each Series of Notes, Morgan Stanley & Co. LLC ("**MS&Co**") or any of its affiliates (the "**Distributor**") will be appointed as the distributor of the Issuer for the private placement of the Notes of such Series pursuant to a Purchase Agreement (as amended or supplemented from time to time, and together with any replacement agreement, the "**Purchase Agreement**") between the Issuer and MS&Co. One or more additional parties may act as a Distributor for a Series of Notes if so designated in the applicable Purchase Agreement. Any such additional Distributor will be identified in the Applicable Supplement.

Each prospective purchaser is hereby offered the opportunity to ask questions of, and receive answers from, the Trustee and the Distributor (concerning the terms and conditions of any offering to it) and the Issuer, and to obtain additional information which the Trustee possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of the information furnished in this Registration Document. Inquiries concerning such additional information should be directed to BNYM, as Trustee, or to Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York, 10036, Attention: Alex Lyakhov, Managing Director, email: Alex.Lyakhov@morganstanley.com, Jonathan Levy, Vice President, email: Jonathan.Levy@morganstanley.com and Fernanda Fernandes, email: Fernanda.Fernandes@morganstanley.com.

No dealer, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Registration Document in connection with the offer of the Notes described herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the Trustee or the Distributor. **This Registration Document does not constitute an offer to sell, or a solicitation of an offer to buy, any Note in any jurisdiction where, or to any person to whom, it is not lawful to make any such offer or solicitation.** Neither the delivery of this Registration Document nor any sale made hereunder shall, under any circumstance, create an implication that there has not been a change in the affairs of the Issuer since the date hereof or that the information herein is correct as of any time subsequent to its date.

By acquiring a Note, each Holder appoints the Trustee to act on its behalf pursuant to the terms of the Applicable Indenture and agrees to be bound by the terms and conditions of the Applicable Indenture to the same extent as if such Holder were a signatory thereto.

United States of America

The Notes have not been, and will not be, registered under the Securities Act or the state securities laws of any state of the United States or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, "**U.S. persons**" (as defined in Regulation S under the Securities Act ("**Regulation S**")), except, where specified in the Applicable Supplement, in accordance with Rule 144A under the Securities Act ("**Rule 144A**") to "qualified institutional buyers" (as defined in Rule 144A) ("**QIBs**") who are also "qualified purchasers" ("**Qualified Purchasers**") within the meaning of Section 2(a)(51) of the Investment Company Act.

The Distributor acknowledges and agrees that it will offer and sell the Notes (a) whether as part of its distribution or otherwise at all times only outside the United States and to, or for the account or benefit of, non-U.S. persons except, where specified in the Applicable Supplement, the Distributor may sell Notes in accordance with Rule 144A, and (b) it will send to each dealer or person receiving a selling concession, fee or other remuneration in respect of such Notes that purchases Notes from it in accordance with Regulation S a notice stating that such dealer or person receiving a selling concession, fee or other remuneration is subject to the same restrictions during the life of the Notes.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

The Distributor agrees that (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any such Notes

other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer; (b) 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 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 (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Ireland

The Distributor agrees that:

(i) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;

(ii) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Acts 1963 - 2013 (as amended), the Central Bank Acts 1942 - 2013 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989; and

(iii) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan, and the Distributor agrees that it will not offer or sell any of the Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offerings or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws, regulations and ministerial guidelines of Japan.

European Economic Area

The Distributor agrees that it will comply with the restrictions described under "Notice to Investors—Public Offer Selling Restriction under the Prospectus Directive" in relation to offers and sales of Notes in member states of the European Economic Area.

General

Other than the approval of this Registration Document by the Central Bank, no action is being taken or is contemplated by the Issuer that would permit a public offering of the Notes or possession or distribution of any Registration Document (in preliminary or final form) or any amendment thereof, any supplement thereto or any other offering material related to the Notes in any jurisdiction where, or in any other circumstances in which, action for those purposes is required. The Distributor understands and agrees that it is solely responsible for its own compliance with all laws applicable in each jurisdiction in which it offers and sells Notes or distributes any Registration Document (in preliminary or final form) or any amendments thereof or supplements thereto or any other such material, and they agree to comply with all these laws.

In connection with the issue of any Series or Class of Notes the Distributor for each Series of Notes specified in the Applicable Supplement as being able to carry out stabilizing transactions in relation to the Notes (the "**Stabilizing**

Manager") may, in relation to such Notes, over-allot Notes (provided that, in the case of any Series or Class of Notes to be admitted to trading on the Regulated Market, the aggregate principal amount of Notes allotted does not exceed 105% of the aggregate principal amount of the relevant Class or Series) or effect transactions with a view to supporting the market price of the Notes of the relevant Class or Series at a level higher than that that might otherwise prevail. However, there is no obligation on the Stabilizing Manager to do this. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Class or Series of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Class or Series of Notes and 60 days after the date of the allotment of the relevant Class or Series of Notes. Any stabilization action or over-allotment shall be conducted in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilizing shall, as against the Issuer, be for the account of such specified Distributor.

MORGAN STANLEY ENTITIES

Morgan Stanley Capital Services LLC ("**MSCS**"), which was incorporated in Delaware in 1985, is a wholly owned, unregulated, special purpose subsidiary of Morgan Stanley (NYSE:MS) ("**MS**"). The principal executive offices of MS are located at 1585 Broadway, New York, New York 10036, telephone number (212) 761-4000. MSCS is an affiliate, through common parent ownership, of Morgan Stanley & Co. LLC, the Distributor. The principal executive offices of MSCS are located at 1585 Broadway, New York, New York 10036, telephone number (212) 761-4000.

MSCS conducts business in the over-the-counter derivatives market, writing a variety of derivative instruments, including interest rate swaps, currency swaps, credit default swaps and interest rate options with institutional clients. The payment obligations of MSCS under its derivative instruments are 100% guaranteed by MS. As of the date hereof, MS has a long-term debt rating of "A-" with negative outlook by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. ("**S&P**"), "Baa2" with stable outlook by Moody's Investors Service, Inc. ("**Moody's**") and "A" with stable outlook by Fitch Inc. or its affiliates ("**Fitch**") and a short-term debt rating of "A-2" by S&P, "P-2" by Moody's and "F1" by Fitch. MS is listed on the New York Stock Exchange.

MS files annual reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("**SEC**"). The SEC maintains a Web site that contains reports, proxy statements and other information that MS and its consolidated subsidiaries electronically file. The address of the SEC's website is http://www.sec.gov. (The SEC's website does not form part of this Registration Document.) In addition, the public may read and copy any document MS files at the Securities and Exchange Commission's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0300 for further information on the public reference rooms.

GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Program. The update of the Program and the issue of this Registration Document was authorized by the resolution of the Board of Directors of the Issuer passed on June 17, 2014. The issue of each Series of Notes will be authorized by the board of directors of the Issuer prior to the Issue Date thereof.

2. There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) involving the Issuer which may have, or have had since its date of incorporation, a significant effect on the financial position or profitability of the Issuer.

3. There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since June 30, 2013.

4. The Issuer publishes its annual financial statements in respect of the period ending on June 30 of each year. The Issuer will not prepare interim financial statements.

5. For the life of the Registration Document, physical and electronic copies of the following documents will be available from the date hereof, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection by Holders at the registered office of the Issuer and the specified office of the Trustee:

   (a) the memorandum and articles of association of the Issuer;

   (b) the most recently published audited financial statements of the Issuer in respect of the periods ending on June 30, 2012 and June 30, 2013; and

   (c) the Indenture.

6. Application will be made by the Issuer, through its Irish listing agent, Arthur Cox Listing Services Limited ("**ACLSL**"), for the Notes issued under the Programme within 12 months of the date of this Registration Document, to be admitted to the Official List of the Irish Stock Exchange and trading on its Regulated Market. Application has been made to the Irish Stock Exchange for the approval of this document as Base Listing Particulars. Application will be made for the Notes issued under the Program during the period of 12 months from the date hereof to be admitted to trading on the Global Exchange Market. There can be no assurance that any such application will be accepted or, if accepted, maintained for the entire period that the Notes are outstanding. ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List of the Irish Stock Exchange or to trading on its Regulated Market or Global Exchange Market for the purposes of the Prospectus Directive.

7. The total expenses incurred in connection with the issue of this Registration Document were approximately EUR 2,300.

8. References to website addresses herein do not form part of the Registration Document for the purposes of listing the Notes on the Irish Stock Exchange.

TRANSFER RESTRICTIONS

No Note may be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S), except, where specified in the Applicable Supplement in a Combined Offering, in accordance with Rule 144A to "qualified institutional buyers" (as defined in Rule 144A) ("**QIBs**") who are also "qualified purchasers" ("**Qualified Purchasers**") within the meaning of Section 2(a)(51) of the Investment Company Act. The Notes may also be offered and sold to non-U.S. persons in offshore transactions in accordance with Regulation S.

The Trustee will notify the Issuer promptly upon the Trustee becoming aware that any Holder or beneficial owner of a Note was in breach, at the time given, of any of the representations set forth below. In the event that at any time the Issuer determines or is notified that any Holder or beneficial owner of a Note is in breach of any of the representations and agreements set forth below, the Issuer may, by written notice to the Trustee and such Holder, declare the acquisition of the related Notes or interest in the related Notes void, in the event of a breach at the time given, and, in the event of such a determination or notice of such breach, at the time given or at any subsequent time, the Issuer may, by such notice, require that the related Notes or such interest be transferred to a person designated by the Issuer.

The Issuer reserves the right prior to any sale or other transfer of the Notes to require the delivery of such certifications, legal opinions and other information as the Issuer may reasonably require to confirm that the proposed sale or other transfer complies with the restrictions contained in this "—Transfer Restrictions" section.

Transfer Restrictions Applicable to a Combined Offering

Each Holder and beneficial owner of a Note sold in a Combined Offering, by its purchase thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

(i) It (A) (1) is a QIB that is also a Qualified Purchaser; (2) is not (a) a broker-dealer that owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers or (b) a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, if investment decisions with respect to the plan are made by beneficiaries of such plan; (3) is aware that the sale to it is being made in accordance with Rule 144A or another exemption from the registration requirements of the Securities Act; (4) is acquiring such Notes for its own account or for the account of a QIB who is also a Qualified Purchaser; and (5) will hold and transfer such Notes in at least the Authorized Denominations or (B) is not a U.S. person and is purchasing such Notes in an offshore transaction pursuant to Regulation S. It understands that in the event that at any time the Issuer determines or is notified that it was in breach, of any of the representations and agreements set forth in this "—Transfer Restrictions" section, the Issuer may, by written notice to the Trustee and such Holder, declare the acquisition of the related Notes or interest in the related Notes void in the event of a breach at the time given, and in the event of such a determination or notice of a breach, at the time given or at any subsequent time, the Issuer may, by such notice, require that the related Notes or such interest be transferred to a person designated by the Issuer.

(ii) It understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) (i) to a QIB in accordance with Rule 144A that is also a Qualified Purchaser, that is not (x) a broker-dealer that owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers or (y) a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, if investment decisions with respect to the plan are made by the beneficiaries of such plan; or (ii) to a non-U.S. Person in an offshore transaction in compliance with Rule 903 or 904 of Regulation S and, in each case in accordance with any applicable securities laws of any jurisdiction and in compliance with the certification and other requirements specified in the Applicable Indenture, and (b) the Holder will, and each subsequent Holder is required to, notify any purchaser of the Notes from it of the resale restrictions referred to herein.

(iii) In the case of the ERISA Debt Notes, either (a) it is neither an "employee benefit plan" as defined in ERISA, and subject to Title I of ERISA, a "plan" as defined in Section 4975(e)(1) of the Code, and subject to Section 4975 of the Code, nor any entity whose underlying assets include "plan assets" by reason of such plan's investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and disposition of a Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, a non-exempt violation of any substantially similar law). Any purported transfer of a Note, or any interest therein to a purchaser or transferee that does not comply with the above requirements will be of no force and effect and shall be null and void *ab initio*.

(iv) In the case of the ERISA Equity Notes (1) it is not a Benefit Plan Investor and (2) if it is a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of such Notes will not constitute or result in non-exempt violation under any such substantially similar law. Each purchaser further understands and agrees that any purported transfer of the ERISA Equity Notes to a transferee that does not comply with the applicable provisions of this paragraph will be null and void *ab initio* and the Issuer will have the right to direct to transfer the Notes, or any interest therein, as applicable, to a person who meets the foregoing criteria.

(v) If it is a U.S. person, (A) it has purchased the Notes in the ordinary course of its investment business, for a bona fide business purpose; and (B) it has not been formed for the purpose of investing in the Issuer.

(vi) In the case of a Debt Note, by acceptance of an interest in such Debt Note, it agrees to treat such Note as indebtedness of the relevant Series for U.S. federal income tax purposes.

(viii) In the case of an Equity Note, by acceptance of an interest in such Equity Note, it agrees to treat such Note as equity of the relevant Series for U.S. federal income tax purposes

(ix) By acceptance of an interest in such Note, it agrees to treat the relevant Series as a corporation for U.S. federal income tax purposes.

(x) By acceptance of an interest in such Note, unless the Applicable Indenture provides otherwise, it agrees to treat the Swap Agreement as a notional principal contract for U.S. federal income tax purposes.

(xi) Notes issued in a Combined Offering will bear a legend substantially to the following effect unless the Issuer determines otherwise in accordance with applicable law:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i) TO A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A OF THE SECURITIES ACT THAT IS ALSO A QUALIFIED PURCHASER (A "**QUALIFIED PURCHASER**") AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND THAT IS NOT (X) A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS OR (Y) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF SUCH PLAN; OR (ii) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY

JURISDICTION AND IN EACH CASE IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN CLAUSE (A) ABOVE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME, THE ISSUER DETERMINES OR IS NOTIFIED THAT THE HOLDER OF THIS NOTE OR A BENEFICIAL INTEREST HEREIN WAS IN BREACH OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE ISSUER OR THE TRUSTEE MAY DECLARE THE ACQUISITION OF THIS NOTE OR SUCH INTEREST IN THIS NOTE VOID, IN THE EVENT OF A BREACH AT THE TIME GIVEN, AND, IN THE EVENT OF SUCH A DETERMINATION OR NOTICE OF A BREACH, AT THE TIME GIVEN OR AT ANY SUBSEQUENT TIME, THE ISSUER OR THE TRUSTEE MAY REQUIRE THAT THIS NOTE OR SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER.

EACH BENEFICIAL OWNER OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.06(i) OF THE INDENTURE THAT APPLY TO ISSUES OF NOTES IN A COMBINED OFFERING. THE HOLDER AND EACH BENEFICIAL OWNER OF THIS NOTE ACKNOWLEDGE THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER OF THIS NOTE TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE RESTRICTIONS SET FORTH IN SECTION 2.06(i) OF THE INDENTURE THAT APPLY TO ISSUES OF NOTES IN A COMBINED OFFERING.

The following paragraph is to be included in the legend of the ERISA Debt Notes:

EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS ERISA DEBT NOTE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT, AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS SUCH NOTE, EITHER (X) IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), AND SUBJECT TO TITLE I OF ERISA, A PLAN AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AND SUBJECT TO SECTION 4975 OF THE CODE OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE "PLAN ASSETS" BY REASON OF INVESTMENT BY ANY OF THE FOREGOING IN THE ENTITY, OR A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (Y) ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN, A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR LAW). ANY PURPORTED TRANSFER OF THIS NOTE, OR ANY INTEREST THEREIN TO A PURCHASER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE ABOVE REQUIREMENTS WILL BE OF NO FORCE AND EFFECT AND SHALL BE NULL AND VOID *AB INITIO*.

The following paragraph is to be included in the legend of the ERISA Equity Notes:

EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF AN ERISA EQUITY NOTE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT, AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS SUCH NOTE, IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A "PLAN" SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS

AMENDED (THE "**CODE**"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN THE REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA (COLLECTIVELY, "BENEFIT PLAN INVESTORS") AND (B) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE, HOLDING AND DISPOSITION OF THIS ERISA EQUITY NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR LAW. EACH PURCHASER AND TRANSFEREE FURTHER UNDERSTANDS AND AGREES THAT ANY PURPORTED TRANSFER OF THE ERISA EQUITY NOTE, OR ANY INTEREST THEREIN, TO A PURCHASER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS OF THIS PARAGRAPH WILL BE OF NO FORCE AND EFFECT, SHALL BE NULL AND VOID *AB INITIO* AND THE ISSUER WILL HAVE THE RIGHT TO DIRECT THE PURCHASER TO TRANSFER THE NOTE, OR ANY INTEREST THEREIN, AS APPLICABLE, TO A PERSON WHO MEETS THE FOREGOING CRITERIA.

The following paragraph is to be included in the legend for the Definitive Notes that, as specified in the Applicable Indenture, are treated as "debt notes" that are issued with original issue discount ("**OID**"):

THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("**OID**") FOR U.S. FEDERAL INCOME TAX PURPOSES. EACH PURCHASER OF THIS NOTE MAY CONTACT THE ISSUER, AT [*insert phone number and address in the Applicable Supplement*], TO OBTAIN THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY IN RESPECT OF THE NOTE.

Transfer Restrictions Applicable to a Regulation S Only Offering

Each Holder and beneficial owner of a Note sold in a Regulation S Only Offering, by its purchase thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined Regulation S are used herein as defined therein):

(i) It is not a U.S. person and is purchasing such Notes in an offshore transaction pursuant to Regulation S. It understands that in the event that at any time the Issuer determines or is notified that such Holder and beneficial owner was in breach of any of the representations and agreements set forth in this "—Transfer Restrictions" section, the Issuer may, by written notice to the Trustee and such Holder and beneficial owner declare the acquisition of the related Notes or interest in the related Notes void in the event of a breach at the time given, and in the event of such a determination or notice of a breach, at the time given or at any subsequent time, the Issuer may, by such notice, require that the related Notes or such interest be transferred to a person designated by the Issuer.

(ii) It is not a Benefit Plan Investor and if it is a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of such Notes will not constitute or result in non-exempt violation under any such substantially similar law. Each purchaser further understands and agrees that any purported transfer of the ERISA Equity Notes to a transferee that does not comply with the applicable provisions of this paragraph will be null and void ab initio and the Issuer will have the right to direct to transfer the Notes, or any interest therein, as applicable, to a person who meets the foregoing criteria.

(iii) It understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred into the United States or to any U.S. Person at any time, and, may otherwise only be offered, sold, pledged or otherwise transferred in accordance with any applicable securities laws of any jurisdiction and in compliance with the certification and other requirements specified in the Applicable Indenture.

(iv) Notes issued in a Regulation S Only Offering will bear a legend substantially to the following effect unless the Issuer determines otherwise in accordance with applicable law:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED INTO THE UNITED STATES OR TO ANY U.S. PERSON AT ANY TIME.

EACH BENEFICIAL OWNER OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.06(i) OF THE INDENTURE THAT APPLY TO ISSUES OF NOTES ONLY IN ACCORDANCE WITH REGULATION S. THE HOLDER AND EACH BENEFICIAL OWNER OF THIS NOTE ACKNOWLEDGE THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER OF THIS NOTE TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE RESTRICTIONS SET FORTH IN SECTION 2.06(i) OF THE INDENTURE THAT APPLY TO ISSUES OF NOTES ONLY IN ACCORDANCE WITH REGULATION S.

Additional Restrictions Applicable to Notes Sold In Combined Offerings or Regulation S Only Offerings

Each Holder and beneficial owner of a Note sold, by its purchase thereof, will also be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

(i) It will not, at any time, offer to buy or offer to sell the Notes by any directed selling efforts or by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice of other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or seminar or meeting whose attendees have been invited by general solicitations or advertisements.

(ii) It acknowledges and agrees that (A) none of the Issuer, the Trustee, the Transaction Counterparty, the Distributor, any of the Agents or any of their respective affiliates are acting as a fiduciary or financial or investment advisor for it; (B) it is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, the Trustee, the Transaction Counterparty, the Distributor, any of the Agents or any of their respective affiliates; and (C) it has consulted with its own legal, regulatory, tax, business, investment, financial, accounting and other advisors to the extent it has deemed necessary and has made its own investment decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer, the Trustee, the Transaction Counterparty, the Distributor, any of the Agents or any of their respective affiliates.

(iii) It acknowledges and agrees that the Charged Assets will provide the sole source of funds to meet the obligations of the Issuer to the creditors of the Notes, including to the Holders, and all other obligations of the Issuer attributable to the applicable Series of Notes. The Charged Assets shall not be available or used to meet liabilities to, and shall be absolutely protected from, any creditors of the Issuer who are not creditors in respect of the applicable Series of Notes, and who accordingly shall not be entitled to recourse to the Charged Assets. If proceeds of the Charged Assets in respect of a Series are insufficient to make payments on the Notes of that Series, no other assets will be available for payment of the deficiency, and following liquidation of the Charged Assets, the obligations of the Issuer to pay such deficiency will be extinguished. Holders of a Series of Notes will not have any recourse to the general assets of the Issuer or any assets forming part of the charged assets of any other Series of Notes.

(iv) It acknowledges and agrees that (a) the Distributors may obtain or be in possession of non-public information regarding any Reference Entity or the issuer of any Reference Obligation which may not be made available to any Note Holder and (b) the Distributors make no representations with respect to any Reference Entity, the issue of any Reference Obligation or the accuracy or completeness of any information regarding the foregoing.

(v) In the case of unlisted notes, it is the beneficial owner of any interest paid and is resident in a member state of the European Communities or a country with which Ireland has a double taxation agreement, does not receive such payments in connection with a trade or business carried on by it in Ireland and is subject to a tax on such payments which generally applies to profits, income or gains received in that member state or country from sources outside that member state or country.

(vi) Notes issued in a Regulation S Only Offering or a Combined Offering are to include the following paragraph in the legend for any Note with a maturity of 364 days or less:

THIS NOTE CONSTITUTES COMMERCIAL PAPER AND IS ISSUED IN ACCORDANCE WITH AN EXEMPTION GRANTED BY THE CENTRAL BANK OF IRELAND UNDER SECTION 8(2) OF THE CENTRAL BANK ACT, 1971 OF IRELAND, INSERTED BY SECTION 31 OF THE CENTRAL BANK ACT, 1989, AS AMENDED BY SECTION 70(D) OF THE CENTRAL BANK ACT, 1997. THIS NOTE DOES NOT HAVE THE STATUS OF A BANK DEPOSIT, IS NOT WITHIN THE SCOPE OF THE DEPOSIT PROTECTION SCHEME OPERATED BY THE CENTRAL BANK OF IRELAND AND THE ISSUER IS NOT REGULATED BY THE CENTRAL BANK OF IRELAND.

INDEX OF DEFINED TERMS

REGISTERED OFFICE OF THE COMPANY

EM FALCON LIMITED
2nd Floor
11/12 Warrington Place
Dublin 2
Ireland

TRUSTEE

The Bank of New York Mellon
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT, REGISTRAR, AGENT BANK AND TRANSFER AGENT

The Bank of New York Mellon
One Canada Square
London E14 5AL
United Kingdom

IRISH LISTING AGENT

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Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISORS

To the Issuer and the Distributor

As to United States law
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1345 Avenue of the Americas
New York, NY 10105

To the Issuer

As to Irish law
Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
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