

## **SECURITIES NOTE**

**17 May 2013**

**E.L.A.N. LIMITED**  
**(Incorporated with limited liability in Jersey)**

**issued under**

**U.S.\$5,000,000,000 Structured Note Programme**

**of**

**Series 2013-01 JPY 1,000,000,000 Limited Recourse Secured Floating Rate Credit-Linked  
Notes due 2018 (the “Notes”)**

**The Notes are secured primarily by Underlying Assets and a Swap Agreement linked to a  
Reference Entity**

**Issue Price: 100 per cent.**

*This Securities Note is prepared in connection with the U.S.\$5,000,000,000 Structured Note Programme of E.L.A.N. Limited and should be read in conjunction with the Registration Document dated 12 April 2013 (the “**Registration Document**”) issued by E.L.A.N. Limited (the “**Issuer**”). Terms defined in the Registration Document have the same meanings when used in this Securities Note.*

*The Securities Note has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Directive 2003/71/EC. The Central Bank only approves this Securities Note as meeting the requirements imposed under Irish and EU law pursuant to Directive 2003/71/EC.*

*Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.*

*This Securities Note constitutes a “securities note” for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the “**Prospectus Regulations**” which implement Directive 2003/71/EC (the **Prospectus Directive**”) in Ireland). The Securities Note and the Registration Document together constitute a prospectus (the “**Prospectus**”) for the purposes of the Prospectus Directive.*

*Investors should take into account, when making a decision as to whether or not to invest in the Notes, amongst other things, the matters set out in “**Risk Factors**” below.*

*The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). The Notes may not be offered, sold or delivered within the United States or to U.S. Persons.*

This Securities Note has been prepared by the Issuer for use in connection with the offering of the Notes described herein (the “**Offering**”). Each of the Issuer and the Dealer reserves the right to reject any offer to purchase Notes in whole or in part for any reason, or to sell less than the stated initial principal amount of the Notes offered hereby. This Securities Note is personal to each offeree to whom it has been delivered by the Issuer, the Dealer or any affiliate thereof and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this Securities Note to any persons other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Any reproduction or distribution of this Securities Note in whole or in part and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the securities offered herein is prohibited.

The Dealer expects to privately place the Notes and may do so in individually negotiated transactions at prices other than the Issue Price set out herein.

*Morgan Stanley & Co. International plc (the “**Dealer**”) expects to deliver the Notes to purchasers on or about 25 April 2013.*

**MORGAN STANLEY**

***The Issuer accepts responsibility for all the information contained in this Securities Note. The information contained in this Securities Note is, to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), in accordance with the facts and does not omit anything likely to affect the import of such information.***

***The information set out under the heading “Overview of the Parties to the Transaction” has been provided to the Issuer by those parties and the Issuer. In addition to the Issuer, each of the parties named in the section headed “Overview of the Parties to the Transaction” takes responsibility for the information relating to themselves under the heading “Overview of the Parties to the Transaction” and, to the best of the knowledge and belief of each of them, the information set out under the relevant heading in respect of them is in accordance with the facts and does not omit anything likely to affect the import of such information.***

***The information relating to the Underlying Assets and the issuer thereof (including the information contained under the heading “Description of the Underlying Assets) and the information relating to the Reference Entity (including the information under the heading “Information Relating to the Reference Entity”) has been accurately reproduced from publicly available information. So far as the Issuer is aware and is able to ascertain from publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Any website referred to herein does not form part of this Securities Note.***

***No representation is made that this Securities Note may be lawfully distributed, or that Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, and no assumption is made of any responsibility for facilitating any such distribution or offering. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Securities Note nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.***

***No person has been authorised to give any information or to make representations other than those contained in this Securities Note in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or any of the parties mentioned herein.***

***Neither the delivery of this Securities Note nor any sale made in connection herewith shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date of this Securities Note.***

***Before making an investment decision, prospective purchasers should inform themselves about, and make a detailed evaluation of, the nature and financial position of the Swap Counterparty, the Credit Support Provider and of the issuer of the Underlying Assets, the economic and social condition of the jurisdiction in which any such obligor is located and of the terms and conditions of the Charged Assets (including the Underlying Assets), the Reference Entity and the Related Agreements (each as defined below). None of the Issuer, the Trustee or the Dealer has had any access to any such obligor for the purposes of rendering any such investigation nor makes any representations as to the financial condition or creditworthiness of any such obligor. In addition, prospective purchasers should consider the nature and financial position of the Issuer of the Notes as well as the terms and conditions of the Notes and any other related transaction documents described below.***

***This Securities Note contains summaries of and reference to certain provisions of other documents executed in relation to the Notes, such as the Supplemental Trust Deed (as***

*defined below). Such summaries and references are subject to the actual provisions of each such document, copies of which are available for inspection at the specified office of the Principal Paying Agent. Holders of the Notes to which this Securities Note relates, and any other person into whose possession this Securities Note comes, will be deemed to have notice of all provisions of the documents executed in relation to the Notes which may be relevant to a decision to acquire, hold or dispose of any of the Notes.*

*Whilst legal opinions relating to the issue of the Notes are being obtained with respect to certain laws of England, Japan (in respect of the Charging Instrument) and Jersey, no such opinions have been obtained with respect to any other laws. The laws of the country in which the Charged Assets, the Reference Entity and/or the Underlying Assets are situated or the laws which are expressed to govern the Charged Assets, the Reference Entity and/or the Underlying Assets, any of which, depending upon the circumstances, may affect, inter alia, the validity and legal and binding effect of the Charged Assets, the Reference Entity and/or the Underlying Assets and the effectiveness and ranking of the security for the Notes.*

*This Securities Note does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Securities Note in any jurisdiction where such action is required. This Securities Note which is dated 17 May 2013 may not be used for any purpose other than the provision of information in relation to the issue of the Notes and related transactions described herein.*

*This communication is directed only at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to the investments or (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc") of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.*

*There can be no assurance that the amount payable on any redemption of the Notes or any early redemption or enforcement of the security therefor will be equal to or greater than the Issue Price or the then current outstanding principal amount of the Notes.*

*The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control Borrowing (Jersey) Order 1958 to the issue of the Notes by the Issuer.*

*It must be distinctly understood that, in giving this consent, the Jersey Financial Services Commission does not take any responsibility for the financial soundness of the Issuer or of any schemes or for the correctness of any statements made, or opinions expressed, with regard to it.*

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

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

*An investment in the Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such an investment.*

**EACH PURCHASER OF THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE NOTES OR POSSESSES OR DISTRIBUTES THIS SECURITIES NOTE AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF THE NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUER, THE DEALER (OR ANY OF THEIR AFFILIATES), THE TRUSTEE SPECIFIED HEREIN SHALL HAVE ANY RESPONSIBILITY THEREFOR.**

**THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER APPLICABLE LAWS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

## CONTENTS

	<b>Page</b>
<b>RISK FACTORS .....</b>	<b>7</b>
<b>APPLICABLE SUPPLEMENT .....</b>	<b>17</b>
<b>ANNEX 1 TO THE APPLICABLE SUPPLEMENT .....</b>	<b>26</b>
<b>DESCRIPTION OF THE CHARGING INSTRUMENT .....</b>	<b>35</b>
<b>DESCRIPTION OF THE RELATED AGREEMENTS .....</b>	<b>36</b>
<b>USE OF PROCEEDS .....</b>	<b>39</b>
<b>FORM OF SWAP CONFIRMATIONS .....</b>	<b>40</b>
<b>FORM OF INTEREST RATE SWAP AGREEMENT .....</b>	<b>46</b>
<b>FORM OF CREDIT SUPPORT ANNEX .....</b>	<b>51</b>
<b>DESCRIPTION OF THE INITIAL UNDERLYING ASSETS .....</b>	<b>59</b>
<b>INFORMATION RELATING TO THE REFERENCE ENTITY .....</b>	<b>60</b>
<b>FORM OF THE NOTES .....</b>	<b>61</b>
<b>BOOK-ENTRY CLEARANCE PROCEDURES .....</b>	<b>63</b>
<b>TAX CONSIDERATIONS .....</b>	<b>65</b>
<b>SUBSCRIPTION AND SALE .....</b>	<b>68</b>
<b>TRANSFER RESTRICTIONS .....</b>	<b>71</b>
<b>OVERVIEW OF PARTIES TO THE TRANSACTION .....</b>	<b>73</b>
<b>GENERAL INFORMATION .....</b>	<b>75</b>

## **RISK FACTORS**

*The following is a description of certain additional aspects of the issue of the Notes of which any prospective Noteholder should be aware. It is not intended to be exhaustive and any prospective Noteholder should also read the detailed information set out elsewhere in this document and take its own tax, legal and other relevant advice as to the structure and viability of an investment in the Notes.*

### **1. Risks relating to the Issuer**

#### *The Issuer is a Special Purpose Vehicle*

The Issuer's sole business is the raising of money by issuing Series of Notes or other obligations for the purposes of purchasing assets and entering into related derivatives and other contracts. The Issuer has covenanted not to have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or issue any shares (other than such shares as were in issue on the date of its incorporation). As such, the Issuer has, and will have, no assets other than its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of each Series of Notes or entry into other obligations from time to time (and any related profits and the proceeds of any deposits and investments made from such fees) and any assets on which Series of Notes or other obligations are secured. There is no day to day management of the business of the Issuer.

#### *No Regulation of the Issuer by any Regulatory Authority*

The Issuer is not required to be licensed, registered or authorised under any current securities, commodities or banking laws of its jurisdiction of incorporation and will operate without supervision by any authority in any jurisdiction. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws to the Issuer. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the holders of a Series of Notes.

Any investment in the Notes does not have the status of a bank deposit and is not within the scope of any deposit protection scheme.

#### *Obligations of the Issuer*

The Notes are solely the obligations of the Issuer. In particular, the Notes are not the obligations or responsibility of, or guaranteed by, the Trustee, the Custodian, the Arranger, the shareholders of the Issuer, the Dealer, the Principal Paying Agent, the Determination Agent, the Calculation Agent, the issuer of the Underlying Assets, the Swap Counterparty or the Credit Support Provider. Apart from the Issuer, none of these persons will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

Each Noteholder will be deemed to have represented that it has made its own independent assessment as to whether purchasing the Notes is appropriate for it based upon its own judgment and upon advice from such advisers as it considers necessary. None of the Issuer, the Trustee, the Swap Counterparty, the Dealer, the Credit Support Provider or the Determination Agent is acting as a financial adviser or in a fiduciary capacity in relation to the Notes in respect of any investor or potential investor. Each Noteholder will also be deemed to have represented that it is not relying on any communication (written or oral) made by the Issuer as constituting either investment advice or a recommendation to purchase the Notes. No communication (written or oral) received by the Noteholders from the Issuer constitutes an assurance or guarantee as to the expected results or likely return under the Notes.

### *Issuer's Ability to Meet its Payment Obligations in respect of the Notes*

The ability of the Issuer to meet its payment obligations in respect of the Notes (after payment in full has been made by the Issuer of all amounts due and owing which rank senior in priority thereto) will be dependent on the performance by the Swap Counterparty of its obligations under the Swap Agreement and of the Credit Support Provider under the Swap Guarantee and timely receipt by the Issuer of all amounts payable to it in respect of the Underlying Assets.

### *Limited Recourse*

Each Series of Notes represents separate limited recourse obligations of the Issuer. The payment of principal, interest and other amounts in respect of each Series of Notes will be made solely from amounts received in respect of the Charged Assets relating to such Series of Notes. In respect of each Series of Notes, the fees and claims of, amongst others, the Trustee and any agent or receiver shall have priority over the claims of the relevant Noteholders in respect of the Charged Assets relating to such Series of Notes and the net proceeds (if any) of any realisation of the security for such Series of Notes may be insufficient to pay amounts due to the holders of such Notes. In such event, the Issuer will not be obliged to pay, and the other assets of the Issuer will not be available for payment of, any such shortfall and the rights of the Noteholders, the Trustee and other creditors to receive any further amount in respect of such obligations shall be extinguished and none of the Noteholders, the Trustee or other creditors may take any further action to recover such amounts.

### *Non-Petition*

None of the Noteholders, the Trustee or other creditors (nor any other person acting on behalf of any of them) shall be entitled to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, examinership, insolvency or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations relating to the Notes, the Supplemental Trust Deed or the other documents relating to the issue of the Notes, so long as the Notes are outstanding or for two years plus one day after the latest date on which any Note of any series is due to mature save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgement as to the obligations of the Issuer.

## **2. Risks relating to the Notes**

### *FATCA Withholding Tax*

*In certain circumstances a portion of payments made on or with respect to the Notes may be subject to US reporting obligations which, if not satisfied, may require US tax to be withheld.*

The United States has passed legislation (commonly referred to as "**FATCA**") and issued regulations which, starting in 2015 (in respect of the 2013 and 2014 calendar years), will impose new information reporting requirements with respect to certain holders of "financial accounts," as such term is defined in the FATCA rules. Under FATCA, non-US financial institutions generally will be required to enter into agreements with the US Internal Revenue Service (the "**IRS**") to identify financial accounts held by US persons or entities with substantial US ownership, as well as accounts of other "financial institutions" that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. Non-US financial institutions may instead be required to report such information to their national tax authority, which will then automatically exchange that information with the IRS, where such financial institutions are in jurisdictions that have entered into intergovernmental agreements on FATCA implementation with the US that provide for such reporting. For FATCA purposes, the term financial institution includes, among others, banks, insurance companies and funds that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests. If a participating non-US financial institution makes a covered payment to a Holder or an accountholder that has not



provided information requested to establish the Holder or accountholder is exempt from reporting under the rules, or if the recipient of the payment is a non-participating financial institution (that is not otherwise exempt), the payor may be required to withhold 30% on a portion of the payment. From 1 January 2017 at the earliest, a participating non-US financial institution may be required to withhold 30% tax in respect of foreign passthru payments made to non-US financial institutions. The FATCA regulations which take effect from 28 January 2013, provide that regulations will be promulgated to define "foreign passthru payments". The effect of these regulations may be that a participating non-US financial institution may be required to withhold 30% tax from a proportion of non-US source interest and principal paid to a non-participating non-US financial institution. A Holder or an investor in Notes that is not a financial institution may be required to provide information to establish whether it is a US person or substantially owned by US persons in order to establish it is exempt from tax under the FATCA rules. The withholding tax on a non-participating financial institution applies whether the financial institution is receiving payments for its own account or on behalf of another person. A Holder or an investor that is able to claim the benefits of an income tax treaty between its own jurisdiction and the United States may be entitled to a refund of amounts withheld under FATCA, though the Holder or the investor would have to file a US tax return to claim this refund and would not be entitled to interest from the IRS for the period prior to the refund.

FATCA generally does not apply to obligations outstanding on 1 January 2014. However, the term "obligations" does not include securities that are treated as equity for US federal income tax purposes. Because of the capital structure of the Issuer, certain Notes may be treated as equity for US federal income tax purposes.

Investors should consult their own advisors about the treatment of the Notes for US federal income tax purposes and the application of FATCA to the Notes, as well as whether they may be classified as financial institutions under the FATCA rules.

### *Suitability*

Prospective purchasers of the Notes should ensure that they understand the nature of the Notes in which they are investing and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition. Each Noteholder should have sufficient knowledge, experience and professional advice to make its own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Notes and in purchasing the Notes is not relying on either the views or advice of, or any information with respect to, the Issuer, the Underlying Assets or the Reference Entity provided by the Arranger, the Dealer or any of their respective Affiliates.

### *Subordination of the Notes*

Payments of interest and principal in respect of the Notes are subordinated to the payment of certain amounts payable by the Issuer as set out in the relevant Order of Priority specified in Special Condition 5.2 (*Pre and Post Enforcement Waterfalls*) as set out in Annex 1 to the Applicable Supplement.

There can be no assurance that the Noteholders 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 a Credit Event occurs, returns to Noteholders could be greatly reduced or be zero.

### *Interest*

Interest will cease to accrue on the earlier of (a) the Event Determination Date if a Credit Event occurs; (b) the Early Redemption Event Notice Date; and (c) the Scheduled Maturity Date.

### *Early Redemption upon the occurrence of an Early Redemption Event*

The Notes are subject to early redemption upon the occurrence of an Early Redemption Event. If an Early Redemption Event occurs, the Underlying Assets will be liquidated by the Determination Agent and the Swap Agreement will be terminated. Upon termination of the Swap Agreement, a termination payment may be payable to or by the Issuer on the Early Redemption Date. Upon such liquidation and termination of the Swap Agreement, the proceeds will be applied in accordance with the Order of Priority set out in Special Condition 5.2 (*Pre and Post Enforcement Waterfalls*) as set out in Annex 1 to the Applicable Supplement. The net proceeds (if any) of the liquidation of the Underlying Assets and any termination payment under the Swap Agreement may be insufficient to pay amounts due to the holders of the Notes and potential investors should be aware that the redemption amount of the notes may be substantially less than the original investment by such holders and may be substantially less than the Outstanding Principal Amount of the Notes.

### *Mark to Market Volatility*

The mark to market value of the Notes may be affected by a number of factors including, without limitation, the spread observed in the market for the underlying Reference Entity, the spread observed in the market for tranches referenced to similar underlying assets, implied rating, and change in any other pricing parameters (including correlation and recovery rate assumptions). Mark to market values may be extremely volatile and unpredictable.

### *Liquidity Risk*

None of the Issuer, the Swap Counterparty, the Arranger or the Dealer makes any representation as to the existence of a market for the Notes. The Arranger has no obligation to provide a bid on the Notes at any time. If it chooses to indicate prices in the Notes on request, the price given, if any, will be affected by many factors including, but not limited to, the Arranger's view of the creditworthiness of the Reference Entity in respect of which Credit Events have not occurred, the remaining term of the Notes, the general level of interest rates and the current market value of the Underlying Assets.

In addition, no sale, assignment, participation, pledge or transfer of the Notes may be effected if, among other things, it would require the Issuer to register under the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Notes have not been and will not be registered under the Securities Act, any state securities laws in the United States or the securities laws of any other jurisdiction. The Notes are subject to certain transfer restrictions and each purchaser of Notes will be deemed to have made certain acknowledgements, representations and agreements. See "*Subscription and Sale*" and "*Transfer Restrictions*". Such restrictions on the transfer of the Notes may further limit their liquidity.

### *Deferral of Redemption of the Notes*

The Maturity Date of the Notes is the earlier of (1) the Scheduled Maturity Date and (2) three Business Days after the Loss Amount is determined with respect to the Swap Agreement. The Maturity Date of the Notes may be extended after the Scheduled Maturity Date if there are potential or unsettled Credit Events pursuant to the terms of the Swap Agreement. Interest will not accrue on the Notes after the Scheduled Maturity Date.

### *Underlying Assets*

Other than as expressly stated herein in relation to the Issuer, none of the Issuer, the Swap Counterparty, the Arranger, the Dealer nor the Trustee has verified, or accepts any liability whatsoever for the accuracy of the information relating to the Underlying Assets contained in this document.

None of the Issuer, the Swap Counterparty, the Arranger or the Dealer has made any investigation into the issuers of the Underlying Assets and prospective purchasers should make their own investigations and determinations with regard to the financial condition and creditworthiness of such issuers and the full terms of the Underlying Assets. The value of the Underlying Assets may fluctuate from time to time and none of the Issuer, the Trustee, the Dealer, the Custodian, the Determination Agent, the Calculation Agent or the Swap Counterparty have any obligation to maintain the value of the Underlying Assets at any particular level. None of the Issuer, the Trustee, the Dealer, the Calculation Agent, the Custodian or any of their affiliates has any liability to the Noteholders as to the amount or value of, or any decrease in the value of, the Underlying Assets from time to time.

Prospective investors should read the prospectus for the Underlying Assets, including, in particular the risk factors relating to the Underlying Assets.

#### *Morgan Stanley Noteholder Option*

Morgan Stanley & Co. International plc and each of its affiliates (each such person, a “**Morgan Stanley Noteholder**”) have the option, exercisable at any time and from time to time by written notice, to require the Issuer to redeem all or some only of the Notes held by it (or beneficially owned by it) (the “**Morgan Stanley Noteholder Option**”).

No interest will be payable in respect of a Note to be redeemed pursuant to an exercise of the Morgan Stanley Noteholder Option in respect of the period since the last date on which interest was payable (or, if there is no such date, the Issue Date).

Upon an exercise of the Morgan Stanley Noteholder Option, the Relevant Portion of each Related Agreement will terminate and the Determination Agent will:

- (A) arrange for the delivery of the Relevant Portion of the Underlying Assets (rounded down, if appropriate, to the nearest denomination) to the Morgan Stanley Noteholder and that amount of the Underlying Assets shall be released from the security constituted by the Security Documents; and
- (B) identify any changes to the terms and conditions of the Notes and the Transaction Documents which the Determination Agent considers are required in order to reflect and account for the redemption pursuant to the exercise of the Morgan Stanley Noteholder Option and to ensure that the amounts payable on those Notes which are not redeemed are the same (in all material respects) as the amounts which would have been payable on those Notes but for that redemption. Upon identification by the Determination Agent of any such changes, the terms and conditions of the Notes and the Transaction Documents will be deemed to be amended without any further action required by or consent from any other party.

For this purpose, “**Relevant Portion**” means, in relation to a Related Agreement or the Underlying Assets, a share thereof corresponding to the proportion which the Principal Amount of the Notes to be redeemed bears to all of the Notes (including the Notes to be redeemed).

Payment of the redemption amount in respect of all the Notes to be redeemed in the event of an exercise of the Morgan Stanley Noteholder Option will be deemed to be satisfied by delivery to the Morgan Stanley Noteholder of the Relevant Portion of the Underlying Assets (rounded down, if appropriate, to the nearest denomination).

#### *Dealings related to the Reference Entity and Underlying Assets*

Morgan Stanley will not be (nor be deemed to be acting as) the agent, fiduciary or trustee of the Issuer or the Noteholders in connection with the exercise of, or the failure to exercise, any of the rights or powers of Morgan Stanley arising under or in connection with its holding (if any) of any

obligation of or interest in the Reference Entity or any Underlying Asset. Morgan Stanley & Co. International plc in its capacity as Determination Agent does not have any fiduciary duty to the Noteholders.

Morgan Stanley and any of its affiliates (i) may deal with the Reference Entity or the issuer of any Underlying Asset, (ii) may accept information from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business transactions with, the Reference Entity or the issuer of any Underlying Asset and any investment manager or trustee relating to any obligation of the Reference Entity or any Underlying Asset, (iii) may have placed, underwritten, arranged or structured any obligation of any Reference Entity or any Underlying Asset when such obligations or Underlying Assets were originally issued and (iv) may act, with respect to transactions described in the preceding paragraphs (i), (ii) and (iii), in the same manner as if the Swap Agreement and the Notes did not exist and without regard as to whether such action might have an adverse effect on the Reference Entity, the Underlying Assets, any investment manager or trustee related to any Underlying Asset or obligation of any Reference Entity, the Issuer or the Noteholders.

#### *Conflicts of interest*

Under the Supplemental Trust Deed, the Trustee will hold a security interest in the property charged and assigned thereunder for the benefit of, among others, the Noteholders, whose rights in an enforcement of the security interest will be subordinate to the prior rights of certain other Secured Creditors. The Trustee will not be bound to exercise any rights in respect of the security in respect of the Notes unless requested by the Instructing Creditor, which is the Swap Counterparty. Where the interests of the Instructing Creditor conflict with those of other Secured Creditors, the Trustee will prefer the interests of the Instructing Creditor over the other Secured Creditors.

### **3. Credit considerations and risks relating to the Reference Entity**

#### *Credit Risk on Swap Counterparty and Swap Guarantor*

The ability of the Issuer to meet its obligations under the Notes will depend on the receipt by it of payments owed to the Issuer by the Swap Counterparty and the Swap Guarantor. Consequently, an investor is exposed not only to the occurrence of Credit Events in relation to the Reference Entity, but also to the ability of the Swap Counterparty and the Swap Guarantor to perform their respective obligations to make payments to the Issuer.

The Notes are linked to the creditworthiness of the Reference Entity and the obligor in respect of the Underlying Assets.

#### *Credit Events and Credit Event Recovery Amount*

Upon the occurrence and settlement of a Credit Event under the Swap Agreement, the Loss Amount will be determined as an amount payable to the Swap Counterparty. The Loss Amount takes into account the Auction Settlement Amount or, as the case may be, Cash Settlement Amount determined in respect of the relevant Reference Entity as determined by the Determination Agent in good faith and in its sole and absolute discretion. A higher Loss Amount will result in a lower Credit Event Recovery Amount payable to the holders of the Notes. The Loss Amount may be equal to the Outstanding Principal Amount of the Notes, in which case the Credit Event Recovery Amount would be zero. Prospective investors should also be aware that following a Credit Event, the Swap Agreement will terminate and in addition to the Loss Amount, the Issuer may also be required to make a further termination payment to the Swap Counterparty which shall be made in priority to the payment of the Credit Event Recovery Amount to Noteholders in accordance with the Order of Priority set out in Special Condition 5.2 (*Pre and Post Enforcement Waterfalls*) as set out in Annex 1 to the Applicable Supplement. Prospective investors should

therefore note that they may receive substantially less than the Credit Event Recovery Amount on the Maturity Date, and such amount may be zero.

The likelihood of a Credit Event occurring with respect to a Reference Entity and the amount of the Loss Amount in respect thereof will generally fluctuate with, among other things, the financial condition of the Reference Entity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

The maximum loss for the investor is 100 per cent. of the initial investment in addition to all interest amounts.

*Risks relating to Credit Derivatives Definitions, Determinations Committees and Auction Settlement.*

The terms and conditions of the Swap Agreement incorporate the definitions and provisions of the 2003 Credit Derivatives Definitions, as amended by, *inter alia*, the July 2009 Supplement and as further amended by the Swap Agreement. Accordingly, only investors who are familiar with, and fully understand the definitions and provisions of the Credit Derivatives Definitions and have access to the relevant Credit Derivatives Definitions should consider purchasing the Notes issued hereunder. Prospective investors should be aware that investing in the Notes may not be equivalent to selling credit protection in respect of the Reference Entity by way of a market standard credit default swap transaction that incorporates the Credit Derivatives Definitions.

Prospective investors should be aware that, as provided for in the Credit Derivatives Definitions, many of the decisions relating to the terms of the Notes may be determined by the Credit Derivatives Determinations Committee whose purposes is, in certain circumstances, to make fundamental determinations on a mixture of commercial and legal questions which include, amongst other things, the occurrence of a Credit Event and the occurrence of a Succession Event (and the identity of the Successor(s)). Prospective investors should be familiar with the rules and the manner in which the Credit Derivatives Determinations Committee is constituted and resolves matters. By purchasing the Notes, investors shall be deemed to agree (a) that no DC Party and no legal counsel or other third-party professional hired by a DC Party in connection with such DC Party's performance of its respective duties under the relevant rules and the Credit Derivatives Auction Settlement Terms, shall be liable, whether for negligence or otherwise, except in the case of fraud or wilful misconduct and (b) to waive any such claim, whether for negligence or otherwise, except as aforesaid. Prospective investors should also note that Morgan Stanley is a global dealer on the Credit Derivatives Determinations Committee. Prospective investors should also be aware that the July 2009 Supplement gives the Determinations Committee wide discretion to make determinations on a case-by-case basis notwithstanding any provision to the contrary in the July 2009 Supplement.

The July 2009 Supplement also introduces a dynamic effective date such that a Credit Event must occur not more than 60 days prior to, and a Succession Event must occur not more than 90 days prior to, the date on which a request is submitted to ISDA to convene the relevant Determination Committee to consider whether a Credit Event or Succession Event has occurred (or, if applicable, the date that the Conditions to Settlement are satisfied or a Succession Notice is effective, as the case may be). This "rolling backstop" differs from a credit derivatives transaction that only incorporates the 2003 ISDA Credit Derivatives Definitions and does not incorporate the July 2009 Supplement. Potential investors should be aware that because the Notes are exposed to a Credit Event that may occur on or following the Credit Event Backstop Date, such Credit Event may occur prior to the Trade Date of the Swap Agreement. Accordingly, investors should be aware that a Loss Amount could be determined on or shortly following the Issue Date due to the occurrence of a Credit Event prior to the issue of the Notes.

Under the terms of the Notes, the losses associated with a Credit Event will be settled in accordance with an Auction if held. Prospective investors should be familiar with, and

understand, the Auction settlement mechanics, in particular, the manner in which the Auction Final Price is determined, as set out in the Credit Derivatives Auction Settlement Terms.

### *Successors*

Where a Succession Event has occurred under the Swap Agreement and more than one Successor has been identified in respect of the Reference Entity, the credit derivatives transaction evidenced by the Swap Agreement will be divided into the same number of new credit derivative transactions as there are Successors and each Successor will be the Reference Entity for the purpose of one such new credit derivatives transaction. In such circumstances, the Determination Agent will make any amendments to the Swap Agreement, the Conditions of the Notes and any other document that the Determination Agent determines are necessary to preserve the economic effect of the Swap Agreement and the Conditions of the Notes prior to such Succession Event. Any such amendments to the Conditions of the Notes will be made without the consent of the Noteholders. A Credit Event in respect of one Successor would result in the redemption of an amount of Notes that relates to such new credit derivative transaction only at a Credit Event Recovery Amount on the basis of the Loss Amount determined in respect of the entity for which a Credit Event occurred.

### *Historical Performance may not predict Future Performance*

The Reference Entity may not perform as indicated by the historical performance of similarly rated Reference Entities. Even if future performance is similar to that of historic performance for the entire market, each prospective investor must make its own determination as to whether the Reference Entity will reflect the experience of the universe of rated entities. Hence, Credit Event rates experienced by this transaction may be higher than they have been historically and may in future be higher than the rates for the entire market.

### *“Cheapest-to-Deliver” Risk*

In the event that the Fallback Settlement Method of Cash Settlement applies under the Swap Agreement, since the Swap Counterparty has discretion to choose the portfolio of Valuation Obligations used to calculate the severity of losses following a Credit Event in respect of the Reference Entity, it is likely that the portfolio of Valuation Obligations selected will be obligations of the Reference Entity with the lowest market value that are permitted to be selected pursuant to the Swap Agreement. This could result in a lower recovery value and hence a larger Loss Amount payable by the Issuer under that Swap Agreement which will lead to a higher reduction in the Outstanding Principal Amount of the Notes, with a loss of principal invested and/or a reduction in the amount of interest payable. The maximum loss for the investor is 100 per cent. of the initial investment in addition to all interest amounts.

### *No legal or beneficial interest in the Reference Entity*

Under the Swap Agreement, the Issuer will have a contractual relationship only with the Swap Counterparty and not with the Reference Entity and will have no recourse against such Reference Entity. Consequently the Swap Agreement does not constitute the acquisition of any interest in the Reference Entity or in any obligation of the Reference Entity. None of the Trustee, the Issuer, the Noteholders or any other entity will have any rights to acquire from the Swap Counterparty (or to require the Swap Counterparty to transfer, assign or otherwise dispose of) any interest in the Reference Entity or in any obligation of the Reference Entity.

### *Limited provision of information about the Reference Entity*

None of the Issuer, the Trustee and the Noteholders will have any right, except as specifically required under the terms of the Swap Agreement and the Notes, to receive any information regarding any Reference Entity.

*No need for loss*

The Issuer is obliged to make payments to the Swap Counterparty under the Swap Agreement in respect of the Reference Entity if it is affected by a Credit Event irrespective of whether the Swap Counterparty has suffered an actual loss in respect of the Reference Entity or of the size of such loss.

#### **4. Risks relating to Underlying Assets**

##### *Issuer of Underlying Assets*

Because an Underlying Asset Event will result in early redemption of the Notes, where the amount payable on redemption may be less than the Outstanding Principal Amount, an investor is exposed to the credit risk of the issuer of the Underlying Assets. In addition, if an Underlying Asset Event occurs, the Determination Agent (being an affiliate of Morgan Stanley) is required pursuant to the Conditions to perform certain obligations including arranging for realisation of the Underlying Assets, which it may under the circumstances have difficulties in fulfilling.

#### **5. Tax Considerations**

The Issuer is not obliged to pay any additional amounts for, or on account of, any payments under the Notes or the Swap Agreement that are the subject of a deduction or a withholding for or on account of any tax. The imposition of such withholding or deductions may lead to an early termination of the Swap Agreement and an early redemption of the Notes.

Pursuant to the terms of the Swap Agreement, the Swap Counterparty is not obliged to pay any additional amount for, or on account of, any payments under the Swap Agreement that are the subject of a deduction or withholding for or on account of any tax. The imposition of such withholding or deductions may lead to an early termination of the Swap Agreement and an early redemption of the Notes.

#### **6. EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer

is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

## **7. European Market Infrastructure Regulation**

European Regulation 648/2012, known as the European Market Infrastructure Regulation ("**EMIR**") entered into force on 16 August 2012. EMIR places a number of obligations on parties to derivatives, including reporting, margining, capital retention, recordkeeping and submission of transactions to central clearing. The combination of obligations which apply to parties to derivatives depends upon the nature of the derivative transaction and upon the nature of each party.

EMIR represents Level One legislation and implementation depends upon Level Two rules drafted by the European Securities and Market Authority ("**ESMA**"). At this stage, not all of the Regulatory Technical Standards and Implementing Technical Standards (which, together, represent the Level Two rules to which the previous sentence refers) have been drafted and so it is not yet clear which obligations will apply to the Issuer and to the Swap Counterparty in the context of the Swap Agreement. Depending upon the obligations to which the Issuer and Swap Counterparty are subject, this may lead to additional costs, expenses and liabilities for the Issuer which may affect its ability to continue making payments in respect of the Notes.

Given the material and presently unknown extent of the risks which may affect the Notes as a consequence of the implementation of EMIR, potential investors in the Notes should take independent advice and make an independent assessment about such risks in the context of any potential investment decision with respect to the Notes.

## **8. Expenses**

The payment of anticipated up-front fees, costs and expenses of the Issuer in connection with the issue of the Notes and the entry into the Swap Agreement will be met by Morgan Stanley & Co. International plc.



## **APPLICABLE SUPPLEMENT**

**E.L.A.N. LIMITED**  
**(Incorporated with limited liability in Jersey)**

issue of

**Series 2013-01 JPY 1,000,000,000 Limited Recourse Secured Floating Rate Credit-Linked  
Notes due 2018**

under the

**U.S.\$5,000,000,000**  
**Structured Note Programme**

The Notes shall have the terms and conditions set out in the Second Schedule of the Principal Trust Deed as amended and restated on 12 April 2013 (the “**Conditions**”) as completed, modified and supplemented by this Applicable Supplement (including the Annexes hereto).

This Applicable Supplement constitutes the “Applicable Supplement” as referred to in the Conditions.

### **Special Conditions**

The Special Conditions set out in Annex 1 to this Applicable Supplement shall complete, modify and supplement the Conditions of the Notes. In the event of any inconsistency between the Conditions and the Special Conditions, the Special Conditions shall prevail and the Conditions shall be deemed to be amended accordingly.

- |    |                                     |   |
|----|-------------------------------------|---|
| 1. | Issuer:                             | E.L.A.N. Limited  |
| 2. | Series Number:                      | 2013-01   |
| 3. | Specified Currency or Currencies:   | Japanese Yen (“JPY” or “¥”)   |
| 4. | Aggregate Nominal/Principal Amount: | JPY 1,000,000,000   |
| 5. | (i) Issue Date:                     | 25 April 2013   |
|    | (ii) Interest Commencement Date:    | 26 April 2013   |
| 6. | Scheduled Maturity Date:            | 22 June 2018  |
| 7. | Maturity Date:                      | Subject to the occurrence of an Early Redemption Event, the Maturity Date shall be the earlier of (1) the Scheduled Maturity Date and (2) three Business Days after the Loss Amount is determined; provided, however, that if a Potential Credit Event or an Unsettled Credit Event exists on the Scheduled Maturity Date, the Notes shall be redeemed on:<br><br>(a) the day that is three Business Days after the Auction Final Price or the Cash Settlement Amount, as the |

case may be, has been determined if an Event Determination Date with respect to the Reference Entity has occurred under the Swap Agreement; or

- (b) the day that is three Business Days after the Determination Agent notifies the Issuer of its determination in good faith that an Event Determination Date will not occur with respect to the Reference Entity under the Swap Agreement.

**“Loss Amount”** means the Auction Settlement Amount or the Cash Settlement Amount, as applicable, calculated under the Swap Agreement with respect to the Reference Entity.

A **“Potential Credit Event”** (a) shall occur when notice is given by the Determination Agent to the Issuer upon making a determination in its reasonable discretion that an event that may be a Credit Event has occurred or may occur on or prior to the Scheduled Maturity Date or (b) shall be deemed to occur if a Credit Event Resolution Request Date has occurred on or prior to the Scheduled Maturity Date.

**“Unsettled Credit Event”** means a Credit Event with respect to which an Event Determination Date has occurred but the related Cash Settlement Date has not occurred as of such date.

- |  |  |
|--|--|
| 8. Interest Basis:   | Floating.  |
| 9. Redemption/Payment Basis:   | Subject to the provisions of paragraph 3 ( <i>Credit Event Recovery</i> ) and paragraph 4 ( <i>Early Redemption Event</i> ) of Annex 1 hereto, Outstanding Principal Amount. |
| 10. Change of Interest or Redemption Basis:                            | Not applicable.  |
| 11. Put/Call Options:  | None.  |
| 12. Issue Price:   | 100 per cent. of the Aggregate Principal Amount.   |
| 13. Status of the Notes:   | See paragraph 5 ( <i>Status of Notes</i> ) of Annex 1 hereto.  |
| 14. Instructing Creditor:<br>(See Conditions 3(d), 7(b)(v), 10 and 11) | The Swap Counterparty.   |

15. Listing: Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market (the “**Main Securities Market**”). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”).
16. Method of Distribution: Non-syndicated.

## RATINGS

17. Rating(s): Rating(s): The Notes will not be rated.

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

18. Fixed Rate Note Provisions: Not Applicable.
19. Floating Rate Note Provisions: Applicable, subject to the provisions of paragraph 2 (*Interest Amount*) of Annex 1 hereto.
20. Interest Period End Dates: Each Interest Payment Date.
- (i) Interest Payment Dates: 22 June and 22 December in each year (subject to adjustment in accordance with the Business Day Convention) from and including 22 June 2013 to and including the Scheduled Maturity Date, provided that the final Interest Period shall end on the earliest to occur of (i) the Scheduled Maturity Date; (ii) the Event Determination Date and (iii) the Early Redemption Event Notice Date, in each case subject to adjustment in accordance with the Business Day Convention.
- (ii) Business Day Convention: Modified Following Business Day Convention.
- (iii) Additional Cities for the Definition of Business Day in Condition 6(k): London and Tokyo
- (iv) Determination Agent: Morgan Stanley & Co. International plc.
- (v) Calculation Agent: The Bank of New York Mellon acting through its London Branch.
- (vi) Manner in which the Interest Rate is to be determined: ISDA Determination.
- (vii) If Screen Rate Determination: Not Applicable.

(viii)	If ISDA Determination:	
(a)	Floating Rate Option:	JPY-LIBOR-BBA
(b)	Designated Maturity:	6 months, provided that for any Interest Period of less than six months, the relevant rate shall be determined by reference to a straight-line interpolation between the next shorter and next longer period closest to the relevant Interest Period for which a JPY-LIBOR-BBA value is available.
(c)	Reset Date:	The first day of each Interest Period.
(ix)	If other, specify basis for determination of the Rate of Interest, any relevant Margin and any fall-back provisions:	Not Applicable.
(x)	Margin:	In respect of any Interest Amount payable on any Interest Payment Date, plus 0.61 per cent. per annum.
(xi)	Rate Multiplier:	Not Applicable.
(xii)	Minimum Rate of Interest:	Not Applicable.
(xiii)	Maximum Rate of Interest:	Not Applicable.
(xiv)	Day Count Fraction:	Actual/360.
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	Not Applicable.
21.	Zero Coupon Note Provisions	Not applicable.
22.	Index/Formula-Linked Note Provisions	Not applicable.
23.	Dual Currency Note Provisions	Not applicable.
24.	Variable Coupon Amount Provisions	Not applicable.

#### **PROVISIONS RELATING TO REDEMPTION, PURCHASE AND EXCHANGE**

25.	Early Redemption Events:	See paragraph 4 ( <i>Early Redemption Events</i> ) of Annex 1 hereto.
26.	Purchase at Issuer's Option (Condition 7(c)):	Not applicable.

- |   |   |
|---|---|
| 27. Redemption at the Option of the Issuer:                               | Not applicable.   |
| 28. Redemption at the Option/Request of the Noteholders:                  | The Morgan Stanley Noteholder Option described in Condition 7(g)(B) is applicable as amended in paragraph 6 ( <i>Morgan Stanley Noteholder Option</i> ) in Annex 1 hereto.    |
| 29. Termination of Swap Agreement at the Option of the Swap Counterparty: | Not applicable. But see paragraph 6 ( <i>Morgan Stanley Noteholder Option</i> ) in Annex 1 hereto.  |
| 30. Exchange of Notes for Underlying Assets:                              | Not applicable.   |
| 31. Exchange of Series:   | Not applicable.   |
| 32. Redemption Amount:  | Subject to the provisions of paragraph 3 ( <i>Credit Event Recovery</i> ) and paragraph 4 ( <i>Early Redemption Events</i> ) of Annex 1 hereto, Outstanding Principal Amount. |
| 33. Early Redemption Amount pursuant to Early Redemption Event:           | See paragraph 4 ( <i>Early Redemption Events</i> ) of Annex 1 hereto.   |

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- |  |  |
|--|--|
| 34. Form of Notes:   | Registered.<br><br>The Notes will on issue be represented by a registered Global Note (the “ <b>Global Note</b> ”) in fully registered form, without coupons attached, deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. The Global Note will be exchangeable for definitive notes in registered form, in limited circumstances. |
| 35. Authorised Denominations:  | The Notes will be issued in minimum denominations of JPY 100,000,000 and integral multiples of JPY 10,000,000 in excess thereof.<br><br>For the purpose of the Provisions for Meetings of the Noteholders as set out in Schedule 1 to the Principal Trust Deed, a “ <b>Unit</b> ” shall mean JPY 10,000,000.   |
| 36. Additional Business Days or other special provisions relating to Payment Dates:                    | Not applicable.  |
| 37. Paying Agent/Registrar/Alternative Registrar (if other than as specified in the Agency Agreement): | Not applicable.  |

- |     |   |   |
|-----|---|---|
| 38. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):   | Not applicable.   |
| 39. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not applicable.   |
| 40. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:  | Not applicable.   |
| 41. | Variation to provisions of Condition 10 (Events of Default):  | Paragraph (vii) of Condition 10(a) ( <i>Events of Default</i> ) shall not apply to the Notes. |
| 42. | Other terms or special conditions:  | As set out in Annex 1 hereto.   |

## **DISTRIBUTION**

- |     |                                    |   |
|-----|------------------------------------|---|
| 43. | If syndicated, names of Managers:  | Not applicable.                         |
|     | Stabilising Manager (if any):      | Not applicable.                         |
| 44. | If non-syndicated, name of Dealer: | Morgan Stanley & Co. International plc. |
| 45. | Additional selling restrictions:   | See "Subscription and Sale".            |
| 46. | Commission payable:                | Not applicable.                         |
| 47. | Selling Concession:                | Not applicable.                         |
| 48. | Expenses:                          | Not applicable.                         |

## **OPERATIONAL INFORMATION**

- |     |  |                           |
|-----|--|---------------------------|
| 49. | ISIN Code:   | XS0913856190              |
| 50. | Common Code:   | 091385619                 |
| 51. | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | Not applicable.           |
| 52. | Delivery:  | Delivery free of payment. |

## **RELATED AGREEMENTS AND SECURITY**

53.	Security:	The Issuer's obligations under the Notes will be secured pursuant to the Supplemental Trust Deed and the Japanese law bond pledge agreement executed by the Issuer, the Trustee, the Custodian and the Counterparty in respect of the Underlying Assets in the form of JGBs (as defined in Annex I hereto) and dated the Issue Date (the " <b>Charging Instrument</b> ").		
54.	Swap Counterparty:	Morgan Stanley & Co. International plc.		
55.	Contingent Forward Counterparty (if applicable):	Not applicable.		
56.	Swap Calculation Agent:	Morgan Stanley & Co. International plc.		
57.	Swap Agreement:	The credit default swap confirmation (the " <b>CDS Confirmation</b> "), the interest rate swap confirmation (the " <b>IRS Confirmation</b> ") and the credit support annex (the " <b>Credit Support Annex</b> ") each dated 25 April 2013 between the Issuer and the Swap Counterparty that supplement, form a part of and are subject to the provisions of the ISDA Master Agreement (Multicurrency-Cross Border) and schedule thereto dated as of 19 January 2001 (the " <b>ISDA Master Agreement</b> " and together with the CDS Confirmation, the IRS Confirmation and the Credit Support Annex, the " <b>Swap Agreement</b> ").		
58.	Swap Guarantee:	The guarantee dated 19 January 2001 between the Issuer and the Credit Support Provider (the " <b>Swap Guarantee</b> "). The Swap Guarantee together with the Swap Agreement are the " <b>Related Agreements</b> ".		
59.	Contingent Forward Agreement (if applicable):	Not applicable.		
60.	Contingent Forward Guarantee (if applicable):	Not applicable.		
61.	Credit Support Provider:	Morgan Stanley.		
62.	Scheduled Termination Date of Swap Agreement:	22 June 2018		
63.	Application of proceeds upon an Early Redemption Event:	Other Priority. See Paragraph 5.2 ( <i>Pre and Post Enforcement Waterfalls</i> ) in Annex 1 hereto.		
64.	Substitution of Underlying Assets:	Not Applicable.		

65. Gross-up: Not Applicable.

## ADDITIONAL INFORMATION

66. Custodian: The Bank of New York Mellon, acting through its London Branch.

67. Description of the Underlying Assets: As at the Issue Date, the Underlying Assets will comprise JPY 1,000,000,000 in principal amount of 1.5% per annum Japanese Government Bonds #295 due 20 June 2018 (ISIN: JP1102951884), (the “**Initial Underlying Assets**”).

The Underlying Assets will also include any cash standing to the credit of the Cash Account and the CSA Cash Account (each as defined in Annex 1 hereto) from time to time, any securities held in the Securities Account (as defined in Annex 1 hereto) from time to time and the Issuer’s rights, title and interest in and to the Cash Account, the CSA Cash Account and the Securities Account.

68. Description of the Reference Entity: The Reference Entity is ITOCHU Corporation and any Successor(s).

The information below regarding the Reference Entity has been obtained from website: [http://www.hoovers.com/company-information/cs/company-profile.ITOCHU\\_Corporation.98ee6def1bbcd9bb.html](http://www.hoovers.com/company-information/cs/company-profile.ITOCHU_Corporation.98ee6def1bbcd9bb.html)

ITOCHU Corporation is a leading Japanese "sogo shosha" (general trading company), along with Mitsui & Co. and Mitsubishi, and has business interests in such diverse areas as aerospace, equipment manufacturing, food distribution, and clothing production. It also has interests and operations in chemicals, energy and mining, financial services, and retailing. The conglomerate has approximately 130 offices in 67 countries and operates through some 500 subsidiaries and affiliated companies around the world.

69. Redenomination: Not applicable.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Applicable Supplement.



Signed on behalf of the Issuer:

By: .....

Date: .....

## ANNEX 1 TO THE APPLICABLE SUPPLEMENT

### SPECIAL CONDITIONS

In respect of each Series of Notes, the Conditions shall be supplemented and modified by the following Special Conditions:

#### 1. DEFINITIONS AND INTERPRETATION

Capitalised terms used but not otherwise defined will have the meanings given to them in the Swap Agreement.

**“Affiliate”** means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For these purposes “control” means ownership of a majority of the voting power of the entity or person.

**“Cash Account”** means the cash account No. 2389413920 of the Custodian maintained on the books of the Custodian pursuant to Clause 8.3 of the Supplemental Trust Deed and designated “Cash account secured and pledged by E.L.A.N. Limited for the benefit of The Bank of New York Mellon as trustee for, *inter alios*, holders of the Series 2013-01 Notes” into which the Retained Monies are paid.

**“Cash Collateral”** means any Eligible Credit Support in the form of Cash received into the CSA Cash Account by the Custodian on behalf of the Issuer pursuant to the Credit Support Annex and Special Condition 12.1.

**“Credit Event Recovery Amount”** means an amount, subject to a minimum of zero, determined by the Determination Agent to be equal to the aggregate Outstanding Principal Amount of all Notes outstanding less the Loss Amount.

**“CSA Cash Account”** means the cash account No. 2389413921 of the Custodian maintained on the books of the Custodian pursuant to Clause 8.3 of the Supplemental Trust Deed and designated “CSA Cash account secured and pledged by E.L.A.N. Limited for the benefit of The Bank of New York Mellon as trustee for, *inter alios*, holders of the Series 2013-01 Notes” into which any Cash Collateral and any payments or distributions in respect of the Securities Collateral is paid.

**“Custody Account”** means the custody account established on the books of the Custodian in connection with the Notes in accordance with the provisions of the Custody Agreement.

**“Early Redemption Event”** means either a Mandatory Redemption Event or an Underlying Assets Event.

**“JGBs”** means 1.5% per annum Japanese Government Bonds #295 due 20 June 2018 (ISIN: JP1102951884).

**“Liquidation Amount”** means the equivalent in the currency in which the Notes are denominated of (in the case of an enforcement of the security constituted by the Security Documents or otherwise) the net proceeds of the realisation of the Charged Assets and the Underlying Assets, as the case may be, received by the Trustee or the Issuer, as the case may be;

**“Loss Amount”** means, with respect to a Reference Entity in respect of which an Event Determination Date has occurred, the Auction Settlement Amount as calculated under the terms of the Swap Agreement with respect to such Reference Entity (if Auction Settlement applies under the Swap Agreement) or the Cash Settlement Amount calculated under the Swap

Agreement with respect to such Reference Entity (if the Fallback Settlement Method of Cash Settlement applies under the Swap Agreement).

**“Order of Priority”** means the order of priority of payments specified in paragraph 5.2 (*Pre and Post Enforcement Waterfalls*) below.

**“Outstanding Principal Amount”** and **“Principal Amount”** each mean, in relation to each Note, the amount of the original face value thereof less any reductions following (i) any Partial Redemption (as described in paragraph 9 (*Successors*) below) and (ii) any exercise of the Morgan Stanley Noteholder Option (as described in paragraph 6 (*Morgan Stanley Noteholder Option*) below).

**“Partial Redemption”** means any Partial Redemption of the Notes in accordance with paragraph 9 (*Successors*) below.

**“Retained Monies”** means, subject as provided in Clause 5.4 of the Supplemental Trust Deed, any monies received by the Custodian or by any person for the Custodian's account, including the Cash Account, and referred to in Clause 5.3 of the Supplemental Trust Deed in respect of the Initial Underlying Assets (together with any interest accrued or accruing thereon) which has been retained by the Custodian in accordance with the provisions of Clause 8.3 of the Supplemental Trust Deed.

**“Securities Account”** means the securities account No. 238941 of the Custodian maintained on the books of the Custodian pursuant to Clause 8.2 of the Supplemental Trust Deed and designated “Securities account secured and pledged by E.L.A.N. Limited for the benefit of The Bank of New York Mellon, as trustee for, *inter alios*, the Holders of Series 2013-01 Notes” and into which the Initial Underlying Assets and any Securities Collateral will be credited;

**“Securities Collateral”** means Eligible Credit Support in the form of JGBs received into the Securities Account by the Custodian on behalf of the Issuer pursuant to the Credit Support Annex and Special Condition 12.2.

**“Swap Termination Amount”** means the net termination payment payable in respect of the Swap Agreement.

**“Trade Date”** means 02 April 2013.

**“Trade Documents”** means the Applicable Supplement, the Supplemental Trust Deed, the Related Agreement, any Sub-Custodian Agreement or custody agreement entered into in respect of the Notes, the Notes of such Series, any supplementary security document, if any, entered into in respect of such Series and the final form of any other documents entered into by a party or produced in connection with the Notes.

**“Valuation Date”** has the meaning given to such term in the Credit Support Annex.

Any reference to **“Notes”** in this Applicable Supplement, any Transaction Document or any Trade Document shall be deemed to refer to the Notes constituted and secured by the Supplemental Trust Deed together with any Further Tranche of Notes issued pursuant to Condition 1(c) (*Fungible Tranches of Notes comprising a Series*), unless the context otherwise requires.

## 2. INTEREST AMOUNT

Each Note bears interest on its Outstanding Principal Amount as specified in Condition 6(c), provided that interest will cease to accrue on the earliest of (a) the Event Determination Date if a Credit Event occurs; (b) the Early Redemption Event Notice Date; and (c) the Scheduled Maturity Date.

### 3. CREDIT EVENT RECOVERY

#### 3.1 Credit Event Recovery Amount

If an Event Determination Date occurs pursuant to the terms of the Swap Agreement, interest will cease to accrue on such Event Determination Date; and

- (i) the IRS Confirmation will be terminated and the Swap Counterparty will calculate the termination amount payable in accordance with the terms of the Swap Agreement. If a termination amount is payable by the Issuer in respect of the termination of the IRS Confirmation, such amount will be paid from the Liquidation Amount in accordance with the Order of Priority;
- (ii) the Issuer, or as the case may be, the Determination Agent, acting on behalf of the Issuer, shall subject to the relevant provisions of the Trust Deed and the Custody Agreement, proceed to arrange for and administer the liquidation, redemption or realisation of the Underlying Assets on behalf of the Issuer in accordance with the Conditions; and
- (iii) on the Maturity Date each Note will be redeemed, on a *pro rata* basis, at an amount equal to the relevant proportion of the Credit Event Recovery Amount, but subject to the application of the Liquidation Amount in accordance with the Order of Priority. The provisions of Clause 17 of the Principal Trust Deed shall apply in respect of such redemption of the Notes.

#### 3.2 Notices

As soon as reasonably practicable following receipt by the Issuer from the Swap Counterparty of a Credit Event Notice and Notice of Publicly Available Information under the Swap Agreement or of its being made aware of any general notification relating to determinations by the Determinations Committee, the Issuer may (but is not obliged to) notify the Trustee, the Determination Agent and the Principal Paying Agent (if not previously notified) and may (but is not obliged to) procure that the Noteholders are notified in accordance with Condition 15 (*Notices*).

### 4. EARLY REDEMPTION EVENTS

Condition 7(b) shall be deleted and replaced by the following:

“(b) Early Redemption Events

(i) If any of the following events (each a “**Mandatory Redemption Event**”) occurs:

- (A) the Swap Agreement is subject to termination in whole (but not in part) and not replaced other than as a result of an Underlying Assets Event; or
- (B)
  - (x) the Issuer on the occasion of the next payment due in respect of the Notes would be required by law to withhold or account for tax, or
  - (y) the Issuer would suffer tax in respect of its income in respect of the Underlying Assets, or payments made by it under the Swap Agreement or payments made to it under a Related Agreement, or would receive net of any tax or withholding any payments in respect of the Underlying Assets or

payments made to it under a Related Agreement, so that it would be unable to make payment of any amount due on the Notes or under any Related Agreement, or

- (z) any exchange controls or other currency exchange or transfer restrictions or tax are imposed on the Issuer or any payments to be made to or by the Issuer (save for any such exchange controls or other currency exchange or transfer restrictions or tax imposed upon payments made by the Issuer solely by reason of the jurisdiction of any Noteholder or by the failure of any Noteholder to comply with any applicable procedures required by the relevant authority to establish an exemption from such) or for any reason the cost to the Issuer of complying with its obligations under the Swap Agreement or in connection with the Trust Deed or meeting its operating or administrative expenses would (in the sole opinion of the directors of the Issuer) be materially increased, the Trustee having required the Issuer to use its best endeavours 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) approved in writing by the Trustee 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) approved in writing by the Trustee (in each case subject to the satisfaction of certain conditions as more fully specified in the Trust Deed) from which it may continue to carry out its functions under the Notes and the Related Agreement(s), and the Issuer, having used its best endeavours is unable to arrange such substitution before the next payment is due in respect of the Notes of the relevant Series, or

(ii) if any of the following events (each an “**Underlying Assets Event**”) occurs:

- (A) a payment default where the issuer of the Underlying Assets fails to pay any redemption amount or distributions when due; and/or
- (B) the occurrence of an unscheduled redemption of the Underlying Assets of less than par; and/or
- (C) the issuer of the Underlying Assets becomes bankrupt or insolvent,

on first becoming aware of the occurrence of a Mandatory Redemption Event in accordance with clause 7(b)(i) above or an Underlying Asset Event in accordance with clause 7(b)(ii) above (the Mandatory Redemption Events, together with the Underlying Asset Events, the “**Early Redemption Events**”), the Determination Agent (on behalf of the Issuer) shall give notice of such Early Redemption Event to the Issuer, the Custodian and the Trustee (the date on which such notice is given, the “**Early Redemption Event Notice Date**”).

(iii) Termination of Swap Agreement

On the Early Redemption Event Notice Date, the Swap Agreement will be terminated and the Swap Counterparty will calculate the Swap Termination Amount which will be payable on the Early Redemption Date. If a Swap

Termination Amount is payable by the Issuer in respect of the Swap Agreement, such amount will be paid from the Liquidation Amount in accordance with the Order of Priority.

- (iv) The Issuer or, as the case may be, the Determination Agent, acting on behalf of the Issuer, shall subject to the relevant provisions of the Trust Deed and the Custody Agreement, proceed to arrange for and administer the liquidation, redemption or realisation of the Underlying Assets on behalf of the Issuer in accordance with the Conditions.

- (v) Redemption of Notes on the Early Redemption Date

On the Early Redemption Date, the Issuer shall apply the Liquidation Amount, together with any Swap Termination Amount paid to the Issuer in accordance with the Order of Priority, to redeem the Notes in whole on a pro rata basis. The redemption amount of each Note shall be equal to the pro rata amount available for distribution to Noteholders after paying amounts in priority to the Noteholders in accordance with the Order of Priority. The provisions of Clause 17 of the Principal Trust Deed shall apply in respect of such redemption of the Notes.

**“Early Redemption Date”** means, in respect of the Notes, a Business Day selected by the Determination Agent on behalf of the Issuer that falls not more than five Business Days after the liquidation, redemption or realisation of the Underlying Assets.

## 5. STATUS OF NOTES

### 5.1 Status

The Notes are secured limited recourse obligations of the Issuer, secured in the manner described in Condition 4 (*Related Agreements and Security*) as amended by the Supplemental Trust Deed and recourse in respect of which is limited in the manner described in Condition 11 (*Limited Recourse Enforcement*).

### 5.2 Pre and Post Enforcement Waterfalls

Notwithstanding any other provision of the Conditions or this Applicable Supplement on each Interest Payment Date, the Maturity Date or the Early Redemption Date, all amounts received or receivable by the Issuer or the Trustee in respect of the Underlying Assets and the Related Agreements and, in the event of redemption in full of the Notes, any proceeds of liquidation or enforcement of the security over the Charged Assets relating to the Notes, shall be applied in accordance with the following order (the **“Order of Priority”**):

- (i) *first*, in meeting the claims, fees and properly incurred expenses of the Trustee (other than any “up-front” fees agreed by the Issuer on or before the Issue Date);
- (ii) *secondly*, in meeting the claims, fees and properly incurred expenses of the Agents in respect of the Notes (other than any “up-front” fees agreed by the Issuer on or before the Issue Date);
- (iii) *thirdly*, in meeting the claims (if any) of the Swap Counterparty in respect of any amounts due under the Swap Agreement (including without limitation, in respect of any Loss Amount and any Swap Termination Amount);
- (iv) *fourthly*, rateably in meeting the claims of the holders of the Notes; and

- (v) *finally*, in payment of the balance (if any) to the Issuer.

## 6. **MORGAN STANLEY NOTEHOLDER OPTION**

Condition 7(h) shall be deleted and replaced by the following:

“Morgan Stanley & Co. International plc and each of its Affiliates (each such person a **“Morgan Stanley Noteholder”**) shall have the option exercisable at any time and from time to time to require the Issuer to redeem all or some only of the Notes held by it (or beneficially owned by it) (the **“Morgan Stanley Noteholder Option”**). The Morgan Stanley Noteholder Option shall be exercised by the relevant Morgan Stanley Noteholder giving at least three Business Days notice to the Issuer specifying the Notes to be redeemed and the Issuer shall be obliged to redeem such Notes as set out below on the date specified in such notice.

No interest will be payable in respect of a Note to be redeemed pursuant to an exercise of the Morgan Stanley Noteholder Option in respect of the period since the last date on which interest was payable (or, if there is no such date, the Issue Date).

Upon an exercise of the Morgan Stanley Noteholder Option the Relevant Portion of each Related Agreement will terminate and the Determination Agent will:

- (vi) arrange for the delivery of the Relevant Portion of the Underlying Assets to the Morgan Stanley Noteholder (rounded down, if appropriate, to the nearest denomination) and that amount of the Underlying Assets shall be released from the security constituted by the Security Documents; and
- (vii) identify any changes to the terms and conditions of the Notes and the Trade Documents which the Determination Agent considers are required in order to reflect and account for the redemption pursuant to the exercise of the Morgan Stanley Noteholder Option and to ensure that the amounts payable on those Notes which are not redeemed are the same (in all material respects) as the amounts which would have been payable on those Notes but for that redemption. Upon identification by the Determination Agent of any such changes the terms and conditions of the Notes and the Trade Documents shall be deemed to be amended without any further action required by or consent from any other party.

For this purpose, **“Relevant Portion”** means, in relation to a Related Agreement or the Underlying Assets, a share thereof corresponding to the proportion which the Principal Amount of the Notes to be redeemed bears to all of the Notes (including the Notes to be redeemed).

Payment in respect of redemption of all the Notes to be redeemed in the event of an exercise of the Morgan Stanley Noteholder Option will be deemed to be satisfied by delivery to the Morgan Stanley Noteholder of the Relevant Portion of the Underlying Assets (rounded down, if appropriate, to the nearest denomination). In relation to such exercise, a pro rata portion of the credit default swap transaction relating to the Notes and evidenced by the CDS Confirmation will be deemed to be reduced without any termination payment payable by the Issuer or the Swap Counterparty in relation to such reduction.”

## 7. **TAXATION**

Payments in respect of the Notes will be made free of withholding taxes unless otherwise required by law. Should the Issuer be required to withhold in respect of payment made on the Notes, payments on the Notes will be made net of withholding taxes paid or required to be deducted or withheld and the Issuer will not be required to gross up. However, such event would constitute an Early Redemption Event.

## 8. DETERMINATIONS

The determination by the Determination Agent and/or the Swap Counterparty and/or the Swap Calculation Agent, as the case may be, of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Determination Agent and/or the Swap Counterparty and/or the Swap Calculation Agent, as the case may be, under or pursuant to this Applicable Supplement and/or the Swap Agreement, as the case may be, shall (in the absence of manifest error) be final and binding on the Issuer, the Trustee and the Noteholders and each such party shall be entitled to rely on such determination without incurring any liability for so doing. In performing its duties in respect of the Notes, the Determination Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Determination Agent and/or the Swap Counterparty and/or the Swap Calculation Agent, as the case may be, in the performance or exercise of any of its obligations or its discretion under or pursuant to the Conditions of the Notes and/or the Swap Agreement, as the case may be, including, without limitation, the giving of any notice by it to any party, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and none of the Determination Agent, the Swap Counterparty, the Swap Calculation Agent, the Trustee or the Issuer shall bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

The Determination Agent may, where permitted, 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 the Reference Entity or any guarantor of the Reference Entity (an “**Entity Guarantor**”), and may act with respect to such business in the same manner as each of them would if the Notes and its appointment as Determination Agent did not exist, regardless of whether any such action might have an adverse effect on a Reference Entity, any Entity Guarantor or the position of Noteholders in respect of the Notes or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event).

The Determination Agent and/or the Swap Counterparty and/or the Swap Calculation Agent, as the case may be, may, whether by virtue of the types of relationships described herein or otherwise, on the Trade Date or at any time thereafter, be in possession of information in relation to the Reference Entity or any Entity Guarantor that is or may be material in the context of the Notes and that may or may not be publicly available or known to any other party, and the issue of the Notes does not create any obligation on the part of the Determination Agent and/or the Swap Counterparty and/or the Swap Calculation Agent, as the case may be, to disclose to any other party any such relationship or information (whether or not confidential).

## 9. SUCCESSORS

Where a Succession Event has occurred under the Swap Agreement and more than one Successor has been identified in respect of the Reference Entity, the Determination Agent in its sole and absolute discretion shall make the following amendments to the Swap Agreement, the Conditions of Notes and this Securities Note (and any other relevant Trade Document):

- (a) the credit derivative transaction evidenced by the Swap Agreement will be divided into the same number of new credit derivative transactions as there are Successors in accordance with the Credit Derivatives Definitions (as amended pursuant to the terms of the swap Agreement) and each Successor will be the Reference Entity for the purposes of one of the new credit derivatives transactions; and



- (b) each Note existing prior to the Succession Event shall be deemed to be exchanged for the same number of new Notes as there are Successors, with the following terms:
- (i) each Successor will be the sole Reference Entity for the purposes of the applicable new Notes;
  - (ii) in respect of each new Note, the Outstanding Principal Amount will be the Outstanding Principal Amount of the original Note divided by the number of Successors, respectively; and
  - (iii) all other terms and conditions of the original Notes will be replicated in each new Note except to the extent that modification is required, as determined by the Determination Agent in its sole and absolute discretion, to preserve the economic effects of the original Note in the new Notes (considered in the aggregate).

For the avoidance of doubt, the deemed issuance of new Notes is solely for the purpose of calculating the amounts due on the Notes and no new Notes will actually be issued.

- (c) where a Credit Event occurs in respect of a Reference Entity after such a Succession Event and the deemed issuance of the new Notes set out in paragraph 9(b) above:
- (i) interest will cease to accrue on only the new Notes relating to the Successor for which the Event Determination Date occurs from the Event Determination Date relating to such Credit Event;
  - (ii) the Loss Amount will be calculated;
  - (iii) the new Notes relating to the Successor for which the Event Determination Date occurs will be redeemed in accordance with paragraph 3 (*Credit Event Recovery*) above (each such redemption a “**Partial Redemption**”); and
  - (iv) the new Notes relating to each Successor Reference Entity for which an Event Determination Date does not occur shall be deemed to remain outstanding and interest shall accrue on the relevant Outstanding Principal Amount of such new Note as provided in paragraph 2 (*Interest Amount*) above.

In addition, the Determination Agent may make all other amendments to the Securities Note, Conditions of the Notes and the Swap Agreement as it determines to be appropriate to reflect that the relevant Reference Entity has been succeeded by more than one Successor and to preserve the economic effects of the Securities Note, Conditions of the Notes and the Swap Agreement prior to such Succession Event.

Any determinations (including (without limitation) as to the division of credit derivatives transactions) and calculations and adjustment to the Securities Note, Conditions of the Notes and the Swap Agreement relating to, connected with or as a result of a Succession Event shall be made by the Determination Agent in its sole discretion and in good faith and, in the absence of manifest error, shall be conclusive and binding on all parties.

The Securities Note, Conditions of the Notes and the Swap Agreement may be amended and restated at such time to reflect the effect of a Succession Event without the consent of

the Noteholders and the Noteholders are deemed to agree to this provision by the purchase of the Notes.

Upon the Determination Agent making such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 15 (Notices), stating the adjustment to the Swap Agreement and the Notes and giving brief details of the relevant Succession Event.

#### **10. ISSUE OF FURTHER TRANCHES**

In the event of an issue by the Issuer of a Further Tranche of Notes pursuant to Condition 1 (*Form, Denomination and Title*), the Determination Agent shall, without the consent of the Secured Creditors or any other parties, adjust the Conditions, the Swap Agreement and any other Trade Documents as it deems necessary in order to reflect such further issue by the Issuer and to preserve the economic equivalence of the Notes, the Swap Agreement and other relevant Trade Documents prior to such further issue.

#### **11. APPLICATION TO LISTING**

The Trustee and the Issuer may agree, without the consent of the Noteholders, to any modification of the Notes and the Securities Note that is made after the Issue Date in order to comply with the requirements of any stock exchange or competent authority in connection with an application to list the Notes or admit the Notes to trading.

#### **12. TRANSFER OF ELIGIBLE CREDIT SUPPORT PURSUANT TO THE CREDIT SUPPORT ANNEX**

- 12.1 The Issuer has established the CSA Cash Account with the Custodian and shall pay, or procure to be paid, to the CSA Cash Account from time to time Cash Collateral which it receives from the Swap Counterparty pursuant to the Credit Support Annex.
- 12.2 The Issuer has established the Securities Account with the Custodian and the Custodian shall hold all Securities Collateral which the Issuer receives from the Swap Counterparty pursuant to the Credit Support Annex in the Securities Account on behalf of the Issuer.
- 12.3 From time to time, whenever the Issuer is required to transfer Eligible Credit Support to the Swap Counterparty pursuant to the terms of the Credit Support Annex, the Custodian, on behalf of the Issuer, shall on the relevant Valuation Date, subject to the relevant provisions of the Trust Deed and the Custody Agreement, arrange for JGBs held in the Securities Account to be transferred to the Swap Counterparty in satisfaction of the Issuer's obligation to transfer Eligible Credit Support to the Swap Counterparty pursuant to the Credit Support Annex, provided that the Custodian may only post cash in respect of the Issuer's obligation to transfer Eligible Credit Support where there are no Initial Underlying Assets standing to the credit of the Securities Account.
- 12.4 Prior to any enforcement of the security created in favour of the Trustee by the Supplemental Trust Deed, such security will be deemed to be released without the need for any notice or other formalities to the extent required to give effect to the transfer to the Swap Counterparty of any Eligible Credit Support or other amounts by or on behalf of the Issuer pursuant to the Credit Support Annex.

## DESCRIPTION OF THE CHARGING INSTRUMENT

The following is a summary of the principal terms of the Charging Instrument which should not be relied upon as an exhaustive description of, and is qualified in its entirety by, the detailed provisions of the Charging Instrument (copies of which are available from the specified office of the Principal Paying Agent. The form of the Charging Instrument is set out in the section “Form of Charging Instrument”).

Under the terms of the Charging Instrument, the Issuer, as owner of the Charged Assets, will pledge the Charged Assets by way of a pledge to the Trustee, first on behalf of the Counterparty to secure the obligations of the Issuer under the Charged Agreement and secondly on behalf of the Noteholders to secure the obligations of the Issuer under the Notes.

The Issuer covenants in the Charging Instrument that (amongst other things) (i) it shall promptly give any such notification and do all such acts in order to create, preserve, perfect or validate the pledge created pursuant to the Charging Instrument over the Charged Assets or to enable the Trustee to exercise or enforce its rights and remedies thereunder; (ii) it will, by way of security as provided in the Charging Instrument, procure that the Charged Assets are recorded and credited to the pledge section (*shichiken ran*) of the Trustee’s Depositary Account (as defined in the Charging Instrument); (iii) it will promptly furnish to the Trustee such information and reports concerning the Charged Assets as the Trustee may reasonably require; and (iv) unless otherwise provided in the Charging Instrument, it will not take any steps to exercise or enforce any of its rights or remedies under or in respect of any of the Charged Assets without the prior written consent of the Trustee.

If a Security Default (as defined in the Charging Instrument) or any Relevant Event (as defined in the Charging Instrument) shall have occurred, the Trustee may exercise by itself or through any agency all the rights and remedies of a legal pledgee conferred by applicable law and under the terms of the Charging Instrument to the fullest extent permitted by applicable law to: (i) sell or transfer the Charged Assets and any other securities or property forming part of the Charged Assets; (ii) retain the Charged Assets and any other securities or property forming part of the Charged Assets or any portion thereof or any interest therein as legal pledgee; (iii) proceed by suit or suits at law or in equity to enforce its rights as legal pledgee under the Charging Instrument; and/or (iv) apply any cash balances held in any accounts comprised in the Charged Assets to pay, discharge or reimburse the obligations pursuant to Clause 7 of the Charging Instrument.

*Noteholders should be aware that, under the laws of Japan, realisation of the Charged Assets may be required to be effected by a public auction conducted in accordance with Japanese law. Realisation by such method may take longer to effect and might realise lower net proceeds than a private sale.*

## DESCRIPTION OF THE RELATED AGREEMENTS

The following is a summary of the principal terms of the Related Agreements which should not be relied upon as an exhaustive description of, and is qualified in its entirety by, the detailed provisions of the agreements (copies of which are available from the specified office of the Principal Paying Agent. The form of the Swap Confirmation is set out in the section “Form of Swap Confirmations”).

### 1. **Swap Agreement**

The Issuer and the Swap Counterparty will enter into the CDS Confirmation, the IRS Confirmation and the Credit Support Annex, each dated 25 April 2013, incorporating the provisions of the ISDA Master Agreement (Multicurrency-Cross Border) and schedule thereto dated as of 19 January 2001 (together, the “**Swap Agreement**”). Subject to the satisfaction of the conditions precedent under the ISDA Master Agreement, the Issuer and Swap Counterparty will be obliged to make the payments to each other as set out in the “Form of Swap Confirmations” below.

Under the terms of the Credit Support Annex, the Issuer or the Swap Counterparty (as applicable) will post collateral with a value equal to the mark-to-market value of the Swap Agreement in favour of the Swap Counterparty or the Issuer (as applicable), provided that at any given time the Issuer will not be required to post collateral with a value greater than the market value of the Initial Underlying Assets held by the Issuer at such time less any accrued but unpaid interest thereon.

### 2. **The Swap Guarantee**

The payment obligations of the Swap Counterparty under the Swap Agreement are guaranteed by Morgan Stanley (formerly known as Morgan Stanley Dean Witter & Co and in such capacity the “**Credit Support Provider**”) pursuant to a guarantee dated 19 January 2001 (the “**Swap Guarantee**”). The Swap Guarantee is governed by New York law. Morgan Stanley is a holding company incorporated in the State of Delaware which, through its subsidiaries, is a leading United States investment banking, securities trading and brokerage firm.

### 3. **No Obligation to Gross Up**

In the event of certain withholding taxes being payable on an amount due by one party to the other party under the Swap Agreement, such party will be obliged (prior to termination of the transaction under the Swap Agreement) to pay such withholding taxes to the relevant authorities. Neither the Issuer nor the Swap Counterparty is obliged to pay additional amounts under the Swap Agreement that is the subject of a deduction or withholding for or on account of any tax. Where withholding taxes are payable by either the Issuer or the Swap Counterparty, the Issuer and the Swap Counterparty shall seek to effect such transfer as shall result in no such withholding being required. Where no transfer can be effected to avoid such withholding (as further described in the Swap Agreement) then an Event of Default under such Swap Agreement shall be regarded as having occurred in respect of which the Issuer is the “Defaulting Party” if the Issuer is making such withholding (as further described in the Swap Agreement) or, in the event that the Swap Counterparty is making such withholding, an Additional Termination Event will be deemed to have occurred in respect of which the Issuer is the sole “Affected Party” but in respect of which both parties may designate a Termination Event. The Terms and Conditions of the Notes also provide that the Notes will be redeemed in the event that there is any withholding on payments by the Swap Counterparty to the Issuer under the Swap Agreement.

If the Issuer, on the occasion of the next payment due under the Swap Agreement, would be required by law to withhold or account for tax or would suffer tax in respect of its income so that it would be unable to make payment of the full amount due, the Issuer shall so inform the Trustee, and shall use its best endeavours to arrange as principal obligor under the Swap Agreement the substitution of a company incorporated in another jurisdiction where no requirement to withhold or account for tax is required, approved by the Swap Counterparty and the Trustee.

Where the Swap Counterparty terminates the Swap Agreement in the circumstances where withholding taxes are payable under the Swap Agreement, the Swap Counterparty is under no obligation to pay to the Issuer the amount required by the Issuer to make payment in full to the Noteholders of the Outstanding Principal Amount of the Notes and accrued interest relating thereto.

#### 4. **Limited Recourse**

The obligations of the Issuer under the Swap Agreement relating to Notes will be limited to the proceeds of enforcement of the Charged Assets as applied in accordance with the Order of Priority specified in paragraph 5.2 (*Pre and Post Enforcement Waterfalls*) of Annex 1 to the Applicable Supplement.

#### 5. **Termination Provisions**

The scheduled termination date under the Swap Agreement is 22 June 2018, subject to adjustment for non-Business Days and to earlier termination in accordance with the terms of the Swap Agreement. The Issuer may terminate the Swap Agreement if there is an Event of Default or a Termination Event (each as defined in the Swap Agreement and described below) with respect to the Swap Counterparty and the Swap Counterparty may terminate the Swap Agreement if there is an Event of Default or a Termination Event with respect to the Issuer. The Swap Agreement contains termination events commonly found in standard ISDA documentation save for (i) the disapplication of the Events of Default relating to "Breach of Agreement", "Misrepresentation", "Default under Specified Transaction", "Cross Default", "Credit Support Default" (insofar as it applies to the Issuer) and certain provisions relating to "Bankruptcy" (also insofar as it applies to the Issuer) and (ii) the disapplication as regards both the Issuer and the Swap Counterparty of the Termination Events relating to "Tax Event", "Tax Event Upon Merger" and "Credit Event upon Merger". In addition, the Related Agreements include an Additional Termination Event in the event that an Early Redemption Event (as defined in the Conditions of the Notes) occurs.

For the purposes of the Additional Termination Event set out above, the Issuer will be the sole Affected Party and all Transactions shall be Affected Transactions.

The occurrence of an Event Determination Date under the CDS Confirmation upon the occurrence of a Credit Event will also constitute an Additional Termination Event under the IRS Confirmation in respect of which the Issuer will be the sole Affected Party.

Other than as set out above, upon the occurrence of any Event of Default or Termination Event, the Swap Agreement may be terminated in accordance with the detailed provisions thereof and, other than as provided above, a net amount (the "**Swap Termination Amount**") may become payable by the Issuer to the Swap Counterparty or vice versa. If the Issuer is required to make a termination payment to the Swap Counterparty, such payment will rank in accordance with the Order of Priority specified in paragraph 5.2 (*Pre and Post Enforcement Waterfalls*) of Annex 1 to the Applicable Supplement. Notwithstanding the time of calculation of any Swap Termination Amount, such amount will be payable on the Early Redemption Date or the Maturity Date, as applicable, as specified in the Conditions of the Notes.

If the Swap Counterparty is (or would otherwise be) obliged at any time to make a Swap Termination Amount pursuant to the Swap Agreement, the amount of such payment shall not exceed the amount, if any, by which the sum of the amount payable in respect of the Notes to the holders of the Notes (which for this purpose shall be assumed to be the aggregate Outstanding Principal Amount of the Notes and accrued but unpaid interest thereon, subject to paragraph 3 (*Credit Event Recovery*) of Annex 1 to the Applicable Supplement) and the amounts required to be paid in priority to Noteholders in accordance with the Order of Priority exceeds the amounts which would be available (in the absence of such Section 6(e) payment) to pay those amounts. A Swap Termination Amount will generally be based on the sum of (a) payments under the Swap Agreement that became due prior to the date on which the Swap Agreement (or a portion thereof) is terminated, but remain unpaid and (b) an amount determined by obtaining quotations from four leading swap dealers of the amount that each such dealer would pay to, or be required to be paid by, the party obtaining such quotation in consideration for having that dealer enter into a swap transaction with such party on the same terms as the Swap Agreement (or if such market quotations are unavailable or do not produce a commercially reasonable result, the losses suffered by the determining party as a result of termination of the Swap Agreement). The party making such determination will be the Non-defaulting Party (as defined in the Swap Agreement) in the case of the occurrence of an Event of Default, or upon the occurrence of a Termination Event where there is one Affected Party, the party which is not the Affected Party. Where there are two Affected Parties a mid way point between the amounts calculated by each such party will be taken.

For the avoidance of doubt: (i) any outstanding Potential Failure to Pay Notices and/or Repudiation/Moratorium Extension Notices; and/or (ii) any Credit Event in respect of which the Auction Settlement Date (or Cash Settlement Date, as applicable) has not occurred; and/or (iii) any Credit Event in respect of which an Event Determination Date has not occurred, shall be taken into account in calculating any Swap Termination Amount.

Following an exercise of the Morgan Stanley Noteholder Option, the Relevant Portion of the Swap Agreement will terminate without any Swap Termination Amount being payable by the Issuer or the Swap Counterparty.

## **6. Governing Law**

The Swap Agreement is governed by English law.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by the Issuer to purchase the Underlying Assets on the Issue Date.

**FORM OF SWAP CONFIRMATIONS**  
**CREDIT DEFAULT SWAP AGREEMENT**

---

**Morgan Stanley & Co. International plc**  
**Transaction**

---

Attention: International Finance  
Fax: + 44 1534 504444  
Date: 25 April 2013  
To: E.L.A.N. Limited  
From: Morgan Stanley & Co. International Plc

Re: Credit Derivative Swap Transaction – E.L.A.N. Limited Series 2013-01 JPY 1,000,000,000  
Limited Recourse Secured Floating Rate Credit Linked Notes due 2018 (the “**Notes**”).

MSIP Reference Transaction Ref. No.: 7ahc0

Dear Sirs

The purpose of this communication (this “**Confirmation**”) is to set forth the terms and conditions of the Credit Derivative Transaction entered into between us on the Trade Date (the “**Transaction**”) specified below between MORGAN STANLEY & CO. INTERNATIONAL PLC (“**Party A**”) and E.L.A.N. LIMITED (“**Party B**”). This Confirmation constitutes a “Confirmation” as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions and 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions (published on July 14, 2009), each as published by the International Swaps and Derivatives Association, Inc. (together, the “**Credit Derivatives Definitions**”) are incorporated into this Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions and this Confirmation, this Confirmation will govern. This Transaction shall be deemed to be an Auction Covered Transaction for the purposes of application of the July 2009 Supplement.

This Confirmation supplements, forms a part of and is subject to the ISDA Master Agreement dated as of 19 January 2001, as amended and supplemented from time to time (the “**Agreement**”) between Party A and Party B. All provisions contained in, or incorporated by reference in, the Agreement shall govern this Confirmation except as expressly modified below.

Fixed Rate Payer:	Morgan Stanley & Co. International plc (“ <b>Buyer</b> ”)
Floating Rate Payer:	E.L.A.N. Limited (“ <b>Seller</b> ”)
Trade Date:	02 April 2013
Effective Date:	25 April 2013
Original Swap Notional Amount:	JPY 1,000,000,000



Scheduled Termination Date:	22 June 2018
Reference Entity:	ITOCHU Corporation
Transaction Type:	Japan Corporate
Reference Obligation:	Not applicable
Calculation Agent:	Morgan Stanley & Co. International Plc
Calculation Agent City:	London and Tokyo
All Guarantees:	As set out in the Credit Derivatives Physical Settlement Matrix.
Notes:	E.L.A.N. Limited Series 2013-01 JPY 1,000,000,000 Limited Recourse Secured Floating Rate Credit Linked Notes due 2018
Notes Conditions:	The terms and conditions of the Notes.

### **Fixed Payments**

Fixed Rate Payer Calculation Amount:	JPY 1,000,000,000
Fixed Rate Payer Period End Date:	22 June and 22 December each year commencing on 22 June 2013 up to and including the Scheduled Termination Date, in each case subject to adjustment in accordance with the Modified Following Business Day Convention.
Fixed Rate Payer Calculation Period:	Each period from, and including, one Fixed Rate Payer Payment End Date to, but excluding, the next Fixed Rate Payer Payment End Date, except that (i) the initial Fixed Rate Payer Calculation Period will commence on and include, the first Business Day following the Effective Date and (ii) the final Fixed Rate Payer Calculation Period will end on and include the final Fixed Rate Payer Payment End Date (and Sections 2.9 and 5.4 of the Credit Derivatives Definitions will be construed accordingly).
Fixed Rate:	0.7635 per cent. per annum
Fixed Rate Payer Payment Dates:	The Business Day immediately preceding each Fixed Rate Payer Payment End Date.
Day Count Fraction:	Actual/360

### **Floating Payment**

Floating Rate Payer Calculation Amount:	JPY 1,000,000,000
---	-------------------

Settlement Method:	Auction Settlement
Fallback Settlement Method:	Cash Settlement
Credit Events:	As set out in the Credit Derivatives Physical Settlement Matrix.
Obligation Category and Obligation Characteristics:	As set out in the Credit Derivatives Physical Settlement Matrix.
Deliverable Obligation Category and Deliverable Obligation Characteristics:	As set out in the Credit Derivatives Physical Settlement Matrix (notwithstanding that Physical Settlement does not apply).
Settlement Currency:	JPY

**Terms relating to Cash Settlement if Cash Settlement applies:**

Notice of Valuation Obligations:	<p>A notice from Buyer to Seller (which may be in writing (including by facsimile and/or email) and/or by telephone and which shall be subject to the requirements regarding notices set forth in Section 1.10) that: (a) irrevocably confirms that Buyer will settle in respect of the Reference Entity and require performance in accordance with Cash Settlement as the Fallback Settlement Method and (b) contains a detailed description of each Valuation Obligation, including the outstanding principal balance or Due and Payable Amount, as applicable, (in each case, the "Outstanding Amount") of each such Valuation Obligation and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available or applicable, the rate and tenor) of each such Valuation Obligation.</p> <p>Buyer may, from time to time, notify Seller in the manner specified above (each such notification, a "NOVO Amendment Notice") that Buyer is replacing, in whole or in part, one or more Valuation Obligations specified in a prior Notice of Valuation Obligations or an amendment thereto, as applicable, (to the extent the relevant Valuation Date will fall after the date such NOVO Amendment Notice is effective) or the detailed description(s) thereof.</p> <p>A NOVO Amendment Notice shall contain a revised detailed description of each replacement Valuation Obligation (each, a "Replacement Valuation Obligation") and shall also specify the Outstanding Amount of each Valuation Obligation identified in the Notice of Valuation Obligations or a prior NOVO Amendment Notice, as applicable, that is being replaced (with respect to each such Valuation Obligation, the "Replaced Valuation Obligation Outstanding Amount"). The Outstanding Amount of each Replacement Valuation Obligation identified in a NOVO Amendment Notice shall be</p>
----------------------------------	---

determined by applying the Revised Currency Rate to the relevant Replaced Valuation Obligation Outstanding Amount.

#### Valuation Obligations

Buyer shall select one or more of the Reference Obligation or any obligation of the Reference Entity that satisfies the Deliverable Obligation Category and Deliverable Obligation Characteristics applicable to the Transaction Type of the Reference Entity.

For purposes of Cash Settlement, all references in Article VII of the Credit Derivatives Definitions to "Reference Obligation" shall be deemed to be references to "Valuation Obligation." and all references in Sections 8.9, 8.10 and 8.12 to "Deliverable Obligation" or "Replacement Deliverable Obligation" shall be deemed to be references to "Valuation Obligation" and "Replacement Valuation Obligation" respectively.

#### Valuation Date

Single Valuation Date: The Valuation Date shall be the date selected by the Buyer falling no later than 100 Business Days following the date that Buyer delivered the Notice of Valuation Obligations.

#### Valuation Time

11:00 in the principal trading market for the Valuation Obligation.

#### Quotation Method

Bid

#### Quotation Amount

An outstanding principal amount of a Valuation Obligation, as selected by the Buyer, that (i) is not greater than the outstanding principal amount of the entire issue or facility, as the case may be, of which such Valuation Obligation is a part and is an amount that, when added to the aggregate Quotation Amount(s) of any other Valuation Obligation(s) of the related Reference Entity for which Full Quotations are to be obtained, is not higher than the lower of (a) the Floating Rate Payer Calculation Amount or (b) Exercise Amount, as applicable and (ii) is not less than 0 (zero).

#### Cash Settlement Amount

An amount equal to the greater of (a) (i) the Floating Rate Payer Calculation Amount multiplied by (ii) 100% minus the Weighted Average Final Price and (b) zero.

#### Weighted Average Final Price:

The weighted average of the Final Prices determined for each selected Valuation Obligation, weighted by reference to the Quotation Amount for such Valuation Obligation.

For the avoidance of doubt, the Weighted Average Final Price shall be subject to a maximum of 100% and a minimum of 0%.

#### Quotations

Excluding Accrued Interest.

#### Valuation Method

Highest shall apply.

#### Dealer:

Any dealer selected by the Calculation Agent; provided that Buyer, Seller or one or more of their respective

affiliates may be a Dealer only if it is not the sole dealer that is providing Full Quotations.

**Payment of Loss Amount:**

The Seller shall pay the Loss Amount on the Auction Settlement Date or Cash Settlement Date, as applicable and it shall fulfil such obligation using the redemption proceeds (or, where applicable, the liquidation proceeds) of the Underlying Assets as defined in the Notes Conditions.

**Morgan Stanley Noteholder Option:**

With effect from the date in respect of which a Morgan Stanley Noteholder Option (as defined in the Notes Conditions) is exercised, the pro rata portion of this Transaction shall terminate and the terms of this Transaction shall be deemed amended and adjusted as necessary to reflect and account for the redemption of the relevant Notes pursuant to the Morgan Stanley Noteholder Option.

For the avoidance of doubt, no termination amount under Section 6(e) of the Agreement will be due from either party to the other in connection with the termination of the pro rata portion of this Transaction following the exercise of a Morgan Stanley Noteholder Option or any amendment or adjustment of the terms of this Transaction pursuant thereto.

**Payments on Early Termination:**

Notwithstanding any other provisions of this Confirmation and the Agreement, if the Buyer is (or would otherwise be) obliged at any time to make a payment pursuant to Section 6(e) of the Agreement, the amount of such payment shall not exceed the amount, if any, by which

(a) the sum of (i) the amount payable in respect of the Notes to the Noteholders at such time (which for this purpose shall be assumed to be the aggregate Outstanding Principal Amount of the Notes and accrued but unpaid interest thereon, subject to paragraph 3 (*Credit Event Recovery*) of Annex 1 to the Applicable Supplement) and (ii) the amounts required to be paid in priority to Noteholders in accordance with the Order of Priority;

exceeds

(b) the amounts which would be available (in the absence of such Section 6(e) payment) to the Issuer to pay those amounts.

Terms used but not defined in this section shall have the meanings given to them in the Notes Conditions.

**Amendments to the Agreement:**

Paragraph 1(g) of the Schedule to the Agreement is amended by replacing the word "Loss" with the words

“Market Quotation”.

The Cash Settlement Amount shall be deemed to be an Unpaid Amount for the purposes of Section 6(e) of the Agreement.

Notwithstanding anything to the contrary in the Agreement, any amount calculated under Section 6(e) in relation to termination of the Agreement shall be payable on the date specified in the Notes Conditions.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us, or by sending to us a facsimile or telex substantially similar to this facsimile which sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms.

We are delighted to have executed this Transaction with you and look forward to working with you again.

Yours faithfully

Duly authorised on behalf of Morgan Stanley & Co. International plc by:

Name:

Title:

Agreed and accepted

Duly authorised on behalf of E.L.A.N. Limited by:

Name:

Name:

Title:

Title:

## FORM OF INTEREST RATE SWAP AGREEMENT

### INTEREST RATE SWAP AGREEMENT

Attention: International Finance  
Fax: + 44 1534 504444  
Date: 25 April 2013  
To: E.L.A.N. Limited  
From: Morgan Stanley & Co. International plc

Re: Interest Rate Swap Transaction – E.L.A.N. Limited Series 2013-01 JPY 1,000,000,000 Limited Recourse Secured Floating Rate Credit Linked Notes due 2018 (the “**Notes**”).

MSIP Reference Transaction Ref. No.: 2qt2s

Dear Sirs

The purpose of this communication (this “**Confirmation**”) is to set forth the terms and conditions of the Credit Derivative Transaction entered into between us on the Trade Date (the “**Transaction**”) specified below between MORGAN STANLEY & CO. INTERNATIONAL PLC (“**Party A**”) and E.L.A.N. LIMITED (“**Party B**”). This Confirmation constitutes a “Confirmation” as referred to in the ISDA Master Agreement specified below.

This Confirmation supplements, forms a part of and is subject to the ISDA Master Agreement dated as of 19 January 2001, as amended and supplemented from time to time (the “**Agreement**”) between Party A and Party B. All provisions contained in, or incorporated by reference in, the Agreement shall govern this Confirmation except as expressly modified below.

The definitions and provisions contained in the 2006 ISDA definitions (the “**Definitions**”) as published by the International Swaps and Derivatives Association, Inc. are incorporated into this Confirmation by reference herein. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

Words and expressions defined in the Terms and Conditions (the “**Conditions**”) of E.L.A.N. Limited Series 2013-01 JPY 1,000,000,000 Limited Recourse Secured Floating Rate Credit Linked Notes due 2018 shall bear the same meanings in this Confirmation and in the event of any inconsistency between the words and expressions defined in the Conditions and words and expressions defined in this Confirmation, this Confirmation will govern. In the event of any inconsistency between the Definitions and the Conditions, the Conditions will prevail.

#### General Terms:

Trade Date: 02 April 2013  
Effective Date: 25 April 2013  
Termination Date: 22 June 2018

#### Floating Amounts:

Floating Rate Payer: Party A.  
Floating Rate Payer Notional Amount: JPY 1,000,000,000  
Floating Rate Payer Period End Date: 22 June and 22 December each year commencing on 22 June 2013 up to and including the Termination Date, in each case

subject to adjustment in accordance with the Modified Following Business Day Convention.

Floating Rate Payer Calculation Period: Each period from, and including, one Floating Rate Payer Period End Date to, but excluding, the next following Floating Rate Payer Period End Date, except that (i) the initial Floating Rate Payer Calculation Period will commence on, and include, the first Business Day following the Effective Date and (ii) the final Floating Rate Payer Calculation Period will end on and include the final Floating Rate Payer Period End Date.

Floating Rate Payer Payment Dates: The Business Day immediately preceding each Floating Rate Payer Period End Date.

Reset Date: The first day of each Floating Rate Payer Calculation Period.

Floating Rate Option: JPY-LIBOR-BBA

Designated Maturity: 6 months, provided that for any Calculation Period of less than six months, the relevant rate shall be determined by reference to a straight-line interpolation between the next shorter and next longer period closest to the relevant Calculation Period for which a JPY-LIBOR-BBA value is available.

Spread: Minus 0.1535 per cent. per annum

Floating Rate Day Count Fraction: Actual/360.

Business Days: London and Tokyo

#### **Fixed Amounts:**

Fixed Rate Payer: Party B

Fixed Rate Payer Notional Amount: Party B will, on each Fixed Rate Payer Payment Date, pay to Party A an amount equal to the aggregate of any amount of interest, dividend or other distribution due to be received or any gains due to be realised by Party B in respect of the Initial Underlying Assets in the Calculation Period ending on such Fixed Rate Payer Payment Date.

Fixed Rate Payer Payment Dates: Each Fixed Rate Payer Period End Date.

Calculation Agent: Party A.

#### **Other Provisions**

**Early Termination:**

The occurrence of an Event Determination Date with respect to the Transaction set out in the CDS Confirmation shall constitute an Additional Termination Event in respect of this Transaction for which Party B shall be the sole Affected Party.

**Payments on Early Termination:**

Notwithstanding any other provisions of this Confirmation and the Agreement, if Party A is (or would otherwise be) obliged at any time to make a payment pursuant to Section 6(e) of the Agreement, the amount of such payment shall not exceed the amount, if any, by which

(a) the sum of (i) the amount payable in respect of the Notes to the Noteholders at such time (which for this purpose shall be assumed to be the aggregate Outstanding Principal Amount of the Notes and accrued but unpaid interest thereon, subject to paragraph 3 (*Credit Event Recovery*) of Annex 1 to the Applicable Supplement) and (ii) the amounts required to be paid in priority to Noteholders in accordance with the Order of Priority;

exceeds

(b) the amounts which would be available (in the absence of such Section 6(e) payment) to the Issuer to pay those amounts.

Terms used but not defined in this section shall have the meanings given to them in the Notes Conditions.

Any Cash Settlement Amount payable under the CDS Confirmation shall be deemed to be an Unpaid Amount for the purposes of Section 6(e) of the Agreement.

Paragraph 1(g) of the Schedule to the Agreement is amended by replacing the word "Loss" with the words "Market Quotation".

Notwithstanding anything to the contrary in the Agreement, any amount calculated under Section 6(e) in relation to termination of the Agreement shall be payable on the date specified in the Notes Conditions.

**Notifications:**

**Event of Default:**

Party B shall notify Party A promptly upon becoming aware of any Event of Default under the Notes.



**Account Details:***Account for payments to Party A in JPY*

Bank: Bank of Tokyo Mitsubishi UFJ Ltd (BOTKJPJT)  
In favour of: Morgan Stanley & Co. International plc  
(MSLNGB2X)  
Account Number: 653-0466417

*Account for payments to Party B in JPY:*

Bank: Mizuho Corporate Bank Ltd Tokyo (MHCBJPJT)  
In favour of: The Bank of New York, Brussels (IRVTBEBB)  
Account Name: 0321150  
Account Number: 2389413920

Re: E.L.A.N. Limited 2013-01

**Contact Details for notices:**

**Party A:** Morgan Stanley & Co. International plc  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
Attn: Collateral Derivative Products  
Telephone No.: +44 (0) 20 7425 8000  
Email Address: Instruccred@morganstanley.com

**Party B:** E.L.A.N. Limited  
Ogier House  
The Esplanade  
St. Helier  
Jersey  
JE4 9WG  
Channel Islands  
Email: elan2@ogier.com

**Confirmation:**

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us, or by sending to us a facsimile substantially similar to this facsimile which sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms. We are delighted to have executed this Transaction with you and look forward to working with you again.

Yours sincerely,

**By:** \_\_\_\_\_  
**Name:**  
**Title:**  
**Morgan Stanley & Co. International plc**

**Confirmed as of the date first written above:**

**By:** \_\_\_\_\_  
**Name:**  
**Title:**  
**E.L.A.N. Limited**

## FORM OF CREDIT SUPPORT ANNEX

### Paragraph 11. Elections and Variables

(a) **Base Currency and Eligible Currency**

- (i) **"Base Currency"** means Japanese Yen
- (ii) **"Eligible Currency"** means the Base Currency.

(b) **Credit Support Obligations**

- (i) (A) **"Delivery Amount"** and **"Return Amount"** each has the meaning specified in Paragraph 2 provided that where Party B is the Transferee, the demand for transfer to be made by it on or promptly following a Valuation Date shall be deemed to have been made by it and received by Party A upon Party B's receipt of the notification made by the Valuation Agent under Paragraph 3(b).
- (B) **"Credit Support Amount"** has the meaning specified in Paragraph 11(h)(i).
- (ii) **Eligible Credit Support.** The following items will qualify as **"Eligible Credit Support"** for Party A and Party B:

	<b>Valuation Percentage</b>
(A) Cash in an Eligible Currency	100%
(B) JGBs	97%
(C) Any other item agreed upon in writing from time to time by the parties	As agreed by the parties

(iii) **Thresholds**

- (A) **"Independent Amount"** means, with respect to Party A: zero, and with respect to Party B: zero.
- (B) **"Threshold"** means with respect to Party A: zero, and with respect to Party B: zero.
- (C) **"Minimum Transfer Amount"** means with respect to Party A and Party B, JPY 30,000,000; *provided* that if an Event of Default, Potential Event of Default, or Additional Termination Event (where all transactions are Affected Transactions) with respect to a party has occurred and is continuing, the Minimum Transfer Amount with respect to such party shall be zero.
- (D) **Rounding.** The Delivery Amount and the Return Amount will be rounded up and down, respectively, to the nearest integral amount of JPY 1,000,000, respectively.

(c) **Valuation and Timing**

- (i) **"Valuation Agent"** means, for all purposes under this Annex, Party A.
- (ii) **"Valuation Date"** means the first day of each calendar week on which commercial banks are open for business in Tokyo and London.
- (iii) **"Valuation Time"** means the close of business in Tokyo before the Valuation Date or date of calculation, as applicable, or any time on the Valuation Date or date of calculation, as applicable.
- (iv) **"Notification Time"** means 12:00 p.m., Tokyo time, on a Local Business Day.

(d) **Exchange Date.** **"Exchange Date"** has the meaning specified in Paragraph 3(c)(ii).

(e) **Dispute Resolution**

Paragraph 4 shall not apply.

(f) **Distributions and Interest Amount**

- (i) **Interest Rate.** The Interest Rate in relation to each Eligible Currency will be the greater of (i) the rate set out in Table 1 in Appendix A, and (ii) zero, and is not subject to compounding.
- (ii) **Transfer of Interest Amount.** The transfer of the Interest Amount will be made as soon as practicable but no later than the fifth Local Business Day after the end of the relevant Interest Period.
- (iii) **Alternative to Interest Amount.** The provisions of Paragraph 5(c)(ii) will apply.
- (iv) The definition of "Interest Period" in Paragraph 10 shall be deleted and replaced with the following: **"Interest Period"** means the period from the first day of a calendar month to the last day of such calendar month, inclusive.

(g) **Addresses for Transfers**

Party A: such address as specified by Party A at the time of transfer, with respect to the relevant Eligible Credit Support.

Party B: such address as specified by Party B at the time of transfer, with respect to the relevant Eligible Credit Support.

(h) **Other Provisions**

(i) **Credit Support Amount.**

**"Credit Support Amount"** means, with respect to a Transferor on a Valuation Date, (i) the Transferee's Exposure plus (ii) all Independent Amounts applicable to the Transferor, if any, minus (iii) all Independent Amounts applicable to the Transferee, if any, minus (iv) the Transferor's Threshold; provided, however, that: (i) the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero; and (ii) the Credit Support Amount in respect of Party B shall at no time exceed the sum of:

- (1) the market value of the Initial Underlying Assets; less

- (2) an amount equal to any accrued, but unpaid, interest in respect of the Initial Underlying Assets.

For the purposes of this Paragraph 11(h)(i):

**"Initial Underlying Assets"** has the meaning given to such term in the Conditions of the Notes.

**"Notes"** means the ELAN 2013-01 JPY 1,000,000,000 Limited Recourse Secured Floating Rate Credit-Linked Notes due 2018.

- (ii) **Transactions.** Notwithstanding anything to the contrary in this Annex, references in this Agreement to "all Swap Transactions", "all Transactions", and "all Affected Transactions" mean only the Transactions (the **"Relevant Transactions"**) relating to the Notes. The credit support arrangements set out in this Annex shall constitute a Transaction relating to the Notes and form part of the Agreement together with the Relevant Transaction(s). Party A or Party B (as applicable), shall only be entitled to set off or net its payment obligations in respect of the credit support arrangements set out in this Annex against the payment obligations of the other party in respect of the Relevant Transaction(s).
- (iii) **Custodian.** Party A and Party B each agree that any payment or delivery obligations which Party A has to Party B pursuant to this Annex may be extinguished by Party A making such payment or delivery to the Custodian (as defined in the Issuance Document) who shall take receipt thereof on Party B's behalf.
- (iv) **Demands and Notices.** Paragraph 9(c) of this Annex shall be deleted in its entirety and replaced with the following:

All demands and notices given by a party under this Annex shall be given as specified in Section 12 of this Agreement provided, that any demand, specification or notice may be made by facsimile or email or otherwise be made by telephone ("Telephone Notice") if such Telephone Notice is confirmed by a subsequent written instruction (which may be delivered via facsimile or email) by the close of business on the same day that such Telephone Notice is given.

All demands, specifications and notices to Party A under this Annex will be made to:

Morgan Stanley & Co. International plc  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
Attn: Collateral Management Department  
Telephone No.: +44 (0) 20 7425 8000  
Email Address: [Infidcoll@morganstanley.com](mailto:Infidcoll@morganstanley.com)

A copy of any notice sent to Party A by Party B pursuant to Section 5 or 6 of the Agreement must also be sent to the address for Notices provided for in Part 4 (a)(i) of the Agreement.

All demands, specifications and notices to Party B under this Annex will be made to:

E.L.A.N. Limited  
Ogier House

The Esplanade  
St Helier  
Jersey  
JE4 9WG

A copy of any notice sent to Party A by Party B pursuant to Section 5 or 6 of the Agreement must also be sent to the address for Notices provided for in Part 4 (a)(i) of the Agreement.

- (v) **Final Returns.** When no amounts are or may become payable by the Transferor with respect to any obligations under this Agreement (except for any potential liability under Section 2(d) of this Agreement), the Transferee will transfer to the Transferor Equivalent Credit Support with respect to the Credit Support Balance. For the avoidance of doubt, Minimum Transfer Amount and Rounding shall not apply for the purpose of such transfer.

- (vi) **Definition of Valuation Percentage.** The definition of Valuation Percentage in Paragraph 10 is amended by the insertion of the following at the end thereof:

"; and for the purpose of Paragraph 6 only, for any item of the Credit Support Balance, 100%."

- (vi) **Governing Law.** This Annex will be governed by and construed in accordance with English law, except and to the extent that Japanese law applies in accordance with the conflict of law rule of Japan and only to the extent necessary to interpret and give effect to the relevant provisions, it will be governed by and construed in accordance with Japanese law.

(vii) **Settlement & Transfers**

- (a) **Settlement Day.** The definition of Settlement Day is deleted and replaced with the following:

"**Settlement Day**" means, in relation to a date, in respect of Japanese Credit Support:

- (i) with respect to a transfer of JGBs, the third Local Business Day; and
- (ii) with respect to a transfer of JPY Cash, the second Local Business Day.

- (b) **Transfers.** Paragraph 3(a)(iii) shall be deleted in its entirety and replaced with the following:

"in the case of securities which the parties have agreed will be delivered by book-entry, by delivery to the recipient to its account, relevant depository institution or other entity so specified by the recipient of any duly executed instruments of transfer, transfer tax stamps and any other documents necessary to constitute a legally valid transfer of the transferring party's legal and beneficial title to the securities, to the recipient".

- (viii) **Default.** Paragraph 6 is amended by the insertion of: (i) the words "or a Termination Event resulting in the termination of all (but not less than all) Transactions" after the words "Event of Default" where they first appear; and (ii) the words "or the Affected Party, as the case may be" after the words "Defaulting Party" in the parenthetical.

(ix) **Combined Minimum Transfer Amount for Delivery and Return Amount.** If there is for any Valuation Date both a Delivery Amount and a Return Amount applicable to the same party then for the purpose of determining whether the Minimum Transfer Amount has been reached the Delivery Amount and the Return Amount shall be aggregated and accordingly (i) the reference in line 2 of Paragraph 2(a) to the Delivery Amount and (ii) the reference in line 2 of Paragraph 2(b) to the Return Amount shall be replaced by a reference to "the sum of the Delivery Amount and the Return Amount applicable to that party.

(x) **"JGBs"** means 1.5% per annum Japanese Government Bonds #295 due 20 June 2018 (ISIN: JP1102951884).

(xi) **Amendments**

(a) Paragraph 2(b) shall be amended by the substitution of the words "Party A" in the place of the words "the Transferor in that demand" in the fourth line thereof.

(b) Paragraph 3(c)(i) shall be amended by (a) replacing the words "the Transferor" with "Party A" (b) replacing the words "the Transferee" with "Party B" and (c) deleting the words "wishes to" in the second line thereof and replacing them with "shall".

(c) Paragraph 3(c)(ii) shall be amended by (a) deleting the words "If the Transferee notifies the Transferor that it has consented to the proposed exchange, (A) the Transferor will be obliged to" in the first and second lines thereof and replacing them with the words "The Transferor will" and (b) deleting the words "it receives notice (which may be oral telephonic notice) from the Transferee of its consent" and replacing them with the words "Party A informs the Transferee that it must transfer the New Credit Support".

(d) Paragraph 6 shall be amended by (a) inserting the following after the words "Event of Default in relation to a party": "or a Termination Event in respect of which a Transaction; and (b) by inserting the following into the fourth line after the words "may not be the Defaulting Party": "or the Affected Party as the case may be".

(i) **Form of Annex.** The parties hereby agree that the text of the body of this Annex is intended to be the printed form of ISDA Credit Support Annex (Bilateral Form – Transfer – ISDA Agreements Subject to English Law version) as published and copyrighted by the International Swaps and Derivatives Association, Inc.

(j) **Japanese Credit Support Provisions (Loan and Set-off).**

(i) **Modification to Paragraph 3**

Paragraph 3(a) is amended by inserting the following as 3(a)(iv) after 3(a)(iii):

"(iv) in the case of securities which the parties have agreed will be delivered by registration, by the giving of written instructions (including, for the avoidance of doubt, instructions given by telex, facsimile transmission or electronic messaging system) to the relevant registrar or other entity specified by the recipient, together with a written copy of the instructions to the recipient, sufficient, if complied with, to result in a legally effective transfer of the transferring party's legal and beneficial title to the recipient."

(ii) **Modification to Paragraph 5**

(A) In respect of Japanese Credit Support, Paragraph 5(c)(ii) is amended by inserting the words “less any applicable withholding tax, if the Transferee is a Japanese resident” after the words “the relevant Interest Amount” in the second line.

(B) Paragraph 5 is amended by adding the following as Paragraphs 5(d) and 5(e) after Paragraph 5(c)(ii):

“(d) Interpretation under Japanese Law. Any transfer of Eligible Credit Support under this Annex shall be construed as a loan for consumption (shohi-taishaku) for the purposes of Japanese law, if such transfer is to be characterised under Japanese law, and all provisions relating to the rights and obligations of the Transferor and the Transferee with respect to the Credit Support Balance shall be construed mutatis mutandis to the extent consistent with the rights and obligations of a lender and a borrower of the Credit Support Balance under Japanese law. Until the Transferee is required, pursuant to the terms of this Annex, to return the Equivalent Credit Support, the Transferee shall be entitled to have all the incidents of ownership of the Credit Support Balance, including, without limitation, the right to sell, transfer, lend or otherwise dispose of, and register or record in the name of the Transferee, its Custodian or nominee, the Credit Support Balance.

**(e) Conditions Precedent to Transfer of Eligible Credit Support or Equivalent Credit Support.** Each obligation of the Transferor or Transferee to transfer Eligible Credit Support or Equivalent Credit Support is subject to the conditions precedent that:

- (i) no Event of Default or Potential Event of Default has occurred and is continuing with respect to the other party; and
- (ii) no Early Termination Date for which any unsatisfied payment obligations exist has been designated or deemed to occur as a result of an Event of Default under this Agreement with respect to the other party.”

(iii) **Modification to Paragraph 8**

Paragraph 8 is amended by renumbering the paragraph as Paragraph 8(a), and further amended by inserting, after Paragraph 8(a), the following Paragraph 8(b):

“(b) **Liquidation/Application of Japanese Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Transferee or the Transferor in connection with the liquidation and/or disposition of any Japanese Posted Credit Support following an occurrence of an Early Termination Date as a result of an Event of Default in relation to a party will be payable, on demand and pursuant to the Expenses section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.”

(iv) **Modification to Paragraph 10**

(A) The following definitions shall be inserted in Paragraph 10 of this Annex:

“**Japanese Credit Support**” means Japanese Yen cash in a deposit account (“JPY Cash”) and JGBs.



**“Japanese Posted Credit Support”** means the portion of the Credit Support Balance consisting of Japanese Credit Support.”

- (B) The definition of “Distribution” in Paragraph 10 shall be amended by inserting the following words at the end of the first sentence:

“, provided that with respect to Japanese Posted Credit Support in the form of securities, **“Distributions”** means all principal, interest and other payments and distributions of cash or other property to which a holder of securities of the same type, nominal value, description and amount as such Eligible Credit Support would be entitled from time to time, less any applicable withholding tax (if the Transferee is a Japanese resident)”.

- (v) Withholding Tax on Interest Amount with respect to Credit Support Balance comprised of cash.

The provisions of Section 2(d) of this Agreement shall not apply with respect to payment of the Interest Amount under this Annex, and any withholding tax on the Interest Amount shall not constitute an Indemnifiable Tax under this Agreement. Paragraph 5(c)(ii) of this Annex is hereby amended by inserting “less any applicable withholding tax” after “the relevant Interest Amount” in line 2 thereof.

The parties hereby acknowledge and agree that, when interpreting any provision or representation in this Agreement (other than this Annex) relating to tax matters, references to “payment under this Agreement” or any other words with a similar purport made in this Agreement (excluding this Annex) shall be deemed to exclude payment of the Interest Amount under this Annex.

**MORGAN STANLEY & CO.  
INTERNATIONAL PLC**

**E.L.A.N. LIMITED**

By: \_\_\_\_\_  
Name:  
Title:  
Date:

By: \_\_\_\_\_  
Name:  
Title:  
Date:

## APPENDIX A

**Table 1: Interest Rate.** For the purposes of Paragraph 11(f)(i), Table 1 referred to is the following table:

<b><i>Currency</i></b>	<b><i>Interest Rate</i></b>
Japanese Yen	Such interest rate as may be agreed between the parties in respect of JPY.
Any other currency as agreed between the parties from time to time	Such interest rate as may be agreed between the parties in respect of the chosen currency.

## DESCRIPTION OF THE INITIAL UNDERLYING ASSETS

The following information has been reproduced on the basis of information available to the Issuer from the website of the Ministry of Finance Japan and Bloomberg. Such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading. The issuer of the Underlying Assets does not accept any responsibility or liability for the accuracy or completeness of the information set out below. The following information and other information contained in this Securities Note relating to the Underlying Assets is a summary only of certain terms and conditions.

Issuer:	The Government of Japan.
Description:	On the Issue Date, the Initial Underlying Assets shall comprise JPY 1,000,000,000 principal amount of an issue by the Government of Japan No. 295 1.50 per cent. Bonds due 20 June 2018 (ISIN: JP1102951884).
Issue Size:	JPY 2,641,684,350,000
Specified Currency or Currencies:	JPY.
Aggregate Nominal Amount:	JPY 1,000,000,000.
Interest:	1.50 per cent. per annum.
Interest Basis:	Fixed.
Legal Maturity Date:	20 June 2018.
ISIN:	JP1102951884.
Listing:	The Initial Underlying Assets are admitted to trading on the Tokyo Stock Exchange, Osaka Stock Exchange and Nagoya Stock Exchange.
Governing Law:	Japanese

## INFORMATION RELATING TO THE REFERENCE ENTITY

The following information relating to the Reference Entity is a summary only and has been extracted from the website of the Reference Entity. More details regarding the Reference Entity can be found at the website of Itochu Corporation (<http://www.itochu.co.jp/en/>). Such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Reference Entity:	ITOCHU Corporation and any Successor(s)
Nature of Business:	Leading Japanese trading company
Address:	5-1, Kita-Aoyama 2-chome Minato-ku, Tokyo 107-8077, Japan
Listing:	The Reference Entity has securities admitted to trading on the First Section of the Tokyo Stock Exchange
Country of Incorporation:	Japan

## FORM OF THE NOTES

### Initial Issue of Notes

The Notes will be represented on issue by a Global Note deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes.

### Amendments to Terms and Conditions

The Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions of the Notes in definitive form. The following is a summary of those provisions:

- **Payments** Payments of principal in respect of Notes represented by the Global Note will be made against presentation and surrender of the Global Note at the specified office of any Paying Agent and shall be effective to satisfy and discharge *pro tanto* the corresponding liabilities of the Issuer in respect of the Notes. Payments of interest in respect of the Global Note will be made to the holder of the Global Note in accordance with the Conditions of the Notes. On each occasion on which a payment of interest or principal is made in respect of the Global Note, the Issuer will procure that the same is noted on the Register and, in the case of payment of principal, that the aggregate principal amount of the Notes represented by the Global Note is decreased accordingly.
- **Notices** So long as the Notes are represented by the Global Note and the Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Conditions of the Notes.
- **Prescription** Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Global Note will become void unless presented for payment within a period of ten years (in the case of principal) or five years (in the case of interest) from the Relevant Date (as described in Condition 7(d) of the Notes).
- **Meetings** The holder of the Global Note will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having a *pro rata* vote in respect of each relevant principal amount of Notes for which the Global Note may be exchanged.
- **Trustee's Powers** In considering the interests of Noteholders while the Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its account holders with entitlements to the Global Note and may consider such interests as if such account holders were the holders of the Global Note.
- **Cancellation** Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the Notes by a corresponding notation made on the Global Note.

### Exchange for Definitive Notes

#### Exchange

The Global Note will be exchangeable in accordance with the Terms and Conditions, in whole but not in part, for Definitive Notes if (a) the Notes becomes immediately redeemable following the occurrence of an Event of Default in relation there; or (b) the Global Note is held (directly or

indirectly) on behalf of Euroclear, Clearstream, Luxembourg or an alternative clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday) or announces its intention to permanently cease business or does in fact do so.

### ***Delivery***

In such circumstances, the Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in the Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such definitive Notes.

## BOOK-ENTRY CLEARANCE PROCEDURES

The information set out below 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. In particular, such information is subject to any change in or interpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the “**Clearing Systems**”) currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Trustee, the Dealer or any Agent party to the Agency Agreement (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 the Clearing Systems 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 below.

### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**”) and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

### **Book Entry Ownership**

#### ***Euroclear and Clearstream, Luxembourg***

The Global Note will have an ISIN and a Common Code and will be deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

### ***Relationship of Participants with Clearing Systems***

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note represented by the Global Note must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Notes represented by the Global Note, the common depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Note as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in the Global Note held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against

the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

### ***Settlement and Transfer of Notes***

Subject to the rules and procedures of each applicable Clearing System, purchases of Notes held within a Clearing System must be made by or through Direct Participants, which will receive a credit for the Notes on the Clearing System's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from any Clearing System of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, unless and until interests in the Global Note held within a Clearing System is exchanged for Definitive Certificates.

No Clearing System has knowledge of the actual Beneficial Owners of the Notes held within such Clearing System and their records will reflect only the identity of the Direct Participants to whose accounts the Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the Clearing Systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

### ***Trading between Euroclear and/or Clearstream, Luxembourg Participants***

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



## **TAX CONSIDERATIONS**

### **1. General**

Purchasers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each Note.

Potential purchasers who are in any doubt about their tax position on purchase, ownership, transfer or exercise of any Note should consult their own tax advisers. In particular, no representation is made as to the manner in which payments under the Notes would be characterised by any relevant taxing authority. Potential investors should be aware that the relevant fiscal rules or their interpretation may change, possibly with retrospective effect, and that this summary is not exhaustive. This summary does not constitute legal or tax advice or a guarantee to any potential investor of the tax consequences of investing in the Notes.

### **2. EU Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

### **3. Jersey**

The Income Tax (Jersey) Law 1961 (the “**Law**”) provides that the general basic rate of income tax on the profits of companies regarded as resident in Jersey or having a permanent establishment in Jersey, is zero percent (“zero tax rating”) and that only a limited number of financial services companies which are regulated by the Jersey Financial Services Commission under the Financial Services (Jersey) Law 1998, are subject to income tax at a rate of 10 percent. For so long as the Issuer holds a “zero tax rating”, no withholding in respect of Jersey taxation will be required on payments to any holder of the Notes.

Under current Jersey law, there are no capital gains, capital transfer, gift, wealth or inheritance taxes or any death or estate duties. No stamp duty is levied in Jersey on the issue or transfer of Notes. On the death of an individual holder of Notes (whether or not such individual was resident in Jersey), duty at rates of up to 0.75 per cent of the value of the relevant Notes may be payable on the registration of Jersey probate or letters of administration.

## European Union Directive on the Taxation of Savings Income

Jersey is not part of the EU and is not subject to the EU directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”) or other EU fiscal legislation. However, in keeping with Jersey’s policy of constructive international engagement (and in line with steps taken by other relevant countries), Jersey has now entered into various agreements regarding the Savings Directive.

Jersey has introduced a system which permits, either:

1. the disclosure of information concerning details of payments of interest (or other similar payments), and the identity of an individual beneficial owner of the interest to the tax authority of the EU jurisdiction where the owner of the interest payment is resident; or
2. the imposition of a retention or withholding tax in respect of payments of interest (or other similar income) made to an individual beneficial owner resident in an EU member state by a paying agent situated in Jersey or an EU member state.

(The terms “beneficial owner” and “paying agent” are defined in the bilateral agreements, entered into between Jersey and each of the EU member states relating to the treatment of savings income.)

Where the Issuer has appointed a paying agent located outside Jersey, the Issuer is not required to make any disclosures or levy retention tax. However, the rules applicable in the jurisdiction where the paying agent is located will apply.

The retention tax system will apply for an initial transitional period during which tax would be retained from such payments, instead of communicating the details of such payments to the tax authorities of the EU member state in which the individual beneficial owner is resident (the transitional period is prior to the implementation of a system of automatic communication among all EU member states of information regarding interest payments).

The requirements in respect of information disclosure or retention tax will not apply to payments made to companies, partnerships or to most types of trusts, nor will they apply to individuals who are resident outside the EU.

## Goods and Services Tax (“GST”)

Pursuant to the Goods and Services Tax (Jersey) Law 2007 (the “**2007 Law**”), tax at a rate which is currently 3% applies to the supply of retail goods and services. Unless the relevant supplier or recipient of such goods and services is registered as an “international services entity”.

The Issuer is an “international services entity” within the meaning of the 2007 Law, having satisfied the requirements of the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008, as amended (the “**ISE Regulations**”) and, as long as it continues to be such an entity, a supply of goods or of a service made by or to the Issuer shall not be a taxable supply for the purposes of the 2007 Law.

## 4. FATCA Legislation

The United States has passed legislation (commonly referred to as “**FATCA**”) and issued regulations which, starting in 2015 (in respect of the 2013 and 2014 calendar years), will impose new information reporting requirements with respect to certain holders of “financial accounts,” as such term is defined in the FATCA rules. Under FATCA, non-US financial institutions generally will be required to enter into agreements with the US Internal

Revenue Service (the "**IRS**") to identify financial accounts held by US persons or entities with substantial US ownership, as well as accounts of other "financial institutions" that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. Non-US financial institutions may instead be required to report such information to their national tax authority, which will then automatically exchange that information with the IRS, where such financial institutions are in jurisdictions that have entered into intergovernmental agreements on FATCA implementation with the US that provide for such reporting. For FATCA purposes, the term financial institution includes, among others, banks, insurance companies and funds that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests. If a participating non-US financial institution makes a covered payment to a Holder or an accountholder that has not provided information requested to establish the Holder or accountholder is exempt from reporting under the rules, or if the recipient of the payment is a non-participating financial institution (that is not otherwise exempt), the payor may be required to withhold 30% on a portion of the payment. From 1 January 2017 at the earliest, a participating non-US financial institution may be required to withhold 30% tax in respect of foreign passthru payments made to non-US financial institutions. The FATCA regulations which take effect from 28 January 2013, provide that regulations will be promulgated to define "foreign passthru payments". The effect of these regulations may be that a participating non-US financial institution may be required to withhold 30% tax from a proportion of non-US source interest and principal paid to a non-participating non-US financial institution. A Holder or an investor in Notes that is not a financial institution may be required to provide information to establish whether it is a US person or substantially owned by US persons in order to establish it is exempt from tax under the FATCA rules. The withholding tax on a non-participating financial institution applies whether the financial institution is receiving payments for its own account or on behalf of another person. A Holder or an investor that is able to claim the benefits of an income tax treaty between its own jurisdiction and the United States may be entitled to a refund of amounts withheld under FATCA, though the Holder or the investor would have to file a US tax return to claim this refund and would not be entitled to interest from the IRS for the period prior to the refund.

FATCA generally does not apply to obligations outstanding on 1 January 2014. However, the term "obligations" does not include securities that are treated as equity for US federal income tax purposes. Because of the capital structure of the Issuer, certain Notes may be treated as equity for US federal income tax purposes.

Investors should consult their own advisors about the treatment of the Notes for US federal income tax purposes and the application of FATCA to the Notes, as well as whether they may be classified as financial institutions under the FATCA rules.

## SUBSCRIPTION AND SALE

The Dealer has, under a dealer agreement as amended and restated on 12 April 2013 (the “**Dealer Agreement**”) between the Dealer and the Issuer, agreed with the Issuer to subscribe, or to procure subscriptions, for the Notes at the issue price of 100 per cent. of their initial principal amount, subject to certain Conditions contained therein.

The Issuer has agreed to indemnify the Dealer against certain liabilities incurred in connection with the offer and sale of the Notes.

Attention is also drawn to the information set out on the inside cover of this Securities Note.

### ***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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to 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 Offering Circular as completed by the final terms in relation thereto 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 Applicable Supplement 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 Applicable Supplement, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000; and (3) an annual net turnover of more than EUR50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) 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 (e) above shall require the Issuer or any Dealer 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, 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 and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### ***United Kingdom***

The Dealer has represented and agreed that:

- (a) in relation to any Notes having 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 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 an 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 such Notes in, from or otherwise involving the United Kingdom

### ***Japan***

The Notes have not been and will not be registered under the financial instruments and exchange law of Japan (the “FIEL”). The Notes may not be offered or sold, 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-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

**Where the Notes are sold to the Japanese investors through Morgan Stanley MUFG Securities, the following additional restrictions apply:**

#### ***Qualified institutional investors only private placement*** 適格機関投資家の場合 :

The solicitation for newly-issued or secondary securities (each as described in paragraph 2, article 4 of the FIEL) in relation to the notes constitutes either a “Qualified Institutional Investor (“QII”) Only Private Placement” or a “QII Only Secondary Distribution” (each as described in paragraph 1, article 23-13 of the FIEL). Disclosure regarding any such solicitation, as is otherwise prescribed in paragraph 1, article 4 of the FIEL, has not been made in relation to the Notes. The notes may only be transferred to QIIs.

### ***The 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 or otherwise transferred except to persons who (a) are “Non-United States persons” as defined in Rule 4.7(a)(1)(iv) of the Rules of the Commodity Futures Trading

Commission (the “**CFTC**”) and (b) are not “U.S. Persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)).

The Dealer has acknowledged and agreed that as part of its distribution at any time it will only offer, sell or deliver Notes to, or for the account or benefit of, persons who (a) are “non-United States Persons” as defined in Rule 4.7(a)(1)(iv) of the Rules of the CFTC and (b) are not “U.S. Persons” as defined in Regulation S and that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes a confirmation or other notice setting forth the prohibition on offers and sales of the Notes within to, or for the account or benefit of, any U.S. Person or a person who is not a non-United States person as defined in Rule 4.7(a)(1)(v) of the Rules of the CFTC.

This Securities Note has been prepared by the Issuer for use in connection with the offer and sale of the Notes and for the listing of the Notes on the Irish Stock Exchange. The Issuer and the Dealer reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the principal amount of Notes which may be offered. This Securities Note does not constitute an offer to any person in the United States, to any U.S. Person or to any person who is not a non-United States Person. Distribution of this Securities Note to any such person or to any person within the United States is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

### **General**

Except for listing the Notes on the Official List of the Irish Stock Exchange, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Securities Note or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Securities Note does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Securities Note nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Notes must not be offered or sold in any jurisdiction except to persons whose investment activities involve them in acquiring, holding, managing or disposing (as principal or agent) of investments of a nature similar to the Notes and who are particularly knowledgeable in investment matters.

The Dealer has undertaken not to offer or sell any of the Notes, or to distribute this document or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law and regulations.

## TRANSFER RESTRICTIONS

Each prospective purchaser of Notes, by accepting delivery of this Securities Note, will be deemed to have represented, acknowledged and agreed that this Securities Note is personal to it and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Securities Note, or disclosure of any of its contents to any person other than a permitted offeree and those persons, if any, retained to advise it with respect thereto is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

1. In connection with the purchase of the Notes: (a) none of the Issuer, the Dealer or the Trustee is acting as a fiduciary or financial manager for the purchaser; (b) the purchaser 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 Dealer or the Trustee or any of their agents other than any statements in this Securities Note for the Notes and any representations expressly set forth in a written agreement with such party; (c) none of the Issuer, the Dealer or the Trustee has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Notes; (d) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Trust Deed) 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 Dealer or the Trustee; and (e) the purchaser is a sophisticated investor and has evaluated the rates, prices or amounts and other terms, conditions and restrictions applicable to the purchase and sale of the Notes with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks.
2. It, and each person for which it is acting, understands that pursuant to the terms of the Trust Deed, the Issuer has agreed that the Notes will bear the legend set forth below.
3. The purchaser acknowledges that the securities may not, at any time, be held by or for the account of a "U.S. Person" (as defined below) and agrees that (i) it will promptly notify the Dealer in the event that it becomes a "U.S. Person," and (ii) in such an event, the Issuer, Dealer or Trustee may require the securities to be transferred to a person designated by the Issuer. For the purpose of transactions in the securities, "U.S. Person" means a person that (i) is a "U.S. Person" as defined in Regulation S under the Securities Act; and (ii) falls outside the definition of "Non-United States person" in Rule 4.7(a)(1)(iv) of the Rules of the CFTC.
4. The purchaser agrees that at any time the Issuer determines or is notified that the purchaser was in breach of any of the representations and agreements set forth herein, the Issuer may, by written notice to the Trustee and such purchaser, declare the acquisition of the securities or interest therein void, and at that time or any subsequent time, require that the securities or interest therein be transferred to a person designated by the Issuer.
5. The purchaser acknowledges that the Issuer, the Dealer and the Trustee and their Affiliates and counsel will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and it hereby consents to such reliance.

## Legend

Unless determined otherwise by the Issuer in accordance with applicable law and so long as the Notes are outstanding, the Notes will bear a legend substantially in the form set forth below:

**THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE 'SECURITIES ACT'), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX REQUIREMENTS. IN ADDITION, THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT IN RELIANCE ON THE EXCEPTION PROVIDED BY SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT. THE NOTES MAY NOT BE OFFERED, SOLD, TRADED OR DELIVERED AT ANY TIME WITHIN THE UNITED STATES (WHICH TERM INCLUDES THE TERRITORIES, THE POSSESSIONS AND ALL OTHER AREAS SUBJECT TO THE JURISDICTION OF THE UNITED STATES OF AMERICA) OR TO OR FOR THE ACCOUNT OR BENEFIT OF A "U.S. PERSON." FOR PURPOSES OF THESE SELLING RESTRICTIONS, A "U.S. PERSON" MEANS A PERSON THAT IS (i) A "U.S. PERSON" AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (ii) A PERSON WHO FALLS OUTSIDE THE DEFINITION OF A "NON-UNITED STATES PERSON" IN RULE 4.7(a)(1)(iv) OF THE RULES OF THE COMMODITY FUTURES TRADING COMMISSION (THE "CFTC") . IN PURCHASING THE NOTES, YOU HEREBY REPRESENT AND WARRANT THAT YOU ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT YOU ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, OF ANY SUCH PERSON.**

EACH HOLDER OF THIS NOTE SHALL PROMPTLY NOTIFY THE TRUSTEE AND DEALER IF AT ANY TIME IT BECOMES A U.S. PERSON, AND ACKNOWLEDGES AND AGREES THAT IN SUCH AN EVENT, THE ISSUER, DEALER OR TRUSTEE MAY REQUIRE THIS NOTE OR SUCH INTEREST HEREIN TO BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER.

EACH HOLDER OF THIS NOTE, AND ANY INTERMEDIARY INVOLVED IN THE SALE OF THE NOTES, IS REQUIRED TO NOTIFY ANY PURCHASER TO WHOM IT SELLS THE NOTE OF THE RESALE AND OWNERSHIP RESTRICTIONS DESCRIBED 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, DEALER OR 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 RESALE OR OWNERSHIP RESTRICTIONS SET FORTH ABOVE OR THE REPRESENTATIONS SET FORTH IN THE SECURITIES NOTE, THE ISSUER, DEALER OR TRUSTEE MAY DECLARE THE ACQUISITION OF THIS NOTE OR SUCH INTEREST IN THIS NOTE VOID AND, AT THAT TIME OR ANY SUBSEQUENT TIME, REQUIRE THIS NOTE OR SUCH INTEREST HEREIN TO BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER.

EACH BENEFICIAL OWNER OF THIS NOTE (A) WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE TRANSFER RESTRICTIONS OF THE SECURITIES NOTE; AND (B) ACKNOWLEDGES THAT THE ISSUER, DEALER AND TRUSTEE RESERVE 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, DEALER AND TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE TRANSFER RESTRICTIONS OF THE SECURITIES NOTE.



## **OVERVIEW OF PARTIES TO THE TRANSACTION**

### **The Credit Support Provider**

The Credit Support Provider is Morgan Stanley. Morgan Stanley, through its subsidiaries, provides a wide range of financial and securities services on a global basis. Its securities businesses include securities underwriting, distribution and trading; merger, acquisition, restructuring, real estate, project finance, and other corporate finance advisory activities; full-service brokerage; research services; the trading of foreign exchange and commodities as well as derivatives on a broad range of asset categories, rates and indices; and securities lending. Morgan Stanley's asset management businesses include providing global asset management advice and services to individual and institutional investors through well-recognised brand names, including Dean Witter InterCapital, Van Kampen American Capital, Morgan Stanley Asset Management and Miller Anderson & Sherrerd; global custody and securities clearance; and principal investment activities. The Credit Support Provider's credit and transaction services businesses include the operation of the NOVUS® Network, a proprietary network of merchant and cash access locations, and the issuance of proprietary general purpose credit cards. Morgan Stanley's services are provided to a large and diversified group of clients and customers including corporations, governments, financial institutions and individuals.

Morgan Stanley's common stock is listed on the New York Stock Exchange, Inc. and its principal executive offices are at 1585 Broadway, New York, New York 10036, U.S.A.

### **The Custodian, the Issue Agent, the Principal Paying Agent, the Account Bank and the Calculation Agent**

The Bank of New York Mellon, a wholly owned subsidiary of The Bank of New York Mellon Corporation, is incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situated at One Wall Street, New York, NY 10286, USA and having a branch registered in England & Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situated at One Canada Square, London E14 5AL.

The Bank of New York Mellon's corporate trust business services \$12 trillion in outstanding debt from 55 locations around the world. It services all major debt categories, including corporate and municipal debt, mortgage-backed and asset-backed securities, collateralized debt obligations, derivative securities and international debt offerings. The Bank of New York Mellon's corporate trust and agency services are delivered through The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A.

The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 34 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team. It has more than \$23 trillion in assets under custody and administration and more than \$1.1 trillion in assets under management. Additional information is available at [bnymellon.com](http://bnymellon.com).

Following the court order on 3 April 2007 sanctioning the transfer of a part of the banking and corporate trust and agency business carried on by JPMorgan Chase Bank N.A., London Branch to The Bank of New York Mellon acting through its London Branch (formerly known as The Bank of New York) and pursuant to the terms of the Custody Agreement and the Agency Agreement, The Bank of New York Mellon acting through its London Branch (formerly known as The Bank of New York) has agreed to act as custodian, as principal paying agent and as calculation agent in respect of the Notes.

## **The Registrar**

In connection with the court order on 3 April 2007 sanctioning the transfer of a part of the banking and corporate trust and agency business carried on by JPMorgan Chase Bank N.A. to The Bank of New York Mellon acting through its London Branch (formerly known as The Bank of New York) and pursuant to the terms of the Agency Agreement, The Bank of New York Mellon (Luxembourg) S.A. has agreed to act as registrar in respect of the Notes. The Bank of New York Mellon (Luxembourg) S.A. is a société anonyme incorporated under the laws of the Grand Duchy of Luxembourg whose registered office is at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg.

## **The Swap Counterparty, Arranger and Dealer**

The Swap Counterparty is Morgan Stanley & Co. International plc.

Morgan Stanley & Co. International plc is a public company incorporated with limited liability under the laws of England and Wales whose registered office is at 25 Cabot Square, Canary Wharf, London, E14 4QA.

Morgan Stanley & Co. International plc is an indirect wholly owned subsidiary of Morgan Stanley. Morgan Stanley & Co. International plc is a U.K. registered broker dealer. The principal activity of Morgan Stanley & Co. International plc is the provision of financial services to corporations, governments, financial institutions and individual investors. It is authorised and regulated by the U.K. Financial Services Authority.

## GENERAL INFORMATION

1. The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this Securities Note a significant effect on the financial position of the Issuer nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.
2. Save for the issuance or redemption of a number of Series of Notes under its Programme or as set out in the documents incorporated herein, 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 30 June 2009, being the date of the Issuer's latest audited financial statements.
3. Save as disclosed herein, there has been no significant change and no significant new matter has arisen since publication of the Registration Document.
4. Physical and electronic copies of the following documents will be available from the date hereof, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection by Noteholders at the London office of the Principal Paying Agent and at the registered office of the Issuer: for so long as the Notes are outstanding:
  - (i) this Securities Note;
  - (ii) the Supplemental Trust Deed;
  - (iii) the documents specified in paragraph 5 of "General Information" in the Registration Document dated 12 April 2013; and
  - (iv) the Swap Agreement.
5. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code of the Notes and the International Securities Identification Number ("ISIN") for the Notes are 091385619 and XS0913856190, respectively.
6. The Issuer has obtained all necessary consents, approvals and authorisations in Jersey (if any) in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on or about 23 April 2013.
7. Pursuant to the terms of the Principal Trust Deed, a Trustee may retire upon the giving of three months notice to the Issuer and each Secured Creditor or may be removed by an Extraordinary Resolution of the Holders of the relevant Series of Notes. In circumstances of notice of retirement or removal the Issuer shall procure the appointment of a new trustee as soon as reasonably practicable and such retirement or removal shall not become effective until a successor trustee has been appointed.
8. The Notes are governed by and shall be construed in accordance with English law.
9. The Issuer has irrevocably agreed for the benefit of the Noteholders that the Courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes, and, for such purposes has irrevocably submitted to the jurisdiction of such courts.
10. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market which is a regulated market for the

purposes of the Markets in Financial Instruments Directive but the Notes may not be listed on the issue date thereof.

11. The Issuer does not intend to provide post issuance transaction information regarding the Notes and/or the performance of any Underlying Assets, other than information which it is required to provide to Noteholders in accordance with the Conditions.
12. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Market for the purposes of the Prospectus Directive.
13. For purposes of this Securities Note, capitalised terms not otherwise defined will have the meanings set out in the Conditions.
14. The language of the securities note is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

**REGISTERED OFFICE OF THE ISSUER**

**E.L.A.N. Limited**

Ogier House  
The Esplanade  
St. Helier  
Jersey  
JE4 9WG  
Channel Islands

**ARRANGER AND DEALER**

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA

**TRUSTEE**

**The Bank of New York Mellon  
acting through its London Branch**

One Canada Square  
London E14 5AL

**ISSUE AGENT, CUSTODIAN, PRINCIPAL  
PAYING AGENT, CALCULATION AGENT**

**The Bank of New York Mellon  
acting through its London Branch**

One Canada Square  
London E14 5AL

**SWAP COUNTERPARTY**

**Morgan Stanley & Co. International plc.**

25 Cabot Square  
Canary Wharf  
London E14 4QA

**DETERMINATION AGENT**

**Morgan Stanley & Co. International plc.**

25 Cabot Square  
Canary Wharf  
London E14 4QA

**REGISTRAR**

**The Bank of New York Mellon (Luxembourg) S.A.**

2-4 rue Eugene Ruppert,  
Vertigo Building - Polaris,  
L-2453, Luxembourg

**IRISH PAYING AGENT**

**The Bank of New York Mellon SA/NV Dublin Branch**

Hanover Building  
Windmill Lane  
Dublin  
Ireland

## **LEGAL ADVISERS**

*to the Dealer as to English law*

### **Simmons & Simmons LLP**

CityPoint  
One Ropemaker Street  
London EC2Y 9SS

*to the Issuer as to Jersey Law*

### **Ogier**

Ogier House  
The Esplanade  
St Helier, Jersey  
Channel Islands JE4 9WG

## **IRISH LISTING AGENT**

### **Arthur Cox Listing Services**

Earlsfort Centre  
Earlsfort Terrace  
Dublin 2  
Ireland