

Securities Note  
Dated July 25, 2011

## EM Falcon Limited

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

RUB 2,307,692,307 Loan Participation Notes due 2013 (the “Notes”)

Payable in Russian Roubles

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THE NOTES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT.

This Securities Note (this “Securities Note”) is prepared in connection with the Note Issuance Program of EM Falcon Limited (the “Issuer”) and must be read in conjunction with the Registration Document dated April 5, 2011 (the “Registration Document”) and, together with this Securities Note, the “Prospectus” or the “Placement Memorandum”), issued by the Issuer. Terms used but not defined in this Securities Note have the same meanings as in the Registration Document.

This Securities Note has been prepared for the purpose of giving information about the issue of the Notes.

This Securities Note has been approved by the Central Bank of Ireland (the “Central Bank”) as competent authority under the Prospectus Directive 2003/71/EC (the “Prospectus Directive”). The Central Bank only approves this Securities Note as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of The Irish Stock Exchange Limited (the “Irish Stock Exchange”) or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area (EEA). This document constitutes a Securities Note for the purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the “Prospectus Regulations”) and this Securities Note and the Registration Document together constitute a “prospectus” for the purposes of the Prospectus Directive and the Prospectus Regulations.

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the “Official List”) and trading on its regulated market (the “Main Securities Market”).

The secured assets relating to the Notes will be referred to herein as the “Charged Assets”.

The Notes offered hereby are issued pursuant to the Series 2011-1 Indenture described herein (the “Indenture”) among The Bank of New York Mellon as trustee (the “Trustee”), the Issuer and the other parties thereto.

The holders of the Notes (the “Holders”) will have recourse only to the Charged Assets. The Charged Assets will consist of (i) the Reference Assets described herein, (ii) the Issuer's rights under the Collateral Disposal Agreement and the other agreements (other than the Indenture) entered into in connection with the issuance of the Notes, (iii) the Collection Account, (iv) certain property incidental thereto, and (v) the proceeds of the foregoing. See “The Charged Assets” herein.

The Notes will be issued in Book-Entry form and will be represented by one or more Global Notes in registered form. The Notes will initially be represented by a Global Note registered in the name of the nominee of a common depositary for Euroclear and Clearstream.

The Notes have not been and will not be registered under the Securities Act. The Notes may not be offered or sold within the United States or to U.S. persons.

The Notes will not be rated upon issuance.

The language of this Securities Note is English.

**Neither this Securities Note nor the Registration Document shall constitute a Prospectus for purposes of the Securities Act. Neither this Securities Note nor the Registration Document are an offering to the public in the United States, and the offering and sale of the Notes pursuant to this Securities Note and the Registration Document shall be subject to the transfer restrictions set forth herein and therein.**

Subject as set out below, the Issuer accepts responsibility for all the information contained in this Securities Note (except for the information contained under the heading “Trustee and Agents” relating to the Trustee and the Agents) and, to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Securities Note is 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 “Trustee and Agents” with respect to the Trustee and the Agents has been provided to the Issuer by The Bank of New York Mellon and the Issuer makes no representation in relation to such information. The Bank of New York Mellon takes responsibility for the information relating to the Trustee and the Agents under the heading “Trustee and Agents” and, to the best of the knowledge and belief of The Bank of New York Mellon, the information set out in such section is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Securities Note, as approved by the Central Bank, will be filed with the Irish Companies Registration Office in accordance with Regulation 38 (1)(b) of the Prospectus Regulations. The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank.

***MORGAN STANLEY***

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## **RISK FACTORS**

**The risk factors below must be read in conjunction with the risk factors set forth in the Registration Document. To the extent any provision in this Securities Note is inconsistent with the Registration Document, the provisions in this Securities Note shall control.**

### **Ratings on the Notes**

The Issuer does not intend to apply for the Notes to be rated upon issuance. Although the Issuer does not intend to apply for the Notes to be rated, there can be no assurance as to whether any rating agency will nonetheless issue an unsolicited rating and, if so, what such rating would be or how such rating would effect investors' perception of the Notes' value.

### **Public Information About Reference Assets Issuer**

Prospective purchasers of the Notes are urged to undertake their own investigation of the Reference Assets Issuer. Neither the Issuer nor any Morgan Stanley entity will provide to any prospective Holder any information other than what is set forth herein. The information concerning the Reference Assets Issuer that is available from public sources will not have been independently checked or verified by the Issuer, the Distributor, any other Morgan Stanley entity, the Trustee or anyone else in connection with the issuance of the Notes.

### **Market Value Risk with respect to the Reference Assets**

In addition to the credit risk with respect to the Reference Assets, holders of the Notes will be exposed to market value risk with respect to the Reference Assets. If an Early Redemption Event or an Indenture Event of Default occurs, the Issuer's primary source of funds for redeeming the Notes will be the redemption proceeds or, as the case may be, liquidation proceeds of the Reference Assets. In the case of a liquidation of the Reference Assets, if the Issuer cannot sell the Reference Assets for a price at least equal to the Redemption Amount plus an amount equal to all claims which rank in priority to the claims of the Holders of the Notes in accordance with the Priority of Payments, the amount received by the Holders of the Notes will be reduced to reflect the Issuer's shortfall.

### **Currency Risk**

The Notes and payments thereunder are denominated in Russian Roubles, subject to certain limited exceptions when foreign exchange restrictions may be imposed, in which case payments may be made in U.S. dollars. Currency exchange rates are volatile, such rates and the ability to convert from one currency to another may be influenced by direct governmental action or political or economic developments in Russia or elsewhere and could lead to significant and sudden changes in the exchange rate between Russian Roubles and other currencies. Since the Notes include exposure to exchange rate fluctuations between U.S. dollars and Russian Roubles in the limited circumstances described herein, fluctuations in such exchange rate could impact the value of the Notes and could result in a decrease in the effective yield of the Notes as well as in the investor's loss of all or a substantial portion of the original Russian Rouble issue price of the Notes.

### **Foreign Exchange Risk**

In certain circumstances described under "Inconvertibility", payments may be made to the Issuer under the Reference Assets and/or (as the case may be) to Holders of the Notes under the terms of the Notes in U.S. dollars. In such instances the value of the Notes and payments thereunder will be effected by fluctuations in the exchange rate of Russian Roubles to U.S. dollars, which may be volatile. Historical or prevailing levels of the exchange rate of Russian Roubles to U.S. dollars or any other currency should not be taken as an indication of the future levels of such exchange rate. No assurance can be given that the Russian Rouble will not depreciate against the U.S. dollar or any other currency. Further, in certain circumstances the Calculation Agent may determine in its sole discretion whether an Inconvertibility Event has occurred and/or the exchange rate which will apply. There may be a difference of interest between Holders of the Notes and the Calculation Agent in relation to any such determination and the Calculation Agent owes no obligations of agency or trust nor any fiduciary obligations towards Holders of the Notes in this regard. In particular the Calculation Agent and its affiliated entities may have interests in other capacities (such as other business relationships and activities).

### **Reference Assets Issuer Credit Risk**

The ability of the Issuer to make payments of interest and principal on the Notes in a timely manner or at all is conditional on the actual receipt by the Issuer of corresponding payments of interest and principal from the Reference Assets Issuer in accordance with the terms of the Reference Assets. A default by the Reference Assets Issuer on its payment obligations under the Reference Assets may result in a Holder of Notes receiving less or no interest or principal payments and/or receiving any such payments later than the anticipated date for payment. In addition, a reduction in the credit rating of the Reference Assets Issuer or its default on other obligations outstanding may adversely impact the value of the Notes.

### **No further Interest for a period over which the Maturity Date or the final Interest Payment Date is extended beyond the Scheduled Maturity Date or the final Scheduled Interest Payment Date, respectively**

The Maturity Date or the final Interest Payment Date may be extended beyond the Scheduled Maturity Date or the final Scheduled Interest Payment Date, respectively. Further interest will not be accrued on the Notes as a result of any such extension after the Scheduled Maturity Date or such final Scheduled Interest Payment Date other than any such additional amounts that are actually received by the Issuer from the Reference Assets Issuer in accordance with the terms of the Reference Assets .

### **No extra Interest for a period over which an Interest Payment Date is extended beyond the related Scheduled Interest Payment Date**

An Interest Payment Date may be extended beyond the related Scheduled Interest Payment Date. No extra interest will accrue or be payable in respect of any such delay in payment as a result of any such extension other than any such additional amounts that are actually received by the Issuer from the Reference Assets Issuer in accordance with the terms of the Reference Assets.

## THE NOTES

Initial Principal Balance	RUB 2,307,692,307
Principal Balance	An amount determined as follows:  (i) the Initial Principal Balance of the Notes; minus  (ii) the aggregate amount of reductions in connection with Principal Reduction Amounts applied to the Principal Balance of the Notes on or before such date of determination.
Principal Reduction Amount	In respect of each Principal Reduction Date, an amount equal to the amortizing payment actually received by the Issuer from the Reference Assets Issuer under the terms of the Reference Assets. The schedule of anticipated Principal Reduction Amounts is set out in Annex A hereto.
Principal Reduction Date	Each date on which the Issuer actually receives from the Reference Assets Issuer an amortization payment under the terms of the Reference Assets. The schedule of anticipated Principal Reduction Dates is set out in Annex A hereto.
Series	2011-1
Specified Currency	Russian Roubles (“ <b>RUB</b> ”) subject to the occurrence of an Inconvertibility Event, in which case U.S. dollars or such other currency received by the Issuer from the Reference Assets Issuer in satisfaction of its payment obligations under the Reference Assets.
Scheduled Maturity Date	The day falling two Business Days after the Final Maturity Date (as such term is defined in the Reference Assets and which is expected to be December 13, 2013).
Maturity Date	Subject to (i) the occurrence of an Early Redemption Event or an Indenture Event of Default, the later of (a) the Scheduled Maturity Date and (b) the day falling two Business Days after the date on which the Issuer has actually received all amounts of interest and principal payable to it by the Reference Assets Issuer in accordance with the terms of the Reference Assets.
Reference Assets	The RUB 3,000,000,000 Credit Facility Agreement between the Reference Assets Issuer and Morgan Stanley Bank International

	Limited originally dated December 13, 2006, as amended by a Deed of Amendment and Release dated November 26, 2008 and as amended and restated by an Amendment and Restatement Agreement dated April 20, 2011 and in respect of which the Issuer became the Lender pursuant to a Transfer Certificate dated June 28, 2011.
Minimum Denomination (Integral Multiples)	RUB5,000,000 and Integral Multiples of RUB1 thereafter.
Initial Rating	None
Pricing Date	June 24, 2011
Issue Date and Closing Date	June 28, 2011
Issue Price	102.46%
Interest Rate	<p>8.65% per annum.</p> <p>The provisions relating to the determination of interest set out in the Registration Document shall not apply. The Notes are pass-through Notes and therefore, in respect of each Interest Payment Date, the Interest Payment Amount will be an amount in RUB equal to the corresponding amount of interest actually received by the Issuer from the Reference Assets Issuer two Business Days prior to such date under the terms of the Reference Assets. Interest Payment Amounts will be payable in RUB subject to the occurrence of an Inconvertibility Event as described below. Payments will be made in accordance with the Priority of Payments set out in the Registration Document.</p> <p>The determination by the Agent Bank of the interest payable on any Interest Payment Date will (in the absence of manifest error) be final and binding upon all parties and the Holders.</p>
Interest Payment Dates	Quarterly, two Business Days after the date on which the Issuer has actually received from the Reference Assets Issuer the corresponding payment of interest under the terms of the Reference Assets, which dates are expected to be those dates set out under the heading "Principal Reduction Date" in Annex A hereto, in each case subject to adjustment in accordance with the Following Business Day Convention, with no adjustment to the calculation periods.

Deferred Interest	N/A
Amortization Payments	Principal Payments under the Notes will be made in installments. On each Amortization Payment Date up to and including the Scheduled Maturity Date, the relevant Amortization Payment Amount will be paid to Holders as a Principal Payment. Payments will be made in accordance with the Priority of Payments set out in the Registration Document. The Notes are pass-through Notes and therefore, in respect of each Amortization Payment Date, the Amortization Payment Amount will be an amount in RUB equal to (a) the corresponding Principal Reduction Amount actually received by the Issuer from the Reference Assets Issuer two Business Days prior to such Amortization Payment Date under the terms of the Reference Assets minus (b) an amount equal to all claims which rank in priority to the claims of the Holders of the Notes in accordance with the Priority of Payments. Any such Amortization Payments will be payable in RUB subject to the occurrence of an Inconvertibility Event as described below.
Amortization Payment Dates	Quarterly, two Business Days after each Principal Reduction Date, in each case subject to adjustment in accordance with the Following Business Day Convention, with no adjustment to the calculation periods.
Additional Amounts	If the Issuer receives any amounts from the Reference Asset Issuer under the terms of the Reference Assets other than amounts in respect of interest or principal (“ <b>Additional Amounts</b> ”) then, to the extent that any such Additional Amount exceeds amounts to be retained by the Issuer to reimburse it for any costs or expenses incurred by it (and howsoever described) in connection with it being the Lender under the Reference Assets, any such Additional Amount shall be applied in accordance with the Priority of Payments and any amount due to Holders of the Notes shall be paid two Business Days following the date on which the relevant Additional Amount was actually received by the Issuer. Any such Additional Amounts will be payable in RUB subject to the occurrence of an Inconvertibility Event as described below.
Form of Securities	Regulation S Global
Type of Note	Fixed Rate
Floating Rate	N/A

Holdover	N/A
ISIN Reg S	XS0642625726
Common Code	064262572
CFI Code	DYVXXR

**APPLICABLE SUPPLEMENT**

This Securities Note must be read in conjunction with the Registration Document. To the extent any provision in this Securities Note is inconsistent with the Registration Document, the provisions in this Securities Note shall control. **The description of the Notes contained in this Securities Note does not purport to be, and is not, complete. In addition to this Securities Note and the Registration Document, prospective purchasers should review the Indenture, the terms of the Reference Assets and the terms of any other Charged Assets in making their decision to purchase any Notes.**

Notes..... The RUB 2,307,692,307 Loan Participation Notes due 2013 (the “Notes”) of Series 2011-1, to be issued by the Issuer on the Issue Date pursuant to the Indenture and payable in Russian Roubles.

The Notes shall constitute a single “Class” as defined in the Registration Document.

Issuer ..... EM Falcon Limited

Charged Assets ..... All the Issuer's estate, right, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising:

- (a) the Reference Assets;
- (b) the Collateral Disposal Agreement and the other transaction documents relating to the Notes (other than the Indenture);
- (c) the Collection Account, including all assets, investments and other amounts held in such account;
- (d) all present and continuing right, power and authority of the Issuer, in the name and on behalf of the Issuer, as agent and attorney-in-fact, or otherwise, to make claim for and demand performance on, under or pursuant to any of the foregoing, to bring actions and proceedings thereunder or for the specific or other enforcement thereof, or with respect thereto, to make all waivers and agreements, to grant or refuse requests, to give or withhold notices, and to exercise all rights, remedies, powers, privileges and options, to grant or withhold consents and approvals and do any and all things and exercise all other discretionary rights, options, privileges or benefits which the Issuer is or may become entitled to do with respect to the foregoing; and
- (e) all proceeds, interest, income, profits or gains with respect to cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Charged Assets.

The Charged Assets will provide the sole source of funds for payments in respect of the Notes.

Reference Assets ..... The RUB 3,000,000,000 Credit Facility Agreement between the Reference Assets Issuer and Morgan Stanley Bank International Limited originally dated December 13, 2006, as amended by a Deed of Amendment and Release dated November 26, 2008 and as amended and restated by an Amendment and Restatement Agreement dated April 20, 2011 and in respect of which the Issuer became the Lender pursuant to a

Transfer Certificate dated June 28, 2011. Morgan Stanley Bank International Limited served a notice under Clause 7.3 of the Credit Facility Agreement requiring the prepayment of principal then outstanding thereunder in accordance with the payment schedule set out in Annex A hereto. As at the date of this Securities Note, RUB 2,307,692,307 remains outstanding under the Credit Facility Agreement.

Reference Assets Issuer.....	JSC “Rushydro” (Open Joint Stock Company “Federal Hydrogeneration Company”).
Trustee.....	The Bank of New York Mellon
Distributor .....	Morgan Stanley & Co. International plc
Collateral Disposal Agent.....	Morgan Stanley & Co. International plc
Issue Date and Closing Date.....	June 28, 2011
Scheduled Maturity Date.....	The day falling two Business Days after the Final Maturity Date (as such term is defined in the Reference Assets and which is expected to be December 13, 2013).
Maturity Date .....	Subject to (i) the occurrence of an Early Redemption Event or an Indenture Event of Default, the later of (a) the Scheduled Maturity Date and (b) the day falling two Business Days after the date on which the Issuer has actually received all amounts of interest and principal payable to it by the Reference Assets Issuer in accordance with the terms of the Reference Assets.
Issue Price.....	102.46%
Initial Principal Balance and Authorized Amount.....	RUB 2,307,692,307
Principal Balance.....	As of any date of determination, the "Principal Balance" of the Notes will be an amount determined as follows:  (i) the Initial Principal Balance of the Notes; minus  (ii) the aggregate amount of reductions in connection with Principal Reduction Amounts applied to the Principal Balance of the Notes on or before such date of determination, with each such reduction described in this clause (ii) being in an amount equal to the related Principal Reduction Amounts, taking effect on the relevant Principal Reduction Date and being applied to reduce the Principal Balance of the Notes until the Principal Balance is reduced to zero.
Principal Reduction Amount .....	In respect of each Principal Reduction Date, an amount equal to the amortizing payment actually received by the Issuer from the Reference Assets Issuer under the terms of the Reference Assets. The schedule of anticipated Principal Reduction Amounts is set out in Annex A hereto.

Principal Reduction Date.....	Each date on which the Issuer actually receives from the Reference Assets Issuer an amortization payment under the terms of the Reference Assets. The schedule of anticipated Principal Reduction Dates is set out in Annex A hereto.
Principal Payments .....	Unless previously redeemed as a result of an Indenture Event of Default or an Early Redemption Event, payments of the Principal Balance (" <b>Principal Payments</b> ") will be made in installments on each Amortization Payment Date up to and including the Maturity Date, in accordance with the provisions described under "Amortization Payments" below.
Business Day .....	Any day, other than a Saturday or Sunday, that is a day on which commercial banks are generally open for business in New York, London and Moscow.
Business Day Convention.....	Following Business Day Convention. " <b>Following Business Day Convention</b> " means that the relevant date shall be postponed to the first following day that is a Business Day.
Holdover.....	Not Applicable.
Interest Amounts:	
<i>Interest Payment Dates</i> .....	Quarterly, two Business Days after the date on which the Issuer has received from the Reference Assets Issuer the corresponding payment of interest under the terms of the Reference Assets, which dates are expected to be those dates set out under the heading "Principal Reduction Date" in Annex A hereto (each, a " <b>Scheduled Interest Payment Date</b> "), in each case subject to adjustment in accordance with the Following Business Day Convention, with no adjustment to the calculation periods (each such date, an " <b>Interest Payment Date</b> "). The first interest period is a short interest period.
<i>Interest Rate</i> .....	Fixed Rate. 8.65% per annum. For the avoidance of doubt and notwithstanding anything to the contrary herein, (i) no interest shall accrue on the Notes following the Scheduled Maturity Date and (iii) other than as described under "Interest on Overdue Amounts" below, no additional interest shall accrue for the period an Interest Payment Date is extended beyond the related Scheduled Interest Payment Date.
<i>Interest Payment Amount</i> .....	The Notes are pass-through Notes and therefore, in respect of each Interest Payment Date, the Interest Payment Amount will be an amount in RUB equal to the corresponding amount of interest actually received by the Issuer from the Reference Assets Issuer two Business Days prior to such date under the terms of the Reference Assets. Interest Payment Amounts will be payable in RUB subject to the occurrence of an Inconvertibility Event as described below. Payments will be made in accordance with the Priority of Payments set out in the Registration Document.
<i>Interest on Overdue Amounts</i> .....	Under the terms of the Reference Assets, if the Reference Assets Issuer fails to pay any amount payable by it under the Reference Assets on its due date, interest shall accrue on such overdue amount from the date such amount was originally due up to the date of actual payment (both

before, on and after any judgment) at a rate which is one per cent. higher than the Interest Rate. Any such additional amounts of interest that are actually received by the Issuer from the Reference Assets Issuer shall be paid to Holders of the Notes as additional amounts of interest on the next following Interest Payment Date.

*Interest Accrual Periods* ..... With respect to any Interest Payment Date, the Interest Accrual Period shall be the period in respect of which the corresponding payment of interest paid to the Issuer in accordance with the terms of the Reference Assets is determined.

Amortization Payments: Principal Payments under the Notes will be made in installments. On each Amortization Payment Date up to and including the Scheduled Maturity Date, the relevant Amortization Payment Amount will be paid to Holders of the Notes as a Principal Payment. Payments will be made in accordance with the Priority of Payments set out in the Registration Document.

*Amortization Payment Amount* ..... The Notes are pass-through Notes and therefore, in respect of each Amortization Payment Date, the Amortization Payment Amount will be an amount in RUB equal to (a) the relevant Principal Reduction Amount actually received by the Issuer from the Reference Assets Issuer two Business Days prior to such Amortization Payment Date under the terms of the Reference Assets minus (b) an amount equal to all claims which rank in priority to the claims of the Holders of the Notes in accordance with the Priority of Payments. Amortization Payment Amounts payable on the Notes will be payable in Russian Roubles subject to the occurrence of an Inconvertibility Event.

*Amortization Payment Dates* ..... Quarterly, two Business Days after each Principal Reduction Date (each, a “**Scheduled Amortization Payment Date**”), in each case subject to adjustment in accordance with the Following Business Day Convention, with no adjustment to the calculation periods (each such date, an “**Amortization Payment Date**”).

Conditions to Payment ..... Subject to the occurrence of an Early Redemption Event or an Indenture Event of Default, payments of Interest Payment Amounts, Amortization Payment Amounts, Redemption Amounts and any Additional Amounts on the Notes shall be subject to the actual and timely receipt and retention by the Issuer of the relevant corresponding amounts (net of tax) due to it from the Reference Assets Issuer under the terms of the Reference Assets. The Issuer shall not be obliged to make any payment to Holders under the Notes unless and until it has actually received a corresponding payment from the Reference Assets Issuer under the Reference Assets. Actual receipt by the Issuer after the relevant due date for payment in respect of any payment under the terms of the Reference Assets will result in the related Interest Payment Date, Amortization Payment Date or Maturity Date occurring after the relevant Scheduled Interest Payment Date, Scheduled Amortization Payment Date or Scheduled Maturity Date, as the case may be.

Payments on or after Scheduled Maturity and upon an Early Redemption Event:

*On or after the Scheduled Maturity* Unless an Early Redemption Event or an Indenture Event of Default occurs on or prior to the Scheduled Maturity Date, the Issuer will

*Date*..... redeem each outstanding Note for an amount in RUB equal to its then outstanding principal amount (the “**Redemption Amount**”) and any due and unpaid Interest Payment Amount with respect to the Scheduled Interest Payment Date occurring on the Scheduled Maturity Date. For the avoidance of doubt, the Issuer’s obligation to pay any such Redemption Amount shall be satisfied by the payment by it of the final Amortization Payment Amount due on the Amortization Payment Date falling on or around the Maturity Date, all in accordance with the provisions described under “Amortization Payments”. Payment of any Redemption Amount will be made in accordance with the Priority of Payments set out in the Registration Document and will be subject to the occurrence of an Inconvertibility Event.

*Early Redemption*..... The Notes will be subject to early redemption by the Issuer following an Early Redemption Event (as described below) (an “**Early Redemption**”). The redemption price of the Notes will be an amount in RUB equal to (i) the liquidation proceeds or, as the case may be, acceleration proceeds of the Reference Assets determined in accordance with the provisions described below minus (ii) an amount equal to all claims which rank in priority to the claims of the Holders of the Notes in accordance with the Priority of Payments and will be subject to the occurrence of an Inconvertibility Event. Any such redemption date will occur on the day falling two Business Days after the actual receipt by the Issuer of all proceeds of the Reference Assets.

*Liquidation of Charged Assets Due to an Early Redemption Event* ..... Subject to the following paragraph in relation to a Reference Assets Default, in the case of an Early Redemption Event, the Collateral Disposal Agent, on behalf of the Issuer, will attempt to obtain one or more bid quotations from dealers in the Reference Assets (each such dealer, which may or may not include an affiliate of the Dealer, a “**Reference Dealer**”) or any other party selected in the sole discretion of the Collateral Disposal Agent in respect of the purchase of some or all of the Reference Assets from the Issuer. Upon receipt by the Collateral Disposal Agent of such quotations (to the extent provided) the Collateral Disposal Agent shall arrange for the sale of the Reference Assets to the Reference Dealer which provided the highest quotation(s) in accordance with the terms of the Collateral Disposal Agreement.

In the case of a Reference Asset Default, the Collateral Disposal Agent shall only attempt to obtain bids in accordance with the previous paragraph if (i) the Issuer has not received payment in full of all amounts then actually due to it in accordance with the terms of the Reference Assets on or before the day falling 30 calendar days after the Reference Asset Default and (ii) the Issuer and at least 75% of the Holders of the Notes have not agreed mutually acceptable terms on which the Issuer shall instruct the Collateral Disposal Agent not to liquidate the Reference Assets following the occurrence of a Reference Assets Default but instead to wait for the Issuer to receive payment in full of the amounts then actually due to it in accordance with the terms of the Reference Assets and/or the Collateral Disposal Agent has not been so instructed by the Issuer and/or the Collateral Disposal Agent has not in its sole discretion given its prior consent to any such instruction from the Issuer.

The Trustee will apply the liquidation proceeds or acceleration proceeds (as the case may be) of Reference Assets in accordance with the Priority

of Payments, but in each case without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any Secured Party; provided that the Trustee will not be required to take any action that would involve the Trustee in any liability or expense unless previously indemnified and/or secured to its satisfaction in its sole discretion.

*Early Redemption Event* ..... The occurrence of any of the following events will constitute an Early Redemption Event:

- (i) a Tax Redemption Event, or
- (ii) a Reference Assets Default.

“**Tax Redemption Event**” shall have the meaning given to such term in the Registration Document.

A “**Reference Assets Default**” shall occur when the Reference Assets are accelerated in accordance with their terms following the occurrence of an Event of Default (as such term is defined in the Reference Assets).

*Specified Currency* ..... All payment of interest and principal under the Notes are payable in RUB, subject to the occurrence of an Inconvertibility Event, in which case a payment may be made in U.S. dollars as described below or such other currency received by the Issuer from the Reference Assets Issuer in satisfaction of its payment obligations under the Reference Assets.

*Inconvertibility* ..... The occurrence of either of the following event shall constitute an “**Inconvertibility Event**”:

(A) Any foreign exchange law is enacted in any federal legislative assembly of the Russian Federation which has or is reasonably likely to have the effect of prohibiting, restricting or delaying the payment, transfer or conversion of any payment that the Reference Assets Issuer is required to make under the Reference Assets, and within thirty (30) days of such event the Reference Assets Issuer has demonstrated to the reasonable satisfaction of the Reference Assets Administrative Agent that the Reference Assets Issuer has sufficient funds in U.S. dollars and can make any payment, transfer or conversions required to satisfy its obligations under the Reference Assets. In such circumstances, pursuant to the terms of the Reference Assets, the Reference Assets Issuer may satisfy its payment obligations under the Reference Assets by making payments to the Issuer in U.S. dollars. To the extent that the Reference Assets Issuer satisfies its payment obligations in such manner, the Issuer shall apply such U.S. dollar proceeds to its corresponding payment obligations under the Notes. The payment by the Issuer of such U.S. dollar amounts in these circumstances will discharge it from the relevant payment obligation under the Notes.

(B) In relation to any payment of interest or principal due to be made by the Issuer to Holders, any event or circumstance that, in the sole discretion of the Calculation Agent and regardless of whether such occurrence is continuing, generally makes it impossible, unlawful or impracticable for the Issuer, the Calculation Agent or any of their agents

or affiliates for any reason beyond their reasonable control to:

(a) convert RUB into USD or USD into RUB (whether directly or through a cross exchange rate) through customary legal channels;

(b) determine the rate of conversion of RUB into USD or USD into RUB; or

(c) transfer or make a payment in, or delivery of, RUB from or to, outside or inside, of Russia, including within any relevant clearing system in which the Notes are then held,

in an amount up to the relevant payment of interest or principal. In such circumstances, the Issuer may satisfy its payment obligations under the Notes by making payments to Holders in U.S. dollars. The payment by the Issuer of such U.S. dollar amounts in these circumstances will discharge it from the relevant payment obligation under the Notes. Any foreign exchange rates for the purposes of converting payments from RUB into USD or USD into RUB (whether directly or through a cross exchange rate) upon the occurrence of an Inconvertibility Event will be determined in the sole discretion of the Calculation Agent.

Physical delivery .....

In relation to any redemption, early redemption or acceleration of the Notes, by written notice to the Trustee, any Holder may elect to take physical delivery of the Reference Assets in lieu of payment of the Principal Balance of the Notes held by such Holder, subject to (a) payment by such Holder of any expenses incurred by the Issuer or its agents in connection with effecting delivery of the Reference Assets, (ii) the execution by such Holder of any documentation necessary to effect delivery of the Reference Assets or (iii) a determination made by the Calculation Agent on behalf of the Issuer that any such physical delivery is impossible or impracticable. In such circumstances, the Trustee will cause the Collateral Disposal Agent to liquidate the Charged Assets to the extent sufficient to cover any amounts that rank in priority to payments due to the Holders and deliver to such Holder, in consultation with the Calculation Agent, Reference Assets having a face amount equal to the Principal Balance of the Notes held by such Holder, less the pro rata amount of such prior-ranking payments. The Trustee will cause the Collateral Disposal Agent to liquidate any remaining Charged Assets and distribute the proceeds of such liquidation to all Holders that have not elected to take physical delivery of the Reference Assets.

Additional Amounts .....

If the Issuer receives any amounts from the Reference Asset Issuer under the terms of the Reference Assets other than amounts in respect of interest or principal (“**Additional Amount**”) then, to the extent that any such Additional Amount exceeds amounts to be retained by the Issuer to reimburse it for any costs or expenses incurred by it (and howsoever described) in connection with it being the Lender under the Reference Assets, any such Additional Amount shall be applied in accordance with the Priority of Payments and any amount due to Holders of the Notes shall be paid two Business Days following the date on which the relevant Additional Amount was actually received by the Issuer. Any such Additional Amount will be payable in RUB subject to the occurrence of an Inconvertibility Event as described above.

Authorized Denominations and Minimum Subscription.....	RUB 5,000,000 and integral multiples of RUB 1 in excess thereof.
Ratings.....	The Notes will not be rated upon issuance.
Listing.....	This Securities Note has been approved by the Central Bank as competent authority under the Prospectus Directive. The Central Bank only approves this Securities Note as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application may be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its Main Securities Market.
MS Note Redemption.....	<p>In the case of any Notes held by a Morgan Stanley Affiliate, such Morgan Stanley Affiliate (each such person, a “<b>Morgan Stanley Noteholder</b>”) shall 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 “<b>Morgan Stanley Noteholder Option</b>”).</p> <p>Upon an exercise of the Morgan Stanley Noteholder Option, the Collateral Disposal Agent will:</p> <ul style="list-style-type: none"> <li>(i) arrange for the sale or liquidation of the Relevant Portion of the Reference Assets (rounded down, if appropriate, to the nearest denomination) and that amount of the Reference Assets shall be released from the security constituted by the Charged Assets; and</li> <li>(ii) identify any changes to the terms and conditions of the Notes which the Calculation 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 Calculation Agent of any such changes, the terms and conditions of the Notes will be deemed to be amended without any further action required by or consent from any other party.</li> </ul> <p>For this purpose, “<b>Relevant Portion</b>” means, in relation to the aggregate principal amount of the Reference Assets, a share thereof corresponding to the proportion which the Principal Balance of the Notes to be redeemed bears to all of the Notes (including the Notes to be redeemed).</p> <p>The Redemption Amount in respect of all the Notes to be redeemed in the event of an exercise of the Morgan Stanley Noteholder Option is an amount equal to (a) the proceeds of sale or liquidation of the Relevant Portion (subject to any rounding) of the Reference Assets (net of the costs incurred in effecting that sale or liquidation) less (b) an amount equal to all claims which rank in priority to the claims of the Holders of the Notes in accordance with the Priority of Payments (and a pro rata amount will be payable in respect of each Note).</p>

Governing Law ..... The Notes will be governed by the law of the State of New York.

Transfer Restrictions ..... The Notes have not been and will not be registered under the Securities Act and the Issuer will not be registered under the Investment Company Act. The Notes will be offered only to non-U.S. persons in offshore transactions in reliance and in accordance with Regulation S under the Securities Act, in Authorized Denominations for any single beneficial owner. Each purchaser of the Notes (whether by initial purchase or by transfer) will be deemed to have made the representations and agreements set forth in the Notice to Investors and the Transfer Restrictions sections in the Registration Document.

Each Holder and beneficial owner of a Note will be deemed to acknowledge and agree that (a) the Distributor may obtain or be in possession of non-public information regarding the issuer of any Reference Assets which may not be made available to any Holder and (b) the Distributor makes no representations with respect to any issuer of any Reference Assets or the accuracy or completeness of any information regarding the foregoing.

Limited Recourse ..... The Notes are limited recourse obligations of the Issuer. The payment of principal, interest and other amounts in respect of the Notes will be made solely from amounts actually received in respect of the Charged Assets in accordance with the Priority of Payments and not from the assets relating to any other Series or from the general assets of the Issuer. Holders of the Notes will not have any recourse to the general assets of the Issuer or any assets forming part of the Charged Assets of any other Series of Notes. Moreover, no recourse shall be had for the payment of any amount owing in respect of the Notes or the Indenture against any officer, director, employee, stockholder or incorporator of the Issuer. The Charged Assets in respect of the Notes shall not be available or used to meet liabilities to, and shall be absolutely protected from, any creditors of the Issuer who are not Secured Parties in respect of the Notes, and who accordingly shall not be entitled to recourse to such Charged Assets. The fees and claims of, amongst others, the Trustee and any agent or receiver shall have priority over the claims of the Holders of the Notes in respect of the Charged Assets. The obligations of the Issuer to pay any amounts due and payable in respect of the Notes shall be limited to the proceeds available at such time to make such payments in accordance with the Priority of Payments. If the net proceeds of realization of the security constituted by the Indenture upon enforcement thereof are less than the aggregate amount payable in such circumstances by the Issuer in respect of the Notes and to the other Secured Parties (such negative amount being referred to herein as a "**shortfall**"), all of the obligations of the Issuer in respect of the Notes and its obligations to the other Secured Parties in such circumstances will be limited to such net proceeds which shall be applied in accordance with the Priority of Payments. In such circumstances the Issuer will not be obligated to pay, and the other assets (if any) of the Issuer will not be available for payment of, such shortfall which shall be suffered by the Secured Parties in accordance with the Priority of Payments (applied in reverse order), the rights of the Secured Parties to receive any further amounts in respect of such obligations shall be extinguished and shall not thereafter revive and none of the Holders or the other Secured Parties may take any further action to recover such

amounts.

Collection Account.....	Notwithstanding anything to the contrary in the Registration Document, the Collection Account shall be an account located in the United Kingdom established with the Trustee.
Voting and Noteholder Meetings .....	Notwithstanding anything to the contrary in the Registration Document, without the consent of 75% of the Holders of the Notes of the relevant Series, the Issuer may not (a) change the Scheduled Maturity Date or any Payment Date, or reduce the Principal Balance of any Note or the amount of interest payable thereon or change the coin or currency in which any Note or interest thereon is payable; (b) change the Inverse Order of Seniority for reduction of Principal Balance or change the Priority of Payments for the application of Collections; (c) impair the right to institute suit for the enforcement of any such payment on or after the date any such payment becomes due and payable; (d) reduce the percentage of Principal Balance, whether of a Class or Classes, the consent of the Holders of which is required for the execution of any amendment or supplement to the Applicable Indenture, or the consent of the Holders of which is required for any waiver of compliance with provisions of the Applicable Indenture or for any waiver of Indenture Events of Default under the Applicable Indenture and their consequences provided for in the Applicable Indenture; (e) change any obligation to redeem Notes or change any redemption price or dates; (f) permit the creation of any lien ranking prior to or on a parity with the lien of the Trustee for the benefit of, <i>inter alios</i> , the Holders under the Applicable Indenture with respect to any part of the Charged Assets, or except as otherwise permitted thereunder, terminate the lien under the Applicable Indenture on any property at any time subject thereto or deprive a Holder of the security afforded by such liens; or (g) modify certain provisions of the Applicable Indenture relating to amendments, control or limitation on suits by Holders.

## THE CHARGED ASSETS

**This Securities Note does not provide detailed information with respect to the Reference Assets Issuer. An investor in the Notes should obtain and evaluate the same information concerning the Reference Assets Issuer as it would if it were investing directly in the Reference Assets.**

Reference Assets ..... The RUB 3,000,000,000 Credit Facility Agreement (the “**Credit Facility**”) between the Reference Assets Issuer and Morgan Stanley Bank International Limited (the “**Original Lender**”) originally dated December 13, 2006, as amended by a Deed of Amendment and Release dated November 26, 2008 and as amended and restated by an Amendment and Restatement Agreement dated April 20, 2011 and in respect of which the Issuer became the Lender pursuant to a Transfer Certificate dated June 28, 2011. The Credit Facility is governed in accordance with English law. The Final Maturity Date (as defined in the Reference Assets) of the Reference Assets is expected to be December 13, 2013.

The Original Lender served a notice under Clause 7.3 of the Credit Facility requiring the prepayment of the Loans (as defined in the Credit Facility) in accordance with the payment schedule set out in Annex A hereto. As at the date of this Securities Note, RUB 2,307,692,307 remains outstanding under the Credit Facility.

The registered address of the Reference Assets Issuer is 51 Arkhitekatora Vlasova St., Moscow 117393, Russia.

Reference Assets Issuer ..... JSC “Rushydro” (Open Joint Stock Company “Federal Hydrogeneration Company”) (the “**Reference Assets Issuer**”) is an open joint stock company incorporated under the laws of the Russian Federation, and is one of the largest listed hydro-electric generation companies in the world. The Reference Assets Issuer’s core businesses are the generation of electricity and the sale of electricity and capacity on the Russian wholesale electricity market, as well as the sale of electricity on the retail market. It has its American Depositary Receipts (ISIN: US44880R2022) admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange’s Regulated Market.

## 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 are any such proceedings pending or threatened.
2. There has been no material adverse change in the financial position of the Issuer since June 30, 2010.
3. Save as disclosed herein, there has been no significant change and no significant new matter has arisen since the publication of the Registration Document.
4. Copies of the following documents in physical form will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer and the Principal Paying Agent for so long as the Notes are outstanding:
  - (i) this Securities Note;
  - (ii) the Credit Facility
  - (iii) the Applicable Indenture;
  - (iv) the Registration Document; and
  - (v) the Memorandum and Articles of Association of the Issuer.
5. On issue, the Notes will be represented by a Regulation S Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream. The Regulation S Global Note will be exchangeable in whole but not in part for Definitive Notes in the limited circumstances specified in the Regulation S Global Note.
6. The Notes have been accepted for clearance through Euroclear and Clearstream. The Common Code and the ISIN for the Regulation S Global Note are 064262572 and XS0642625726, respectively.
7. The Issuer has obtained all necessary consents, approvals and authorisations in Ireland (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 June 24, 2011.
8. The Issuer does not intend to provide post issuance transaction information regarding the Notes and/or the performance of any Charged Assets, other than information which it is required to provide to the Holders of the Notes in accordance with the Conditions of the Notes.
9. 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 of the Irish Stock Exchange or to trading on the Main Securities Market of the Irish Stock Exchange for the purposes of the Prospectus Directive.
10. The total expenses incurred in connection with the issue of this Securities Note and to admission to trading on the Main Securities Market were approximately €4,032.40.

## SCHEDULE OF PRINCIPAL REDUCTIONS

<b>Principal Reduction Date</b>	<b>Principal Reduction Amount (RUB)</b>
21 September 2011	230,769,230
21 December 2011	230,769,230
21 March 2012	230,769,230
21 June 2012	230,769,230
21 September 2012	230,769,230
21 December 2012	230,769,230
21 March 2013	230,769,230
21 June 2013	230,769,230
23 September 2013	230,769,230
13 December 2013	230,769,237

**TRUSTEE AND AGENTS**

**THE BANK OF NEW YORK MELLON (formerly The Bank of New York)**

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 situate 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).

**REGISTERED OFFICE OF THE COMPANY**

**EM FALCON LIMITED**

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Ireland

**TRUSTEE**

**THE BANK OF NEW YORK MELLON**

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London E14 5AL  
United Kingdom

**PRINCIPAL PAYING AGENT, AGENT BANK AND  
TRANSFER AGENT**

**THE BANK OF NEW YORK MELLON**

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United Kingdom

**REGISTRAR**

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**IRISH LISTING AGENT**

**Arthur Cox Listing Services Limited**

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Earlsfort Terrace  
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