

**BASE PROSPECTUS DATED 7 August 2006**

**Registered by the Monetary Authority of Singapore on 7 August 2006**

**This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial tax or other professional adviser.**

# ***Pinnacle Performance Limited***

*(Incorporated with limited liability in the Cayman Islands)*

*Pinnacle Performance Limited (the “Issuer”) U.S.\$5,000,000,000 Structured Note Programme (the “Programme”) for the issuance of series (each a “Series”) of notes (the “Notes”)*

This Base Prospectus has been prepared for the purpose of providing the disclosure information with regard to the Issuer and for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twenty-four months from the date of registration of this Base Prospectus. A copy of this Base Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the “Authority”) on 7 July 2006 and 7 August 2006 respectively. The Authority assumes no responsibility for the contents of this Base Prospectus. Registration of this Base Prospectus by the Authority does not imply that the Securities and Futures Act (Cap. 289) of Singapore (the “SFA”), or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the Notes being offered for investment.

The Notes will be issued in Series having one or more Issue Dates. Each Series may be issued in tranches (each a “Tranche”) on the same or different Issue Dates. The Notes of a single Tranche are intended to be interchangeable with all other Notes of that Tranche. No Notes shall be issued or allocated on the basis of this Base Prospectus later than 24 months after the date of registration of this Base Prospectus.

This Base Prospectus is divided in two main parts. Part 1 starts on this page and provides general information and risk disclosure which are applicable to all Series of Notes. Part 2 consists of annexes to this Base Prospectus (the “Annexes”), which set out the standard terms and conditions (the “Master Conditions”) and risk disclosures which are applicable to particular types of Notes (each such type of Notes a “Note Type”). As of the date of this Base Prospectus, there is only one Annex (for the First-to-Default Note Type), but further Annexes may be added through the registration of Supplementary Base Prospectuses with the Authority.

The pricing statement (the “Pricing Statement”) in respect of a Series, which contains information which is specific to the Series of Notes described therein, shall be read in conjunction with this Base Prospectus (including the relevant Annex specified in the Pricing Statement as being applicable). Together, this Base Prospectus, (including the relevant Annex) and the related Pricing Statement shall comprise the prospectus (the “Prospectus”) for a Series, prepared for the purposes of Section 240A of the SFA.

In respect of each Series or Tranche, the Master Conditions of a Note Type will be supplemented by a pricing supplement (a “Pricing Supplement”) which amends and supplements the Master Conditions to constitute the terms and conditions applicable to such Series or Tranche (the “Conditions”). A form of the Pricing Supplement in respect of a Series or Tranche will be set out in the Pricing Statement in respect of such Series or such Series of which such Tranche forms a part.

No application has been made for the Programme or the Notes to be listed on any exchange.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws and, unless so registered, may not be offered or sold within the United States or to, or for the benefit of U.S. persons as defined in Regulation S under the Securities Act except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. The Notes may include Notes in bearer form that are subject to U.S. Tax Law requirements. No application has been or will be made for this Base Prospectus to be approved as a prospectus under Directive 2003/71/EC (the “Prospectus Directive”).

The Notes represent the obligations of the Issuer only, and do not represent the obligations of, or interests in, the Arranger, the Distributors, the Trustee or any other person. The Notes will not be guaranteed by any person. The Notes will not have the benefit of any rating from any credit rating agency. An offering of Notes under this Base Prospectus will not be underwritten. Any such offering of Notes may not proceed if a minimum principal amount of the Notes, to be determined by the Arranger in its sole discretion, is not fully subscribed or purchased. In such event, all application or subscription moneys will be returned in full (without interest or any share of revenue or other benefit arising therefrom).

Prospective investors in the Notes should note that there are many different types of notes or bonds in the market place, many of which will have unique and distinctive features. Not all notes or bonds are capital protected. **Notes which are sold or redeemed before their maturity date will be subject to unwinding or other transaction costs, and the amount received by prospective investors may be lower than the initial amount invested.**

***MORGAN STANLEY DEAN WITTER ASIA (SINGAPORE) PTE***

*Arranger*

## Important Notices

Each of the Issuer, the directors of the Issuer and the Arranger accept full responsibility for the accuracy of the information contained in this Base Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Base Prospectus are fair and accurate in all material respects as of the date of this Base Prospectus and that there are no material facts the omission of which would make any statement herein misleading as of the date of this Base Prospectus.

Each of Trustee, the Principal Paying Agent, the Registrar, the Custodian, the Administrator, the Swap Counterparty, the Swap Guarantor, the Forward Counterparty and the Dealer has not separately verified the information contained herein other than information in respect of itself. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by such parties as to the accuracy or completeness of the information contained herein, or any further information supplied in relation to or in connection with the Programme or any of the Notes or their distribution, other than information in respect of itself. The statements made in this paragraph are without prejudice to the respective responsibilities of the Issuer, its directors and the Arranger under the Programme.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, THE INVESTMENT COMPANY ACT OF 1940 (THE “INVESTMENT COMPANY ACT”) AND THE SELLING AND TRANSFER RESTRICTIONS SET FORTH IN THE BASE PROSPECTUS AND APPLICABLE PRICING STATEMENT.

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”)) WHO HOLDS A BEARER NOTE WHICH IS AN OBLIGATION IN BEARER FORM WILL BE SUBJECT TO LIMITATIONS UNDER U.S. FEDERAL INCOME TAX LAW, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE. UNDER SECTIONS 165(j) AND 1287(a) OF THE CODE, ANY SUCH UNITED STATES PERSON WHO HOLDS A BEARER NOTE WHICH IS AN OBLIGATION IN BEARER FORM, WITH CERTAIN EXCEPTIONS, WILL NOT BE ENTITLED TO DEDUCT ANY LOSS ON THE BEARER NOTE AND MUST TREAT AS ORDINARY INCOME ANY GAIN REALISED ON THE SALE OR OTHER DISPOSITION (INCLUDING REDEMPTION) OF SUCH BEARER NOTE.

UNLESS SPECIFIED IN ANY APPLICABLE PRICING STATEMENT, THE NOTES WILL NOT BE SOLD TO ANY PERSON WHO IS OR WHILE NOTES ARE HELD MAY BE (i) AN “EMPLOYEE BENEFIT PLAN” OR OTHER “PLAN” SUBJECT TO THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (ii) ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR (iii) AN ENTITY ANY OF WHOSE ASSETS ARE, OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH ANOTHER EMPLOYEE BENEFIT PLAN, SIMILAR LAW, TO BE, ASSETS OF ANY SUCH “EMPLOYEE BENEFIT PLAN”, “PLAN” OR OTHER EMPLOYEE BENEFIT PLAN. EACH PURCHASER AND BIDDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS NOT AND WILL NOT BE IN BREACH OF THE FOREGOING.

The Notes are offered to the retail public in the Republic of Singapore solely on the basis of the information contained and the representations made in this Base Prospectus (including the relevant Annex) and the Applicable Pricing Statement and any supplement thereto. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus (including the relevant Annex) and the Applicable Pricing Statement or any other information supplied pursuant to the terms of the Programme or any of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, its directors, the Arranger, any

Distributor, the Dealer, any Agent, the Trustee, the Swap Counterparty, the Forward Counterparty, the Swap Guarantor or their respective affiliates (together, other than the Issuer, the “**Transaction Participants**”) nor shall any Transaction Participant be responsible for any losses arising from such information or representation.

Neither this Base Prospectus nor any further information supplied pursuant to the terms of the Programme or the Notes are intended to provide the basis of any credit or other evaluation and should not be considered as investment advice or a recommendation by or on behalf of the Issuer, its directors or any of the Transaction Participants that any recipient of this Base Prospectus or any further information supplied pursuant to the terms of the Programme or any of the Notes should subscribe for or purchase any of the Notes. Each prospective investor contemplating purchasing any of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

The delivery of this Base Prospectus does not at any time imply that the information contained herein is correct at any time subsequent to the date hereof or that any other information supplied pursuant to the terms of the Programme or any of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the tenure of the Programme. The Issuer may from time to time after the date hereof register one or more supplements to this Base Prospectus with the Authority, as required by the SFA. This Base Prospectus must be read in conjunction with all such supplements and all references herein to the “Base Prospectus” will be deemed to include all such supplements.

The Issuer, its directors, the Arranger and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any of the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction other than the Republic of Singapore, or pursuant to an exemption available under any such requirements in any jurisdiction other than the Republic of Singapore, or assume any responsibility for facilitating any such distribution or offering. Accordingly, persons into whose possession this Base Prospectus or any of the Notes come must inform themselves about, and observe, any such restrictions. In particular, no action has been taken by the Issuer, its directors, the Arranger or the Trustee (save for the registration of the Base Prospectus by the Authority) which would permit a public offering of any of the Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, none of the Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any Pricing Statement, 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.

Notwithstanding anything herein to the contrary, each prospective investor in the Notes (and its respective employees, representatives and other agents) may disclose to any and all persons, without limitations of any kind, the U.S. federal tax treatment and U.S. tax structure of the transactions contemplated by the Base Prospectus and any Pricing Statement and all materials of any kind (including tax opinions or other tax analyses) relating to such U.S. tax treatment and U.S. tax structure.

**Prospective purchasers of any Notes to be issued under the Programme should ensure that they understand the nature of the Notes and should carefully study the matters set out in this Base Prospectus (including the relevant Annex) and the Applicable Pricing Statement (in particular, the sections headed “Risk Factors” in both documents) before they invest in the Notes.**

*This Base Prospectus does not contain all or some of the information required by the following paragraphs under the Ninth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of the Republic of Singapore. Such information shall be published from time to time, where relevant and/or where the Issuer has not been exempted from disclosing such information, by way of a Pricing Statement in relation to each public offer of a Series of Notes under the Programme:*

- (A) *Paragraph 1(e) of Part I (the maturity date of such Series of Notes being offered);*
- (B) *Paragraph 3 of Part II (information on enhancement provider);*
- (C) *Paragraphs 1(a) to 1(g) of Part III (a summary of the main terms of the Notes being offered);*
- (D) *Paragraphs 1 to 4 and 7 of Part IV (information on, amongst others, the offer statistics, the method of offer and timetable and the manner in which the results of allocation will be made public);*
- (E) *Paragraphs 3(a) to 3(d) and 4 of Part V (information on, amongst others, the manner in which principal and interest will be determined and material terms of enhancement);*

(F) Paragraphs 2, 3, 7(a) to 7(c) of Part VI (information on the characteristics of the reference assets and significant exposure to the reference assets);

(G) Paragraphs 1 to 3 and 5 of Part VIII (information on the offer details and plan of distribution); and

(H) Paragraphs 5(a), 5(b) and 14 to 17 of Part X (a summary of the payment characteristics of the Notes, arrangements to create exposure to reference assets and information on the Underlying Assets and reference counterparties).

Neither the Issuer nor the Arranger has conducted any independent investigations on the requirements under Paragraphs 1(e), 4, 5, 7(d) and (e) of Part VI of the Ninth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of the Republic of Singapore.

All references in this document to “S\$”, “SGD” or “Singapore Dollars” are to the lawful currency of the Republic of Singapore and all references to “\$”, “dollars”, “US\$”, “USD” and “US dollars” are to the lawful currency of the United States of America.

## THE DOCUMENTS WHICH CONSTITUTE THE PROSPECTUS

In respect of each Series, the Prospectus consists of:

- Part 1 of this Base Prospectus contained in pages 1 to 57, which provides general information and risk disclosure which are applicable to all Series of Notes.
- The Annex which applies to the Note Type of such Series (the “**Applicable Annex**”), which sets out the Master Conditions and risk disclosures which are applicable to the relevant Note Type. All the Annexes, including the Applicable Annex, together form Part 2 of this Base Prospectus.
- The Pricing Statement in respect of such Series (the “**Applicable Pricing Statement**”), which sets out the commercial terms applicable to such Series of Notes, and which specifies the Note Type of such Series.

Although all of the Annexes form part of the Base Prospectus, only the Applicable Annex will form part of the Prospectus of such Series and the other Annexes will not apply. References in this document to the “**Prospectus**” are references to Part 1 of this Base Prospectus, together with the Applicable Annex set out in Part 2 of this Base Prospectus, and the Applicable Pricing Statement. Prospective investors should read and understand all of the above documents before making an investment in such Series of Notes.

The Applicable Annex will contain the Master Conditions. The Conditions applicable to a Series or Tranche of Notes will be such Master Conditions, as supplemented and modified by the Pricing Supplement in respect of such Series or Tranche of Notes. A form of the Pricing Supplement in respect of such Series or Tranche (the “**Applicable Pricing Supplement**”) will be set out in the Applicable Pricing Statement. To the extent that there is an inconsistency between the Master Conditions set out in the Applicable Annex and the provisions which appear in the Applicable Pricing Supplement, the provisions which appear in the Applicable Pricing Supplement will prevail.

## WHERE TO OBTAIN COPIES OF THE BASE PROSPECTUS (INCLUDING THE APPLICABLE ANNEX) AND THE APPLICABLE PRICING STATEMENT

Hard copies of this Base Prospectus (including any addendum or supplement in respect thereof and the Applicable Annex) and the Applicable Pricing Statement may be collected free of charge during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) as follows:

- *During the offer period of any Notes to be issued under the Programme:* from each of the Distributors as described under the section headed “**The Distributors**” in the Applicable Pricing Statement and from the offices of the Arranger at:

### **Morgan Stanley Dean Witter Asia (Singapore) Pte.**

23 Church Street  
#16-01  
Capital Square  
Singapore 049481

- *After the offer period of any Notes to be issued under the Programme and for so long as any Notes remain outstanding:* from the offices of the Arranger as stated above.

In addition, for so long as any Notes remain outstanding under the Programme, all of the Annexes may be collected free of charge during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the offices of the Arranger as stated above.

**Notes may not be purchased from the Issuer directly. If you wish to purchase any Notes, you must purchase them in accordance with the procedures described under the section headed “Summary of the Programme — Application Procedures” below and as further described in the Applicable Pricing Statement.**

Each Series of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**Temporary Global Note**”) or a permanent global note in bearer form (each a “**Permanent Global Note**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”). Temporary Global Notes and Permanent Global Notes (each a “**Global Note**”) and Global Certificates (as defined in the section headed “Summary of the Programme” in Part 1 of this Base Prospectus under “Form of Notes”) may be deposited on the Issue Date with The Central Depository (Pte) Limited (“**CDP**”), subject to any restrictions or conditions which may be applicable (as specified in the Applicable Pricing Statement), or a common depository on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream**”) or such other clearing system (“**Alternative Clearing System**”) (each a “**Clearing System**”).

### **References to “Noteholders”**

Prospective investors should be aware that where the Notes are represented by a Global Note or a Global Certificate and held through CDP, Euroclear, Clearstream and/or any other Alternative Clearing System, the term “Noteholders” in this Base Prospectus and the Applicable Pricing Statement will mean CDP and/or the common depository for Euroclear, Clearstream and/or any other relevant Clearing System (in the case of Notes represented by a Global Note), or the registered nominee (in the case of Notes represented by a Global Certificate) for the common depository for such Clearing System(s), as the legal holder of the Notes. Individual retail investors in the Notes are not “Noteholders” in this context. The terms “you”, “investors” or “prospective investors” have been used herein to describe the individual retail investors holding the Notes either directly or indirectly in a Clearing System.

Any action an investor may wish to take against the Issuer in accordance with the terms and conditions of the Notes may require the cooperation of the Noteholder and/or the Trustee. You may have no right of direct action against the Issuer and if you maintain investment accounts with your Distributor in which your investment in the Notes are held, you will need to rely upon your Distributor to contact the Trustee to take action against the Issuer on your behalf. The terms of business of one Distributor or broker may be very different from those of another Distributor or broker and prospective investors are advised to read carefully the terms of business of any party they intend to engage in maintaining an investment account for their Notes, and ensure they understand the circumstances in which they may rely upon such party to act on their behalf.

## **References to Websites**

**Reference to any website in this Base Prospectus and the Applicable Pricing Statement is intended to assist prospective investors to access further information relating to the subject as indicated. Prospective investors should conduct their own web searches to ensure that they are viewing the most up-to-date information. Information appearing on such websites do not form part of this Base Prospectus and/or the Applicable Pricing Statement. The Issuer, the Arranger and each of their directors accept no responsibility whatsoever that such information, if available, is accurate and/or up-to-date, and no responsibility is accepted in relation to any such information by any person responsible for this Base Prospectus and/or the Applicable Pricing Statement.**

**The offer of Notes issued under the Programme by the Issuer is made solely on the basis of the information contained in this Base Prospectus and the Applicable Pricing Statement and prospective investors should exercise an appropriate degree of caution when assessing the value of other information which may appear on such websites.**

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## SUMMARY OF THE PROGRAMME

*The following summary does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. To determine the terms and conditions which apply to any Series of Notes, it is necessary to read the Master Conditions (see the section headed "Terms and Conditions of the Notes" in the Applicable Annex) together with the Applicable Pricing Supplement, a form of which is contained in the Applicable Pricing Statement. The Applicable Pricing Supplement will apply, disapply, supplement and/or amend the Master Conditions in the manner required to reflect the Conditions applicable to such Series of Notes. Words and expressions defined in the Master Conditions will have the same meanings in this summary.*

The Programme enables the Issuer to issue multiple Series of Notes from time to time to retail investors in Singapore and/or other types of investors in or outside Singapore in accordance with all applicable laws and regulations. As and when issued, the Notes of each Series are to be secured on certain assets of the Issuer applicable to the relevant Series of Notes only. Such security is to be effected on a limited recourse basis, such that the assets of the Issuer secured in connection with one Series of Notes will not be used to make any payment owing by the Issuer in connection with another Series of Notes.

Issuer:	Pinnacle Performance Limited, a special purpose company incorporated in the Cayman Islands with limited liability, the shares of which are legally owned by Maples Finance Limited and held on behalf of a charitable trust. See the section headed "Description of the Issuer" in Part 1 of this Base Prospectus.
Description:	US\$5,000,000,000 Structured Note Programme. See the section headed "Description of the Programme" below in this section of the Base Prospectus.
Duration:	There is no fixed duration for the Programme.
Trustee:	HSBC Institutional Trust Services (Singapore) Limited, which has power to enforce the rights of the Noteholders under the Notes.
Registrar:	The Hongkong and Shanghai Banking Corporation Limited, which will maintain a register for each Series of Registered Notes issued under the Programme.
Principal Paying Agent:	The Hongkong and Shanghai Banking Corporation Limited, or such other party or parties as set out in the Applicable Pricing Statement who is responsible for payment of interest, principal or redemption amounts to the holders of Notes and certain other administrative duties incidental to such functions.
Arranger:	Morgan Stanley Dean Witter Asia (Singapore) Pte. or such other party or parties as set out in the Applicable Pricing Statement will act as Arranger of each Series of Notes to be issued under the Programme. Pursuant to a proposals and advice agreement dated 7 August 2006 between the Issuer and Morgan Stanley Dean Witter Asia (Singapore) Pte. in its capacity as Arranger (the " <b>Proposals and Advice Agreement</b> "), Morgan Stanley Dean Witter Asia (Singapore) Pte. in such capacity may from time to time make proposals and, upon request by the Issuer, give advice to the Issuer, in each case, in relation to the Programme. The issuance of each Series of Notes will be subject to the prior approval of the Board of Directors of the Issuer. The Arranger will also be involved in the order acceptance process during the offer period of a Series of Notes and will provide a location in Singapore where certain documents in connection with the offering of Notes can be inspected.
Custodian:	The Hongkong and Shanghai Banking Corporation Limited or such other party or parties as set out in the Applicable Pricing Statement will hold the Underlying Assets in respect of the Notes in favour of the Trustee.

Calculation Agent:	The Hongkong and Shanghai Banking Corporation Limited or such other party or parties as set out in the Applicable Pricing Statement who is responsible for the calculation of any rate or amount (including but not limited to interest rates and interest amounts) in relation to the Notes.
Determination Agent:	Morgan Stanley & Co. International Limited or such other party or parties as set out in the Applicable Pricing Statement. The Determination Agent is responsible for or involved in, amongst other things, (i) consulting with the Issuer on the selection of the Original Underlying Assets, (ii) selection of Eligible Investments for reinvestment by the Issuer, if required under the Conditions, and (iii) the determination of whether certain specified events have occurred in respect of the Notes and certain payment determinations (including but not limited to redemption amounts) in connection with a Series of Notes. See the Master Conditions and the Applicable Pricing Supplement.
Swap Counterparty:	Morgan Stanley Capital Services Inc. or such other party or parties as set out in the Applicable Pricing Statement. The Swap Counterparty will enter into a “ <b>Swap Agreement</b> ” with the Issuer. See the section headed “Summary of the Swap Arrangements” in Part 1 of this Base Prospectus.
Forward Counterparty:	Morgan Stanley & Co. International Limited or such other party or parties as set out in the Applicable Pricing Statement. The Forward Counterparty will enter into a “ <b>Forward Agreement</b> ” with the Issuer. See the section headed “Summary of the Forward Arrangements” in Part 1 of this Base Prospectus.
Swap Guarantor:	Morgan Stanley or such other party or parties as set out in the Applicable Pricing Statement. The Swap Guarantor will issue a “ <b>Swap Guarantee</b> ” and a “ <b>Forward Guarantee</b> ” in favour of the Issuer in respect of the obligations of the Swap Counterparty and the Forward Counterparty under the Swap Agreement and the Forward Agreement respectively. See the sections headed “Summary of the Swap Arrangements” and “Summary of the Forward Arrangements” in Part 1 of this Base Prospectus.
Dealer:	Morgan Stanley & Co. International Limited. See the section headed “Application Procedures” in Part 1 of this Base Prospectus for further details.
Market Agent:	Morgan Stanley & Co. International Limited. The Market Agent intends, but is under no obligation, to make a market in the Notes. See the section headed “Market Making Arrangements” in Part 1 of this Base Prospectus.
Distribution:	Unless otherwise specified in the Applicable Pricing Statement, the Issuer will enter into arrangements with one or more distributors (the “ <b>Distributors</b> ”) for the purpose of the offer of the Notes to the retail public in the Republic of Singapore. The Issuer may also issue Notes to the Dealer for subscription by the Dealer. See the section headed “Application Procedures” in Part 1 of this Base Prospectus for further details.
Security:	The Notes of each Series will be secured in the manner set out in the Conditions, including by a charge on and/or assignment of and/or other security interest over or in respect of the Underlying Assets in respect of such Series and the Related Agreements in respect of such Series and all sums held from time to time by the Custodian and the Principal Paying Agent insofar as such sums relate to Notes of that Series (the assets which comprise the

security above being the “**Charged Assets**”). Each Series may also be secured on such additional security as may be described in the Applicable Pricing Statement. References in this Base Prospectus to “Security” are to the security constituted for a Series of Notes by the relevant Supplemental Trust Deed and/or such other security document referred to in the relevant Supplemental Trust Deed for that Series of Notes (each a “**Supplementary Security Document**”).

Limited Recourse:

In respect of each Series of Notes, claims against the Issuer by the Secured Creditors (as defined in the Conditions), including the Noteholders, will be limited to the Security (as described above). If the net proceeds from the realisation of the Charged Assets are not sufficient to make all payments due in respect of a Series of Notes, the obligations of the Issuer in respect of such Series of Notes will be limited to such net proceeds of realisation and no other assets of the Issuer will be available to meet such shortfall and no debt will be owed by the Issuer in respect of such shortfall. See the paragraph “Status of Notes” below for a description of how the claims of the Secured Creditors, including the Noteholders, would rank in the case of any shortfall.

Issuance in Series:

The Notes will be issued in series (each a “**Series**”) having one or more dates of issuance (each such date an “**Issue Date**”). Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The Notes of a single Tranche are intended to be interchangeable with all other Notes of that Tranche. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions) will be set out in the Applicable Pricing Supplement.

Pricing Supplement:

A Pricing Supplement will be issued by the Issuer in connection with each Series of Notes, and where a Series comprises more than one Tranche, a Pricing Supplement will be issued for each Tranche. The Conditions applicable to each such Series or Tranche of Notes are the Master Conditions contained in the Applicable Annex, as supplemented, amended and/or replaced by the Applicable Pricing Supplement.

Issue Price:

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount (as set out in the Applicable Pricing Statement).

Form of Notes:

The Notes may be issued in bearer form only (“**Bearer Notes**”), in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”) or in registered form only (“**Registered Notes**”). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Bearer Notes are to be made available to Noteholders following the expiry of 40 days after their Issue Date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined below under “Selling Restrictions” in this section of this Base Prospectus), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by certificates, one certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Tranche. Certificates representing Registered Notes that are registered in the name of a nominee for one or more Clearing Systems are referred to as “**Global Certificates**”. A permanent Global Note in respect of a Series will be exchangeable, in whole but not in part, for definitive Bearer

Notes or individual Certificates (as the case may be) only in very limited circumstances including, (i) by the Issuer giving notice to the Principal Paying Agent or Registrar, as the case may be, the Trustee and the Noteholders of its intention to effect each exchange; (ii) if an Event of Default in respect of such Series (as defined in the Conditions in respect of such Series) has occurred and is continuing; (iii) the Issuer has been notified that CDP, Euroclear and/or Clearstream and/or an Alternative Clearing System have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so; (iv) CDP has notified the Issuer that it is no longer able or willing to act as depositary for the Notes or to continue to perform its obligations under the Master Depositary Services Agreement; or (v) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes (represented by the Global Note or the Global Certificate) in definitive form. Definitive Notes (if issued) will, if interest-bearing, have coupons attached.

Credit Support:

Notes may be issued with the benefit of monoline guarantees or other forms of credit enhancement. A description of any form of credit enhancement relevant to an issue of Notes will be included in the Applicable Pricing Statement.

Clearing Systems:

CDP, Clearstream, Euroclear and/or any Alternative Clearing System as may be specified in the Applicable Pricing Statement.

Currencies:

Notes may be issued in any currency as set out in the Applicable Pricing Statement.

Maturity:

Notes may be issued with any maturity as set out in the Applicable Pricing Statement. The date on which the Notes of a Series is scheduled to mature is referred to as the “**Scheduled Maturity Date**”. Notes may fall due for redemption before or after the relevant Scheduled Maturity Date — please see the Applicable Annex, the Applicable Pricing Statement and the Conditions.

Denomination:

Notes will be in such denominations as may be specified in the Applicable Pricing Statement.

Early Redemption:

Early redemption will be permitted for taxation reasons and, subject to all relevant legal and regulatory requirements, will otherwise be permitted at the option of the Issuer or a Noteholder to the extent specified in the Applicable Pricing Statement.

Redemption:

Notes may be redeemed at par or at such other redemption amount above or below par as may be determined by the Issuer and as indicated in the Applicable Pricing Statement.

Mandatory Redemption:

Unless otherwise specified in the Applicable Pricing Supplement in respect of a Series of Notes, if any or all of the Underlying Assets relating to a Series become repayable prior to their stated maturity or there is a payment default in respect of any or all such Underlying Assets, the Notes of that Series will become repayable in whole or in part. See the Conditions of each Series of Notes.

Morgan Stanley Exchange Option:

Morgan Stanley & Co. International Limited will, in connection with each issue of Notes of a Series, be granted the right (the “**Morgan Stanley Exchange Option**”) from time to time and on one or more occasions, with respect to Notes that it beneficially owns, to exchange any or all of such Notes of a Series for a pro rata amount of the relevant Underlying Assets of such Series (rounded

down to the nearest denomination of such Underlying Assets, if the respective denominations of the Notes and such Underlying Assets are not equal) from the Issuer, on giving not less than three Business Days' notice to the Issuer, the Trustee, the Custodian, the Principal Paying Agent and (in the case of Registered Notes) the Registrar. See the section headed "Morgan Stanley Exchange Option" in Part 1 of this Base Prospectus and the Conditions for further details.

Issuer Call Option:

The Issuer may, in connection with a Series or Tranche of Notes, have the right (the "**Issuer Call Option**") to redeem early all of such Notes on specified dates. The Issuer Call Option in respect of a Series or Tranche will only be exercised by the Issuer if the Swap Counterparty exercises its Swap Counterparty Option under the Swap Agreement in relation to such Series or Tranche. See the Conditions of each Series of Notes.

Interest:

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the Issue Date and the Scheduled Maturity Date (or such other date of redemption) of the relevant Series as set out in the Applicable Pricing Statement.

Status of Notes:

The Notes will be secured, limited recourse obligations of the Issuer ranking *pari passu* without any preference among themselves and secured in the manner described in the Conditions. Recourse in respect of any Series will be limited to the Security relating to that Series. Claims of Noteholders and, if applicable, any counterparty to a swap (including any Swap Counterparty), securities agreement and/or contract, the Trustee, the Custodian and the Principal Paying Agent, and any other persons specified in the Conditions (together, "**Secured Creditors**") will rank in accordance with the priorities specified in the Trust Deed. Unless otherwise specified in the Applicable Pricing Statement, the claims of the Trustee, the Custodian, the Principal Paying Agent and any other Secured Creditors against the Issuer will rank prior to the claims of the Noteholders under the Notes in the application of all moneys received in connection with the realisation or enforcement of the Charged Assets.

Negative Pledge/Restrictions:

So long as any of the Notes remain outstanding, the Issuer will not, without the consent of the Trustee and the Secured Creditors, incur any other indebtedness for borrowed moneys or engage in any business (other than issues of Notes pursuant to the Programme), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property, consolidate or merge with any other person, convey or transfer its properties or assets substantially as an entity to any person (other than as contemplated by the Conditions and the Trust Deed) or issue any shares other than those which were in issue at the date of this Base Prospectus or make any distribution to its shareholders. However, the Issuer may issue further notes and create and incur further obligations relating to such notes, provided that such further notes and obligations satisfy certain requirements specified in the Conditions.

Modification and Waiver:

The Trustee may agree, without the consent of the Noteholders, to any modification (subject to certain exceptions) of the Conditions or any of the provisions of the Trust Deed (amongst others) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is, in the

opinion of the Trustee, of a formal, minor or technical nature or to correct a manifest error. Other modifications must be approved by an extraordinary resolution of the Noteholders according to detailed provisions set out in the Trust Deed.

Waiver:

The Trustee may agree, without the consent of the Noteholders, to waive or authorise any breach or proposed breach by the Issuer of the Conditions or any of the provisions of the Trust Deed (amongst others), or determine that an Event of Default shall not be treated as such, if in its opinion the interests of the Noteholders will not be materially prejudiced thereby. See the Conditions of each Series of Notes.

Withholding Tax:

All payments of principal and interest by the Issuer in respect of the Notes and Coupons will be made subject to any withholding or deduction for, or on account of, any Cayman Islands taxation. However, under Cayman Islands law existing as at the date of this Base Prospectus, payments in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any Noteholder. See the subsection headed "The Cayman Islands" in the section headed "Taxation" in Part 1 of this Base Prospectus for further details. In the event of the imposition of any such taxes, the Trustee may require the Issuer to use its best endeavours to procure the substitution as principal obligor under the Trust Deed and the Notes of another company incorporated in another jurisdiction, failing which it will redeem the Notes, subject to certain exceptions set out in the Conditions of each Series of Notes.

Notices:

So long as any Notes are represented by a Global Note or a Global Certificate which is held by CDP and/or on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices required to be given to Noteholders will be validly given by the delivery of the relevant notice to the holders of entitled accounts at the relevant clearing system. Where Notes are not held by an investor in its securities account at the relevant Clearing System, the Distributors will be the accountholders for the purpose of such delivery of notices, and such investor will therefore need to rely on its Distributor to communicate such notices to it. Notices may also be published in a daily newspaper of general circulation in the Republic of Singapore.

The procedures of how notices from the Noteholders to the Issuer (if such are required for a particular Series) should be given will be set out in the Applicable Pricing Statement.

Rating:

Unless otherwise specified in the Applicable Pricing Statement, the Notes will not be rated by any rating agency.

Listing:

Unless otherwise specified in the Applicable Pricing Statement, the Notes will not be listed on any exchange.

Governing Law:

All contractual documentation for the Programme and the Notes will be governed by, and construed in accordance with, English law (except the Swap Guarantee and the Forward Guarantee, which will be governed by and construed in accordance with the laws of the State of New York).

Selling Restrictions:

See the section headed "Subscription and Sale" in Part 1 of this Base Prospectus for a discussion of certain restrictions on the offering of the Notes and the distribution of offering materials in various jurisdictions. Notes in bearer form will be issued in compliance with US Treas. Reg. §1.163-5(c)(2)(i)(C) (the "C Rules")

unless (i) the Applicable Pricing Statement states that Notes are issued in compliance with US Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the Applicable Pricing Statement as a transaction to which TEFRA is not applicable.

Reference assets:

Depending on the structure of a particular Series of Notes, the Notes may be exposed to financial risks specified in the Applicable Pricing Statement, such as credit risk of specified entities, prices of shares or commodities, or equity index levels (together “reference assets”). The Applicable Annex and the Applicable Pricing Statement will contain information on such reference assets, including the circumstances in which reference assets may be added, removed or substituted.

## **RISK FACTORS**

*Prior to making an investment decision, you should carefully consider, along with the other information set out in this Base Prospectus and the Applicable Pricing Statement, the following matters. In particular, the Applicable Pricing Statement may contain additional risk factors which you should consider, prior to making an investment decision in respect of the relevant Series of Notes. The Notes are sophisticated instruments and involve a high degree of risk. You are strongly recommended to consult with your financial adviser before making any investment decision.*

*The information set out herein is included for the purpose of enabling prospective investors and their advisers to make an informed assessment of the terms of the Notes, general risks of investing in the Notes, and the capacity of the Issuer to fulfil its obligations under the Notes. The risks set out in this Base Prospectus and the Applicable Pricing Statement may not be an exhaustive list of all risks related to an investment in the Notes. Prospective investors should not rely on the information set out herein and in the Applicable Pricing Statement as the sole basis for any investment decision in relation to the Notes but should seek appropriate and relevant advice concerning the appropriateness of an investment in the Notes for their particular circumstances.*

*The Distributors as entities licensed by the Authority are required by applicable laws and regulations to ensure that the Notes are suitable investments for each prospective subscriber procured by it in all circumstances when making a recommendation with respect to the Notes to that prospective subscriber and to ensure that the prospective subscriber understands the nature and risks of investing in the Notes.*

Noteholders and prospective investors in the Notes should ensure that they understand the nature of the Notes 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. Given the highly specialised nature of these Notes, the Issuer and the Arranger consider that they are only suitable for investors who are willing to take considerable risks, who are able to determine for themselves the risk of an investment linked to derivatives and who can absorb a partial or complete loss of principal. Consequently, if you are not an investor who falls within the description above you should not consider purchasing these Notes without taking detailed advice from your legal, regulatory, investment, accounting, tax and other advisors.

All prospective investors should ensure that they understand the risks and potential consequences associated with purchases of the Notes and that they have made such independent appraisal of the relevant risks as they think appropriate, and have consulted with their own legal, regulatory, investment, accounting, tax and other advisors, as appropriate, to assist them in understanding and evaluating the risks involved and the consequences of purchasing the Notes.

### ***Risk of Fluctuations in Value of the Notes***

Structured products such as the Notes can be volatile instruments and may be subject to considerable fluctuations in value and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur or that capital value will be preserved. The price of the Notes may fall in value as rapidly as it may rise due to, including (but not limited to) variations in the frequency and magnitude of the changes in the price of any securities or any derivative instruments that may underlie the Notes or in the level of any index to which the Notes relate, dividends and interest rates, and the creditworthiness of the reference entities, the Underlying Assets in respect of the relevant Series of Notes, the Swap Counterparty and the Swap Guarantor.

In addition, any downgrade of the credit rating of the Underlying Assets in respect of the relevant Series of Notes, the Swap Guarantor or any reference entity could result in a reduction in the value of the Notes of such Series.

### ***Liquidity of the Underlying Assets***

If the Security in respect of a Series of Notes becomes enforceable for any reason or if such Series of Notes are redeemed early for any reason, the extent to which the claims of Noteholders will be met will depend in part on the amount of the proceeds received by the Trustee in connection with the sale of the Underlying Assets in respect of such Series. The price obtainable for the Underlying Assets in respect of such Series will depend on the liquidity of such Underlying Assets in the over-the-counter market. No assurance can be given by any of the Issuer, the Swap Counterparty, the Forward Counterparty, the Trustee, the Market Agent or the Arranger as to any of these matters, or in respect of the amount of the liquidation proceeds of any other part of the Charged Assets in respect of such Series.

Furthermore, the Determination Agent (or such other agent appointed for this purpose) may exercise its discretion pursuant to the sale of the Underlying Assets in respect of such Series, including with respect to the identity of the parties from whom bids for such Underlying Assets may be solicited and the evaluation of these bids. There can be no assurance that the exercise of discretion by the Determination Agent (or such other party, as the case may be) in either of these circumstances will not have an adverse effect on the amount realised in respect of the Notes.

#### *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 in the Principal Trust Deed 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 establishment of the Programme, the issue of each Series of Notes or entry into obligations in relation to the Notes 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 a Series of Notes does not have the status of a bank deposit and is not within the scope of any deposit protection scheme.

#### *No audited financial statements*

The Issuer will prepare a profit and loss account and balance sheet for the first six months of and for every financial year, and lodge such accounts and statements with the Authority and the Trustee. However, the Issuer will not appoint any auditor and therefore such profit and loss accounts and balance sheets will not be audited by any independent third party.

#### *Limited Recourse and Non-Petition*

The Notes of each Series will be limited recourse obligations of the Issuer secured on the Charged Assets (including any Underlying Assets comprised therein) in respect of such Series and are not or will not be (as the case may be) obligations or responsibilities of, or guaranteed by, any other person or entity. **For the avoidance of doubt, none of the Trustee, the Arranger, the Issuer, the Swap Counterparty, the Forward Counterparty, the Swap Guarantor, the issuer or guarantor of any Underlying Assets in respect of any Series and any other entity on whose condition the payments on the Notes are dependent has any obligation to any Noteholder or investor for payment of any amount by the Issuer in respect of the Notes, unless otherwise stated in the Applicable Pricing Supplement. There is no guarantee from any entity to any Noteholders or investors that they will recover any amounts payable under the Notes, unless otherwise stated in the Applicable Pricing Supplement.**

In the event that any Underlying Assets of a Series are required to be sold pursuant to the Conditions or the Security constituted by the Trust Deed for such Series becomes enforceable, the net sums realised could be insufficient to pay all the amounts due, amongst others, to the Noteholders under the Notes of such Series. Unless otherwise stated in the Applicable Pricing Statement, the sums realised from any such sale of the Underlying Assets for such Series will be subject to deduction of the costs and expenses associated with such sale. In addition, all costs and expenses incurred by the Trustee in realising the Underlying Assets for such Series and, as the case may be, enforcing the Security for such Series will be deducted from the proceeds of such realisation or, as the case may be, enforcement before such proceeds are paid to, amongst others, the Noteholders of such Series. After realising the Underlying Assets and/or, as the case may be, taking action to enforce the Security for such Series as provided in the Conditions, the Trustee will not be entitled to take any

further steps against the Issuer to recover any sum still unpaid in respect of such Series and no debt will be owed by the Issuer in respect of such sum. Any shortfall would be borne by the Noteholders in accordance with the priorities specified in the Conditions. No Noteholder or investor may petition or take any other step for the winding-up of the Issuer nor will any of them have any claim in respect of any sum over or in respect of any assets of the Issuer which are security for other liabilities of the Issuer.

The ability of the Issuer to meet its obligations to pay principal of, and any interest or premium on, the Notes of a Series will be dependent on the receipt by, or on behalf of, the Issuer of moneys due to it under the Charged Assets for such Series (including any Underlying Assets comprised therein). To the extent therefore that the issuer and/or the guarantor (as appropriate) of any such Underlying Assets fails to make payments in respect of such Underlying Assets held by the Issuer, the Issuer will have insufficient funds available to meet its obligations in respect of any Swap Agreement in respect of such Series and/or the Notes of such Series. In such event, the Notes of such Series will mandatorily redeem and the Charged Assets will be realised and distributed in accordance with priorities specified in the Conditions of such Series. Any shortfall would be borne by the Noteholders in accordance with the priorities specified in the Conditions of such Series. See the section headed “Summary of the Programme — Status of Notes” in Part 1 of this Base Prospectus for a description of such priorities.

Accordingly, there can be no assurance that the net proceeds, if any, realised from the liquidation of the Charged Assets for a Series of Notes or any enforcement of the Security for such Series of Notes will be sufficient for the Noteholders of such Series to recover the principal of, and interest on, the Notes and any other amounts payable under the Notes of such Series.

#### ***Liability for the Obligations of Other Series***

The Issuer has undertaken in the Principal Trust Deed not to incur any obligation with respect to any other Series of Notes (including obligations with respect to any related swap arrangements) unless recourse in respect of such obligations is limited to the net proceeds of realisation of the Charged Assets in respect of the applicable Series of Notes and, if applicable, the enforcement of the security over the assets of the Issuer on which such obligations are secured (which assets will exclude the Charged Assets securing any other Series of Notes). To incur any such obligation with respect to any other Series of Notes would require the passing of an Extraordinary Resolution by the holders of the Notes of such other Series. Nevertheless, to the extent there are any creditors of the Issuer whose recourse is not so limited, holders of the Notes of one Series may be exposed to risks incurred for the account of another Series.

#### ***Market, Liquidity and Yield Considerations; the Morgan Stanley Exchange Option***

The Notes may not have an established trading market when issued. There can be no assurance of a secondary market for the Notes or the liquidity of such market if one develops. Indeed, the Notes could be traded in the secondary market at prices that may be higher or lower than the initial subscription price or purchase price depending on many factors, including prevailing interest rates and prevailing interest rates expectations, the Issuer’s perceived credit quality and the market for any similar securities. Consequently, you may not be able to sell your Notes readily or at prices that will enable you to realise a yield comparable to that of similar instruments (if any) with a developed secondary market.

Although the Market Agent intends to make a market in the Notes, it is not under any obligation to do so, and there can therefore be no assurance that it will do so, or if it does so, that it will continue to do so. Accordingly, there can be no assurance that members of the public or Noteholders will have access to a firm bid price or a firm offer price for Notes which they wish to purchase or sell. You are therefore advised to read the Pricing Statement for the relevant Series for a description of the circumstances in which you will be able to sell your Notes, or if applicable purchase further Notes, after the date of issuance of such Notes.

Unless otherwise disclosed in the Applicable Pricing Statement, Morgan Stanley & Co. International Limited will, in connection with each Series of Notes, be granted the Morgan Stanley Exchange Option, pursuant to which it will be granted the right, with respect to such Series of Notes that it beneficially owns, to exchange any or all of such Notes for a pro rata amount of the relevant Underlying Assets for such Series from the Issuer. See the section headed “Summary of the Programme — the Morgan Stanley Exchange Option” in Part 1 of this Base Prospectus for further details. If Morgan Stanley & Co. International Limited exercises the Morgan Stanley Exchange Option in respect of Notes of a particular Series, on one or more occasions and in the circumstances described above, there will as a result of such exercise be a proportionate reduction in the principal amount of such Series of Notes outstanding with effect from the date of such exercise. There can be

no assurance that any such exercise and any such consequent reduction will not have an adverse effect on the liquidity of the market for such Series of Notes and/or the market price of such Series of Notes.

***Exposure to the Underlying Assets where Underlying Assets consist of Commercial Paper, Certificates of Deposit, Cash Deposits and Liquidity Funds***

Commercial Paper, Certificates of Deposit and Cash Deposits are typically unsecured debt obligations of the issuer thereof or (in the case of Cash Deposits) the deposit bank. Where the Underlying Assets of a Series consist of Commercial Paper, Certificates of Deposit and/or Cash Deposits, prospective investors in such Series should be aware that they will be exposed to the credit risk of the issuer thereof or the deposit bank (in the case of Cash Deposits) and the risk that the market value of such assets may decline. Payments of interest and principal on such assets may not be guaranteed by any third party.

Liquidity Funds are typically funds which invest in unsecured debt instruments. Where the Underlying Assets of a Series consist of Liquidity Funds, prospective investors in such Series should be aware that they will be exposed to the credit risk of the debtors under such unsecured debt instruments so invested, and the risk that the market value of such instruments may decline, which may (in each case) in turn affect the value of the Liquidity Fund. Payments of interest and principal on such instruments may not be guaranteed by any third party.

***Exposure to the Underlying Assets where Underlying Assets consist of Synthetic CDO Securities, CDO Squared Securities, Credit Commodity Linked Securities and Asset-Backed Securities***

Synthetic CDO Securities, CDO Squared Securities, Credit Commodity Linked Securities and Asset-Backed Securities are typically issued by thinly capitalised special purpose companies established for the purpose of issuing one or more series of such securities. The only assets of an issuer of such securities are typically its issued share capital, transaction fees, if any, and those assets on which the relevant securities are secured, if any. Synthetic CDO Securities, CDO Squared Securities, Credit Commodity Linked Securities and Asset-Backed Securities are usually limited recourse securities, and the claims against the issuer of such securities in respect of such securities are limited to the net proceeds from the realisation of the underlying collateral in respect of the relevant securities. Where the Underlying Assets of a Series consist of Synthetic CDO Securities and/or CDO Squared Securities and/or Credit Commodity Linked Securities and/or Asset-Backed Securities, prospective investors in such Series should be aware that such debt securities are subject to a high degree of complex risks and prospective investors should appreciate that they may bear the risk that the market value of such securities may decline significantly, possibly to zero. Payments of interest and principal on such securities may be subordinated to the payment of certain other amounts payable by the issuer of such securities to other parties under the terms of such securities.

Prospective investors should note that if the Underlying Assets for any Series of Notes consist of or include Synthetic CDO Securities, CDO Squared Securities or Credit Commodity Linked Securities, the market value of the Underlying Assets for such Series will, amongst other things, depend on the occurrence of credit events or potential credit events in respect of the reference entities to which such securities are linked.

Whether the principal amount of any Synthetic CDO Security is reduced or otherwise written down will depend on whether one or more credit events in respect of the underlying reference entities of such Synthetic CDO Security occur (and whether any other applicable conditions are satisfied) as well as whether any loss calculations in connection with such credit event(s) exceed any relevant threshold amount. Whether the payment of the principal amount of any Synthetic CDO Security is subject to any deferment beyond the scheduled maturity date of such Synthetic CDO Security will depend on whether one or more credit events in respect of the underlying reference entities of such Synthetic CDO Security occur (and whether any other applicable conditions are satisfied), in certain cases without reference to whether any loss calculations in connection with such credit event(s) exceed any relevant threshold amount.

Whether the principal amount of any CDO Squared Security or Credit Commodity Linked Securities is reduced or otherwise written down will depend on whether one or more credit events in respect of the underlying reference entities of the Synthetic CDO Securities referenced under such CDO Squared Security or Credit Commodity Linked Securities occur (and whether any other applicable conditions are satisfied) as well as whether any loss calculations in connection with such credit event(s) exceed any relevant threshold amount of such affected Synthetic CDO Securities referenced under such CDO Squared Security or Credit Commodity Linked Securities, and that of such CDO Squared Security or Credit Commodity Linked Securities. Whether the payment of the principal amount of any CDO Squared Security or Credit Commodity Linked Securities is subject to any deferment beyond the scheduled maturity date of such CDO Squared

Security or Credit Commodity Linked Securities will depend on whether one or more credit events in respect of the underlying reference entities of the Synthetic CDO Securities referenced under such CDO Squared Security or Credit Commodity Linked Securities occur (and whether any other applicable conditions are satisfied), in certain cases without reference to whether any loss calculations in connection with such credit event (s) exceed any relevant threshold amounts.

Whilst the occurrence of credit events or potential credit events may not always lead to a reduction in, or deferment in the payment of, the principal amount of such Synthetic CDO Securities, CDO Squared Securities or Credit Commodity Linked Securities, it may nevertheless adversely affect the market value of such Underlying Assets. Further, in the event that the Underlying Assets for a Series of Notes are required to be sold or realised in accordance with the terms of the Notes of such Series and such Underlying Assets are at the time of such sale or realisation subject to any payment deferment, the market value of such Underlying Assets may be substantially less than the market value of such Underlying Assets if such sale or realisation had taken place at a later point in time when such Underlying Assets are no longer subject to any such payment deferment, or as little as zero if there is no buyer for such Underlying Assets at such time.

Prospective investors should note that if the Underlying Assets for a Series of Notes consist of or include Asset-Backed Securities, or CDO Squared Securities or Credit Commodity Linked Securities which reference Asset-Backed Securities, the market value of such Underlying Assets of such Series will, amongst other things, depend on the ability of the underlying obligors of the relevant underlying assets of such Asset-Backed Securities to meet their obligations thereunder, and the cash flow generated by the underlying assets being sufficient to ensure payment of principal and interest on such Asset-Backed Securities as they fall due. In the event that the underlying obligors default on their payment obligations under the relevant underlying assets of such Asset-Backed Securities, the issuer's ability to make payments on such Asset-Backed Securities when due may be adversely affected. This may have an adverse impact on the market value of the Asset-Backed Securities, or CDO Squared Securities or Credit Commodity Linked Securities, as the case may be.

#### ***Exposure to Underlying Assets consisting of Credit Commodity Linked Securities***

Prospective investors should note that if the Underlying Assets for a Series of Notes consist of or include Credit Commodity Linked Securities, the market value of such Underlying Assets will, amongst other things, depend on the price level of the underlying commodities (constituting the portfolio of commodity risks of the debt security) on the relevant observation date' with respect to the price triggers set on the initial pricing date (s) through one or more commodity derivatives swaps which the issuer of such debt security has entered into with one or more counterparties. Please refer to the fourth paragraph headed "Exposure to the Underlying Assets where Underlying Assets consist of Synthetic CDO Securities, CDO Squared Securities, Credit Commodity Linked Securities and Asset-Backed Securities" above for a description of the risks arising where Underlying Assets for a Series of Notes consist of Credit Commodity Linked Securities which reference Synthetic CDO Securities.

Prospective investors should note that commodity markets generally are subject to greater risks than other markets, including potentially significant legal risks.

Commodities are often produced in emerging market countries, which are more exposed to the risk of swift political change and economic downturns than their industrialized counterparts, which may affect investor confidence and in turn have a negative impact on the value of commodities.

The price of commodities is highly volatile and may be influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and U.S. and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended directly to influence prices and may, together with other factors, cause such markets to move rapidly.

Commodities may be difficult to buy or sell, particularly during adverse market conditions. This will affect the availability of quotations for the commodities underlying the Credit Commodity Linked Securities, which may in turn have an adverse effect on an investor's return on the Notes.

#### ***Discretion of the Issuer to invest in the Underlying Assets***

The Issuer will use the proceeds received from the issue of the Notes to invest in Eligible Investments. The Determination Agent, acting for and on behalf of the Issuer, has the sole and absolute discretion to determine what assets will be invested in so long as such assets are Eligible Investments. In respect of each

Series of Notes, information about which particular Eligible Investment(s) comprise the Underlying Assets will not be available at the time investors decide to purchase the Notes of such Series and accordingly investors must be prepared to purchase the Notes on the terms only that the Underlying Assets for such Series may comprise any of the Eligible Investments.

The composition of the Underlying Assets for a Series may change if any of the Original Underlying Assets or Reinvested Eligible Investments of such Series are redeemed, in whole or in part, at or above their outstanding principal amount including any accrued interest in accordance with their terms for any reason whatsoever by the issuer (s) of such Original Underlying Assets or Reinvested Eligible Investments, as the case may be, (or, in the case of Original Underlying Assets in the form of Commercial Paper, Certificates of Deposit, Cash Deposits or Liquidity Funds, redeemed or repaid for any reason whatsoever (as the case may be)) prior to the scheduled maturity date of the Notes of such Series. The proceeds of redemption or repayment will be held in the account of the Issuer with the Custodian pending any reinvestment of such proceeds of redemption or repayment in Eligible Investments. Such account may or may not be interest bearing.

Whether such proceeds of redemption or repayment are reinvested in Eligible Investments and the identity of such Reinvested Eligible Investments will be determined by the Determination Agent in its sole and absolute discretion acting for and on behalf of the Issuer. If any such proceeds of redemption or repayment are not reinvested, the Underlying Assets of such Series or the relevant portion thereof will comprise of cash in the account of the Issuer with the Custodian (which may or may not be interest bearing). The composition of the Underlying Assets in respect of a Series from time to time and the identity of any Reinvested Eligible Investments invested in will not be known to prospective investors in such Series when they commit to purchase the Notes.

Neither the redemption, in whole or in part, of any of the Original Underlying Assets or Reinvested Eligible Investments in respect of a Series at their outstanding principal amount including any accrued interest in accordance with their terms (or, in the case of Original Underlying Assets or Reinvested Eligible Investments in the form of Commercial Paper, Certificates of Deposit, Cash Deposits or Liquidity Funds, redeemed or repaid for any reason whatsoever (as the case may be) ) as described above nor the investment in Reinvested Eligible Investments using such proceeds of redemption or repayment will, in itself, lead to an early redemption of the Notes of such Series. However, prospective investors should note that the monetary value of such proceeds of redemption or repayment of Underlying Assets could be lower than the market value of the Underlying Assets which were redeemed or repaid to yield such proceeds. Similarly, the market value of any Underlying Assets invested in using such proceeds of redemption or repayment of previously redeemed or repaid Underlying Assets could be lower than the market value of the Underlying Assets which were redeemed or repaid to yield such proceeds, and this could have an adverse impact on the investors' return of the investment in the Notes.

#### ***Credit Rating of the Underlying Assets***

In respect of each Series of Notes, the Original Underlying Assets (or the issuer(s) or obligor(s) thereof) (other than that part of the Original Underlying Assets in the form of cash deposits) will have the requisite rating as specified in the Applicable Pricing Statement on the date of investment therein (in other words, on or about the Issue Date of such Series). Investors should note that such Original Underlying Assets' credit rating(s) (or those of its issuer(s) or obligor(s)) (if any) may change after the Issue Date of such Series.

In respect of each Series of Notes, the Determination Agent, acting for and on behalf of the Issuer, may in its sole and absolute discretion in certain circumstances reinvest the proceeds of redemption or repayment of such Original Underlying Assets or such Reinvested Eligible Investments in other Eligible Investments. Such Eligible Investments (or the issuer(s) or obligor(s) thereof) (other than Eligible Investments in the form of cash deposits) will have the requisite rating as specified in the Applicable Pricing Statement on the date of investment. Investors should note that the Underlying Assets' credit rating(s) (or those of its issuer(s) or obligor(s)) (if any) may change after the date of investment therein.

If the credit rating of any Underlying Assets (or the issuer(s) or obligor(s) thereof) falls, this could potentially affect the market value of the Underlying Assets, which may in turn have an adverse impact on the investors' return of the investment in the Notes.

### ***Risks relating to the Swap Agreement***

If a Swap Agreement is entered into in connection with a Series of Notes and if terminated in whole or in part (except under certain circumstances, such as upon the exercise of the Morgan Stanley Exchange Option, as specified in this Base Prospectus and/or the Applicable Pricing Statement), the Notes of such Series will be redeemed in whole or, in certain circumstances, in part. Derivative contracts (such as the Swap Agreement in respect of such Series) have special risks associated with them, including possible default by the counterparty to the transaction(s) (which make up the derivative contract) which could result in the early termination of the derivative contract. Also the value of a transaction can be volatile and in the case of an early termination of any derivative contract (including the Swap Agreement in respect of such Series), the value of the transactions terminated could result in significant losses to the Issuer, which in turn will have an impact on the return on Notes of such Series.

The Swap Agreement in respect of a Series of Notes may be entered into on a net basis, that is, the payment stream derived from the Underlying Assets of such Series and the payment stream to be made in respect of such Series (where payable on the same day) will be netted out into a single cash amount on that payment date specified in the transactions, with the Issuer receiving or, as the case may be, paying only the net amount of the two payments.

Structured derivative transactions can be illiquid transactions and consequently, it may be difficult for the Issuer to find replacement counterparties who will pay the market value of the related derivative transaction, which in turn will affect the income attributable to such Series of Notes and the Issuer's ability to satisfy its payment obligations to the Noteholders in respect of such Series of Notes.

***Losses resulting from the use of derivatives will reduce the value of the assets underlying a particular Series of Notes, and may well reduce the income attributable to such Series of Notes. Such losses can be significantly greater than if derivatives had not been used.***

If there is an early termination of the Swap Agreement in respect of a particular Series of Notes (other than as a result of the exercise by the Swap Counterparty of the Swap Counterparty Option in respect of such Series or a Tranche of such Series, or the related exercise by the Issuer of the Issuer Call Option in respect of such Series or a Tranche of such Series, or the exercise by Morgan Stanley & Co. International Limited of the Morgan Stanley Exchange Option in respect of such Series, or such other circumstances as set out in such Swap Agreement), the Issuer or the Swap Counterparty may be liable to make a termination payment (determined in accordance with the Swap Agreement) to the other (regardless, if applicable, of which of such parties may have caused such termination). If there is an early termination of the Swap Agreement in respect of a particular Series of Notes and consequently an early redemption of such Series of Notes occurs, there is no assurance that the net proceeds from the liquidation of the Charged Assets for such Series of Notes plus (if the termination payment is due to the Issuer) or minus (if the termination payment is due to the Swap Counterparty) such termination payment will be sufficient to repay the principal amount due to be paid in respect of such Series of Notes and any other amounts in respect thereof that are due.

The termination payment following any such early termination of the Swap Agreement in respect of a Series of Notes will be calculated and made in US dollars or such other currency as may be specified in such Swap Agreement. The amount of any termination payment will reflect the total losses and costs and/or gains incurred in the termination of such Swap Agreement and would typically take into account the market value of such terminated Swap Agreement based on market quotations of the cost of entering into a swap transaction with terms and that would have the effect of preserving the economic equivalent of any payment or delivery obligations of the parties. Any such termination payment could be substantial.

***The Notes are governed by English law and the courts of England have non-exclusive jurisdiction in respect of the Notes***

The Notes are governed by English law and the courts of England will have non-exclusive jurisdiction in respect of disputes involving the Notes. English law may be materially different from the equivalent Singapore law in its application to the Notes. If prospective investors are in any doubt as to the implication of English law being the governing law in respect of the Notes and the courts of England having non-exclusive jurisdiction in respect of disputes involving the Notes, they should consult their solicitors and other professional advisers.

***The Swap Guarantee and the Forward Guarantee are governed by New York law***

The Swap Guarantee and the Forward Guarantee are governed by New York law and the courts of New York will have non-exclusive jurisdiction in respect of disputes involving the Swap Guarantee or the

Forward Guarantee, as the case may be. New York law may be materially different from the equivalent Singapore law in its application to the Swap Guarantee or the Forward Guarantee. If prospective investors are in any doubt as to the implication of New York law being the governing law in respect of the Swap Guarantee or the Forward Guarantee or the courts of New York having non-exclusive jurisdiction in respect of disputes involving the Swap Guarantee or the Forward Guarantee, they should consult their solicitors and other professional advisers.

***Tax consequences of holding the Notes***

All payments in respect of the Notes shall be made free and clear of any withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such payments, unless such withholding is required by law.

Prospective investors should note that in the event that such withholding is required by law, such payments will be made net of the required withholding and the Issuer will not be required to make any additional payments to any of the Noteholders with respect to any amounts so withheld. In the event of the imposition of any such taxes, the Trustee may require the Issuer to use its best endeavours to procure the substitution as principal obligor under the Trust Deed and the Notes of another company incorporated in another jurisdiction, failing which it will redeem the Notes, subject to certain exceptions set out in the Conditions of each Series of Notes.

Prospective investors should consider the tax consequences of investing in the Notes and consult their tax adviser about their own tax situation.

***Consequences of Non-availability of Definitive Notes in respect of Notes***

Unless otherwise specified in the Applicable Pricing Statement, each Series of Notes will be in the form of one or more Global Notes or, as the case may be, Global Certificates, and no Definitive Notes will be issued except under the very limited circumstances set out in the section headed “Summary of Provisions relating to the Notes while in the Global Form” in Part 1 of this Base Prospectus. Your ability to pledge your interest in the Notes to any person who is not an accountholder at CDP, Euroclear or Clearstream or otherwise to take action in respect of your interest, may be affected by the lack of any Definitive Notes in respect of any Series. If your Notes are held through an investment account with any of the Distributors, the standard terms and conditions of such investment account may permit the Distributor to take a security interest in, or to impose other restrictions on, the Notes credited to the account or to exercise a lien, right of set off or similar claim against you in respect of monies held in any of your accounts maintained with it to secure any amounts which may be owing by you to it. See the section headed “Custody Arrangements with Distributors” in Part 1 of this Base Prospectus.

As a result of the custody arrangements with the Distributors and having to rely on your Distributor in the circumstances set out thereunder (in particular your exposure to the operational system of your Distributor for the relaying of notices to and from you and any relevant/appropriate party and the credit and debit of appropriate payments to and from your accounts held with it), you will be exposed to the credit risks and other default risks of your Distributor. The Issuer, the Arranger and the Agents accept no responsibility for any failure or delay on the part of the Distributors in performing their contractual duties to you.

***Return on an investment in Notes will be affected by charges incurred by investors***

The Pricing Statement in respect of a Series of Notes will describe the interest, principal and other applicable payments which may be made under the Notes of such Series. However, investors’ total return on an investment in any Notes will also be affected by fees charged by their Distributors or others. Fees may be charged by the Distributors for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Investors are therefore advised to consult their Distributors to ascertain the basis on which fees will be charged by the Distributors on their Notes.

***Deemed Notice of Provisions of the Transaction Documents***

In respect of a Series of Notes, the descriptions of the Conditions, the Swap Agreement, the Forward Agreement, the Trust Deed and any other Transaction Document contained in this Base Prospectus are summaries only and Noteholders of Notes of the relevant Series are bound by, and are deemed to have notice of, all the provisions of such documents. The full text of these documents is or, as the case may be, will be available for inspection as set out under “General Information” below.

### *Descriptions of the Programme and the Notes are summaries only*

The descriptions of the Programme and the Notes included in this Base Prospectus and the Applicable Pricing Statement are summaries only. The full Conditions of the relevant Series of Notes are binding on the Noteholders, and can be reviewed by reading together the following: (i) the Master Conditions set out in the Applicable Annex, which constitutes the basis on which all Notes of that relevant Note Type are offered under the Programme, and (ii) the Applicable Pricing Supplement (a form of which will be appended to the Applicable Pricing Statement) which applies, disapplies, supplements and/or amends the Master Conditions in the manner required to reflect the particular terms and conditions applicable only to the relevant Series of Notes (or tranche thereof). Copies of the legal documentation relating to the Structured Note Programme are available for inspection as described in the section headed “General Information” below. As and when any Series of Notes (or Tranches thereof) are issued, copies of the Applicable Pricing Supplement and the Applicable Pricing Statement will also be available for inspection in the manner and form set out in the Applicable Pricing Statement.

### *Modification and waiver*

The Conditions of each Series of Notes contain provisions for calling meetings of Noteholders of the relevant Series to consider matters affecting their interests generally, including a modification of the terms and conditions of such Series of Notes or a waiver of the rights of Noteholders of such Series of Notes. These provisions permit defined majorities to bind all Noteholders of the relevant Series including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### *Change of law*

The Conditions of each Series of Notes are governed by English law in effect as at the date of issuance of such Series of Notes. No assurance can be given as to the impact of any possible judicial decision or change of English law or administrative practice in England after the date of issuance of such Notes.

### *Potential and Actual Conflicts of Interest between Noteholders and Morgan Stanley*

Morgan Stanley and its subsidiaries and affiliates may, in connection with any Series of Notes, act in a number of capacities, including (without limitation), as Arranger, Determination Agent, Swap Counterparty, Swap Guarantor and Market Agent. The economic interests of Morgan Stanley and/or its subsidiaries and affiliates in each such capacity may be adverse to the interests of the Noteholders and potential and actual conflicts of interest may arise from the different roles played by Morgan Stanley and its subsidiaries and affiliates. As a result, Noteholders will be exposed not only to the credit risk of Morgan Stanley and/or its subsidiaries and affiliates, but also to the operational risks arising from the lack of independence of Morgan Stanley and/or its subsidiaries and affiliates in assuming their duties and obligations under the Notes and as potential provider of the hedging instrument. In addition, Morgan Stanley and any of its subsidiaries and affiliates, in connection with their other business activities, may from time to time engage in business with or possess or acquire material information about the issuer or guarantor of any Underlying Assets or any other entity on whose condition the payments on the Notes are dependent (each, a “**Relevant Entity**”). Such activities and information may cause consequences adverse to the Noteholders. Such actions may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. Morgan Stanley and any of its subsidiaries and affiliates have no obligation to disclose such information about any such Relevant Entity. Morgan Stanley and any of its subsidiaries and affiliates and its or their respective officers and directors may engage in any such activities without regard to the Notes of any Series or the effect that such activities may directly or indirectly have on any Note of any single Series and owe no duty to Noteholders to avoid such conflicts of interests. Prospective investors should seek independent advice as they deem appropriate to evaluate the risk of this potential conflict of interest. The Issuer, the Arranger, the Settlement Agent, Morgan Stanley and each of its subsidiaries and affiliates owe no duty or responsibility to any investor in the Notes of any Series to avoid such conflicts.

### *Potential conflicts of interest between the Investor and the Determination Agent*

In respect of each Series of Notes, the Determination Agent will determine at its sole and absolute discretion the matters specified in the Applicable Pricing Statement and in the Conditions of the relevant Series. This will affect the amount of payments due under the Notes of the relevant Series. The Determination

Agent or its affiliates may also carry out hedging activities related to the Notes of the relevant Series including trading in the Underlying Assets of the relevant Series or assets the risks of which Notes of the relevant Series are exposed, as well as in other instruments related thereto. The Determination Agent or its affiliates may also trade such Underlying Assets or such derivatives on a regular basis as part of their general broker-dealer and other businesses. Any of these activities could influence the determinations to be made by the Determination Agent in respect of the Notes of the relevant Series and, accordingly, could affect the investor's return on the Notes of the relevant Series.

Capitalised terms and expressions used above and not otherwise defined herein have the meanings ascribed to them in the Master Conditions applicable to Notes of the relevant Series.

## SUMMARY OF THE SWAP ARRANGEMENTS

*The following description is a summary only of certain aspects of the Swap Agreement and the Swap Guarantee and is subject in all respects to the actual terms of the Swap Agreement and the Swap Guarantee. You are deemed to have notice of, and to be bound by the terms of, the Swap Agreement and the Swap Guarantee. Capitalised terms used in this section and not defined elsewhere in Part 1 of this Base Prospectus have the meanings given to them in the Swap Agreement. See the section headed "Overview of Parties to the Programme" in Part 1 of this Base Prospectus for further details on the Swap Counterparty and the Swap Guarantor.*

### Description of the Swap Agreement and the Swap Guarantee

The Issuer has entered into an ISDA Master Agreement (Multicurrency-Cross Border) and Schedule thereto dated as of 7 August 2006 with Morgan Stanley Capital Services Inc. as "**Swap Counterparty**" (the ISDA Master Agreement (Multicurrency Cross Border) together with the relevant Schedule thereto, the "**Swap Master Agreement**") in connection with the establishment of the Programme. In connection with an issue of Notes under the Programme, the Issuer may execute one or more confirmations (each a "**Confirmation**") confirming the terms of one or more transactions that will be governed by the Swap Master Agreement. Each Confirmation will specify an effective date as of the relevant Issue Date of each Series of Notes. In respect of a relevant Series of Notes only, the relevant Confirmation(s) in respect of that Series, together with the Swap Master Agreement, create a single agreement and are together referred to in this Prospectus as the "**Swap Agreement**".

Execution by the Issuer of a Swap Agreement in connection with a Series of Notes, and the interest rate and currency swap transactions and other transactions as may be contemplated by the Swap Agreement, will enable the Issuer to make the payments due to be made on that Series of Notes where the amount, terms and/or currency payments due on the Underlying Assets forming part of the Charged Assets for such Series of Notes do not correspond with the payments due to be made on the Notes of that Series. Depending on the structure of a particular Series of Notes, the Swap Agreement may also create exposure for the Issuer to financial risks specified in the Applicable Pricing Statement, such as credit risk of specified entities, prices of shares or commodities, or equity index levels. A summary of the relevant Swap Agreement as it relates to a particular Series of Notes will be included in the Applicable Pricing Statement.

In connection with the entry into by the Issuer and the Swap Counterparty of the Swap Master Agreement, Morgan Stanley as Swap Guarantor has executed a Swap Guarantee dated as of 7 August 2006 in favour of the Issuer. Pursuant to the provisions of the Swap Guarantee, the Swap Guarantor will unconditionally guarantee to the Issuer the due and punctual payment of all amounts payable by the Swap Counterparty to the Issuer under each Swap Agreement.

**The Notes will not be obligations of and will not be guaranteed by either the Swap Counterparty or the Swap Guarantor. The Swap Guarantee comprises a guarantee only in respect of the Swap Counterparty's obligations to pay all amounts due and payable to the Issuer under each Swap Agreement.**

### Termination of Swap Agreement

Morgan Stanley & Co. International Limited shall, in connection with each Series of Notes, be granted the right, with respect to the Notes of each Series that it beneficially owns, to exchange any or all of such Notes for a pro-rata amount of Underlying Assets of the relevant Series from the Issuer (see the section headed "Morgan Stanley Exchange Option" in Part 1 of this Base Prospectus). If Morgan Stanley & Co. International Limited exercises the Morgan Stanley Exchange Option in respect of a portion of the Notes of a Series, a corresponding portion of the Swap Agreement relating to such Series (equal to that proportion of the Notes of such Series to be exchanged) will be terminated without any termination payment being due from the Issuer or the Swap Counterparty.

The Swap Counterparty may, in connection with a Series or Tranche of Notes, be granted the option to terminate early the Swap Agreement in whole (the "**Swap Counterparty Option**"). If the Swap Counterparty exercises the Swap Counterparty Option in respect of a Series or Tranche of Notes, the Swap Agreement relating to the relevant Series or Tranche will be terminated without any termination payment being due from the Issuer or the Swap Counterparty. The Issuer Call Option in respect of such Series or Tranche will be exercised by the Issuer if the Swap Counterparty exercises its Swap Counterparty Option under the Swap Agreement in relation to such Series or Tranche.

The Swap Agreement in respect of each Series of Notes may also be terminated early if one or more of the following events occur:

(a) at the election of the non-defaulting party upon an “Event of Default” under the terms of the Swap Agreement in respect of the relevant Series, including:

(i) the failure of the other party to make a payment or delivery when due and payable under the Swap Agreement in respect of the relevant Series;

(ii) the occurrence of certain insolvency-related events; and

(iii) non-compliance by the Swap Guarantor with any of its obligations under the Swap Guarantee or the ceasing of the Swap Guarantee to be in full force and effect; and

(b) on the occurrence of certain “Termination Events”, under the terms of the Swap Master Agreement including:

(i) it becoming illegal for either party to perform its obligations under the Swap Agreement in respect of the relevant Series or the Swap Guarantor to perform its obligations under the Swap Guarantee; and

(ii) when the Notes of the relevant Series become due and payable (in whole but not in part) prior to their Scheduled Maturity Date.

The Swap Agreement in respect of each Series provides that neither the Issuer nor the Swap Counterparty will in any circumstances be under any obligation to pay to the other party any amount in respect of any liability for or on account of any Tax (as defined in the Swap Agreement). Accordingly, if any deduction or withholding is imposed on either party, the Swap Agreement relating to the relevant Series may be terminated, and if so terminated the Notes of the relevant Series will become repayable as described below.

Upon an early termination of the Swap Agreement in respect of a Series (in whole or in part) (other than as a result of the exercise by the Swap Counterparty of the Swap Counterparty Option in respect of such Series or a Tranche of such Series, or the related exercise by the Issuer of the Issuer Call Option in respect of such Series or a Tranche of such Series, or the exercise by Morgan Stanley & Co. International Limited of the Morgan Stanley Exchange Option in respect of such Series, or such other circumstances as set out in such Swap Agreement), and if the Swap Agreement in respect of such Series (or the relevant part, as applicable) is not replaced on or prior to such termination, the Notes of such Series will be subject to early redemption. Furthermore, upon an early termination (in whole or in part) of the Swap Agreement in respect of such Series (other than as a result of the exercise by the Swap Counterparty of the Swap Counterparty Option in respect of such Series or Tranche of such Series, or the related exercise by the Issuer of the Issuer Call Option in respect of such Series or a Tranche of such Series, or the exercise by Morgan Stanley & Co. International Limited of the Morgan Stanley Exchange Option in respect of such Series, or such other circumstances as set out in such Swap Agreement), the Issuer or the Swap Counterparty may be liable to make a termination payment (determined in accordance with the Swap Agreement in respect of such Series and as described below) to the other (regardless, if applicable, of which of such parties may have caused such termination). There is no assurance that the proceeds from the sale of the Underlying Assets in respect of such Series plus (if such payment is owed to the Issuer) or minus (if such payment is owed by the Issuer) such termination payment and taking into account any termination payments under the Forward Agreement in respect of such Series will be sufficient to pay the principal amount and/or interest due to be paid in respect of the Notes of such Series. The claims of the Swap Counterparty against the Issuer under the Swap Agreement in respect of such Series shall rank prior to the claims of the Noteholders in the application of all monies received in connection with the relation or enforcement of the security in respect of the Notes of such Series.

The termination payment following an early termination of the Swap Agreement in respect of such Series (in whole or in part) as described in the paragraph above will be calculated and made in US dollars or such other currency as may be specified in such Swap Agreement. The amount of any such termination payment will reflect the total losses or gains, and costs incurred, in the termination of the Swap Agreement in respect of such Series and the termination payment would typically take into account the market value of the terminated Swap Agreement in respect of such Series based on market quotations of the cost of entering into a swap transaction with terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties. Any such termination payment could, depending on fluctuations in exchange rates and/or the interest rate environment, be substantial.

## SUMMARY OF THE FORWARD ARRANGEMENTS

*The following description is a summary only of certain aspects of the Forward Agreement and the Forward Guarantee and is subject in all respects to the actual terms of the Forward Agreement and the Forward Guarantee. You are deemed to have notice of, and to be bound by the terms of, the Forward Agreement and the Forward Guarantee. Capitalised terms used in this section and not defined elsewhere in Part 1 of this Base Prospectus have the meanings given to them in the Forward Agreement. See the section headed "Overview of Parties to the Programme" in Part 1 of this Base Prospectus for further details on the Forward Counterparty and the Swap Guarantor.*

### **Description of the Forward Agreement and the Forward Guarantee**

The Issuer has entered into an ISDA Master Agreement (Multicurrency-Cross Border) and Schedule thereto (together, the "**Forward Master Agreement**") dated as of 7 August 2006 with Morgan Stanley & Co. International Limited as "**Forward Counterparty**" in connection with the establishment of the Programme. In connection with an issue of Notes under the Programme, the Issuer may execute one or more confirmations confirming the terms of one or more forward transactions that will be governed by the Forward Master Agreement above. Each such confirmation will specify an effective date as of the relevant Issue Date of each Series of Notes. In respect of a relevant Series of Notes only, the relevant confirmation(s) in respect of that Series, together with the Forward Master Agreement, create a single agreement and are together referred to in this Prospectus as the "**Forward Agreement**".

The arrangements contemplated by the Forward Agreement in respect of each Series will enable the Issuer to liquidate the Underlying Assets in respect of the relevant Series or a Tranche of such Series of Notes upon the exercise of the Issuer Call Option(s) in respect of such Series or Tranche of Notes and to enable the Issuer to meet its payment and other obligations under such Series or Tranche of Notes. The following is a summary of the respective obligations of the Issuer and the Forward Counterparty under the Forward Agreement in respect of each Series:

(i) if the Issuer Call Option is exercised in relation to such Series or a Tranche of such Series of Notes, the Issuer will, pursuant to the Forward Agreement, deliver to the Forward Counterparty the Underlying Assets in respect of such Series or Tranche of Notes; and

(ii) the Forward Counterparty will pay to the Issuer a cash amount equal to the principal amount of such Underlying Assets. The Issuer will pay to the Swap Counterparty such cash amount it receives from the Forward Counterparty and the Swap Counterparty will pay to the Issuer an amount equal to the principal amount of the relevant Series or Tranche of Notes plus any accrued interest up to the Interest Payment Date on which such Issuer Call Option is exercised to enable the Issuer to meet its obligations under such Series or Tranche of Notes.

The Issuer will not exercise its Issuer Call Option in relation to a Series or Tranche of Notes unless the Swap Counterparty exercises the Swap Counterparty Option in relation to the Swap Agreement in respect of the relevant Series or Tranche.

In connection with the entry into by the Issuer and the Forward Counterparty of the Forward Master Agreement, the Swap Guarantor has executed a Forward Guarantee dated as of 7 August 2006 (as defined below). Pursuant to the provisions of the Forward Guarantee, the Swap Guarantor will unconditionally guarantee to the Issuer the due and punctual payment of all amounts payable by the Forward Counterparty to the Issuer under each Forward Agreement.

**The Notes will not be obligations of and will not be guaranteed by either the Forward Counterparty or the Swap Guarantor. The Forward Guarantee comprises a guarantee only in respect of the Forward Counterparty's obligations to pay all amounts due and payable to the Issuer under each Forward Agreement.**

### **Termination of Forward Agreement**

If Morgan Stanley & Co. International Limited exercises the Morgan Stanley Exchange Option, a pro-rata amount of the Forward Agreement corresponding to that proportion of such Series of Notes to be exchanged will be terminated without any termination payment being due from the Issuer or the Forward Counterparty.

Upon an early termination of the Forward Agreement in respect of a Series (in whole or in part) (other than as a result of the exercise by the Swap Counterparty of the Swap Counterparty Option in respect of such Series or a Tranche of such Series, or the related exercise by the Issuer of the Issuer Call Option in respect of

such Series or a Tranche of such Series, or the exercise by Morgan Stanley & Co. International Limited of the Morgan Stanley Exchange Option in respect of such Series, or such other circumstances as set out in such Forward Agreement), and if the Forward Agreement (or the relevant part, as applicable) is not replaced on or prior to such termination, the Notes of such Series will be subject to early redemption. Furthermore, upon an early termination (in whole or in part) of the Forward Agreement in respect of a Series (other than as a result of the exercise by the Swap Counterparty of the Swap Counterparty Option in respect of such Series or a Tranche of such Series, or the related exercise by the Issuer of the Issuer Call Option in respect of such Series or a Tranche of such Series, or the exercise by Morgan Stanley & Co. International Limited of the Morgan Stanley Exchange Option in respect of such Series, or such other circumstances as set out in such Forward Agreement), the Issuer or the Forward Counterparty may be liable to make a termination payment (determined in accordance with the Forward Agreement in respect of such Series and as described below) to the other (regardless, if applicable, of which of such parties may have caused such termination). There is no assurance that the proceeds from the sale of the Underlying Assets in respect of such Series plus (if such payment is owed to the Issuer) or minus (if such payment is owed by the Issuer) such termination payment and taking into account any termination payments under the Swap Agreement in respect of such Series will be sufficient to pay the principal amount and/or interest due to be paid in respect of the Notes of such Series. The claims of the Forward Counterparty against the Issuer under the Forward Agreement in respect of such Series shall rank prior to the claims of the Noteholders under the Notes of such Series in the application of all monies received in connection with the realisation or enforcement of the security in respect of the Notes of such Series.

The termination payment following an early termination of a Forward Agreement (in whole or in part) as described in the paragraph above will be calculated and made in US dollars or such other currency as may be specified in such Swap Agreement. The amount of any such termination payment will reflect the total losses or gains, and costs incurred, in the termination of such Forward Agreement and the termination payment would typically take into account the market value of the terminated Forward Agreement based on market quotations of the cost of entering into a contingent forward transaction with terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties. Any such termination payment could, depending on fluctuations in exchange rates and/or the interest rate environment, be substantial.

## INFORMATION ON THE SECURITY ARRANGEMENTS FOR NOTES

### Introduction

The Notes will be secured, limited recourse obligations of the Issuer. The purpose of this section is to provide you with further information in respect of these important features of the Notes, which are included in the Conditions (as set out in the Applicable Annex and the Applicable Pricing Supplement) for the purpose of helping to protect your investment in the Notes. However, the following description is a summary only of certain aspects of the security arrangements and is subject in all respects to the actual terms of the Trust Deed and the Conditions, of which investors in Notes are deemed to have notice. Further details in respect of the security arrangements will be provided in the Applicable Pricing Statement. A copy of the Trust Deed is available for inspection as set out under the section headed “General Information” in Part 1 of this Base Prospectus.

In respect of each Series of Notes the Issuer will, pursuant to the provisions of the Trust Deed (comprising (i) the Principal Trust Deed dated 7 August 2006 (as amended or supplemented from time to time) in relation to the Programme, and (ii) a Supplemental Trust Deed (to be dated the relevant Issue Date in respect of a Series of Notes), grant the security described in the Applicable Pricing Statement to the Trustee as continuing security for the payment of all sums due under the Trust Deed and the Notes of that Series and the performance of its obligations under the relevant Swap Agreement and Forward Agreement (if applicable). The Trustee will hold such security on behalf of itself, the Noteholders, the Principal Paying Agent, the Custodian, the Swap Counterparty (if applicable), the Forward Counterparty (if applicable) and the other secured creditors (if any) as specified in the Applicable Pricing Statement.

### Security Arrangements — Clearing System

The security arrangements (the “**Security**”) in respect of a Series may include a first fixed charge over Underlying Assets in respect of such Series, which may be held by or through the Custodian through Euroclear and/or Clearstream and/or any Alternative Clearing System. The charge is intended to create a property interest in such Underlying Assets in favour of the Trustee to secure the Issuer’s liabilities to the Secured Creditors in respect of such Series of Notes. However, unless otherwise stated in the Applicable Pricing Statement, such Underlying Assets will be held by or through the Custodian through a Clearing System and will not be delivered in definitive form (except in limited circumstances applicable to such Underlying Assets). Consequently, neither the Issuer nor the Custodian will be the legal owner of such Underlying Assets themselves. The interests which the Custodian holds on behalf of the Issuer and which are traded in the Clearing System are not therefore the physical Underlying Assets themselves but a series of contractual rights. These rights consist of (i) the Issuer’s rights against the Custodian, (ii) the Custodian’s rights as an accountholder against the Clearing System, (iii) the rights of the Clearing System against the common depository (or its nominee if such Underlying Assets are in registered form and are registered in the name of such nominee) and (iv) the rights of the common depository (or, if applicable, its nominee) against the issuer of such Underlying Assets. As a result, where such Underlying Assets are held in a Clearing System, the Security will take the form of an assignment of the Issuer’s rights against the Custodian under the Agency Agreement rather than a charge over such Underlying Assets themselves.

### Security becoming realisable or enforceable

Unless otherwise described in the Applicable Pricing Statement, the Security in respect of each Series of Notes will become enforceable in circumstances including:

- if payment of principal and/or interest in respect of the Notes of such Series is not made when due;
- on termination of the Swap Agreement (if any) of such Series with sums due to the Swap Counterparty;
- upon the occurrence of an Event of Default (as defined in the Master Conditions) in respect of such Series; and
- in the other circumstances described in the Supplemental Trust Deed relating to the Notes of such Series.

In such circumstances and unless otherwise described in the Pricing Statement, the Trustee may at its discretion and will if a direction in writing is given by the relevant party pursuant to the Conditions, realise the

Underlying Assets in respect of such Series and terminate the Swap Agreement (if any) in respect of such Series in accordance with its terms.

### **Priority of Claims and Potential for Insufficient Proceeds on Sale of Underlying Assets and/or on Enforcement**

In the event that the Underlying Assets in respect of any Series are required to be sold pursuant to the Conditions in respect of such Series or the Security in respect of such Series constituted by the relevant Trust Deed becomes enforceable, the net sums realised could be insufficient to pay all the amounts due, amongst others, to the Noteholders under the Notes of such Series. Unless otherwise stated in the Applicable Pricing Statement, the sums realised from any such sale of such Underlying Assets will be subject to deduction of the costs and expenses associated with such sale. In addition, all costs and expenses incurred by the Trustee in realising the Underlying Assets in respect of such Series and, as the case may be, enforcing any such Security will be deducted from the proceeds of such realisation or, as the case may be, enforcement before such proceeds are paid to, amongst others, the Noteholders of Notes of such Series. After realising the Underlying Assets in respect of such Series and/or, as the case may be, taking action to enforce the Security as provided in the Conditions, the Trustee will not be entitled to take any further steps against the Issuer to recover any sum still unpaid and no debt will be owed by the Issuer in respect of such sum. In particular, no Noteholder or investor may petition or take any other step for the winding-up of the Issuer nor will any of them have any claim in respect of any sum over or in respect of any assets of the Issuer which are security for other liabilities of the Issuer in connection with Notes of other Series.

As described under the sections headed “Summary of Swap Arrangements” and “Summary of Forward Arrangements” above, the Issuer has entered into the Swap Master Agreement and the Forward Master Agreement in connection with the establishment of the Programme. In connection with certain issues of Notes under the Programme (as set out in the Applicable Pricing Statement), the Issuer will collateralise its obligations under the Swap Agreement and the Forward Agreement in respect of the relevant Series by, amongst others, granting security to the Trustee over the Underlying Assets in respect of such Series pursuant to the Supplemental Trust Deed in respect of such Series. Unless otherwise specified in the Applicable Pricing Statement, the interest of the Swap Counterparty and the Forward Counterparty in the proceeds of realisation of the Charged Assets in respect of such Series (together with the interests of the Trustee, the Custodian, the Principal Paying Agent and any other Secured Creditors) will rank prior to the interest of the Noteholders in the proceeds of realisation of the Charged Assets in respect of the relevant Series. As a result, if the Swap Counterparty, the Forward Counterparty or Issuer defaults or any relevant party is otherwise unable to perform its obligations under the Swap Agreement or the Forward Agreement in respect of the relevant Series and the Swap Agreement or the Forward Agreement in respect of the relevant Series is terminated prior to the Scheduled Maturity Date of the Notes of such Series, the Charged Assets in respect of such Series may be liquidated to satisfy the claims of the Swap Counterparty, the Forward Counterparty and any other Secured Creditors, thereby reducing or eliminating such Charged Assets. Accordingly, there can be no assurance that the net proceeds, if any, realised from the liquidation of the Charged Assets in respect of such Series or any enforcement of the Security for the Notes in respect of such Series will be sufficient for the Noteholders to recover the principal of, and interest on, the Notes of such Series and any other amounts payable under the Notes of such Series.

### **Limited Recourse Provisions**

In respect of each Series of Notes, the Trustee, the holders of the Notes, the Swap Counterparty and each of the Custodian and the Agents (in each case to the extent that their claims are secured) will have recourse only to the Charged Assets of such Series. If, the Trustee having realised the same, the net proceeds are insufficient for the Issuer to make all payments then due to all such parties under the Notes of such Series, the obligations of the Issuer will be limited to such net proceeds of realisation and no other assets of the Issuer will be available to meet such shortfall. The Trustee, the Custodian, the Agents, the holders of Notes, the Swap Counterparty, or anyone acting on behalf of any of them will not be entitled to take any further steps against the Issuer to recover any further sum and no debt will be owed to any of such persons by the Issuer. Unless otherwise specified in the Applicable Pricing Statement, the Swap Counterparty, the Forward Counterparty, the Trustee, the Custodian, the Principal Paying Agent and any other Secured Creditors will rank prior to the Noteholders in the application of all moneys received in connection with the realisation or enforcement of the Security for the relevant Series of Notes. In particular, none of the Trustee, the Custodian, the Principal Paying Agent, any holder of the Notes, the Swap Counterparty or the Forward Counterparty may petition or take any other step for the winding-up of the Issuer, and none of them will have any claim in respect of any sum arising in respect of the Charged Assets for any other Series.

## INFORMATION ON THE UNDERLYING ASSETS

### The Underlying Assets

The Underlying Assets in respect of a Series of Notes are part of the Charged Assets on which such Series of Notes is secured. **“Underlying Assets”** means, in respect of a Series of Notes, the Original Underlying Assets, the Reinvested Eligible Investments and any proceeds of redemption of the Original Underlying Assets and any Reinvested Eligible Investments.

### Original Underlying Assets

On the Issue Date of a Series of Notes, the Issuer (in consultation with the Determination Agent) will invest the entire proceeds received from the issue of the Notes of that Series in the purchase of assets as described below. Such assets shall be the **“Original Underlying Assets”** and will, as at the Issue Date of Notes of that Series, meet the criteria set out in the Applicable Pricing Statement for Notes of that Series.

Original Underlying Assets of a Series may include one or more of Cash Deposit, Medium Term Notes, Liquidity Funds, Commercial Paper, Certificates of Deposit, Asset-Backed Securities, Synthetic CDO Securities, CDO Squared Securities and /or Credit Commodity Linked Securities, as described below:

**“Asset-Backed Security”** means (a) a debt security where the holders of such debt security are (i) entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend, amongst others, on the cash flow from a financial asset or a pool of financial assets, whether fixed, revolving or managed; or (ii) entitled to receive payments of interest and/or repayment of principal that are linked, directly or indirectly, to the credit worthiness of one or more obligors and/or value and/or price performance and/or cash flows of a financial asset or a pool of financial assets, whether fixed, revolving or managed (and whether or not such entitlement is also linked to other matters), and, in each case, that by its terms may pay an amount in cash to its holder within a finite time period, and/or with such other rights or assets designed to assure the servicing or timely distribution of proceeds to holders of the asset-backed securities; and (b) any other debt security which Moody’s Investors Service, Inc. or any successor to the rating business thereof (**“Moody’s”**) and/or Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof (**“S&P”**) and/or Fitch Ratings or any successor to the rating business thereof (**“Fitch”**) categorises as an asset-backed security.

**“Cash Deposit”** means cash in the form of United States dollars held in a deposit account with a third party bank (which may or may not be interest bearing).

**“CDO Squared Security”** means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, the credit worthiness of the underlying reference entities (constituting the portfolio of credit risks of each Synthetic CDO Security which is named as a reference obligation under such debt security) and/or the obligors, financial asset or pool of financial assets in respect of each Asset-Backed Security which is named as a reference obligation under such debt security.

**“Certificate of Deposit”** means a negotiable bearer instrument evidencing a time deposit with a commercial bank.

**“Commercial Paper”** means a short term secured or unsecured promise to repay a debt on a certain future date.

**“Credit Commodity Linked Securities”** means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, (a) the creditworthiness of the underlying reference entities (constituting the portfolio of credit risks of each Synthetic CDO Security which is named as a reference obligation under such debt security) ; and (b) the performance of obligors, financial asset or pool of financial assets in respect of each Asset-Backed Security which is named as a reference obligation under such debt security; and (c) the price level of the underlying commodities (constituting the portfolio of commodity risks of the debt security) in respect of one or more commodity derivatives swaps which the issuer of such debt security has entered into with one or more counterparties. The commodities derivatives swaps containing the pre-set commodities price triggers, if struck, would require settlement under the commodities derivatives swaps which may result in losses in or delays in payment timing of principal and/or interest under such debt securities.

**“Liquidity Fund”** means any investment denominated in the Base Currency of the relevant Series of Notes (as defined in the Applicable Annex) that is a money market fund or liquidity fund or similar investment vehicle that principally invests in short term fixed income obligations.

**“Medium Term Note”** means a debt security issued by a corporate entity.

**“Synthetic CDO Security”** means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, the credit worthiness of a number of the underlying reference entities (constituting the portfolio of credit risks of the debt security) through one or more credit default swaps which the issuer of such debt security has entered into with one or more counterparties.

The Original Underlying Assets in respect of a Series of Notes will be deposited by the Issuer with the Custodian on or about the Issue Date of such Series pursuant to the provisions of (i) the Agency Agreement, (ii) the Supplemental Trust Deed in respect of such Series and, where relevant, (iii) any Supplementary Security Documents.

The Issuer will, as soon as practicable after the Issue Date in respect of a Series, notify the Distributors of details (including the issuer and rating(s)) of the Original Underlying Assets in respect of such Series. Information about the Original Underlying Assets in respect of a Series of Notes will also be made available for inspection as set out in the Pricing Supplement for Notes of such Series. Such information will include (a) evidence of the ratings assigned to such Original Underlying Assets as at the Issue Date of such Series; (b) the terms and conditions of such Original Underlying Assets; and (c) information memorandum or other offering document relating to such Original Underlying Assets (if one has been prepared).

### **Eligible Investments**

In the event that the Original Underlying Assets in respect of a Series of Notes are redeemed, in whole or in part, at their outstanding principal amount including any accrued interest in accordance with their terms for any reason whatsoever by the issuer(s) of such Original Underlying Assets prior to the Scheduled Maturity Date of the Notes of such Series, the proceeds of redemption will be paid into the account of the Issuer with the Custodian (which may or may not be interest bearing). The Determination Agent, acting for and on behalf of the Issuer may, in its sole and absolute discretion, reinvest the proceeds of redemption in **“Eligible Investments”**, being securities or other assets which comply with the criteria set out in the Applicable Pricing Statement.

Any Eligible Investments acquired will be referred to herein as **“Reinvested Eligible Investments”**). Reinvested Eligible Investments or their proceeds of redemption may be substituted or reinvested in the same manner as Original Underlying Assets or their proceeds of redemption.

The Determination Agent does not act as fiduciary or agent for, and shall not be responsible to, Noteholders of any Series of Notes in respect of its exercise of its right to select Eligible Investments for reinvestment by the Issuer, save that it undertakes to make such selections in accordance with the criteria for Eligible Investments set out in the Applicable Pricing Statement.

In the event that the Underlying Assets in respect of a Series are redeemed, in whole or in part, at their outstanding principal amount including any accrued interest in accordance with their terms as described above, the Issuer will notify the Trustee of such redemption. The Issuer will notify the Trustee as soon as practicable after acquiring Reinvested Eligible Investments in respect of such Series details of such acquisition, including the issuer(s) and rating(s) of the Reinvested Eligible Investments in respect of such Series.

Information about the Reinvested Eligible Investments acquired will also be made available for inspection as set out in the Applicable Pricing Statement with effect from the date of notice by the Issuer to the Trustee of such acquisition. Such information will include (a) where applicable, evidence of the ratings assigned to such Reinvested Eligible Investments; (b) the terms and conditions of such Reinvested Eligible Investments; (c) information memorandum or other offering document relating to such Reinvested Eligible Investments (if one has been prepared); and (d) the principal amount so invested by the Issuer.

In addition, the Determination Agent may, in the circumstances specified in the Applicable Pricing Statement, substitute Underlying Assets in respect of a Series of Notes with Eligible Investments with the same principal amount outstanding as such Underlying Assets of that Series of Notes. See the Applicable Pricing Statement.

Neither the redemption, in whole or in part, of the Original Underlying Assets in respect of such Series or the Reinvested Eligible Investments in respect of such Series at their outstanding principal amount including any accrued interest in accordance with their terms as described above nor the acquisition of Reinvested Eligible Investments in respect of such Series using the proceeds of redemption of Underlying Assets in respect of such Series as described above will, in itself, give rise to an early redemption of the Notes of such Series.

The Reinvested Eligible Investments and any proceeds of redemption of the Original Underlying Assets and any Reinvested Eligible Investments in respect of a Series will be deposited by the Issuer with the Custodian on or about the date of acquisition or redemption (as the case may be) pursuant to the provisions of (i) the Agency Agreement, (ii) the Supplemental Trust Deed in respect of such Series and, where relevant, (iii) any Supplementary Security Document.

If there is a payment default in respect of the Underlying Assets in respect of a Series (without regard to any grace period applicable with respect to such payments), or if the outstanding principal amount of the Underlying Assets in respect of a Series is reduced or otherwise written down in accordance with their terms or if the Underlying Assets in respect of a Series are redeemed early or otherwise becomes repayable early in whole or in part by the issuer(s) of such Underlying Assets prior to their scheduled dates of maturity for any reason whatsoever at a principal amount less than the outstanding principal amount the subject of such redemption or repayment, or if the terms and conditions of the Underlying Assets in respect of a Series are amended such that the issuer(s) of such Underlying Assets shall no longer be obliged to pay the same amounts on the same days as contemplated in the terms and conditions of such Underlying Assets as of the date purchased by the Issuer, the Notes of such Series will be redeemed early. See the Conditions for each Series of Notes.

Investors should be aware that where a Series of Notes is issued in more than one Tranche, the Underlying Assets held by the Issuer in respect of such Series will form part of the Security for the entire Series and will not be allocated to any particular Tranche. Therefore, any risks related to such Underlying Assets will be shared by holders of each Tranche under such Series.

## APPLICATION PROCEDURES

Unless otherwise specified in the Applicable Pricing Statement, the Issuer will enter into arrangements with one or more Distributors in connection with each Series of Notes for the purpose of the offer of such Series of Notes to retail investors in the Republic of Singapore. If you wish to purchase any Notes of a Series as part of the offering pursuant to this Base Prospectus and the Applicable Pricing Statement, you must contact one of the Distributors for such Series because the Notes are not otherwise available to members of the retail public in the Republic of Singapore.

Information in respect of the procedures by which any Series of Notes will be offered to the retail public in the Republic of Singapore will be included in the Applicable Pricing Statement. The Applicable Pricing Statement will include information on the offer period during which applications for Notes may be made, the amount of the purchase price for Notes (or the method by which it will be fixed), the method and timing of payment of the purchase price of the Notes and other relevant information as to application procedures and allocation of Notes.

**Prospective investors are advised that arrangements for opening and maintenance of accounts with a Distributor and any custody or related services to be provided by a Distributor will be as separately agreed between the prospective investors and the relevant Distributor and will be subject to the relevant Distributor's terms and conditions relating to such arrangements. Each Distributor may impose different arrangements relating thereto and prospective investors should contact the Distributors for information relating to such arrangements. It is important that prospective investors familiarise themselves with, and ensure that they understand and accept, the terms and conditions imposed by their chosen Distributor.**

**Your relationship with your chosen Distributor and the terms thereof are not related to or controlled by the Issuer or the Arranger.**

The identities and respective contact details of the Distributors will also be made available to prospective investors upon request at the offices of the Arranger in Singapore (the address of which is set out on page v of Part 1 of this Base Prospectus) during normal business hours on any day (Saturdays, Sundays and public holidays excepted) for so long as any Notes remain outstanding.

The Applicable Pricing Statement will include a summary of the circumstances in which the Notes will not be issued. The Applicable Pricing Statement will also include a description of the manner in which results of the allocation of the Notes being offered are to be made public and where appropriate, the manner for refunding excess amounts paid by applicants.

### **Where Notes are offered to the Dealer**

If so agreed between the Issuer and the Dealer, the Issuer may issue, at the Issue Price, a portion of any Series of Notes from time to time issued by it, to Morgan Stanley & Co. International Limited, as dealer under the Programme. Thereafter, the Dealer may offer such Notes pursuant to exemptions under Section 274 and/or Section 275 of the SFA at such price and other terms as the Dealer may deem appropriate (i) to an institutional investor under Section 274 of the SFA, or (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in, Section 275 of the SFA.

In such event, this Base Prospectus and the Applicable Pricing Statement or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of such Notes, may not be circulated or distributed, nor may such Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, or (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA.

Where such Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor under Section 274 of the SFA or to a relevant person as defined in Section 275(2), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA;

(b) where no consideration is or will be given for the transfer; or

(c) where the transfer is by operation of law.

## THE DISTRIBUTORS AND INVESTORS CONFIRMATIONS

### Distributors

The Distributors will be appointed pursuant to the master distributor appointment agreements entered or to be entered into between the Issuer, each Distributor, the Arranger and the Market Agent (the “**Master Distributor Appointment Agreements**”). Distributors for each Series of Notes will be appointed through notification letters to the relevant Distributors.

**The Distributors will be acting as placement agents for the Issuer when they procure purchasers for the Notes. However, your relationship with your Distributor in respect of any service provided to you by such Distributor (including the opening and maintenance of accounts) is governed by the customer agreement you sign with your Distributor and is not related to or controlled by the Issuer or the Arranger or by anything in this Base Prospectus or the Pricing Statement for Notes of the relevant Series. Please ask your Distributor if you require further information in respect of the above.**

Each Master Distributor Appointment Agreement sets out, amongst other things, the need for the Distributors to comply with the section headed “Subscription and Sale — Selling Restrictions” in Part 1 of this Base Prospectus and all relevant laws, regulations and guidelines or codes issued by the relevant regulatory authority including but not limited to regulations issued by the Authority. In particular, some or all of the following undertakings and any additional undertakings as set out in the Applicable Pricing Statement, depending on the circumstances of the relevant Series of Notes, will be given by the Distributors:

- Copies of this Base Prospectus (including the Applicable Annex) and the Applicable Pricing Statement (the “**Offering Documents**”) will be made available or distributed to prospective investors in the manner described in the Offering Documents and only at the locations (the “**Relevant Locations**”) notified in writing by the Distributors to the Arranger as being the distribution points of the Offering Documents and no application for Notes of the relevant Series may be accepted from a prospective investor who has not received or had the opportunity to receive and read a copy of all of these documents (photocopies of any of these documents may not be substituted for the original printed version).
- Notes of the relevant Series will not be sold on the basis of any information that is inconsistent with this Base Prospectus and the Applicable Pricing Statement.
- Neither this Base Prospectus or any further information supplied pursuant to the terms of the Programme or the Notes are intended to provide a basis of any credit or other evaluation and should not be considered as investment advice or a recommendation by or on behalf of the Issuer, its directors, the Arranger or the Trustee that any recipient thereof should subscribe for or purchase any of the Notes.
- Distributors will inform prospective investors that copies of the documents listed in paragraph 6 of the section headed “General Information” in Part 1 of this Base Prospectus are available for inspection at the offices of the Arranger specified on page v of Part 1 of this Base Prospectus unless specified to the contrary in the Applicable Pricing Statement.
- Each prospective investor will be required to confirm that he has read and understood or has been given an opportunity to read and/or assistance to understand the confirmations set out on pages 30 to 31 of Part 1 of this Base Prospectus.
- Any notices received by the Distributor from the Arranger during the relevant offer period (including but not limited to a notice of an extension or early closure of the relevant offer period) will immediately be relayed to prospective investors in the manner provided in the Applicable Pricing Statement.
- Distributors will describe to each prospective investor the operating procedures for payment and/or refund in respect of an application for Notes and provide details of all charges levied by them for opening and maintaining an investment account for the Notes.

**The Distributors, as entities licensed by or registered with the Authority, are required by applicable laws and regulations to ensure that the suitability of the Notes to a prospective investor is reasonable in all circumstances when making a recommendation with respect to the Notes to that prospective investor and to ensure that the prospective investor understands the nature and risks of investing in the Notes. None of the Issuer, its directors, the Arranger or any of its affiliates, or the Trustee is responsible to ensure such suitability.**

### Confirmations to be given by investors

The detailed procedures for allocation to and purchase by prospective investors of Notes of a particular Series from the Distributors will be as separately imposed by each Distributor, and prospective investors are therefore advised to contact one of the Distributors for information relating to such arrangements. However, by giving application instructions to any Distributor for the purchase of any Notes, you will be deemed to confirm to your chosen Distributor, the Arranger, the Trustee and the Issuer that, amongst other things, you:

- **understand** that the Notes of the relevant Series may or may not be principal protected and accept such risks associated with a financial product, the return of which is not guaranteed;
- **undertake and agree** to accept the Notes of the relevant Series applied for, or any lesser number (provided such number is not less than the minimum denomination of a Note) allocated to you;
- **undertake and agree** to pay in full the Issue Price of the Notes of the relevant Series allocated to you;
- **authorise** the Issuer or the Distributor to which you give your application instructions, as applicable, to credit any Notes of the relevant Series allocated to you to your investment account with the relevant Clearing System or such Distributor and understand that no certificates of title will be available for your Notes and your interest in your Notes will be in book-entry form only;
- **agree** that if you are not allocated any Notes of the relevant Series or your application is successful only in part or if the Notes of the relevant Series are not issued for any reason, the whole or an appropriate portion of the subscription monies paid by you will be returned to you in the relevant currency as specified in the Applicable Pricing Statement without interest and at your own risk;
- **understand** that the Notes of the relevant Series will be held through a Clearing System which means that, if you do not have a direct account at such Clearing System, you will have to rely on the Distributor selected by you to credit your account with that Distributor with payments credited to it through such Clearing System and to distribute notices to you which it receives, by virtue of being the holder of an entitled account at such Clearing System, from the Issuer and to distribute your notices to the Issuer where applicable;
- **have read** or been given the opportunity to read and/or assistance to understand the terms and conditions and application procedures set out in this Base Prospectus and the Applicable Pricing Statement **and agree** to be bound by them;
- have either **received** a copy of this Base Prospectus (including the Applicable Annex) and the Applicable Pricing Statement or **have been afforded** sufficient opportunity to obtain a copy of this Base Prospectus (including the Applicable Annex) and the Applicable Pricing Statement prior to submitting an application to subscribe for Notes of the relevant Series;
- **understand** that subject to the terms and conditions of the Notes of the relevant Series, the principal amount of the Notes of the relevant Series will only be payable in respect of those Notes which are held until the Scheduled Maturity Date or when the Issuer exercises the Issuer Call Option (as defined in the Conditions applicable to the relevant Series or Tranche) in respect of the Notes, and that interest will only be payable in respect of such Notes on the relevant Interest Payment Date;
- **understand** that, if you are holding the Notes of the relevant Series through the Distributor, your relationship with your Distributor will be governed by the customer agreement you sign with your Distributor and is not related to or controlled by the Issuer or the Arranger or by anything in this Base Prospectus or the Applicable Pricing Statement;
- **understand** and accept that neither the Issuer nor the Arranger (except, where it is also a Distributor, in its capacity as a Distributor) accepts any responsibility for the provision of bank services and custody services by the Distributors or for any consequences of, or arising from the use of, the cash account and investment account or custody services of any of the Distributors;
- **agree** that neither the Arranger nor the Issuer, or their respective directors, officers, agents and nominees will be liable to any persons in any way for any loss which may be suffered as a result of the sale by the Distributors of your Notes in accordance with the terms and conditions of the operation of your cash account/investment account with them;
- **understand** that until you pay in full to the relevant Distributor the Issue Price in respect of the Notes of the relevant Series allocated to you (for example because there are insufficient monies in your cash account for such payment), the Distributor may do, amongst other things, the following under the

terms and conditions of the operation of your cash account and/or investment account with such Distributor:

(i) have a security interest in, or otherwise impose other restrictions on, your Notes for repayment of the amount of the unpaid purchase monies under the terms and conditions of the operation of your investment account with such Distributor such that you may not be able to transfer or otherwise dispose of your Notes; or

(ii) exercise a lien, right of set off or similar claim against you in respect of monies held in any of your accounts maintained with such Distributor to secure any amounts which may be owing by you to it; or

(iii) charge interest on the amount of the unpaid purchase monies; or

(iv) deduct the amount of the unpaid purchase monies from payment of interest or principal on your Notes; or

(v) sell your Notes to recoup the amount of the unpaid purchase monies or other sale expenses, duties and interest costs;

- **understand** that any action you may wish to take against the Issuer in accordance with the terms and conditions of the Notes may require the cooperation of the Noteholder and/or the Trustee. You may have no right of direct action against the Issuer and if you maintain investment accounts with your Distributor in which your investment in the Notes are held, you will need to rely upon your Distributor to contact the Trustee to take action against the Issuer on your behalf. The terms of business of one Distributor or broker may be very different from those of another Distributor or broker and you are advised to read carefully the terms of business of any party you intend to engage in maintaining an investment account for your Notes, and ensure you understand the circumstances in which you may rely upon such party to act on your behalf.
- **confirm** that you are not located within the United States and are not a US Person within the meaning of Regulation S under the Securities Act (which includes any person resident in the United States and any partnership or corporation organised or incorporated under the laws of the United States);
- **understand**, are familiar with, and accept the terms and conditions applying to the use of investment services provided by your Distributor;
- **understand** that you are deemed to have notice of the terms of the contractual documentation for the Programme, including the Applicable Annex and the Applicable Pricing Supplement, the Proposals and Advice Agreement, the Trust Deed, the Agency Agreement, the Conditions applicable to the relevant Series of Notes, the Swap Agreement, the Forward Agreement, the Swap Guarantee and the Forward Guarantee, copies of which are/will be available for inspection as set out under paragraph 4 of the section headed “General Information” in Part 1 of this Base Prospectus and in the Applicable Pricing Statement;
- **understand** that, as persons licensed by or registered with the Authority, the Distributors are required to ensure that the Notes of the relevant Series are a suitable investment for you and that you understand the nature and risks of investing in the Notes of the relevant Series; and
- **understand and agree** that the Issuer is not required to, and will not, appoint an auditor and therefore any profit and loss account or financial statement lodged by the Issuer with the Trustee and the Authority will not be audited by any independent third party.

**You will be required to confirm that you have read and understood these confirmations when you apply to a Distributor to purchase Notes. If you do not understand the meaning or the reasons why you are being asked to give these confirmations, you should seek assistance from your chosen Distributor.**

## CUSTODY ARRANGEMENTS FOR THE NOTES

Definitive Notes or Individual Certificates will not be issued to individual holders of Notes (except in the very limited circumstances described in the section headed “Summary of the Programme — Form of Notes” in Part 1 of this Base Prospectus). Global Notes or Global Certificates, each representing the total principal amount of each Series of Notes, will instead on the Issue Date of the relevant Series of Notes be deposited with, or will be registered in the name of a nominee for CDP or a common depository for Euroclear, Clearstream and/or any Alternative Clearing System. Notes, in the form of interests in a Global Note or as represented by the Global Certificate, will be credited to accounts with CDP, Euroclear and/or Clearstream and/or any Alternative Clearing System. See the section headed “Settlement, Clearance and Custody” in Part 1 of this Base Prospectus. For so long as any of the Notes are represented by a Global Note or a Global Certificate held through a Clearing System, the Distributors as participants in the relevant Clearing System (other than CDP) and, in the case where the Clearing System is CDP, Distributors who are CDP-approved depository agents (“**Depository Agents**”) for the purposes of the Companies Act (Cap. 50) of Singapore (“**Companies Act**”) or investors with direct securities accounts with CDP, will be treated as holders of the Notes for all purposes other than with respect to the payment of principal or interest on the Notes, the right to which will be vested solely in the bearer of the Global Note or, as the case may be, the registered holder of the Global Certificate. Accordingly, to invest in the Notes, you must have either a direct securities account with the relevant Clearing System or a securities or investment account with your chosen Distributor.

**If you do not currently have a securities account or an investment account with the relevant Clearing System or a Distributor, in order to invest in the Notes, you must arrange to open such account in good time before placing your order.**

Some important points about opening, and holding your Notes in, a securities account or an investment account are as follows:

- Applications to open a securities account or an investment account with a Clearing System or a Distributor will be processed by the Clearing System or the Distributor, as the case may be, according to its normal procedures and criteria for acceptance. These criteria may include proof of income, creditworthiness, and other personal details. There may also be restrictions and certification or other requirements as to nationality and/or place of residence. United States or Canadian persons, for example, may not be eligible to open an account for securities laws compliance reasons. If your application to open an account is refused for any reason, you may be unable to order the Notes through the Distributor. Neither the Issuer nor the Arranger accepts any responsibility for the account opening process of any Clearing System or Distributor or for any consequences of, or resulting from, such an application by you.
- Investment accounts and other custody services with respect to the Notes will be supplied by the Distributors subject to their standard terms and conditions for the provision of such services. You should familiarise yourself with, and ensure you understand and accept, the terms and conditions of operation of the investment account before making your application to open an investment account. Neither the Issuer nor the Arranger accepts any responsibility for the provision of custody services by the Distributors or for any consequences of, or arising from, the use of the investment account or custody services.
- The relevant Clearing System and the Distributors may charge fees for the opening and operating of a securities account or an investment account: you should check with the relevant Clearing System or Distributor with which you intend to open a securities account or an investment account what fees will be chargeable. Fees may be charged in respect of individual transactions, such as transfers of Notes, on a periodic basis for safe custody, and on payments of interest and principal when they are received. You should check with the relevant Clearing System or Distributor with which you intend to open an account on what basis fees will be charged in respect of your Notes.
- You should ask for and read carefully the standard terms and conditions which govern the operation of an account with the relevant Clearing System or your Distributor, as applicable, as these will determine your rights and obligations with such party. The terms and conditions thereunder may permit the relevant Clearing System or the Distributor, as applicable, to take a security interest in, or to impose other restrictions on, the Notes credited to your account or to exercise a lien, right of set off or similar claim against you in respect of monies held in any of your accounts maintained with it to secure any amounts which may be owing by you to it. The Issuer, the Arranger and the Trustee accept no

responsibility for any claims any Clearing System or Distributor may have against you in respect of or as a consequence of, or arising from the use of their services.

- For so long as any of the Notes are represented by a Global Note or a Global Certificate held through a Clearing System, (i) notices required to be given to the Noteholders will be validly given by the delivery of the relevant notice to the holders of entitled accounts at the Clearing System and (ii) if notices are required to be given by the Noteholder to the Issuer, the procedures of how such notices should be given will be set out in the Applicable Pricing Statement. Investors in the Notes who do not have a direct account with a Clearing System will have to rely on their Distributor (as a direct or indirect participant in the relevant Clearing System) to distribute notices to them which it receives from the Issuer and where applicable, the investors in the Notes may have to rely on their Distributor to deliver any notices that are required to be served on the Issuer. The Issuer and the Arranger accept no responsibility for any failure or delay on the part of the Distributors in doing so. If investors wish to receive information in respect of their Notes, they should contact the Distributor through which they purchased the Notes.
- For so long as any of the Notes are represented by a Global Note or a Global Certificate held through a Clearing System, (i) payments required to be made by the Issuer to the Noteholders will be made by delivering such sums to the relevant Clearing System or the Principal Paying Agent and such payment will be deemed to have been duly given to investors in the Notes upon receipt of the same by the relevant Clearing System or upon payment by the Principal Paying Agent to the holder of the Global Note and (ii) the procedures of how payments required to be made by the Noteholders to the Issuer will be set out in the Applicable Pricing Statement. Investors in the Notes who do not have a direct account with a Clearing System will have to rely on their Distributor (as a direct or indirect participant in the relevant Clearing System) to credit their account with payments credited to the Distributor through the relevant Clearing System from the Issuer. The Issuer and the Arranger accept no responsibility for any failure or delay on the part of the Distributors in doing so.
- For the purposes of any notices to be given and any payments to be made by an investor in respect of any of the Notes and for so long as such Notes are represented by a Global Note or a Global Certificate held through a Clearing System, you will have to rely upon the relevant Clearing System (if you have a direct securities account therewith) or your Distributor (if you do not have a direct securities account with the relevant Clearing System) to pass on such notices and payments through the relevant Clearing System to you.

## SETTLEMENT, CLEARANCE AND CUSTODY

### **Holding of the Notes through a Clearing System: Settlement and Clearance of the Notes within CDP, Euroclear and Clearstream**

The Notes are to be held through CDP, Euroclear and Clearstream, which are established Clearing Systems for securities.

#### **CDP**

In respect of Notes which are accepted for clearance by CDP, the entire series of the Notes is to be held by CDP in the form of Global Notes for persons holding the Notes in securities accounts with CDP (“**Depositors**”). Delivery and transfer of the Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third business day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Notes through an electronic book-entry clearance and settlement system for the trading of debt securities maintained by CDP (“**Depository System**”) may only be effected through certain corporate depositors approved by CDP under the Companies Act (as defined herein), to maintain securities sub-accounts and to hold the Notes in such securities sub-accounts for themselves and their clients. Accordingly, the Notes for which trade settlement is to be effected through the Depository System must be held in securities sub-accounts with Depository Agents. Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade such Notes through the Depository System, must transfer such Notes to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Arranger, the Principal Paying Agent or any other agents will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

Notes that are initially deposited with CDP may not be credited to the accounts of subscribers with other Clearing Systems, except through indirect accounts with CDP in the name of the other Clearing System’s nominee.

#### **Euroclear and Clearstream**

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Beneficial ownership in Notes will be held through financial institutions, which may include the Distributors, as direct or indirect participants in Euroclear and Clearstream. Euroclear or Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Global Notes or Global Certificates will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes.

The Issuer will not impose any fees in respect of the Notes. However, holders of book-entry interests in the Global Notes or Global Certificates may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream. **The Distributors may charge holders of Notes a fee for providing such custodian and other services, as further described under “Custody Arrangements” below.**

#### **Selling the Notes through a Clearing System:**

**Investors should note that they are required to bear all the fees and charges for custodial, transfer and clearing services charged by the relevant Clearing System and/or the Distributors for the holding, transfer or redemption of the Notes. Investors should contact the Distributors for further details of these fees and charges.**

Secondary market sales of book-entry interests in the Global Notes or Global Certificates will be conducted in accordance with the normal rules and operating procedures of CDP, Euroclear and Clearstream. None of CDP, Euroclear and Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Arranger, the Distributors or the Trustee will have any responsibility for the performance by CDP, Euroclear or Clearstream or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

### **Custody Arrangements**

Because the Global Notes will be deposited with, or the Global Certificates representing the Notes will be registered in the name of CDP or a nominee for or the common depository for Euroclear or Clearstream and further because settlement and clearance facilities will be provided by CDP, Euroclear and/or Clearstream, prospective investors who do not have direct accounts with the relevant Clearing System must make arrangements for their Notes to be held in custody with an accountholder (or indirect accountholder) of the relevant Clearing System. Notes held through the CDP, Euroclear or Clearstream account of Distributors will be credited to accounts maintained by the Distributors. Each Distributor will in turn credit the Notes to the account of each investor who is investing in the Notes through such Distributor. Therefore, in order to apply for Notes you must have, or open, a securities account or an investment account with the relevant Clearing System or the Distributor to which you give your application instructions, which will have existing arrangements in place for the Notes to be held in custody with an accountholder (or indirect accountholder) of CDP, Euroclear and Clearstream. The Distributors may charge a fee for the opening and operation of the investment account.

Investment account and other custodian arrangements with respect to the Notes will be supplied by the Distributors (or other custody provider) subject to their standard terms and conditions for the provision of such services. None of the Issuer, the Arranger or the Trustee accepts any responsibility for the provision of such services or for any consequences of, or arising from, the use of such investment account or custody services.

See the section headed “Custody Arrangements with Distributors” for certain additional important points about opening, and holding your Notes in, an investment account.

The Issuer will not be liable for the failure of (i) CDP, the common depository for Euroclear and Clearstream to pay any Distributors, and (ii) any Distributor to pay the ultimate investors once payment has been made by the Issuer to CDP or the common depository for Euroclear and Clearstream (for a further description, please refer to the section headed “Risk Factors” in Part 1 of this Base Prospectus).

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*The Master Conditions do not contemplate Notes being issued in definitive form. However, the Notes will instead be represented on their issue by interests in a Global Note or (as the case may be) a Global Certificate, which will be deposited on the relevant Issue Date with CDP and/or a common depositary on behalf of Euroclear and Clearstream. Due to the status of the Notes being in global form, Definitive Notes will not be issued to Noteholders (except in the very limited circumstances described below). The following paragraphs summarise certain provisions relating to the Notes for so long as they are represented by interests in the Global Note or the Global Certificate.*

### Initial Issue of Notes

Upon the initial deposit of a Global Note with CDP or a common depositary for Euroclear and Clearstream (the “**Common Depositary**”) or registration of the Global Certificate in the name of CDP and/or HSBC Nominees (Hong Kong) Limited, as nominee for Euroclear and Clearstream and the delivery of the Global Certificate to CDP or the Common Depositary, CDP, Euroclear and/or Clearstream will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid. Notes that are initially deposited with CDP may not be credited to the accounts of subscribers with other Clearing Systems except through indirect accounts with CDP in the name of such other Clearing System’s nominee.

### Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of CDP, Euroclear, Clearstream or any Alternative Clearing System as the holder of a Note represented by a Global Note or a Global Certificate must look solely to CDP, Euroclear, Clearstream or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the registered holder of such Global Certificate, and in relation to all rights arising under the Global Note or the Global Certificate, subject to and in accordance with the respective rules and procedures of CDP, Euroclear or Clearstream or such Alternative Clearing System (as the case may be). Such persons will have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Note or the Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note or the registered holder of the Global Certificate in respect of each amount so paid.

### Exchange

The Global Note or, as the case may be, the Global Certificate will be exchangeable on or after its Exchange Date in whole but not in part for notes in definitive form (“**Definitive Notes**”) or certificates in definitive form (“**Individual Certificates**”):

- (1) by the Issuer giving notice to the Noteholders, the Principal Paying Agent or Registrar, as the case may be, and the Trustee of its intention to effect such exchange;
- (2) if an Event of Default (as defined in the Conditions) has occurred and is continuing;
- (3) if the Issuer has been notified that CDP, Euroclear or Clearstream or any Alternative Clearing System has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so; or
- (4) if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes (represented by the Global Note or Global Certificate) in definitive form.

On or after any due date for exchange the holder of the Global Note or the Global Certificate may surrender such Global Note or Global Certificate. In exchange for the Global Note or the Global Certificate, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes and/or Individual Certificates. Definitive Notes and Individual Certificates will be printed in accordance with any applicable legal requirements in or substantially in the form set out in the Principal Trust Deed.

“**Exchange Date**” means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent or Registrar, as the case may be, is located and, except in the case of exchange

pursuant to (ii) (3) above, in the cities in which CDP, Euroclear and/or Clearstream and/or any Alternative Clearing System are located.

#### **Amendments to Conditions**

The Global Note or the Global Certificate and the Principal Trust Deed contain provisions that apply to the Notes that such Global Note or Global Certificate (as the case may be) represent or constitute, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

1. **Meetings.** The holder of the Notes represented by the Global Note or the Global Certificate will (unless the Global Note or the Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate).

2. **Trustee's Powers.** In considering the interests of Noteholders while the Global Note is held on behalf of, or the Global Certificate is registered in the name of a nominee for, 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 accountholders with entitlements to such Global Note or Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or the Global Certificate.

## MARKET MAKING ARRANGEMENTS

Morgan Stanley & Co. International Limited in its capacity as “**Market Agent**” intends, but is under no obligation, through its agent, Morgan Stanley Dean Witter Asia (Singapore) Pte., to make a market in the Notes by quoting to the Distributors only on a once-weekly (expected to be Friday) best efforts basis an indicative price (a “**bid**” price) at which it would be willing to purchase the Notes from the Distributors. Such market-making activities by the Market Agent are expected to commence with effect from the date falling three months following the Issue Date. Depending on the available inventory of Notes held by the Market Agent and its affiliates, the Market Agent also intends to quote from time to time, upon request from a Distributor, a price at which it would be willing to sell the Notes (an “**offer**” price) to that Distributor. The prices quoted will be by reference to each specified denomination of the Notes (as specified in the Applicable Pricing Supplement) or an integral multiple thereof and will be expressed as a percentage of the principal amount of the Notes.

Prices quoted by the Market Agent will be determined by the Market Agent (or its agent) in its absolute discretion. Such prices, and the trading value of the Notes, may be equal to, higher or lower than its Issue Price, and will vary depending on many factors, including (without limitation) prevailing interest rates, prevailing interest rates expectation, general market conditions, the financial conditions of the issuer(s) and the guarantor(s) (if applicable) of the relevant Underlying Assets, the liquidity of the relevant Underlying Assets and the market (if any) for any securities of a nature comparable to that of the Notes.

The bid prices and (depending on the available inventory of Notes held) the offer prices for the Notes will only be quoted to the Distributors upon request. The Market Agent will not provide a bid or offer price directly to any investor in the Notes under any circumstances. All bid or offer prices so provided shall be for indicative purposes only and no such price shall in any way be regarded as the prices at which the Issuer, the Market Agent or its agent or any other person will pay or an investor will receive on any sale or transfer of a Note.

Investors should note that, as the Market Agent will not provide either a bid price or an offer price to them directly, if investors would like to know the bid price of the Notes from time to time and/or if they would like to sell any Notes prior to their maturity and have not been able to locate a potential purchaser, they should contact one of the Distributors.

**As long as they are in global form, Notes must be held with an accountholder of CDP, Euroclear or Clearstream, or an Alternative Clearing System as specified in the Applicable Pricing Statement. Although the Market Agent will only quote bid or offer prices to a Distributor, most banks and securities dealers in Singapore maintain, or have access to, an account with CDP, Euroclear and/or Clearstream through which the Notes may be held or transferred. If investors who do not have such a direct account wish to trade the Notes via these banks or securities dealers, they should ensure that their broker has or will have access to such an account. Such investors should check if any expenses will arise on any transfer of their interest in the Notes to an investment account with a new broker. Furthermore, since the Market Agent will not quote bid/offer prices to any broker that is not a Distributor on any purchase or sale of Notes on behalf of an investor, the new broker may not have access to bid/offer prices on the same terms as investors whose interest in the Notes is held through a Distributor.**

**Investors holding the Notes in direct securities accounts with CDP, and who wish to trade such Notes through the Depository System (as defined in the section “Settlement, Clearance and Custody”), must transfer such Notes to be traded from such direct securities accounts to a securities sub-account with a Depository Agent (as defined in the section “Settlement, Clearance and Custody”) for trade settlement.**

## MORGAN STANLEY EXCHANGE OPTION

Unless otherwise disclosed in the Applicable Pricing Statement, Morgan Stanley & Co. International Limited will, in connection with each Series of Notes, be granted the right (the “**Morgan Stanley Exchange Option**”) from time to time and on one or more occasions, with respect to Notes that it beneficially owns, to exchange any or all of such Notes of a Series for a pro rata amount of the Underlying Assets of the relevant Series from the Issuer, on giving not less than three Hong Kong, Singapore, London and New York Business Day’s notice to the Issuer, the Trustee, the Custodian and the Principal Paying Agent and/or the Registrar (as the case may be).

The pro rata amount of Underlying Assets of the relevant Series to which Morgan Stanley & Co. International Limited will be entitled will be calculated on the basis of the proportion which (a) the principal amount of the Notes in respect of which the Morgan Stanley Exchange Option is exercised bears to (b) the aggregate principal amount of the Notes of such Series. Where any currency conversion is required for this calculation, the exchange rate at which such conversion shall be calculated is the applicable exchange rate prevailing on or about the Issue Date of the relevant Series (as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion). Where the respective denominations of the Notes (converted as aforesaid where relevant) and such Underlying Assets of the relevant Series are not equal, the pro rata amount of the relevant Underlying Assets will be rounded to the nearest denomination of such Underlying Assets. Where the Underlying Assets of the relevant Series comprises more than one asset, such pro rata amount shall be calculated in respect of each such asset.

In respect of each Series of Notes, there will as a result of each exercise of the Morgan Stanley Exchange Option be a proportionate reduction in the principal amount of Notes of the relevant Series outstanding. See the Section headed “Risk Factors — Risks Relating to the Issuer — Market, Liquidity and Yield Considerations; the Morgan Stanley Exchange Option” in Part 1 of this Base Prospectus. The Issuer will notify the Distributors of Notes of the relevant Series of the exercise of the Morgan Stanley Exchange Option by Morgan Stanley & Co. International Limited if, following such exercise, the outstanding principal amount of the Notes of the relevant Series decreases to an amount less than 50 per cent., 30 per cent. and 10 per cent., respectively, of the original principal amount thereof. Each such notice will specify the amount of Notes of the relevant Series being exchanged and will be given as soon as practicable thereafter and in any event will be given no later than five Singapore, London and New York Business Days after such exercise.

Notes of the relevant Series owned by Morgan Stanley & Co. International Limited which are subject to the Morgan Stanley Exchange Option will be surrendered to the Principal Paying Agent or the Registrar (as the case may be) or to its order for cancellation and the corresponding amount of the Underlying Assets of the relevant Series (calculated as aforesaid) will be released from the Security created in respect thereof. The Issuer will procure that the Custodian deliver and transfer free of all encumbrances such principal amount of the Underlying Assets of the relevant Series to or to the order of Morgan Stanley & Co. International Limited in the manner customary for the settlement of securities similar to such Underlying Assets, in each case on the date specified in the notice of the exercise of the Morgan Stanley Exchange Option, provided that Morgan Stanley & Co. International Limited will be liable to pay all taxes, duties and expenses that are incurred in connection with the delivery and transfer of such Underlying Assets.

If Morgan Stanley & Co. International Limited exercises the Morgan Stanley Exchange Option, a pro rata notional amount of the Swap Agreement and the Forward Agreement in respect of the relevant Series (if any) corresponding to that proportion of the Notes of the relevant Series to be exchanged (such pro rata amount to be calculated in the same manner as the calculation of the amount of Underlying Assets to which Morgan Stanley & Co. International Limited will be entitled) will be terminated without any termination payment being due from either the Issuer, the Swap Counterparty or the Forward Counterparty.

The Morgan Stanley Exchange Option applies to Notes beneficially owned by Morgan Stanley & Co. International Limited. Notes may be acquired by Morgan Stanley & Co. International Limited after the Issue Date of the relevant Series of Notes pursuant to the market making arrangements (if any) implemented in connection with the issue of Notes of the relevant Series, or otherwise. The extent to which the Morgan Stanley Exchange Option will be exercised will depend on the principal amount of Notes acquired by Morgan Stanley & Co. International Limited from time to time after the Issue Date of the relevant Series.

## **FEES AND EXPENSES**

The Issuer will enter into an agreement with the Arranger or an affiliate of the Arranger for the Arranger or such affiliate of the Arranger to pay all fees and expenses incurred in connection with the Programme, such as the fees of the Trustee, the Principal Paying Agent the Custodian, administrative fees, the legal fees and where applicable, the Registrar's fees. As all the fees and expenses will be borne by the Arranger or an affiliate of the Arranger, no fees or expenses are expected to be deducted from the issue proceeds of any Series of Notes or be borne by the Noteholders, unless indicated otherwise in the Pricing Statement for the relevant Series of Notes.

## DESCRIPTION OF THE ISSUER

### Incorporation and Registered Office

The Issuer was registered and incorporated as a limited liability company (registration number MC-158263) under the Companies Law (2004 Revision) of the Cayman Islands with the name Pinnacle Performance Limited on 30 November 2005. The Issuer has been incorporated for an indefinite period and was established as a special purpose vehicle for the purpose of issuing asset backed securities.

The registered office of the Issuer is at PO Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. The telephone number of the registered office is +1-345-945-7099 and the facsimile number of the registered office is +1-345-945-7100.

### Share Capital

The authorised share capital of the Issuer is US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each.

The issued share capital of the Issuer is US\$250 divided into 250 shares with a nominal value of US\$1.00, each of which is fully paid up.

All the issued shares of the Issuer are legally owned by Maples Finance Limited, which holds them as trustee for and on behalf of the Pinnacle Performance Trust. The Pinnacle Performance Trust was established pursuant to a Declaration of Trust (the “**Declaration of Trust**”) made by Maples Finance Limited on 7 July 2006 for charitable purposes. The principal office of Maples Finance Limited is Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

### Articles of Association

The Issuer has been established with unrestricted objects and the Issuer has full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (2004 Revision) of the Cayman Islands.

Clause 2 of the Memorandum of Association of the Issuer states that the Issuer was incorporated with unrestricted corporate capacity.

Pursuant to the articles of association of the Issuer, the directors of the Issuer may exercise all the powers of the issuer to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Issuer or of any third party.

There are no provisions in the articles of association of the Issuer which limit the Issuer’s ability to modify the Master Conditions of the Notes, to issue additional Notes, to create exposure to assets, or to borrow or lend money. Therefore, the Issuer has the corporate capacity to do any of the above. However, the Issuer will be subject to the restrictions on these activities (if any) set out in the Conditions and the Transaction Documents.

Subject to the Companies Law (2004 Revision) of the Cayman Islands and the rights attaching to the various classes of shares, the Issuer may at any time and from time to time by special resolution alter or amend its articles of association in whole or in part.

### Management

The directors of the Issuer, their respective business addresses and other principal activities at the date hereof are:

<u>Name</u>	<u>Address</u>	<u>Occupation</u>
Liam Jones .....	Le Masurier House, La Rue Le Masurier, St Helier, Jersey, Channel Islands	Administrator
Mark Wanless.....	Le Masurier House, La Rue Le Masurier, St Helier, Jersey, Channel Islands	Administrator

Each of the directors of the Issuer is entitled to be reimbursed for costs and expenses properly and reasonably incurred in connection with his duties.

### **Administration**

Maples Finance Jersey Limited (the “**Administrator**”) of 2/F, Le Masurier House, La Rue Le Masurier, St. Helier, Jersey, Channel Islands, is responsible for the management and administration of the Issuer pursuant to a corporate administration agreement dated 7 July 2006 made between the Issuer and Maples Finance Jersey Limited (as amended from time to time, the “**Administration Agreement**”). The Administrator’s business is the provision of corporate secretarial and administrative services to onshore and offshore structures with a range of commercial applications.

The Administration Agreement may be terminated:

(A) by either party giving at least 3 months’ written notice to the other party; or

(B) immediately, upon one party giving the other party at least fourteen days’ notice upon:

(i) the other party becoming insolvent or going into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the other party) or a receiver being appointed of any of its assets or if some event having equivalent effect occurs; or

(ii) the other party committing any breach of this Agreement and (if such breach shall be capable of remedy) the other party not making good such breach within thirty days of service upon the party in breach of notice requiring the remedy of such breach.

There is no requirement contained within the Administration Agreement for a replacement administrator to be appointed upon the termination of the appointment of Maples Finance Jersey Limited.

The Secretary of the Issuer is Maples Secretaries Limited of Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

### **Financial Statements and Auditors’ Report**

The Issuer has not published, and is not required by Cayman Islands law to publish, any financial statements. However, it is required by Singapore law to lodge a profit and loss account and balance sheet for the first six months of and for every financial year with the Authority and the Trustee. The profit and loss account and balance sheet must be audited unless this requirement is dispensed with by the Trustee. The Trustee has agreed to dispense with the audit of the financial statements and Noteholders should note that the financial statements of the Issuer will not be audited.

### **Surpluses**

There is no intention or requirement for the Issuer to accumulate surpluses. The Issuer will use the proceeds of each Series of Notes to purchase the Underlying Assets for each Series as further described in the Applicable Pricing Statement. The Issuer has no intention to issue additional tranches of Notes backed by the same Underlying Assets of that particular Series after Notes of that Series have been issued.

### **Business of the Issuer**

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation under the Companies Law (2004 Revision), the establishment of its note issuance programme, the authorisation and issue of the Notes and the authorisation, execution, delivery and performance of the other documents to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

Clause 2 of the Memorandum of Association of the Issuer states that the Issuer was incorporated with unrestricted corporate capacity.

The Principal Trust Deed (as amended and supplemented from time to time) contains restrictions on the activities that the Issuer may engage in. Pursuant to these restrictions, the business of the Issuer is limited to acquiring and holding Underlying Assets, issuing Notes, entering into the Transaction Documents and Related Agreements and performing its obligations and exercising its rights thereunder, and entering into other related transactions and other incidental activities, in each case, in respect of or in relation to each Series of Notes.

While any Notes are outstanding the Issuer will not, without the prior consent of the Trustee, declare any dividends or engage in any other business.

The assets of the Issuer will consist of the Underlying Assets and the rights under any Related Agreement in respect of each Series of Notes and the sum of US\$250 representing the issued and paid up capital of the Issuer and any transaction fees it receives in respect of the Programme.

The only assets of the Issuer available to meet claims of, amongst others, the holders of the Notes of any Series are the assets comprised in the Security for that Series.

The Notes are unrated and are obligations of the Issuer alone and not of the Trustee, the Swap Counterparty, the Swap Guarantor or any other party to the Transaction Documents. Furthermore, they are not obligations of, or guaranteed in any way by, the Arranger or any affiliate of the Arranger.

## OVERVIEW OF PARTIES TO THE PROGRAMME

### Overview of Parties to the Programme

#### *The Trustee*

Pursuant to the terms of the Principal Trust Deed, HSBC Institutional Trust Services (Singapore) Limited has agreed to act as Trustee in respect of each Series of Notes in relation to which the Issuer appoints it to act as set out in the relevant Supplemental Trust Deed applicable to such Series of Notes. HSBC Institutional Trust Services (Singapore) Limited is a company incorporated with limited liability under the laws of Singapore whose registered office is at 21 Collyer Quay, #14-01 HSBC Building, Singapore 049320.

#### *The Custodian, the Principal Paying Agent and the Calculation Agent*

Pursuant to the terms of the Agency Agreement, The Hongkong and Shanghai Banking Corporation Limited has agreed to act as Custodian and the Hongkong and Shanghai Banking Corporation Limited has agreed to act as Principal Paying Agent and as Calculation Agent, in each case in respect of each Series of Notes in relation to which the Issuer appoints it so to act as set out in the relevant Supplemental Trust Deed applicable to such Series of Notes. The Hongkong and Shanghai Banking Corporation Limited is a company incorporated with limited liability incorporated under the laws of Hong Kong whose registered office is at 1 Queen's Road Central, Hong Kong.

Pursuant to the Conditions and the Agency Agreement, (i) the Principal Paying Agent will be responsible for making any payment of principal, interest or redemption amount to the Noteholders and carrying out certain administrative duties incidental to such functions; (ii) the Calculation Agent will be responsible for the calculation of certain rates and amounts in relation to the Notes; and (iii) the Custodian will be responsible for holding the Underlying Assets in respect of each Series of Notes in favour of the Trustee.

#### *The Registrar*

Pursuant to the terms of the Agency Agreement, The Hongkong and Shanghai Banking Corporation Limited has agreed to act as Registrar in respect of each Series of Notes in relation to which the Issuer appoints it so to act as set out in the Supplemental Trust Deed applicable to such Series of Notes. The Hongkong and Shanghai Banking Corporation Limited is a company incorporated with limited liability incorporated under the laws of Hong Kong whose registered office is at 1 Queen's Road Central, Hong Kong.

#### *The Arranger*

Morgan Stanley Dean Witter Asia (Singapore) Pte. is the Arranger in respect of each Series of Notes. Morgan Stanley Dean Witter Asia (Singapore) Pte. is a private company incorporated with unlimited liability under the laws of the Republic of Singapore whose registered office is at One Marina Boulevard #28-00, Singapore 018989. Its principal place of business is at 23 Church Street, #16-01 Capital Square, Singapore 049481.

Morgan Stanley Dean Witter Asia (Singapore) Pte. is an indirect wholly owned subsidiary of Morgan Stanley (see the information below under "The Swap Counterparty, the Forward Counterparty and the Swap Guarantor" for information relating to Morgan Stanley). Morgan Stanley Dean Witter Asia (Singapore) Pte. has a Singapore Capital Markets Services licence under the SFA. The principal activity of Morgan Stanley Dean Witter Asia (Singapore) Pte. is the provision of investment banking, provision of support services, issuing and trading of notes, entering into swap transactions and investing in bonds as part of its normal trading operations. It is regulated by the Authority.

The Arranger will assist the Issuer by arranging the Programme and the issuance of Series of Notes, but will not be involved in the management of Underlying Assets in respect of any Series of Notes or make any determinations in respect of the Notes (such roles being performed by the Determination Agent).

This is the first Singapore retail structured note programme for which Morgan Stanley Dean Witter Asia (Singapore) Pte. has acted as arranger.

### **The Swap Counterparty, the Forward Counterparty and the Swap Guarantor**

*It is expected that Morgan Stanley will act as guarantor of obligations in respect of certain swap and/or other derivative arrangements entered into by the Issuer and Morgan Stanley's affiliates and/or subsidiaries in*

connection with certain specified issues of Notes under the Programme. It may act as Swap Guarantor under the Swap Guarantee (where the Issuer enters into a Swap Agreement) and/or under the Forward Guarantee (where the Issuer enters into a Forward Agreement). Each Pricing Statement will describe each such capacity in which Morgan Stanley is to act.

*Morgan Stanley Capital Services Inc. is a Swap Counterparty pursuant to the Programme. Each Pricing Statement will state whether or not the Issuer is to enter into a Swap Agreement with a Swap Counterparty in connection with a relevant Series of Notes.*

Morgan Stanley Capital Services Inc. (“MSCS”) was incorporated in the State of Delaware in 1985 and has its registered office at Corporate Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware in the United States of America. MSCS is a wholly-owned subsidiary of Morgan Stanley. The primary business of MSCS is entering into over-the-counter derivative contracts with institutional clients. The principal executive offices of MSCS are at 1585 Broadway, New York, New York 10036 in the United States of America.

*Morgan Stanley & Co. International Limited is a Forward Counterparty pursuant to the Programme. Each Pricing Statement will state whether or not the Issuer is to enter into a Forward Agreement with a Forward Counterparty in connection with a relevant Series of Notes.*

Morgan Stanley & Co. International Limited (“MSIL”) was incorporated under the laws of England and Wales on 28 October 1986 and has its registered offices at 25 Cabot Square, Canary Wharf, London E14 4QA. MSIL is a wholly-owned subsidiary of Morgan Stanley. The principal activity of MSIL is the provision of financial services to corporations, governments, financial institutions and individual investors. It is authorised and regulated by the Financial Services Authority in the United Kingdom.

**The Notes will not be obligations of and will not be guaranteed by the Swap Counterparty, the Forward Counterparty or the Swap Guarantor.**

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its various business segments — Institutional Securities, Global Wealth Management Group, Asset Management and Discover. Morgan Stanley, through its subsidiaries and affiliates, provides its products and services to a large and diversified group of clients and customers including corporations, governments, financial institutions and individuals. A summary of the activities of each of the segments follows:

*Institutional Securities* includes capital raising, financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity securities and related products and fixed income securities and related products, including foreign exchange and commodities; benchmark indices and risk management analytics; research; and investment activities.

*Global Wealth Management Group* provides brokerage and investment advisory services covering various investment alternatives; financial and wealth planning services; annuity and insurance products; credit and other lending products; banking and cash management and credit solutions; retirement services; trust and fiduciary services; and engages in investment activities.

*Asset Management* provides global asset management products and services in equities, fixed income and alternative investment products through three principal distribution channels: a proprietary channel consisting of Morgan Stanley’s representatives; a non-proprietary channel consisting of third-party broker-dealers, banks, financial planners and other intermediaries; and Morgan Stanley’s institutional sales channel; and engages in investment services.

*Discover* offers Discover®-branded credit cards and other consumer products and services, and includes the operations of Discover Network, which operates a merchant and cash access network for Discover Network branded cards, and PULSE EFT Association LP (“PULSE”), an automated teller machine/debit and electronic funds transfer network. The Discover business segment also includes consumer finance products and services in the U.K., including Morgan Stanley-branded, Goldfish-branded and various other credit cards issued on the MasterCard network.

*Credit Products.* Morgan Stanley trades and makes markets and takes proprietary positions in fixed income securities and related products globally, including investment grade corporate debt, non-investment grade instruments, credit derivative products (including credit default swaps), distressed debt, bank loans, convertible bonds, preferred stock and commercial paper, money market and other short-term securities. Morgan Stanley trades, makes markets and takes proprietary positions in, and acts as principal with respect to,

mortgage-related and other asset-backed securities and real estate loan products. Morgan Stanley also provides financing to customers for commercial and residential real estate loan products. Morgan Stanley advises on investment and liability strategies and assists corporations in their debt repurchase and tax planning. Morgan Stanley structures debt securities and derivatives with risk/return factors designed to suit client objectives, including using repackaged asset vehicles through which clients can restructure asset portfolios to provide liquidity or reconfigure risk profiles.

*Interest Rate and Currency Products.* Morgan Stanley is a primary dealer of U.S. government securities and a member of the selling groups that distribute various U.S. agency and other debt securities. Morgan Stanley trades, makes markets and takes proprietary positions in interest rate, currency and other fixed income swaps and derivative products, OTC options on U.S. and non-U.S. government bonds and mortgage-backed forward agreements, options and swaps. Through the use of repurchase and reverse repurchase agreements, Morgan Stanley acts as an intermediary between borrowers and lenders of short-term funds and provides funding for various inventory positions. Morgan Stanley also trades fixed income futures. Through its triple-A rated subsidiary, Morgan Stanley Derivative Products Inc., Morgan Stanley enters into swaps and related derivative transactions with counterparties seeking a triple-A rated counterparty. Morgan Stanley also trades and makes markets in U.S. and non-U.S. government securities, municipal securities and emerging market securities. Morgan Stanley is a primary dealer or market-maker of government securities in numerous European, Asian and emerging market countries. Morgan Stanley is a market-maker in foreign currencies. Most of Morgan Stanley's foreign exchange business relates to major foreign currencies such as Yen, Euro, Sterling, Swiss francs and Canadian dollars. Morgan Stanley trades on a principal basis in the spot, forward, option and futures markets and takes proprietary positions in such currencies.

*Commodities.* Morgan Stanley trades as principal and maintains proprietary trading positions in the spot, forward and futures markets in several commodities, including precious metals, base metals, crude oil, oil products, natural gas, electric power, emission credits and related energy products. Morgan Stanley is a market-maker in exchange-traded and OTC options and swaps on commodities, such as metals, crude oil, oil products, natural gas and electricity, and offers clients hedging programs relating to production, consumption, reserve/inventory management and energy-contract securitizations. Morgan Stanley is an electricity power marketer in the U.S. and is the sole shareholder of three wholesale generators in the U.S. and one in the Netherlands from which Morgan Stanley is the exclusive purchaser of electric power.

Morgan Stanley's common stock is listed on the New York Stock Exchange, Inc. and NYSE Arca and its principal executive offices are at 1585 Broadway, New York, New York 10036. It is incorporated under the laws of the State of Delaware in the United States of America.

Morgan Stanley is subject to the information and reporting requirements of the United States Securities Exchange Act of 1934, as amended, and is required to file its Annual Reports on Form 10-K following the end of each of its fiscal years and its Quarterly Reports on Form 10-Q following the end of each of its quarterly interim financial periods with the United States Securities and Exchange Commission (the "SEC"). All filings are made in English. Morgan Stanley's electronic SEC filings are available to the public at the SEC's website at [www.sec.gov](http://www.sec.gov).

## GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the issue of this Base Prospectus.

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

3. Save for the issuance of the number of Series of Notes under its Programme or as set out above or in the documents incorporated herein, the Issuer has not conducted any business since its incorporation.

4. For so long as the Issuer may issue Notes with respect to which this Base Prospectus forms part of the Prospectus prepared by the Issuer relating to such Notes, copies of the following documents will be available from the date hereof, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection by Noteholders at the principal place of business of the Arranger in Singapore:

(a) this Base Prospectus, as well as any supplementary base prospectus or equivalent document, together with the Pricing Statement issued in respect of each Series of Notes;

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

(c) the Declaration of Trust;

(d) the Principal Trust Deed dated 7 August 2006 (and as amended from time to time) (which includes the form of the Global Notes, the Definitive Notes, the Coupons, Receipts and Talons and Registered Notes);

(e) the Agency Agreement dated 7 August 2006 (and as amended from time to time);

(f) the Programme Agreement dated 7 August 2006 (and as amended from time to time);

(g) the Master Distributor Appointment Agreements and all related Distributor Notification Letters;

(h) the Proposals and Advice Agreement dated 7 August 2006 (and as amended from time to time);

(i) the Swap Master Agreement, the Forward Master Agreement, the Swap Guarantee and the Forward Guarantee, each dated 7 August 2006;

(j) the Master Depositary Services Agreement;

(k) the Deed of Covenant;

(l) the Applicable Pricing Supplement, the Supplemental Trust Deed, the Supplementary Security Documents, the Swap Agreement and the Forward Agreement in respect of each Series of Notes; and

(m) such other documents in relation to a Series of Notes as specified in the Applicable Pricing Statement.

5. Each of the Issuer and the Trustee is not engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or have had in the last 12 months preceding the date of lodgment of this Base Prospectus, a material effect on the financial position or profitability of the Issuer or the Trustee, as the case may be.

6. The Swap Guarantor is not engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or have had in the last 12 months preceding the date of lodgment of this Base Prospectus, a material adverse effect on the ability of the Swap Guarantor to meet its obligations under the Swap Guarantee or the Forward Guarantee.

The Swap Guarantor is subject to the information and reporting requirements of the US Securities Exchange Act of 1934, as amended, and is required to file its annual report (Form 10-K) following the end of each of its fiscal years, its quarterly reports (Form 10-Q) following the end of each of its quarterly interim financial periods and special reports from time to time (Form 8-K) with the U.S. Securities and Exchange Commission (the "SEC"). Such filings may include information on litigation and/or arbitration proceedings involving the Swap Guarantor or its affiliates and may, as at the date of this Base Prospectus, be accessed on the SEC's website at <http://www.sec.gov/>.

7. As of the date of this Base Prospectus, there are no reciprocal tax treaties between the Cayman Islands and Singapore.

8. The Arranger has given, and has not before the lodgement of this Base Prospectus withdrawn, its consent to the issue of this Base Prospectus with the inclusion herein of its name and all references thereto, in the form and context in which it appears in this Base Prospectus.

9. The Trustee has given, and has not before the lodgement of this Base Prospectus withdrawn, its consent to the issue of this Base Prospectus with the inclusion herein of its name and all references thereto, in the form and context in which it appears in this Base Prospectus.

10. A summary of the main provisions in the Trust Deed in respect of a Series governing the functions, rights and obligations of the Trustee thereunder is set out below. If you require further information, please refer to the Trust Deed of any particular Series, a copy of which may be inspected as set out above:

10.1 The Trustee, HSBC Institutional Trust Services (Singapore) Limited, has been appointed as the trustee for the Noteholders and will carry out its duties and functions in accordance with the provisions of the Trust Deed.

10.2 Pursuant to the Trust Deed, the Trustee will hold the benefit of the security created by the Issuer over the Charged Assets in respect of a Series in favour of itself, the Noteholders, the Custodian, the Swap Counterparty, the Forward Counterparty, the Principal Paying Agent and other Secured Creditors under such Series.

10.3 Only the Trustee may at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the rights of the Noteholders and other Secured Creditors against the Issuer in respect of a Series of Notes, but it need not take any such proceedings unless it is directed by an Extraordinary Resolution or requested in writing by relevant Noteholders of such Series holding at least one-fifth of the aggregate principal amount of the Notes of such Series outstanding and is indemnified to its satisfaction.

10.4 The Trustee has the power to take possession of the Charged Assets in respect of a Series and convert them into money as it deems fit when the security over it becomes enforceable, provided that the Trustee is directed by an Extraordinary Resolution or requested in writing by Noteholders of such Series of at least one-fifth of the aggregate principal amount of the Notes of such Series outstanding and is indemnified to its satisfaction.

10.5 The Trustee may appoint a receiver of all or part of the Charged Assets over which any security shall have become enforceable and may remove any receiver so appointed and appoint another in his place.

10.6 The Trustee may, on such terms and for such purposes as it thinks fit, raise and borrow money on the security of the Charged Assets for a Series or any part of it in order to defray costs and expenses paid or incurred by it in relation to the exercise of any of its functions pursuant to the Trust Deed of that Series and may secure the repayment of such money by mortgaging or otherwise charging all or part of the Charged Assets in such manner and form as it thinks fit.

10.7 The Trustee is not liable to account for anything except actual receipts or be liable for any loss arising from the realisation of any Charged Assets.

10.8 If, after realisation of the Security in respect of a Series, the moneys available for payment is less than 10 per cent. of the principal amount of Notes of such Series outstanding, the Trustee may invest such moneys until the investments amount to at least 10 per cent. of the principal amount of Notes of such Series outstanding.

10.9 The Issuer shall, subject to the provisions of the Trust Deed, indemnify the Trustee in respect of all liabilities and expenses incurred by it or by anyone appointed by the Trustee for such purposes.

10.10 In acting as the Trustee under the Trust Deed, the Trustee will not assume any duty or responsibility to any counterparty (other than to pay the counterparty any moneys due) and will have regard solely to the interests of the Noteholders of the relevant Series or, as the case may be, all Series. The Trustee, subject to certain exceptions, will not be obliged to act on any directions of other Secured Creditors if this would in the Trustee's opinion be contrary to the interests of the Noteholders of the relevant Series.

10.11 If the Trustee fails to show the degree of care and diligence required of it as trustee under the terms of the Trust Deed, the Trust Deed will not relieve or indemnify it from or against any liability that would otherwise attach to it in respect of any gross negligence, wilful default or fraud of which it may be guilty.

10.12 The Trustee may, without the consent of the Noteholders, agree to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of any of the Master Conditions or any of the provisions of, *inter alia*, the Trust Deed, Supplementary Security Document, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such waiver shall be notified by the Issuer to the Noteholders as soon as practicable in accordance with the notice provisions of the Master Conditions.

10. The Transaction Documents, other than the Swap Guarantee and the Forward Guarantee, are governed by English law and subject to the jurisdiction of the English courts. The Swap Guarantee and the Forward Guarantee are governed by New York law and are subject to the jurisdiction of the New York District Court.

11. Unless otherwise stated in respect of a Series of Notes in the Applicable Annex or the Applicable Pricing Statement, the Issuer will not provide Noteholders with periodic reports on the Notes.

## TAXATION

*The following summary of certain taxation provisions under Singapore and Cayman Islands law is based on current law, practice and administrative guidelines issued by the Authority as at the date of this Base Prospectus and is subject to any changes in such law, practice or guidelines occurring after such date. It does not purport to be a comprehensive description of all the tax considerations relevant to a decision to purchase, own or transfer the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as banks, dealers, insurance companies and tax-exempt entities) may be subject to special rules. Prospective holders of the Notes who are in doubt about any tax implications of the purchase, ownership or transfer of the Notes or who may be subject to tax in a jurisdiction other than Singapore or Cayman Islands should consult their own professional tax advisers.*

### SINGAPORE

#### Interest and Other Payments

Interest derived by a holder who is not resident in Singapore and who does not have any permanent establishment in Singapore is not subject to Singapore tax, as the interest is likely to be regarded as arising from a source outside Singapore. If, however, the interest should be regarded as being sourced in Singapore, the interest is nonetheless exempt from tax, including withholding of tax, as the Notes are “qualifying debt securities” for the purposes of the ITA as discussed below.

#### *Qualifying debt securities*

As the Programme has been arranged as a whole by Morgan Stanley Dean Witter Asia (Singapore) Pte, which is a Financial Sector Incentive (Bond Market) Company (as defined in the Income Tax Act, Chapter 134 of Singapore (“**ITA**”)), any tranche of Notes issued during the period from the date of this Base Prospectus to 31<sup>st</sup> December 2008 (“**Relevant Notes**”) are “qualifying debt securities” for the purposes of the ITA to which the following treatments apply:

(a) subject to certain conditions being fulfilled (including the Issuer, or such other persons as the Comptroller of Income Tax (the “**Comptroller**”) may direct, furnishing to the Comptroller and the Authority a return on debt securities within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require), interest on the Relevant Notes derived by a holder who is not resident in Singapore and who does not have any permanent establishment in Singapore is exempt from Singapore tax. Non-residents who carry on any operation through permanent establishments in Singapore will also have the benefit of this exemption, provided that the Relevant Notes are not acquired using funds from Singapore operations, and subject also to the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that the tax exemption referred to in this paragraph does not apply where the holder is a non-resident who carries on any operation through permanent establishments in Singapore and who acquires the Relevant Notes using funds from Singapore operations. Funds from Singapore operations means, in relation to a person, the funds and profits of that person’s operations through a permanent establishment in Singapore;

(b) subject to certain conditions being fulfilled (including the Issuer, or such other person as the Comptroller may direct, furnishing to the Comptroller and the Authority a return on debt securities within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require), interest on the Relevant Notes derived by any company in Singapore is subject to tax at a concessionary rate of 10%;

(c) interest on the Relevant Notes derived by any body of persons (as defined in the ITA) in Singapore is subject to tax at a concessionary rate of 10%; and

(d) subject to:

(i) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest derived from the Relevant Notes is not exempt from tax shall include such interest in a return of income made under the ITA; and

(ii) the Issuer, or such other person as the Comptroller may direct, furnishing to the Comptroller and MAS a return on the debt securities within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require,

interest derived from the Relevant Notes is not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

(a) if during the primary launch of the Relevant Notes, the Relevant Notes are issued to fewer than four persons and 50% or more of the principal amount of the Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, the Relevant Notes would not qualify as “qualifying debt securities”; and

(b) even though the Relevant Notes are “qualifying debt securities”, if at any time during the tenure of the Relevant Notes, 50% or more of the principal amount of the Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, interest derived from the Relevant Notes held by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire the Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemptions or the concessionary tax rate of 10% described above.

The term “related party”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by the person, or where he and that other person, directly or indirectly, are under the control of a common person.

#### ***Tax exemption for foreign source income of individuals***

Interest derived by a holder who is an individual resident in Singapore is not subject to Singapore tax, as the interest is likely to be regarded as arising from a source outside Singapore, if the interest is received in Singapore on or after 1 January 2004, except where such interest is received through a partnership in Singapore. If, however, the interest should be regarded as being sourced in Singapore, the interest is nonetheless exempt from tax, since it is interest derived from debt securities, except where such interest is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

#### **Capital Gains**

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains from the sale of Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

#### **Estate Duty**

Singapore estate duty is imposed on the value of immovable property situated in Singapore and movable property, wherever it may be situated, passing on the death of an individual domiciled in Singapore.

Accordingly, Notes passing upon the death of an individual domiciled in Singapore are subject to Singapore estate duty upon such individual’s death. Singapore estate duty is payable to the extent that the value of the Notes aggregated with any other assets subject to Singapore estate duty exceeds S\$600,000. Unless other exemptions apply to the other assets, for example, the separate exemption limit for residential properties, any excess beyond S\$600,000 will be taxed at 5 per cent. on the first S\$12 million of the individual’s Singapore chargeable assets and thereafter at 10 per cent.

Estate duty, however, is not imposed on movable properties passing on the death of persons who are not domiciled in Singapore. Accordingly, where an individual holder of the Notes is not domiciled in Singapore at the time of the individual’s death, the Notes will not be subject to Singapore estate duty.

Prospective purchasers of the Notes who are individuals, whether or not domiciled in Singapore, should consult their own tax advisors regarding the Singapore estate duty consequences of their investment and ownership of such Notes.

#### **THE CAYMAN ISLANDS**

Payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The

Cayman Islands currently have no income, corporation or capital gains tax no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Notes which are bearer notes. The Notes themselves will be stampable if they are executed in or brought into the Cayman Islands.

No stamp duty is payable in respect of the issue of the Notes which are registered notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

**“The Tax Concessions Law**

**1999 Revision**

**Undertaking as to Tax Concessions**

In accordance with the provisions of Section 6 of The Tax Concession Law (1999 Revision), the Governor in Cabinet undertakes with Pinnacle Performance Limited (the “Company”):

(a) That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) In addition that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) On or in respect of the shares, debentures or other obligations of the Company;

Or

(ii) by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

(c) These concessions shall be for a period of twenty years from the 13<sup>th</sup> day of December 2005.”

**JERSEY**

The Issuer is deemed to be a tax resident in Jersey by virtue of having board level control in Jersey. As a result, the Issuer has applied for and has been or may be expected to be granted Exempt Company status. Jersey law provides that an Exempt Company shall be:

(a) treated for all the purposes of the Income tax law as not resident in Jersey; and

(b) exempt from income tax on the profits of a trade, unless that trade is carried on through “an established place of business” in Jersey.

Holders of the Notes (other than residents of Jersey) are not subject to any tax in Jersey in respect of the holding, sale or other disposition of the Notes.

To maintain Exempt Company status, the Issuer must take an annual filing electing such status and pay an exempt company fee currently levied at £600 per annum. Maples Finance Jersey Limited has agreed to make such filing and payment annually so as to maintain such Exempt Company status on behalf of the Issuer. In addition, the Issuer is prohibited from offering or selling securities to be purchased or held by persons resident for income tax purposes in Jersey.

No stamp duties are payable in Jersey on the acquisition, ownership, redemption, sale or other disposition of the Notes.

On 3 June 2003, the European Union (“EU”) Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation with the States of Jersey. Jersey is not a member of the EU but the Policy and Resources Committee of the State of Jersey has announced that, in keeping with Jersey’s policy of constructive international engagement, it intends to propose legislation to replace the Jersey exempt company regime by the end of 2008 with a general zero rate of corporate tax. It is intended that the new corporate tax will preserve tax neutrality (and so retain the existing benefits of the exempt company regime through a revised fiscal structure). Unlike the exempt company regime, it is anticipated that the new regime will not require an annual application/election of the payment of any sum by the relevant company to acquire or maintain “exempt company” status.

## SUBSCRIPTION AND SALE

### Subscription of the Notes

The Issuer, the Arranger and the Market Agent will enter into arrangements with one or more Distributors to be appointed in connection with each Series of Notes for the distributing the Notes to prospective investors. If you wish to purchase any Notes, you must contact one of the Distributors. The Issuer may also issue Notes to the Dealer for sale by the Dealer to investors pursuant to certain exemptions under the SFA. See the sub-section “Where Notes are offered to the Dealer” in the section “Summary of the Programme” above.

In consideration for the offer arrangements referred to above, certain commissions will be paid by the Issuer to the Distributors. Such commissions will be calculated by reference to the amount of Notes for which the Distributor has procured subscribers. The Distributor will undertake to comply with the selling restrictions described below. On issue, the Notes will be delivered to the subscribers only through the Clearing Systems of CDP, Euroclear and/or Clearstream. In order to purchase Notes, an investor must have, or open, a securities account or an investment account and a cash account with such Clearing Systems or a Distributor or otherwise have existing arrangements in place for the Notes to be held in custody with an accountholder (or indirect accountholder) of CDP, Euroclear and Clearstream. See the section headed “Settlement, Clearance and Custody”.

The identities and respective contact details of the Distributors for a particular Series of Notes will be included in the Applicable Pricing Statement for that Series and will also be made available to prospective investors upon request at the offices of the Arranger (the address of which is set out on page v of Part 1 of this Base Prospectus) during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for so long as any Notes remain outstanding. See the section headed “Application Procedures” in Part 1 of this Base Prospectus for further details.

### Selling Restrictions

#### *General*

No action has been or is currently intended to be taken in any jurisdiction by the Issuer, the Arranger, any Market Agent or any Distributor that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any Pricing Statement or any part thereof, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required (other than Singapore). Each of the Issuer, the Arranger, the Dealer, any Market Agent and the Distributors will not offer or sell any Notes and will not distribute this Base Prospectus or any Pricing Statement or any part thereof or any other offering or publicity material relating to the Notes, outside Singapore, except in accordance with all applicable laws and regulations in the relevant jurisdiction.

#### *United States of America*

The Notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. In addition, the Issuer has not been and will not be registered as an investment company under the Investment Company Act of 1940. Accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

Each of the Arranger, the Dealer and any Market Agent will, and will procure that each Distributor will, represent and agree that, it has offered and sold the Notes of any identifiable Tranche, and will offer and sell the Notes of any identifiable Tranche as part of their distribution at any time only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

### *United Kingdom*

Each of the Arranger, the Dealer and any Market Agent will, and will procure that each Distributor will, represent, warrant and agree that:

(i) in relation to any Notes which have a maturity of less than one year from the date of issue, (a) 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 (b) 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 (“FSMA”) by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of such Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) 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.

### *European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each of the Arranger, the Dealer and any Market Agent will, and will procure that each Distributor will, represent, warrant and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to 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.

*Cayman Islands*

Each of the Arranger, the Dealer and any Market Agent will, and will procure that each Distributor will, agree that no invitation may be made either directly or indirectly to the public in the Cayman Islands to subscribe for or purchase the Notes of any Series unless at the time of such invitation the Issuer is listed on the Cayman Islands Stock Exchange.

*Jersey*

Each of the Arranger, the Dealer and any Market Agent will, and will procure that each Distributor will, agree that no invitation may be made either directly or indirectly to the public in Jersey to subscribe for or purchase the Notes of any Series.

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## ANNEX FOR FIRST-TO-DEFAULT NOTE TYPE

This document constitutes an Annex as referred to in Part 1 of the Base Prospectus issued by Pinnacle Performance Limited in relation to its U.S.\$5,000,000,000 Structured Note Programme for the issuance of Series of Notes, and which was registered by the Monetary Authority of Singapore on 7 August 2006. **This Annex applies to First-to-Default Notes (as specified in the Applicable Pricing Statement) and not to any other Note Types. References to “Notes”, “Swap Agreement”, “Forward Agreement” and “Underlying Assets” in this Annex are to First-to-Default Notes only and such defined terms as they relate to a particular Series or Tranche of First-to-Default Notes, and not to any other Note Types or other Series or Tranche of Notes issued under the Programme.**

**THIS ANNEX FORMS PART OF THE PROSPECTUS FOR NOTES WHICH ARE SPECIFIED AS FIRST-TO-DEFAULT NOTES IN THE APPLICABLE PRICING STATEMENT. IN RESPECT OF A SERIES OF FIRST-TO-DEFAULT NOTES, THIS ANNEX MUST BE READ TOGETHER WITH PART 1 OF THE BASE PROSPECTUS AND THE APPLICABLE PRICING STATEMENT, IF THERE IS ANY INCONSISTENCY BETWEEN THE INFORMATION IN PART 1 OF THE BASE PROSPECTUS AND THIS ANNEX, THE INFORMATION IN THIS ANNEX SHALL PREVAIL.**

## DESCRIPTION OF FIRST-TO-DEFAULT NOTE TYPE

### Summary of First-to-Default Notes

First-to-Default Notes are Notes which are linked to the credit risk of a basket of companies, sovereigns and/or other entities which are collectively referred to as “**Reference Entities**”. In respect of a Series of such Notes, the Reference Entities are named in the Applicable Pricing Statement. An investment in First-to-Default Notes will expose the investor to the credit risk of the Issuer as well as the credit risk of the Reference Entities.

Each Series of Notes which are First-to-Default Notes broadly operate as follows.

*Terms used in the summary below are defined in the Master Conditions set out in this Annex. The summary below relates to a single Series of First-to-Default Notes and terms which have Series specific defined meanings shall be construed accordingly. For a detailed description of any particular Series of Notes, please refer to the Pricing Statement in respect of such Series.*

(i) The entire proceeds of the issuance of a Series of First-to-Default Notes will be invested in an equal aggregate principal amount (after conversion into the Base Currency, where applicable) of Original Underlying Assets, which are assets which satisfy the criteria set out in the section headed “Information on the Underlying Assets” in Part 1 of the Base Prospectus and the Applicable Pricing Statement. In the event that any of the Original Underlying Assets are redeemed, in whole or in part, at or above their outstanding principal amount including any accrued interest in accordance with their terms for any reason whatsoever by the issuer of such Original Underlying Assets (or, in the case of Original Underlying Assets in the form of Commercial Paper, Certificates of Deposit, Cash Deposits or Liquidity Funds, redeemed or repaid for any reason whatsoever (as the case may be)) prior to the Scheduled Maturity Date, the proceeds of redemption or repayment will be paid into the account of the Issuer with the Custodian (which may or may not be interest bearing). The Determination Agent, acting for and on behalf of the Issuer, may in its sole and absolute discretion reinvest the proceeds of redemption or repayment in Eligible Investments (any Eligible Investments acquired shall herein be referred to as “**Reinvested Eligible Investments**”). If any of the Reinvested Eligible Investments are themselves redeemed, in whole or in part, at or above their outstanding principal amount including any accrued interest in accordance with their terms by the issuer of such Reinvested Eligible Investments (or, in the case of Reinvested Eligible Investments in the form of Commercial Paper, Certificates of Deposit, Cash Deposits or Liquidity Funds, redeemed or repaid for any reason whatsoever (as the case may be)) prior to the Scheduled Maturity Date, the proceeds of redemption or repayment will be paid into the account of the Issuer with the Custodian (which may or may not be interest bearing). The Determination Agent, acting for and on behalf of the Issuer, may in its sole and absolute discretion reinvest the proceeds of redemption or repayment of such Reinvested Eligible Investments in other Eligible Investments. Any such Eligible Investments will also constitute Reinvested Eligible Investments. This process can be repeated any number of times if applicable. Neither the redemption, in whole or in part, of any of the Original Underlying Assets or Reinvested Eligible Investments at or above their outstanding principal amount including any accrued interest in accordance with their terms (or, in the case of Original Underlying Assets or Reinvested Eligible Investments in the form of Commercial Paper, Certificates of Deposit, Cash Deposits or Liquidity

Funds, redeemed or repaid for any reason whatsoever (as the case may be)) as described above nor the investment in Eligible Investments using the proceeds of redemption or repayment of such Original Underlying Assets or Reinvested Eligible Investment, as the case may be, as described in this paragraph will, in itself, give rise to an early redemption of the Notes. However, prospective investors should note that the monetary value of such proceeds of redemption or repayment of Underlying Assets could be lower than the market value of the Underlying Assets which were redeemed or repaid to yield such proceeds. Similarly, the market value of any Underlying Assets invested in using such proceeds of redemption or repayment of previously redeemed or repaid Underlying Assets could be lower than the market value of the Underlying Assets which were redeemed or repaid to yield such proceeds. Prospective investors should note that this could have an adverse impact on the investors' return of the investment in the Notes. See the section headed "Information on the Underlying Assets" in Part 1 of the Base Prospectus for an explanation of the terms "Original Underlying Assets", "Underlying Assets" and "Eligible Investments";

(ii) pursuant to the Swap Agreement, the Issuer will pay an amount equal to any interest received in respect of the Underlying Assets (if any) to the Swap Counterparty and the Swap Counterparty will pay the Issuer an amount equal to the interest (calculated as described below) due to be paid by the Issuer on the Notes. Where necessary the Issuer will enter into interest rate and currency swap agreements to ensure interest and currency payment amounts match;

(iii) if a Credit Event occurs (as further described below) during the term of the Notes and the Issuer gives notice to the Noteholders of the occurrence of such Credit Event, the Notes will be redeemed on the Credit Event Redemption Date at the Credit Event Redemption Amount as adjusted (as more fully described in the paragraph below headed "Procedure for redemption of the Notes following a Credit Event"), being an amount which may be substantially less than the principal amount of the Notes. In addition, the Notes will cease to bear any interest from the Interest Payment Date immediately preceding the date on which the Issuer gives notice to the Noteholders of the occurrence of the Credit Event (or, if notice of the occurrence of the Credit Event is given prior to the first Interest Payment Date, no interest will be payable on the Notes);

(iv) if the Swap Counterparty exercises its Swap Counterparty Option to terminate early the Swap Agreement in respect of a Series or Tranche of Notes at any time from and including the first Interest Payment Date, the Issuer will exercise its irrevocable Issuer Call Option to redeem early in whole (but not in part) such Series or Tranche of Notes at such time. In such circumstances, such Notes will be redeemed in whole (but not in part) at their principal amount plus accrued interest up to the relevant Call Redemption Date (as further described in the Master Conditions and the Applicable Pricing Statement). Following the exercise of an Issuer Call Option in respect of a Series or Tranche of Notes, as such Notes will redeem in whole, no interest will be payable on such Notes after the Call Redemption Date;

(v) the Notes may also be redeemed early upon the occurrence of a Mandatory Redemption Event (as further described in the Master Conditions and the Applicable Pricing Statement) or an Event of Default (as further described in the Master Conditions and the Applicable Pricing Statement) at the Early Redemption Amount (or the equivalent of such amount converted into the currency of denomination of the Notes on the basis of the prevailing exchange rates on the date of such redemption of the Notes), being an amount which may be substantially less than the principal amount of the Notes. In either case, the Notes will cease to bear any interest from the Interest Payment Date immediately preceding the date on which the Mandatory Redemption Event or Event of Default occurs (or, if the Mandatory Redemption Event occurs or, as the case may be, the Event of Default occurs prior to the first Interest Payment Date, no interest will be payable on the Notes); and

(vi) provided the Notes are not redeemed as a result of notice being given in respect of a Credit Event, the occurrence of a Mandatory Redemption Event, the exercise by the Issuer of the Issuer Call Option in relation to the relevant Notes or the occurrence of an Event of Default, the Issuer will apply the redemption monies receivable in respect of the Underlying Assets (and, where necessary, using the swap arrangements to ensure interest and currency payments match) in repayment of the Notes. In such circumstances, the Notes will be redeemed at their principal amount on the Scheduled Maturity Date.

#### **Security in respect of the First-to-Default Notes**

The obligations of the Issuer under the Notes will be secured principally by security created over its rights in respect of the Underlying Assets, the Swap Agreement and the Forward Agreement. A prior security interest will be given to, among others, the Swap Counterparty and the Forward Counterparty, securing the Issuer's obligations under the Swap Agreement and the Forward Agreement, respectively (see the section

headed “Information on the Security Arrangements for Notes” in Part 1 of the Base Prospectus and the Applicable Pricing Statement).

### **The Reference Entities**

Each Series of Notes is credit linked to (but are not obligations of) the entities specified as “**Reference Entities**” in the relevant Applicable Pricing Statement. There are no material terms, conditions or criteria which apply in the selection of Reference Entities in respect of a Series of Notes. Information on the Reference Entities relating to a Series will be disclosed in the Applicable Pricing Statement. There are no processes for handling delinquencies, losses, bankruptcies and recoveries in relation to such Reference Entities. However, a Credit Event may occur upon any delinquencies or bankruptcies of such Reference Entities.

A Reference Entity may be replaced only if an existing Reference Entity undergoes a merger, demerger, spin-off or a similar corporate reorganisation. In those circumstances, the Determination Agent will identify the entity which has assumed all or substantially all of the obligations of such Reference Entity, and such entity will become a Reference Entity. If two Reference Entities merge resulting in only one direct successor, then (i) the direct successor shall be a Reference Entity; and (ii) an additional entity shall be included as a Reference Entity. Such successor Reference Entities will be notified to the Noteholders in accordance with the terms of the Transaction Documents.

### **Procedure for redemption of the Notes following a Credit Event**

- The Issuer notifies the Trustee and the Noteholders (via the clearing systems) that (1) a Credit Event has occurred in respect of one of the Reference Entities (specifying the applicable Credit Event and the Credit Event Entity on or promptly after the Event Determination Date and (2) the Notes have ceased to bear interest from the Interest Payment Date immediately preceding the date upon which notice is given to the Noteholders of the occurrence of such Credit Event (or, if such notification is given prior to the first Interest Payment Date, no interest will be payable on the Notes), and the Notes will be redeemed on the Credit Event Redemption Date at the Credit Event Redemption Amount (or the equivalent of such amount converted into the currency of denomination of the Notes on the basis of the prevailing exchange rates on the date of such redemption of the Notes) as adjusted (as more fully described below). The notice setting out the occurrence of a Credit Event will include a brief description of the relevant event and an explanation of how it fits the definition of a Credit Event. A separate notice will set out the Public Source of such information.
- In practice, prior to the Issuer notifying the Trustee and the Noteholders as described above, the Issuer would have received a notice from the Swap Counterparty notifying the Issuer that a Credit Event has occurred in respect of one of the Reference Entities. The Credit Event Entity notified to the Trustee and Noteholders by the Issuer as described above will be the same Reference Entity notified by the Swap Counterparty to the Issuer under the Swap Agreement. If a Credit Event occurs in respect of more than one Reference Entity at or about the same time, and notice of a Credit Event is given to the Noteholders, the Credit Event Entity as set out in the Credit Event Notice will be the same Company or Sovereign, as the case may be, selected by the Swap Counterparty and notified to the Issuer under the Swap Agreement.
- On or prior to the Valuation Date (as defined below) after the Event Determination Date, the Swap Counterparty will identify at its sole and absolute discretion certain borrowed money obligations of the Credit Event Entity which meet the criteria for Valuation Obligations, provided that the Swap Counterparty may at its discretion on or prior to the Valuation Date change one or more of the Valuation Obligations it has identified. In practice, the same borrowed money obligations will be identified for valuation under the provisions of the Swap Agreement.
- The aggregate principal amount of Valuation Obligations so identified (or its equivalent in United States dollars calculated by reference to the relevant spot exchange rate at the time the quotation is being obtained on the Valuation Date in the case of Valuation Obligations which are not denominated in United States dollars — in practice, the spot exchange rate(s) used will be the same as the spot exchange rate(s) used by the calculation agent under the Swap Agreement) will be equal to the principal amount of the relevant Notes on the Event Determination Date.
- On the Valuation Date (being a date falling on or after the 52nd Business Day to and including the 125th Business Day following the Event Determination Date, as selected by the Swap Counterparty at

its sole and absolute discretion), the Swap Counterparty will obtain firm bid prices for the purchase of the Valuation Obligations identified as described above from five Reference Dealers as selected by the Determination Agent, acting for and on behalf of the Issuer (which Reference Dealers will not be affiliated to each other and may include the Arranger or any of its Affiliates). If firm bid prices from five Reference Dealers cannot be obtained, the Swap Counterparty will determine such bid price for the purchase of the Valuation Obligations at its sole and absolute discretion, following which the Determination Agent, acting for and on behalf of the Issuer, will also determine the Credit Event Redemption Amount (which amount is then adjusted to allow for adjustments in respect of the pro rata share of changes in the value of the Underlying Assets (as more fully described below)). The determination of the Credit Event Redemption Amount may fall after the Scheduled Maturity Date.

- The Credit Event Redemption Amount will be an amount equal to the amount determined for the Valuation Obligations of the Credit Event Entity in accordance with the previous paragraph.
- The Credit Event Redemption Amount will reflect the fall in value of the Valuation Obligations of the Credit Event Entity.
- The holders of the relevant Tranche or Series of Notes will receive the sum of the following amounts, after conversion (where applicable) into the currency in which such Notes are denominated at the relevant exchange rate prevailing on or about the Credit Event Redemption Date, as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion acting in good faith: (i) their pro-rata share of the Credit Event Redemption Amount, plus or minus, as the case may be, (ii) their pro-rata share of any appreciation or depreciation, as the case may be, in the market value of the Underlying Assets following the sale of the Underlying Assets, as effected by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion prior to the Credit Event Redemption Date. The amount which investors will receive upon redemption of such Notes as described may be substantially less than the principal amount of the Notes or the purchase price paid by such investors for such Notes.
- Prospective investors should appreciate that the market value of the Valuation Obligations used to determine the Credit Event Redemption Amount as described above may be subject to certain deductions relating to the costs associated with the holding and/or handling and/or sale and/or valuation of the Valuation Obligations and will be paid net of any required withholding and deductions (such amount is referred to in this Annex as the “net cash equivalents of the Valuation Obligations”). The pro-rata share of such net cash equivalents of the Valuation Obligations will be paid to holders of the Notes in the currency in which the Notes are denominated, converted (where applicable) at the relevant exchange rate prevailing on or about the Credit Event Redemption Date, as determined by the Determination Agent, acting for and on behalf of the Issuer, and after making certain adjustments as described above in relation to the Underlying Asset value. Therefore, investors in a Tranche or Series of Notes which are not denominated in the Base Currency specified in the Applicable Pricing Supplement will be exposed to an additional exchange conversion risk which, depending on the prevailing exchange rate, may or may not have an adverse impact on the return of the investment in their Notes. The amount which investors will receive upon redemption of such Notes as described may be substantially less than the principal amount of the Notes or the purchase price paid by such investors for such Notes.
- Prospective investors should also appreciate that the credit risk borne by investors under the Notes is not allocated to any particular Reference Entity in any proportion. The entire principal amount of the Notes are exposed to the risk of the occurrence of a Credit Event in respect of any Reference Entity.

### **Credit Event**

A “**Credit Event**” may include any of the following events (as specified in the Applicable Pricing Statement):

- “**Bankruptcy**” includes eight defined circumstances which relate to the corporate dissolution, bankruptcy or insolvency of a Reference Entity or certain defined steps being taken which may lead to the corporate dissolution, bankruptcy or insolvency of a Company.
- “**Failure to Pay**” includes the failure by a Reference Entity to make payment (in an amount of not less than USD1,000,000 or its equivalent in other currencies (the “**Payment Requirement**”)) under one or more defined types of borrowing obligations when such payments fall due.

- **“Obligation Acceleration”** may occur if one or more defined types of borrowing obligations of a Reference Entity in an amount of not less than USD10,000,000 or its equivalent in other currencies (the **“Default Requirement”**) becoming due and payable before their scheduled maturity date, due to a default by such Reference Entity (other than a failure to make payment when due).
- **“Restructuring”** may occur in respect of a Reference Entity if (with a number of defined exceptions) the Reference Entity or a Governmental Authority agrees with the holders of one or more defined types of borrowing obligations in an aggregate amount of not less than the Default Requirement to:
  - a reduction in interest payable
  - a reduction in principal payable
  - a postponement of scheduled interest or principal payment date
  - a subordination of the borrowing obligation
  - a change in currency or other composition of interest or principal payment (in certain defined circumstances) unless the agreed Restructuring does not, amongst other things, result from a deterioration in the creditworthiness or financial condition of a Company.
- **“Repudiation/Moratorium”** may occur if (1) an authorised officer of a Reference Entity or a Governmental Authority (a) rejects in whole or in part, or challenges the validity of borrowing obligations in an amount of not less than the Default Requirement or (b) imposes a moratorium or standstill in respect of one or more borrowing obligations in an aggregate amount of not less than the Default Requirement and (2) a Failure to Pay or Restructuring occurs (determined without regard in either case to the Payment Requirement or the Default Requirement).

*Each of the above Credit Events is fully defined in the Master Conditions set out in this Annex. Such definitions are based on (with certain modifications) technical definitions currently applied in the professional credit derivatives market. The above description is a summary intended to convey the general nature of the Credit Events as defined and prospective investors should remember that the actual occurrence of a Credit Event would be determined by the Determination Agent on a strict application of the technical definitions set out in the Master Conditions.*

Prospective investors should note that, after the occurrence of a Credit Event, the market value of the borrowed money obligations of the Credit Event Entity are likely to be substantially less than the principal amount of those borrowed money obligations (and may be as low as zero). Accordingly, the Credit Event Redemption Amount as adjusted (as more fully described in the paragraph headed “Procedure for redemption of the Notes following a Credit Event” above) payable to investors in the Notes following the occurrence of a Credit Event is likely to be substantially less than the principal amount of the Notes.

#### **Procedure for Redemption of the Notes following Mandatory Redemption Events and Events of Default**

Following a Mandatory Redemption Event, the Notes will be redeemed on the Early Redemption Date at the Early Redemption Amount. The Early Redemption Amount will be an amount equal to the Liquidation Proceeds of the Underlying Assets (as defined in the Master Conditions) and/or any proceeds received in respect of the Underlying Assets (including any amounts received as a direct result of the reduction or writedown in the principal amount of the Underlying Assets) on or prior to the Early Redemption Date plus or minus (as the case may be) the Swap Settlement Amount payable by the Swap Counterparty and/or the Forward Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement or the Forward Agreement, as the case may be. The Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Assets. The Early Redemption Amount which investors will receive upon redemption of such Notes as described may be substantially less than the principal amount of the Notes invested.

Following an Event of Default, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the outstanding Notes of the relevant Series, or if so directed by an Extraordinary Resolution of the Noteholders of the relevant Series, shall (subject in each case to being indemnified to its satisfaction) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount. Thereafter, the Trustee will have the power to realise the Security in respect of such Series and terminate the Swap Agreement and the Forward

Agreement in respect of such Series in accordance with their terms. See the section headed “Information on the Security Arrangements for Notes”.

In any such circumstances, there is no assurance that the Issuer will have sufficient amounts to repay the principal amount due to be paid in respect of the Notes. Prospective investors should appreciate that the Notes will cease to bear any interest from the Interest Payment Date immediately preceding the date on which a Mandatory Redemption Event or, as the case may be, an Event of Default occurs or, if a Mandatory Redemption Event or, as the case may be, an Event of Default occurs prior to the first Interest Payment Date, no interest will be payable on the Notes.

#### **Issuer Call Option and Swap Counterparty Option**

In respect of each Series or Tranche of Notes, if the Swap Counterparty has exercised the Swap Counterparty Option under the Swap Agreement in relation to such Notes at any time from and including the first Interest Payment Date, the Issuer will exercise its Issuer Call Option to redeem early such Notes in whole (but not in part) at such time. Following the exercise by the Issuer of its Issuer Call Option in relation to a Series or Tranche of Notes, such Notes will be redeemed in whole at their principal amount plus accrued interest up to the relevant Call Redemption Date. Any exercise by the Issuer of an Issuer Call Option shall be irrevocable and the redemption of the relevant affected Notes following such exercise of such Issuer Call Option will occur as described above notwithstanding the occurrence of a Mandatory Redemption Event or a Credit Event after the exercise of such Issuer Call Option. Following the exercise of an Issuer Call Option in respect of a Series or Tranche of Notes, as such Notes will be redeemed in whole, no interest will be payable on such Notes after the Call Redemption Date (for further details and a description of the procedure for the redemption of Notes of any Series or Tranche in whole following the exercise of an Issuer Call Option, see the Applicable Pricing Statement).

**Prospective investors should read the Base Prospectus (including this Annex) and the Applicable Pricing Statement carefully to determine if a particular Series or Tranche of Notes are a suitable investment for them and should not invest in such Notes if they do not fully understand all the features and risks of such Notes. Prospective investors in any Series or Tranche of Notes should therefore consult their own legal, tax, accountancy or other professional advisers to assist them to determine the suitability of such Notes for them as an investment.**

## **RISK FACTORS**

*Prior to making an investment decision, prospective investors should carefully consider the contents of the Applicable Pricing Statement, Part 1 of the Base Prospectus and this Annex, in particular regarding the following matters. Prospective investors in a Series of Notes should note that this Annex should be read in conjunction with Part 1 of the Base Prospectus, which contains important information in respect of the Programme and the Notes issued under the Programme, and the Applicable Pricing Statement, which contain information which is specific to such Series of Notes. In particular, prospective investors should carefully study the matters set out in the section headed "Risk Factors" in Part 1 of the Base Prospectus. Structured securities such as the Notes are sophisticated instruments and can involve a high degree of risk.*

*Prospective investors however should be aware that the Applicable Pricing Statement, together with the Base Prospectus (including this Annex), can only disclose the most relevant risks and cannot disclose all the risks of the Notes. The information set out herein is included for the purpose of enabling prospective investors to make an informed assessment of the terms of the Notes, general risks of investing in the Notes and the capacity of the Issuer to fulfil its obligations under the Notes. No person should purchase or deal in the Notes unless they understand the nature of the transaction and the extent of their exposure to potential loss. Prospective investors in the Notes should therefore consult their own legal, tax, accountancy and other professional advisers to assist them to determine the suitability of the Notes for them as an investment.*

*Notwithstanding its ability to understand and make independent decisions regarding investing in the Notes, by purchasing Notes, an investor in the Notes shall be treated by the Issuer as implicitly representing and warranting that he has assumed, and is willing to assume, the complexity and risks inherent in the Notes, regardless of whether or not he has disclosed the same to the Issuer.*

### **Suitability of the Notes**

The purchase of the Notes involves certain risks including market risk, credit risk and liquidity risk. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Notes. In addition, on the occurrence of a Credit Event (as defined herein) in respect of a Reference Entity, Noteholders could lose all or a substantial part of their investment in the Notes. This Base Prospectus and the Applicable Pricing Statement are not and do not purport to be investment advice. You should conduct such independent investigation and analysis regarding the Notes and the other assets on which the obligations of the Issuer under the Notes are secured as you deem appropriate. You should make an investment only after you have determined that such investment is suitable for your financial investment objectives. You should consider carefully whether the Notes are suitable for you in light of your experience, objectives, financial position and other relevant circumstances.

### **Credit risk of Reference Entities**

The Notes differ from ordinary debt securities in that the amount of principal and/or interest payable by the Issuer is dependent on (among other things) whether a Credit Event has occurred. Payments upon redemption (whether at maturity or otherwise) will depend upon, among other things, the credit performance of each Reference Entity. The occurrence of a Credit Event in relation to any Reference Entity could result in the loss of a substantial portion or all of your investment in the Notes. In addition, the creditworthiness and/or performance of a Reference Entity may be dependent upon economic, political, financial and social events locally and globally. There can be no assurance that such factors will not adversely affect a Reference Entity's creditworthiness and/or performance and, in turn, the performance of the Notes.

A Reference Entity may, if there is a succession event such as a merger, de-merger or spin-off, be replaced by a successor reference entity. The successor Reference Entity could have a different, and worse, credit rating than the predecessor Reference Entity.

Noteholders and prospective purchasers of Notes should ensure that they understand the nature of the Notes 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. The Notes may be redeemed following the occurrence of certain Credit Events relating to a Reference Entity described herein as determined by the Determination Agent. Upon such redemption such Noteholder will, in relation to each Note held by such Noteholder, receive a cash amount determined by reference to certain obligations of the Reference Entity in respect of which a Credit Event has occurred, all as determined by the Determination Agent. In such case, the cash amount with respect to any Note(s) is likely to be less than the outstanding principal amount of such Note(s) being redeemed and may even be zero. Interest will cease to be payable on

any outstanding principal amount to be redeemed as from the Interest Payment Date immediately preceding the applicable Event Determination Date (as defined herein).

**Except for the disclosure on the credit ratings of the Reference Entities in the Applicable Pricing Statement, neither the Issuer nor the Arranger has conducted or will be conducting independent investigations on the Reference Entities in respect of (i) any legal or regulatory provisions which may materially affect the performance of the Reference Entities, (ii) any significant representations and warranties made concerning the Reference Entities, (iii) any material cross-default provisions relating to the Reference Entities, (iv) the nature and extent of the Reference Entities' exposure to any other entity and (v) the material terms or agreements involving the Reference Entities. None of the Issuer, the Arranger, the Swap Counterparties nor any other person or person on their behalf makes any representation or warranty, express or implied, as to any of the Reference Entities or any information contained in any documents filed by any of the Reference Entities with any exchange or with any governmental entity regulating the offering or sale of securities.**

Noteholders and prospective purchasers of Notes should conduct their own investigations and, in deciding whether or not to purchase Notes, prospective purchasers should form their own views of the merits of an investment linked to the credit risk of the Reference Entities based upon such investigations and not in reliance on any information given in the Prospectus. Noteholders and prospective purchasers of Notes should determine whether an investment in the Notes is appropriate in their particular circumstances and should consult with their legal, business and tax advisers to determine the consequences of an investment in the Notes and to arrive at their own evaluation of the investment.

#### **No affiliation with Reference Entities**

The Reference Entities will not be affiliates of the Issuer or the Arranger. The Arranger or an affiliate of the Arranger may presently or from time to time engage in business with any Reference Entity, including entering into loans with, or making equity investments in, such Reference Entity or its affiliates or providing investment advisory services to such Reference Entity, including merger and acquisition advisory services. Moreover, neither the Issuer nor the Arranger has any ability to control or predict the actions of any Reference Entity. No Reference Entity is involved in the offering of the Notes in any way or has any obligation to consider an investor's interest as an owner of the Notes in taking any corporate actions that might affect the value of the Notes. None of the money an investor pays for the Notes will go to a Reference Entity.

#### **The Reference Entities are not managed**

None of the Issuer, the Determination Agent, any other affiliate of the Issuer or any independent third party will manage or effect any removal, replacement, addition or substitution of the Reference Entities, other than to determine Successors.

#### **Determination of a Credit Event**

When and whether to declare a Credit Event is in the sole and absolute discretion of the Determination Agent. Upon notification of an occurrence of a Credit Event being given, the Notes will be redeemed at the Credit Event Redemption Amount on the Credit Event Redemption Date. The Credit Event Redemption Date will fall on any day between the 54<sup>th</sup> Business Day to and including the 127<sup>th</sup> Business Day following the Credit Event Determination Date and such date may fall after the Scheduled Maturity Date. Investors should be aware that there will be a time delay between the Determination Agent's declaration of a Credit Event and the payment (as appropriate) of the relevant amount due to investors.

#### **Valuation Obligations**

Following the declaration of a Credit Event, the value of the Notes is linked to the value of the Valuation Obligations and, in the case of a Tranche or Series of Notes which is not denominated in the Base Currency, the applicable exchange rate prevailing on or about the Credit Event Redemption Date, as determined by the Determination Agent, acting for and on behalf of the Issuer. In lieu of making the full repayment on the Notes on the Scheduled Maturity Date, the Issuer will pay to investors the Credit Event Redemption Amount on the Credit Event Redemption Date, which date may fall after the Scheduled Maturity Date. Although the Credit Event Entity may or may not have defaulted on any of its payment or other obligations under the relevant Valuation Obligations at that time, the value of such Valuation Obligations is likely to be substantially less than the principal amount of the relevant Valuation Obligations and may be as low as zero. Furthermore, the Swap Counterparty is able to exercise its sole and absolute discretion in choosing which Valuation Obligations

to select and the Determination Agent, acting for and on behalf of the Issuer, is able to exercise its sole and absolute discretion in choosing which Reference Dealers it will approach to obtain quotations for the market valuation of the Valuation Obligations, provided that such Reference Dealers will not be affiliated to each other and may include the Arranger or any of its Affiliates. See the definition “Valuation Obligations” in the Master Conditions for further details.

In the event that a Reference Obligation is redeemed in full or otherwise ceases to be an Obligation (as defined in the Master Conditions) of a Reference Entity, the Determination Agent acting for and on behalf of the Issuer will identify one or more Obligations which preserve the economic equivalent of the delivery and payment obligations of the Issuer to be a substitute Reference Obligation. In practice, the substitute Reference Obligation will be the same as that selected by the calculation agent under the Swap Agreement. The substitute Reference Obligation will be an equivalent Obligation of such Reference Entity. The identity of such substitute Reference Obligation will not be known to prospective investors when they commit to purchase the relevant Series or Tranche of Notes.

#### **Discretion of the Determination Agent**

For the purposes of the Notes, the Determination Agent, acting for and on behalf of the Issuer, has the sole and absolute discretion to determine (amongst others) whether a Credit Event or Mandatory Redemption Event has occurred and in making calculations as described in the Master Conditions and the Applicable Pricing Supplement. Although the Determination Agent has a general duty to act in good faith, the Master Conditions do not impose any express contractual duty on the Determination Agent to do so and prospective investors should be aware that any decision made by the Determination Agent may have an unforeseen adverse impact on the financial return of the Notes. Any such discretion exercised by, or any calculation or determination made by the Determination Agent (in the absence of manifest error) shall be binding on the Issuer and all investors.

#### **Determination of Credit Event Entity**

In the event that a Credit Event has occurred in respect of one or more of the Reference Entities, the Determination Agent, acting for and on behalf of the Issuer, has the sole and absolute discretion to decide which Reference Entity will be the Credit Event Entity. In practice, the Determination Agent will not select a Credit Event Entity which is not the same as that notified by the Swap Counterparty to the Issuer under the Swap Agreement (for further information on the Determination Agent’s discretion, see the paragraph headed “Discretion of the Determination Agent” in this section above).

The decision made by the Determination Agent in such circumstances will affect the Valuation Obligations which are used to calculate the amount received by the investors under the Notes. A selection may be made which is less favourable to the Noteholders and this will affect the value of the Notes and the return received.

#### **No legal or beneficial interest in the Obligations**

In respect of the Notes, the Issuer will not have any contractual relationship with any Reference Entity and will have no recourse against any Reference Entity. Nothing in the Conditions will constitute a purchase or other acquisition or assignment of any interest in any Obligation. None of the Issuer, the Noteholders or any other entity will have any rights to acquire from the Determination Agent (or to require the Determination Agent to transfer, assign or otherwise dispose of) any interest in any Obligation of any Reference Entity. Moreover, the Determination Agent will not grant to the Issuer any security interest in any such Obligation.

#### **Investors have no rights**

As an owner of Notes, an investor will not have voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to any Obligation.

#### **Conflicts of interest of Morgan Stanley**

The Issuer and the Swap Counterparty will not be (nor be deemed to be acting as) the agent, fiduciary or trustee of the Noteholders in connection with the exercise of, or the failure to exercise, any of the rights or powers of the Issuer or the Swap Counterparty, as the case may be, arising under or in connection with its holding (if any) of any Obligation.

The Determination Agent does not have any fiduciary duty to the Noteholders or any other person. The Determination Agent may have certain conflicts of interest. The Determination Agent or its affiliates may engage in business which may be in conflict with the Notes and/or the Reference Entities. The Determination Agent or its affiliates (i) may deal in any Obligation, (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 (including credit default swaps) with or with respect to, any Obligation, any Reference Entity, any obligation of any Reference Entity, and any investment manager or trustee relating to any Obligation, (iii) may have placed, underwritten, arranged or structured any obligation of any Reference Entity when such obligations 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 Notes did not exist and without regard as to whether such action might have an adverse effect on the Notes, any Obligation, any Reference Entity, any investment manager or trustee relating to any Obligation, the Issuer or the Noteholders. Although the Determination Agent or its affiliates may have entered into and may from time to time enter into business transactions with or with respect to any Obligation, any Reference Entity, any obligation of any Reference Entity or any investment manager or trustee relating to any Obligation, the Determination Agent or its affiliates at any time may or may not hold obligations (including any Obligation) of or have any business relationship with any such entity.

#### **No need for loss**

There is no restriction whatsoever on the Determination Agent's or the Issuer's ability to retain, sell or otherwise dispose of an Obligation. Amounts payable on the Notes will be adjusted following the occurrence of a Credit Event irrespective of whether the Determination Agent or the Issuer has suffered an actual loss or is exposed to the risk of loss in respect of any Obligation or Reference Entity or the size of such loss.

#### **First-to-Default Notes**

You should be aware that the Notes are linked to the credit of a basket of Reference Entities on a "first-to-default" basis. This means that the first occurrence of any Credit Event in respect of any of the Reference Entities could lead to the early redemption of such Notes with the amount of redemption likely to be substantially less than the face amount of the Notes. In the event that the Determination Agent notifies that a Credit Event has occurred in respect of any one of the Reference Entities, the redemption value of the Notes is reduced by the fall in the value of the selected debt obligations of the Reference Entity in respect of which such Credit Event occurred. The credit risk that you bear under the Notes is not allocated to any particular Reference Entity in any proportion. After the occurrence of a Credit Event in respect of any Reference Entity, the value of the Notes is likely to drop substantially.

#### **Exchange Rate Risks**

On the Issue Date, the Issuer shall invest the proceeds received from the issue of the Notes in the purchase of a principal amount of assets denominated in the Base Currency equal to the total principal amount of the Notes.

If there is a Mandatory Redemption Event or the Issuer gives notice of the occurrence of a Credit Event, the redemption amount payable to the Noteholders will depend on the redemption or sale proceeds of the Underlying Assets and/or the determined value of the Valuation Obligations (as the case may be), subject also in respect of a redemption of the Notes following a Mandatory Redemption Event to adjustment in respect of the Swap Settlement Amount, which includes any early termination amounts or close out payments under the Swap Agreement and the Forward Agreement. All such amounts and values will be determined on the basis of the Base Currency. The applicable Early Redemption Amount payable following a Mandatory Redemption Event or the Credit Event Redemption Amount payable following a Credit Event (as the case may be) will be paid to the Noteholders on a pro-rata basis on the relevant Early Redemption Date or the Credit Event Redemption Date (as the case may be) in the currency of denomination of the relevant Notes, calculated by converting such amounts and values in the Base Currency on the basis of the prevailing exchange rates on the date of such redemption of the Notes, as determined by the Determination Agent, acting for and on behalf of the Issuer. Depending on the exchange rate determined by the Determination Agent, acting for and on behalf of the Issuer, exchange rate risks may adversely impact the return of investment on the Notes.

#### **Rating**

Unless otherwise specified in the Applicable Pricing Statement, the Notes will not have the benefit of a credit rating.

## MASTER CONDITIONS FOR FIRST-TO-DEFAULT NOTES

*The following is the text of the Master Conditions which (subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Applicable Pricing Supplement (as defined below) and, save for the italicised text (other than sub-headings)) will be incorporated by reference into each Global Note representing Notes in bearer form and Notes in definitive form (if any) issued in exchange for the Global Note(s) representing Notes in bearer form (only if such incorporation by reference is agreed by the Issuer), in each case in respect of First-to-Default Notes. If such incorporation by reference is not so agreed, each such Note in bearer form and each Registered Note Certificate representing such Notes in registered form will have endorsed thereon or attached thereto such text (as so completed, amended, varied or supplemented). Further information with respect to each such Series of Notes will be given in the Pricing Statement in relation to such Series (the “**Applicable Pricing Statement**”). The Applicable Pricing Statement will contain a form of the final terms document in relation to such Series, or each Tranche comprising such Series, (as the case maybe) (the “**Applicable Pricing Supplement**) which will provide for those aspects of these Master Conditions which are applicable to those Notes. Terms used in the Applicable Pricing Supplement and not otherwise defined herein shall have the same meanings where used herein. The absence of any such term indicating that such term is not applicable to the Notes and references to a matter being “specified” means as the same may be specified in the Applicable Pricing Supplement.*

The Notes (as defined in Condition 1(a) below) are constituted and secured by a principal trust deed dated 7 August 2006 (as amended or supplemented from time to time, the “**Principal Trust Deed**”) by which the issuer and HSBC Institutional Trust Services (Singapore) Limited, (respectively the “**Issuer**” and the “**Trustee**” which expression shall include all persons for the time being the trustee or trustees in respect of the Notes under the Trust Deed referred to below and shall mean, in relation to any Series of Notes, the persons identified in the relevant Supplemental Trust Deed as the trustee for that Series) are bound (either as original parties thereto or by accession and/or other agreement), as supplemented in relation to the Notes by a supplemental trust deed (as amended or supplemented from time to time, the “**Supplemental Trust Deed**”) dated the Issue Date (as defined in Condition 6(k) below), between the Issuer, the Trustee and the other parties named therein (the Principal Trust Deed and such Supplemental Trust Deed being referred to herein as the “**Trust Deed**”).

The Notes will have the benefit (to the extent applicable) of an agency agreement dated 7 August 2006 (as amended or supplemented from time to time, the “**Agency Agreement**”) by which the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited (the “**Principal Paying Agent**”, which expression shall include any successor to The Hongkong and Shanghai Banking Corporation Limited in its capacity as such), The Hongkong and Shanghai Banking Corporation Limited (the “**Custodian**”, which expression includes any successor to The Hongkong and Shanghai Banking Corporation Limited in its capacity as such and any other custodian appointed in connection with any Notes), the Calculation Agent, the Settlement Agent, the Determination Agent and the Registrar (in the case of Registered Notes) are bound (either as original parties thereto or by accession and/or other agreement). As used herein, “**Calculation Agent**”, “**Settlement Agent**”, “**Determination Agent**”, “**Principal Paying Agent**”, “**Custodian**”, and/or “**Registrar**” means, in relation to the Notes, the person specified in the Applicable Pricing Supplement relating to the Notes as the Calculation Agent, the Settlement Agent, the Determination Agent, Principal Paying Agent, Custodian and/or Registrar, respectively and, in each case, any successor to such person in such capacity (collectively the “**Agents**”). In respect of any Series the Issuer may appoint any financial institution to act as custodian or, as the case may be, sub-custodian in relation to that Series.

The Applicable Pricing Supplement relating to each Series or Tranche, as the case may be, of Notes will be endorsed upon or attached to the Notes and will supplement these terms and conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these terms and conditions, replace or modify these terms and conditions for the purpose of the Notes.

The Issuer will also enter into, in relation to a Series of Notes, the Applicable Pricing Supplement(s), a Supplemental Trust Deed and other documents to give effect to the arrangements contemplated in respect of such Series of Notes.

Certain statements in the Master Conditions are summaries of the detailed provisions appearing on the face of the Notes (which expression shall include the body thereof), in the Applicable Pricing Supplement, the Trust Deed and/or any Supplementary Security Document (as defined in Condition 4(b) below). Copies of the Trust Deed, any Supplementary Security Document, the Applicable Pricing Supplement and the Agency Agreement are available for inspection at the specified offices of the Arranger and the Trustee as specified in the Prospectus.

The Noteholders (as defined in Condition 1 below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, any Supplementary Security Document and the Applicable Pricing Supplement and to have notice of those provisions of the Agency Agreement applicable to them.

In relation to the Notes, the Programme Agreement, the Principal Trust Deed, the Agency Agreement, the Administration Agreement, the Proposals and Advice Agreement, the Applicable Pricing Supplement, the Supplemental Trust Deed, any Supplementary Security Document, the Master Distributor Appointment Agreements together with the relevant Distributor Notification Letters and any Related Agreement shall together be referred to as the “**Transaction Documents**”.

Any reference in these conditions to a matter being “specified” means the same as specified in the Applicable Pricing Supplement.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the Applicable Pricing Supplement shall have the same meaning where used in these Master Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Agency Agreement, the Trust Deed and the Applicable Pricing Supplement, the Applicable Pricing Supplement will prevail.

## 1. FORM, DENOMINATION AND TITLE

### *(a) Form and Denomination*

The Notes of the Series or Tranche of which this Note forms a part (in these Master Conditions, the “**Notes**”) will be issued either (i) in bearer form (“**Bearer Notes**”), serially numbered in an Authorised Denomination (as defined below), (ii) in registered form (“**Registered Notes**”) in an Authorised Denomination or (iii) in an integral multiple thereof. “**Authorised Denomination**” means the currency and denomination or denominations or such currency or currencies specified in the Applicable Pricing Supplement. References herein to “**Notes**” shall include Bearer Notes and/or Registered Notes as specified in the Applicable Pricing Supplement. Bearer Notes of one Authorised Denomination may not be exchanged for Bearer Notes of another Authorised Denomination.

Interest bearing Bearer Notes are issued with Coupons (and, where appropriate, a Talon) attached. In the case of Zero Coupon Notes, references to interest (other than in relation to interest due after the Scheduled Maturity Date or other date for redemption), Coupons and Talons in these Conditions are not applicable. After all the Coupons attached to, or issued in respect of, any Bearer Note which was issued with a Talon have matured, if applicable, a coupon sheet comprising further Coupons (other than Coupons which would be void) and, if applicable, one further Talon, will be issued against presentation of the relevant Talon at the specified office of the Principal Paying Agent specified in the Applicable Pricing Supplement. Any Bearer Note the principal amount of which is redeemable in instalments may be issued with one or more Receipts attached thereto.

A certificate in respect of a Registered Note (each a “**Registered Note Certificate**”) will be issued substantially in the form set out in the Principal Trust Deed to each Noteholder in respect of its registered holding.

### *(b) Title*

Title to Bearer Notes, Coupons, Receipts and Talons (if any) passes by delivery. Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar (the “**Register**”).

In these Master Conditions, subject as provided below, “**Noteholder**” and (in relation to a Note, Coupon, Receipt or Talon) “**Holder**” means the bearer of any Bearer Note, Coupon, Receipt or Talon (as the case may be) and the person in whose name a Registered Note is registered, as the case may be. The expressions “**Noteholder**” and “**Holder**” include the holders of instalment receipts (the “**Receipts**”) appertaining to the payment of principal by instalments (if any) attached to such Notes (the “**Receiptholders**”) and the holders of the coupons (the “**Coupons**”) (if any) appertaining to interest bearing Notes in bearer form (the “**Couponholders**”, which expression includes the holders of talons (the “**Talons**”) (if any) for further coupons attached to such Notes (the “**Talontholders**”).

The holder of any Note, Coupon, Receipt or Talon will (except as otherwise required by law or ordered by a court of competent jurisdiction or an official public authority) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Note or Registered Note Certificate, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein other than, in the case of a Registered Note, a duly executed transfer of such Note in the form endorsed on the Registered Note Certificate in respect thereof) and no person will be liable for so treating such Holder.

***(c) Fungible Tranches of Notes comprising a Series***

A Series of Notes may comprise a number of tranches (each a “**Tranche**”). Notes of different Tranches of the same Series will not be fungible, except as set forth in the Applicable Pricing Supplement. If a further fungible Tranche (a “**Further Tranche**”) is issued in respect of a Series under which a Tranche or Tranches of Notes have already been issued (an “**Original Tranche**” or “**Original Tranches**”), the pool of assets (the “**Further Underlying Assets**”) relating to such Further Tranche will be fungible with or otherwise equivalent to the Underlying Assets for the Original Tranche or Original Tranches and the Related Agreement for the Original Tranche or Original Tranches will be amended to apply to both the Original Tranche or Original Tranches and such Further Tranche.

***(d) Classes of Notes comprising a Series***

Notes of a Series may be issued in various classes (each a “**Class**”) (as further specified in the Applicable Pricing Supplement) which classes will rank in priority of payment in the order specified in the Supplemental Trust Deed applicable to such Series of Notes and as described in the Applicable Pricing Supplement.

**2. EXCHANGES OF BEARER NOTES FOR REGISTERED NOTES AND TRANSFERS OF REGISTERED NOTES**

***(a) Exchange of Bearer Notes***

Subject as provided in this Condition 2, Bearer Notes may, if so specified in the Applicable Pricing Supplement, be exchanged at the expense of the transferor Noteholder for the same aggregate principal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of the Bearer Note to be exchanged together with all unmatured Coupons, Receipts and Talons relating to it (if any) at the specified office of the Registrar or the Principal Paying Agent provided, however, that Bearer Notes that are Dual Currency Notes, Variable Coupon Amount Notes or Variable Redemption Amount Notes may be exchanged for Registered Notes only with the prior written approval of the Issuer. Where, however, a Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 8(b)) for any payment of interest or Interest Amount (as defined in Condition 6(k)), the Coupon in respect of that payment of interest or Interest Amount need not be surrendered with it.

Registered Notes may not be exchanged for Bearer Notes.

***(b) Transfer of Registered Notes***

Subject as provided in this Condition 2, a Registered Note may be transferred upon the surrender of the relevant Registered Note Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar; *provided, however*, that a Registered Note may not be transferred unless the principal amount of Registered Notes proposed to be transferred and the principal amount of the balance of Registered Notes proposed to be retained by the relevant transferor are Authorised Denominations. In the case of a transfer of part only of a holding of Registered Notes represented by a Registered Note Certificate, a new Registered Note Certificate in respect of the balance not transferred will be issued to the transferor.

***(c) Delivery of new Registered Note Certificates***

Each new Registered Note Certificate to be issued upon exchange of Bearer Notes or transfer of Registered Notes will, within three business days (in the place of the specified office of the Registrar) of receipt of such request for exchange or form of transfer, be available for delivery at the specified office of the Registrar stipulated in the request for exchange or form of transfer, or be mailed at the risk of the Noteholder entitled to the Registered Note Certificate to such address as may be specified in such request or form of

transfer. For these purposes, a form of transfer or request for exchange received by the Registrar after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment.

***(d) Exchange at the expense of Transferor Noteholder***

Registration of Notes on exchange or transfer will be effected at the expense of the transferor Noteholder by or on behalf of the Issuer or the Registrar, and upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

***(e) Closed periods***

No transfer of a Registered Note to be registered, a Bearer Note to be exchanged for a Registered Note nor a Temporary Global Note to be exchanged for a Permanent Global Note may occur during the period of 15 days ending on the due date for any payment of principal, interest or Redemption Amount (as defined below) on that Note except as specified in Condition 2(a).

***(f) Transfer of U.S. Registered Notes***

A Registered Note issued in the United States or to, or for the benefit of, a U.S. person (a “**U.S. Registered Note**”) will be issued substantially in the form of the Sixth Schedule to the Trust Deed and bearing a restrictive legend (each a “**U.S. Registered Note Certificate**”) to each Noteholder in respect of its registered holding. U.S. Registered Notes may be transferred in whole or in part in the United States or to, or for the benefit of, U.S. persons upon surrender of the U.S. Registered Note Certificate, together with the duly executed form of transfer and an investor letter, for a new U.S. Registered Note Certificate.

A U.S. Registered Note may be transferred in whole or in part in a transaction outside the United States and not to, or for the benefit of, a U.S. person upon surrender of the relevant U.S. Registered Note Certificate, together with the duly executed form of transfer, for a Registered Note Certificate (without the restrictive legend applicable to U.S. Registered Notes). In the case of a transfer of part only of a U.S. Registered Note in a transaction outside the United States and not to, or for the benefit of, a U.S. person, a Registered Note will be issued in respect of the balance so transferred and a new U.S. Registered Note in respect of the balance not transferred will be issued to the transferor. Registered Notes issued pursuant to Regulation S under the Securities Act may be exchanged for U.S. Registered Notes. Notes issued in bearer form may not be exchanged for a U.S. Registered Note.

### **3. STATUS AND INSTRUCTING CREDITOR**

***(a) Unsubordinated Notes***

This Condition 3(a) is applicable only in relation to Notes which are specified as being Unsubordinated.

The Notes, Coupons and Receipts (if any) are secured limited recourse obligations of the Issuer, secured in the manner described in Condition 4 and recourse in respect of which is limited in the manner described in Condition 11 and will rank *pari passu* without any preference among themselves.

***(b) Subordinated Notes***

This Condition 3(b) is applicable only in relation to Notes which are specified as being Subordinated.

In the case of Subordinated Notes, the Notes, Coupons and Receipts (if any) are subordinated and ranked as provided in the Supplemental Trust Deed and described in the Applicable Pricing Supplement.

***(c) Instructing Creditor***

The Applicable Pricing Supplement and Supplemental Trust Deed will specify the Secured Creditor(s) that shall be the Instructing Creditor(s) in relation to that Series of Notes.

Where the Instructing Creditor is the Noteholders, the Noteholders can (where specified) request the Trustee to take actions contemplated in the Conditions by means of a request in writing of the holders of at least one fifth in principal amount of the Notes of such Series then outstanding or by means of an Extraordinary Resolution of such Noteholders.

Where the Instructing Creditor is the Swap Counterparty, the Swap Counterparty may (where specified) request the Trustee to take actions contemplated in the Conditions by means of a written request.

The security in relation to any Series of Notes will become enforceable upon the Trustee giving an Enforcement Notice (as defined in Condition 10) to the Issuer of that Series subsequent to an Event of Default or as otherwise provided in the Trust Deed.

The Trustee shall not be bound to give any Enforcement Notice in respect of any Series of Notes, to take any steps or institute any proceedings to enforce the security for any Series or to enforce payment of any amount due and payable under or pursuant to the Notes of any Series or the Related Agreement unless it shall have been so requested by the Instructing Creditor in relation to such Series and has been secured and/or indemnified to its satisfaction.

The Trustee will, where the interests of the Instructing Creditor conflict with those of the other Secured Creditors (as defined in Condition 4(b)), prefer the interests of such Instructing Creditor over the interests of the other Secured Creditors (and shall not take into account the interests of such other Secured Creditors).

#### **4. RELATED AGREEMENTS, UNDERLYING ASSETS AND SECURITY**

##### **(a) Related Agreements**

In connection with the issue of the Notes of any Series, the Issuer may enter into a Swap Agreement with the Swap Counterparty and/or a Forward Agreement with the Forward Counterparty, which may be guaranteed by the Swap Guarantor under the terms of the Swap Guarantee or the Forward Guarantee respectively (each a **“Related Agreement”**).

##### **(b) Underlying Assets**

(i) The Issuer shall, on the Issue Date (as specified) of the Notes, invest the proceeds received from the issue of the Notes in a principal amount of securities (including, without limitation, liquidity funds or money market funds or similar investment vehicles), or in a deposit, denominated in US dollars equal to the total principal amount of the Notes (or, in respect of Notes not denominated in US dollars, an equivalent amount in US dollars by reference to the relevant prevailing exchange rate on or about the Issue Date as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion) (such securities, the **“Original Underlying Assets”**).

(ii) Subject to the criteria specified in the Applicable Pricing Supplement, such Original Underlying Assets may consist of any one or more of the following (each an **“Eligible Investment”** and together **“Eligible Investments”**) as determined by the Determination Agent, acting for and on behalf of the Issuer, at its sole and absolute discretion:

(1) cash in the form of United States dollars held in a deposit account with a third party bank (which may or may not be interest bearing) (**“Cash Deposit”**) ; and/or

(2) Asset-Backed Securities, CDO Squared Securities, Credit Commodity Linked Securities and Synthetic CDO Securities; and/or

(3) Medium Term Notes; and/or

(4) Commercial Paper or Certificates of Deposit; and/or

(5) any investment denominated in the Base Currency that is a money market fund or liquidity fund or similar investment vehicle that principally invests in short term fixed income obligations (**“Liquidity Fund”**), including, without limitation, any investment vehicle for which the Arranger, the Determination Agent, the Custodian or the Trustee, or an Affiliate of any of them, provides services,

where:

**“Asset-Backed Security”** means (a) a debt security where the holders of such debt security are (i) entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend, amongst others, on the cash flow from a financial asset or a pool of financial assets, whether fixed, revolving or managed; or (ii) entitled to receive payments of interest and/or repayment of principal that are linked, directly or indirectly, to the credit worthiness of one or more obligors and/or value and/or price performance and/or cash flows of a financial asset or a pool of financial assets, whether fixed, revolving or managed (and whether or not such entitlement is also linked to other matters), and, in each case, that by its terms may pay an amount in cash to its holder within a finite time

period, and/or with such other rights or assets designed to assure the servicing or timely distribution of proceeds to holders of the asset-backed securities; and (b) any other debt security which Moody's Investors Service, Inc. or any successor to the rating business thereof ("**Moody's**") and/or Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof ("**S&P**") and/or Fitch Ratings or any successor to the rating business thereof ("**Fitch**") categorises as an asset-backed security.

**"CDO Squared Security"** means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, the credit worthiness of the underlying reference entities (constituting the portfolio of credit risks of each Synthetic CDO Security which is named as a reference obligation under such debt security) and/or the obligors, financial asset or pool of financial assets in respect of each Asset-Backed Security which is named as a reference obligation under such debt security.

**"Certificate of Deposit"** means a negotiable bearer instrument evidencing a time deposit with a commercial bank.

**"Commercial Paper"** means a short term secured or unsecured promise to repay a debt on a certain future date.

**"Credit Commodity Linked Securities"** means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, (a) the creditworthiness of the underlying reference entities (constituting the portfolio of credit risks of each Synthetic CDO Security which is named as a reference obligation under such debt security) ; and/or (b) the performance of obligors, financial asset or pool of financial assets in respect of each Asset-Backed Security which is named as a reference obligation under such debt security; and/or (c) the price level of the underlying commodities (constituting the portfolio of commodity risks of the debt security) on the relevant 'observation date' with respect to the price triggers set on the initial pricing date (s) through one or more commodity derivatives swaps which the issuer of such debt security has entered into with one or more counterparties. The commodities derivatives swaps containing the pre-set commodities price triggers, if struck, would require settlement under the commodities derivatives swaps which may result in losses in or delays in payment timing of principal and/or interest under such debt securities.

**"Medium Term Note"** means a debt security issued by a corporate entity.

**"Synthetic CDO Security"** means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, the credit worthiness of a number of the underlying reference entities (constituting the portfolio of credit risks of the debt security) through one or more credit default swaps which the issuer of such debt security has entered into with one or more counterparties.

(iii) In the event that any of the Original Underlying Assets are redeemed, in whole or in part, at or above their outstanding principal amount including any accrued interest in accordance with their terms for any reason whatsoever by the issuer of such Original Underlying Assets (or, in the case of Original Underlying Assets in the form of Commercial Paper, Certificates of Deposit, Cash Deposits or Liquidity Funds, redeemed or repaid for any reason whatsoever (as the case may be)) prior to the Scheduled Maturity Date (as specified) of the Notes, the proceeds of redemption or repayment will be paid into the account of the Issuer with the Custodian (which may or may not be interest bearing). The Determination Agent, acting for and on behalf of the Issuer, may in its sole and absolute discretion reinvest the proceeds of redemption or repayment in Eligible Investments (the Eligible Investments which are so acquired, the "**Reinvested Eligible Investments**"). If any of the Reinvested Eligible Investments are themselves redeemed, in whole or in part, at or above their outstanding principal amount including any accrued interest in accordance with their terms by the issuer (s) of such Reinvested Eligible Investments (or, in the case of Reinvested Eligible Investments in the form of Commercial Paper, Certificates of Deposit, Cash Deposits or Liquidity Funds, redeemed or repaid for any reason whatsoever (as the case may be) ) prior to the Scheduled Maturity Date (as specified) of the Notes, the proceeds of redemption or repayment will be paid into the account of the Issuer with the Custodian (which may or may not be interest bearing). The Determination Agent, acting for and on behalf of the Issuer, may in its sole and absolute discretion reinvest the proceeds of redemption or repayment of such Reinvested Eligible Investments in other Eligible Investments. This process can be repeated any number of times if applicable. The expression "**Underlying Assets**" in respect of a Series of Notes comprises the Original

Underlying Assets, the Reinvested Eligible Investments and the proceeds of redemption or repayment thereof in respect of such Series.

(iv) In the event that any of the Original Underlying Assets or any of the Reinvested Eligible Investments are redeemed, in whole or in part, at or above their outstanding principal amount including any accrued interest in accordance with their terms as (or, in the case of Original Underlying Assets or Reinvested Eligible Investments in the form of Commercial Paper, Certificates of Deposit, Cash Deposits or Liquidity Funds, redeemed or repaid for any reason whatsoever (as the case may be) ) described above, the Issuer will notify the Trustee of such redemption or repayment. The Issuer will notify the Trustee as soon as practicable after investing in Reinvested Eligible Investments of details of such investment, including the issuer (s) and rating (s) (if any) of the Reinvested Eligible Investments (or the rating (s) of the issuer (s) or obligor (s) thereof).

*(c) Security*

The Trust Deed in respect of each Series of Notes will provide that the obligations of the Issuer under the Notes, Coupons and Receipts (if any) of such Series to the Trustee on its own behalf and on behalf of the Noteholders and to those persons referred to in the Applicable Pricing Supplement (collectively, the “**Secured Creditors**”) are secured by security interests (governed by English law and/or the law of any other relevant jurisdiction) over certain Underlying Assets as specified in the relevant Supplemental Trust Deed, any relevant Related Agreement and such other assets as are specified in the Applicable Pricing Supplement.

The security created by the Trust Deed in respect of each Series of Notes may be supplemented by such further security documents (each a “**Supplementary Security Document**” and, together with such Trust Deed, the “**Security Documents**”) as may, from time to time, be required by the Trustee and as specified in the Applicable Pricing Supplement (together, in respect of such Series, the “**Security**”).

The assets (including the Underlying Assets) on which the Notes of a Series are secured are referred to as the “**Charged Assets**” in respect of such Series.

*To the extent that an obligor under the Underlying Assets of a Series of Notes fails to make payments to the Issuer on the due date therefor, the Issuer may be unable to meet its obligations (a) under the Related Agreement(s) in respect of such Series (if any) and/or (b) in respect of the Notes, the Coupons or the Receipts (if any) in respect of such Series as and when they fall due. In addition, to the extent that any such Related Agreement is terminated the Issuer may also be unable to meet such obligations. In any such event, and subject to Condition 7(c) and Condition 10, such Series of Notes will become repayable in accordance with the Conditions. In any such event, following a mandatory redemption of such Series of Notes the amount received may be insufficient to pay all amounts due to the Secured Creditors (including the Noteholders of such Series).*

*The Notes are also capable of being declared immediately due and repayable prior to their stated date of maturity or other date or dates for their redemption following the occurrence of any of the Events of Default more particularly specified in Condition 10. Once notice has been given to the Issuer by the Trustee following any such occurrence (and the Instructing Creditor may direct the Trustee to give such notice), the Notes will become repayable in accordance with the Conditions and the security therefor will become enforceable in accordance with and subject to the provisions of Condition 11. On any such enforcement, the amount received may be insufficient to pay all amounts due to the Secured Creditors (including the Noteholders).*

*(d) Realisation of the Underlying Assets upon enforcement or Underlying Disposal Event*

Subject to the Applicable Pricing Supplement in respect of a Series of Notes, in the event of:

(i) the security created by the Security Documents becoming enforceable as provided in Condition 10, the Trustee shall have the right to enforce its rights under the Security Documents in relation to the relevant Charged Assets only;

(ii) an Underlying Disposal Event (as defined in Condition 7(c)), the Custodian shall arrange for and administer the sale of the relevant Underlying Assets,

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 Creditor, provided that the Trustee shall not be required to take any action that would involve the Trustee in any personal liability or expense unless previously indemnified and/or secured to its satisfaction.

*(e) Application of Proceeds*

All monies received by the Trustee in connection with the Notes will be held by the Trustee on trust to apply the same in accordance with the application of proceeds provisions set out in the relevant Supplemental Trust Deed and as is specified in the Applicable Pricing Supplement.

**5. RESTRICTIONS**

So long as any of the Notes remain outstanding, the Issuer will not, save to the extent permitted or contemplated herein or by the Transaction Documents:

(a) engage in any business (other than acquiring and holding the Underlying Assets in respect of a Series of Notes (which shall include the making of loans or otherwise providing credit), issuing the Notes, entering into Related Agreements, entering into the Transaction Documents, acquiring and holding other assets which impose no obligations on the Issuer, issuing further Series of Notes, performing its obligations and exercising its rights thereunder and under the other agreements entered into by it in connection with the issue of the Notes and the Transaction Documents (and such further Series and matters reasonably incidental thereto);

(b) have any employees or premises;

(c) declare or pay any dividend (other than, in respect of each Tranche of Notes, an amount received by the Issuer as a transaction fee in respect of such Tranche of Notes) or make any distribution in respect of its share capital or issue any additional shares;

(d) incur or permit to subsist any indebtedness for borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness other than issuing Notes pursuant to the Principal Trust Deed, provided that the Trustee is satisfied that such Notes are:

(i) secured on assets of the Issuer other than:

(A) the assets securing any other Series of Notes;

(B) any other assets of the Issuer on which any other obligations of the Issuer are secured; and

(C) the Issuer's share capital and any amounts received by the Issuer as a transaction fee in respect of any Tranche of Notes; and

(ii) issued on terms in substantially the form contained in these Conditions which provide for the extinguishment of all claims in respect of such further Notes and obligations after application of the proceeds of sale or redemption of the assets on which such Notes and obligations are secured;

(e) sell or otherwise dispose of the Underlying Assets or any interest therein or agree or purport to do so;

(f) create or permit to exist upon or affect any of the Underlying Assets relating to any Series any security interest whatsoever other than as contemplated by the Transaction Documents in relation to such Series;

(g) consolidate or merge with any other person or convey or transfer its properties or assets to any person;

(h) permit the validity or effectiveness of the Trust Deed, any other Security Document, any guarantee arrangements executed in relation to the issue of Notes or the priority of the security created thereby to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security to be released from such obligations;

(i) release any party to any Related Agreement from any executory obligation thereunder; or

(j) have any subsidiaries.

The Trustee shall be entitled to rely absolutely on a certificate of any director of the Issuer in relation to any matter relating to such restrictions and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter in question.

## 6. INTEREST AND OTHER CALCULATIONS

### *(a) Interest on Fixed Rate Notes*

This Condition 6(a) is applicable only if the Applicable Pricing Supplement specifies the Notes as Fixed Rate Notes.

Each Note (other than a Zero Coupon Note) bears interest on its Principal Amount (or as otherwise specified in the Applicable Pricing Supplement) from the Interest Commencement Date at the Interest Rate, such interest being payable in arrear (unless otherwise specified in the Applicable Pricing Supplement) on each Interest Payment Date (as defined in Condition 6(k)).

If a Fixed Coupon Amount or a Broken Amount is specified in the Applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified, and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the Applicable Pricing Supplement.

### *(b) Business Day Convention*

If any date referred to in these Conditions or the Applicable Pricing Supplement is specified to be subject to adjustment in accordance with a Business Day Convention and would otherwise fall on a day which is not a Business Day, then if the Business Day Convention specified in the Applicable Pricing Supplement is:

(i) the “Following Business Day Convention”, such date shall be postponed to the next day which is a Business Day;

(ii) the “Modified Following Business Day Convention”, such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or

(iii) the “Preceding Business Day Convention”, such date shall be brought forward to the immediately preceding Business Day.

### *(c) Interest Rate on Floating Rate Notes*

This Condition 6(c) is applicable only if the Applicable Pricing Supplement specifies the Notes as Floating Rate Notes.

Each Floating Rate Note bears interest on its Principal Amount (or as otherwise specified in the Applicable Pricing Supplement) from and including the Interest Commencement Date at the Interest Rate (as determined in accordance with this Condition 6(c) (unless otherwise specified in the Applicable Pricing Supplement) on each Interest Payment Date (as defined in this Condition 6(c)).

If “Screen Rate Determination” is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Page displays a rate which is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Relevant Rate which appears on the Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Relevant Rates which appear on the Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Page is unavailable, the Calculation Agent will:

(1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Relevant Rate at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time;

(2) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Relevant Rate, as determined by the

Calculation Agent) quoted by major banks in the Relevant Financial Centre of the Relevant Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Relevant Financial Centre of the Relevant Currency) on the first day of the relevant Interest Period for loans in the Relevant Currency to leading European banks for a period equal to the relevant Interest Period and in the Representative Amount,

and the Interest Rate for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate applicable to the Notes during such Interest Period will be the sum of the Margin and the rate (or as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

If ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Applicable Pricing Supplement;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the Applicable Pricing Supplement.

**(d) Interest Rate on Indexed Notes**

If the Applicable Pricing Supplement specifies that the Interest Rate will be linked to an index or indices, the Interest Rate applicable to the Notes for each Interest Period will be determined in the manner specified in the Applicable Pricing Supplement.

**(e) Maximum or Minimum Interest Rates**

If any Maximum Interest Rate or Minimum Interest Rate is specified in the Applicable Pricing Supplement, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

**(f) Interest Rate on Zero Coupon Notes**

The Interest Rate for any overdue principal in respect of a Zero Coupon note shall be a rate per annum (expressed as a percentage) equal to the figure expressed to be the amortisation yield (the “**Amortisation Yield**”) shown on the face of the Note or in the Applicable Pricing Supplement (as well after as before judgment) up to the Relevant Date.

**(g) Accrual**

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the Interest Rate in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 7(e)) provided that if the Conditions to Settlement are satisfied, the Notes shall cease to bear interest from (and including) the Interest Payment Date immediately preceding the Event Determination Date or, if none, the Issue Date.

**(h) Rounding**

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

- (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);

(ii) all figures will be rounded to seven significant figures (with halves being rounded up); and

(iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Japanese yen, which shall be rounded down to the nearest Japanese yen. For these purposes, “unit” means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

**(i) Calculations**

The amount of interest payable in respect of any Note for each Interest Period shall be calculated by multiplying the product of the Interest Rate and the Principal Amount outstanding of such Note during that Interest Period by the Day Count Fraction, unless an Interest Amount is specified in respect of such period in the Applicable Pricing Supplement, in which case the amount of interest payable in respect of such Note for such Interest Period will equal such Interest Amount.

**(j) Determination and Publication of Interest Rates and Interest Amounts**

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to obtain any quote or make any determination or calculation, the Calculation Agent will determine the Interest Rate and calculate the amount of interest payable (the “Interest Amounts”) in respect of each Authorised Denomination of Notes for the relevant Interest Period, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Principal Paying Agent, or, in the case of a Series of Registered Notes, the Registrar, the Trustee, the Issuer, the Principal Paying Agent and, if the Notes are listed on an exchange and such exchange so requires, such exchange as soon as possible after their determination but in no event later than (i) (in case of notification to such exchange) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Trustee. The determination of each Interest Rate, Interest Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent or, as the case may be, the Trustee pursuant to Condition 6(c), shall (in the absence of manifest error) be final and binding upon all parties.

**(k) Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (whether or not constituting an Interest Period, the “Calculation Period”):

(a) if “Actual/365” or “Actual/Actual” is specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of:

(i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and

(ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if “Actual/365(Fixed)” is specified, the actual number of days in the Calculation Period divided by 365;

(c) if “Actual/360” is specified, the actual number of days in the Calculation Period divided by 360;

(d) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless:

(i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month; or

(ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(e) if “**30E/360**” or “**Eurobond Basis**” is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period) unless, in the case of the final Calculation Period, the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month;

“**euro**” means the lawful currency of the Member States of the European Union participating in Economic and Monetary Union;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the Applicable Pricing Supplement;

“**Interest Determination Date**” means, with respect to an Interest Rate and an Interest Period, the date specified as such in the Applicable Pricing Supplement or, if none is so specified, the day falling two business days in London prior to the first day of such Interest Period (or if the specified currency is British pound sterling the first day of such Interest Period);

“**Interest Payment Date**” means the date(s) specified as such in the Applicable Pricing Supplement;

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“**Interest Rate**” means the rate of interest payable from time to time in respect of the Note and which is either specified in, or calculated in accordance with the provisions of, these Conditions and/or the Applicable Pricing Supplement;

“**ISDA Definitions**” means, in respect of a Series of Notes, the 2000 ISDA Definitions (as may be amended or supplemented from time to time) as published by the International Swaps and Derivatives Association, Inc. in effect as at the date on which the relevant Notes are issued;

“**Issue Date**” means the date of issue of the Notes;

“**Margin**” means the rate per annum (expressed as a percentage) specified in the Applicable Pricing Supplement;

“**Page**” means such page, section, caption, column or other part of a particular information service (including but not limited to, the Reuters Money 3000 Service “**Reuters**”) and the Moneyline Telerate Service (“**Telerate**”) as may be specified in the Applicable Pricing Supplement, or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices;

“**Participating Member State**” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“**Principal Amount**” means in relation to a Note or Series, the original face value thereof less any repayment of principal made to the holder(s) thereof in respect of such Note or Series;

“**Reference Banks**” means the institutions specified as such or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the Calculation Agent in its sole and absolute discretion;

“**Relevant Currency**” means the currency specified as such or, if none is specified, the currency in which the Notes are denominated;

**“Relevant Financial Centre”** means, with respect to any Note, to be the financial centre as may be specified as such or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Calculation Agent;

**“Relevant Rate”** means the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the Applicable Pricing Supplement);

**“Relevant Time”** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the Applicable Pricing Supplement or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the relevant currency in the interbank market in the Relevant Financial Centre;

**“Representative Amount”** means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the Applicable Pricing Supplement as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

**“Specified Duration”** means, with respect to any Floating Rate to be determined on an Interest Determination Date, the period or duration specified in the Applicable Pricing Supplement;

**“TARGET Settlement Day”** means any day on which the TARGET system is open;

**“TARGET system”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer system; and

**“Treaty”** means the Treaty establishing the European Communities, as amended.

***(l) Calculation Agent and Reference Banks***

The Issuer will procure that there shall at all time be four Reference Banks selected by the Issuer acting through the Calculation Agent with offices in the Relevant Financial Centre and a Calculation Agent if provision is made for them in the Conditions applicable to this Note and for so long as it is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer acting through the Calculation Agent will select another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint (with the prior written consent of the Trustee) a successor to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

***(m) Determination or Calculation by Trustee***

If the Calculation Agent or the Determination Agent, as the case may be, does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it, the Trustee shall determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to the terms of the Trust Deed) it shall deem fair and reasonable in all the circumstances or, subject as aforesaid, apply the foregoing provisions of this Condition, with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances, and each such determination or calculation shall be deemed to have been made by the Calculation Agent or Determination Agent, as the case may be.

**7. REDEMPTION, PURCHASE AND EXCHANGE**

***(a) Redemption at Maturity***

Unless previously redeemed, or purchased and cancelled as provided below, or unless such Note is stated in the Applicable Pricing Supplement as having no fixed maturity date, each Note will be redeemed at its Redemption Amount, on the **“Scheduled Maturity Date”** specified in the Applicable Pricing Supplement.

**“Redemption Amount”** means, unless otherwise specified in the Applicable Pricing Supplement, in relation to a Note or Series, the amount of the original face value thereof less any repayment of principal made to the Holder(s) thereof in respect of such Note or Series.

**(b) Redemption following a Credit Event**

(i) At any time after the Determination Agent has determined in its sole and absolute discretion that a Credit Event has occurred, the Determination Agent may during the Notice Delivery Period give a Credit Event Notice and a Notice of Publicly Available Information to the Issuer in accordance with Condition 7(b)(x), which shall constitute satisfaction of the Conditions to Settlement. The Issuer shall promptly notify the Noteholders in accordance with Condition 15 (*Notices*) of the satisfaction of the Conditions to Settlement.

Where the Conditions to Settlement have been satisfied, no further payments shall be made in respect of the Notes, save as provided in this Condition 7(b) and the Issuer shall be obliged to redeem the Notes by payment to the Noteholder of the Credit Event Redemption Amount in accordance with this Condition 7(b).

(ii) Following an Event Determination Date, the Valuation Obligation Portfolio shall be identified by the Swap Counterparty (in its sole and absolute discretion).

(iii) Subject to the other provisions of these Conditions, on the Credit Event Redemption Date the Issuer shall pay to the Swap Counterparty an amount equal to the Liquidation Proceeds and the Swap Counterparty will pay to the Issuer the Credit Event Redemption Amount (after making certain adjustments as described under the definition of Credit Event Redemption Amount below) to enable the Issuer to meet its obligations under the Notes.

(iv) The Issuer will redeem each Note by payment of the Relevant Proportion of the Credit Event Redemption Amount, converted (where relevant) into the currency of denomination of the relevant Tranche or Series of Notes at the exchange rate prevailing on or about the Credit Event Redemption Date (as determined by the Determination Agent, acting for and on behalf of the Issuer in its sole and absolute discretion acting in good faith), on the Credit Event Redemption Date. Such payment shall discharge the obligations of the Issuer to redeem the relevant Notes.

(v) The following definitions shall apply to the Conditions:

**“Accelerated or Matured”** has the meaning given in clause (vii) of the definition of Valuation Obligation Characteristics below.

**“Accreted Amount”** means, with respect to an Accreting Obligation, an amount equal to (A) the sum of (1) the original issue price of such obligation and (2) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (B) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in clause (A)(2) above), in each case calculated as of the earlier of (x) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (y) the Valuation Date or other the applicable date as of which the Accreted Amount is to be determined. Such Accreted Amount shall not include any accrued and unpaid periodic cash interest payments (as determined by the Determination Agent). If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such Obligation’s yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for purposes of clause (A)(2) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (x) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (y) the Valuation Date or other the applicable date as of which the Accreted Amount is to be determined. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

**“Accreting Obligation”** means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (A) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (B) periodic cash interest is also payable.

“**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 this purpose, “control” of any entity or person means ownership of a majority of the voting power of the entity or person.

“**Assignable Loan**” has the meaning given in clause (ii) of the definition of Valuation Obligation Characteristics below.

“**Bankruptcy**” has the meaning given in clause 5 of the definition of Credit Event below.

“**Base Currency**” means the currency specified as such in the Applicable Pricing Supplement, or if none is specified, USD.

“**Best Available Information**” means:

(i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Determination Agent makes its determination for the purposes of Condition 7(b)(vi), other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or

(ii) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Determination Agent to allow it to make a determination for the purposes of Condition 7(b)(vi).

Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.

“**Bond**”, “**Bond or Loan**” and “**Borrowed Money**” have the respective meanings given in clauses (iv), (vi) and (ii) the definition of Obligation Category below.

“**Business Day**” means a day on which commercial banks and foreign exchange markets are generally open to settle payments in London, Singapore and New York, unless otherwise specified in the Applicable Pricing Supplement.

“**Certificate Balance**” means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

“**Company**” means a Reference Entity which is not a Sovereign.

“**Conditionally Transferable Obligation**” means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than Bonds, provided, however, that a Valuation Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Valuation Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Valuation Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Valuation Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for purposes hereof. For purposes of determining whether a Valuation Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Valuation Date, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents which have been obtained by the Issuer.

In the event that a Conditionally Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of this definition and, if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument. References in this definition of Conditionally Transferable Obligation to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively.

“**Conditions to Settlement**” means the delivery by the Determination Agent to the Issuer in accordance with Condition 7(b)(x) of a Credit Event Notice and Notice of Publicly Available Information at any time during the Notice Delivery Period.

“**Consent Required Loan**” has the meaning given in clause (iii) of the definition of Valuation Obligation Characteristics below.

“**Convertible Obligation**” means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

“**Credit Event**” means the determination by the Determination Agent, acting in good faith and in its sole discretion, that one or more of the events described in clauses 1 to 5 below has occurred in respect of a Reference Entity which is of an Entity Type to which such event is specified to be applicable. For the avoidance of doubt, if a Credit Event occurs in respect of more than one Reference Entity at any time, the Determination Agent may select the Credit Event Entity from any of such Reference Entities.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation or an Insured Obligor to enter into any Insured Obligation, (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation, or, as applicable, any Underlying Obligation or Insured Obligation however described, (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described, or (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described. In these Conditions:

### **1. Obligation Acceleration**

“**Obligation Acceleration**” means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

### **2. Failure to Pay**

“**Failure to Pay**” means the failure by a Reference Entity to make, when and where due after the expiration of any applicable Grace Period (after satisfaction of any conditions precedent to the commencement of such Grace Period), any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure. For the avoidance of doubt, reference to any grace period will not be applicable.

### **3. Repudiation/Moratorium**

“**Repudiation/Moratorium**” means (i) an authorized officer of a Reference Entity or a Governmental Authority (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and (ii) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement,

with respect to any such Obligation occurs on or prior to the day which is two Business Days prior to the Maturity Date.

#### **4. Restructuring**

(a) **“Restructuring”** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Observation Commencement Date and the date as of which such Obligation is issued or incurred:

(i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;

(ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or

(v) any change in the currency or composition of any payment of interest or principal to a currency which is not a Permitted Currency

Provided that, with respect an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, (i) to (v) above are hereby amended to read as follows:

(i) a reduction in the rate or amount of the Instrument Payments described in clause (A)(x) of the definition thereof that are guaranteed or insured by the Qualifying Policy;

(ii) a reduction in the amount of the Instrument Payments described in clause (A)(y) of the definition thereof that are guaranteed or insured by the Qualifying Policy;

(iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of the Instrument Payments described in clause (A)(x) of the definition thereof or (B) the payment of the Instrument Payments described in clause (A)(y) of the definition thereof, in each case that are guaranteed or insured by the Qualifying Policy;

(iv) a change in the ranking in priority of payment of (A) any Obligation under a Qualifying Policy in respect of Instrument Payments, causing the Subordination of such Obligation to any other Obligation or (B) any Instrument Payments, causing the Subordination of such Insured Instrument to any other instrument in the form of a pass-through certificate or similar funded beneficial interest issued by the Insured Obligor, it being understood that, for this purpose, Subordination will be deemed to include any such change that results in a lower ranking under a priority of payments provision applicable to the relevant Instrument Payments; or

(v) any change in the currency or composition of any payment of Instrument Payments that are guaranteed or insured by the Qualifying Policy to any currency which is not a Permitted Currency.

(b) Notwithstanding the provisions of clause (a) above, none of the following shall constitute a Restructuring:

(i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

(ii) the occurrence of, agreement to or announcement of any of the events described in clause (a) (i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and

(iii) the occurrence of, agreement to or announcement of any of the events described in clause (a) (i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity or, in the case of Qualifying Policy and an Insured Instrument, where (A) the Qualifying Policy continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the Qualifying Policy guaranteed or insured that such Instrument Payments would be made prior to such event and (B) such event is not a change in the ranking in the priority of payment of the Qualifying Policy.

(c) Notwithstanding anything to the contrary in this definition of Restructuring, the occurrence of, agreement to or announcement of any of the events described in (a) (i) to (v) above in relation to a Reference Entity of an Entity Type to which “Multiple Holder Obligation” is specified to be applicable, or any of its Successors, shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

(d) For the purposes of clauses (a) and (b) above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in clause (a) above shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in clause (b) above shall continue to refer to the Reference Entity.

(e) For the purposes of clauses (a) and (b) above, the term Obligation shall be deemed to include Insured Instruments for which the Reference Entity is acting as provider of a Qualifying Policy. In the case of a Qualifying Policy and an Insured Instrument, references to the Reference Entity in clause (a) above shall be deemed to refer to the Insured Obligor and the reference to the Reference Entity in clause (b) above shall continue to refer to the Reference Entity.

## 5. Bankruptcy

“**Bankruptcy**” means the Reference Entity (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

“**Credit Event Entity**” means the Reference Entity specified in a Credit Event Notice and selected by the Determination Agent, acting on behalf of the Issuer, as the Credit Event Entity.

“**Credit Event Notice**” means an irrevocable notice from the Determination Agent to the Issuer that describes a Credit Event which occurred during the Notice Delivery Period. A Credit Event Notice must specify the Credit Event Entity and contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred and an explanation of how it fits the definition of a Credit

Event. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date that the Credit Event Notice is effective.

**“Credit Event Redemption Amount”** means the amount in the Base Currency equal to the relevant Valuation Obligation Portfolio Final Price Amount, less the costs and expenses, as determined by the Swap Counterparty, of effecting the relevant market valuation and/or sale, adjusted as follows:

(A) by adding any Swap Settlement Amount due to the Issuer from the Swap Counterparty, or, as the case may be, by deducting any Swap Settlement Amount due from the Issuer to the Swap Counterparty; and

(B) to reflect the market value following the sale of the Underlying Assets of the relevant Series as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion on or prior to the Credit Event Redemption Date. If the market value of such Underlying Assets is less than 100% of the par amount of such Underlying Assets, an amount (a **“Collateral Depreciation Amount”**) equal to the difference between 100% of the par amount and such market value will be due from the Issuer to the Swap Counterparty. If the market value following the sale of such Underlying Assets is greater than 100% of the par amount of such Underlying Assets an amount (a **“Collateral Appreciation Amount”**) equal to the amount by which such market value is greater than 100% of the par amount will be due from the Swap Counterparty to the Issuer.

**“Credit Event Redemption Date”** means the date falling two Business Days following the Valuation Date.

**“Currency Equivalent”** means, in respect of the principal amount of any Valuation Obligation comprised in the Valuation Obligation Portfolio the Obligation Currency of which is not the Base Currency, the amount resulting from the conversion thereof into the currency of denomination of the relevant Tranche or Series of Notes at the Fixed Currency Exchange Rate for such Valuation Obligation.

**“Default Requirement”** means USD 10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

**“Deliver”** with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy) and **“Delivery”** and **“Delivered”** will be construed accordingly.

**“Determination Agent”** means Morgan Stanley & Co. International Limited, or such other entity specified in the Applicable Pricing Supplement. All determinations made by the Determination Agent will be at the sole discretion of the Determination Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on Noteholders and on the Issuer. The economic interests of the Determination Agent and its Affiliates may be adverse to the interests of a Noteholder.

**“Direct Loan Participation”** has the meaning given in clause (iv) of the definition of Valuation Obligation Characteristics below.

**“Domestic Currency”** means the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organized, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

**“Downstream Affiliate”** means an entity, at the date of the event giving rise to the Credit Event which is the subject of the Credit Event Notice, the Valuation Date or the time of identification of a Substitute Reference Obligation (as applicable), whose outstanding Voting Shares are more than 50 percent owned, directly or indirectly, by the Reference Entity.

**“Due and Payable Amount”** means the amount that is due and payable under (and in accordance with the terms of) a Valuation Obligation on the Valuation Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

**“Entity Type”** means, in respect of a Reference Entity, the Entity Type specified for such Reference Entity in the Applicable Pricing Supplement. The Credit Events, Obligation Category, Obligation Characteristics, Valuation Obligation Category, Valuation Obligation Characteristics and other terms applicable to an Entity Type are set out in Schedule 1 to these Master Conditions.

**“Eligible Transferee”** means each of the following:

- (a) any bank or other financial institution;
  - (i) an insurance or reinsurance company;
  - (ii) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in clause (c)(i) below); and
  - (iii) a registered or licensed broker or dealer (other than a natural person or proprietorship),

provided, however, in each case that such entity has total assets of at least USD 500,000,000;

- (b) an Affiliate of an entity specified in (a) above;
- (c) each of a corporation, partnership, proprietorship, organization, trust or other entity:
  - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralized debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least USD 100,000,000 or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD 100,000,000; or
  - (ii) that has total assets of at least USD 500,000,000; or
  - (iii) the obligations of which under an agreement, contract, or transaction are guaranteed or otherwise supported by a letter or credit or keepwell, support, or other agreement by an entity described in (a), (b), (c)(ii) or (d); and
- (d) a Sovereign, Sovereign Agency or Supranational Organisation;

All references in this definition to USD include equivalent amounts in other currencies.

**“Equity Securities”** means:

(a) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing those equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and

(b) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

**“Event Determination Date”** means, in relation to a Credit Event, the first date on which both the Credit Event Notice and Notice of Publicly Available Information are effective.

**“Exchangeable Obligation”** means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

**“Failure to Pay”** has the meaning given in clause 2 of the definition of Credit Event above.

**“Fixed Currency Exchange Rate”** means, with respect to a Valuation Obligation comprised in the Valuation Obligation Portfolio of which the Obligation Currency is not the Base Currency, the rate for converting the Base Currency into such Obligation Currency, as determined in good faith by the Swap Counterparty on the date on which the Valuation Obligation Portfolio is determined.

**“Fully Transferable Obligation”** means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than Bonds. Any requirement

that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for purposes hereof.

For purposes of determining whether a Valuation Obligation satisfies the requirements of the definition of Fully Transferable Obligation, such determination shall be made as of the Valuation Date, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents which have been obtained by the Issuer.

In the event that a Fully Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of this definition and, if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument.

**“Governmental Authority”** means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

**“Grace Period”** means the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Issue Date and the date as of which such Obligation is issued or incurred. Any Obligation with no grace period specified or a grace period of less than 3 Grace Period Business Days shall be deemed to have a grace period of 3 Grace Period Business Days provided that the deemed Grace Period shall expire no later than the second Business Day prior to the Maturity Date.

**“Grace Period Business Day”** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified, in the jurisdiction of the currency or currencies in which an Obligation is denominated.

**“IANs”** means floating rate interest notes due 2002 and 2015 issued by Vnesheconombank of the USSR pursuant to the Restructuring Agreement and an Exchange Agreement, dated as of 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

**“Instrument Payments”** means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in paragraph (d) below and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

**“Liquidation Proceeds”** means, in respect of a Series of Notes and following a Credit Event or Mandatory Redemption Event, the amount (in the Base Currency) realisable upon the sale of the Underlying Assets in respect of such Series, at the highest clean firm bid price obtained by the Swap Counterparty upon the solicitation of five Reference Dealers selected by the Determination Agent, acting for and on behalf of the Issuer (which Reference Dealers will not be affiliated to each other and may include Morgan Stanley & Co. International Limited or any of its Affiliates), less the costs and expenses, as determined by the Determination Agent, acting for and on behalf of the Issuer, of effecting the relevant market valuation and/or sale on the day which is three Business Days after the Event Determination Date (in the case of a Credit Event), or on or about the Early Redemption Date (in the case of a Mandatory Redemption Event).

**“Listed”** has the meaning given in clause (vi) of the definition of Obligation Characteristics below.

**“Loan”** has the meaning given in clause (v) of the definition of Obligation Category below.

**“Maximum Maturity”** has the meaning given in clause (vi) of the definition of Valuation Obligation Characteristics below.

**“Modified Eligible Transferee”** means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

**“Modified Restructuring Maturity Limitation Date”** means, with respect to a Reference Obligation, the date that is the later of (x) the Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Reference Obligations.

**“MinFins”** (also known as “OVVZs” or “Taiga” bonds) means Internal Government Hard Currency Bonds issued by the Ministry of Finance of the Russian Federation representing (i) restructured debt of the former USSR (Series II, III, IV, V and VIII) or (ii) debt of the Russian Federation issued in 1996 (Series VI and VII).

**“Multiple Holder Obligation”** means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Credit Event.

**“Not Bearer”** and **“Not Contingent”** have the meanings respectively given in clauses (viii) and (i) of the definition of Valuation Obligation Characteristics below.

**“Not Domestic Currency”, “Not Domestic Issuance”, “Not Domestic Law”, “Not Sovereign Lender”** and **“Not Subordinated”** have the meanings respectively given in clauses (iv), (vii), (v), (iii) and (i) of the definition of Obligation Characteristics below.

**“Notice Delivery Period”** means the period from and including the Issue Date to (and including) the day that is two Business Days prior to the Scheduled Maturity Date specified in the Applicable Pricing Supplement.

**“Notice of Publicly Available Information”** means an irrevocable notice from the Determination Agent to the Issuer that cites Publicly Available Information confirming the occurrence of the Credit Event described in the Credit Event Notice. The notice must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information. If a Credit Event Notice contains Publicly Available Information, such Credit Event Notice will also be deemed to be a Notice of Publicly Available Information.

### **Obligation**

(1) **“Obligation”** means (a) any obligation of a Reference Entity (either directly or as provider of any Qualifying Guarantee or Qualifying Policy) determined pursuant to the method described in (2) below, and (b) each Reference Obligation.

(2) For purposes of clause (1)(a) above, the term “Obligation” of a Reference Entity may be defined as each obligation of such Reference Entity which falls within the Obligation Category and the Obligation Characteristics which are specified to be applicable in respect of the Entity Type of such Reference Entity.

(3) If the Obligation Characteristic “Listed” is specified as applicable under clause (2) above, these Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the Obligation Category applicable to such Reference Entity.

(4) In the event that an Obligation is a Qualifying Guarantee, the following will apply:

(i) For purposes of the application of the Obligation Category applicable under clause (2) above, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.

(ii) For purposes of the application of the Obligation Characteristics, if any, applicable under clause (2) above, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics, if any, applicable under clause (2) above from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in these Conditions, (A) the lawful currency of any of Canada, Japan,

Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

(iii) For purposes of the application of the Obligation Characteristics, if any, applicable under clause (2) above, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics, if any, applicable under clause (2) above from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

(iv) For purposes of the application of the Obligation Characteristics, if any, applicable under clause (2) above, to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.

(v) The terms “outstanding principal balance” and “Due and Payable Amount” (as they are used in various other provisions of this Condition 7(b)), when used in connection with Qualifying Guarantees are to be interpreted to be the then “outstanding principal balance” or “Due and Payable Amount”, as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

(5) In the event that an Obligation is a Qualifying Policy, the provisions of (4) above will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:

(i) the Obligation Categories “Borrowed Money” and “Bond” shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest and the terms “obligation” and “obligor” as used in various other provisions of this Condition 7(b) in respect of such an Insured Instrument shall be construed accordingly; and

(ii) references in the definitions of Assignable Loan and Consent Required Loan to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively.

In addition, the provisions of (4)(ii), in relation to Qualifying Policies and Underlying Instruments, shall be deemed to be replaced by the following provisions:

“(ii) For purposes of the application of the Obligation Characteristics, if any, applicable under clause (2) above, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics, if any, applicable under clause (2) above from the following list: Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in these Conditions, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

(iii) For the purpose of the application of the Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics, if any, applicable under clause (2) above from the following list: Listed, Not Contingent, Not Domestic Issuance, assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.”

(6) Notwithstanding the provisions above, any obligation which is, in the determination of the Determination Agent, IANs, MinFins or PRINS shall not be Obligations.

“**Obligation Acceleration**” has the meaning given in clause 1 of the definition of Credit Event above.

“**Obligation Category**” means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the definition of “Obligations” above, and:

(i) “**Payment**” means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money.

(ii) “**Borrowed Money**” means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the

payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

(iii) **“Reference Obligations Only”** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only.

(iv) **“Bond”** means any obligation of a type included in the **“Borrowed Money”** Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money.

(v) **“Loan”** means any obligation of a type included in the **“Borrowed Money”** Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money.

(vi) **“Bond or Loan”** means any obligation that is either a Bond or a Loan.

**“Obligation Characteristics”** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, and:

(i) (A) **“Not Subordinated”** means an obligation that is not Subordinated to (i) the most senior Reference Obligation in priority of payment or (ii) if no Reference Obligation is specified in the relevant Terms, any unsubordinated Borrowed Money obligation of the Reference Entity. For purposes of determining whether an obligation satisfies the **“Not Subordinated”** Obligation Characteristic or Valuation Obligation Characteristic, the ranking in priority of payment of each Reference Obligation shall be determined as of the later of (1) the Credit Observation End Date; and (2) the date on which such Reference Obligation was issued or incurred and shall not reflect any change to such ranking in priority of payment after such later date.

(B) **“Subordination”** means, with respect to an obligation (the **“Subordinated Obligation”**) and another obligation of the Reference Entity to which such obligation is being compared (the **“Senior Obligation”**), a contractual, trust or similar arrangement providing that (i) upon the liquidation, dissolution, reorganization or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. **“Subordinated”** will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign.

(ii) **“Specified Currency”** means an obligation that is payable in any of the Standard Specified Currencies.

(iii) **“Not Sovereign Lender”** means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as **“Paris Club debt”**.

(iv) **“Not Domestic Currency”** means any obligation that is payable in any currency other than the Domestic Currency.

(v) **“Not Domestic Law”** means any obligation that is not governed by the laws of (A) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (B) the jurisdiction of organization of the relevant Reference Entity, if such Reference Entity is not a Sovereign.

(vi) **“Listed”** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange.

(vii) **“Not Domestic Issuance”** means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity

(regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

**“Obligation Currency”** means the currency or currencies in which an Obligation is denominated.

**“outstanding principal balance”** (a) means, with respect to any Accreting Obligation, the Accreted Amount thereof and (b) with respect to any Exchangeable Obligation that is not an Accreting Obligation shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

**“Payment”** has the meaning given in clause (i) of the definition of Obligation Category above.

**“Payment Requirement”** means USD 1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay.

**“Permitted Currency”** means (1) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership) or (2) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., or any successor to the rating business thereof, Aaa or higher assigned to it by Moody’s Investor Service Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

**“PRINs”** means Vnesheconombank’s loans arising under a Restructuring Agreement and an Exchange Agreement, dated as of 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

**“Public Source”** means each of Bloomberg Service, Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organized and any other internationally recognized published or electronically displayed news sources.

**“Publicly Available Information”** means:

(a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event described in a Credit Event Notice has occurred and which (i) has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if the Issuer or any of its Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless the Issuer or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by (A) a Reference Entity (or a Sovereign Agency in respect of a Reference Entity which is a Sovereign) or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (iii) is information contained in any petition or filing instituting a proceeding described in clause (d) of the definition of Bankruptcy against or by a Reference Entity or (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

(b) In the event that the Issuer is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation and (ii) a holder of the Obligation with respect to which a Credit Event has occurred, the Issuer shall be required to deliver to the Noteholders a certificate signed by a Managing Director (or other substantively equivalent title) of the Issuer, which shall certify the occurrence of a Credit Event with respect to a Reference Entity.

(c) In relation to any information of the type described in clause (a) (ii), (iii) and (iv) above, the party receiving such information may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into

any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.

(d) Publicly Available Information need not state (i) in relation to a Downstream Affiliate, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (ii) that such occurrence (A) has met the Payment Requirement or Default Requirement or (B) has met the subjective criteria specified in certain Credit Events.

**“Qualifying Affiliate Guarantee”** means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

**“Qualifying Guarantee”** means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **“Underlying Obligation”**) for which another party is the obligor (the **“Underlying Obligor”**) and that is not at the time of the Credit Event Subordinated to any unsubordinated Borrowed Money obligation of the Underlying Obligor (with references in the definition of Subordination to the Reference Entity deemed to refer to the Underlying Obligor). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

**“Qualifying Policy”** means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments (as defined below) of an instrument that constitutes Borrowed Money (modified as set forth below) (the **“Insured Instrument”**) for which another party (including a special purpose entity or trust) is the obligor (the **“Insured Obligor”**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments). The benefit of a Qualifying Policy must be capable of being Delivered together with the Delivery of the Insured Instrument.

**“Reference Dealer”** means a dealer (which may include any dealer which is an Affiliate of the Determination Agent) in obligations of the type of Valuation Obligation(s) for which quotations on the market value of the Valuation Obligation Portfolio is to be obtained, selected by the Determination Agent in its sole and absolute discretion.

**“Reference Entity”** means each of the entities specified in the Applicable Pricing Supplement and any Successor identified pursuant to Condition 7(b)(vii).

**“Reference Obligation”** means, in respect of a Reference Entity, the obligation (if any) specified in respect of such Reference Entity in the Applicable Pricing Supplement.

**“Reference Obligations Only”** has the meaning given in clause (iii) of the definition of Obligation Category above.

**“Relevant Obligations”** means the obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Determination Agent. The Determination Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information is available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

**“Relevant Proportion”** means, at any time in relation to a Noteholder, the proportion which the aggregate principal amount outstanding of the Notes held by that Noteholder bears to the aggregate principal amount outstanding of all the Notes.

**“Repudiation/Moratorium”** has the meaning given in clause 3 of the definition of Credit Event above.

**“Restructured Bond or Loan”** means an Obligation which is a Bond or Loan and in respect of which the Restructuring that is the subject of a Credit Event has occurred.

**“Restructuring”** has the meaning given in clause 4 of the definition of Credit Event above.

**“Restructuring Date”** means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**“Restructuring Maturity Limitation Date”** means the date that is the earlier of (x) thirty (30) months following the Restructuring Date and (y) the latest final maturity date of any Restructured Bond or Loan, provided however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Maturity Date or later than thirty (30) months following the Maturity Date and if it is, it shall be deemed to be the Maturity Date or thirty months following the Maturity Date, as the case may be. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “final maturity date”, as such term is used above, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

**“Sovereign”** means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

**“Sovereign Agency”** means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

**“Sovereign Restructured Valuation Obligation”** means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Valuation Obligation Category applicable under clause (2) of the definition of Valuation Obligation, and, subject to clause (4) of the definition of Valuation Obligation, having each of the Valuation Obligation Characteristics, if any, applicable under clause (2) of the definition of Valuation Obligation, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Valuation Obligation Category or Valuation Obligation Characteristics after such Restructuring.

**“Specified Currency”** has the meaning given in clause (ii) of the definition of Obligation Characteristics above.

**“Specified Number”** means two Public Sources.

**“Standard Specified Currencies”** means any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies.

**“Subordinated Obligation”** and **“Subordination”** have the meanings given respectively in clause (i) of the definition of Obligation Characteristics.

**“Succession Event”** means an event such as a merger, demerger (whether by voluntary exchange of obligations or otherwise), consolidation, amalgamation, transfer or other similar event affecting a Reference Entity, whether by operation of law or pursuant to any agreement.

**“Successor”** shall have the meaning given in Condition 7(b)(vii) below.

**“Supranational Organisation”** means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

**“Swap Counterparty Option”** means the option of the Swap Counterparty to early terminate the Swap Agreement in whole.

**“Swap Settlement Amount”** means the early termination amount or close out payment (as determined by the Swap Counterparty or the Forward Counterparty, as the case may be) receivable or payable (expressed as a negative amount) by the Swap Counterparty or Forward Counterparty or the Issuer under the Swap Agreement or the Forward Agreement, as the case may be, which has terminated early or otherwise closed out (other than as a result of the exercise by the Swap Counterparty of the Swap Counterparty Option, the exercise by the Issuer of the Issuer Call Option, or the exercise by Morgan Stanley & Co. International Limited of the Morgan Stanley Exchange Option).

**“Transferable”** has the meaning given in clause (v) of the definition of Valuation Obligation Characteristics below.

**“Valuation Date”** means any day falling on or after the 52<sup>nd</sup> Business Day and on or prior to the 125<sup>th</sup> Business Day following the Event Determination Date, as determined by the Determination Agent in its sole and absolute discretion.

### **Valuation Obligation**

(1) **“Valuation Obligation”** means, subject to clause (5) below:

(a) any obligation of a Reference Entity (either directly or as provider of any Qualifying Guarantee or Qualifying Policy) determined pursuant to the method described in clause (2) below, that (i) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in clauses (a)-(d) of the definition of Credit Event above) or right of set off by or of a Reference Entity or any applicable Underlying Obligor or Insured Obligor, (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being valued apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement, (iv) as regards a Reference Entity of an Entity Type to which “Fully Transferable Obligation” is specified to be applicable, or any of its Successors, that are the subject of a “Restructuring” Credit Event, is a Fully Transferable Obligation with a final maturity date not later than the Restructuring Maturity Limitation Date and (v) as regards a Reference Entity of an Entity Type to which “Conditionally Transferable Obligation” is specified to be applicable, or any of its Successors, that are the subject of a “Restructuring” Credit Event, is a Conditionally Transferable Obligation with a final maturity date not later than the Modified Restructuring Maturity Limitation Date. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “final maturity date”, as such term is used above, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

(b) subject to the second paragraph of the definition of Not Contingent below, each Reference Obligation; and

(c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Valuation Obligation that (i) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in clauses (a)-(d) of the definition of Credit Event above) or right of set off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement.

For the avoidance of doubt, Valuation Obligations are not required to be obligations of the particular Reference Entity in respect of which the Credit Event Notice was given.

(2) For purposes of (1) above, the term “Valuation Obligation” of a Reference Entity may be defined as each obligation of such Reference Entity which falls within the Valuation Obligation Category

and the Valuation Obligation Characteristics which are specified to be applicable in respect of the Entity Type of such Reference Entity.

(3) If (i) either of the Valuation Obligation Characteristics “Listed” or “Not Bearer” is specified in clause (2) above, these Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the Valuation Obligation Category applicable under clause (2) above; (ii) the Valuation Obligation Characteristic “Transferable” is applicable under clause (2) above, these Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Valuation Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the Valuation Obligation Category applicable under clause (2) above); or (iii) any of the Valuation Obligation Characteristics “Assignable Loan”, “Consent Required Loan” or “Direct Loan Participation” is applicable under clause (2) above, these Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the Valuation Obligation Category applicable under clause (2) above.

(4) If any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Valuation Obligation Category applicable under clause (2) above and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Valuation Obligation Characteristics applicable under clause (2) above, the Valuation Obligations may include any Loan that satisfies any one of such Valuation Obligation Characteristics so specified and need not satisfy all such Valuation Obligation Characteristics.

(5) In the event that a Valuation Obligation is a Qualifying Guarantee, the following will apply:

(i) For purposes of the application of the Valuation Obligation Category applicable under clause (2) above, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.

(ii) For purposes of the application of the Valuation Obligation Characteristics applicable under clause (2) above, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the Valuation Obligation Characteristics, if any, applicable under clause (2) above from the following list: Not Subordinated Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in these Conditions, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

(iii) For purposes of the application of the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Valuation Obligation Characteristics, if any, applicable under clause (2) above from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

(iv) For purposes of the application of the Valuation Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.

(v) The terms “outstanding principal balance” and “Due and Payable Amount” (as they are used in various other provisions of this Condition 7), when used in connection with Qualifying Guarantees are to be interpreted to be the then “outstanding principal balance” or “Due and Payable Amount”, as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

(6) In the event that a Valuation Obligation is a Qualifying Policy, the provisions of (5) above will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:

(i) the Valuation Obligation Category “Bond” shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Valuation Obligation Category Bond shall be deemed to include such an Insured

Instrument, and the terms “obligation” and “obligor” as used in various other provisions of this Condition 7(b) in respect of such an Insured Instrument shall be construed accordingly;

(ii) references in the definitions of Assignable Loan and Consent Required Loan to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively;

(iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Valuation Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in this Condition 7(b);

(iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Valuation Obligation Characteristics are specified in this Condition 7(b), the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and

(v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “outstanding principal balance” shall mean the outstanding Certificate Balance and “maturity”, as such term is used in the Maximum Maturity Valuation Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

In addition, the provisions of (5)(ii), in relation to Qualifying Policies and Underlying Instruments, shall be deemed to be replaced by the following provisions:

“(ii) For purposes of the application of the Valuation Obligation Characteristics, if any, applicable under clause (2) above, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Valuation Obligation Characteristics, if any, applicable under clause (2) above from the following list: Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in these Conditions, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

(iii) For the purpose of the application of the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Valuation Obligation Characteristics, if any, applicable under clause (2) above from the following list: Listed, Not Contingent, Not Domestic Issuance, assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.”

(7) Notwithstanding the provisions above, any obligation which is, in the determination of the Determination Agent, IANs, MinFins or PRINS shall not be Valuation Obligations.

**“Valuation Obligation Category”** means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in the definition of Obligation Category below except that, for the purpose of determining Valuation Obligations, clause (iii) of such definition shall be amended to state that no Valuation Obligation Characteristics shall be applicable to Reference Obligations Only).

**“Valuation Obligation Characteristics”** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, and:

(i) **“Not Contingent”** means any obligation having as of the Valuation Date and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Valuation Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption

price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Valuation Obligation only if the rights referred to in clause (i)(A) and (B) above have not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date.

An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Valuation Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction.

(ii) **“Assignable Loan”** means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organization) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent.

(iii) **“Consent Required Loan”** means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent.

(iv) **“Direct Loan Participation”** means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of the Noteholders that provides the Noteholders with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between the Noteholders and either (A) the Issuer (to the extent the Issuer is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate).

(v) **“Transferable”** means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:

(A) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or

(B) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds.

(i) **“Maximum Maturity”** means an obligation that has a remaining maturity from the Valuation Date of not greater than 30 years.

(ii) **“Accelerated or Matured”** means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Valuation Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws.

(iii) **“Not Bearer”** means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream International or any other internationally recognized Clearing System.

**“Valuation Obligation Notional Amount”** means, in respect of each Valuation Obligation comprised in the Valuation Obligation Portfolio, the outstanding principal balance (excluding accrued but

unpaid interest) of such Valuation Obligation (or, if the relevant Obligation Currency is not the Base Currency, the Currency Equivalent thereof).

**“Valuation Obligation Portfolio”** means, with respect to any determination of a Credit Event Redemption Amount and the Credit Event Entity, one or more Valuation Obligations of the Credit Event Entity as selected by the Swap Counterparty in its sole and absolute discretion on or before the relevant Valuation Date and having in aggregate Valuation Obligation Notional Amounts equal to the principal amount of the Notes.

**“Valuation Obligation Portfolio Final Price Amount”** means an amount in the Base Currency equal to the market value of the Valuation Obligation Portfolio offered by the five Reference Dealers selected by the Determination Agent, acting for and on behalf of the Issuer.

**“Valuation Time”** means at or about 2:00 p.m., London time.

**“Voting Shares”** shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

(vi) In this Condition 7(b) “Successor” means, in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:

(a) if an entity directly or indirectly succeeds to 75% or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;

(b) if only one entity directly or indirectly succeeds to more than 25% (but less than 75%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25% of the Relevant Obligations will be the sole Successor;

(c) if more than one entity each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remains with the Reference Entity, the entities that succeed to more than 25% of the Relevant Obligations will each be a Successor;

(d) if one or more entities each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25% of the Relevant Obligations of the Reference Entity remains with the Reference Entity, each such entity and the Reference Entity will each be a Successor;

(e) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and

(f) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor.

The Determination Agent, acting for and on behalf of the Issuer, will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under clause (f) above, as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under clause (f) above, as applicable, the Determination Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information.

For purposes of this Condition 7(b)(vii), “succeed” means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor or insurer with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to clause (a) above shall be made, in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged.

Where:

- (i) in respect of a Reference Obligation for a Reference Entity which is a Company;
- (ii) one or more Successors to the Company have been identified; and
- (iii) any one or more Successors have not assumed the Reference Obligation,

a substitute Reference Obligation will be determined by the Determination Agent, acting for and on behalf of the Issuer, with respect of each such Successor.

Where the effect of these Successor provisions within this definition would be that a Company is specified more than once, that Company shall be deemed to be specified once only for the purposes of the Notes.

Where any Company (the “**First Company**”) would be a Successor to any other Company (the “**Second Company**”) in accordance with this Condition 7(b)(vii), the First Company shall be deemed not to be a Successor to the Second Company and a further Company (the “**Replacement Company**”) shall be selected by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion, to be a Successor to the Second Company.

In relation to a Sovereign Reference Entity, “**Successor**” means any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of the Reference Entity.

(vii) The Notes are solely obligations of the Issuer and do not create either a direct or indirect obligation any of the Reference Entities, the Dealer and the Determination Agent or any person other than the Issuer.

(viii) The Issuer, the Dealer and the Determination Agent have no responsibility for, and no representation or warranty is made in the Notes or otherwise by or on behalf of the Issuer as to, the enforceability or value of any Valuation Obligations or the creditworthiness, assets, liabilities, profits, losses, prospects, status, nature or existence of the Reference Entities.

(ix) Save as otherwise expressly provided in these Master Conditions or the Applicable Pricing Supplement, the Issuer is under no obligation to notify the Noteholders, the Dealer and the Determination Agent or any other person if it is or becomes aware of the occurrence of an actual or potential Credit Event, whenever such event occurred or may occur or whenever the Issuer became or may become aware of the same.

(x) For the purpose of any notice to be given by any of the Determination Agent, and the Issuer to either or both of the others:

(a) any notice delivered on or prior to 4.00 p.m. (London time) on a London Business Day will be effective on such London Business Day;

(b) a notice delivered after 4:00 p.m. (London time) on a London Business Day will be deemed effective on the next following London Business Day;

(c) any notice given orally, including by telephone, will be effective when actually received by the intended recipient;

(d) if a notice is delivered orally, a written confirmation will be executed and delivered confirming the substance of that notice within one London Business Day of that notice Provided

that (1) failure to provide that written confirmation will not affect the effectiveness of that oral notice and (2) if that written confirmation is not received within such time, the party obligated to deliver that confirmation will be deemed to have satisfied its obligation to deliver such written confirmation at the time that a written confirmation of the oral notice is received.

For the purposes of this provision “London Business Day” means a day on which commercial banks and foreign exchange markets are generally open to settle payments in London.

**(c) Mandatory Redemption following an Underlying Disposal Event**

(i) If, in relation to a Series, any of the following events (each an “Underlying Disposal Event”) occurs:

(A) there has been a payment default in respect of any of the Underlying Assets (without regard to any grace period applicable with respect to such payments), or if the outstanding principal amount of any of the Underlying Assets is reduced or otherwise written down in accordance with their terms, or if any of the Underlying Assets are redeemed early or otherwise become repayable early in whole or in part by the issuer(s) of the Underlying Assets prior to their scheduled dates of maturity for any reason whatsoever at a principal amount less than the outstanding principal amount the subject of such redemption or repayment, or if the payment of any principal in respect of any of the Underlying Assets is deferred beyond the scheduled maturity date of such Underlying Assets in accordance with the terms of such Underlying Assets; or

(B) (other than as contemplated in Conditions 7(d), 7(g), 7(h), 7(i) and 7(j)) any Related Agreement in relation to such Series is terminated and is not replaced on or prior to such termination to the satisfaction of the Trustee; or

(C) unless otherwise specified in the Applicable Pricing Supplement and subject to Condition 14(c),

(x) the Issuer on the occasion of the next payment date 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 to it under a Related Agreement, or would receive net of any tax 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, the Coupon or Receipts (if any) 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 or for any reason the cost to the Issuer of complying with its obligations under or in connection with the Trust Deed or meeting its operating or administrative expenses would (in the sole opinion 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,

(D) if the terms and conditions of the Underlying Assets therein are amended such that the issuer thereof shall no longer be obliged to pay the same amounts on the same days as contemplated in the terms and conditions of the date of issue of the Notes of such Series,

on first becoming aware of the occurrence of any Underlying Disposal Event, the Issuer or the Swap Counterparty shall give notice thereof to the Issuer (if the Swap Counterparty), the Swap Counterparty (if the Issuer), the Custodian and the Trustee. The Custodian shall thereafter acting as the agent of the Issuer and subject to the relevant provisions of the Trust Deed and the Agency Agreement proceed to arrange for and administer the sale of the Underlying Assets (or, if Condition 7 (c) (i) (B) applies and the Related Agreement is terminated in part only, a proportion thereof) relating to such Series on behalf of the Issuer and upon receipt of the sale proceeds thereof the Issuer shall give not more than 10 Business Days’ notice (or such

other number of days as may be provided in the relevant Applicable Pricing Supplement or agreed by the Trustee) to the Secured Creditors (which notice shall be irrevocable) of the date on which the net sale proceeds thereof (having deducted all costs, expenses and disbursements in connection with such sale) shall be applied in accordance with the application of proceeds specified in the Supplemental Trust Deed in respect of such Series (such date the “**Early Redemption Date**”). Following application of such net sale proceeds, no further amounts will be available to meet any remaining claims of the Holders and any such claims will be extinguished.

Prior to publication of any notice of redemption in respect of the circumstance set out in Condition 7 (c) (i) (C) above, the Issuer shall deliver to the Trustee a certificate signed by a director of the Issuer demonstrating that the conditions precedent to the obligations of the Issuer so to redeem have occurred and, in the case of a redemption of Notes under Condition 7 (c) (i) (C) (x) or (y) an opinion (in form and substance satisfactory to the Trustee) of legal advisers of recognised standing to the Issuer (previously approved by the Trustee) in the relevant jurisdiction to the effect that the Issuer has or will become obliged to withhold, account for or suffer such tax. The Trustee may rely on the aforementioned certificate and/or opinion without further enquiry.

Notwithstanding the foregoing, if any of the taxes referred to in Condition 7 (c) (i) (C) (x) arises:

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

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

(c) in respect of any Note or Coupon where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive,

then to the extent it is able to do so, the Issuer shall deduct such taxes from the amounts payable to such Holder or any third party having a beneficial interest in the Notes, Coupon or Receipt, and shall not redeem the relevant Notes of the relevant Series but this shall not affect the rights of the other Holders, Couponholders and Receiptholders (if any) hereunder. Any such deduction shall not constitute an Event of Default under Condition 10.

(ii) *Definition*

In these Conditions, an Underlying Disposal Event is also referred to as a “**Mandatory Redemption Event**”.

(iii) *Redemption of Notes*

Upon expiry of the notice under Condition 7(c)(i) above and subject to the conditions of such notice the Issuer shall (unless, in the case of Condition 7(c)(i)(C) only, the Trustee has required the substitution of another company as principal obligor in respect of the Notes or the establishment of a branch as contemplated in Condition 14(c) or otherwise requested by the Instructing Creditor) redeem each Note in whole or, as the case may be, in part on a *pro rata* basis at the Early Redemption Amount, converted (where relevant) into the currency of denomination of the relevant Tranche or Series of Notes at the exchange rate prevailing on or about the Early Redemption Date (as determined by the Determination Agent, acting for and on behalf of the Issuer in its sole and absolute discretion acting in good faith).

The “**Early Redemption Amount**” means an amount equal to the Liquidation Proceeds (as defined above) of the Underlying Assets and/or any proceeds received in respect of the Underlying Assets (including any amounts received as a direct result of the reduction or writedown in the principal amount of the Underlying Assets) on or prior to the Early Redemption Date plus or minus (as the case may be) the Swap Settlement Amount payable by the Swap Counterparty and/or the Forward Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement and/or the Forward Agreement, as the case may be. Such Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Assets.

***(d) Purchase***

If a purchase option is specified in the Applicable Pricing Supplement, the Issuer may, provided that no Event of Default, Credit Event or Mandatory Redemption Event has occurred and is continuing, purchase Notes (or any of them) (provided that all unmatured Receipts and Coupons and unexchanged Talons (if any) appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price.

The relevant Related Agreement will provide that on such purchase such Related Agreement (or a proportionate part thereof which corresponds to the Notes to be purchased) will terminate.

The Applicable Pricing Supplement will set out all the terms of such termination (which will reflect the terms of such Related Agreement). The Applicable Pricing Supplement will also set out the terms on which the Security over the relevant Underlying Assets or part thereof may be released to provide funds for such purchase (which will reflect the terms of the relevant Supplemental Trust Deed). No interest will be payable with respect to a Note to be purchased pursuant to this Condition in respect of the period from the Issue Date or, if later, the most recent date for the payment of interest on such Note, as the case may be, to the date of such purchase and thereafter.

If not all the Notes which are in registered form are to be purchased, upon surrender of the existing Registered Note the Registrar shall forthwith upon the written request of the Noteholder concerned issue a new Registered Note in respect of the Notes which are not to be purchased and despatch such Registered Note to the Noteholder (at the risk of the Noteholder and to such address as the Noteholder may specify in such request).

***Whilst the Notes are represented by a Global Note, the relevant Global Note will be endorsed to reflect the principal amount of Notes to be so redeemed or purchased.***

***(e) Early Redemption of Zero Coupon Notes***

(i) The amount payable in respect of any Note which does not bear interest prior to the Maturity Date, the Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 7 or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note. References in the Conditions to **“principal”** or **“Principal Amount”** in the case of Zero Coupon Notes, shall be deemed to include references to **“Amortised Face Amount”** where the context permits.

(ii) Subject to the provisions of (iii) below and as provided in the Applicable Pricing Supplement, the Amortised Face Amount of any Zero Coupon Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield shown on the face of the Note compounded annually. Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown as the face of such Zero Coupon Note or specified in the Applicable Pricing Supplement.

(iii) If the amount payable in respect of any such Note upon its redemption pursuant to Condition 7 or upon it becoming due and payable as provided in Condition 10 is not paid when due, the amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in Condition 7 (f) (i), except that such Condition shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the date (the **“Relevant Date”**) which is the earlier of:

(A) the date on which all amounts due in respect of the Note have been paid; or

(B) the date on which the full amount of the moneys payable has been received by the Trustee or the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes, and notice to that effect has been given to Holders in accordance with the provisions of Condition 15.

The calculation of the Amortised Face Amount will continue to be made (as well after as before judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the principal amount of such Note together with any interest which may accrue in accordance with Condition 6(a).

***(f) Redemption of Variable Redemption Amount Notes***

The Applicable Pricing Supplement in respect of a Series of Variable Redemption Amount Notes shall specify the basis for calculation of the Redemption Amount payable upon redemption of the relevant Notes on

maturity or under Condition 7 or upon them becoming due and payable as provided in Condition 10 and the name of the Determination Agent appointed to determine such Redemption Amount.

**(g) Issuer Call Option**

The Issuer has the right, but not the obligation, to redeem the Notes in whole (but not in part) at any time from and including the first Interest Payment Date (such right being the “**Issuer Call Option**”), by giving not less than five Business Days prior written notice to the Trustee (such date of redemption, the “**Call Redemption Date**”) at their Redemption Amount or at their Amortised Face Amount (in the case of Zero Coupon Notes), together with interest accrued to, or Interest Amount payable on, the date fixed for redemption, provided that the Issuer shall only exercise such right if the Swap Counterparty has exercised the Swap Counterparty Option in respect of the Notes.

Any exercise by the Issuer of an Issuer Call Option shall be irrevocable and the redemption of the Notes following the exercise of such Issuer Call Option will occur as described above notwithstanding the occurrence of a Credit Event or a Mandatory Redemption Event after such exercise of such Issuer Call Option.

Notice having been given by the Issuer to redeem Note(s) pursuant to this Condition may not be withdrawn (save with the prior written consent of the Trustee) and the Issuer shall be bound to redeem the Note(s) in accordance with the notice, this Condition and the Applicable Pricing Supplement.

*The Applicable Pricing Supplement will specify the terms on which the security over the relevant Underlying Assets or part thereof may be released to provide funds for such redemption or for the exercise of the Issuer Call Option.*

*The relevant Related Agreement will provide that on the redemption of Notes by the Issuer and/or the exercise of the Issuer Call Option in relation to the Notes such Related Agreement will terminate. The Applicable Pricing Supplement will set out the terms of such termination.*

**(h) Morgan Stanley Exchange Option**

Unless previously redeemed, purchased and cancelled as provided in this Condition 7, Morgan Stanley & Co. International Limited (“**MSIL**”), provided it is a Noteholder, has the option (the “**Morgan Stanley Exchange Option**”) to request the Issuer to exchange any or all of the Notes held by MSIL for such proportion of the Underlying Assets (the “**attributable Underlying Assets**”) as equals the proportion (rounded down to the nearest whole number) which the Notes to be exchanged bear to the total principal amount outstanding of the Notes by giving 3 Business Days’ (which term shall mean, for this purpose only, days on which commercial banks and foreign exchange markets are generally open to settle payments in New York, London, Singapore and Hong Kong) written notice to the Issuer, the Trustee, the Custodian and the Principal Paying Agent. MSIL shall deposit the relevant Notes in respect of which it intends to exchange for Underlying Assets (together with all (if any) unmatured Coupons appertaining thereto) at the office of the Principal Paying Agent. The Principal Paying Agent will forthwith notify the Issuer, the Custodian and the Trustee of receipt thereof. The Swap Counterparty shall forthwith notify the Issuer, the Trustee, the Custodian and the Principal Paying Agent of the termination of the whole or (as the case may be) of the relevant part of the Swap Agreement. The relevant part of the Swap Agreement to be terminated will be the *pro rata* amount thereof corresponding to that proportion of the Notes to be exchanged.

The Issuer will procure that the attributable Underlying Assets are delivered to MSIL on such date as may be agreed between the Issuer and MSIL.

No interest will be payable with respect to the Notes deposited for exchange in respect of the period from the date of issue of the Notes (in the case of exchange prior to the first due date for the payment of interest on the Notes) or the previous date for the payment of interest on the Notes (in any other case) to the date of such exchange.

The relevant Underlying Assets for which Notes have been exchanged shall be released from the Security and cease to be Charged Assets upon exercise by MSIL of the Morgan Stanley Exchange Option.

If any Notes remain outstanding following an exchange of Notes for the attributable Underlying Assets pursuant to the provisions of this paragraph (the “**Exchange of Notes**”) the Swap Agreement and the Conditions shall be construed accordingly to reflect the Exchange of Notes.

The Morgan Stanley Exchange Option may be exercised and the Exchange of Notes effected without the consent of the Noteholders of any other Notes being obtained. None of the Issuer, the Trustee, the Swap

Counterparty or the Principal Paying Agent shall be under any obligation to notify any other Noteholders of the exercise of the Morgan Stanley Exchange Option or the Exchange of Notes being effected.

*(i) Redemption by Instalments*

Unless previously redeemed, purchased and cancelled as provided in this Condition 7, each Note which provides for Instalment Dates and Instalment Amounts (each as specified) will be partially redeemed on each Instalment Date at the Instalment Amount specified on it, whereupon the outstanding Principal Amount of such Note shall be reduced by the Instalment Amount for all purposes and the notional amount(s) of principal under any Related Agreement upon which payments under the Series of Notes of which such Note forms part are calculated shall be reduced in a proportion equal to the proportion which the Instalment Amount bears to the original notional amount(s) of such Related Agreement.

*(j) Cancellation*

All Notes (whether Registered Notes or Bearer Notes) purchased by or on behalf of the Issuer, shall be surrendered to or to the order of the Principal Paying Agent (in respect of such Bearer Notes) or the Registrar (in respect of the Registered Notes Certificates of such Registered Notes) for cancellation and, if so surrendered, will, together with all Notes redeemed by the Issuer, be cancelled forthwith (together, in the case of Bearer Notes, with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 8. PAYMENTS

*(a) Bearer Notes*

Payments of principal (or, as the case may be, any Redemption Amount or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Notes (other than Dual Currency Notes) will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(f)(v)) or Coupons (in the case of interest, save as specified in Condition 8(f)(vi)), as the case may be, at the specified office of the Principal Paying Agent outside the United States cheque by a payable in the currency in which such payment is due drawn on, or at the option of the Holders by transfer to an account denominated in that currency with a bank in (a) the principal financial centre of the country of the currency concerned if that currency is not euro, or (b) the principal financial centre of any Member State of the European Communities if that currency is euro and (c) if such currency is sterling a town clearing branch of a bank in the City of London.

*(b) Registered Notes*

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Notes (other than Dual Currency Notes) will be made against presentation and surrender of the relevant Registered Note Certificate at the specified office of the Registrar and in the manner provided in Condition 8(a).

Payments of instalments in respect of Registered Notes will be made against presentation and surrender of the relevant Registered Note Certificate at the specified office of the Registrar in the manner provided in Condition 8(a) above and annotation of such payment on the Register and the relevant Registered Note Certificate.

Interest (or, as the case may be, Interest Amounts) on Registered Notes payable on any Interest Payment Date will be paid to the persons shown on the Register on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payment of interest or Interest Amounts on each Registered Note will be made in the currency in which such payment is due by cheque drawn on a bank in (a) the principal financial centre of the country of the currency concerned, if such currency is not euro, or (b) the principal financial centre of any Member State of the European Communities if that currency is euro and mailed to the Noteholder (or to the first named of joint Noteholders) of such Note at its address appearing in the Register. Upon application by the Noteholder to the specified office of the Registrar at least 10 calendar days before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in (a) the principal financial centre of the country of that currency if such currency is not euro, or (b) the principal financial centre of any Member State of the

European Communities if that currency is euro or (c) if such currency is Sterling a town clearing branch of a bank in the City of London.

***(c) Payments in the United States***

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of the Principal Paying Agent in New York City in the same manner as aforesaid if:

(i) the Issuer shall have appointed a Principal Paying Agent with specified offices outside the United States with the reasonable expectation that such Principal Paying Agent would be able to make payment of the amounts on the Notes in the manner provided above when due;

(ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and

(iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer and the Trustee, adverse tax consequences to the Issuer.

***(d) Payments subject to fiscal laws; payments on Global Notes and Registered Notes***

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 9. No commission or expenses shall be charged to the Holders in respect of such payments.

Payments of principal (or Redemption Amounts) and interest (or Interest Amounts) in respect of the Bearer Notes when represented by a Permanent Global Note will be made against presentation and surrender or, as the case may be, presentation of the Permanent Global Note at the specified office of the Principal Paying Agent, subject in all cases to any fiscal or other laws, regulations and directives applicable in the place of payment to the Issuer, the Principal Paying Agent or the bearer of the Permanent Global Note. A record of each payment so made will be endorsed on the schedule to the Permanent Global Note by or on behalf of the Principal Paying Agent which endorsement shall be *prima facie* evidence that such payment has been made.

The holder of a Permanent Global Note or Registered Note shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Permanent Global Note or such Registered Note (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Permanent Global Note or Registered Note in respect of each amount paid.

***(e) Appointment of the Agents***

The Principal Paying Agent, the Settlement Agent, the Determination Agent, the Calculation Agent and the Registrar (the “**Agents**”) appointed by the Issuer and their respective specified offices are listed below or as otherwise appointed pursuant to the Agency Agreement and with specified offices as set out in the Applicable Pricing Supplement. The Agents act solely as agents of the Issuer do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent, and to appoint additional or other Agents, provided that the Issuer will at all times maintain a Principal Paying Agent and (while any Series of Registered Notes remain outstanding), a Registrar, each having a specified office in Singapore so long as the Notes are settled through CDP.

Notice of any change in the Principal Paying Agent, the Calculation Agent and any Registrar, shall promptly be given to Noteholders.

***(f) Unmatured Coupons and Receipts and unexchanged Talons***

(i) Subject to the provisions of the Applicable Pricing Supplement, upon the due date for redemption of any Note which is a Bearer Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(ii) Upon the date for redemption of any Note, any unmaturing Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iii) Upon the due date for redemption of any Note which is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(iv) Where any Note which is a Bearer Note, is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest or an Interest Amount, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be or, in the case of a Variable Coupon Amount Note, the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note which only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation thereof.

**(g) Non-Business Days**

Subject as provided in the Applicable Pricing Supplement, if any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currencies in London, New York and Singapore and in the relevant place of presentation and in the cities referred to in the definition of Business Days set out in the Applicable Pricing Supplement or on the face of the Note and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) a day on which the TARGET system is operating.

**(h) Dual Currency Notes**

The Applicable Pricing Supplement in respect of each Series of Dual Currency Notes shall specify the currency in which each payment in respect of the relevant Notes shall be made, the terms relating to any option relating to the currency in which any payment is to be made and the basis for calculating the amount of any relevant payment and the manner of payment thereof.

**(i) Talons**

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Note, the Talon forming part of such coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 12).

**9. TAXATION**

All payments in respect of the Notes, Receipts or Coupons will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties or assessments or governmental charges of whatever nature unless the Issuer, or the Principal Paying Agent, or the Registrar or, where applicable, the Trustee is required by applicable law to make any payment in respect of the Notes, Receipts or Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or assessments or governmental charges of whatsoever nature. In that event, the Issuer, the Principal Paying Agent, the Registrar or the Trustee (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer, nor the Principal Paying Agent, nor the Registrar nor the Trustee will be obliged to make any additional payments to the Holders in respect of such withholding or deduction, but Condition 7(c)(i)(C) will apply.

## 10. EVENTS OF DEFAULT

(a) Subject to Condition 10 (b), the Trustee at its discretion may, and, if so requested by the Instructing Creditor of a Series of Notes, shall (in each case, provided that the Trustee is secured, indemnified, or both to its satisfaction), give notice (an “**Enforcement Notice**”) to the Issuer that the Notes of such Series are, and they shall accordingly immediately become, due and repayable, at their Redemption Amount together with accrued interest to the date of payment (or, in the case of Zero Coupon Notes (unless the Conditions of such Notes provide otherwise) at their Amortised Face Amount) or as otherwise specified in the Applicable Pricing Supplement and the Security constituted by the Security Documents in respect of the relevant Series of Notes shall become enforceable (as provided in the relevant Trust Deed) upon the occurrence of any of the following events (each an “**Event of Default**”):

(i) if default is made for a period of 14 days or more in the case of interest or 7 days or more in the case of principal in the payment of any sum due in respect of such Notes or any of them; or

(ii) if the Issuer of such Series fails to perform or observe any of its other obligations under the Notes of such Series or the Trust Deed and, where the Trustee considers, in its absolute discretion that such default can be remedied, such failure continues for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of written notice requiring the same to be remedied; or

(iii) if any order shall be made by any competent court or any resolution passed for the winding-up or dissolution of the Issuer or an order is made for the Issuer’s bankruptcy (or any analogous proceedings) save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms approved by the Trustee; or

(iv) if (a) any other proceedings are initiated against the Issuer under any applicable liquidation, bankruptcy, insolvency, composition, reorganisation, readjustment or other similar laws (but excluding the presentation of any application for an administration order) and such proceedings are not being disputed in good faith, or (b) an administrative receiver or other receiver, administrator or other similar official (not being an administrative receiver or other receiver or manager appointed by the Trustee pursuant to the Trust Deed) is appointed in relation to the Issuer or in relation to the whole or any substantial part (in the opinion of the Trustee) of the undertaking or assets of the Issuer or (c) an encumbrance (not being the Trustee or any receiver or manager appointed by the Trustee) shall take possession of the whole or any substantial part (in the opinion of the Trustee) of the undertaking or assets of the Issuer or (d) a distress or execution or other process shall be levied or enforced upon or sued out against the whole or any substantial part (in the opinion of the Trustee) of the undertaking or assets of the Issuer (other than, in any such case, by the Trustee or pursuant to any of the Transaction Documents) and in any of the foregoing cases (other than in relation to the circumstances described in (b) where no grace period shall apply) such order, appointment, possession or process (as the case may be) is not discharged or stayed or does not cease to apply within 14 days; or

(v) if the Issuer initiates or consents to judicial proceedings relating to itself (except in accordance with paragraph (iii) above) under any applicable liquidation, bankruptcy, insolvency, composition, reorganisation, readjustment or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally;

(vi) if the Issuer becomes insolvent or is adjudicated or found bankrupt; or

(vii) if an event of default (howsoever described) in relation to the Underlying Assets occurs and is continuing.

### **(b) Enforcement**

In the event of the Security constituted by the Security Documents becoming enforceable following an acceleration of the Notes of a particular Series as provided in this Condition 10, the Trustee shall, but in each case without any liability as to the consequence of such action and without having regard to the effect of, or being required to account for, such action to, the Secured Creditors in relation to such Series, have the right to enforce its rights under the Security Documents, in relation to the relevant Charged Assets in relation to such Series only, provided that the Trustee shall not be required to take any action that would involve the Trustee in any personal liability or expense unless previously indemnified and/or secured to its satisfaction.

*The provisions of the Trust Deed are expressed to apply separately to each Series. Accordingly, the occurrence of an Event of Default under one Series does not per se constitute an Event of Default under any other Series.*

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

## **11. LIMITED RECOURSE ENFORCEMENT**

(a) If the amounts realised from the Charged Assets in respect of any Series (including, without limitation, a realisation of the Security or a sale or redemption of the Underlying Assets and termination of any Related Agreement in accordance with these Conditions) are not sufficient (after meeting the Trustee's, the Principal Paying Agent's, the Custodian's and any receiver's expenses, liabilities and remuneration, and any other amounts that rank in priority to the Notes of such Series as specified in the Supplemental Trust Deed and/or identified in the Applicable Pricing Supplement) to make payment of all amounts due in respect of the Notes of such Series and all other Secured Obligations with respect to that Series including, without limitation any amount due to the Swap Counterparty as a result of the termination of any Related Agreement, no other assets of the Issuer will be available to meet that shortfall. Any such shortfall shall be borne in the manner specified in the Supplemental Trust Deed and/or stated in the Applicable Pricing Supplement. Any claim of the Holders of the relevant Series remaining after such application shall be extinguished and such Holders will have no further recourse to the Issuer and any failure to make any payment in respect of such shortfall shall in no circumstances constitute an Event of Default under Condition 10.

(b) Only the Trustee may pursue the remedies available under the Trust Deed, the Conditions and the Transaction Documents and enforce the rights of the Secured Creditors in relation to the Underlying Assets of the relevant Series. No Secured Creditor of such Series is entitled to proceed directly against the Issuer or the property or any assets of the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, the Security Documents, fails or neglects to do so within a reasonable period and such failure or neglect is continuing. However, the Trustee shall not be bound to take any action to enforce the security or pursue the remedies available under the Trust Deed, the Conditions or any of the Transaction Documents unless it is indemnified and/or secured to its satisfaction and has, if so required by the Conditions, been requested to do so by the Instructing Creditor in respect of the relevant Series.

(c) After realisation of the Security in respect of the Notes of such Series which has become enforceable and distribution of the net proceeds thereof in accordance with Condition 4, neither the Trustee nor any Secured Creditor in respect of such Series (if any) may take any further steps against the Issuer or any of its assets to recover any sums due but unpaid in respect of the Notes or otherwise and the relevant Related Agreement will provide that the Swap Counterparty may not take any further steps against the Issuer or any of its assets to recover any sums due to it but unpaid in respect of the relevant Related Agreement in respect of the Notes of such Series and all claims and all rights to claim against the Issuer in respect of each such sum unpaid shall be extinguished.

(d) No Secured Creditor, nor the Trustee on its behalf may institute against or join any person in instituting against, the Issuer any bankruptcy, winding-up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver and manager pursuant to the terms of the Trust Deed) or other proceeding under any similar law nor shall any of them have any claim in respect of such sum over or in respect of any of the property or any assets of the Issuer other than those which are included in the Security for such Series. The Holders and the other Secured Creditors (if any) accept and agree, and in the relevant Related Agreement the Swap Counterparty will accept and agree, that the only remedy of the Trustee against the Issuer of any Series after any of the Notes of that Series have become due and payable pursuant to Condition 10 is to enforce the Security for the Notes for the relevant Series created by the fixed charges pursuant to the provisions of the Trust Deed or any other Security Document executed in relation to that Series.

*The net proceeds of enforcement of the Security and/or realisation of the Charged Assets for the relevant Series may be insufficient to pay all amounts due to the Secured Creditors in respect of such Series in which event claims in respect of all such amounts will be extinguished.*

## 12. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7(f)) in respect thereof.

## 13. REPLACEMENT OF NOTES, COUPONS, RECEIPTS AND TALONS

If any Bearer Note, Registered Note Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and any relevant exchange requirements, at the specified office of the Issue Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, exchange and/or quotation system which requires the appointment of the Principal Paying Agent in any particular place, the Principal Paying Agent having its specified office in the place required by such listing authority, exchange and/or quotation system) subject to all applicable laws and listing authority, exchange and/or quotation system requirements upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## 14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND SUBSTITUTION

### *(a) Meetings of Noteholders, Modifications and Waiver*

The Principal Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider matters affecting their interests, including the modification by Extraordinary Resolution (as defined in the Principal Trust Deed) of the Conditions or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than one quarter of the Principal Amount of the Notes of the relevant Series for the time being outstanding, or, at any adjourned such meeting, two or more persons being or representing Noteholders of the relevant Series, whatever the Principal Amount of the Notes so held or represented, except that, *inter alia*, the terms of the security and certain terms concerning the amount and currency and the postponement of the due dates of payment of the Notes and the Coupons or Receipts (if any) may be modified only by resolutions passed at a meeting the quorum at which shall be two or more persons holding or representing three quarters, at any adjourned such meeting, not less than one quarter, in Principal Amount of the Notes of the relevant Series for the time being outstanding. In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders of the relevant Series, whether or not they were present at such meeting, and on Couponholders (if any). The Trustee may, but without consulting the Secured Creditors (including the Holders), determine that an event which would otherwise be an Event of Default shall not be so treated but only if and in so far as in its opinion the interests of Noteholders of that Series shall not be materially prejudiced thereby.

*The Holder of a Global Note will be treated as being two persons for the purposes of any quorum requirement of a meeting of Noteholders.*

The Trustee may agree:

(i) with the prior written confirmation from the Rating Agency or Rating Agencies which have assigned a credit rating to the relevant Series or any Notes comprised therein that such rating will not be adversely affected (if such Notes are rated); but

(ii) without the consent of the Secured Creditors of any Series, to:

(a) any modification of any of the provisions of the Trust Deed or the Transaction Documents which is of a formal, minor or technical nature or is made to correct a manifest error; and

(b) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or the Transaction Documents which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Secured Creditors of that Series.

Any such modification, authorisation or waiver shall be binding on the Secured Creditors of that Series and, unless the Trustee agrees otherwise with the relevant Issuer, such modification shall be notified to the Secured Creditors of that Series as soon as practicable thereafter.

**(b) Authorisation**

The Issuer will not, except as specified in the Applicable Pricing Supplement, exercise any rights in its capacity as a holder of, or person beneficially entitled to or participating in the Underlying Assets, unless directed to do so by the Trustee and, if such direction is given, the Issuer will act only in accordance with such directions. The Trustee may, but need not, vote provided that it will nevertheless vote if requested to do so by the Instructing Creditor and if the Trustee does vote pursuant to such request, it will bear no liability for doing so. In particular, the Issuer will not attend or vote at any meeting of holders of, or other persons interested or participating in, or entitled to the rights or benefits (or a part thereof) under, the Underlying Assets or give any consent, waiver, indulgence, time or notification or make any declaration in relation to such Underlying Assets unless it shall have been so directed by the Trustee in writing.

**(c) Substitution**

(i) The Principal Trust Deed contains provisions permitting the Trustee to agree:

(a) without the consent of the Secured Creditors of any Series; but

(b) if any Notes are rated by a rating agency or rating agencies subject to the prior receipt by the Issuer and the Trustee of written confirmation from such rating agency or rating agencies that the credit rating of such Notes will not be adversely affected;

to the substitution in place of the Issuer as principal debtor under the Trust Deed and the Notes of any other company (incorporated in any jurisdiction);

(ii) In connection with any proposed substitution or change of jurisdiction of the Issuer, the Trustee may:

(a) without the consent of the Secured Creditors; but

(b) if any Notes are rated by a rating agency or rating agencies subject to the prior receipt by the Issuer and the Trustee of written confirmation from such rating agency or rating agencies that the credit rating of such Notes will not be adversely affected,

agree to a change of the law governing the Principal Trust Deed, the Supplemental Trust Deed, any other Security Document, the Notes, the Receipts, the Coupons, the Talons (if any) provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the relevant Noteholders or the Swap Counterparty in respect of such Series.

**(d) Entitlement of the Trustee**

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

**15. NOTICES**

Notices to Holders of Registered Notes will be posted to them at their respective addresses in the Register and deemed to have been given on the fourth day (being a day other than a Saturday or Sunday on which banks in New York, London, Singapore and/or such other cities as a set forth in the Applicable Pricing Supplement are open for business) after the date of posting. Other notices to Noteholders will be valid if published in a leading daily newspaper having general circulation in Singapore to the extent that the Notes are settled through CDP. Any such notice (other than to holders of Registered Notes as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and Receiptholders will be deemed for

all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes in accordance with this Condition.

A copy of all notices provided pursuant to this Condition 15 shall also be given to CDP, Euroclear and/or Clearstream, Luxembourg and/or any Alternative Clearing System.

So long as any Notes are represented by Global Notes notices in respect of those Notes may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg (or any Alternative Clearing System) for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in London or Dublin or Europe, as applicable.

## 16. INDEMNIFICATION OF THE TRUSTEE

The Principal Trust Deed contains provisions for indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any actions including the giving of an Enforcement Notice and the taking of proceedings to enforce repayment unless indemnified and/or secured to its satisfaction. The Trustee or any of its affiliates is entitled to enter into business transactions with the Issuer, any issuer or guarantor of (or other obligor in respect of) any of the securities or other assets, rights and/or benefits comprising the Charged Assets or the Secured Creditors or any of their respective subsidiaries or associated companies without accounting to the Secured Creditors for any profit resulting therefrom.

The Trustee, in the absence of gross negligence, wilful default or fraud, is exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Charged Assets, from any obligation to insure all or any part of the Charged Assets (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder) or to procure the same to be insured or monitoring the adequacy of any insurance arrangements and from any claim arising if all or any part of the Underlying Assets (or any such document aforesaid) are held in an account with Euroclear, Clearstream or any Alternative Clearing System in accordance with that system's rules or otherwise held in safe custody by the Custodian or a bank or other custodian selected by the Trustee. The Trustee does not have any responsibility for monitoring the actions of the Custodian and in particular the Trustee will incur no liability, vicarious or otherwise, for any actions or inactivity of the Custodian.

The Trustee was appointed trustee in respect of notes to be issued by the Issuer under the Programme pursuant to the terms of the Principal Trust Deed. Pursuant to the terms of the Principal Trust Deed, the Trustee may retire at any time on giving not less than three months' prior written notice to the Issuer and each Secured Creditor (other than the Holders) in respect of such Series without assigning any reason and without being responsible for any liabilities occasioned by such retirement. The Holders of each Series shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being under the Principal Trust Deed in relation to such Series. The retirement or removal of any such trustee shall not become effective until a successor trustee being a Trust Corporation (as defined in the Trust Deed) has been appointed. Additional trustees or co-trustees may also be appointed as trustees in respect of any Series of Notes.

## 17. REDENOMINATION, RENOMINALISATION AND RECONVENTIONING

(a) *Application:* This Condition 17 (Redenomination, Renominalisation and Reconventioning) is applicable to the Notes only if it is specified in the relevant Applicable Pricing Supplement as being applicable.

(b) *Notice of redenomination:* If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Principal Paying Agent, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

(c) *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines,

with the agreement of the Fiscal Agent then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each listing authority, exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Principal Paying Agent of such deemed amendments;

(ii) if Notes have been issued in definitive form:

(C) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the “**Euro Exchange Date**”) on which the Issuer gives notice (the “**Euro Exchange Notice**”) to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;

(D) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 17) shall remain in full force and effect; and

(E) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

(iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

(d) *Interest:* Following redenomination of the Notes pursuant to this Condition 17, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

(e) *Interest Determination Date:* If the Floating Rate Note Provisions are specified in the relevant Applicable Pricing Supplement as being applicable and Screen Rate Determination is specified in the relevant Applicable Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

## 18. GOVERNING LAW

### (a) *Governing Law*

The Principal Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Notes, the Coupons, the Receipts and the Talons (if any) and the Agency Agreement are governed by and shall be construed in accordance with English law. Any Supplementary Security Document will be governed by and construed in accordance with the law specified therein.

### (b) *Submission to Jurisdiction*

The Issuer has, in the Principal Trust Deed, 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 settle any dispute which may arise out of or in connection with the Notes (respectively, “**Proceedings**” and “**Disputes**”) and for such purposes irrevocably submits to the jurisdiction of such courts.

### (c) *Waiver*

The Issuer has, in the Principal Trust Deed, irrevocably agreed that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

*(d) Rights of the Secured Creditors to take proceedings*

Condition 18(b) is for the benefit of the Trustee and Noteholders only. As a result, nothing in this Condition 18 prevents the Trustee and Noteholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Trustee and Noteholders may take concurrent Proceedings in any number of jurisdictions.

*(e) Process Agent*

The Issuer has, in the Principal Trust Deed, agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to (a) Morgan Stanley & Co. International Limited at 25, Cabot Square, Canary Wharf, London, E14 4QA or its other registered office for the time being or (b) if so specified in the Supplemental Trust Deed in respect of a particular Series of Notes, the agent so specified therein. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer’s behalf, the Issuer shall notify the Trustee and appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person at the expense of the Issuer by written notice to the Issuer. In respect of each Series of Notes the Issuer may appoint one or more additional process agents. Nothing contained herein shall affect the right of the Trustee or Noteholders to serve process in any other manner permitted by law.

**19. THIRD PARTY RIGHTS**

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

**Schedule 1 to Master Conditions for First-to-Default Notes**

The terms which shall apply to each Entity Type are set out below.

## EUROPEAN CORPORATE REFERENCE ENTITY

Credit Events	Bankruptcy		
	Failure to Pay		
	Restructuring		
	Restructuring Maturity Limitation and Fully Transferable Obligation:	Not Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation:	Applicable	
	Multiple Holder Obligation:	Applicable	
Obligation	Obligation Category:	Borrowed Money	
	Obligation Characteristics:	None	
Valuation Obligations	Valuation Obligation Category:	Bond or Loan	
	Valuation Obligation Characteristics:	Not Subordinated	
		Specified Currency —	Standard Specified Currencies
		Not Contingent	
		Assignable Loan	
		Consent Required Loan	
		Transferable	
		Maximum Maturity 30 years	
Not Bearer			

## SUBORDINATED EUROPEAN INSURANCE CORPORATE REFERENCE ENTITY

Credit Events	Bankruptcy		
	Failure to Pay		
	Restructuring		
	Restructuring Maturity Limitation and Fully Transferable Obligation:	Not Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation:	Not Applicable	
	Multiple Holder Obligation:	Applicable	
Obligation	Obligation Category:	Borrowed Money	
	Obligation Characteristics:	None	
Valuation Obligations	Valuation Obligation Category:	Bond or Loan	
	Valuation Obligation Characteristics:	Specified Currency —	Standard Specified Currencies
		Not Contingent	
		Assignable Loan	
		Consent Required Loan	
		Transferable	
		Maximum Maturity 30 years	
Not Bearer			

**WESTERN EUROPEAN SOVEREIGN REFERENCE ENTITY**

Credit Events	Repudiation/Moratorium	
	Failure to Pay	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable	
	Multiple Holder Obligation: Applicable	
Obligation	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Valuation Obligations	Valuation Obligation Category:	Bond or Loan
	Valuation Obligation Characteristics:	Specified Currency — Standard Specified Currencies
		Not Contingent
		Assignable Loan
		Consent Required Loan
		Transferable
		Maximum Maturity 30 years
Not Bearer		

**NORTH AMERICAN CORPORATE INVESTMENT GRADE REFERENCE ENTITY**

Credit Events	Bankruptcy	
	Failure to Pay	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation:	Applicable
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation:	Not Applicable
	Multiple Holder Obligation:	Applicable
Obligation		
	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Valuation Obligations		
	Valuation Obligation Category:	Bond or Loan
	Valuation Obligation Characteristics:	Not Subordinated
		Specified Currency — Standard Specified Currencies
		Not Contingent
		Assignable Loan
		Consent Required Loan
		Transferable
		Maximum Maturity 30 years
		Not Bearer

**NORTH AMERICAN CORPORATE HIGH YIELD REFERENCE ENTITY**

Credit Events	Bankruptcy Failure to Pay	
Obligation	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Valuation Obligations	Valuation Obligation Category:	Bond or Loan
	Valuation Obligation Characteristics:	Not Subordinated Specified Currency — Standard Specified Currencies Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer

**NORTH AMERICAN MONOLINE REFERENCE ENTITY**

Credit Events	Bankruptcy	
	Failure to Pay	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation:	Applicable
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation:	Not Applicable
	Multiple Holder Obligation:	Applicable
Obligation	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Valuation Obligations	Valuation Obligation Category:	Bond or Loan
	Valuation Obligation Characteristics:	Not Subordinated
		Specified Currency —
		Standard Specified Currencies
		Not Contingent
		Assignable Loan
		Consent Required Loan
		Transferable
Maximum Maturity 30 years		
Not Bearer		

## LATIN AMERICAN SOVEREIGN REFERENCE ENTITY

### Credit Events

Failure to Pay

Obligation Acceleration

Repudiation/Moratorium

Restructuring

Restructuring Maturity Limitation and Fully Transferable Obligation:  
Not Applicable

Modified Restructuring Maturity Limitation and Conditionally  
Transferable Obligation: Not Applicable

Multiple Holder Obligation: Not Applicable

### Obligation

Obligation Category:

Bond

Obligation Characteristics:

Not Subordinated

Not Domestic Currency

Not Domestic Law

Not Domestic Issuance

### Valuation Obligations

Valuation Obligation Category:

Bond

Valuation Obligation Characteristics:

Not Subordinated

Specified Currency —  
Standard Specified Currencies

Not Domestic Law

Not Contingent

Not Domestic Issuance

Transferable

Not Bearer

**LATIN AMERICAN CORPORATE REFERENCE ENTITY**

Credit Events

Bankruptcy  
Failure to Pay  
Obligation Acceleration  
Repudiation/Moratorium  
Restructuring  
Restructuring Maturity Limitation and Fully Transferable Obligation:  
Not Applicable  
Modified Restructuring Maturity Limitation and Conditionally  
Transferable Obligation: Not Applicable  
Multiple Holder Obligation: Not Applicable

Obligation

Obligation Category: Bond  
Obligation Characteristics: Not Subordinated  
Not Domestic Currency  
Not Domestic Law  
Not Domestic Issuance

Valuation Obligations

Valuation Obligation Category: Bond  
Valuation Obligation Characteristics: Not Subordinated  
Specified Currency —  
Standard Specified Currencies  
Not Domestic Law  
Not Contingent  
Not Domestic Issuance  
Transferable  
Not Bearer

## AUSTRALIA AND NEW ZEALAND CORPORATE REFERENCE ENTITY

Credit Events	Bankruptcy	
	Failure to Pay	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation:	Applicable
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation:	Not Applicable
	Multiple Holder Obligation:	Applicable
Obligation	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Valuation Obligations	Valuation Obligation Category:	Bond or Loan
	Valuation Obligation Characteristics:	Not Subordinated
		Specified Currency — Standard Specified Currencies and Domestic Currency
		Not Contingent
		Assignable Loan
		Consent Required Loan
		Transferable
	Maximum Maturity 30 years	
	Not Bearer	

## JAPAN CORPORATE REFERENCE ENTITY

### Credit Events

Bankruptcy

Failure to Pay

Restructuring

Restructuring Maturity Limitation and Fully Transferable Obligation:  
Not Applicable

Modified Restructuring Maturity Limitation and Conditionally  
Transferable Obligation: Not Applicable

Multiple Holder Obligation: Not Applicable

### Obligation

Obligation Category: Borrowed Money

Obligation Characteristics: Not Subordinated

### Valuation Obligations

Valuation Obligation Category: Bond or Loan

Valuation Obligation Characteristics: Not Subordinated

Specified Currency —  
Standard Specified Currencies

Not Contingent

Assignable Loan

Consent Required Loan

Transferable

Maximum Maturity 30 years

Not Bearer

## JAPAN SOVEREIGN REFERENCE ENTITY

### Credit Events

Repudiation/Moratorium

Failure to Pay

Restructuring

Restructuring Maturity Limitation and Fully Transferable Obligation:  
Not Applicable

Modified Restructuring Maturity Limitation and Conditionally  
Transferable Obligation: Not Applicable

Multiple Holder Obligation: Not Applicable

### Obligation

Obligation Category:

Borrowed Money

Obligation Characteristics:

None

### Valuation Obligations

Valuation Obligation Category:

Bond or Loan

Valuation Obligation Characteristics:

Specified Currency —  
Standard Specified Currencies

Not Contingent

Assignable Loan

Consent Required Loan

Transferable

Maximum Maturity 30 years

Not Bearer

## ASIA CORPORATE REFERENCE ENTITY

### Credit Events

Bankruptcy

Failure to Pay

Restructuring

Restructuring Maturity Limitation and Fully Transferable Obligation:  
Not Applicable

Modified Restructuring Maturity Limitation and Conditionally  
Transferable Obligation: Not Applicable

Multiple Holder Obligation: Applicable

### Obligation

Obligation Category:

Bond or Loan

Obligation Characteristics:

Not Subordinated

Not Sovereign Lender

Not Domestic Currency

Not Domestic Issuance

Not Domestic Law

### Valuation Obligations

Valuation Obligation Category:

Bond or Loan

Valuation Obligation Characteristics:

Not Subordinated

Specified Currency —  
Standard Specified Currencies

Not Sovereign Lender

Not Domestic Law

Not Contingent

Not Domestic Issuance

Assignable Loan

Transferable

Maximum Maturity 30 years

Not Bearer

**ASIA SOVEREIGN REFERENCE ENTITY**

Credit Events

Failure to Pay

Repudiation/Moratorium

Restructuring

Restructuring Maturity Limitation and Fully Transferable Obligation:  
Not Applicable

Modified Restructuring Maturity Limitation and Conditionally  
Transferable Obligation: Not Applicable

Multiple Holder Obligation: Applicable

Obligation

Obligation Category:

Bond or Loan

Obligation Characteristics:

Not Subordinated

Not Sovereign Lender

Not Domestic Currency

Not Domestic Law

Not Domestic Issuance

Valuation Obligations

Valuation Obligation Category:

Bond or Loan

Valuation Obligation Characteristics:

Not Subordinated

Specified Currency —  
Standard Specified Currencies

Not Sovereign Lender

Not Domestic Law

Not Contingent

Not Domestic Issuance

Assignable Loan

Transferable

Maximum Maturity: 30 years

Not Bearer

## SINGAPORE CORPORATE REFERENCE ENTITY

Credit Events	Bankruptcy	
	Failure to Pay	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation:	Not Applicable
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation:	Not Applicable
	Multiple Holder Obligation:	Applicable
Obligation	Obligation Category:	Bond or Loan
	Obligation Characteristics:	Not Subordinated
		Specified Currency — Standard Specified Currencies and Domestic Currency
		Not Sovereign Lender
Valuation Obligations	Valuation Obligation Category:	Bond or Loan
	Valuation Obligation Characteristics:	Not Subordinated
		Specified Currency — Standard Specified Currencies and Domestic Currency
		Not Sovereign Lender
		Not Contingent
		Assignable Loan
		Transferable
	Maximum Maturity 30 years	
	Not Bearer	

## SINGAPORE SOVEREIGN REFERENCE ENTITY

Credit Events	Repudiation/Moratorium	
	Failure to Pay	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation:	Not Applicable
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation:	Not Applicable
	Multiple Holder Obligation:	Applicable
Obligation	Obligation Category:	Bond or Loan
	Obligation Characteristics:	Not Subordinated
		Specified Currency: Standard Specified Currencies & Domestic Currency
		Not Sovereign Lender
Valuation Obligations	Valuation Obligation Category:	Bond or Loan
	Valuation Obligation Characteristics:	Not Subordinated
		Specified Currency: Standard Specified Currencies & Domestic Currency
		Not Sovereign Lender
		Not Contingent
		Assignable Loan
		Transferable
		Maximum Maturity: 30 years
	Not Bearer	

**EMERGING EUROPEAN & MIDDLE EASTERN SOVEREIGN  
REFERENCE ENTITY**

Credit Events	Repudiation/Moratorium Failure to Pay Obligation Acceleration Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Multiple Holder Obligation: Not Applicable
Obligation	Obligation Category: Bond Obligation Characteristics: Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance
Valuation Obligations	Valuation Obligation Category: Bond Valuation Obligation Characteristics: Not Subordinated Specified Currency: Standard Specified Currencies Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer

**Additional Terms**

Notwithstanding the Master Conditions, in respect of a Reference Entity which is the Republic of Hungary, “Obligations” and “Valuation Obligations” shall also include any National Bank of Hungary Obligation.

For these purposes only:

“**National Bank of Hungary Obligation**” means any obligation of the National Bank of Hungary (either directly or as provider of a Qualifying Affiliate Guarantee, or, if All Guarantees is specified as applicable in the related Confirmation, as provider of any Qualifying Guarantee) and any Successor:

(i) which has the Obligation Characteristic “Not Subordinated”, where solely for the purpose of the definition of “Not Subordinated”, the National Bank of Hungary shall be deemed to be a Reference Entity in respect of which a Reference Obligation has not been specified;

(ii) which is described by the Obligation Category specified in respect of the Republic of Hungary;

(iii) which has each of the Obligation Characteristics specified in respect of the Republic of Hungary; and

(iv) in relation to which the occurrence or existence of an Event of Default (as defined herein) will cause any obligation of the Republic of Hungary in respect of Borrowed Money to become, with the lapse of any grace period and subject to any other requirements under the terms of such Borrowed Money obligation (including requirements as to the amounts of such default), immediately due and payable pursuant to the terms of such Borrowed Money obligation.

For the purposes of construing this definition of “National Bank of Hungary Obligation”, the National Bank of Hungary shall be deemed to be a Reference Entity.

“**Event of Default**” means any failure by the National Bank of Hungary as issuer or obligor or guarantor of the relevant obligation, to make, when due any payment of principal or premium or prepayment charge or interest, if any, on such obligation.

## AUSTRALIAN AND NEW ZEALAND SOVEREIGN REFERENCE ENTITY

Credit Events	Repudiation/Moratorium		
	Failure to Pay		
	Restructuring		
	Restructuring Maturity Limitation and Fully Transferable Obligation:	Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation:	Not Applicable	
	Multiple Holder Obligation:	Applicable	
Obligation	Obligation Category:	Borrowed Money	
	Obligation Characteristics:	None	
Valuation Obligations	Valuation Obligation Category:	Bond or Loan	
	Valuation Obligation Characteristics:	Not Subordinated	
		Specified Currency:	Standard Specified Currencies & Domestic Currency
		Not Contingent	
		Assignable Loan	
		Consent Required Loan	
		Transferable	
	Maximum Maturity: 30 years		
	Not Bearer		

**ISSUER**

**Pinnacle Performance Limited**  
PO Box 1093GT, Queensgate House,  
South Church Street, George Town,  
Grand Cayman, Cayman Islands

**ARRANGER**

**Morgan Stanley Dean Witter Asia (Singapore) Pte**  
23 Church Street  
#16-01  
Capital Square  
Singapore 049481

**TRUSTEE**  
**HSBC Institutional Trust**  
**Services (Singapore) Limited**  
21 Collyer Quay  
#14-01  
HSBC Building  
Singapore 049320

**CUSTODIAN AND**  
**REGISTRAR**  
**The Hongkong and Shanghai**  
**Banking Corporation Limited**  
1 Queen's Road Central  
Hong Kong

**PRINCIPAL PAYING**  
**AGENT AND**  
**CALCULATION AGENT**  
**The Hongkong and Shanghai**  
**Banking Corporation Limited**  
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**LEGAL ADVISERS**

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*Cayman Islands law*  
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*to the Trustee, Custodian,*  
*Principal Paying Agent,*  
*Calculation Agent and Registrar as*  
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