

MORGAN STANLEY EMERGING MARKETS DEBT FUND INC
Form N-14 8C
July 17, 2009

As filed with the Securities and Exchange Commission on July 17, 2009

Securities Act File No. 333-

Investment Company Act File No. 811-07694

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-14

Registration Statement Under the Securities Act of 1933

Pre-Effective Amendment No.

Post Effective Amendment No.

X

0

0

MORGAN STANLEY EMERGING MARKETS DEBT FUND, INC.

(Exact Name of Registrant as Specified in Charter)

522 Fifth Avenue

New York, New York 10036

(Address of Principal Executive Offices)

(212) 296-6970

(Area Code and Telephone Number)

Stefanie V. Chang Yu, Esq.

Morgan Stanley Investment Management Inc.

522 Fifth Avenue

New York, New York 10036

(Name and Address of Agent for Service)

Copy to:

Carl Frischling, Esq.
Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036

Leonard B. Mackey, Jr., Esq.
Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019

Approximate Date of Proposed Public Offering:

As soon as practicable after the effective date of this Registration Statement.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price	Amount Of Registration Fee*
Common Stock, par value \$0.01 per share	\$ 1,000,000	\$ 55.80

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

MORGAN STANLEY GLOBAL OPPORTUNITY BOND FUND, INC.

522 Fifth Avenue

New York, New York 10036

(800) 231-2608

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD NOVEMBER 18, 2009**

To the stockholders of Morgan Stanley Global Opportunity Bond Fund, Inc.:

Notice is hereby given of a Special Meeting of the Stockholders of Morgan Stanley Global Opportunity Bond Fund, Inc. (Global Opportunity Bond) to be held in Conference Room [•], [•] Floor, 522 Fifth Avenue, New York, New York 10036, at [•] a.m., New York time, on November 18, 2009, and any adjournments or postponements thereof (the Meeting), for the following purposes:

1. To consider and vote upon a proposal to approve the actions and transactions described in that certain Agreement and Plan of Reorganization, dated June 19, 2009 (the Reorganization Agreement), between Global Opportunity Bond and Morgan Stanley Emerging Markets Debt Fund, Inc. (Emerging Markets Debt), pursuant to which substantially all of the assets of Global Opportunity Bond would be transferred to Emerging Markets Debt and stockholders of Global Opportunity Bond would become stockholders of Emerging Markets Debt receiving shares of common stock of Emerging Markets Debt with a value equal to the value of their holdings in Global Opportunity Bond and Global Opportunity Bond would be dissolved (the Reorganization); and
2. To act upon such other matters as may properly come before the Meeting, or any adjournments or postponements thereof.

The Reorganization is more fully described in the accompanying Proxy Statement and Prospectus and a copy of the Reorganization Agreement is attached as Exhibit A thereto, both of which are incorporated herein by reference and form a part of this Notice of Special Meeting of Stockholders. Stockholders of record of Global Opportunity Bond at the close of business on September 4, 2009 are entitled to notice of, and to vote at, the Meeting. Please read the Proxy Statement and Prospectus carefully before telling us, through your Proxy or in person, how you wish your shares to be voted. Alternatively, if you are eligible to vote telephonically by touchtone telephone or electronically on the Internet (as discussed in the enclosed Proxy Statement) you may do so in lieu of attending the Meeting in person. **The Board of Directors of Global Opportunity Bond recommends you vote in favor of the Reorganization. We urge you to sign, date and mail the enclosed Proxy promptly.**

By: Order of the Board of Directors,

MARY E. MULLIN
Secretary

[•], 2009

You can help avoid the necessity and expense of sending follow-up letters to ensure a quorum by promptly returning the enclosed Proxy. If you are unable to be present in person, please fill in, sign and return the enclosed Proxy in order that the necessary quorum be represented at the Meeting. The enclosed envelope requires no postage if mailed in the United States. Stockholders of Global Opportunity Bond will be able to vote telephonically by touchtone telephone or electronically on the Internet by following instructions on their Proxy Cards or on the enclosed Voting Information Card.

MORGAN STANLEY EMERGING MARKETS DEBT FUND, INC.

**522 Fifth Avenue
New York, New York 10036
(800) 231-2608**

**Acquisition of the Assets of
Morgan Stanley Global Opportunity Bond Fund, Inc.**

**By and in Exchange for Shares of Common Stock of
Morgan Stanley Emerging Markets Debt Fund, Inc.**

This Proxy Statement and Prospectus is being furnished to stockholders of Morgan Stanley Global Opportunity Bond Fund, Inc. (Global Opportunity Bond) in connection with an Agreement and Plan of Reorganization, dated June 19, 2009 (the Reorganization Agreement), pursuant to which substantially all the assets of Global Opportunity Bond will be transferred to Morgan Stanley Emerging Markets Debt Fund, Inc. (Emerging Markets Debt) in exchange for shares of common stock (common shares) of Emerging Markets Debt and Global Opportunity Bond will be dissolved (the Reorganization). As a result of this transaction, stockholders of Global Opportunity Bond will become stockholders of Emerging Markets Debt and will receive common shares of Emerging Markets Debt with an aggregate net asset value (NAV) equal to the aggregate NAV of their holdings in Global Opportunity Bond. The terms and conditions of this transaction are more fully described in this Proxy Statement and Prospectus and in the Reorganization Agreement between Global Opportunity Bond and Emerging Markets Debt attached hereto as Exhibit A. The address of Global Opportunity Bond is that of Emerging Markets Debt set forth above. This Proxy Statement also constitutes a Prospectus of Emerging Markets Debt, which is dated [●], 2009, filed by Emerging Markets Debt with the Securities and Exchange Commission (the Commission) as part of its Registration Statement on Form N-14 (the Registration Statement).

Emerging Markets Debt, a Maryland corporation, is a closed-end management investment company whose primary investment objective is to seek a high level of current income and, as a secondary investment objective, seeks capital appreciation. Emerging Markets Debt seeks to achieve its investment objectives through investments primarily in debt securities of government and government-related issuers located in emerging market countries and of entities organized to restructure outstanding debt of such issuers.

This Proxy Statement and Prospectus sets forth concisely information about Emerging Markets Debt that stockholders of Global Opportunity Bond ought to know before voting on the Reorganization. Enclosed and incorporated herein by reference is Emerging Markets Debt's Annual Report for the fiscal year ended December 31, 2008. A Statement of Additional Information, dated [●], 2009, relating to the Reorganization, described in this Proxy Statement and Prospectus has been filed with the Commission and is also incorporated herein by reference. Such documents, including the Statement of Additional Information, as well as additional information about Emerging Markets Debt and Global Opportunity Bond, have been filed with the Commission and are available upon request without charge by calling (800) 231 2608 (toll-free) or by visiting the Commission's website at www.sec.gov. Currently, the common shares of Global Opportunity Bond and Emerging Markets Debt trade on the New York Stock Exchange (NYSE). Reports, proxy statements and other information concerning Global Opportunity Bond and Emerging Markets Debt can be inspected at 20 Broad Street, New York, New York 10004.

Investors are advised to read and retain this Proxy Statement and Prospectus for future reference.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any State Securities Commission, nor has the Securities and Exchange Commission or any State Securities Commission passed on the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

This Proxy Statement and Prospectus is dated [•], 2009.

TABLE OF CONTENTS

PROXY STATEMENT AND PROSPECTUS

	Page
Introduction	1
General	1
Record Date; Share Information	1
Proxies	2
Expenses of Solicitation	2
Vote Required	3
Fee Table	3
Example	3
Synopsis	4
The Reorganization	4
Comparison of Global Opportunity Bond and Emerging Markets Debt	5
Principal Risks	6
Tax Consequences of the Reorganization	6
Dividends	6
Financial Highlights	6
Global Opportunity Bond	7
Emerging Markets Debt	7
Financial Information	8
The Reorganization	8
The Proposal	8
The Board's Considerations	8
The Reorganization Agreement	9
Tax Aspects of the Reorganization	10
Description of Common Shares	12
Appraisal Rights	12
Capitalization Table (unaudited)	13
Comparison of Investment Objectives, Policies and Restrictions	13
Investment Objectives and Policies	13
Investment Restrictions	14
Information About The Funds	14
General	14
Management of the Funds	14
Investment Advisory Agreement	15
Portfolio Management	15
Administrator	16
Other Service Providers	16
Security Ownership of Certain Beneficial Owners	16
Description of Capital Stock	17
Trading History and Share Price Data	19
Dividends And Distributions; Dividend Reinvestment and Cash Purchase Plan	20
Details of the Plan	20
Principal Risk Factors	21
Additional Risk Considerations	33
Financial Statements and Experts	34
Legal Matters	34
Additional Information	34
Other Business	34
Exhibit A Agreement and Plan of Reorganization	35

MORGAN STANLEY GLOBAL OPPORTUNITY BOND FUND, INC.

**522 Fifth Avenue
New York, New York 10036
(800) 231-2608**

PROXY STATEMENT AND PROSPECTUS

**Special Meeting of Stockholders
to be Held November 18, 2009**

INTRODUCTION

General

Edgar Filing: MORGAN STANLEY EMERGING MARKETS DEBT FUND INC - Form N-14 8C

This Proxy Statement and Prospectus is being furnished to the stockholders of Morgan Stanley Global Opportunity Bond Fund, Inc., a Maryland corporation (Global Opportunity Bond), which is a closed-end, non-diversified management investment company, in connection with the solicitation by the Board of Directors (the Board) of Global Opportunity Bond of Proxies to be used at the Special Meeting of Stockholders of Global Opportunity Bond to be held in Conference Room [•],[•] Floor, 522 Fifth Avenue, New York, New York 10036, at [•] a.m., New York time, on November 18, 2009, and any adjournments or postponements thereof (the Meeting). It is expected that the first mailing of this Proxy Statement and Prospectus will be made on or about [•], 2009.

At the Meeting, stockholders of Global Opportunity Bond will consider and vote upon the actions and transactions described in that certain Agreement and Plan of Reorganization, dated June 19, 2009 (the Reorganization Agreement), between Global Opportunity Bond and Morgan Stanley Emerging Markets Debt Fund, Inc. (Emerging Markets Debt and, together with Global Opportunity Bond, the Funds), pursuant to which substantially all of the assets of Global Opportunity Bond will be transferred to Emerging Markets Debt in exchange for shares of common stock (common shares) of Emerging Markets Debt and Global Opportunity Bond will be dissolved (the Reorganization). As a result of the Reorganization, stockholders of Global Opportunity Bond will become stockholders of Emerging Markets Debt and will receive common shares of Emerging Markets Debt equal to the aggregate net asset value (NAV) of the aggregate NAV of their holdings in Global Opportunity Bond on the date of such Reorganization. The common shares to be issued by Emerging Markets Debt pursuant to the Reorganization (the Emerging Markets Debt Shares) will be issued at NAV. Further information relating to Global Opportunity Bond and Emerging Markets Debt is set forth herein.

Global Opportunity Bond and Emerging Markets Debt are non-diversified, closed-end management investment companies. It is proposed that, upon approval of the Reorganization, stockholders of Global Opportunity Bond receive Emerging Markets Debt Shares equal to the aggregate NAV of the aggregate NAV of their holdings in Global Opportunity Bond on the date of the Reorganization. The information concerning Global Opportunity Bond and Emerging Markets Debt contained herein has been supplied by Global Opportunity Bond and Emerging Markets Debt, respectively. Each of Global Opportunity Bond and Emerging Markets Debt is referred to herein as a Fund and together as the Funds. The fund resulting from the Reorganization is referred to as the Combined Fund.

Record Date; Share Information

Edgar Filing: MORGAN STANLEY EMERGING MARKETS DEBT FUND INC - Form N-14 8C

The Board has fixed the close of business on September 4, 2009 as the record date (the Record Date) for the determination of the stockholders of Global Opportunity Bond entitled to notice of, and to vote at, the Meeting. As of the Record Date, there were [•] common shares of Global Opportunity Bond issued and outstanding. Stockholders of Global Opportunity Bond on the Record Date are entitled to one vote per common share and a fractional vote for a fractional share on each matter submitted to a vote at the Meeting. A majority of the outstanding common shares entitled to vote, represented in person or by proxy, will constitute a quorum at the Meeting.

Proxies

Edgar Filing: MORGAN STANLEY EMERGING MARKETS DEBT FUND INC - Form N-14 8C

The enclosed form of Proxy, if properly executed and returned, will be voted in accordance with the choice specified thereon. The Proxy will be voted in favor of the Reorganization unless a choice is indicated to vote against or to abstain from voting on the Reorganization. The Board knows of no business, other than that set forth in the Notice of Special Meeting of Stockholders, to be presented for consideration at the Meeting. However, the Proxy confers discretionary authority upon the persons named therein to vote as they determine on other business, not currently contemplated, which may come before the Meeting.

Abstentions and broker non-votes will have the effect of votes against the Reorganization, and broker non-votes will not be deemed to be present at the meeting for purposes of determining whether a quorum is present. Broker non-votes are common shares held in street name for which the broker indicates that instructions have not been received from the beneficial owners or other persons entitled to vote and for which the broker does not have discretionary voting authority. If a Global Opportunity Bond stockholder executes and returns a Proxy but fails to indicate how the votes should be cast, the Proxy will be voted in favor of the Reorganization Agreement. The Proxy may be revoked at any time prior to the voting thereof by: (i) delivering written notice of revocation to the Secretary of Global Opportunity Bond, 522 Fifth Avenue, New York, New York 10036; (ii) attending the Meeting and voting in person; or (iii) completing and returning a new Proxy (whether by mail or, as discussed below, by touchtone telephone or the Internet) (if returned and received in time to be voted). Attendance at the Meeting will not in and of itself revoke a Proxy.

In the event that the necessary quorum to transact business or the vote required to approve or reject the Reorganization is not obtained at the Meeting, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of Proxies. Any such adjournment will require the affirmative vote of the holders of a majority of common shares of Global Opportunity Bond present in person or by proxy at the Meeting. The persons named as proxies will vote in favor of such adjournment those proxies which they are entitled to vote in favor of the Reorganization and will vote against any such adjournment those proxies required to be voted against the Reorganization. Abstentions and broker non-votes will not be counted for purposes of approving an adjournment.

Expenses of Solicitation

Edgar Filing: MORGAN STANLEY EMERGING MARKETS DEBT FUND INC - Form N-14 8C

The expenses of this solicitation, including the cost of preparing and mailing this Proxy Statement and Prospectus, will be borne by both Funds, which expenses are expected to approximate \$71,025. The expenses will be allocated among Global Opportunity Bond and Emerging Markets Debt in the amounts of \$68,059 and \$2,966, respectively. [Global Opportunity Bond and Emerging Markets Debt will bear all of their respective other expenses associated with the Reorganization.]

The solicitation of Proxies will be by mail, which may be supplemented by solicitation by mail, telephone or otherwise through officers of Global Opportunity Bond or officers and regular employees of Morgan Stanley Investment Management Inc. (the Adviser) and/or Morgan Stanley Smith Barney, without special compensation therefor. As described below, Global Opportunity Bond will employ Computershare Fund Services, Inc. (Computershare) to make telephone calls to stockholders of Global Opportunity Bond to remind them to vote. In addition, Global Opportunity Bond may also employ Computershare as proxy solicitor if it appears that the required number of votes to achieve a quorum will not be received. In the event that Computershare is retained as proxy solicitor, Computershare will be paid a project management fee as well as telephone solicitation expenses incurred for reminder calls, outbound telephone voting, confirmation of telephone votes, inbound telephone contact, obtaining stockholders' telephone numbers and providing additional materials upon stockholder request, at an estimated cost of \$[•] and the expenses outlined below.

Stockholders of Global Opportunity Bond will be able to vote their common shares by touchtone telephone or electronically on the Internet by following the instructions on the Proxy Card or on the Voting Information Card accompanying this Proxy Statement. To vote by Internet or by telephone, stockholders can access the website or call the toll-free number listed on the Proxy Card or noted in the enclosed voting instructions. To vote by touchtone telephone, stockholders will need the number that appears on the Proxy Card.

In certain instances, Morgan Stanley or Computershare may call stockholders of Global Opportunity Bond to ask if they would be willing to have their votes recorded by telephone. The telephone voting procedure is designed to authenticate stockholders' identities, to allow stockholders to authorize the voting of their common shares in accordance with their instructions and to confirm that their instructions have been recorded properly. No recommendation will be made as to how a stockholder should vote on any proposal other than to refer to the recommendations of the Board. Global Opportunity Bond has been advised by counsel that these procedures are consistent with the requirements of applicable law. Stockholders voting by telephone in this manner will be asked for identifying information and will be given an opportunity to authorize proxies to vote their common shares in accordance with their instructions. To ensure that the stockholders' instructions have been recorded correctly, stockholders will receive a confirmation of their instructions in the mail. A special toll-free number set forth in the confirmation will be available in case the information contained in the confirmation is incorrect. Although a stockholder's vote may be taken by telephone, each stockholder will receive a copy of this Proxy Statement and may vote by mail using the enclosed Proxy Card or by touchtone telephone or electronically on the Internet as set forth above. The last proxy vote received in time to be voted, whether by Proxy Card, touchtone telephone or the Internet, will be the last vote that is counted and will revoke all previous votes by the stockholder.

Vote Required

Approval of the Reorganization by the stockholders of Global Opportunity Bond requires the affirmative vote of a majority of all votes entitled to be cast by the stockholders of Global Opportunity Bond on the matter. If the Reorganization is not approved by stockholders of Global Opportunity Bond, Global Opportunity Bond will continue in existence and the Board will consider alternative actions.

FEE TABLE

Edgar Filing: MORGAN STANLEY EMERGING MARKETS DEBT FUND INC - Form N-14 8C

The following table briefly describes the fees and expenses that the stockholders of the Funds bear directly and indirectly from an investment in the Funds. These expenses are deducted from each respective Fund's assets and are based on expenses paid by each Fund for its fiscal year ended December 31, 2008. Global Opportunity Bond and Emerging Markets Debt each pays expenses for management of its assets and other services, and those expenses are reflected in the NAV per share of each Fund. The table also sets forth pro forma fees for the Combined Fund reflecting what the fee schedule would have been on [December 31], 2008, if the Reorganization had been consummated twelve (12) months prior to that date.

	Global Opportunity Bond	Emerging Markets Debt	Combined Fund (Pro Forma)(1)
Stockholder Transaction Expenses Sales Load (as a percentage of offering price)	None	None	None
Dividend Reinvestment Plan Fees	None	None	None
Annual Fund Operating Expenses (as a percentage of net assets attributable to common shares)			
Advisory Fees	1.00%	1.00%	1.00%
Interest Payment on Borrowed Funds(2)	0.35%	0.09%	0.09%
Other Expenses	0.65%	0.19% ⁽³⁾	0.19% ⁽³⁾
Total Annual Fund Operating Expenses	2.00%	1.28%⁽³⁾	1.28%⁽³⁾

Example

Edgar Filing: MORGAN STANLEY EMERGING MARKETS DEBT FUND INC - Form N-14 8C

To attempt to show the effect of these expenses on an investment over time, the hypotheticals shown below have been created. The example assumes that an investor invests \$1,000 in either Global Opportunity Bond, Emerging Markets Debt or the Combined Fund, that the investment has a 5% return each year and that the operating expenses for each Fund remain the same (as set forth in the chart above). Although a stockholder's actual costs may be higher or lower, the tables below show a stockholder's costs at the end of each period based on these assumptions depending upon whether or not a stockholder sold his common shares at the end of each period.

	Global Opportunity Bond		Emerging Markets Debt		Combined Fund (Pro Forma)	
After 1 Year	\$	20	\$	13	\$	13
After 3 Years	\$	63	\$	41	\$	41

	Global Opportunity Bond		Emerging Markets Debt		Combined Fund (Pro Forma)	
After 5 Years	\$	108	\$	70	\$	70
After 10 Years	\$	233	\$	155	\$	155

- (1) Pro forma expenses are calculated based on the assets of the Funds as of [December 31], 2008.
- (2) This amount reflects interest rate payments on reverse repurchase agreements representing 0.35%, 0.09% and 0.09% of the net assets of Global Opportunity Bond, Emerging Markets Debt and the Combined Fund, respectively. The use of reverse repurchase agreements beyond this amount would cause this amount to increase accordingly. The amount shown in the table assumes an interest rate of 4.07%, 3.17% and 3.17% for each of Global Opportunity Bond, Emerging Markets Debt and the Combined Fund, respectively. The interest rate costs of any reverse repurchase agreements will vary over time based on market conditions.
- (3) The Adviser has voluntarily agreed to waive receipt of a portion of the administration fee so that the administration fee will not exceed 0.02435% of each of Emerging Markets Debt and the Combined Fund's average net assets plus \$24,000 per annum. The Net Annual Expenses taking into account the fee waiver would be 1.23% for each of Emerging Markets Debt and the Combined Fund.

The projected post-Reorganization pro forma Total Annual Fund Operating Expenses and Example presented above represent good faith estimates; however, there can be no assurance that any particular level of expenses or expense savings will be achieved, because expenses depend on a variety of factors, including the future level of fund assets, many of which are beyond the control of Emerging Markets Debt or the Adviser. Consequently, the Example should not be considered a representation of future expenses. Actual expenses may be greater or less than those shown.

The purpose of the foregoing fee table is to assist the stockholder in understanding the various costs and expenses that a stockholder in each Fund will bear directly or indirectly. For a more complete description of these costs and expenses, see Synopsis Comparison of Global Opportunity Bond and Emerging Markets Debt Investment Advisory Fees; and Other Significant Fees below.

SYNOPSIS

The following is a synopsis of certain information contained in this Proxy Statement and Prospectus. This synopsis is only a summary and is qualified in its entirety by the more detailed information contained in this Proxy Statement and Prospectus and the Reorganization Agreement. Stockholders should carefully review this Proxy Statement and Prospectus and the Reorganization Agreement in their entirety.

The Reorganization

The Reorganization Agreement provides for the acquisition by Emerging Markets Debt of substantially all of the assets and the assumption of substantially all of the liabilities of Global Opportunity Bond in exchange for newly-issued Emerging Markets Debt Shares. The aggregate NAV of the Emerging Markets Debt Shares issued in the exchange will equal the aggregate value of the net assets of Global Opportunity Bond received by Emerging Markets Debt. On or after the closing date scheduled for the Reorganization (the Closing Date), Global Opportunity Bond will distribute the Emerging Markets Debt Shares received by Global Opportunity Bond to stockholders of Global Opportunity Bond as of the Valuation Date (as defined below) in complete liquidation of Global Omine the country in which the company's assets are primarily located, Russell will use the primary country from which the company's revenues are primarily derived for the comparison with the three HCIs in a similar manner. Russell uses the average of two years of assets or revenues data to reduce potential turnover. If conclusive country details cannot be derived from assets or revenues data, Russell will assign the company to the country of its headquarters, which is defined as the address of the company's principal executive offices, unless that country is a Benefit Driven Incorporation "BDI" country, in which case the company will be assigned to the country of its most liquid stock exchange. BDI countries include: Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, Bonaire, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Curacao, Faroe Islands, Gibraltar, Isle of Man, Liberia, Marshall Islands, Panama, Saba, Sint Eustatius, Sint Maarten, and Turks and Caicos Islands. For any companies incorporated or headquartered in a U.S. territory, including countries such as Puerto Rico, Guam, and U.S. Virgin Islands, a U.S. HCI is assigned.

All securities eligible for inclusion in the Underlying Asset must trade on a major U.S. exchange. Bulletin board, pink-sheets, and over-the-counter ("OTC") traded securities are not eligible for inclusion. Stocks must trade at or above \$1.00 on their primary exchange on the last trading day in May to be eligible for inclusion during annual reconstitution. However, in order to reduce unnecessary turnover, if an existing member's closing price is less than \$1.00 on the last day of May, it will be considered eligible if the average of the daily closing prices (from its primary exchange) during the month of May is equal to or greater than \$1.00. Initial public offerings must have a closing price at or above \$1.00 on the last day of their eligibility period in order to qualify for index inclusion. If a stock, new or existing, does not have a closing price at or above \$1.00 (on its primary exchange) on the last trading day in May, but does have a closing price at or above \$1.00 on another major U.S. exchange, that stock will be eligible for inclusion. Companies with a total market capitalization of less than \$30 million are not eligible for the Underlying Asset. Similarly, companies with only 5% or less of their shares available in the marketplace are not eligible for the Underlying Asset.

Royalty trusts, limited liability companies, closed-end investment companies (business development companies are eligible), blank check companies, special-purpose acquisition companies, and limited partnerships are ineligible for inclusion. Preferred and convertible preferred stock, redeemable shares, participating preferred stock, warrants, rights, and trust receipts are not eligible for inclusion in the Underlying Asset.

Annual reconstitution is a process by which the Underlying Asset is completely rebuilt. On the last trading day of May, all eligible securities are ranked by their total market capitalization. The largest 4,000 become the Russell 3000E Index, and the other Russell indexes are determined from that set of securities. Reconstitution of the Underlying Asset occurs on the last Friday in June or, when the last Friday in June is the 29th or 30th, reconstitution occurs on the prior Friday. In addition, Russell adds initial public offerings to the Underlying Asset on a quarterly basis based on market capitalization guidelines established during the most recent reconstitution.

After membership is determined, a security's shares are adjusted to include only those shares available to the public. This is often referred to as "free float." The purpose of the adjustment is to exclude from market calculations the capitalization that is not available for purchase and is not part of the investable opportunity set.

License Information

"Russell 2000®" and "Russell 3000®" are trademarks of Russell and have been licensed for use by us.

The notes are not sponsored, endorsed, sold or promoted by Russell. Russell makes no representation or warranty, express or implied, to the owners of the notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly or the ability of the Russell 2000® Index to track general stock market performance or a segment of the same. Russell's publication of the Russell 2000® Index in no way suggests or implies an opinion by Russell as to the advisability of investment in any or all of the securities upon which the Russell 2000® Index is based. Russell's only relationship to the Issuer is the licensing of certain trademarks and trade names of Russell and of the Russell 2000® Index which is determined, composed and calculated by Russell without regard to the Issuer or the notes. Russell is not responsible for and has not reviewed the notes nor any associated literature or publications and Russell makes no representation or warranty express or implied as to their accuracy or completeness, or otherwise. Russell reserves the right, at any time and without notice, to alter, amend, terminate or in any way change the Russell 2000® Index. Russell has no obligation or liability in connection with the administration, marketing or trading of the notes.

RUSSELL DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE RUSSELL 2000® INDEX OR ANY DATA INCLUDED THEREIN AND RUSSELL SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. RUSSELL MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE ISSUER, INVESTORS, OWNERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE RUSSELL 2000® INDEX OR ANY DATA INCLUDED THEREIN. RUSSELL MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE RUSSELL 2000® INDEX OR ANY DATA INCLUDED HEREIN WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL RUSSELL HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

Historical Performance of the Underlying Asset

The following table sets forth the quarter end high and low closing levels of the Underlying Asset from the first quarter of 2012 through January 5, 2016.

The historical levels of the Underlying Asset are provided for informational purposes only. You should not take the historical levels of the Underlying Asset as an indication of its future performance, which may be better or worse than the levels set forth below.

Closing Levels of the Underlying Asset

		High	Low
2012	First Quarter	846.129	747.275
	Second Quarter	840.626	737.241
	Third Quarter	864.697	767.751
	Fourth Quarter	852.495	769.483
2013	First Quarter	953.068	872.605
	Second Quarter	999.985	901.513
	Third Quarter	1,078.409	989.535
	Fourth Quarter	1,163.637	1,043.459
2014	First Quarter	1,208.651	1,093.594
	Second Quarter	1,192.960	1,095.986
	Third Quarter	1,208.150	1,101.676
	Fourth Quarter	1,219.109	1,049.303
2015	First Quarter	1,266.373	1,154.709
	Second Quarter	1,295.799	1,215.417
	Third Quarter	1,273.328	1,083.907
	Fourth Quarter	1,204.159	1,097.552
2016	First Quarter (through January 5, 2016)	1,110.439	1,108.624