

DATED: 8 March 2011

EIRLES TWO LIMITED

(incorporated with limited liability in Ireland)

(the "Issuer")

PROSPECTUS

**Series 347 JPY 4,075,000,000 Fixed Rate Secured Notes
due 2040**

(the "Notes")

DEUTSCHE BANK AG, LONDON BRANCH
as Arranger

*The attention of investors is drawn to the section headed "Investment Considerations and Risk Factors"
on page 3 of this Prospectus.*

TABLE OF CONTENTS

INVESTMENT CONSIDERATIONS AND RISK FACTORS	1
GENERAL	6
TERMS AND CONDITIONS OF THE NOTES	9
FURTHER INFORMATION CONCERNING THE TRUST INSTRUMENT.....	31
INFORMATION CONCERNING THE CALCULATION AGENT	33
FURTHER INFORMATION CONCERNING THE SWAP AGREEMENT	34
USE OF PROCEEDS.....	35
TAX CONSIDERATIONS	35
LEGAL OPINIONS	35
AVAILABILITY OF PROSPECTUS AND OTHER DOCUMENTS.....	35
PAYING AGENTS AND LISTING AGENT.....	35
SELLING RESTRICTIONS	36
ANNEX 1: INFORMATION CONCERNING THE ISSUER	38
ANNEX 2: INFORMATION CONCERNING THE COLLATERAL	39

INVESTMENT CONSIDERATIONS AND RISK FACTORS

Purchasers of Notes should conduct such independent investigation and analysis regarding the Issuer, the Collateral and the obligor(s) in respect thereof, the Notes, the Swap Counterparty and all other relevant persons and market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. The Issuer and the Arranger disclaim any responsibility to advise purchasers of Notes of the risks and investment considerations associated with the purchase of the Notes as they may exist at the date hereof or from time to time thereafter. However, as part of such independent investigation and analysis, prospective purchasers of Notes should consider all the information set forth in the Base Prospectus and this Prospectus, including the considerations set forth below.

Investment in the Notes is only suitable for investors who:

- (1) have the requisite knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in the Base Prospectus and this Prospectus and the merits and risks of an investment in the Issuer in the context of such investors' financial position and circumstances;
- (2) are capable of bearing the economic risk of an investment in the Issuer for an indefinite period of time;
- (3) recognise that it may not be possible to make any transfer of the Notes for a substantial period of time, if at all; and
- (4) are banks, investment banks, pension funds, insurance companies, securities firms, investment institutions, central governments, large international or supranational organisations or other entities, including inter alia treasuries and finance companies of large enterprises which are active on a regular and professional basis in the financial markets for their own account.

Further, each prospective purchaser of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines, regulatory requirements and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes. None of the Issuer, the Arranger, the Swap Counterparty, or any other person has or will make any representation or statement as to the suitability of the Notes for investors. Investors should obtain all required independent professional advice before purchasing the Notes.

Investors should further note that if the net proceeds of the realisation of the security created pursuant to the Trust Instrument are not sufficient to make all payments due in respect of the Notes and for the Issuer to meet its obligations in respect of the termination of the Swap Agreement then the obligations of the Issuer in respect of the Notes and the Swap Agreement will be limited to such net proceeds, and the other assets of the Issuer will not be available for payment of any such shortfall which shall be borne by the Noteholders and the Swap Counterparty according to the priorities specified in the Trust Instrument.

The Notes are secured, limited recourse obligations of the Issuer, ranking *pari passu* without any preference among themselves and secured in the manner described in paragraph 18 of the Terms of the Notes. Recourse in respect of the Notes will be limited to the Mortgaged Property relating to the Notes. Claims of Noteholders in respect of the Notes and any other persons entitled to the benefit of the security for such Series shall rank in accordance with the priorities specified in the Trust Instrument and in this Prospectus.

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes like assessment or charges that may be applicable to any payment to it in respect of the Notes. The Issuer will not pay any additional amounts to Noteholders to reimburse them for any tax, assessment, or charge required to be

withheld or deducted from payments in respect of the Notes by the Issuer, although the imposition of such tax, assessment, or charge may in some circumstances lead to an early redemption of the Notes.

No principal protection

The Notes are not principal protected and future returns are not guaranteed. Accordingly, a Noteholder may lose a substantial amount or potentially all of its investment in the Notes.

Priority of Claims

Any shortfall from the proceeds of realisation of the Mortgaged Property will be borne by the Noteholders, the Swap Counterparty, and the other secured creditors in accordance with the relevant order of priority and each party's right to be paid will be subordinated to all higher ranking claims.

A Noteholder, by purchasing the Notes, will be deemed to accept and acknowledge that it is fully aware that, in the event of a shortfall, (a) the Issuer shall be under no obligation to pay, and the other assets (if any) of the Issuer including, in particular, assets securing other loans or series of notes, will not be available for payment of such shortfall, (b) all claims in respect of such shortfall shall be extinguished and (c) the Trustee, the Noteholders, the Swap Counterparty and the other secured creditors shall have no further claim against the Issuer in respect of such unpaid amounts.

Trustee Fees and Expenses

The Trustee has a right to recover from the Mortgaged Property all liabilities and expenses properly incurred by it including, without limitation, fees and extraordinary or unanticipated expenses and it shall be entitled to be indemnified out of the Mortgaged Property in respect of the execution of any of its powers, authorities or discretions. In the event that the Trustee exercises this right, in respect of any such liabilities or expenses which are not otherwise met, this will result in a reduction of the amounts (if any) available for distribution to the holders of the Notes.

Where the security constituted by or created pursuant to the Trust Instrument over the Mortgaged Property becomes enforceable the Trustee shall not be obliged to act on the direction of the holders of the requisite percentage of outstanding Notes unless it has been indemnified to its satisfaction against any loss, liability cost, claim, action, demand or expense which may be incurred or made against it.

Taxation

The Noteholders will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges that may be applicable to any payment to it in respect of the Notes. The Issuer will not pay any additional amounts to the Noteholders to compensate them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or any Paying Agents.

Redemption prior to the Maturity Date

The Notes may redeem prior to the Maturity Date pursuant to Condition 8.2, Condition 8.3, Condition 11 and Paragraph 24(B) of the Notes. In such circumstances, the amount available to Noteholders may be significantly less than their initial investment in the Notes. Furthermore, if there are amounts payable by the Issuer to the Swap Counterparty on termination of the Swap Agreement, these amounts may represent a considerable portion of (or exceed) the Principal Amount of the Notes and/or the value of the Collateral, so investors may receive less than their initial investment in the Notes and in certain circumstances may receive nothing.

Collateral Risk

The holders of the Notes are exposed to the performance of the Collateral. If the Notes are redeemed prior to the Maturity Date, the Noteholders are exposed to the risk of the market value of the Collateral (and in certain circumstances, the Collateral will be physically delivered to the Noteholders).

Credit Risk Of Reference Entity

If a Credit Event occurs, the Notes will be subject to redemption in accordance with the terms and conditions of the Notes. In such circumstances, the redemption value of the Notes will in part be based on the market value of the Collateral and accordingly Noteholders will be exposed to the market value of the Collateral. In such circumstances, the value of the Collateral may be significantly less than the original investment of the Noteholders and may be zero. Accordingly, the Noteholders could lose all or substantially all of their original investment.

General

Credit Risk

The ability of the Issuer to meet its obligations under the Notes will be dependent upon the payment of all sums due from the Swap Counterparty under the Swap Agreement and the obligor in respect of the Collateral, upon the Agent and the Custodian making the relevant payments when received and upon all parties to the transaction documents (other than the Issuer) performing their respective obligations thereunder. Accordingly, Noteholders are exposed, *inter alia*, to the creditworthiness of the Swap Counterparty and the Custodian.

Special purpose vehicle

The Issuer is a special purpose vehicle whose sole business is the raising of money by issuing notes and entering into loans for the purposes of purchasing assets and entering into related derivatives and other contracts.

Custodian and Trustee

The Collateral will be held by the Custodian. The Custodian will receive payments on the Collateral and the Swap Agreement. The Paying Agent will remit payments to the Noteholders and the Swap Counterparty in discharge of the Issuer's obligations under the Notes and the Swap Agreement. In the event that the Custodian is bankrupt or does not otherwise perform its obligations, the Noteholders may not receive payments when expected and may experience considerable delays in the realization of their investment.

In the event that the Noteholders require the Trustee to enforce the security, the Noteholders should be aware that the Trustee may not take any such action until it is indemnified and/or secured and/or prefunded to its satisfaction. This may involve the Noteholders providing an indemnity and may cause delays in the redemption of the Notes during which time the market price of the Collateral may decrease and this may reduce the amount of any payment that is made to the Noteholders.

Limited scope of credit ratings

Credit ratings represent the rating agencies' opinions regarding credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and/or interest payments and do not evaluate the risks of fluctuations in market value. Accordingly, the credit ratings of the Collateral, the Swap Counterparty, the Custodian or the Notes may not fully reflect the true risks of the Notes. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that the Issuer's current financial condition may be better or worse than a rating indicates.

Limited Recourse Obligations

The Notes represent limited recourse debt obligations of the Issuer. The Notes are payable solely from the realisation of the security created pursuant to the Trust Instrument. Consequently, the holders of the Notes must rely solely on distributions from the Swap Agreement and the Collateral charged to secure the Notes for the payment of principal and interest thereon. If payments by the Swap Counterparty and/or secured property are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following realisation of the Mortgaged Property charged to secure the Notes, none of the Issuer, the Swap Counterparty, the Trustee or any of their Affiliates nor any other person shall be obliged to pay any deficiency and all outstanding claims shall be extinguished.

In addition, the Trustee is obliged pursuant to the terms of the Trust Instrument in relation to the Notes to apply all moneys received by it in connection with the realisation or enforcement of the security constituted by or pursuant to such Trust Instrument in accordance with the Counterparty Priority (as amended). In such circumstances, other than where the realisation or enforcement of the security results from any event of default relating to the Swap Counterparty, the Trustee will apply moneys received by it to pay any amounts owed to it under the Trust Instrument, to the Swap Counterparty under the Swap Agreement before paying amounts owing to Noteholders under the Notes. There may be insufficient moneys left from the realisation or enforcement of the security, following such payments to pay amounts owing to Noteholders in full or at all.

Swap Agreement

The Issuer or the Swap Counterparty may terminate the Swap Agreement in certain circumstances specified therein. If the Notes become due for redemption prior to their scheduled maturity, the Swap Agreement will be terminated. In addition, a termination of the Swap Agreement will result in mandatory redemption of the Notes. In the event that the Swap Agreement is terminated, the Issuer may be required to make substantial termination payments to the Swap Counterparty. Other than where the realisation or enforcement of the security results from any event of default relating to the Swap Counterparty, such payments will be made before any payments are made on the Notes and will reduce the amounts available to make payments to Noteholders.

No Secondary Market

Currently no secondary market exists for the Notes. The Arranger is not under any obligation to make a market in the Notes and it is highly unlikely that any secondary market for the Notes will develop. In the unlikely event that a secondary market in the Notes does develop, there can be no assurance that it will provide the Noteholders with liquidity of investment or that it will continue for the life of the Notes. Accordingly, the purchase of the Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes. Investors must be prepared to hold the Notes until maturity.

In addition, the Notes are subject to significant transfer restrictions as described under "Subscription and Sale and Transfer Restrictions" in the Base Prospectus which further limit the liquidity of the Notes.

Potential Conflicts of Interest Deutsche Bank AG, London Branch

Deutsche Bank AG, London Branch may have placed, underwritten or may hold long and/or short positions in the assets comprising the Collateral.

The Swap Counterparty, the Calculation Agent and the Agent are the same corporate entity, although performing different functions with respect to the Notes. Certain of these roles provide such entity with discretionary powers, which may have a material impact on the value and performance of the Notes. Such discretions may create conflicts of interest due to the capacities in which such entities are acting and these discretions may be exercised (or not be exercised) in a way that could adversely affect the holders of the Notes.

Market Risk

The Notes may be volatile instruments and subject to considerable fluctuations in value and other risks inherent in investing in securities and/or derivatives. The value of a Notes may rapidly decrease or increase due to numerous factors, including, but not limited to, systemic risks, variations in the frequency and magnitude of changes in interest rates, inflation outlook and the price/level of the assets comprising the Collateral.

Basis Selection

Investors in the Notes may be exposed to a variation in the proportion which the principal amount of the Collateral bears to the principal amount of the Notes, depending on the Basis Selection elected by the Issuer on any issue of Further Notes (as described in Condition 15 of the Notes).

THE CONSIDERATIONS SET OUT ABOVE ARE NOT, AND ARE NOT INTENDED TO BE, A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY NOTES. THE ATTENTION OF INVESTORS IS ALSO DRAWN TO THE SECTIONS HEADED "INVESTOR SUITABILITY" AND "INVESTMENT CONSIDERATIONS AND RISK FACTORS" IN THE BASE PROSPECTUS.

GENERAL

The Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Prospectus Directive 2003/71/EC (the “**Prospectus Directive**”). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the “**Irish Stock Exchange**”) for the Notes to be admitted to the Official List and trading on its regulated market. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

The Series 347 JPY 4,075,000,000 Fixed Rate Secured Notes due 2040 described herein (the “**Notes**”) incorporates by reference the base prospectus dated 14 October 2010 (the “**Base Prospectus**”) issued in relation to the EUR 10,000,000,000 Secured Note Programme (the “**Programme**”) of Eirles Two Limited (the “**Issuer**”). Deutsche Bank AG, London Branch, of Winchester House, 1 Great Winchester Street, London EC2N 2DB (the “**Arranger**”) is the Arranger for the Notes.

Terms defined in the Base Prospectus have the same meaning in this Prospectus.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Prospectus in any jurisdiction where such action is required.

The Issuer is a private limited company and accordingly its Articles of Association prohibit any invitation to the public to subscribe for any shares or debentures of the Issuer. This Prospectus does not constitute an invitation to the public within the meaning of the Irish Companies Acts 1963 to 2009 to subscribe for the Notes.

The Notes will be governed by and construed in accordance with English law.

Subject to any limitations set out at Annex 2 herein, the Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make representations other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Arranger or either of them. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

The net proceeds of realisation of the Mortgaged Property may be less than the sums due to the Noteholders (the difference being referred to herein as a “**shortfall**”). The shortfall will be borne by the holder of the Notes, in accordance with the Terms and Conditions of the Notes and the order of priorities specified in this Prospectus.

The holder of the Notes, by subscribing for or purchasing such Notes, will be deemed to accept and acknowledge that it is fully aware that, in the event of a shortfall, (i) the Issuer shall be under no obligation to pay, and the other assets (if any) of the Issuer, including, in particular, assets securing other series of Notes will not be available for payment of such shortfall, (ii) all claims in respect of such shortfall shall be extinguished and (iii) the Trustee and the holder of the Notes shall have no further claim against the Issuer nor against its officer(s), director(s), agent(s), member(s), employee(s), securityholder(s) or incorporator(s) or their respective successors or assigns in respect of such unpaid amounts and will accordingly not be able

to petition for the winding up of the Issuer as a consequence of such shortfall. None of the Trustee, the Issuer or the Arranger has any obligation to the Noteholders for payment of any such shortfall amount by the Issuer in respect of the Notes.

Except as specified in this Prospectus, the Issuer does not intend to provide post issuance transaction information regarding the Notes or the Collateral.

Documents Incorporated By Reference

This Prospectus should be read and construed in conjunction with the Base Prospectus which has been previously published and approved by the Central Bank of Ireland. The Base Prospectus shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in the Base Prospectus which is deemed to be incorporated herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded to constitute a part of this Prospectus.

Expenses

All payment of costs and expenses of the Issuer in connection with the issue of the Notes and any related Swap Agreement described in paragraph 21 of the Terms of the Notes set out below, will be met by the Swap Counterparty. It is anticipated that no surpluses shall be accumulated by the Issuer in respect of the Notes.

The expenses related to the admission to trading of the Notes on the Irish Stock Exchange are estimated to be EUR 2,600.

Documents Available for Inspection

Copies of the following documents will be available for inspection and collection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer, the specified office of the Principal Paying Agent in London ("**Principal Paying Agent**") and the specified office of the Paying Agent in Ireland (the "**Irish Paying Agent**" together with the Principal Paying Agent, the "**Paying Agents**"), free of charge, for so long as the Notes shall remain outstanding and, for so long as the Notes remain listed on the Irish Stock Exchange, at the office of the Listing Agent specified on the back page of this Prospectus:

- (i) this Prospectus, the Base Prospectus and any notice of amendment;
- (ii) the Trust Instrument and any supplemental trust instrument;
- (iii) each document incorporated by reference into the Trust Instrument (including without limitation the documents setting out the terms of the Agency Agreement, the Purchase Agreement and the Swap Agreement referred to in paragraph 21 of the Terms of the Notes set out below);
- (iv) annual financial statements of the Issuer;
- (v) the annual financial statements and the quarterly interim financial statements of Deutsche Bank Aktiengesellschaft;
- (vi) copies of any offering documents setting forth the terms and conditions of the securities constituting the Collateral; and
- (vii) the Issuer's memorandum and articles of association.

Rating

S&P is established in the European Community and has applied for registration pursuant to Article 15 (*Application for Registration*) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “Regulation”). As at the date of this Prospectus, no registration has yet been granted to S&P. However, pursuant to Article 40 (*Transitional Provisions*) of the Regulation S&P may continue to issue credit ratings which may be used for regulatory purposes by the financial institutions referred to in Article 4(1) of the Regulation unless such registration is refused.

TERMS AND CONDITIONS OF THE NOTES

Terms of Series 347 JPY 4,075,000,000 Fixed Rate Secured Notes due 2040

The following Terms shall complete, modify, supplement and amend the Terms and Conditions set out in “DBL/DBAG Structured Investment Terms Module 4.1.1.8, (English law Notes; Terms and Conditions for Eirles Two Limited), October 2010 Edition” which shall apply to the Notes as so completed, modified and amended. Unless the context otherwise requires, expressions used herein and not otherwise defined in the Trust Instrument shall have the meanings respectively ascribed to them by the provisions of the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. References in the Terms to ‘paragraphs’ and ‘sub-paragraphs’ are to the paragraphs and sub-paragraphs of the Terms, unless the context requires otherwise.

Terms of Series 347 JPY 4,075,000,000 Fixed Rate Secured Notes due 2040

The Notes designated as above (the “**Notes**”) shall have the following “Terms” which shall complete, modify and amend the Conditions set out in the Trust Instrument which shall apply to the Notes as so completed, modified and amended. Unless the context otherwise requires, expressions used herein and not otherwise defined in the Trust Instrument shall have the meanings respectively ascribed to them by the provisions of the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. References in the Terms to ‘paragraphs’ and ‘sub-paragraphs’ are to the paragraphs and sub-paragraphs of the Terms, unless the context requires otherwise.

1. Issuer: Eirles Two Limited
2. Arranger: Deutsche Bank AG, London Branch, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB.
3. Series No: 347
4. Relevant Currency: Japanese Yen (JPY)
5. Principal Amount: JPY 4,075,000,000
6. Form of the Notes: Bearer.
7. Status: Secured and limited recourse obligations of the Issuer, secured as provided below.
8. Denomination: JPY 163,000,000.
9. Issue Price: 107.51944444 per cent.
10. Issue Date: 22 February 2011.
11. Maturity Date: 4 June 2040 subject to adjustment in accordance with the Following Business Day Convention for which purpose the Relevant Business Days are London, New York and Tokyo (the “**Scheduled Maturity Date**”).

Notwithstanding the foregoing, if the Calculation Agent determines that a Potential Failure to Pay has occurred and is

continuing on the Scheduled Maturity Date, the Maturity Date shall be the earlier of (i) the date falling 3 Relevant Business Days following the end of the grace period in respect of the Potential Failure to Pay or, if applicable, the date on which the Calculation Agent determines that such Potential Failure to Pay ceases to exist without giving rise to a Credit Event and (ii) 29 June 2040. For the avoidance of doubt, if a Credit Event Date results from the Potential Failure to Pay, the Notes will be subject to redemption in accordance with paragraph 24(B).

“**Potential Failure to Pay**” means the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations in accordance with the terms of such Obligations at the time of such failure.

In the event that the Maturity Date falls after the Scheduled Maturity Date, no additional amount shall be payable in respect of interest for the period from (and including) the Scheduled Maturity Date to (but excluding) the Maturity Date as a result thereof.

12. Interest:

Interest Rate Basis: The Interest Basis is Fixed Rate.

Interest Commencement Date: The Interest Commencement Date is 23 February 2011.

Interest Accrual Dates: The Interest Accrual Dates are 01 June and 01 December of each year, commencing on 01 June 2011 (the “**First Interest Accrual Date**”). The Interest Accrual Dates shall not be subject to adjustment.

Interest Periods: Each period from (and including) an Interest Accrual Date (or if none, the Interest Commencement Date) to (but excluding) the next (or first) following Interest Accrual Date

Interest Rate: The Interest Rate is 2.91% per annum.

Day Count Fractions: The Day Count Fraction is 30/360

Interest Payment Dates: The Interest Payment Date shall be the date falling one Relevant Business Day following the relevant Interest Accrual Date

Additional Interest: On the Interest Payment Date falling one Relevant Business Day following the First Interest Accrual Date only, an additional amount of interest will be payable in respect of each Note equal to such Note’s pro rata share of USD 694,722.22.

Calculation Agent: The Calculation Agent is Deutsche Bank AG, London Branch.
All decisions and calculations required to be made by the Calculation Agent will be made in a commercially reasonable manner.

If the Calculation Agent in respect of the Swap Agreement is replaced in accordance with the terms of the Swap Agreement, the Calculation Agent in respect of the Notes shall also be replaced by the same entity.

13. Redemption

(A) Unless previously redeemed in accordance with the Conditions, the Notes will be redeemed at their Redemption Amount on the Maturity Date and the Redemption Amount of each Note for these purposes will be the Principal Amount of such Note. If the Notes have become redeemable in accordance with Condition 8.2, Condition 8.3, Condition 8.8, Condition 11 or paragraph 24(B), but have not yet been redeemed, the Notes will not be redeemed on the Maturity Date, but instead will be redeemed in accordance with the relevant provision or Condition pursuant to which the Notes have become redeemable, at the Redemption Amount specified in such relevant provision or Condition.

(B) Condition 8.5 (Purchases) will not apply to the Notes.

(C) Condition 8.8 will apply to the Notes, as amended by the provisions set out in this sub-paragraph. The Noteholders may only exercise their option to require the Issuer to redeem all but not some only of the Notes, at any time pursuant to an Extraordinary Resolution of Noteholders passed in accordance with Condition 13 provided that a Potential Failure to Pay has not occurred and is continuing.

The Issuer shall, within 5 Relevant Business Days from the date of receipt of such Extraordinary Resolution give notice (a “**Redemption Notice**”) to the Calculation Agent, the Swap Counterparty, the Trustee and the Noteholders of such Extraordinary Resolution and of the intended redemption date.

Upon receipt of such notice each Noteholder may elect for physical delivery of its pro rata share of the Noteholder Put Relevant Collateral by presentation and surrender of the Notes (if the Notes are Definitive Notes) or the Global Note at the specified office of any Paying Agent, together with:

- (i) a duly completed physical delivery notice in the form set out in Schedule 2 (duly completed to the satisfaction of the Calculation Agent)(a “**Physical Delivery Notice**”); and
- (ii) proof satisfactory to the Agent of its ownership of the Notes in respect of which the Physical Delivery Notice is given;

not later than the fifth Relevant Business Day following receipt of the Redemption Notice and upon payment by the relevant Noteholder of all applicable transfer tax, stamp duty or any other relevant tax for delivery of its pro rata share of the Noteholder Put Relevant Collateral. Delivery shall be made in accordance with the usual market practice for delivery of an asset of that type, subject to compliance by the relevant Noteholder with all applicable laws and regulations in respect of the holding of such Noteholder Put Relevant Collateral.

Delivery shall be made as soon as reasonably practicable following delivery of the relevant Physical Delivery Notice but in any event within 10 Relevant Business Days after the date of the Redemption Notice to an account notified by the relevant Noteholder in the Physical Delivery Notice and if the Calculation Agent determines that the Unwind Costs is a negative amount, the Issuer shall in addition pay to such

Noteholder an amount in USD equal to such Note's pro rata share of the amount determined by the Calculation Agent to be the absolute value of the Unwind Costs.

If as a result of the denominations of the Noteholder Put Relevant Collateral it is not possible to deliver to a Noteholder the exact pro rata share of the Noteholder Put Relevant Collateral an amount in USD equal to the Collateral Market Value of an amount of Collateral, as determined by the Calculation Agent, equal to the difference between the exact pro rata share of the Noteholder Put Relevant Collateral and the Noteholder Put Relevant Collateral delivered, shall be payable to such Noteholder (such amount a "**Noteholder Put Collateral Difference Amount**").

If (i) no valid Physical Delivery Notice and/or proof of ownership is received in respect of a Note, as determined by the Calculation Agent or (ii) the Calculation Agent determines that it is impossible, impractical or illegal, including without limitations, due to failure of any clearing or other book entry system or due to any law or regulation to deliver or procure the delivery of the Noteholder Put Relevant Collateral to a Noteholder then the Issuer shall instead pay to such Noteholder an amount in USD equal to such Note's pro rata share of the Noteholder Put Cash Settlement Amount.

For the purposes of these Terms and Conditions:

"**Noteholder Put Cash Settlement Amount**" means an amount in USD equal to the Collateral Market Value (i) if the Unwind Costs is a positive amount less the Unwind Costs or (ii) if the Unwind Costs is a negative amount, plus an amount determined by the Calculation Agent to be equal to the absolute value of the Unwind Costs, as determined by the Calculation Agent.

"**Unwind Costs**" means an amount in USD, determined by the Calculation Agent equal to the sum of:

- (i) the amount (if any) payable by either (a) the Issuer to the Swap Counterparty (as a positive number) or (b) the Swap Counterparty to the Issuer (as a negative number) on the termination of the Swap Agreement; and
- (ii) any legal or other ancillary costs (including any costs relating to the realisation of the Collateral) incurred by the Issuer or the Trustee as a result of such early redemption.

For the avoidance of doubt, the Unwind Costs may be positive or negative.

"**Collateral Market Value**" means, with respect to the Collateral, on the relevant date, an amount in USD equal to the highest of the quotations obtained by the Calculation Agent from at least three dealers in obligations of the type of the Collateral (of which one will be Deutsche Bank).

If only two quotations can be obtained, the highest of the two quotations will be used and if only one quotation can be obtained, such quotation will be used. If no quotations can be obtained the Collateral Market Value shall be determined by the

Calculation Agent.

“**Noteholder Put Relevant Collateral**” means the Collateral less a portion of such Collateral required to pay an amount equal to the Unwind Costs (where the Unwind Costs is a positive amount), as determined by the Calculation Agent.

(D) Conditions 8.4, 8.6, 8.7, 8.9 and 8.11 shall not apply to the Notes

(E) Condition 11 shall be amended so that the reference to ‘14 days’ in sub-paragraph (i) thereof shall be deleted and replaced with ‘30 days’.

If the Notes become due and repayable and the security becomes enforceable in accordance with Condition 11 (as amended), the Issuer shall, within 5 Relevant Business Days from the date of receipt of notice from the Trustee that the Notes have become due and payable pursuant to Condition 11 give notice (a “**Condition 11 Notice**”) to the Calculation Agent, the Swap Counterparty and the Noteholders of such occurrence. Upon receipt of such notice each Noteholder may request that, notwithstanding Condition 4.7, the Trustee realise the Collateral by physical delivery to such Noteholder of its pro rata share of the Collateral (subject to Counterparty Priority, as modified by paragraph 19(2) below).

- | | | |
|-----|---|---|
| 14. | Unmatured Coupons to become void upon early redemption: | Yes. |
| 15. | Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity for each Talon (Bearer Notes): | No. |
| 16. | Business Day Jurisdictions for Condition 9.8 (jurisdictions required to be open for payment): | New York, Tokyo and London. |
| 17. | Exchange: | |
| | (a) Notes to be represented on issue by: | Temporary Global Note held by Common Depositary, for Euroclear and Clearstream Banking, société anonyme (“ Clearstream, Luxembourg ”). |
| | (b) Applicable TEFRA exemption: | D Rules |
| | (c) Temporary Global Note exchangeable for Permanent Global/Definitive Bearer/Registered Notes: | Yes - exchangeable for interests in the Permanent Global Note held by a Common Depositary for Euroclear and Clearstream, Luxembourg on or after 40 days from the Issue Date (or such later date as may be determined to be the Exchange Date in accordance with the terms of the Temporary Global Note) upon certification as to non-U.S. beneficial ownership. |
| | (d) Permanent Global Note exchangeable for Definitive Bearer/Registered Notes at the request of | No |

the holder:

18. Security: Collateral charged to the Trustee.
- Notwithstanding anything to the contrary in Condition 4.3 or otherwise, the security shall not become enforceable in the circumstances specified in Condition 8.2 or Condition 8.3.
19. Collateral:
- (1) In these Terms and Conditions, the “**Collateral**” comprises USD 50,000,000 aggregate nominal amount of 6.10% Senior Notes due 01 June 2040, issued by TransCanada Pipelines Limited (ISIN: US893526DJ90).
- (2) The Trustee shall apply all moneys received by it under the Trust Instrument in connection with the realisation or enforcement of the security constituted by or pursuant to the Trust Instrument on the basis of Counterparty Priority provided that, the reference to “Pari Passu Ranking” in the final paragraph of the definition of “Counterparty Priority” shall be deleted and replaced with “Noteholder Priority”.
- (3) The Selling Agent is Deutsche Bank AG London.
- (4) Condition 4.5 (Replacement and/or Substitution of Collateral) shall not apply to the Notes.
- (5) The Trust Instrument provides that the Trustee shall release from the security created by the Trust Instrument the Collateral subject to such security (or, as the case may be, the relevant part thereof) on the date on which the Notes are due to be redeemed in accordance with Condition 8.2, Condition 8.3, Condition 8.8 or paragraph 24(B).
20. Option Agreement: N/A.
21. Swap Agreement: Yes - Under an ISDA Master Agreement which the Issuer and the Swap Counterparty have entered into by executing the Trust Instrument, as supplemented by a confirmation thereto with an effective date of the Issue Date and an ISDA Credit Support Annex (Bilateral Form-Transfer) (the “**Credit Support Annex**”) (such ISDA Master Agreement as so supplemented, the “**Swap Agreement**”):
- (i) on the Issue Date the Issuer will pay to the Swap Counterparty the sum of JPY 4,381,417,360 and the Swap Counterparty will pay to the Issuer the sum of USD 53,759,722.22;
- (ii) the Issuer will pay to the Swap Counterparty sums equal to the amount of interest payable in respect of the Collateral;
- (iii) the Swap Counterparty will pay to the Issuer sums equal to each amount of interest payable in respect of the Notes;
- (iv) on the Maturity Date, the Issuer will deliver the Collateral or pay an amount equal to the full redemption proceeds of the Collateral to the Swap Counterparty;
- (v) on the Maturity Date, if or to the extent that the Swap Agreement shall not on or before such date have terminated in accordance with its terms, the Swap Counterparty will pay to

the Issuer an amount equal to the Redemption Amount;

(vi) the Swap Agreement will terminate if for any reason the Notes become repayable in full prior to the Maturity Date of the Notes or if the Notes are accelerated by the Trustee following the giving of notice under Condition 11 in which event a payment on termination may be payable by one party to the other in connection with (and as determined under) the Swap Agreement;

(vii) on each date on which the Notes are to be redeemed in accordance with Condition 8.8, the Swap Agreement will terminate; and

(viii) except as specified above and in certain other circumstances specified therein, the Swap Agreement will terminate on the Maturity Date.

Any payment on termination may take into account any legal or other expenses incurred by the Swap Counterparty as a consequence of or in relation to the termination of the Swap Agreement.

Swap Counterparty:

Deutsche Bank AG, London Branch. In its capacity as Swap Counterparty, Deutsche Bank AG, London Branch is also designated as the calculation agent for the purpose of the Swap Agreement. Any determination by the Swap Counterparty in such capacity shall (absent manifest error) be conclusive and binding on the Issuer, the Trustee, the Noteholders, the Agent and all other persons and no liability shall attach to the Swap Counterparty in respect thereof.

22. Repurchase Agreement: No.
23. Credit Support Document: Yes. Credit Support Annex (as defined in paragraph 21 above).
24. Mandatory Redemption:
- (A) Condition 8.3 shall be amended by the deletion of subparagraph (B) and (D) thereof. If the Notes become subject to redemption pursuant to Condition 8.3, notwithstanding any provisions to the contrary, the Redemption Amount of each Note shall be determined in accordance with this paragraph 24 and, for the avoidance of doubt, the security shall not become enforceable.
 - (B) If the Calculation Agent determines that a Credit Event with respect to the Reference Entity has occurred in the period from (and including) 2 February 2011 (the “**Trade Date**”) to (and including) the Maturity Date, the Calculation Agent may (but shall not be obliged to) deliver a Credit Event Notice, together with a Notice of Publicly Available Information to the Issuer, the Swap Counterparty and the Noteholders (with copies to the Trustee and the Agent) whereupon a Credit Event shall be deemed to have occurred in respect of the Reference Entity (such date the “**Credit Event Date**”) and the Notes shall become subject to mandatory redemption under this paragraph 24. For the avoidance of doubt, the security shall not become enforceable as a result thereof.

For the purposes of these Terms and Conditions:

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

“**Credit Event**” means one or more of the following events has occurred with respect to the Reference Entity:

- a) The Reference Entity: (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger), (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing in judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due, (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors, (iv) 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 (a) 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 (b) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof, (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger), (vi) 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, (vii) 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 30 calendar days thereafter, or (viii) 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 (i) to (vii) (inclusive).

- b) After the expiration of any applicable grace period (after the satisfaction of any conditions precedent to the commencement of such grace period), the failure by the Reference Entity to make, when and where due, any payments in any aggregate amount of not less than USD 1,000,000 (the “**Payment Requirement**”) or its equivalent in any other currency or currencies under one or more Obligations in accordance with the terms of such Obligations at the time of such failure.
- c) With respect to one or more Obligations and in relation to an aggregate amount of not less than USD 10,000,000 (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 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 (public or private) charged with the regulation of the financial markets (including the central bank) of the Reference Entity or of the jurisdiction of organisation of the Reference Entity (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 the 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 (i) the Trade Date and (ii) the date on 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 any currency which is not (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 Investors 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. Notwithstanding the above, none of the following shall constitute a Credit Event under this paragraph (c): (i) the payment in euros of interest or principal in relation to an Obligation denominated in the 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 sub-paragraphs (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 sub-paragraphs (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.

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:

- (i) any lack or alleged lack of authority or capacity of the Reference Entity to enter into any relevant Obligation;
- (ii) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any relevant Obligation, however described;
- (iii) 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
- (iv) 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.

“**Credit Event Notice**” means an irrevocable notice (which will be in writing (including by facsimile and/or email)) that describes a Credit Event that occurred on or after the Trade Date and on or prior to the Maturity Date delivered to the Issuer, the Swap Counterparty and the Noteholders (with copies to the Trustee and the Agent). A Credit Event Notice delivered after 4.00 p.m. London time will be deemed to be delivered on the next Business Day in London.

“**Notice of Publicly Available Information**” means an irrevocable written notice that cites Publicly Available Information confirming the occurrence of the Credit Event described in the Credit Event Notice. The notice given must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information. If a Credit Event Notice cites Publicly Available Information, such Credit Event Notice will also be deemed to be a Notice of Publicly Available Information.

“**Obligation**” means any obligation of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee) included in the Borrowed Money category other than any Obligations which are Subordinated to the Collateral.

“**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).

“**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 two internationally recognised published or electronically displayed news source (it being understood that each Public Source shall be deemed to be an internationally recognised published or electronically displayed news source), regardless of whether the reader or user thereof pays a fee to obtain such information provided that, if either the Calculation Agent or the Issuer or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; (ii) is information received from (A) the Reference Entity or (B) a

trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; (iii) is information contained in any petition or filing instituting a proceeding as described in subparagraph (a)(iv) of the definition of Credit Event against or by the Reference Entity; or (iv) is information contained in any order, decree or notice, however described, of or filed with a court, tribunal, regulatory authority or similar administrative or judicial body.

In the event that the Calculation Agent is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation and (ii) a holder of the Obligation with respect to which a Credit Event has occurred, the Calculation Agent shall be required to deliver a certificate signed by a managing director (or other substantively equivalent title) of the Calculation Agent, which shall certify the occurrence of a Credit Event with respect to the Reference Entity (such certificate, an “**Officer’s Certificate**”).

- (b) In relation to any information of the type described in (a)(ii), (iii) and (iv) above, the Calculation Agent 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.
- (c) Publicly Available Information need not state that such occurrence (i) has met the Payment Requirement or Default Requirement, (ii) is the result of exceeding any applicable grace period or (iii) has met the subjective criteria specified in certain Credit Events.

“**Public Source**” means each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun and Financial Times (and successor publications).

“**Qualifying Affiliate Guarantee**” means an arrangement evidenced by a written instrument pursuant to which the 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) excluding 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 or otherwise altered or assigned (other than by operation of law) as the result of the occurrence or non-occurrence of any event or circumstance (other than payment) provided by the Reference Entity in respect of an obligation of an entity whose outstanding shares or other interests that have the power to elect the board of directors or similar governing body of an entity were, at the date of issuance of the relevant guarantee, more than 50% owned, directly or indirectly, by the Reference Entity.

“Reference Entity” means Trans-Canada Pipelines Ltd or the primary obligor in respect of the Collateral from time to time, as determined by the Calculation Agent.

“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 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.

- (C) If the Notes become subject to mandatory redemption pursuant to sub-paragraph 24(B) or redemption pursuant to Condition 8.3 (as amended herein) at any time, the Calculation Agent shall give notice (a **“Mandatory Redemption Notice”**) to the Issuer, the Swap Counterparty, the Trustee and the Noteholders of such occurrence and of the intended settlement date (which is expected to be 10 Relevant Business Days after receipt of such notice).

Upon receipt of such notice each Noteholder may elect for physical delivery of its pro rata share of the Relevant Collateral by presentation and surrender of the Notes (if the Notes are Definitive Notes) or the Global Note at the specified office of any Paying Agent,

together with:

- (i) a Physical Delivery Notice; and
- (ii) proof satisfactory to the Agent of its ownership of the Notes in respect of which the Physical Delivery Notice is given;

not later than the fifth Relevant Business Day following receipt of the Mandatory Redemption Notice and upon payment by the relevant Noteholder of all applicable transfer tax, stamp duty or any other relevant tax for delivery of its pro rata share of the Relevant Collateral. Delivery shall be made in accordance with the usual market practice for delivery of an asset of that type, subject to compliance by the relevant Noteholder with all applicable laws and regulations in respect of the holding of such Relevant Collateral.

Delivery shall be made as soon as reasonable practicable following delivery of the relevant Physical Delivery Notice but in any event within 10 Relevant Business Days after the date of the Mandatory Redemption Notice to an account notified by the relevant Noteholder in the Physical Delivery Notice and, in the case of a redemption pursuant to Condition 8.3, if the Calculation Agent determines that the Unwind Costs is a negative amount, the Issuer shall in addition pay to such Noteholder an amount in USD equal to such Note's pro rata share of the amount determined by the Calculation Agent to be the absolute value of the Unwind Costs.

If as a result of the denominations of the Collateral it is not possible to deliver to a Noteholder the exact pro rata share of the Relevant Collateral an amount in USD equal to the Collateral Market Value of an amount of Collateral, as determined by the Calculation Agent, equal to the difference between the exact pro rata share and the Relevant Collateral delivered, shall be payable to such Noteholder (such amount, a "**Collateral Difference Amount**").

If (i) no valid Physical Delivery Notice and/or proof of ownership is received in respect of a Note, as determined by the Calculation Agent or (ii) the Calculation Agent determines that it is impossible, impractical or illegal, including without limitations, due to failure of any clearing or other book entry system or due to any law or regulation to deliver or procure the delivery of the Relevant Collateral to a Noteholder then the Issuer shall instead pay to such Noteholder an amount in USD equal to such Note's pro rata share of the Cash Settlement Amount.

"**Cash Settlement Amount**" means (A) in respect of a mandatory redemption pursuant to sub-paragraph 24(B) an amount in USD equal to the Collateral Market Value or (B) in respect of a redemption pursuant to Condition 8.3, an amount in USD equal to the Collateral Market Value (i) if the Unwind Costs is a positive amount less

the Unwind Costs or (ii) if the Unwind Costs is a negative amount, plus an amount determined by the Calculation Agent to be equal to the absolute value of the Unwind Costs, as determined by the Calculation Agent.

“**Relevant Collateral**” means (A) in respect of a mandatory redemption pursuant to sub-paragraph 24(B), the Collateral or (B) in respect of a redemption pursuant to Condition 8.3, the Collateral less a portion of such Collateral required to pay an amount equal to the Unwind Costs (where the Unwind Costs is a positive amount), as determined by the Calculation Agent.

(D) Condition 8.2 will apply to the Notes provided that the first sentence thereof shall be deleted and replaced with the following:

“If some or all of the Collateral is redeemed early at the option of the issuer of the Collateral in accordance with the terms and conditions of the Collateral, such Collateral which is to be redeemed prior to its stated maturity (the “**Affected Collateral**”) shall be deemed to have become immediately repayable (the “**Repayable Assets**”). The Redemption Amount of each Note for these purposes will be the Principal Amount of such Note.”

The following wording from the second sentence shall be deleted:

“and (ii) (in the case of Notes secured in the manner described in Condition 4.2 (A) or (B)) the security constituted by or created pursuant to the Trust Instrument over the Repayable Assets shall become enforceable.”

25. Listing: Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. No assurance can be given that such an application will be granted.
26. The Notes have been accepted in Euroclear and Clearstream, Luxembourg and have the following security codes:
- | | |
|--------------|--------------|
| Common Code: | 059016172 |
| ISIN Code: | XS0590161724 |
| CINS: | G2952V QD3 |
27. Rating: The Notes are expected to be rated A- by S&P. There can be no assurance that any such rating will be obtained.
28. Custody: The Custodian will be Deutsche Bank AG, London Branch. The Collateral will be delivered to (or in accordance with the directions of) the Custodian on the Issue Date and will be held by the Custodian pursuant to the custodian arrangements specified in the Trust Instrument and subject to the security

- interests created therein.
29. Agent for Service of Process: Deutsche Bank AG, London Branch at its registered office for the time being (currently at Winchester House, 1 Great Winchester Street, London, EC2N 2DB).
30. NGN form: Not applicable.
31. Additional provisions: Notwithstanding Condition 15, the Issuer shall not issue further notes which would be consolidated and form a single series with the Notes without obtaining the prior consent of the Noteholders.

ANNEX A

Swap Confirmation

DATED: 22 February 2011

Deutsche Bank
Aktiengesellschaft

Date: 22 February 2011
To: Eirles Two Limited
From: Deutsche Bank AG, London Branch
Our reference: Notes ISIN Code: XS0590161724
Re: Series 347 JPY 4,075,000,000 Fixed Rate Secured Notes due 2040

Ladies and Gentlemen:

The purpose of this letter agreement is to set forth the terms and conditions of the Transaction entered into between Deutsche Bank AG, London Branch (“**Party A**”) and Eirles Two Limited (“**Party B**”) on the Trade Date specified below (the “**Transaction**”). This constitutes a “**Confirmation**” as referred to in the Agreement specified below.

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

For the purposes of this Confirmation, all references in the Definitions and the Agreement (as defined below) to a “**Swap Transaction**” shall be deemed to apply to the Transaction referred to herein.

Words and expressions defined in the Terms and Conditions (as the same may be amended, modified or supplemented from time to time, the “**Terms and Conditions**”) of the Series 347 JPY 4,075,000,000 Fixed Rate Secured Notes due 2040 (the “**Notes**”) of Party B shall bear the same meanings in this Confirmation and in the event of any inconsistency between words and meanings defined in the Terms and Conditions and words and expressions defined in this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement dated as of 22 February 2011 (as the same may be amended, modified or supplemented from time to time, the “**Agreement**”) entered into between Party A and Party B by their execution of the Trust Instrument (as the same may be amended, modified or supplemented from time to time, the “**Trust Instrument**”) dated 22 February 2011 between them and certain other persons for purposes including constituting the Notes and prescribing the Terms and Conditions. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.
2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: 2 February 2011
Effective Date: 22 February 2011
Termination Date: 4 June 2040 (the “**Scheduled Termination Date**”) or any later date determined in accordance with Special Provision 3.4, subject in each case to adjustment in accordance with the

Following Business Day Convention (with no adjustment).

Calculation Agent: Party A, provided that if Party A is the Defaulting Party, the Calculation Agent shall be replaced by a financial institution approved by the Noteholders acting via an Extraordinary Resolution, with the consent of the Issuer and the Trustee.

Fixed Rate Payments - Party A:

Fixed Rate Payer: Party A

Fixed Rate Currency Amount: JPY 4,075,000,000

Fixed Rate Payment Dates: The date falling one Business Day following each Fixed Rate Period End Date.

Fixed Rate Period End Dates: 01 June and 01 December of each year provided that the first Fixed Rate Calculation Period will start on 23 February 2011 and end on 01 June 2011. The Fixed Rate Period End Dates shall not be subject to adjustment.

Fixed Rate: 2.91 per cent. per annum

Fixed Rate Day Count Fraction: 30/360

Business Days: London, New York and Tokyo.

Additional Fixed Amount Payment - Party A:

Additional Fixed Amount Payer: Party A

Additional Fixed Amount: USD 694,722.22

Additional Fixed Amount Payment Date: The date falling one Business Day following 01 June 2011.

Variable Rate Payments - Party B:

Variable Amount Payments: Party B will pay to Party A amounts equal to each amount of interest payable in respect of the Collateral (as defined below) on each date falling during the Term of this Transaction on which such amounts of interest are payable (in accordance with the terms and conditions of such Collateral).

“**Collateral**” means USD 50,000,000 aggregate nominal amount of 6.10% Senior Notes due 01 June 2040 issued by TransCanada Pipelines Limited (ISIN: US893526DJ90).

Exchange Amounts:

Initial Exchange: Applicable

Initial Exchange Date: The Effective Date

Initial Exchange Amounts:

	Party A:	USD 53,759,722.22
	Party B:	JPY 4,381,417,360
Final Exchange:		Applicable
Final Exchange Date:		The Termination Date
Final Exchange Amounts:		
	Party A:	The Redemption Amount required by the Issuer to redeem the Notes on the Maturity Date thereof.
	Party B:	Delivery of the Collateral or the full redemption proceeds of the Collateral.

The dates and amounts of all of the payments specified in this paragraph 2 are subject to the Special Provisions specified in paragraph 3, which shall prevail in the event of any conflict.

Paragraphs 13, 15 and 16 of the Termination Provisions set out in the Agreement shall apply to this Confirmation.

3. **Special Provisions**

3.1 **Early Redemption of the Notes**

If the Notes become repayable in full prior to the Maturity Date of the Notes or the Notes are accelerated by the Trustee pursuant to Condition 11, it shall constitute an Additional Termination Event, for which purpose Party B shall be the Affected Party. Notwithstanding Section 6(b) of the Agreement, an Early Termination Date shall occur immediately hereunder in respect of such Additional Termination Event.

If the Notes become subject to redemption in whole or in part under or pursuant to Condition 8.2, Party B will pay to Party A the redemption proceeds received in respect of the Affected Collateral and Party A will pay to Party B the Redemption Amount required by the Issuer to redeem the Notes. If the Notes become subject to redemption in part only under or pursuant to Condition 8.2, the Agreement will terminate in part only in proportion to the principal amount of the Notes to be redeemed.

If the Notes become subject to mandatory redemption under or pursuant to Condition 8.3 or sub-paragraph 24(B) of the Terms, on the date on which the Notes are to be redeemed in accordance with the relevant provisions, Party B will transfer the Collateral to Party A and Party A will, subject to the Terms and Conditions, (i) deliver the Relevant Collateral that is to be delivered in connection with such redemption to Party B or to or for the benefit of the relevant Noteholders on behalf of Party B and/or (ii) pay any Cash Settlement Amounts and/or, where applicable, any Collateral Difference Amounts to the Agent on behalf of Party B for the benefit of the relevant Noteholders and, notwithstanding Section 6 of the Agreement, no termination payment shall be payable by either Party A or Party B in respect of redemption of the Notes pursuant to sub-paragraph 24(B) of the Terms.

If the Noteholders have exercised their option to require the Issuer to redeem the Notes pursuant to Condition 8.8, on the date on which the Notes are to be redeemed in accordance with the relevant provisions, Party B will transfer the Collateral to Party A and Party A will, subject to the Terms and Conditions (i) deliver the Noteholder Put Relevant Collateral that is to be delivered in connection

with such redemption to Party B or to or for the benefit of the relevant Noteholders on behalf of Party B and/or (ii) pay any Noteholder Put Cash Settlement Amounts and/or, where applicable, any Noteholder Put Collateral Difference Amounts to the Agent on behalf of Party B for the benefit of the relevant Noteholders.

3.2 Basis Selection

For the purposes of Condition 15, any Further Notes issued pursuant to the Terms and Conditions of the Notes shall be collateralised on the Nominal Basis.

3.3 Withholding or Deductions in respect of Collateral

For the avoidance of doubt, no Variable Amount payment by Party B hereunder shall be reduced on account of any deduction or withholding from any payment in respect of the Collateral on account of any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any such payment of interest, or on account of any right of set-off, or for any other reason whatsoever.

3.4 Extended Termination Date

If the Calculation Agent in respect of the Notes determines that a Potential Failure to Pay has occurred and is continuing on the Scheduled Maturity Date, the Termination Date will be the earlier of (i) the date falling 3 Business Days following the end of the grace period in respect of the Failure to Pay (or, if applicable, the date on which the Calculation Agent in respect of the Notes determines that such Potential Failure to Pay ceases to exist without giving rise to a Credit Event) and (iii) 29 June 2040.

4. Account Details

<p>Account Details for Party A:</p>	<p>USD Intermediary: Deutsche Bank Trust Company NY (Swift Code: BKTRUS33) Beneficiary: Deutsche Bank AG London A/C No.: 04411739 Attn: REPEM</p> <p>JPY Intermediary: Deutsche Bank AG, Tokyo (Swift Code: DEUTJPJT) Beneficiary: Deutsche Bank AG London A/C No.: 8515900 Attn: REPEM</p>
<p>Account Details for Party B:</p>	<p>JPY Deutsche Bank AG, Tokyo A/C No.: 8816100 Swift Code: DEUTJPJT Favour: Eirles Two Limited – Series 347</p> <p>USD Deutsche Bank Trust Co NY BIC Swift Code: (BIC TRUS33) A/C No.: 04411747 Favour: Eirles Two Limited – Series 347</p>

and/or, in each case, such other accounts as may from time to time be advised by one Party to the other.

5. **Offices**

The Office of Party A for this Transaction is London.

The Office of Party B for this Transaction is Dublin, Ireland.

6. **Additional Representations**

Each party represents to the other party on the date hereof that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for this Transaction):

- (A) **Evaluation and Understanding** – It has the capability to evaluate and understand (on its own behalf or through independent professional advice), and does understand, the terms, conditions and risks of this Transaction and is willing to accept those terms and conditions and to assume (financially and otherwise) those risks.
- (B) **Transactions in the Collateral** – It understands that the other party and its affiliates may engage in proprietary trading for its own account in the Collateral or similar instruments and that such trading may affect the value of the Collateral.
- (C) **Concerning the Calculation Agent** – The Calculation Agent is not acting as a fiduciary for or as an advisor to either party in respect of its duties as Calculation Agent in respect of this Transaction and any determination by the Calculation Agent in the course of such duties shall be conclusive and binding on each party (in the absence of manifest error) and no liability shall attach to the Calculation Agent in respect thereof.

EXECUTION PAGE OF SWAP CONFIRMATION -

EIRLES TWO LIMITED SERIES 347

Please confirm that the foregoing correctly sets forth the terms of our agreement by having an authorised officer sign this fax copy and return it by fax to:

Deutsche Bank AG, London Branch
Attention: ICT Documentation
Phone: +44 20 7545 9220 / 7547 1952
Fax: +44 20 7545 1913

Yours sincerely

Deutsche Bank AG, London Branch

By:	By:
Name:	Name:
Title:	Title:

Confirmed as of the date first written above:

Eirles Two Limited

By:
Name:
Title:

FURTHER INFORMATION CONCERNING THE TRUST INSTRUMENT

General

The Trust Instrument is dated as of the Issue Date and is made between the Issuer, the Trustee (as specified on the back cover of this Prospectus) and the other parties named therein. It is entered into for the purpose of constituting and securing the Notes and setting out the terms of the agreement made between the parties specified therein in relation to the Notes. Set out below is a summary of the main provisions.

Provisions Relating to the Issuer and the Trustee

The Trust Instrument contains standard provisions which set out various obligations of the Issuer and the Trustee.

The Trust Instrument sets out the covenants of the Issuer, including, *inter alia*, provisions relating to its duty to provide various persons with information, to prepare and display certain information, to only do such things as are contemplated within the Trust Instrument (most importantly, in relation to the issue of the Notes and other limited recourse investments which it is permitted to enter into) and its duties with respect to its obligations in respect of the Notes.

The Trust Instrument also sets out the basis for the remuneration, reimbursement of expenses, termination and indemnification of the Trustee in respect of its duties. The Trust Instrument sets out the conditions for replacement of the Trustee; in particular that a replacement trustee must be approved by the Issuer and Noteholders (in the case of both retirement and removal of the Trustee). There will, however, always be a Trustee in place. Provisions which are supplemental to certain statutory provisions and which set out the powers of the Trustee and the extent of its duties are also included.

Form of the Notes

The Trust Instrument sets out the Issuer's covenant to pay in respect of, and certain provisions relating to, the Notes constituted and secured by the Trust Instrument. It also sets out the form of the Notes themselves (both global and definitive forms).

Terms and Conditions of the Notes

The terms and conditions of the Notes (the "**Conditions**"), which are incorporated by reference into the Trust Instrument, set out the terms and conditions of the Notes. The Terms are also set out in this Prospectus. The Conditions of the Notes are supplemented and amended by the Terms which should be read in conjunction with the Conditions.

Swap, Agency and Purchase Agreements

The Trust Instrument sets out and executes the following:

- a) the Swap Agreement (as further described in the section below);
- b) the Agency Agreement, covering the duties, liabilities, appointment and change of the various agents, including the Agent, the Paying Agent, the Custodian, the Calculation Agent, and the Selling Agent; and
- c) the Purchase Agreement covering the provisions relating to the purchase of the Notes by the Arranger, the conditions precedent to such arrangement, various representations, warranties, undertakings and agreements of the Issuer and the Arranger and the selling restrictions applicable to the distribution of the Notes.

The above summary is qualified in its entirety by the terms of the Trust Instrument, which will be available as described under the heading "General" above.

INFORMATION CONCERNING THE CALCULATION AGENT

The Calculation Agent is Deutsche Bank AG, London Branch (the "**Calculation Agent**") which is the London branch of Deutsche Bank Aktiengesellschaft ("**DB AG**"). The Calculation Agent's address is Winchester House, 1 Great Winchester Street, London, EC2N 2DB. DB AG is the parent company of a group consisting of banks, capital market companies, fund management companies, a property finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies. The Calculation Agent has a relationship with the Issuer acting as Agent, Arranger, Selling Agent, Custodian and Swap Counterparty in relation to the Notes.

Business Activities

The objects of DB AG, as laid down in its Articles of Association, include the transaction of all kinds of banking business, the provision of financial and other services and the promotion of international economic relations. DB AG may realise these objectives itself or through subsidiaries and affiliated companies.

Calculation Agent's Responsibilities

The Calculation Agent is responsible for making any determination or calculation required pursuant to the Terms and Conditions of the Notes. Once a determination or calculation is made, the Calculation Agent is responsible for notifying the Issuer, the Trustee, the Agent, each Paying Agent, the Noteholders, the Arranger and such other persons as may be required by the Terms and Conditions of the Notes.

Termination and Appointment of Calculation Agent

The appointment of the Calculation Agent will terminate if the Calculation Agent becomes incapable of acting, or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or if a resolution is passed or an order made for the winding up or dissolution of the Calculation Agent.

The Issuer may appoint a Calculation Agent and/or terminate the appointment of any Calculation Agent by giving at least 60 days' notice to that effect provided that no such termination of the appointment of the Calculation Agent shall take effect until a successor has been appointed and provided further that no such termination shall take effect if as a result of such termination there would cease to be a Calculation Agent. The Issuer will obtain the prior written approval of the Trustee to any appointment or termination by it and take appropriate steps to notify any such appointment or termination to the holders of the Notes.

FURTHER INFORMATION CONCERNING THE SWAP AGREEMENT

The information set out in the section of the Base Prospectus entitled "Information Concerning the Swap Counterparty" is hereby incorporated into this Prospectus in accordance with Article 11.1 of the Prospectus Directive.

The Swap Agreement (as defined in the Terms and Conditions) may be terminated in certain circumstances, including but not limited to the following:

- (i) if at any time any of the Notes becomes repayable in accordance with the Conditions prior to the Maturity Date;
- (ii) at the option of one party, if there is a failure by the other party to pay any amounts due under the Swap Agreement;
- (iii) if (subject as provided in the Swap Agreement) withholding taxes are imposed on payments made by the Issuer or the Swap Counterparty under the Swap Agreement or it becomes illegal for either party to perform its obligations under the Swap Agreement; or
- (iv) upon the occurrence of certain other events with respect to either party to the Swap Agreement, including insolvency.

Consequences of Early Termination of Swap Agreements

Upon any early termination of the Swap Agreements, the Issuer or the Swap Counterparty may be liable to make a termination payment to the other (regardless, if applicable, of which of such parties may have caused such termination).

Any termination payments will be based on the total losses, gains and costs of the determining party in connection with the Swap Agreement.

In all cases of early termination occurring other than by reason of a default by the Swap Counterparty, the termination payment will be determined by the Swap Counterparty on the basis of the Swap Counterparty's determination of the total losses and costs in connection with the Swap Agreement. There is no assurance that any termination payment payable under the Swap Agreement by the Swap Counterparty (if any) to the Issuer will be sufficient to repay the principal amount due to be paid in respect of the Notes and any other amounts in respect thereof that are due.

The above summary is qualified in its entirety by the terms of the Swap Agreement

The information set out in the section of the Base Prospectus entitled "Information Concerning the Swap Counterparty" is hereby incorporated into this Prospectus.

The above summary is qualified in its entirety by the terms of the Swap Agreement, which will be available as described under the heading "General" above.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, being a sum of JPY 4,381,417,360, will be used by the Issuer to acquire the Collateral on the Issue Date in accordance with the Terms and Conditions of the Notes. Any associated costs of issuance and ongoing expenses of an administrative nature will be borne by the Arranger.

TAX CONSIDERATIONS

Neither the Issuer, nor the Swap Counterparty, is obliged to pay any additional amount for, or on account of, any payments under the Notes or the Swap Agreement which is the subject of a deduction or withholding for or on account of any tax. The imposition of such withholding or deduction would lead to a redemption of the Notes.

LEGAL OPINIONS

Legal opinions relating to the issue of the Notes and the obligations of the Issuer thereunder have been obtained with respect to the laws of England and Ireland. It is not intended that legal opinions will be obtained with respect to any other applicable laws and no investigation has been made into, or legal opinions obtained with respect to, the validity, binding nature or enforceability of the obligations of any obligor in respect of the Mortgaged Property (or any part thereof) under the laws of England or any other relevant jurisdiction. The legal opinions which have been obtained are subject to qualifications and are made on certain assumptions and, in general, a legal opinion with respect to the laws of one jurisdiction will not extend to express any opinion with respect to the validity or enforceability of security interests stated to be governed by the laws of another jurisdiction.

AVAILABILITY OF PROSPECTUS AND OTHER DOCUMENTS

For as long as any Notes remain outstanding, the Base Prospectus and this Prospectus (and any notice of amendment) issued by the Issuer since the date of first publication of the Base Prospectus will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer and the offices of the Trustee and the Paying Agents specified on the back cover of the Base Prospectus and will be available from the date hereof at the offices of the Listing Agent specified on the back cover of this Prospectus for so long as the Notes are listed on the Irish Stock Exchange.

PAYING AGENTS AND LISTING AGENT

The Principal Paying Agent for the Notes shall be Deutsche Bank AG, London Branch in such capacity and the Irish Paying Agent shall be Deutsche International Corporate Services (Ireland) Limited. The Listing Agent appointed in respect of the Notes is Deutsche Bank AG, London Branch.

SELLING RESTRICTIONS

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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes 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) 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;
- (b) 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
- (c) 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 for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Unless otherwise provided in the relevant Purchase Agreement, the Arranger will in each Purchase Agreement to which it is party represent, warrant and agree in relation to the Notes to be purchased thereunder that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as 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;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended). Accordingly, the Arranger

will in each Purchase Agreement to which it is party represent and agree that in connection with Notes denominated in yen or in respect of which amounts may be payable in yen it has not, directly or indirectly offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Ireland

The Issuer is a private limited company and accordingly its Articles of Association prohibit any invitation to the public to subscribe for any shares or debentures of the Issuer. The Base Prospectus and the Prospectus do not constitute an invitation to the public within the meaning of the Irish Companies Acts 1963-2009 to subscribe for any Notes.

The Arranger, Purchaser and each dealer represents, warrants and agrees that, and each further dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Notes, or do anything in Ireland in respect of the Notes, otherwise than in conformity with the provisions of:

- (i) the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued by the Central Bank of Ireland under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland (as amended) (the "**2005 Act**");
- (ii) the Irish Companies Acts 1963 to 2009;
- (iii) the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) of Ireland and it will conduct itself in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank of Ireland;
- (iv) the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Central Bank of Ireland under Section 34 of the 2005 Act and will assist the Issuer in complying with its obligations thereunder;
- (v) the Central Bank Acts 1941-2004 (as amended) and any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank of Ireland.

General

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons and for the private placement of the Notes and Alternative Investments in the United States and for the listing of the Notes or Alternative Investments on the Irish Stock Exchange.

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any part thereof or any other offering material or any Prospectus, in any country or jurisdiction where action for that purpose is required.

ANNEX 1: INFORMATION CONCERNING THE ISSUER

The information set out in the section of the Base Prospectus entitled "**Description of the Issuer**" and the financial statements in respect of the period ending on 31 December 2009 are hereby incorporated by reference into this Prospectus in accordance with Article 11.1 of the Prospectus Directive.

The issue of the Notes has been authorised by a resolution of the board of directors of the Issuer passed on 21 February 2011.

As at the date of this Prospectus, save for issuances of any notes pursuant to the Programme, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Save as for issuances of notes, there has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since the publication of its most recent financial statements.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had from the date of incorporation to the date hereof a significant effect on the Issuer's financial position.

Directors and Company Secretary

The Directors of the Issuer are as follows:

Liam Quirke

Niall O'Carroll

Michael Whelan

The business address of Liam Quirke is 70 Sir John Rogerson's Quay Dublin 2, Ireland, the business address of Niall O'Carroll is "Thurleigh" Upper Churchtown Road, Dundrum, Dublin 14, Ireland and the business address of Michael Whelan is c/o Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, Dublin 1, Ireland.

The Company Secretary is Deutsche International Corporate Services (Ireland) Limited.

The Company Secretary is the administrator of the Issuer. Its duties include the provision of certain administrative, accounting and related services. The appointment of the administrator may be terminated and the administrator may retire upon three months' notice subject to the appointment of an alternative administrator on similar terms to the existing administrator.

ANNEX 2: INFORMATION CONCERNING THE COLLATERAL

The information in this Annex has been extracted from the sources described below (together, the "Source Material"). The Issuer takes responsibility only for the accuracy of the extraction and/or reproduction of such information and has made no independent investigation or verification thereof. The delivery of this Prospectus at any time does not imply any representation on the part of the Issuer, the Arranger, the Trustee, the Agents or any other person that any information contained therein is correct either at the date of this Prospectus or at any time subsequent to the date hereof. Such information is qualified in its entirety by the Source Material.

The information relating to the undertaking/obligor has been accurately reproduced from information published by the undertaking/obligor or the Bloomberg Information Service. So far as the Issuer is aware and is able to ascertain from information published by the undertaking/obligor and/or by the Bloomberg Information Service no facts have been omitted which would render the reproduced information inaccurate or misleading.

Purchasers of Notes should conduct such independent investigation and analysis regarding the Collateral and all other assets from time to time comprising the Collateral and the issuer of the Collateral and all other obligors in respect of the Collateral from time to time as they deem appropriate to evaluate the merits and risks of an investment in the Notes. The Issuer and the Arranger disclaim any responsibility to advise purchasers of Notes of the risks and investment considerations associated with the purchase of the Notes as they may exist at the date hereof or from time to time thereafter.

Definitions set out in this Annex apply to this Annex only. Terms used in this Annex but not otherwise defined in this Prospectus shall have the meanings given to them in the documents of information listed below.

The information contained in this Annex has been extracted and/or reproduced from the following:

- (i) the Offering Documents (as defined below). Please note that the Offering Documents do not form part of this Prospectus; and*
- (ii) information available from the Bloomberg Information Service.*

Copies of the Offering Documents are available for inspection and collection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer, at the specified office of the Paying Agent in Ireland for so long as any of the Notes shall remain outstanding and, for so long as the Notes remain listed on the Irish Stock Exchange, at the office of the Listing Agent specified on the back of this Prospectus (but only, in respect of each such document, for so long as the relevant securities constitute Collateral for the Notes).

The attention of prospective purchasers of Notes is drawn to "Investment Considerations and Risk Factors" herein and to the Offering Documents.

Offering Document:	Prospectus dated 17 December 2009 and Prospectus Supplement dated 26 May 2010
Collateral Issuer:	TransCanada PipeLines Limited
Address:	TransCanada Tower, 450 First Street, S.W. Calgary, Alberta, Canada, T2P 5H1
Country of incorporation:	Canada
Nature of business:	Energy

Nature of the collateral:

USD 50,000,000 in principal amount of the USD 750,000,000 6.10% Senior Notes due 2040 issued by TransCanada PipeLines Limited (ISIN: US893526DJ90)

Governing Law:

New York

ISIN

US893526DJ90

TransCanada PipeLines Limited has shares listed on the Toronto Stock Exchange and the New York Stock Exchange.

REGISTERED OFFICE OF THE ISSUER

Eirles Two Limited
5 Harbourmaster Place
Dublin 1
Ireland

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

ISSUING AND PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

IRISH PAYING AGENT

**Deutsche International Corporate Services
(Ireland) Limited**
5 Harbourmaster Place
Dublin 1
Ireland

LEGAL ADVISERS

to the Arranger as to English law:

Simmons & Simmons LLP
CityPoint
One Ropemaker Street
London
EC2Y 9SS

to the Issuer as to Irish law:

Matheson Ormsby Prentice
70 Sir John Rogerson's Quay
Dublin 2
Ireland

LISTING AGENT

**Deutsche Bank AG, London
Branch**
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom