

Cara Therapeutics, Inc.
Form SC 13G
February 09, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

(Amendment No.)*

Cara Therapeutics, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

140755109

(CUSIP Number)

December 31, 2014

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1. Names of reporting persons

MVM International Life Sciences No. 1 L.P.

2. Check the appropriate box if a member of a group (see instructions)

(a) (b)

3. SEC use only

4. Citizenship or place of organization

United Kingdom

5. Sole voting power

Number of

shares 0

6. Shared voting power

beneficially

owned by 1,309,115

7. Sole dispositive power

each

reporting

person 0

8. Shared dispositive power

with

1,309,115

9. Aggregate amount beneficially owned by each reporting person

1,309,115

10. Check if the aggregate amount in Row (9) excludes certain shares (see instructions) ..

11. Percent of class represented by amount in Row (9)

5.7% (based on 22,778,597 shares outstanding on November 5, 2014)

12. Type of reporting person (see instructions)

PN

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1. Names of reporting persons

MVM Executive Limited

2. Check the appropriate box if a member of a group (see instructions)

(a) (b)

3. SEC use only

4. Citizenship or place of organization

United Kingdom

5. Sole voting power

Number of

shares 0

6. Shared voting power

beneficially

owned by 13,224

7. Sole dispositive power

each

reporting

person 0

8. Shared dispositive power

with

13,224

9. Aggregate amount beneficially owned by each reporting person

13,224

10. Check if the aggregate amount in Row (9) excludes certain shares (see instructions) ..

11. Percent of class represented by amount in Row (9)

0.1% (based on 22,778,597 shares outstanding on November 5, 2014)

12. Type of reporting person (see instructions)

OO

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CUSIP No. 140755109

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1. Names of reporting persons

MVM Life Sciences Partners LLP

2. Check the appropriate box if a member of a group (see instructions)

(a) (b)

3. SEC use only

4. Citizenship or place of organization

United Kingdom

5. Sole voting power

Number of

shares 0

6. Shared voting power

beneficially

owned by 1,322,339

7. Sole dispositive power

each

reporting

person 0

8. Shared dispositive power

with

1,322,339

9. Aggregate amount beneficially owned by each reporting person

1,322,339

10. Check if the aggregate amount in Row (9) excludes certain shares (see instructions) ..

11. Percent of class represented by amount in Row (9)

5.8% (based on 22,778,597 shares outstanding on November 5, 2014)

12. Type of reporting person (see instructions)

PN

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1. Names of reporting persons

Stephen Reeders, M.D.

2. Check the appropriate box if a member of a group (see instructions)

(a) (b)

3. SEC use only

4. Citizenship or place of organization

United States

5. Sole voting power

Number of

shares 0

6. Shared voting power

beneficially

owned by 1,322,339

each 7. Sole dispositive power

reporting

person 0

8. Shared dispositive power

with

1,322,339

9. Aggregate amount beneficially owned by each reporting person

1,322,339

10. Check if the aggregate amount in Row (9) excludes certain shares (see instructions) ..

11. Percent of class represented by amount in Row (9)

5.8% (based on 22,778,597 shares outstanding on November 5, 2014)

12. Type of reporting person (see instructions)

IN

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1. Names of reporting persons

Eric Bednarski, Ph.D.

2. Check the appropriate box if a member of a group (see instructions)

(a) (b)

3. SEC use only

4. Citizenship or place of organization

United States

5. Sole voting power

Number of

shares 0

6. Shared voting power

beneficially

owned by 1,322,339

7. Sole dispositive power

each

reporting

person 0

8. Shared dispositive power

with

1,322,339

9. Aggregate amount beneficially owned by each reporting person

1,322,339

10. Check if the aggregate amount in Row (9) excludes certain shares (see instructions) ..

11. Percent of class represented by amount in Row (9)

5.8% (based on 22,778,597 shares outstanding on November 5, 2014)

12. Type of reporting person (see instructions)

IN

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1. Names of reporting persons

Thomas Casdagli

2. Check the appropriate box if a member of a group (see instructions)

(a) (b)

3. SEC use only

4. Citizenship or place of organization

United Kingdom

5. Sole voting power

Number of

shares 0

6. Shared voting power

beneficially

owned by 1,322,339

7. Sole dispositive power

each

reporting

person 0

8. Shared dispositive power

with

1,322,339

9. Aggregate amount beneficially owned by each reporting person

1,322,339

10. Check if the aggregate amount in Row (9) excludes certain shares (see instructions) ..

11. Percent of class represented by amount in Row (9)

5.8% (based on 22,778,597 shares outstanding on November 5, 2014)

12. Type of reporting person (see instructions)

IN

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Item 1.

(a) Name of Issuer:

Cara Therapeutics, Inc.

(b) Address of the Issuer's Principal Executive Offices:

1 Parrott Drive

Shelton, Connecticut 06484

Item 2.

(a) Name of Person Filing:

MVM International Life Sciences No. 1 L.P. (MVM International)

MVM Executive Limited (MVM Limited)

MVM Life Sciences Partners LLP (MVM Partners)

Stephen Reeders, M.D.

Eric Bednarski, Ph.D.

Thomas Casdagli

MVM International, MVM Limited, MVM Partners, Drs. Reeders and Bednarski and Mr. Casdagli are referred to herein collectively as the Reporting Persons.

(b) Address of Principal Business Office or, if none, Residence:

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The address of the principal business office for each of the Reporting Persons is:

6 Henrietta Street

London

WC2E 8PU

United Kingdom

(c) Citizenship:

Each of the Reporting Persons that is an entity is organized in the United Kingdom, Dr. Reeders is a citizen of the United States, Dr. Bednarski is a citizen of the United States and Mr. Casdagli is a citizen of the United Kingdom.

(d) Title and Class of Securities:

Common Stock, par value \$0.001 per share

(e) CUSIP Number:

140755109

Item 3.

Not applicable.

Item 4. Ownership:

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

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(a) Amount beneficially owned:

Reporting Person	Shares
MVM International	1,309,115
MVM Limited	13,224
MVM Partners	1,322,339
Stephen Reeders, M.D.	1,322,339
Eric Bednarski, Ph.D.	1,322,339
Thomas Casdagli	1,322,339

MVM International directly owns 1,309,115 shares of the issuer and MVM Limited directly owns 13,224 shares of the issuer. MVM International is managed by MVM Partners and MVM Limited is a wholly-owned subsidiary of MVM Partners. MVM Partners is also a director of MVM Limited. Drs. Reeders and Bednarski and Mr. Casdagli share voting and dispositive power over MVM Partners. Therefore, Drs. Reeders and Bednarski, Mr. Casdagli and MVM Partners may be deemed to beneficially own the shares held by MVM International and MVM Limited. Each of Drs. Reeders and Bednarski, Mr. Casdagli and MVM Partners disclaim beneficial ownership of the shares except to the extent of his or its pecuniary interest therein.

(b) Percent of class:

Reporting Person	Percent
MVM International	5.7%
MVM Limited	0.1%
MVM Partners	5.8%
Stephen Reeders, M.D.	5.8%
Eric Bednarski, Ph.D.	5.8%
Thomas Casdagli	5.8%

The foregoing percentages are calculated based on 22,778,597 shares outstanding on November 5, 2014.

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote with respect to each Reporting Person -0-

(ii) Shared power to vote or to direct the vote

Reporting Person	Shares
MVM International	1,309,115
MVM Limited	13,224
MVM Partners	1,322,339
Stephen Reeders, M.D.	1,322,339
Eric Bednarski, Ph.D.	1,322,339
Thomas Casdagli	1,322,339

(iii) Sole power to dispose or to direct the disposition of with respect to each Reporting Person -0-

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(iv) Shared power to dispose or to direct the disposition of

Reporting Person	Shares
MVM International	1,309,115
MVM Limited	13,224
MVM Partners	1,322,339
Stephen Reeders, M.D.	1,322,339
Eric Bednarski, Ph.D.	1,322,339
Thomas Casdagli	1,322,339

Item 5. Ownership of Five Percent or Less of a Class:

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following " ".

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

See Exhibit 2.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certifications:

Not applicable.

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 9, 2015

MVM INTERNATIONAL LIFE SCIENCES NO. 1 L.P.

BY: MVM Life Sciences Partners LLP,
its manager

By: *
Neil Akhurst
Member

MVM EXECUTIVE LIMITED

By: *
Neil Akhurst
Director

MVM LIFE SCIENCES PARTNERS LLP

By: *
Neil Akhurst
Member

/s/ Stephen Reeders, M.D.
Stephen Reeders, M.D.

/s/ Eric Bednarski, Ph.D.
Eric Bednarski, Ph.D.

/s/ Thomas Casdagli
Thomas Casdagli

* The undersigned, by signing his name below, does hereby sign this statement on behalf of the above indicated filers in his capacity noted for such filers.

By: /s/ Neil Akhurst
Neil Akhurst

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EXHIBIT INDEX

- Exhibit 1 Joint Filing Agreement as required by Rule 13d-1(k)(1) under the Securities Exchange Act of 1934, as amended.
- Exhibit 2 Identification and Classification of Members of the Group.

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Exhibit 1

JOINT FILING AGREEMENT PURSUANT TO RULE 13d-1(k)(1)

The undersigned acknowledge and agree that the foregoing statement on Schedule 13G is filed on behalf of each of the undersigned and that all subsequent amendments to this statement on Schedule 13G shall be filed on behalf of each of the undersigned without the necessity of filing additional joint filing statements. The undersigned acknowledge that each shall be responsible for the timely filing of such amendments, and for the completeness and accuracy of the information concerning him, her or it contained herein, but shall not be responsible for the completeness and accuracy of the information concerning the other entities or persons, except to the extent that he, she or it knows or has reason to believe that such information is inaccurate.

Date: February 9, 2015

MVM INTERNATIONAL LIFE SCIENCES NO. 1 L.P.

BY: MVM Life Sciences Partners LLP,
its manager

By: *
Neil Akhurst
Member

MVM EXECUTIVE LIMITED

By: *
Neil Akhurst
Director

MVM LIFE SCIENCES PARTNERS LLP

By: *
Neil Akhurst
Member

/s/ Stephen Reeders, M.D.
Stephen Reeders, M.D.

/s/ Eric Bednarski, Ph.D.
Eric Bednarski, Ph.D.

/s/ Thomas Casdagli
Thomas Casdagli

* The undersigned, by signing his name below, does hereby sign this agreement on behalf of the above indicated filers in his capacity noted for such filers.

By: /s/ Neil Akhurst
Neil Akhurst

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Exhibit 2

IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP

MVM International, MVM Limited, MVM Partners, Stephen Reeders, M.D., Eric Bednarski, Ph.D. and Thomas Casdagli are filing this Schedule 13G as a group. All terms used and not defined in this Exhibit 2 shall have the meanings ascribed to such terms in the Schedule 13G to which this Exhibit 2 is attached.

MVM International is a limited partnership, MVM Limited is a company, and MVM Partners is a limited liability partnership, each of which is organized in the United Kingdom. Dr. Reeders is a citizen of the United States, Dr. Bednarski is a citizen of the United States and Mr. Casdagli is a citizen of the United Kingdom. MVM International is managed by MVM Partners. MVM Limited is a wholly owned subsidiary of MVM Partners. MVM Partners is also a director of MVM Limited. Drs. Reeders and Bednarski and Mr. Casdagli share voting and dispositive power over MVM Partners. Therefore, Drs. Reeders and Bednarski, Mr. Casdagli and MVM Partners may be deemed to beneficially own the shares held by MVM

Internationa7pt">0.12377%241.0180.99733%244.9551.63349%July233.5961.96068%238.2501.99233%238.6540.16957%240

Level

**% Change Year-
Over-Year**

January247.8672.07051%February March April May June July August September October November December

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The following graph sets forth, for the period from January 2008 to January 2018:

the percentage change of the CPI for each calendar month, as compared to the same month in the prior fiscal year;
and

the percentage change described above added to the Spread of 1.00% and adjusted to reflect the minimum payable interest rate of 0.00%.

This graph is intended to demonstrate the impact of changes to the CPI and the impact of the Spread of 1.00%, the minimum interest rate of 0.00%. However, this graph is for purposes of illustration only. The actual interest rate on the notes for any interest period will depend on the actual levels of the CPI in the applicable calendar months.

Before investing in the notes, you should consult publicly available sources for the levels of the CPI.

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SUPPLEMENTAL PLAN OF DISTRIBUTION—conflicts of interest

Our broker-dealer subsidiary, MLPF&S, will act as our selling agent in connection with the offering of the notes. The selling agent is a party to the Distribution Agreement described in the “Supplemental Plan of Distribution (Conflicts of Interest)” beginning on page S-24 of the accompanying prospectus supplement.

The selling agent will receive the compensation set forth on the cover page of this pricing supplement as to the notes sold through its efforts. We or one of our affiliates may pay varying selling concessions of up to 3.00% in connection with the distribution of the notes to other registered broker-dealers. Certain dealers who purchase the notes for sale to certain fee-based advisory accounts may forgo some or all of their selling concessions, fees, or commissions. The price to public for investors purchasing the notes in these accounts may be as low as \$970 (97.00%) per \$1000 in principal amounts of notes.

The selling agent is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). Accordingly, the offering of the notes will conform to the requirements of FINRA Rule 5121.

The selling agent is not acting as your fiduciary or advisor solely as a result of the offering of the notes, and you should not rely upon any communication from the selling agent in connection with the notes as investment advice or a recommendation to purchase the notes. You should make your own investment decision regarding the notes after consulting with your legal, tax, and other advisors.

We expect that settlement of the notes will occur on or about March 27, 2018.

If you place an order to purchase the notes from MLPF&S, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account. MLPF&S is acting as an underwriter in connection with this offering and will receive underwriting compensation from us.

The selling agent and any of our other broker-dealer affiliates, may use this pricing supplement, and the accompanying prospectus supplement and prospectus for offers and sales in secondary market transactions and market-making transactions in the notes. However, they are not obligated to engage in such secondary market transactions and/or market-making transactions. The selling agent may act as principal or agent in these transactions, and any such sales will be made at prices related to prevailing market conditions at the time of the sale.

At MLPF&S’s discretion, for a short undetermined initial period after the issuance of the notes, MLPF&S may offer to buy the notes in the secondary market at a price that may exceed the initial estimated initial value of the notes. Any price offered by MLPF&S for the notes will be based on then-prevailing market conditions and other considerations, including the level of the CPI and the remaining term of the notes. However, none of us, MLPF&S or any of our other affiliates is obligated to purchase your notes at any price or at any time, and we cannot assure you that any party will purchase your notes at a price that equals or exceeds the initial estimated value of the notes.

Any price that MLPF&S may pay to repurchase the notes will depend upon then prevailing market conditions, our creditworthiness, and transaction costs. At certain times, this price may be higher than or lower than the initial estimated value of the notes.

No Prospectus (as defined in Directive 2003/71/EC (as amended, the (“Prospectus Directive”))) will be prepared in connection with these notes. Accordingly, these notes may not be offered to the public in any member state of the EEA, and any purchaser of these notes who

subsequently sells any of these notes in any EEA member state must do so only in accordance with the requirements of the Prospectus Directive, as implemented in that member state.

The notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, and a "retail investor" means a person who is one (or more) of: (a) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (b) a customer, within the meaning of Insurance Distribution Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared, and therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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STRUCTURING THE NOTES

The notes are our debt securities, the return on which is linked to the performance of the CPI. As is the case for all of our debt securities, including our market-linked notes, the economic terms of the notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because market-linked notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security. This generally relatively lower internal funding rate, which is reflected in the economic terms of the notes, along with the fees and charges associated with market-linked notes, typically results in the initial estimated value of the notes at the time the terms of the notes are set and on the pricing date being less than their public offering price.

In order to meet our payment obligations on the notes, at the time we issue the notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined based upon terms provided by MLP&S and its affiliates, and take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the CPI, the tenor of the notes and the hedging arrangements. The economic terms of the notes and their initial estimated value depend in part on the terms of these hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include hedging related charges, reflecting the costs associated with, and our affiliates' profit earned from, these hedging arrangements. Since hedging entails risk and may be influenced by unpredictable market forces, actual profits or losses from these hedging transactions may be more or less than this amount.

For further information, see "Risk Factors" beginning on page PS-9 of this pricing supplement.

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U.S. FEDERAL INCOME TAX SUMMARY

The following summary of the material U.S. federal income tax considerations of the acquisition, ownership, and disposition of the notes supplements the discussions under “U.S. Federal Income Tax Considerations” in the accompanying prospectus and under “U.S. Federal Income Tax Considerations” in the accompanying prospectus supplement and is not exhaustive of all possible tax considerations. This summary is based upon the Code, regulations promulgated under the Code by the U.S. Treasury Department (“Treasury”) (including proposed and temporary regulations), rulings, current administrative interpretations and official pronouncements of the Internal Revenue Service (“IRS”), and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. This summary does not include any description of the tax laws of any state or local governments, or of any foreign government, that may be applicable to a particular holder.

This summary is directed solely to U.S. Holders and Non-U.S. Holders that, except as otherwise specifically noted, will purchase the notes upon original issuance and will hold the notes as capital assets within the meaning of Section 1221 of the Code, which generally means property held for investment, and that are not excluded from the discussion under “U.S. Federal Income Tax Considerations” in the accompanying prospectus. This summary assumes that the issue price of the notes, as determined for U.S. federal income tax purposes, equals the principal amount thereof.

You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of notes, as well as any tax consequences arising under the laws of any state, local, foreign, or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws.

Tax Characterization of the Notes

There are no statutory provisions, regulations, published rulings, or judicial decisions addressing the characterization, for U.S. federal income tax purposes, of the notes or other instruments with terms substantially the same as the notes. However, although the matter is not free from doubt, under current law, each note should be treated as a debt instrument for U.S. federal income tax purposes and this summary assumes such treatment is proper and will be respected. We currently intend to treat the notes as debt instruments for U.S. federal income tax purposes and, where required, intend to file information returns with the IRS in accordance with such treatment, in the absence of any change or clarification in the law, by regulation or otherwise, requiring a different characterization of the notes. You should be aware, however, that the IRS is not bound by our characterization of the notes as indebtedness and the IRS could possibly take a different position as to the proper characterization of the notes for U.S. federal income tax purposes. If the notes are not in fact treated as debt instruments for U.S. federal income tax purposes, then the U.S. federal income tax treatment of the purchase, ownership, and disposition of the notes could differ materially from the treatment discussed below. For example, the timing and character of income, gain, or loss recognized in respect of the notes could differ

materially from the timing and character of income, gain, or loss recognized in respect of the notes had the notes in fact been treated as debt instruments for U.S. federal income tax purposes.

U.S. Holders

If the notes are properly characterized as contingent payment debt instruments for U.S. federal income tax purposes, such notes generally will be subject to U.S. Treasury regulations governing contingent payment debt instruments. Under those regulations, and as further described under “U.S. Federal Income Tax Considerations—Taxation of Debt Securities—Consequences to U.S. Holders—Debt Securities Subject to Contingences” in the accompanying prospectus, a U.S. Holder will be required to report OID or interest income based on a “comparable yield” and a “projected payment schedule,” established by us for determining interest accruals and adjustments with respect to the notes. A U.S. Holder of the notes generally will be required to include in income OID in excess of actual cash payments received for certain taxable years.

The following table assumes an expected issue date of February 28, 2018 and maturity date of February 28, 2038 for the notes and is based upon a hypothetical projected payment schedule and a hypothetical comparable yield equal to 2.9239% per annum (compounded monthly), that we established for the notes, and shows the amounts of ordinary income from a note that an initial U.S. Holder that holds the note until maturity and pays taxes on a calendar year basis should be required to report each calendar year. The following tables are for illustrative purposes only. The actual tables will be completed on the pricing date and included in the final pricing supplement.

Accrual Period	Interest Deemed to Accrue During Accrual Period (per \$1,000 principal amount of the Notes)	Total Interest Deemed to Have Accrued from Original Issue Date (per \$1,000 principal amount of the Notes)
March 27, 2018 through December 31, 2018	\$29.0263	\$29.0263
January 1, 2019 through December 31, 2019	\$38.2087	\$67.2350
January 1, 2020 through December 31, 2020	\$38.2024	\$105.4374
January 1, 2021 through December 31, 2021	\$38.1905	\$143.6279
January 1, 2022 through December 31, 2022	\$38.1781	\$181.8060
January 1, 2023 through December 31, 2023	\$38.1652	\$219.9712
January 1, 2024 through December 31, 2024	\$38.1518	\$258.1230
January 1, 2025 through December 31, 2025	\$38.1379	\$296.2608
January 1, 2026 through December 31, 2026	\$38.1234	\$334.3843
January 1, 2027 through December 31, 2027	\$38.1084	\$372.4927
January 1, 2028 through March 27, 2028	\$9.1014	\$381.5941

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In addition, we have determined the hypothetical projected payment schedule for the notes as consisting of monthly payments of \$2.9167 for the first 12 months, monthly payments of \$3.2092 thereafter until maturity, and a final payment equal to \$1,003.2092 on the Maturity Date per \$1,000 in principal amount.

You should be aware that these amounts are not calculated or provided for any purposes other than the determination of a U.S. Holder's interest accruals and adjustments with respect to the notes for U.S. federal income tax purposes. By providing the table above and the projected payment schedule, we make no representations regarding the actual amounts of interest payments on the notes after the first 18 monthly interest periods.

Sale, Exchange, or Retirement. Upon a sale, exchange, or retirement of a note prior to maturity, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, or retirement and that holder's tax basis in the note. A U.S. Holder's tax basis in a note generally will equal the cost of that note, increased by the amount of OID previously accrued by the holder for that note (without regard to any positive or negative adjustments) and reduced by any projected payments for previous periods on the notes and, if applicable, increased or decreased by the amount of any positive or negative adjustment that the holder is required to make with respect to the notes under the rules set forth above addressing purchases of notes for an amount that differs from the notes' adjusted issue price at the time of purchase. A U.S. Holder generally will treat any gain as interest income, and will treat any loss as ordinary loss to the extent of the excess of previous interest inclusions over the total negative adjustments previously taken into account as ordinary losses, and the balance as long-term or short-term capital loss depending upon the U.S. Holder's holding period for the note. The deductibility of capital losses by a U.S. Holder is subject to limitations.

Non-U.S. Holders

Please see the discussion under "U.S. Federal Income Tax Considerations—Taxation of Debt Securities—Consequences to Non-U.S. Holders" in the accompanying prospectus for the material U.S. federal income tax consequences that will apply to Non-U.S. Holders of the notes.

Backup Withholding and Information Reporting

Please see the discussion under "U.S. Federal Income Tax Considerations—Taxation of Debt Securities—Backup Withholding and Information Reporting" in the accompanying prospectus for a description of the applicability of the backup withholding and information reporting rules to payments made on the notes.

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ERISA CONSIDERATIONS

Each fiduciary of a pension, profit-sharing, or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (“ERISA”) (a “Plan”), should consider the fiduciary standards of ERISA in the context of the Plan’s particular circumstances before authorizing an investment in the notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

In addition, we and certain of our subsidiaries and affiliates, including MLPF&S, may be each considered a party in interest within the meaning of ERISA, or a disqualified person (within the meaning of the Code), with respect to many Plans, as well as many individual retirement accounts and Keogh plans (also “Plans”). Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the notes are acquired by or with the assets of a Plan with respect to which we or any of our affiliates is a party in interest, unless the notes are acquired under an exemption from the prohibited transaction rules. A violation of these prohibited transaction rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

Under ERISA and various prohibited transaction class exemptions (“PTCEs”) issued by the U.S. Department of Labor, exemptive relief may be available for direct or indirect prohibited transactions resulting from the purchase, holding, or disposition of the notes. Those exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts), PTCE 84-14 (for certain transactions determined by independent qualified asset managers), and the exemption under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain arm’s-length transactions with a person that is a party in interest solely by reason of providing services to Plans or being an affiliate of such a service provider (the “Service Provider Exemption”).

Because we may be considered a party in interest with respect to many Plans, the notes may not be purchased, held, or disposed of by any Plan, any entity whose underlying assets include plan assets by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing plan assets of any Plan, unless such purchase, holding, or disposition is eligible for exemptive relief, including relief available under PTCE 96-23, 95-60, 91-38, 90-1, or 84-14 or the Service Provider Exemption, or such purchase, holding, or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the notes will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the notes that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such notes on behalf of or with plan assets of any Plan or any plan subject to similar laws or (b) its purchase, holding, and disposition are eligible for exemptive relief or such purchase, holding, and disposition are not prohibited by ERISA or Section 4975 of the Code or similar laws.

Further, any person acquiring or holding the notes on behalf of any plan or with any plan assets shall be deemed to represent on behalf of itself and such plan that (x) the plan is paying no more than, and is receiving no less than, adequate consideration within the meaning of Section 408(b)(17) of ERISA in connection with the transaction or any redemption of the notes, (y) none of us, MLPF&S, or any other selling agent directly or indirectly exercises any discretionary authority or control or renders investment advice or otherwise acts in a fiduciary capacity with respect to the assets of the plan within the meaning of ERISA and (z) in making the foregoing representations and warranties, such person has applied sound business principles in determining whether fair market value will be paid, and has made such determination acting in good faith.

The fiduciary investment considerations summarized above generally apply to employee benefit plans maintained by private-sector employers and to individual retirement accounts and other arrangements subject to Section 4975 of the Code, but generally do not apply to governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and foreign plans (as described in Section 4(b)(4) of ERISA). However, these other plans may be subject to similar provisions under applicable federal, state, local, foreign, or other regulations, rules, or laws (“similar laws”). The fiduciaries of plans subject to similar laws should also consider the foregoing issues in general terms as well as any further issues arising under the applicable similar laws.

In addition, any purchaser, that is a Plan or a Plan Asset Entity or that is acquiring the notes on behalf of a Plan or a Plan Asset Entity, including any fiduciary purchasing on behalf of a Plan or Plan Asset entity, will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the notes that (a) none of us, MLPF&S, or any of our other affiliates is a “fiduciary” (under Section 3(21) of ERISA, or under any final or proposed regulations thereunder, or with respect to a governmental, church, or foreign plan under any similar laws) with respect to the acquisition, holding or disposition of the notes, or as a result of any exercise by us or our affiliates of any rights in connection with the notes, (b) no advice provided by us or any of our affiliates has formed a primary basis for any investment decision by or on behalf of such purchaser in connection with the notes and the transactions contemplated with respect to the notes, and (c) such purchaser recognizes and agrees that any communication from us or any of our affiliates to the purchaser with respect to the notes is not intended by us or any of our affiliates to be impartial investment advice and is rendered in its capacity as a seller of such notes and not a fiduciary to such purchaser. Purchasers of the notes have exclusive responsibility for ensuring that their purchase, holding, and disposition of the notes do not violate the prohibited transaction rules of ERISA or the Code or any similar regulations applicable to governmental or church plans, as described above.

This discussion is a general summary of some of the rules which apply to benefit plans and their related investment vehicles. This summary does not include all of the investment considerations relevant to Plans and other benefit plan investors such as governmental, church, and foreign plans and should not be construed as legal advice or a legal opinion. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of or with “plan assets” of any Plan or other benefit plan investor consult with their legal counsel prior to directing any such purchase.