NETTLEBED ACQUISITION CORP
Form S-3ASR
July 19, 2007

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As filed with the Securities and Exchange Commission on July 18, 2007

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

IRON MOUNTAIN INCORPORATED	**Delaware**	**23-2588479**
IM CAPITAL TRUST I	**Delaware**	**32-6001073**
(Exact name of registrant as specified in its charter)	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

745 Atlantic Avenue, Boston, Massachusetts 02111, (617) 535-4766

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

C. RICHARD REESE	*Copy to:*
Chairman of the Board of Directors and Chief Executive Officer	**WILLIAM J. CURRY, ESQ.**
745 Atlantic Avenue	**Sullivan & Worcester LLP**
Boston, Massachusetts 02111	**One Post Office Square**
(617) 535-4766	**Boston, Massachusetts 02109**
	(617) 338-2800

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement as determined in light of market conditions and other factors.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: ý

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ý

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Debt Securities of Iron Mountain(2)				
Common Stock, $0.01 par value per share, of Iron Mountain				
Preferred Stock, $0.01 par value per share, of Iron Mountain				
Depositary Shares Representing Preferred Stock of Iron Mountain				
Warrants of Iron Mountain				
Stock Purchase Contracts of Iron Mountain				
Stock Purchase Units of Iron Mountain(3)				
Trust Preferred Securities of IM Capital Trust I				
Guarantees of Trust Preferred Securities of IM Capital Trust I by Iron Mountain(4)				
Guarantees of Debt Securities of Iron Mountain(5)				
Total	(6)(7)	(6)(7)	(6)(7)	(8)

Footnotes on next page

(1)

Any securities registered hereunder may be sold separately or as units with other securities registered hereunder. There are also being registered an indeterminate principal amount of guarantees of debt securities by the Guarantors (as defined herein).

(2)

Debt securities may be issued and sold to IM Capital Trust I in which event such debt securities may later be distributed to the holders of trust preferred securities of IM Capital Trust I in certain circumstances including upon a dissolution of IM Capital Trust I and the distribution of its assets.

(3)

Each stock purchase unit consists of (a) a stock purchase contract, under which the holder, upon settlement, will purchase an indeterminate number of shares of common stock of Iron Mountain and (b) a beneficial interest in either trust preferred securities of IM Capital Trust I or debt obligations of third parties, including U.S. treasury securities. Each beneficial interest will be pledged to secure the obligation of such holder to purchase such shares of common stock. No separate consideration will be received for the stock purchase contracts.

(4)

No separate consideration will be received for the guarantees or any other such obligations.

(5)

There is being registered hereunder all guarantees and other obligations that certain of Iron Mountain's subsidiaries listed on the "Subsidiary Guarantor Registrants" table may have with respect to debt securities that may be issued by Iron Mountain. No separate consideration will be received for the guarantees or any other such obligations.

(6)

Not applicable pursuant to Form S-3 General Instruction II.E.

(7)

An indeterminate aggregate offering price or number of securities of each identified class is being registered as may from time to time be offered at indeterminate prices. Separate consideration may or may not be received for securities that are issuable on exercise, conversion or exchange of other securities.

(8)

Deferred in reliance upon Rule 456(b) and Rule 457(r) under the Securities Act of 1933, except for $6,420 previously paid in respect of $60,000,000 aggregate amount of unsold securities being carried forward from Iron Mountain Incorporated's registration statement on Form S-3 (Registration No. 333-139916). Pursuant to Rule 457(p) under the Securities Act of 1933, such unutilized filing fee may be applied to the filing fee payable pursuant to this registration statement.

SUBSIDIARY GUARANTOR REGISTRANTS(1)

Exact Name of Registrant as Specified in its Charter	State or Jurisdiction of Incorporation or Organization	IRS Employer Identification Number
COMAC, Inc.	Delaware	94-3229868
Iron Mountain Global, Inc.	Delaware	04-3441680
Iron Mountain Global LLC	Delaware	04-3545070
Iron Mountain Government Services Incorporated	Delaware	54-2110823
Iron Mountain Information Management, Inc.	Delaware	04-3038590
Iron Mountain Intellectual Property Management, Inc.	Delaware	77-0154485
Iron Mountain Statutory Trust 1998	Connecticut	06-6466469
Iron Mountain Statutory Trust 1999	Connecticut	06-6496076
Iron Mountain Statutory Trust 2001	Connecticut	20-7474719
Mountain Real Estate Assets, Inc.	Delaware	04-3545066
Mountain Reserve III, Inc.	Delaware	47-0952067
Nettlebed Acquisition Corp.	Delaware	20-0388018
Treeline Services Corporation	Delaware	54-2110821

(1)

Any of the above registrants may fully and unconditionally guarantee on a joint and several basis any series of debt securities of Iron Mountain Incorporated offered by the prospectus contained as part of this registration statement as set forth in a related prospectus supplement.

EXPLANATORY NOTE

This registration statement consists of two separate prospectuses covering:

(1) debt securities, guarantees, common stock, preferred stock, depositary shares, warrants, stock purchase contracts and stock purchase units of Iron Mountain Incorporated and trust preferred securities of IM Capital Trust I, and guarantees thereof by Iron Mountain Incorporated, to be offered from time to time by the registrants; and

(2) common stock of Iron Mountain Incorporated to be issued under a direct stock purchase plan of Iron Mountain Incorporated.

PROSPECTUS

Iron Mountain Incorporated

Debt Securities, Preferred Stock, Depositary Shares, Common Stock and Warrants

We may from time to time offer:

- debt securities;
- shares of our preferred stock;
- fractional shares of our preferred stock in the form of depositary shares;
- shares of our common stock;
- warrants to purchase any of these securities; or
- stock purchase contracts.

These securities may be offered and sold separately or together in units with other securities described in this prospectus.

In connection with the debt securities, substantially all of our present and future wholly owned domestic subsidiaries may, on a joint and several basis, offer full and unconditional guarantees of our obligations under the debt securities.

IM Capital Trust I may, from time to time, offer trust preferred securities which will be fully and unconditionally guaranteed by us. Our guarantees may be senior or subordinated. The trust preferred securities may be offered and sold separately or together in units with other securities described in this prospectus.

We and IM Capital Trust I will indicate the particular securities we offer and their specific terms in a supplement to this prospectus. In each case we would describe the type and amount of securities we are offering, the initial public offering price and the other terms of the offering.

Our common stock is listed on the New York Stock Exchange under the symbol "IRM." We will make applications to list any shares of common stock sold pursuant to a supplement to this prospectus on the NYSE. We have not determined whether we will list any of the other securities we may offer on any exchange or over-the-counter market. If we decide to seek listing of any securities, the supplement will disclose the exchange or market.

Investing in our securities involves risks. See "Risk Factors" on page 2.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Our and IM Capital Trust I's principal executive office is 745 Atlantic Avenue, Boston, Massachusetts 02111 and our and IM Capital Trust I's telephone number is (617) 535-4766.

The date of this prospectus is July 18, 2007.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, or the SEC, using a "shelf" registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement containing specific information about the terms of that offering. The prospectus supplement may also add, update, or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement, together with additional information described under the heading "Where You Can Find More Information" and "Documents Incorporated By Reference."

We have not included, or incorporated by reference, separate financial statements of IM Capital Trust in this prospectus. Neither we nor IM Capital Trust consider these financial statements material to holders of the trust preferred securities because:

- IM Capital Trust is a special purpose entity;
- IM Capital Trust does not have any operating history or independent operations; and
- IM Capital Trust is not engaged in, nor will it engage in, any activity other than issuing trust preferred and trust common securities, investing in and holding our debt securities and engaging in related activities.

Furthermore, the combination of our obligations under our debt securities, the associated indentures, IM Capital Trust's declaration of trust and our related guarantees provide a full and unconditional guarantee of payments of distributions and other amounts due on the trust preferred

securities. In addition, we do not expect that IM Capital Trust will file reports with the SEC under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

You should rely only on the information incorporated by reference or provided in this prospectus and any prospectus supplement. Neither we nor IM Capital Trust have authorized anyone else to provide you with different information. Neither we nor IM Capital Trust are making an offer of these securities in any jurisdiction where it is unlawful. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this prospectus.

References in this prospectus to the terms "Iron Mountain," "we," "our" or "us" or other similar terms mean Iron Mountain Incorporated and its consolidated subsidiaries, unless we state otherwise or the context indicates otherwise. References in this prospectus to "IM Capital Trust" mean IM Capital Trust I.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made and incorporated by reference statements in this prospectus that constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements concern our operations, economic performance, financial condition, goals, beliefs, future growth strategies, investment objectives, plans and current expectations. The forward-looking statements are subject to various known and unknown risks, uncertainties and other factors. When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements.

Although we believe that our forward-looking statements are based on reasonable assumptions, our expected results may not be achieved and actual results may differ materially from our expectations. Important factors that could cause actual results to differ from expectations include, among others, those set forth below. Please read carefully the information under "Risk Factors" beginning on page 2:

- changes in customer preferences and demand for our services;
- changes in the price for our services relative to the cost of providing such services;
- in the various digital businesses in which we are engaged, capital and technical requirements will be beyond our means, markets for our services will be less robust than anticipated, or competition will be more intense than anticipated;
- the cost to comply with current and future legislation or regulation relating to privacy issues;
- the impact of litigation that may arise in connection with incidents of inadvertent disclosures of customers' confidential information;
- our ability or inability to complete acquisitions on satisfactory terms and to integrate acquired companies efficiently;
- the cost and availability of financing for contemplated growth;
- business partners upon whom we depend for technical assistance or management and acquisition expertise outside the U.S. will not perform as anticipated;
- changes in the political and economic environments in the countries in which our international subsidiaries operate; and

other trends in competitive or economic conditions affecting our financial condition or results of operations not presently contemplated.

Other risks may adversely impact us, as described more fully under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006.

These cautionary statements should not be construed by you to be exhaustive and they are made only as of the date of this prospectus. You should not rely upon forward-looking statements except as statements of our present intentions and of our present expectations, which may or may not occur. You should read these cautionary statements as being applicable to all forward-looking statements wherever they appear. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures we have made or incorporated by reference in this prospectus, as well as our other periodic reports filed with the SEC.

OUR COMPANY

We believe we are the global leader in information protection and storage services. We help organizations around the world reduce the costs and risks associated with information protection and storage. We offer comprehensive records management and data protection solutions, along with the expertise and experience to address complex information challenges such as rising storage costs, litigation, regulatory compliance and disaster recovery. We have a diversified customer base comprised of commercial, legal, banking, healthcare, accounting, insurance, entertainment and government organizations, including more than 90% of the Fortune 1000 and more than 85% of the FTSE 100.

As of December 31, 2006, we provided services to over 90,000 corporate clients in 85 markets in the U.S. and 86 markets outside of the U.S., employed over 18,600 people and operated over 900 records management facilities in the U.S., Canada, Europe, Latin America and Asia Pacific.

IM CAPITAL TRUST I

IM Capital Trust is a subsidiary of ours. IM Capital Trust was created under the Delaware Statutory Trust Act and is governed by a declaration of trust, as it may be amended and restated from time to time, among the trustees of IM Capital Trust and us.

When IM Capital Trust issues its trust preferred securities, the holders of the trust preferred securities will own all of the issued and outstanding trust preferred securities of IM Capital Trust. We will acquire all of the issued and outstanding trust common securities of IM Capital Trust, representing an undivided beneficial interest in the assets of IM Capital Trust of at least 3%.

IM Capital Trust will exist primarily for the purposes of:

- issuing its trust preferred and trust common securities;
- investing the proceeds from the sale of its trust preferred and trust common securities in our debt securities; and
- engaging in other activities only as are necessary or incidental to issuing its securities and purchasing and holding our debt securities.

The debt securities IM Capital Trust purchases from us may be subordinated debt securities or senior debt securities, and may be fully and unconditionally guaranteed by substantially all of our present and future wholly owned domestic subsidiaries. We will specify the type of debt security in a prospectus supplement.

IM Capital Trust has three trustees. One of the trustees, referred to as the regular trustee, is an individual who is an officer and employee of Iron Mountain. Additional regular trustees may be appointed in the future. The second trustee is The Bank of New York, which serves as the property trustee under the declaration of trust for purposes of the Trust Indenture Act of 1939, as amended. The third trustee is The Bank of New York (Delaware), which has its principal place of business in the State of Delaware, and serves as the Delaware trustee of IM Capital Trust.

The Bank of New York, acting in its capacity as guarantee trustee, will hold for the benefit of the holders of trust preferred securities a trust preferred securities guarantee, which will be separately qualified under the Trust Indenture Act of 1939.

Unless otherwise provided in the applicable prospectus supplement, because we will own all of the trust common securities of IM Capital Trust, we will have the exclusive right to appoint, remove or replace trustees and to increase or decrease the number of trustees. In most cases, there will be at least three trustees. The term of IM Capital Trust will be described in the applicable prospectus supplement, but it may dissolve earlier, as provided in IM Capital Trust's declaration of trust, as it may be amended and restated from time to time.

The rights of the holders of the trust preferred securities of IM Capital Trust, including economic rights, rights to information and voting rights and the duties and obligations of the trustees of IM Capital Trust, will be contained in and governed by the declaration of trust of IM Capital Trust, as it may be amended and restated from time to time, the Delaware Statutory Trust Act and the Trust Indenture Act of 1939.

RISK FACTORS

An investment in our securities involves a high degree of risk. Before making an investment decision, in addition to the other information included in, or incorporated by reference into, this prospectus, including under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006, you should carefully consider the risk factors included in any applicable prospectus supplement or incorporated by reference into this prospectus when determining whether or not to purchase the securities offered under this prospectus and the prospectus supplement.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratio of earnings to fixed charges for the periods indicated:

	Year Ended December 31,					Three Months Ended March 31,
	2002	2003	2004	2005	2006	2007
Ratio of Earnings to Fixed Charges	1.6x	1.8x	1.7x	1.8x	1.8x	1.8x

The ratios of earnings to fixed charges presented above were computed by dividing our earnings by fixed charges. For this purpose, earnings have been calculated by adding fixed charges to income (loss) from continuing operations before provision for income taxes and minority interest. Fixed charges consist of interest costs, the interest component of rental expense and amortization of debt discounts and deferred financing costs, but do not include interest expense related to uncertain tax positions.

USE OF PROCEEDS

Unless otherwise described in a prospectus supplement, we intend to use the net proceeds from the sale of the offered securities for general corporate purposes, which may include acquisitions, investments and the repayment of indebtedness outstanding at a particular time. Pending this utilization, the proceeds from the sale of the offered securities will be invested in short-term, dividend-paying or interest-bearing investment grade securities.

IM Capital Trust will use all net proceeds from the sale of its trust preferred securities and its trust common securities to purchase our debt securities.

DESCRIPTION OF OUR DEBT SECURITIES

The debt securities will be direct obligations of ours, which may be secured or unsecured, and which may be senior or subordinated indebtedness. The debt securities may be fully and unconditionally guaranteed on a secured or unsecured, senior or subordinated basis, jointly and severally by substantially all of our direct and indirect wholly owned domestic subsidiaries. Our senior subordinated debt securities will be issued under the indenture dated December 30, 2002, or the Base Indenture, among Iron Mountain Incorporated, the guarantors and The Bank of New York Trust Company, N.A., as trustee, or the Trustee, as it may be amended, supplemented, or otherwise modified from time to time, or under one or more other indentures between us and a trustee. Our senior and our subordinated debt securities will be issued under one or more indentures between us and a trustee. Any indenture will be subject to, and governed by, the Trust Indenture Act of 1939. The statements made in this prospectus relating to any indentures and the debt securities to be issued under the indentures are summaries of certain anticipated provisions of the indentures and are not complete.

We have filed copies of the forms of indentures as exhibits to the registration statement of which this prospectus is part and will file any final indentures and supplemental indentures if we issue debt securities. You should refer to those indentures for the complete terms of the debt securities. See "Where You Can Find More Information." You may also review our Base Indenture at the Trustee's corporate trust office at 222 Berkeley Street, 2nd Floor, Boston, MA 02116. In addition, you should consult the applicable prospectus supplement for particular terms of our debt securities.

General

We may issue debt securities that rank "senior," "senior subordinated" or "subordinated." The debt securities that we refer to as "senior securities" will be direct obligations of ours and will rank equally and ratably in right of payment with other indebtedness of ours that is not subordinated. We may issue debt securities that will be subordinated in right of payment to the prior payment in full of senior indebtedness, as defined in the applicable prospectus supplement, and may rank equally and ratably with our outstanding senior subordinated indebtedness and any other senior subordinated indebtedness. We refer to these as "senior subordinated securities." We may also issue debt securities that may be subordinated in right of payment to the senior subordinated securities. These would be "subordinated securities." We have filed with the registration statement of which this prospectus is part three separate forms of indenture, one each for the senior securities, the senior subordinated securities and the subordinated securities.

We may issue the debt securities without limit as to aggregate principal amount, in one or more series, in each case as we establish in one or more supplemental indentures. We need not issue all debt securities of one series at the same time. Unless we otherwise provide, we may reopen a series, without the consent of the holders of such series, for issuances of additional securities of that series.

We anticipate that any indenture will provide that we may, but need not, designate more than one trustee under an indenture, each with respect to one or more series of debt securities. Any trustee under any indenture may resign or be removed with respect to one or more series of debt securities and we may appoint a successor trustee to act with respect to that series.

The applicable prospectus supplement will describe the specific terms relating to the series of debt securities we will offer, including, where applicable, the following:

- the title and series designation and whether they are senior securities, senior subordinated securities or subordinated securities;
- the aggregate principal amount of the securities;

the percentage of the principal amount at which we will issue the debt securities and, if other than the principal amount of the debt securities, the portion of the principal amount of the debt securities payable upon maturity of the debt securities;

if convertible, the initial conversion price, the conversion period and any other terms governing such conversion;

the stated maturity date;

any fixed or variable interest rate or rates per annum;

the place where principal, premium, if any, and interest will be payable and where the debt securities can be surrendered for transfer, exchange or conversion;

the date from which interest may accrue and any interest payment dates;

any sinking fund requirements;

any provisions for redemption, including the redemption price and any remarketing arrangements;

whether the securities are denominated or payable in U.S. dollars or a foreign currency or units of two or more foreign currencies;

the events of default and covenants of such securities, to the extent different from or in addition to those described in this prospectus;

whether we will issue the debt securities in certificated or book-entry form;

whether the debt securities will be in registered or bearer form and, if in registered form, the denominations if other than in even multiples of $1,000 and, if in bearer form, the denominations and terms and conditions relating thereto;

whether we will issue any of the debt securities in permanent global form and, if so, the terms and conditions, if any, upon which interests in the global security may be exchanged, in whole or in part, for the individual debt securities represented by the global security;

the applicability, if any, of the defeasance and covenant defeasance provisions described in this prospectus or any prospectus supplement;

whether we will pay additional amounts on the securities in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities instead of making this payment;

the subordination provisions, if any, relating to the debt securities;

if the debt securities are to be issued upon the exercise of debt warrants, the time, manner and place for them to be authenticated and delivered;

whether any of our subsidiaries will be bound by the terms of the indenture, in particular any restrictive covenants;

the provisions relating to any security provided for the debt securities; and

the provisions relating to any guarantee of the debt securities.

We may issue debt securities at less than the principal amount payable upon maturity. We refer to these securities as "original issue discount securities." We may also issue debt securities over par from time to time. If material or applicable, we will describe in the applicable prospectus supplement special U.S. federal income tax, accounting and other considerations applicable to original issue discount securities or debt securities issued over par.

Except as may be set forth in any prospectus supplement, an indenture will not contain any other provisions that would limit our ability to incur indebtedness or that would afford holders of the debt securities protection in the event of a highly leveraged or similar transaction involving us or in the event of a change of control. You should review carefully the applicable prospectus supplement for information with respect to events of default and covenants applicable to the securities being offered.

Denominations, Interest, Registration and Transfer

Unless otherwise described in the applicable prospectus supplement, we will issue the debt securities of any series that are registered securities in denominations that are even multiples of $1,000, other than global securities, which may be of any denomination.

Unless otherwise specified in the applicable prospectus supplement, we will pay the interest, principal and any premium at the corporate trust office of the trustee. At our option, however, we may make payment of interest by check mailed to the address of the person entitled to the payment as it appears in the applicable register or by wire transfer of funds to that person at an account maintained within the United States.

If we do not punctually pay or duly provide for interest on any interest payment date, the defaulted interest will be paid either:

to the person in whose name the debt security is registered at the close of business on a special record date we will fix; or

in any other lawful manner as the applicable indenture describes.

You may have your debt securities divided into more debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. We call this an "exchange."

You may exchange or transfer debt securities at the office of the applicable trustee. The trustee acts as our agent for registering debt securities in the names of holders and transferring debt securities. We may change this appointment to another entity or perform it ourselves. The entity performing the role of maintaining the list of registered holders is called the "registrar." It will also perform transfers.

You will not be required to pay a service charge to transfer or exchange debt securities, but you may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The registrar will make the transfer or exchange only if it is satisfied with your proof of ownership.

Merger, Consolidation or Sale of Assets

Under any indenture, we are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company. However, we may not take any of these actions unless all of the following conditions are met:

If we merge out of existence or sell our assets, the other company must be a corporation, partnership or other entity organized under the laws of a State or the District of Columbia or under federal law. The other company must agree to be legally responsible for the debt securities.

Immediately after the consolidation or merger or sale of assets we are not in default on the debt securities. A default for this purpose would include any event that would be an event of default without regard to notice obligations or the length of time of the default.

Certain Covenants

Provision of Financial Information. We will deliver to the trustee a copy of our annual report to stockholders, our reports on Forms 10-K, 10-Q and 8-K and any other reports that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

Additional Covenants. Any additional or different covenants, or modifications to these covenants, with respect to any series of debt securities will be set forth in the applicable prospectus supplement.

Events of Default and Related Matters

Events of Default. The term "event of default" means any of the following:

- we do not pay the principal or any premium on a debt security on its due date;
- we do not pay interest on a debt security within 30 days of its due date;
- we do not deposit any sinking fund payment on its due date;
- we fail to comply with any "change of control" covenant included in the applicable indenture;
- we remain in breach of any other term of the applicable indenture for 60 days after we receive a notice of default stating we are in breach. Either the trustee or the holders of 25% in principal amount of debt securities of the affected series may send the notice;
- we default in the payment of any of our other indebtedness over a specified amount that results in the acceleration of the maturity of the indebtedness or constitutes a default in the payment of the indebtedness at final maturity, but only if the indebtedness is not discharged or the acceleration is not rescinded or annulled;
- we or one of our "significant subsidiaries" files for bankruptcy or certain other events in bankruptcy, insolvency or reorganization occur; and
- any other event of default, or modification of any of the foregoing events of default, described in the applicable prospectus supplement occurs.

The term "significant subsidiary" means each of our significant subsidiaries (as defined in Regulation S-X promulgated under the Securities Act of 1933).

Remedies If an Event of Default Occurs. If an event of default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. We call this a "declaration of acceleration of maturity." If an event of default occurs because of certain events in bankruptcy, insolvency or reorganization, the principal amount of all the debt securities of that series will be automatically accelerated, without any action by the trustee or any holder. At any time after the trustee or the holders have accelerated any series of debt securities, the holders of at least a majority in principal amount of the debt securities of the affected series may, under certain circumstances, rescind and annul such acceleration.

The trustee will be required to give notice to the holders of debt securities within 90 days of a default of which the trustee has knowledge under the applicable indenture unless the default has been cured or waived. The trustee may withhold notice to the holders of any series of debt securities of any default with respect to that series, except a default in the payment of the principal of or interest on any debt security of that series, if specified responsible officers of the trustee in good faith determine that withholding the notice is in the interest of the holders.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the applicable indenture at the request of any holders unless the holders offer

6

the trustee reasonable protection from expenses and liability. We refer to this as an "indemnity." If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the applicable indenture, subject to certain limitations.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

- you must give the trustee written notice that an event of default has occurred and remains uncured;
- the holders of at least 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer indemnity satisfactory to the trustee against the costs, expenses and other liabilities of taking that action;
- the trustee must have not taken action for 60 days after receipt of the above notice, request and offer of indemnity; and
- the trustee does not receive direction contrary to the holders' written request, within 60 days following receipt of the holders' written request, from holders of a majority in principal amount of the outstanding securities of that series.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your security after its due date.

Every year we will furnish to the trustee a written statement by certain of our officers certifying that to their knowledge we are in compliance with the applicable indenture and the debt securities, or else specifying any default.

Modification of an Indenture

There are three types of changes we can make to the indentures and the debt securities:

Changes Requiring Your Approval. First, there are changes we cannot make to your debt securities without your specific approval. The following is a list of those types of changes:

- reduce the principal amount of debt securities whose holders must consent to an amendment, supplement or waiver;
- reduce the principal of or change the fixed maturity of any security or change any of the redemption provisions in a manner adverse to you;
- reduce the rate of or change the time for payment of interest on any debt security;
- waive a default in the payment of principal of or premium, if any, or interest on any debt security (except a rescission of acceleration of such debt securities by the holders of at least a majority in aggregate principal amount of the then outstanding debt securities and a waiver of the payment default that resulted from such acceleration);
- make any debt security payable in money other than that stated in such debt security;

make any change in the provisions of the indenture relating to waivers of past defaults or your right to receive payments of principal of or premium, if any, or interest on the debt securities;

except under certain circumstances described in the applicable prospectus supplement, waive a redemption payment with respect to any debt security;

if the debt securities are guaranteed, other than as described in the applicable prospectus supplement, release any guarantor from its obligations under its subsidiary guarantee, or change any subsidiary guarantee in any manner that would materially adversely affect you; or

make any change in the foregoing amendment and waiver provisions.

Changes Requiring a Majority Vote. The second type of change to an indenture and the debt securities is the kind that requires a vote in favor by holders of a majority of the principal amount of the particular series of debt securities affected. Most changes fall into this category, except for clarifying changes and certain other changes that would not materially adversely affect holders of the debt securities. We require the same vote to obtain a waiver of a past default. However, we cannot obtain a waiver of a payment default or any other aspect of an indenture or the debt securities listed under " Changes Requiring Your Approval" unless we obtain your individual consent to the waiver.

Changes Not Requiring Approval. The third type of change does not require any vote by holders of debt securities. This type is limited to clarifications and certain other changes that would not materially adversely affect holders of the debt securities.

Further Details Concerning Voting. Debt securities are not considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for you money for their payment or redemption or if we or one of our affiliates own them. Debt securities are also not eligible to vote if they have been fully defeased as described immediately below under " Defeasance and Covenant Defeasance Full Defeasance." For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of the debt securities were accelerated to that date because of a default.

Defeasance and Covenant Defeasance

Full Defeasance. We can, under particular circumstances, effect a full defeasance of your series of debt securities. By this we mean we can legally release ourselves from any payment or other obligations on the debt securities if we deliver certain certificates and opinions to the trustee and put in place the following arrangements to repay you:

We must deposit in trust for your benefit and the benefit of all other direct holders of the debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates. If the debt securities are denominated in a foreign currency, then we may deposit foreign government notes or bonds.

The current federal tax law must be changed or an Internal Revenue Service ruling must be issued permitting the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves. Under current federal tax law, the deposit and our legal release from the debt securities would be treated as though we took back your debt securities and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on the debt securities you give back to us.

We must deliver to the trustee a legal opinion confirming the tax law change described above.

No default shall be in effect on the date of deposit or, insofar as bankruptcy and insolvency defaults are concerned, at any time in the period ending on the 91st day after the date of

deposit (or greater period of time in which any such deposit of trust funds may remain subject to bankruptcy law insofar as those apply to the deposit by us).

The full defeasance must not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the applicable indenture) to which we are a party or by which we are bound.

We must deliver to the trustee an opinion of counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and various other opinions of counsel and officers' certificates.

If we did accomplish a full defeasance, you would have to rely solely on the trust deposit for repayment on the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. The trust deposit would, however, most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. You would also be released from any subordination provisions.

Notwithstanding the foregoing, the following rights and obligations shall survive full defeasance:

your rights to receive payments from the trust when payments are due;

our obligations relating to registration and transfer of securities and lost or mutilated certificates;

our obligations to maintain a payment office and to hold moneys for payment in trust;

the rights, powers, trusts, duties and immunities of the trustee, and our obligations in connection therewith; and

the provisions of the indenture relating to defeasance.

Covenant Defeasance. Under current federal tax law, we can make the same type of deposit described above and be released from some of the restrictive covenants in the debt securities. This is called "covenant defeasance." In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and securities set aside in trust to repay the debt securities and you would be released from any subordination provisions. In order to achieve covenant defeasance, we must do certain things, including the following:

we must deposit in trust for your benefit and the benefit of all other direct holders of the debt securities a combination of money and U.S. government or U.S. government agency notes or bonds (or, in the case of debt securities denominated in a foreign currency, foreign government notes or bonds) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates;

we must deliver to the trustee a legal opinion confirming that under current federal tax law we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves;

no default shall be in effect on the date of deposit or, insofar as bankruptcy and insolvency defaults are concerned, at any time in the period ending on the 91st day after the date of deposit (or greater period of time in which any such deposit of trust funds may remain subject to bankruptcy law insofar as those apply to the deposit by us);

the covenant defeasance must not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the applicable indenture) to which we are a party or by which we are bound; and

we must deliver to the trustee an opinion of counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and various other opinions of counsel and officers' certificates.

If we accomplish covenant defeasance, we will be released from certain covenants that we will describe in the applicable prospectus supplement. If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if a shortfall in the trust deposit occurred. If one of the remaining events of default occurs, for example, our bankruptcy, and the debt securities become immediately due and payable, there may be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Subordination

We will set forth in the applicable prospectus supplement the terms and conditions, if any, upon which any series of senior subordinated securities or subordinated securities is subordinated to debt securities of another series or to other indebtedness of ours. The terms will include a description of:

the indebtedness ranking senior to the debt securities being offered;

the restrictions, if any, on payments to the holders of the debt securities being offered while a default with respect to the senior indebtedness is continuing;

the restrictions, if any, on payments to the holders of the debt securities being offered following an event of default; and

provisions requiring holders of the debt securities being offered to remit some payments to holders of senior indebtedness.

Conversion Rights

The terms and conditions, if any, upon which the debt securities are convertible into shares of our common or preferred stock will be set forth in the prospectus supplement relating thereto. Such terms will include whether the debt securities are convertible into shares of our common or preferred stock, the conversion price (or manner of calculation thereof), the conversion period, provisions as to whether conversion will be at the option of the holders, the events requiring an adjustment of the conversion price and provisions affecting conversion in the event of the redemption of such debt securities and any restrictions on conversion.

Global Securities

If so set forth in the applicable prospectus supplement, we may issue the debt securities of a series, in whole or in part, in the form of one or more global securities that will be deposited with a depositary identified in the prospectus supplement. We may issue global securities in either registered or bearer form and in either temporary or permanent form. The specific terms of the depositary arrangement with respect to any series of debt securities will be described in the prospectus supplement.

DESCRIPTION OF OUR CAPITAL STOCK

The description below summarizes the more important terms of our capital stock. We have previously filed with the SEC copies of our certificate of incorporation and bylaws, as amended. See "Where You Can Find More Information." You should refer to those documents for the complete terms of our capital stock. This summary is subject to and qualified by reference to the description of the particular terms of your securities described in the applicable prospectus supplement.

General

Our authorized capital stock consists of 400,000,000 shares of common stock, par value $.01 per share, and 10,000,000 shares of preferred stock, par value $.01 per share.

Preferred Stock

We are authorized to issue up to 10,000,000 shares of preferred stock, $0.01 par value per share.

This section describes the general terms and provisions of our preferred stock that we may offer from time to time. The applicable prospectus supplement will describe the specific terms of the shares of preferred stock offered through that prospectus supplement. We will file a copy of the certificate of designations that contains the terms of each new series of preferred stock with the SEC each time we issue a new series of preferred stock, and these certificates of designations will be incorporated by reference into the registration statement of which this prospectus is a part. Each certificate of designations will establish the number of shares included in a designated series and fix the designation, powers, privileges, preferences and rights of the shares of each series as well as any applicable qualifications, limitations or restrictions. A holder of our preferred stock should refer to the applicable certificate of designations, our certificate of incorporation and the applicable prospectus supplement for more specific information.

Our board of directors has been authorized, subject to limitations provided in our certificate of incorporation, to provide for the issuance of shares of our preferred stock in multiple series. No shares of our preferred stock are currently outstanding.

With respect to each series of our preferred stock, our board of directors has the authority to fix the following terms:

the designation of the series;

the number of shares within the series;

whether the shares are entitled to receive dividends and whether dividends are cumulative;

the rate of any dividends, any conditions upon which dividends are payable, and the dates of payment of dividends;

whether the shares are redeemable, the redemption price and the terms of redemption;

whether the shares are entitled to any rights if we are dissolved or our assets are distributed;

whether the shares are convertible or exchangeable, the price or rate of exchange, and the applicable terms and conditions;

any restrictions on issuance of shares in the same series or any other series; and

your voting rights for the shares you own.

Holders of our preferred stock will not have preemptive rights with respect to shares of our preferred stock. In addition, rights with respect to shares of our preferred stock will be subordinate to the rights of our general creditors. If we receive the appropriate payment, shares of our preferred stock that we issue will be fully paid and nonassessable.

As described under "Description of Our Depositary Shares," we may, at our option, elect to offer depositary shares evidenced by depositary receipts. If we elect to do this, each depositary receipt will represent a fractional interest in a share of the particular series of the preferred stock issued and deposited with a depositary. The applicable prospectus supplement will specify that fractional interest.

11

We currently plan to use The Bank of New York as the registrar and transfer agent of any series of our preferred stock.

Common Stock

Voting Rights. Holders of common stock are entitled to one vote per share on each matter to be decided by our stockholders, subject to the rights of holders of any series of preferred stock that may be outstanding from time to time. Pursuant to our certificate of incorporation, there are no cumulative voting rights in the election of directors. The affirmative vote of holders of a plurality of the votes properly cast in any election of directors may elect all of the directors standing for election.

Dividend Rights and Limitations. Holders of common stock will be entitled to receive ratably any dividends or distributions that our board of directors may declare from time to time out of funds legally available for this purpose.

Dividends and other distributions on common stock are also subject to the rights of holders of any series of preferred stock that may be outstanding from time to time and to the restrictions in our credit agreement and indentures. See " Preferred Stock."

Liquidation Rights. In the event of liquidation, dissolution or winding up of our affairs, after payment or provision for payment of all of our debts and obligations and any preferential distributions to holders of shares of preferred stock, if any, the holders of the common stock will be entitled to share ratably in our remaining assets available for distribution.

Miscellaneous. All outstanding shares of common stock are validly issued, fully paid and nonassessable. Our board of directors has the power to issue shares of authorized but unissued common stock without further stockholder action. The issuance of these unissued shares could have the effect of diluting the earnings per share and book value per share of currently outstanding shares of common stock. The holders of common stock have no preemptive, subscription, redemption or conversion rights.

Reference is made to the applicable prospectus supplement relating to the common stock offered by that prospectus supplement for specific terms, including:

amount and number of shares offered;

the initial offering price, if any, and market price; and

information with respect to dividends.

Transfer Agent and Registrar. The transfer agent and registrar for our common stock is The Bank of New York, 101 Barclay Street - 11 East, New York, New York 10286. Its telephone number is (800) 524-4458.

DESCRIPTION OF OUR DEPOSITARY SHARES

General

The description shown below, and in any applicable prospectus supplement, of certain provisions of any deposit agreement and of the depositary shares and depositary receipts representing depositary shares does not purport to be complete and is subject to and qualified in its entirety by reference to the forms of deposit agreement and depositary receipts relating to each applicable series of preferred stock. The deposit agreement and the depositary receipts contain the full legal text of the matters described in this section. We will file a copy of those documents with the SEC at or before the time of the offering of the applicable series of preferred stock. This summary also is subject to and qualified by

reference to the description of the particular terms of your series of depositary shares described in the applicable prospectus supplement.

We may, at our option, elect to offer depositary shares representing fractional interests in shares of preferred stock, rather than shares of preferred stock. If we exercise this option, we will appoint a depositary to issue depositary receipts representing those fractional interests. Preferred stock of each series represented by depositary shares will be deposited under a separate deposit agreement between us and the depositary. The prospectus supplement relating to a series of depositary shares will disclose the name and address of the depositary. Subject to the terms of the applicable deposit agreement, each holder of depositary shares will be entitled to all of the distribution, voting, conversion, redemption, liquidation and other rights and preferences of the preferred stock represented by those depositary shares.

Depositary receipts issued pursuant to the applicable deposit agreement will evidence ownership of depositary shares. Upon surrender of depositary receipts at the office of the depositary, and upon payment of the charges provided in and subject to the terms of the deposit agreement, a holder of depositary shares will be entitled to receive the shares of preferred stock underlying the surrendered depositary receipts.

Distributions

A depositary will be required to distribute all cash distributions received in respect of the applicable preferred stock to the record holders of depositary shares in proportion to the number of depositary shares held by the holders on the relevant record date, which will be the same as the record date fixed by us for the applicable series of preferred stock. Fractions will be rounded down to the nearest whole cent.

If the distribution is other than in cash, a depositary will be required to distribute property received by it to the record holders of depositary shares entitled thereto, in proportion, as nearly as practicable, to the number of depositary shares owned by those holders on the relevant record date, unless the depositary determines that it is not feasible to make the distribution. In that case, the depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders.

Depositary shares that represent preferred stock converted or exchanged will not be entitled to distributions. The deposit agreement will also contain provisions relating to the manner in which any subscription or similar rights we offer to holders of the preferred stock will be made available to holders of depositary shares. All distributions will be subject to obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the depositary.

Withdrawal of Preferred Stock

Holders of depositary shares may receive the number of whole shares of the applicable series of preferred stock and any money or other property represented by those depositary shares after surrendering the depositary receipts at the corporate trust office of the depositary and paying the charges provided in the depositary agreement. Partial shares of preferred stock will not be issued. If the depositary receipts that a holder surrenders evidence a number of depositary shares in excess of the number of depositary shares representing the number of whole shares of preferred stock the holder wishes to withdraw, then the depositary will deliver to the holder at the same time a new depositary receipt evidencing the excess number of depositary shares. Once a holder has withdrawn the holder's preferred stock, the holder will not be entitled to re-deposit those shares of preferred stock under the deposit agreement in order to receive depositary shares. We do not expect that there will be any public trading market for withdrawn shares of preferred stock.

Redemption of Depositary Shares

If we redeem a series of the preferred stock underlying the depositary shares, the depositary will redeem those depositary shares representing the preferred stock so redeemed from the proceeds received by it in connection with the redemption. The depositary will mail notice of redemption not less than 30 and not more than 60 days before the date fixed for redemption to the record holders of the depositary shares we are redeeming at their addresses appearing in the depositary's books. The redemption price per depositary share will be equal to the applicable fraction of the redemption price per share payable with respect to the series of the preferred stock. The redemption date for depositary shares will be the same as that of the preferred stock. If we are redeeming less than all of the depositary shares, the depositary will select the depositary shares we are redeeming by lot or pro rata as the depositary may determine.

After the date fixed for redemption, the depositary shares called for redemption will no longer be deemed outstanding. All rights of the holders of the depositary shares and the related depositary receipts will cease at that time, except the right to receive the money or other property to which the holders of depositary shares were entitled upon redemption. Receipt of the money or other property is subject to surrender to the depositary of the depositary receipts evidencing the redeemed depositary shares.

Voting of the Preferred Stock

Upon receipt of notice of any meeting at which the holders of preferred stock represented by depositary shares are entitled to vote, a depositary will be required to mail the information contained in the notice of meeting to the record holders of the applicable depositary shares. Each record holder of depositary shares on the record date, which will be the same date as the record date for the preferred stock, will be entitled to instruct the depositary as to the exercise of the voting rights pertaining to the amount of preferred stock represented by the holder's depositary shares. The depositary will try, as practical, to vote the depositary shares as instructed by the record holder of depositary shares. We will agree to take all reasonable action that the depositary deems necessary in order to enable it to do so. If a record holder of depositary shares does not instruct the depositary how to vote the holder's depositary shares, the depositary will abstain from voting those shares.

Liquidation Preference

Upon our liquidation, whether voluntary or involuntary, each holder of depositary shares will be entitled to the fraction of the liquidation preference accorded each share of preferred stock represented by the depositary shares, as shown in the applicable prospectus supplement.

Conversion or Exchange of Preferred Stock

The depositary shares will not themselves be convertible into or exchangeable for common stock, preferred stock or any of our other securities or property. Nevertheless, if so specified in the applicable prospectus supplement, the depositary receipts may be surrendered by holders to the applicable depositary with written instructions to it to instruct us to cause conversion of the preferred stock represented by the depositary shares. Similarly, if so specified in the applicable prospectus supplement, we may require holders of depositary shares to surrender all of their depositary receipts to the applicable depositary upon our requiring the conversion or exchange of the preferred stock represented by the depositary shares into a different class of our securities. We will agree that, upon receipt of the instruction and any amounts payable in connection with the conversion or exchange, we will cause the conversion or exchange using the same procedures as those provided for delivery of preferred stock to effect the conversion or exchange. If a holder of depositary shares is converting only a part of the

depositary shares, the depositary will issue the holder a new depositary receipt for any unconverted depositary shares.

Taxation

A holder of depositary shares will be treated for U.S. federal income tax purposes as if it were a holder of the series of preferred stock represented by the depositary shares. Therefore, the holder of depositary shares will be required to take into account for U.S. federal income tax purposes income and deductions to which it would be entitled if it were a holder of the underlying series of preferred stock. In addition:

- no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of preferred stock in exchange for depositary shares provided in the deposit agreement;
- the tax basis of each share of preferred stock issued to a holder as exchanging owner of depositary shares will, upon exchange, be the same as the aggregate tax basis of the depositary shares exchanged for the preferred stock; and
- if a holder held the depositary shares as a capital asset at the time of the exchange for preferred stock, the holding period for shares of the preferred stock will include the period during which the holder owned the depositary shares.

Amendment and Termination of a Deposit Agreement

We and the applicable depositary are permitted to amend the form of the depositary receipt and the provisions of the deposit agreement. However, the holders of at least a majority of the applicable depositary shares then outstanding must approve any amendment that adds or increases fees or materially and adversely alters the rights of holders. Every holder of an outstanding depositary receipt at the time any amendment becomes effective, by continuing to hold the receipt, will be bound by the applicable deposit agreement, as amended.

Any deposit agreement may be terminated by us upon not less than 30 days' prior written notice to the applicable depositary if a majority of each series of preferred stock affected by the termination consents to the termination. When that event occurs, the depositary will be required to deliver or make available to each holder of depositary shares, upon surrender of the depositary receipts held by the holder, the number of whole or fractional shares of preferred stock as are represented by the depositary shares evidenced by the depositary receipts, together with any other property held by the depositary with respect to the depositary shares. In addition, a deposit agreement will automatically terminate if:

- all outstanding depositary shares have been redeemed;
- there shall have been a final distribution in respect of the related preferred stock in connection with our liquidation and the distribution has been made to the holders of depositary receipts evidencing the depositary shares underlying the preferred stock; or
- each of the shares of related preferred stock shall have been converted or exchanged into securities not represented by depositary shares.

Charges of a Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of a deposit agreement. In addition, we will pay the fees and expenses of a depositary in connection with the initial deposit of the preferred stock and any redemption of the preferred stock. However, holders of depositary shares will pay any transfer taxes or other governmental charges and the fees and

expenses of a depositary, including a fee for the withdrawal of shares of preferred stock upon surrender of depositary receipts, as are expressly provided in the deposit agreement to be for their accounts.

Resignation and Removal of Depositary

A depositary may resign at any time by delivering to us notice of its election to do so. In addition, we may at any time remove a depositary. Any resignation or removal will take effect when we appoint a successor depositary and it accepts the appointment. We must appoint a successor depositary within 60 days after delivery of the notice of resignation or removal. A depositary must be a bank or trust company having its principal office in the United States that has a combined capital and surplus of at least $50 million.

Miscellaneous

A depositary will be required to forward to holders of depositary shares any reports and communications that it receives from us with respect to the related preferred stock. Holders of depository shares will be able to inspect the transfer books of the depository and the list of holders of depositary shares upon reasonable notice.

Neither we nor a depositary will be liable if either of us are prevented from, or delayed in performing, by law or any circumstances beyond our control, our obligations under a deposit agreement. Our obligations and those of the depositary under a deposit agreement will be limited to performing our duties in good faith and without gross negligence or willful misconduct. Neither we nor any depositary will be obligated to prosecute or defend any legal proceeding in respect of any depositary receipts, depositary shares or related preferred stock unless satisfactory indemnity is furnished. We and each depositary will be permitted to rely on written advice of counsel or accountants, on information provided by persons presenting preferred stock for deposit, by holders of depositary shares, or by other persons believed in good faith to be competent to give the information, and on documents believed in good faith to be genuine and signed by a proper party.

If a depositary receives conflicting claims, requests or instructions from any holders of depositary shares, on the one hand, and us, on the other hand, the depositary shall be entitled to act on the claims, requests or instructions received from us.

DESCRIPTION OF OUR WARRANTS

This section describes the general terms and provisions of our warrants to acquire our securities that we may issue from time to time. The applicable prospectus supplement will describe the specific terms of the warrants offered through that prospectus supplement.

We may issue, together with any other securities being offered or separately, warrants entitling the holder to purchase from or sell to us, or to receive from us the cash value of the right to purchase or sell, our debt securities, preferred stock, depositary shares or common stock. We and a warrant agent will enter a warrant agreement pursuant to which the warrants will be issued. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. We will file a copy of the warrants and the warrant agreement with the SEC at or before the time of the offering of the applicable series of warrants. A holder of our warrants should refer to the provisions of the applicable warrant agreement and prospectus supplement for more specific information.

In the case of each series of warrants, the applicable prospectus supplement will describe the terms of the warrants being offered thereby. These include the following, if applicable:

the offering price;

the number of warrants offered;

the securities underlying the warrants;

the exercise price, the amount of securities you will receive upon exercise, the procedure for exercise of the warrants and the circumstances, if any, that will cause the warrants to be automatically exercised;

the rights, if any, we have to redeem the warrants;

the date on which the warrants will expire;

U.S. federal income tax consequences;

the name of the warrant agent; and

any other terms of the warrants.

Warrants may be exercised at the appropriate office of the warrant agent or any other office indicated in the applicable prospectus supplement. Before the exercise of warrants, holders will not have any of the rights of holders of the securities purchasable upon exercise and will not be entitled to payments made to holders of those securities.

The warrant agreements may be amended or supplemented without the consent of the holders of the warrants to which it applies to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants. However, any amendment that materially and adversely alters the rights of the holders of warrants will not be effective unless the holders of at least a majority of the applicable warrants then outstanding approve the amendment. Every holder of an outstanding warrant at the time any amendment becomes effective, by continuing to hold the warrant, will be bound by the applicable warrant agreement as amended. The prospectus supplement applicable to a particular series of warrants may provide that certain provisions of the warrants, including the securities for which they may be exercisable, the exercise price and the expiration date, may not be altered without the consent of the holder of each warrant.

DESCRIPTION OF THE STOCK PURCHASE CONTRACTS AND THE STOCK PURCHASE UNITS

We may issue contracts obligating holders to purchase from us, and us to sell to the holders, a specified number of shares of common stock at a future date or dates, which we refer to herein as "stock purchase contracts." The price per share of common stock and the number of shares of common stock may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately or as part of units consisting of a stock purchase contract and debt securities, trust preferred securities or debt obligations of third parties, including U.S. treasury securities, which secure the holders' obligations to purchase the common stock under the stock purchase contracts. We refer to these units herein as "stock purchase units." The stock purchase contracts may require holders to secure their obligations thereunder in a specified manner. The stock purchase contracts also may require us to make periodic payments to the holders of the stock purchase units or vice versa, and such payments may be unsecured or refunded on some basis.

The applicable prospectus supplement will describe the terms of the stock purchase contracts or stock purchase units. The description in the applicable prospectus supplement will not necessarily be complete, and reference will be made to the stock purchase contracts, and, if applicable, collateral or depositary arrangements, relating to the stock purchase contracts or stock purchase units. Material U.S. federal income tax considerations applicable to the stock purchase units and the stock purchase contracts will also be discussed in the applicable prospectus supplement.

DESCRIPTION OF THE TRUST PREFERRED SECURITIES

If and when IM Capital Trust issues trust preferred securities, its declaration of trust will be replaced by an amended and restated declaration of trust which will authorize its trustees to issue one series of trust preferred securities and one series of trust common securities. The form of amended and restated declaration of trust is filed with the SEC as an exhibit to the registration statement of which this prospectus is a part.

The terms of the trust preferred securities will include those stated in IM Capital Trust's declaration of trust, as it may be amended and restated from time to time, and those made a part of that declaration by the Trust Indenture Act of 1939. This section describes the general terms and provisions of IM Capital Trust's amended and restated declaration of trust and the trust securities IM Capital Trust may offer from time to time. The applicable prospectus supplement will describe the specific terms of the amended and restated declaration of trust and the trust preferred securities offered through that prospectus supplement. Any final amended and restated declaration of trust will be filed with the SEC if IM Capital Trust issues trust preferred securities. A holder of trust preferred securities should read the applicable prospectus supplement and the amended and restated declaration of trust for more specific information.

The prospectus supplement relating to the trust preferred securities being offered will include specific terms relating to the offering. These terms will include some or all of the following:

the designation of the trust preferred securities;

the number of trust preferred securities to be issued;

the annual distribution rate and any conditions upon which distributions are payable, the distribution payment dates, the record dates for distribution payments and the additional amounts, if any, that may be payable with respect to the trust preferred securities;

whether distributions will be cumulative and compounding and, if so, the dates from which distributions will be cumulative or compounded;

the amounts that will be paid out of the assets of IM Capital Trust, after the satisfaction of liabilities to creditors of IM Capital Trust, to the holders of trust preferred securities upon dissolution, winding up or termination of IM Capital Trust;

any repurchase, redemption or exchange provisions;

any preference or subordination rights upon a default or liquidation of IM Capital Trust;

any voting rights of the trust preferred securities in addition to those required by law, including the number of votes per trust preferred security and any requirement for the approval by the holders of trust preferred securities, as a condition to a specified action or amendments to the declaration of trust;

terms for any conversion or exchange of the related series of our debt securities or the trust preferred securities into other securities;

any rights to defer distributions on the trust preferred securities by extending the interest payment period on the related series of our debt securities;

any terms and conditions upon which the related series of our debt securities may be distributed to holders of trust preferred securities; and

any other relevant terms, rights, preferences, privileges, limitations or restrictions of the trust preferred securities.

The regular trustee, on behalf of IM Capital Trust and pursuant to the declaration of trust, will issue one class of trust preferred securities and one class of trust common securities. The trust preferred and trust common securities will represent undivided beneficial ownership interests in the assets of IM Capital Trust. Except as described in the applicable prospectus supplement, the trust preferred securities will rank equally, and payments will be made thereon proportionately, with the trust common securities. The trust preferred securities will be issued to the public under the registration statement of which this prospectus is a part. The trust common securities will be issued directly or indirectly to us.

The only source of cash to make payments on the trust preferred securities issuable by IM Capital Trust will be payments on debt securities IM Capital Trust purchases from us. The property trustee of IM Capital Trust will hold legal title to the debt securities IM Capital Trust purchases in trust for the benefit of the holders of its trust preferred securities. If IM Capital Trust is dissolved, after satisfaction of IM Capital Trust's creditors, the property trustee may distribute the debt securities held in trust on a proportionate basis to the holders of trust preferred and trust common securities.

We will execute a guarantee agreement for the benefit of the holders of the trust preferred securities. The terms of our guarantee will be set forth in the applicable prospectus supplement and are summarized under the caption "Description of the Trust Preferred Securities Guarantee" included elsewhere in this prospectus. As discussed below, the guarantee will not guarantee the payment of distributions, or any amounts payable on redemption or liquidation of the trust preferred securities when IM Capital Trust does not have funds available to make these payments.

In the applicable prospectus supplement we will also describe certain material U.S. federal income tax consequences and special considerations applicable to the trust preferred securities.

DESCRIPTION OF THE TRUST PREFERRED SECURITIES GUARANTEE

If and when IM Capital Trust issues trust preferred securities, we will fully and unconditionally guarantee payments on the trust preferred securities as described in this section, any applicable prospectus supplement and the guarantee executed by us in connection with the issuance of the trust preferred securities. The Bank of New York, as guarantee trustee, will hold the guarantee for the benefit of the holders of trust preferred securities.

This section describes the general terms and provisions of our trust preferred securities guarantee. The applicable prospectus supplement will describe the specific terms of the trust preferred securities guarantee. The form of trust guarantee is filed with the SEC as an exhibit to the registration statement of which this prospectus is a part. We will file with the SEC a final guarantee if IM Capital Trust issues trust preferred securities. A holder of trust preferred securities should refer to the applicable prospectus supplement and to the full text of our guarantee, and those terms made a part of the guarantee by the Trust Indenture Act of 1939, for more specific information.

We will irrevocably and unconditionally agree to pay in full to holders of trust preferred securities the following amounts to the extent not paid by IM Capital Trust:

any accumulated and unpaid distributions and any additional amounts with respect to the trust preferred securities and any redemption price for trust preferred securities called for redemption by IM Capital Trust, if and to the extent that we have made corresponding payments on the debt securities to the property trustee of IM Capital Trust; and

payments upon the dissolution of IM Capital Trust equal to the lesser of:

(1) the liquidation amount plus all accumulated and unpaid distributions and additional amounts on the trust preferred securities to the extent IM Capital Trust has funds legally available for those payments; and

(2) the amount of assets of IM Capital Trust remaining legally available for distribution to the holders of trust preferred securities in liquidation of IM Capital Trust.

We will not be required to make these liquidation payments if:

- IM Capital Trust distributes the debt securities to the holders of trust preferred securities in exchange for their trust preferred securities; or
- IM Capital Trust redeems the trust preferred securities in full upon the maturity or redemption of the debt securities.

We may satisfy our obligation to make a guarantee payment either by making payment directly to the holders of trust preferred securities or to the guarantee trustee for remittance to the holders or by causing IM Capital Trust to make the payment to them.

The guarantee is a guarantee from the time of issuance of the applicable series of trust preferred securities. THE GUARANTEE ONLY COVERS, HOWEVER, DISTRIBUTIONS AND OTHER PAYMENTS ON TRUST PREFERRED SECURITIES IF AND TO THE EXTENT THAT WE HAVE MADE CORRESPONDING PAYMENTS ON THE DEBT SECURITIES TO THE APPLICABLE PROPERTY TRUSTEE. IF WE DO NOT MAKE THOSE CORRESPONDING PAYMENTS ON THE DEBT SECURITIES, IM CAPITAL TRUST WILL NOT HAVE FUNDS AVAILABLE FOR PAYMENTS AND WE WILL HAVE NO OBLIGATION TO MAKE A GUARANTEE PAYMENT.

The obligations under the debt securities, the associated indenture, IM Capital Trust's declaration of trust and our related guarantee, taken together, will provide a full and unconditional guarantee of payments of distributions and other amounts due on the trust preferred securities.

Iron Mountain Covenants

In the guarantee, we will agree that, as long as any trust preferred securities issued by IM Capital Trust are outstanding, we will not make the payments and distributions described below if:

- we are in default on our guarantee payments or other payment obligations under the related guarantee;
- any trust enforcement event under IM Capital Trust's declaration of trust has occurred and is continuing; or
- we elect to defer payments of interest on the related debt securities by extending the interest payment period, and that deferral period is continuing.

In these circumstances, we will agree that we will not:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock; or
- make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities that rank equally with, or junior in interest to, the debt securities we issue to IM Capital Trust or make any guarantee payments with respect to any guarantee by us of the debt of any of our subsidiaries if that guarantee ranks equally with or junior in interest to the debt securities we issue to IM Capital Trust.

However, even during these circumstances, we may:

- purchase or acquire our capital stock in connection with the satisfaction of our obligations under any employee benefit plans or pursuant to any contract or security outstanding on the first day of any extension period requiring us to purchase our capital stock (other than a contract or security ranking expressly by its terms on a parity with or junior to the debt securities);

20

reclassify our capital stock or exchange or convert one class or series of our capital stock for another class or series of our capital stock;

purchase fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of our capital stock or the security being converted or exchanged;

declare dividends or distributions in our capital stock where the dividend stock is the same stock as that on which the dividend is being paid;

redeem, repurchase or issue any rights pursuant to a rights agreement; and

make payments under the guarantee related to the trust preferred securities.

In addition, as long as trust preferred securities issued by IM Capital Trust are outstanding, we will agree that we will:

remain the sole direct or indirect owner of all the outstanding trust common securities of IM Capital Trust, except as permitted by its declaration of trust;

permit the trust common securities of IM Capital Trust to be transferred only as permitted by its declaration of trust; and

use reasonable efforts to cause IM Capital Trust to continue to be treated as a grantor trust for U.S. federal income tax purposes, except in connection with a distribution of debt securities to the holders of trust preferred securities as provided in its declaration of trust, in which case IM Capital Trust would be dissolved.

Amendments and Assignment

We and the guarantee trustee may amend the guarantee without the consent of any holder of trust preferred securities if the amendment does not adversely affect the rights of the holders in any material respect. In all other cases, we and the guarantee trustee may amend the guarantee only with the prior approval of the holders of at least a majority of outstanding trust preferred securities issued by IM Capital Trust.

We may assign our obligations under the guarantee only in connection with a consolidation, merger or asset sale involving us that is permitted under the indenture governing the debt securities.

Termination of the Guarantee

Our guarantee will terminate upon:

full payment of the redemption price of all trust preferred securities of IM Capital Trust;

distribution of the related debt securities, or any securities into which those debt securities are convertible, to the holders of the trust preferred and trust common securities of IM Capital Trust in exchange for all the securities issued by IM Capital Trust; or

full payment of the amounts payable upon liquidation of IM Capital Trust.

The guarantee will, however, continue to be effective, or will be reinstated, if any holder of trust preferred securities must repay any amounts paid on those trust preferred securities or under the guarantee.

Status of the Guarantee

We will specify in the applicable prospectus supplement the ranking of the guarantee with respect to our capital stock and other liabilities, including other guarantees.

The guarantee will be deposited with the guarantee trustee to be held for the benefit of the holders of the trust preferred securities. The guarantee trustee will have the right to enforce the

guarantee on the holders' behalf. In most cases, the holders of a majority of outstanding trust preferred securities issued by IM Capital Trust will have the right to direct the time, method and place of:

conducting any proceeding for any remedy available to the applicable guarantee trustee; or

exercising any trust or other power conferred upon that guarantee trustee under the guarantee.

The guarantee will constitute a guarantee of payment and not merely of collection. This means that the guarantee trustee may institute a legal proceeding directly against us to enforce the payment rights under the guarantee, without first instituting a legal proceeding against IM Capital Trust or any other person or entity.

If the guarantee trustee fails to enforce the guarantee or we fail to make a guarantee payment, a holder of the trust preferred securities may institute a legal proceeding directly against us to enforce the holder's rights under that guarantee without first instituting a legal proceeding against IM Capital Trust, the guarantee trustee or any other person or entity.

Periodic Reports Under Guarantee

We will be required to provide annually to the guarantee trustee a statement as to our performance of our obligations and our compliance with all conditions under the guarantee.

Duties of Guarantee Trustee

The guarantee trustee normally will perform only those duties specifically set forth in the guarantee. The guarantee will not contain any implied covenants. If a default occurs on the guarantee, the guarantee trustee will be required to use the same degree of care and skill in the exercise of its powers under the guarantee as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. The guarantee trustee will exercise any of its rights or powers under the guarantee at the request or direction of holders of the trust preferred securities only if the guarantee trustee is offered security and indemnity satisfactory to it.

RELATIONSHIP AMONG THE DEBT SECURITIES, THE TRUST PREFERRED SECURITIES AND THE TRUST PREFERRED SECURITIES GUARANTEE

To the extent set forth in the guarantee and to the extent funds are available, we will irrevocably guarantee the payment of distributions and other amounts due on the trust preferred securities. If and to the extent we do not make payments on the debt securities to the property trustee, IM Capital Trust will not have sufficient funds to pay distributions or other amounts due on the trust preferred securities. The guarantee does not cover any payment of distributions or other amounts due on the trust preferred securities unless IM Capital Trust has sufficient funds for the payment of such distributions or other amounts. In such event, a holder of trust preferred securities may institute a legal proceeding directly against us to enforce payment of such distributions or other amounts to such holder after the respective due dates. Taken together, our obligations under the debt securities, the associated indenture, IM Capital Trust's declaration of trust and our related guarantee will provide a full and unconditional guarantee of payments of distributions and other amounts due on the trust preferred securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes such guarantee. It is only the combined operation of these documents that provides a full and unconditional guarantee of IM Capital Trust's payment obligations under the trust preferred securities.

Sufficiency of Payments

As long as payments of interest and other amounts are made when due on the debt securities, such payments will be sufficient to cover distributions and payments due on the trust preferred securities because of the following factors:

- the aggregate principal amount of the debt securities will be equal to the sum of the aggregate stated liquidation amount of the trust preferred securities;
- the interest rate and the interest and other payment dates on the debt securities will match the distribution rate and distribution and other payment dates for the trust preferred securities;
- we, as issuer of the debt securities, will pay, and IM Capital Trust will not be obligated to pay, directly or indirectly, any costs, expenses, debts and obligations of IM Capital Trust, other than with respect to the trust preferred securities; and
- the declaration of trust will further provide that IM Capital Trust will not engage in any activity that is not consistent with the limited purposes of IM Capital Trust.

Notwithstanding anything to the contrary in the indenture, we have the right to set off any payment we are otherwise required to make thereunder against and to the extent we have already made, or are concurrently on the date of such payment making, a related payment under the guarantee.

Enforcement Rights of Holders of Preferred Securities

The declaration of trust provides that if we fail to make interest or other payments on the debt securities when due, taking account of any extension period, the holders of the trust preferred securities may direct the property trustee to enforce its rights under the applicable indenture. If the property trustee fails to enforce its rights under the indenture in respect of an event of default under the indenture, any holder of record of trust preferred securities may, to the fullest extent permitted by applicable law, institute a legal proceeding against us to enforce the property trustee's rights under the indenture without first instituting any legal proceeding against IM Capital Trust, the property trustee or any other person or entity. Notwithstanding the foregoing, if a trust enforcement event has occurred and is continuing and such event is attributable to our failure to pay interest, premium or principal on the debt securities on the date such interest, premium or principal is otherwise payable, then a holder of trust preferred securities may institute a direct action against us for payment of such holder's pro rata share.

If we fail to make payments under the guarantee, a holder of trust preferred securities may institute a proceeding directly against us for enforcement of the guarantee for such payments.

Limited Purpose of Trust

The trust preferred securities evidence undivided beneficial ownership interests in the assets of IM Capital Trust, and IM Capital Trust exists for the sole purpose of issuing and selling the trust preferred and trust common securities and using the proceeds to purchase our debt securities. A principal difference between the rights of a holder of trust preferred securities and a holder of our debt securities is that a holder of our debt securities is entitled to receive from us the principal amount of, and interest accrued on, the debt securities held, while a holder of trust preferred securities is entitled to receive distributions and other payments from IM Capital Trust, or from us under the guarantee, only if, and to the extent, IM Capital Trust has funds available for the payment of such distributions and other payments.

Rights Upon Dissolution

Upon any voluntary or involuntary dissolution of IM Capital Trust involving the redemption or repayment of the debt securities, the holders of the trust preferred securities will be entitled to receive,

out of assets held by IM Capital Trust, subject to the rights of creditors of IM Capital Trust, if any, the liquidation distribution in cash. Because we are the guarantor under the guarantee and, as issuer of the debt securities, we have agreed to pay for all costs, expenses and liabilities of IM Capital Trust other than IM Capital Trust's obligations to the holders of the trust preferred securities, the positions of a holder of trust preferred securities and a holder of debt securities relative to other creditors and to our stockholders in the event of liquidation or bankruptcy of us would be substantially the same.

DESCRIPTION OF CERTAIN PROVISIONS OF DELAWARE LAW AND OUR CERTIFICATE OF INCORPORATION AND BYLAWS

We are organized as a Delaware corporation. The following is a summary of our certificate of incorporation and bylaws and certain provisions of Delaware law. Because it is a summary, it does not contain all the information that may be important to you. If you want more information, you should read our entire certificate of incorporation and bylaws, copies of which we have previously filed with the SEC, see "Where You Can Find More Information," or refer to the provisions of Delaware law.

Delaware law, our certificate of incorporation and our bylaws contain some provisions that could delay or make more difficult the acquisition of us by means of a tender offer, a proxy contest or otherwise. These provisions, as described below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us first to negotiate with us. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals because, among other things, negotiations with respect to such proposals could result in an improvement of their terms.

Section 203 of The Delaware General Corporation Law

Section 203 of the Delaware General Corporation Law, or the DGCL, prohibits a defined set of transactions between a Delaware corporation, such as us, and an "interested stockholder." An interested stockholder is defined as a person who, together with any affiliates or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting shares of a Delaware corporation. This provision may prohibit business combinations between an interested stockholder and a corporation for a period of three years after the date the interested stockholder becomes an interested stockholder. The term "business combination" is broadly defined to include mergers, consolidations, sales or other dispositions of assets having a total value in excess of 10% of the consolidated assets of the corporation, and some other transactions that would increase the interested stockholder's proportionate share ownership in the corporation.

This prohibition is effective unless:

- either the business combination or the transaction that resulted in the interested stockholder becoming an interested stockholder is approved by our board of directors prior to the time the interested stockholder becomes an interested stockholder;
- the interested stockholder owns at least 85% of our voting stock, other than stock held by directors who are also officers or by qualified employee stock plans, upon consummation of the transaction in which it becomes an interested stockholder; or
- the business combination is approved by a majority of our board of directors and by the affirmative vote of $66^{2}/_{3}$% of the outstanding voting stock that is not owned by the interested stockholder.

In general, the prohibitions do not apply to business combinations with persons who were interested stockholders prior to the corporation becoming subject to Section 203.

Other Provisions of Our Certificate of Incorporation and Bylaws

Our bylaws provide that a vacancy on the board of directors, including a vacancy created by an increase in the size of the board of directors by the directors, may be filled by a majority of the remaining directors, or by a sole remaining director, or by the stockholders, and each person so elected shall be a director to serve for the balance of the unexpired term of the directors. Under the DGCL, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at the election of directors.

Certain other provisions of our certificate of incorporation and bylaws could have the effect of preventing or delaying any change in control of us, including:

- the advance notification procedures imposed on stockholders for stockholder nominations of candidates for the board of directors and for other stockholder business to be conducted at annual or special meetings;
- the absence of authority for stockholders to call special stockholder meetings; and
- the absence of authority for stockholder action by unanimous or partial written consent in lieu of an annual or special meeting.

These provisions and statutory anti-takeover provisions, could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of us.

Limitation of Directors' Liability and Indemnification of Directors and Officers

The DGCL permits a corporation to include a provision in its certificate of incorporation eliminating or limiting the personal liability of a director to a corporation or its stockholders for damages for certain breaches of the director's fiduciary duty. This provision may not eliminate or limit the liability of a director for:

- breaches of the director's duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or involving intentional misconduct or knowing violations of law;
- the payment of unlawful dividends or unlawful stock repurchases or redemptions; or
- transactions from which the director received an improper personal benefit.

Our certificate of incorporation eliminates the liability of directors to the fullest extent permissible under Delaware law. These provisions offer persons who serve on the board of directors protection against awards of monetary damages for negligence in the performance of their duties.

Our bylaws also provide that directors or officers made a party to, or threatened to be made a party to, or otherwise involved in, any proceeding, because he or she is or was a representative of us or is or was serving as a representative of another corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise, on our behalf, shall be indemnified and held harmless by us to the fullest extent permitted by Delaware law against all expenses, liabilities and losses reasonably incurred by or imposed upon him or her, in connection with any threatened, pending or completed action, suit or proceeding. Indemnification is only available if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Pursuant to our bylaws, amending the provisions to reduce the limitation of director's liability or limit the right to indemnification requires unanimous vote of the directors or a majority vote of the stockholders.

PLAN OF DISTRIBUTION

We and IM Capital Trust may sell the offered securities to one or more underwriters for public offering and sale by them. We and IM Capital Trust may also sell the offered securities to investors directly or through agents. We will name any underwriter or agent involved in the offer and sale of the offered securities in the applicable prospectus supplement.

The distribution of offered securities may be effected from time to time in one or more transactions at:

a fixed price or varying prices;

market prices prevailing at the time of sale;

prices related to the market prices; or

negotiated prices.

Underwriters, dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933. Underwriters, dealers and agents may be entitled, under agreements with us and/or IM Capital Trust, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act of 1933, and to reimbursement by us and/or IM Capital Trust for certain expenses.

If an underwriter or underwriters are used in the offer or sale of securities, we and/or IM Capital Trust will execute an underwriting agreement with the underwriters at the time of sale of the securities to the underwriters, and the names of the underwriters and the principal terms of our and/or IM Capital Trust's agreements with the underwriters will be provided in the applicable prospectus supplement.

If we so indicate in the prospectus supplement, we and IM Capital Trust may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase securities from us or IM Capital Trust at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

We may enter into derivative or other hedging transactions with financial institutions. These financial institutions may in turn engage in sales of our securities to hedge their position, deliver this prospectus in connection with some or all of those sales and use the shares covered by this prospectus to close out any short position created in connection with those sales. We may also sell shares of our securities short using this prospectus and deliver our securities covered by this prospectus to close out such short positions, or loan or pledge our securities to financial institutions that in turn may sell the shares of our securities using this prospectus. We may pledge or grant a security interest in some or all of our securities covered by this prospectus to support a derivative or hedging position or other obligation and, if we default in the performance of our obligations, the pledgees or secured parties may offer and sell our securities from time to time pursuant to this prospectus.

Unless otherwise specified in the related prospectus supplement, each series of offered securities, other than shares of common stock, will be a new issue with no established trading market. Any shares of common stock sold pursuant to a prospectus supplement will be listed on the New York Stock Exchange, subject to official notice of issuance. We and IM Capital Trust may elect to list any other series or class of offered securities on an exchange, but are not obligated to do so. Any underwriters to whom offered securities are sold by us for public offering and sale may make a market in those offered

securities. Underwriters will not be obligated to make any market, however, and may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of, or the trading markets for, any offered securities.

Certain of the underwriters and their affiliates may engage in transactions with and perform services for us in the ordinary course of business for which they receive compensation.

The specific terms and manner of sale of the offered securities will be shown or summarized in the applicable prospectus supplement.

VALIDITY OF THE OFFERED SECURITIES

Sullivan & Worcester LLP, Boston, Massachusetts, will pass upon the validity of the debt securities, preferred stock, depositary shares, common stock, warrants, guarantees, stock purchase contracts and stock purchase units.

Gesmer Updegrove LLP, Boston Massachusetts, will pass upon the validity of the guarantees with respect to matters of Connecticut law.

The validity of the trust preferred securities to be issued by IM Capital Trust, and the enforceability of its declaration of trust and the creation of IM Capital Trust, will be passed upon by Richards, Layton & Finger, P.A., Wilmington, Delaware.

EXPERTS

The financial statements as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 incorporated in this prospectus from Iron Mountain's Current Report on Form 8-K filed with the SEC on May 10, 2007 and management's report on the effectiveness of internal control over financial reporting incorporated in this prospectus from Iron Mountain's Annual Report on Form 10-K for the year ended December 31, 2006 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports which are incorporated herein by reference (which reports (1) express an unqualified opinion on the financial statements and include an explanatory paragraph related to the adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment,* (2) express an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting, and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting) and have been so incorporated in reliance upon the reports of such firm given their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the periodic reporting and other information requirements of the Exchange Act. We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information on file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of those documents upon payment of a duplicating fee to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You can review our SEC filings and the registration statement by accessing the SEC's Internet site at http://www.sec.gov. Our common stock is listed on the New York Stock Exchange where reports, proxy statements and other information concerning us can also be inspected. The offices of the NYSE are located at 20 Broad Street, New York, New York 10005.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. Statements in this prospectus regarding the contents of any contract or other document may not be complete. You should refer to the copy of the contract or other document filed as an exhibit to the registration statement. Later information filed with the SEC will update and supersede information we have included or incorporated by reference in this prospectus.

We incorporate by reference the following documents filed by us:

Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (except for Item 15 which is incorporated by reference from our Current Report on Form 8-K filed with the SEC on May 10, 2007).

Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2007, filed with the SEC on May 10, 2007.

Current Reports on Form 8-K filed with the SEC on January 9, 2007, January 12, 2007, January 24, 2007, February 13, 2007, March 5, 2007, March 6, 2007 (Item 5.02 only), March 8, 2007, March 12, 2007, March 23, 2007, April, 20, 2007, May 10, 2007 and July 16, 2007.

The description of our common stock contained in the Registration Statement on Form 8-A dated May 27, 1997, as amended by Amendment No. 1 to Form 8-A on June 3, 2005, and including all further amendments and reports filed for the purpose of updating such description.

In addition to the documents listed above, we incorporate by reference any future filings made by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until our offering of the securities made by this prospectus is completed or terminated.

We will provide you with a copy of the information we have incorporated by reference, excluding exhibits other than those to which we specifically refer. You may obtain this information at no cost by writing or telephoning us at: 745 Atlantic Avenue, Boston, Massachusetts 02111, (617) 535-4799, Attention: Investor Relations.

PROSPECTUS

Iron Mountain Incorporated

Direct Stock Purchase Plan

This prospectus relates to our Direct Stock Purchase Plan. The plan is designed to provide investors with a convenient and economical way to purchase shares of our common stock. Under the plan, participants may:

- Purchase their first shares of our common stock by making an initial cash investment of at least $1,000 and up to $10,000.
- Purchase additional shares of our common stock by making optional cash investments at any time of at least $500 per payment and up to a maximum of $10,000 per month.
- Make optional cash investments in excess of $10,000 per month, but only after submission of a written request for waiver has been made to us and after we have given our written approval, which we may grant or refuse to grant in our sole discretion.
- On investments in excess of $10,000 that we approve, purchase newly issued shares of our common stock at a discount of up to 5%, as we may determine from time to time in our sole discretion.
- Elect to automatically reinvest cash dividends, if any, that we pay in the future on all or a portion of their shares of common stock.

Please read this prospectus in its entirety for a more detailed description of our Direct Stock Purchase Plan and its features.

Our common stock is listed on the New York Stock Exchange under the symbol "IRM."

Investing in our securities involves risks. See "Risk Factors" on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Our principal executive office is 745 Atlantic Avenue, Boston, Massachusetts 02111 and our telephone number is (617) 535-4766.

The date of this prospectus is July 18, 2007.

TABLE OF CONTENTS

You should rely only on the information incorporated by reference or provided in this prospectus and any prospectus supplement. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any jurisdiction where it is unlawful. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this prospectus.

References in this prospectus to the terms "Iron Mountain," "we," "our" or "us" or other similar terms mean Iron Mountain Incorporated and its consolidated subsidiaries, unless we state otherwise or the context indicates otherwise.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made and incorporated by reference statements in this prospectus that constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements concern our operations, economic performance, financial condition, goals, beliefs, future growth strategies, investment objectives, plans and current expectations. The forward-looking statements are subject to various known and unknown risks, uncertainties and other factors. When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements.

Although we believe that our forward-looking statements are based on reasonable assumptions, our expected results may not be achieved and actual results may differ materially from our expectations. Important factors that could cause actual results to differ from expectations include, among others, those set forth below. Please read carefully the information under "Risk Factors" beginning on page 3:

changes in customer preferences and demand for our services;

changes in the price for our services relative to the cost of providing such services;

in the various digital businesses in which we are engaged, capital and technical requirements will be beyond our means, markets for our services will be less robust than anticipated, or competition will be more intense than anticipated;

the cost to comply with current and future legislation or regulation relating to privacy issues;

the impact of litigation that may arise in connection with incidents of inadvertent disclosures of customers' confidential information;

our ability or inability to complete acquisitions on satisfactory terms and to integrate acquired companies efficiently;

the cost and availability of financing for contemplated growth;

business partners upon whom we depend for technical assistance or management and acquisition expertise outside the U.S. will not perform as anticipated;

changes in the political and economic environments in the countries in which our international subsidiaries operate; and

other trends in competitive or economic conditions affecting our financial condition or results of operations not presently contemplated.

Other risks may adversely impact us, as described more fully under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006.

These cautionary statements should not be construed by you to be exhaustive and they are made only as of the date of this prospectus. You should not rely upon forward-looking statements except as statements of our present intentions and of our present expectations, which may or may not occur. You should read these cautionary statements as being applicable to all forward-looking statements wherever they appear. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures we have made or incorporated by reference in this prospectus, as well as our other periodic reports filed with the Securities and Exchange Commission, or the SEC.

OUR COMPANY

We believe we are the global leader in information protection and storage services. We help organizations around the world reduce the costs and risks associated with information protection and storage. We offer comprehensive records management and data protection solutions, along with the expertise and experience to address complex information challenges such as rising storage costs, litigation, regulatory compliance and disaster recovery. We have a diversified customer base comprised of commercial, legal, banking, healthcare, accounting, insurance, entertainment and government organizations, including more than 90% of the Fortune 1000 and more than 85% of the FTSE 100.

As of December 31, 2006, we provided services to over 90,000 corporate clients in 85 markets in the U.S. and 86 markets outside of the U.S., employed over 18,600 people and operated over 900 records management facilities in the U.S., Canada, Europe, Latin America and Asia Pacific.

RISK FACTORS

An investment in our securities involves a high degree of risk. Before making an investment decision, in addition to the other information included in, or incorporated by reference into, this prospectus, including under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006, you should carefully consider the risk factors included in any applicable prospectus supplement or incorporated by reference into this prospectus when determining whether or not to purchase the securities offered under this prospectus and the prospectus supplement.

DESCRIPTION OF OUR DIRECT STOCK PURCHASE PLAN

The following questions and answers explain and constitute our Direct Stock Purchase Plan, which we refer to below as the plan.

1. WHAT IS THE PURPOSE OF THE PLAN?

The plan is intended to provide investors with a simple, convenient and economical method of purchasing shares of our common stock.

In turn, the plan provides us with an economical and flexible mechanism to raise equity capital through sales of our common stock. To the extent shares of common stock are purchased directly from us under the plan, we will receive proceeds that we will use for our general corporate purposes. We will not, however, receive any proceeds from shares of our common stock that the plan administrator may purchase, at our direction, in the open market or in negotiated transactions with third parties in order to supply shares issued to participants under the plan.

2. WHAT FEATURES ARE AVAILABLE UNDER THE PLAN?

The plan allows participants to:

make initial cash investments in our common stock in amounts of at least $1,000 and up to $10,000;

make additional cash investments in our common stock at any time in amounts of at least $500 per payment and up to $10,000 per month;

make additional optional cash investments in excess of $10,000 per month, but only after submission of a written request for waiver has been made to us and after we have given our written approval, which we may grant or refuse to grant in our sole discretion;

on investments in excess of $10,000 that we approve, purchase newly issued shares of our common stock at a discount of up to 5%, as we may determine from time to time in our sole discretion; and

elect to have cash dividends, if any, that we pay in the future on our common stock automatically reinvested in additional shares of our common stock.

3. WHAT ARE THE ADVANTAGES OF PARTICIPATING IN THE PLAN?

Participants in the plan will enjoy certain benefits:

You will be able to purchase our common stock without paying any brokerage commission and, for purchases in excess of $10,000 per month, potentially at a discount of up to 5%, which discount will be determined at our sole discretion.

Your funds will be fully invested because the plan permits fractions of shares to be credited to your plan account, although fractional share certificates will not be issued.

You can be free of cumbersome safekeeping requirements, as our custodial service will safely hold your shares in book-entry form.

You will have a simple way of making periodic cash investments in our company, when and as you choose, in order to build your ownership over time and also to utilize dollar-cost-averaging if such technique is part of your general investment strategy.

4

You may direct the plan administrator to sell or transfer all or a portion of the shares held in your plan account and therefore you may find the plan an economical way to liquidate holdings from time to time.

You will receive periodic statements, called statements of holdings, reflecting all current activity in your plan account, including purchases, sales and latest balances, which will simplify your record keeping.

4. WHAT ARE THE DISADVANTAGES OF MAKING INVESTMENTS IN IRON MOUNTAIN THROUGH THE PLAN?

The plan may present certain disadvantages to a participant as compared to investing in our company through a brokerage firm:

We may, without giving you prior notice, change our determination as to whether the plan administrator or a broker affiliated with the plan administrator will purchase shares of common stock directly from us, in the open market or in privately negotiated transactions from third parties.

You will not know the actual number of shares purchased in any month for your account under the plan until after the applicable investment date.

Because the investment price may represent an average of numerous market prices, it may actually exceed the price at which you could have purchased shares in the open market on the investment date.

Sales of shares for participants that have made valid sale elections are made daily when practicable, at specified times and in a manner designed not to disrupt the market for our common stock. Accordingly, you may experience delays in the execution of sales of your shares held in the plan.

On purchases in excess of $10,000 that we approve, you may not be able to depend on the availability of a discount on newly issued shares acquired under the plan. While a discount from market prices of up to 5% may be established for a particular period, a discount for one period will not ensure the availability of the same discount or any discount for future periods. For any period we may, without giving you prior notice, change or eliminate the discount.

Shares deposited in a plan account may not be pledged. If you desire to pledge shares deposited in a plan account, you must withdraw the shares from the plan.

You will not receive interest on funds held by the plan administrator pending investment or on funds returned if we suspend or terminate the plan or if your investment does not meet our minimum threshold or exceeds $10,000 and is not approved by us.

5. WHO WILL ADMINISTER THE PLAN?

The plan will be administered by The Bank of New York, a New York trust company, or any successor plan administrator we designate. The plan administrator acts as agent for participants, keeps records of the accounts of participants, sends regular account statements to participants, and performs other duties relating to the plan. Shares purchased for each participant under the plan will be held by the plan administrator and will be registered in the name of the plan administrator or its nominee,

unless and until a participant requests that a stock certificate for all or part of such shares be issued, as more fully described in this prospectus. Correspondence with the plan administrator should be sent to:

Iron Mountain Incorporated
c/o The Bank of New York
101 Barclay Street 11 East
New York, NY 10286

Plan participants who are existing stockholders of ours or other persons requesting information about the plan may also telephone (617) 535-2874, 24 hours a day, seven days a week. Customer service representatives are available between the hours of 9:00 a.m. and 5:00 p.m., Eastern Time, Monday through Friday. This telephone number may be used to obtain or inquire about information concerning your plan account, authorization and enrollment forms, whether requests for waiver are being accepted, price and discount information and requests for waiver.

6. WHO IS ELIGIBLE TO PARTICIPATE IN THE PLAN?

Our existing stockholders, as well as persons seeking to purchase their first shares in our company, may participate in the plan.

A registered holder, which means a stockholder whose shares of common stock are registered in our stock transfer books in his or her name, may participate in the plan directly. A beneficial owner, which means a stockholder whose shares are registered in our stock transfer books in a name other than his or her name, for example, in the name of a broker, bank, or other nominee, must either become a registered holder by having the shares transferred into his or her name, make arrangements with his or her broker, bank or other nominee to participate in the plan on the participant's behalf, or follow procedures for interested investors who are not already stockholders.

An interested investor that is not currently a stockholder may participate in the plan by making an initial cash investment in our common stock of not less than $1,000 and not more than $10,000. In some circumstances, however, we may permit greater optional cash investments if an appropriate request for waiver is filed with us and accepted.

The right to participate in the plan is not transferable to another person. We reserve the right to exclude from participation in the plan persons who use the plan to engage in short-term trading activities that cause aberrations in the trading of our common stock. Optional cash investments submitted by brokerage firms or other nominees on behalf of a participant may be aggregated for purposes of determining whether the maximum investment of $10,000 per month would be exceeded. In addition, we reserve the right to treat optional cash investments submitted with forms reflecting participants with the same name, address or social security or taxpayer identification number as a single investment for purposes of determining whether the maximum investment of $10,000 per month would be exceeded.

If you live outside the United States and are not a citizen, you can participate in the plan provided there are not any laws or governmental regulations that would prohibit your participation in the plan. We reserve the right to terminate participation of any stockholder if we deem it advisable under any foreign or domestic laws or regulations. All plan funds must be in United States dollars and drawn on a United States financial institution. If you are not in the United States, please contact your financial institution to verify that they can provide you with a check that clears through a United States financial institution and can print the dollar amount in United States dollars. Due to the longer clearing period, we are unable to accept checks clearing through non-United States financial institutions. Please contact your local financial institution for details on how to make the transaction. If we ever pay dividends to stockholders, all dividends will be subject to withholding under the terms of any applicable tax treaty provisions. Please see Questions 9 and 13 for additional information on dividend reinvestment.

Participants residing in any jurisdiction in which their participation in the plan would be unlawful will not be eligible to participate in the plan.

7. HOW DOES AN ELIGIBLE PERSON PARTICIPATE IN THE PLAN?

A person may participate in the plan by following the appropriate procedure set forth below.

Our Registered Holders

If you are a registered holder of our common stock, you may enroll in the plan and become a participant by:

completing and signing a stockholder authorization form; and

returning it to the plan administrator at the address set forth in Question 5.

Please note, that if the shares you currently own are registered in more than one name, for example, as joint tenants or trustees, all registered holders of such shares must sign the stockholder authorization form exactly as their names appear on the account registration.

Registered holders may obtain additional information and the necessary stockholder authorization form at any time by contacting the plan administrator at the address or phone number set forth in Question 5.

Our Beneficial Owners

If you are a beneficial owner of our common stock and you desire to participate in the plan, you must:

instruct the registered holder who holds the shares of common stock on your behalf, usually a broker, bank or other nominee, to have all or a portion of those shares registered directly in your name. You would then follow the procedures described above for registered holders; or

make arrangements with the broker, bank or other nominee to participate in the plan on your behalf.

Alternatively, a beneficial holder may enroll in the plan in the same manner as someone who is not currently an owner of our common stock, as described in the procedures below for interested investors. Some state securities laws require that a registered broker-dealer send this information to their residents. A registered broker-dealer, rather than the plan administrator, will forward a copy of this prospectus and the enrollment form to residents of those states.

Interested Investors Who Do Not Currently Own Our Common Stock

An interested investor who is not presently one of our stockholders, but desires to become a participant in the plan by making an initial cash investment in our common stock, may join the plan by:

completing and signing an initial purchase form; and

forwarding it, together with a check in the amount of the initial cash investment of at least $1,000 and not more than $10,000, unless an appropriate waiver is filed with us and accepted, to the plan administrator at the address set forth in Question 5.

Any offer to make an initial cash investment greater than $10,000 must be made in accordance with the procedures described below in Question 17. Initial cash investments can be made by check payable to "The Bank of New York Iron Mountain Incorporated." All forms of payment must be in United States dollars and drawn on a United States financial institution. Cash, money orders, and third

party checks will not be accepted. Investments in excess of $10,000 and approved by us must be made by wire transfer as described below in Question 17.

Interested investors may obtain additional information and the necessary initial purchase form at any time using the address or phone number set forth in Question 5. Some state securities laws require that a registered broker-dealer send this information to their residents. A registered broker-dealer, rather than the plan administrator, will forward a copy of this prospectus and the initial purchase form to residents of those states.

8. WHAT IS THE PURPOSE AND EFFECT OF COMPLETING AND FORWARDING THE STOCKHOLDER AUTHORIZATION FORM AND THE INITIAL PURCHASE FORM?

The stockholder authorization form and the initial purchase form will appoint the plan administrator as your agent for purposes of your participation in the plan. The forms direct the plan administrator to apply any optional cash investments made by you, whether transmitted with the stockholder authorization form or the initial purchase form or made at dates subsequent to your enrollment, to the purchase on your behalf of additional full and fractional shares of our common stock in accordance with the plan.

9. CAN PLAN PARTICIPANTS REINVEST THE DIVIDENDS, IF ANY, ON THEIR COMMON STOCK THROUGH THE PLAN?

The stockholder authorization form and the initial purchase form allow participants to provide for the reinvestment of dividends, if any, through the following options (in all cases minus any applicable withholding tax):

Full dividend reinvestment. This option allows you to reinvest automatically all cash dividends received on all shares of our common stock registered in your name and/or held in your plan account.

Partial dividend reinvestment. This option allows you to receive cash dividends on a specified number of full shares of our common stock registered in your name and/or held in your plan account and to reinvest automatically only the dividends on any remaining shares of common stock.

No dividend reinvestment. This option allows you to receive cash dividends on all shares of our common stock registered in your name and/or held in your plan account. None of your cash dividends will be reinvested.

Any one of the above three options may be selected. In each case, cash dividends, if any, will be reinvested on all shares designated for participation in the plan until the participant specifies otherwise or withdraws from the plan altogether, or until the plan is terminated. Participation in the dividend reinvestment portion of the plan will commence with the next dividend payment date after the plan administrator receives your stockholder authorization form or initial purchase form, as the case may be, provided that the plan administrator receives the form on or prior to the record date for such dividend payment. If the plan administrator does not receive your stockholder authorization form or initial purchase form on or prior to the record date for a particular dividend payment, participation in the dividend reinvestment portion of the plan may not commence until the following dividend payment date.

A participant may change his or her dividend reinvestment election at any time by contacting the plan administrator. Changes in the dividend reinvestment election will be effective for a particular dividend payment date provided the request is received prior to the related dividend record date. If a change in the dividend reinvestment election is not received prior to the related dividend record date, the change will not be effective until the following dividend payment date.

Notwithstanding our discussion of your ability to reinvest dividends, it is unlikely that we will pay cash dividends in the foreseeable future and nothing in this prospectus is intended to indicate otherwise.

10. WHAT ARE THE EXPENSES OF THE PLAN, AND WHO PAYS THEM?

We will pay all fees, brokerage commissions, and related expenses associated with the purchase of our common stock in the open market or in negotiated transactions with third parties on behalf of participants. Shares purchased directly from us for the plan will not involve brokerage commissions or trading fees. There is, however, a one-time enrollment fee of $10.00 which will be deducted from the initial investment of interested investors who are not already stockholders of Iron Mountain.

In the event that any form of payment is returned unpaid for any reason, such as a returned check, the participant will be subject to a $25.00 fee which will be deducted from the participant's plan account. This fee and any other incidental costs associated with the insufficient funds will be collected by our plan administrator through the sale of an appropriate number of shares from your plan account.

In addition, participants that request the sale of any of their shares held in the plan must pay a service fee equal to $15.00 per sale, plus a commission currently equal to $0.10 per share sold plus any applicable taxes. The plan administrator may effect any sales of shares for the plan through a broker-dealer including a broker affiliated with the plan administrator, in which case the broker-dealer will receive the commission for effecting the transaction.

The plan administrator may also charge participants for additional services not provided under the plan. Brokers or nominees that participate on behalf of beneficial owners for whom they are holding shares may charge such beneficial owners additional fees in connection with such participation, for which neither the plan administrator nor we will be responsible.

Participation in the plan is voluntary and a participant may discontinue his or her participation at any time.

11. WHAT ARE THE SOURCES OF SHARES PURCHASED UNDER THE PLAN?

Purchases of shares of our common stock by the plan administrator for participants in the plan may be made, at our election, either (1) directly from us out of our authorized but unissued shares of common stock or treasury shares, or (2) in the open market or in negotiated transactions with third parties. We or the plan administrator will also appoint a broker affiliated with the plan administrator to act on behalf of plan participants in buying stock in the open market. This affiliated broker will also sell shares of common stock held in the plan for plan participants.

12. WHEN ARE SHARES PURCHASED UNDER THE PLAN; WHAT IS THE INVESTMENT DATE?

Purchases of shares of common stock made with initial cash payments from enrolling investors and with optional cash payments from current stockholders will begin on an investment date which will be the 1st and 15th of each month (if this date is not a trading day on the New York Stock Exchange, then the investment date will be the next trading day), except that an investment date for investments in excess of $10,000 pursuant to requests for waiver that we have approved will occur only once a month, if at all, on a day that we set at the beginning of the month, which will be the end of the pricing period for such month.

The plan administrator will use cash investments to purchase shares of common stock during the relevant investment period. The plan administrator will make arrangements with an affiliated broker to buy shares in the open market. Purchases may be made over a number of days to meet the requirements of the plan. No interest will be paid on funds held by the plan administrator or its affiliated broker pending investment. The plan administrator or its affiliated broker may commingle your funds with those of other participants in the plan for purposes of executing purchase transactions.

Because the plan administrator or its affiliated broker will purchase shares on behalf of the plan, neither we nor any participant in the plan has the authority or power to control either the timing or pricing of the shares purchased. Therefore, you will not be able to precisely time your purchases through the plan, and you will bear the market risk associated with fluctuations in the price of our common stock. That is, if you send in an investment, it is possible that the market price of our common stock could go up or down before the plan administrator or its affiliated broker arranges to purchase stock with your funds.

For investments that do not exceed $10,000, the plan administrator or its affiliated broker will use its best efforts to apply all funds to the purchase of shares before the next investment date, subject to any applicable requirements of federal or state securities laws. We reserve the right to designate an exclusive broker to purchase our shares of common stock on the open market. Purchases of our shares of common stock by the plan administrator or its affiliated broker on the open market or in negotiated transactions with third parties usually will be completed no later than 30 days after the applicable investment date, except where completion at a later date is necessary or advisable under any applicable securities laws or regulations; provided, however, investments under $10,000 that are not invested within 35 days of receipt will be returned. Shares of common stock purchased on the open market or in negotiated transactions with third parties will be credited to participating accounts as soon as practicable after all purchases for the investment date are settled. Shares issued and sold by us will be credited on the investment date.

Pursuant to an approved request for waiver, the plan administrator will only acquire shares of common stock directly from us out of our authorized but unissued shares of common stock or treasury shares. Newly issued shares or treasury shares purchased with investments over $10,000 will be posted to participants' accounts as of the investment date determined by us at the beginning of each month.

If dividends are declared at some time in the future, the investment date for the reinvestment of dividends will be the dividend payment date, (if this date is not a trading day on the New York Stock Exchange, then the investment date will be the next trading day). Purchases with dividend investments will begin on the investment date. Newly issued shares or treasury shares will be posted to participants' accounts as of the investment date. Purchases with dividend investments in the open market or in negotiated transactions with third parties, however, will be posted to participants' accounts after the settlement period. Settlement normally occurs three business days after the investment is completed. Dividends that are not invested within 30 days of the dividend date will be paid to the participant.

The plan administrator must receive cash investments, other than investments pursuant to requests for waiver, no later than two business days before the investment date for those investments to be invested in our common stock beginning on that investment date. Otherwise, the plan administrator may hold those funds and arrange for their investment beginning on the next investment date. No interest will be paid on funds held by the plan administrator or its affiliated broker pending investment. Accordingly, you may wish to transmit any investments so that they reach the plan administrator shortly but not less than two business days before the investment date. This will minimize the time period during which your funds are not invested. Participants have an unconditional right to obtain the return of any cash payment up to two business days prior to the investment date by sending a written request to the plan administrator.

Please note that participants will not be able to instruct the plan administrator or its affiliated broker to purchase shares at a specific time or at a specific price.

13. HOW IS THE PRICE DETERMINED FOR SHARES ACQUIRED THROUGH DIVIDEND REINVESTMENT?

The plan will acquire shares for participants who have elected to reinvest all or a portion of their dividends if, at some time in the future, a dividend is declared by our board of directors. Purchases of

shares of our common stock through the reinvestment of dividends, if any are declared, will begin on the investment date (i.e., the dividend payment date). The purchase price of shares acquired through the plan through the reinvestment of dividends will be equal to:

in the case of newly issued shares or treasury shares of our common stock, the average of the high and low sale prices of our common stock as reported as New York Stock Exchange Composite Transactions on the investment date. If no trading is reported for the investment date, the purchase price will be equal to the average of the high and low sale prices of our common stock as reported as New York Stock Exchange Composite Transactions, on the trading day immediately prior to the investment date; or

in the case of shares purchased in the open market or in privately negotiated transactions, the weighted average price of all shares purchased with the dividend funds.

14. WHAT LIMITATIONS AND EXCEPTIONS APPLY TO OPTIONAL CASH INVESTMENTS?

For any investment date, optional cash investments made by our stockholders are subject to a minimum of $500 per payment. In addition, optional cash investments by our stockholders are subject to a maximum of $10,000 per month, unless a request for waiver has been approved as described below. Optional cash investments made by interested investors who are not then stockholders of our company are subject to a minimum initial investment of $1,000 and a maximum of $10,000, unless a request for waiver has been approved.

Optional cash investments of less than the allowable minimum amount and that portion of any optional cash investment that exceeds the allowable monthly maximum amount will be returned, except as noted below, promptly to participants, without interest. Optional cash investments submitted by brokerage firms or other nominees on behalf of a participant may be aggregated for purposes of determining whether the $10,000 limit will be exceeded. In addition, we reserve the right to treat optional cash investments submitted with forms reflecting participants with the same name, address or social security or taxpayer identification number as a single investment for purposes of determining whether the $10,000 limit would be exceeded. Please note that dividend funds, if any, will not be combined with optional cash investments in determining whether the $10,000 limit has been exceeded.

15. HOW ARE INVESTMENTS FOR $10,000 OR LESS MADE?

All participants, including brokers, banks and nominees with respect to shares registered in their name on behalf of beneficial owners, are eligible to make optional cash investments at any time. Other interested investors that are not stockholders of our company are also eligible to make initial investments in our common stock at any time by submitting an initial purchase form and funds representing their desired initial investments.

The plan administrator will apply all investments under $10,000 per month by check, for which good funds are received at least two business days before the investment date for those investments to be invested in our common stock beginning on that investment date. If good funds are received by the plan administrator by check after this deadline, they will not be invested until the next following investment date. No interest will be paid on any funds pending investment. All optional cash investments are subject to collection by the plan administrator for full face value in United States dollars.

Newly issued shares or treasury shares will be posted to participants' accounts as of the investment date. Purchases in the open market or in negotiated transactions with third parties, however, will be posted to participants' accounts after the settlement period. Settlement normally occurs three business days after the investment is completed.

There is no obligation to make an optional cash investment at any time, and the amount of such investments may vary from time to time.

All optional cash investments made by check should be made payable to:

"The Bank of New York Iron Mountain Incorporated"

and mailed to the plan administrator, along with the cash investment or other transaction form attached to the bottom of each statement of holdings, at the address listed on the form. Due to the longer clearance period, the plan administrator is unable to accept checks clearing through non-United States financial institutions. Any checks not drawn on a United States financial institution or not payable in United States dollars will be returned to the participant, as will any cash, money order or third party checks. If you are not in the United States, contact your financial institution to verify that they can provide you with a check that clears through a United States financial institution and can print the dollar amount in United States funds. All inquiries should be directed to the plan administrator as set forth in Question 5.

In the event that any form of payment is returned unpaid for any reason, the plan administrator will consider the request for investment of such funds null and void and shall immediately remove from the participant's account shares, if any, purchased upon the prior credit of such funds. The plan administrator shall then be entitled to sell those shares to satisfy any uncollected amounts. If the net proceeds of the sale of these shares are insufficient to satisfy the balance of the uncollected amounts, the plan administrator shall be entitled to sell such additional shares from the participant's account as necessary to satisfy the uncollected balance. Any deposit returned unpaid will be subject to a $25.00 fee that will be deducted from the participant's account, as described above in Question 10.

16. HOW IS THE PRICE DETERMINED FOR INVESTMENTS OF $10,000 OR LESS?

Each month the plan will acquire shares for participants who have made valid and timely cash investments during that month.

The purchase price of shares acquired through the plan with cash investments of $10,000 or less during any month will be equal to:

in the case of newly issued shares or treasury shares of our common stock, the average of the high and low sale prices of our common stock as reported as New York Stock Exchange Composite Transactions on the investment date. If no trading is reported for the investment date, the purchase price will be equal to the average of the high and low sale prices of our common stock as reported as New York Stock Exchange Composite Transactions on the trading day immediately prior to the investment date; or

in the case of shares purchased in the open market or in privately negotiated transactions, the weighted average price of all shares purchased.

17. HOW ARE INVESTMENTS IN EXCESS OF $10,000 MADE?

Investments in excess of $10,000 per month may be made only pursuant to a request for waiver accepted by us.

Participants may ascertain whether we are accepting requests for waiver in any given month, and certain other important information, by telephoning us on the first business day of each month at (617) 535-2874 or such other number as we may establish from time to time. When participants telephone Investor Relations on the first business day of each month, we will inform such participants of one of the three following pieces of information:

(1) that we will not be accepting requests for waiver that month;

(2) that we will be accepting requests for waiver that month. If this is the case, we will either (a) provide relevant information such as the date the pricing period will begin; the number of days in the pricing period; the threshold price, if any; the waiver discount, if any; and whether we have established a reverse auction procedure, or (b) inform participants of a date later in the month when they can call to obtain this relevant information; or

(3) that we have not yet determined whether we will be accepting requests for waiver. If this is the case, we will inform participants of a date later in the month when they can call to inquire as to whether we will be accepting requests for waiver.

We will decide whether to accept requests for waiver at least three days prior to the commencement of the applicable pricing period, as is further explained in Question 18.

We must receive a request for waiver no later than 2:00 p.m., New York City time, on the third business day before the first day of the relevant pricing period. Participants who wish to make an investment in excess of $10,000 in any given month, including those whose proposed investments have been aggregated so as to exceed $10,000, must obtain our prior written approval, which will be given or rejected on or before the second business day prior to the first day of the pricing period, and a copy of such written approval must accompany any such investment. Good funds for such investments exceeding $10,000 per month must be received by the plan administrator no later than one business day prior to the first day of the pricing period. To obtain a request for waiver or additional information, a participant may call Investor Relations at the number above. Completed requests for waiver should be faxed directly to Investor Relations at (617) 535-7881 or such other number as we may establish from time to time.

We also may make the foregoing information available on the Investor Relations segment of our website at http://www.ironmountain.com or on another website as we may establish for this purpose from time to time. The website may also contain a form for submitting a request for waiver via electronic mail. We have not incorporated by reference into this prospectus the information on our website, and you should not consider it to be a part of this prospectus.

We have sole discretion to grant any approval for investments in excess of the allowable maximum amount. In deciding whether to approve a request for waiver, we will consider relevant factors including, but not limited to:

whether the plan is then purchasing newly issued shares or treasury shares of our common stock, or is purchasing shares of our common stock in the open market;

our need for additional funds;

the attractiveness of obtaining such additional funds through the sale of our common stock as compared to other sources of funds;

the purchase price likely to apply to any sale of common stock;

the participant submitting the request;

the extent and nature of such participant's prior participation in the plan;

the number of shares held of record by such participant; and

the aggregate amount of optional cash investments in excess of $10,000 for which requests for waiver have been submitted by all participants.

If requests for waiver are submitted for any investment date for an aggregate amount in excess of the amount we are then willing to accept, we may honor such requests in order of receipt, pro rata or by any other method that we determine, in our sole discretion, to be appropriate.

We reserve the right to modify, suspend or terminate participation in the plan by otherwise eligible registered holders or beneficial owners of our common stock for any reason whatsoever, including elimination of practices that are not consistent with the purposes of the plan.

18. HOW IS THE PRICE DETERMINED FOR INVESTMENTS IN EXCESS OF $10,000 PURSUANT TO A REQUEST FOR WAIVER?

Pricing Period and Purchase Price Determination

The trading period over which the investment price is calculated for purchases in excess of $10,000 per month is referred to as the pricing period. You may ascertain all relevant information regarding the pricing period and purchase price determination by telephoning us at (617) 535-2874 or at such other number as we may establish from time to time, as is explained in Question 17.

The purchase price of shares of our common stock purchased pursuant to a request for waiver will be the volume weighted average price of our common stock reported by the New York Stock Exchange, from Bloomberg, LP (unless such service is unavailable, in which case we will designate another service to be utilized prior to the beginning of the pricing period) for the New York Stock Exchange Composite Transactions occurring during the trading hours from 9:30 a.m., New York City time, through the close of trading on the New York Stock Exchange, rounded to four decimal places, if necessary, for each trading day during the relevant pricing period, less any applicable waiver discount as described below, calculated pro rata on a daily basis. For example, if a cash investment of $10 million is made pursuant to an approved request for waiver for a pricing period of 10 trading days, the number of shares will be calculated for each day of the pricing period by taking a pro rata portion of the total cash investment for each day of the pricing period, which would be $1 million, and dividing it by the volume weighted average price of our common stock reported as New York Stock Exchange Composite Transactions, obtained from Bloomberg, LP (unless such service is unavailable, in which case we will designate another service to be utilized prior to the beginning of the pricing period) on that day, rounded to four decimal places, if necessary, less any applicable discount. On the last day of the pricing period, or the investment date, the total investment amount, $10 million, will be divided by the total number of shares acquired over the 10 days (assuming the threshold price is met) in order to establish the purchase price.

The plan administrator will apply all investments pursuant to requests for waiver that are approved by us and that are received by the plan administrator on or before the first business day before the first day of the relevant pricing period to the purchase of shares of our common stock on the investment date we set at the beginning of the month for such approved investments. All such investments received after the close of business on the first business day before the first day of the relevant pricing period will be returned without interest.

Optional Pricing Period Extension Feature

We may elect to activate for any given pricing period the pricing period extension feature which will provide that the initial pricing period will be extended by the number of days that the threshold price is not satisfied, or on which there are no trades of our common stock reported as New York Stock Exchange Composite Transactions, subject to a maximum of five days. If the threshold price is satisfied for any additional day that has been added to the initial pricing period, that day will be included as one of the trading days for the pricing period in lieu of the day on which the threshold price was not met or trades of our common stock were not reported. For example, if the determined pricing period is 10 consecutive business days, and the threshold price is not satisfied for three out of those 10 days in the pricing period, and we had previously announced at the time of the waiver request acceptance that the optional pricing period extension feature was activated, then the pricing period will automatically be extended, and if the threshold price is satisfied on the next three trading days, then

those three days will be included in the pricing period in lieu of the three days on which the threshold price was not met. As a result, the purchase price will be based upon the 10 trading days of the initial and extended pricing period on which the threshold price was satisfied and all of the optional cash investment will be invested (rather than 30% being returned to the participant). Participants may ascertain whether the pricing period extension feature has been activated for any given pricing period by telephoning us at (617) 535-2874 or at such other number as we may establish from time to time, at the conclusion of the original pricing period.

Threshold Price with Respect to Optional Cash Investments Made Pursuant to Requests for Waiver

We may establish for any pricing period a threshold price applicable to investments made pursuant to requests for waiver. At least three business days prior to the first day of the applicable pricing period, we will determine whether to establish a threshold price and, if a threshold price is established, its amount, and will so notify the plan administrator. This determination will be made by us in our sole discretion after a review of current market conditions, the level of participation in the plan, and current and projected capital needs. Participants may ascertain whether a threshold price has been set or waived for any given pricing period and any applicable discount by telephoning us at (617) 535-2874 or at such other number as we may establish from time to time, as is explained in Question 17.

If established for any pricing period, the threshold price will be stated as a dollar amount that the volume weighted average price of our common stock reported as New York Stock Exchange Composite Transactions, obtained from Bloomberg, LP (unless such service is unavailable, in which case we will designate another service to be utilized prior to the beginning of the pricing period) for the trading hours from 9:30 a.m., New York City time, through the close of trading on the New York Stock Exchange, must equal or exceed on each trading day of the relevant pricing period. In the event that the threshold price is not satisfied for a trading day in the pricing period or there are no trades of our common stock reported as New York Stock Exchange Composite Transactions for a trading day, then that trading day will be excluded from the pricing period with respect to optional cash investments made pursuant to requests for waiver, and all trading prices for that day will be excluded from the determination of the purchase price. For example, if the threshold price is not satisfied for two of the 10 trading days in a pricing period, then the purchase price wid to loss of revenue and a reduction in profitability.

Changes in federal and state regulatory requirements in the US and in national regulatory requirements in the UK could negatively affect our revenues or profitability.

The group is currently subject to multiple federal and state regulations in the US and to national regulation in the UK. Among other things, these regulatory authorities impose limitations on the rates the group can charge and seek to promote competition in certain of the group s markets. As the regulatory environment continues to evolve, changes in the regulatory framework, the group s compliance costs and the effect on the business of the group and profitability is uncertain. Future regulatory changes may negatively affect our business, results of operations or financial condition.

In the US, the group is subject to the jurisdiction of federal and state regulatory authorities. The Federal Energy Regulatory Commission, or FERC, establishes tariffs under which our subsidiary, PacifiCorp, provides transmission services to the wholesale market and the retail market for states allowing retail competition, establishes both cost-based and market-based tariffs under which PacifiCorp sells electricity at wholesale and has licensing authority over most of PacifiCorp s hydro-electric generation facilities. The utility regulatory commissions in each state in which PacifiCorp operates independently determine the rates PacifiCorp may charge its retail customers in that state. Each state s rate-setting process is based upon that commission s acceptance of an allocated share of PacifiCorp s total costs as such state s responsibility . When different states adopt different methods to address this interjurisdictional cost allocation issue, some costs may not be incorporated into any rates in any state. Rate making is done on the basis of normalized costs, so if in a specific year, realized costs are higher than normal, rates will not be high enough to cover those costs. Likewise, if in a given year costs are lower than normal or revenues are higher, PacifiCorp retains the resulting higher-than-normal profit. Each state commission sets rates based on a test year presented by a company in accordance with commission rules. In states that use a historical test year, rate adjustments can follow historical cost increases, or decreases, by up to two years. In a period of increasing costs, this regulatory lag

Table of Contents

results in a delay in recovery of costs currently incurred but not in rates, and also imposes a time-value-of-money burden on PacifiCorp. Further, each state commission decides what levels of expense and investment are necessary, reasonable and prudent in providing service. In the event that a state commission decides that part of PacifiCorp s costs do not meet this standard, such costs will be disallowed and will not be recovered in rates.

Several of PacifiCorp s hydro-electric projects are in some stage of the FERC relicensing under the Federal Power Act, or FPA. The relicensing process is a political and public regulatory process that involves sensitive resource issues. PacifiCorp is unable to predict the requirements that may be imposed during the relicensing process, the economic impact of those requirements, whether new licenses will ultimately be issued or whether PacifiCorp will be willing to meet the relicensing requirements to continue operating its hydroelectric projects.

Federal, state and local authorities regulate many of PacifiCorp s activities pursuant to laws designed to restore, protect and enhance the quality of the environment. PacifiCorp is unable to predict what material impact, if any, future changes in environmental laws and regulations may have on the group s consolidated results or financial position.

In the UK, the electricity and gas industries are regulated primarily through powers assigned, under the Utilities Act 2000, to an authority which licenses industry participants, enforces license conditions, regulates quality of service and sets pricing formulae for electricity transmission and distribution activities. In principle, the authority has wide discretion in the exercise of its obligation to act to protect the interests of customers, by promoting effective competition wherever appropriate. Ensuring that license holders are able to finance their functions is only one of a number of other factors which the authority must consider. UK regulations designed to restore, protect and enhance the quality of the environment are similarly introduced through a process of intensive and generally EU-wide consultation with the industry and other parties. The costs associated with the general tightening of environmental regulation may adversely affect our revenues and profitability.

Pending legislation in the US and UK could negatively affect the nature and extent of regulations we are subject to and our revenues or profitability.

In the US, our subsidiaries PacifiCorp and PPM Energy, Inc. conduct business in conformity with a multitude of federal and state laws. The US Congress has been considering significant changes in energy, air quality, and tax policy. Energy legislation that has advanced through the Congress but may not receive final approval before adjournment would make certain changes in federal law affecting PacifiCorp and PPM Energy, Inc. The pending changes would affect the hydro-electric licensing process under the FPA and extend the renewable energy production tax credit, which would be likely to benefit PacifiCorp s efforts to develop, acquire, and maintain a low-cost generation portfolio and PPM Energy, Inc s efforts to continue developing its renewable energy portfolio. The Congress has included extension of the renewable energy production tax credit in corporate tax reform bills as well as the energy legislation. Changes to the Clean Air Act were introduced in the Congress in 2003 and 2004 but we do not believe air emissions legislation affecting PacifiCorp or PPM Energy, Inc. is likely to be approved prior to adjournment. It is expected that debate over utility air emissions will begin anew when the Congress convenes in 2005. These activities are being monitored closely in that they may affect requirements for several emissions from fossil-fuelled generation plants.

The laws of the states in which PacifiCorp and PPM Energy, Inc. operate affect the generation, transmission, and distribution of energy. The state legislatures monitored by the companies have concluded their regular legislative sessions for the year. The California Legislature most recently concluded its regular session, passing two significant energy-related bills. The Governor of California has yet to sign or veto these bills, numbered AB 2006 and SB 1478. The Governor s office has raised concerns over AB 2006, however. PacifiCorp and PPM Energy, Inc. have monitored those bills closely. We believe certain provisions of AB 2006 could lead to even more protracted consideration of certain proceedings before the California Public Utilities Commission. On the other hand, California represents less than two percent of PacifiCorp s business. PPM Energy, Inc. has conducted a preliminary review of SB 1478 and believes the bill, when compared with current law, does not negatively affect its opportunities to market renewable energy in the state. In other jurisdictions, PacifiCorp and PPM Energy, Inc. are not aware of any new laws

positively or negatively affecting them in any significant manner.

Table of Contents

In the UK, energy policy has been set out in a Government White Paper, published in February 2003, which emphasizes a continuing intention to make maximum use of market-based mechanisms while seeking to reduce the use of carbon, boost energy-saving and maintain efforts to mitigate the impact of fuel costs on lower income households. There is particular emphasis on the use of renewable energy sources and developing discussion of the network enhancements likely to be required for the increased use of both renewables and embedded generation. The White Paper has received broad endorsement across the UK political spectrum and appears to be largely consistent with EU policy generally. However, as the policy outlined extends well into the future, it could be subject to change and amendment by future Governments.

The international nature of the group s business operations subjects us to additional business risks including increased logistical and financial complexity and currency fluctuations.

The percentage of our revenues derived from customers located outside of the US was 54% in 2003/04, 47% in 2002/03 and 50% in 2001/02. The international nature of our operations subjects us to a number of risks, including:

increased complexity and costs of managing international operations;

multiple, sometimes conflicting and changing laws, regulations and tax schemes; and

currency fluctuations.

The group s business may be vulnerable to acts of terrorism.

The emergence of terrorism threats is a risk to the entire utility industry, including the group. Potential disruptions to operations or destruction of facilities from terrorism are not readily determinable and can lead to a loss of revenue and reduction in profitability.

It may be difficult for investors to effect service of process or enforce judgments against us in the US.

ScottishPower is a public limited company incorporated under the laws of Scotland. Many of ScottishPower s, and two of Scottish Power Finance (US), Inc. s, directors and officers reside outside of the US, and a substantial portion of our assets and the assets of these persons are located in jurisdictions outside of the US, in the UK in particular, as of the date of this prospectus. Accordingly, it may be difficult for investors to effect service of process within the United States upon ScottishPower or these non-US persons, or to enforce against them judgments obtained in the US predicated upon the civil liability provisions of the US federal securities laws. Your attention is directed to the section entitled Enforceability of Certain Civil Liabilities in this prospectus for additional information.

Risks Relating to an Investment in the Debt Securities

Because ScottishPower is a holding company and currently conducts its operations through subsidiaries, your right to receive payments on debt securities issued by ScottishPower or on the guarantees is subordinated to the other liabilities of its subsidiaries.

ScottishPower is organized as a holding company, and substantially all of its operations are carried on through subsidiaries. ScottishPower had guaranteed a total of £561.5 million of debt as of December 31, 2004. ScottishPower s ability to meet its financial obligations is dependent upon the availability of cash flows from its domestic and foreign subsidiaries and affiliated companies through dividends, intercompany advances, management fees and other payments. ScottishPower s subsidiaries are not guarantors of the debt securities that ScottishPower may offer. Moreover, these subsidiaries and affiliated companies are not required and may not be able to pay dividends to ScottishPower. Claims of the creditors of ScottishPower s subsidiaries have priority as to the assets of such subsidiaries over the claims of ScottishPower and its creditors. Consequently, in the event of insolvency of ScottishPower, the claims of holders of notes guaranteed or issued by ScottishPower would be structurally subordinated to the prior claims of the creditors of subsidiaries of ScottishPower.

Table of Contents

Some of the subsidiaries of ScottishPower are subject to laws restricting the amount of dividends they may pay, which may adversely affect the amount of funds available for ScottishPower to make payments on its debt securities or on the guarantees.

Some of ScottishPower s subsidiaries are subject to laws restricting the amount of dividends they may pay. For example, the ability of ScottishPower subsidiaries that are incorporated under the laws of Scotland or under the laws of England and Wales to declare dividends and make payments on account of intercompany loans due to the failure to meet requirements tied to net asset levels or distributable profits may be affected by law.

Under the US Public Utility Holding Company Act of 1935 and regulations adopted thereunder, as well as under the regulations of and undertakings made to state regulatory authorities, ScottishPower and certain of its subsidiaries may also be subject to restrictions on the payment of dividends. These restrictions may adversely impact the amount of funds available for ScottishPower to make payments on debt securities issued by ScottishPower or on the guarantees.

Because the debt securities are unsecured, your right to receive payments may be adversely affected.

The debt securities that we are offering will be unsecured. The senior debt securities and the guaranteed debt securities are not subordinated to any of our other debt obligations and therefore they will rank equally with all our other unsecured and unsubordinated indebtedness. The subordinated debt securities will, to the extent set forth in the applicable subordinated indenture, be subordinated in right of payment to the prior payment in full of all senior indebtedness of ScottishPower, whether outstanding at the date of the subordinated indenture or incurred after that date. The indentures governing the debt securities contain cross-default provisions whereby a default on the debt securities would occur if (with respect to indebtedness exceeding an aggregate principal amount of $100 million) we fail to pay any portion of principal of such indebtedness when due and payable or a default causes an acceleration of the maturity date of such indebtedness. As of December 31, 2004, the group had £1,834.1 million aggregate principal amount of secured indebtedness outstanding. If Scottish Power Finance (US), Inc. defaults on the guaranteed debt securities or ScottishPower defaults on its debt securities or the guarantees, or in the event of bankruptcy, liquidation or reorganization, then, to the extent that Scottish Power Finance (US), Inc. or ScottishPower have granted security over their assets, the assets that secure these debts will be used to satisfy the obligations under that secured debt before Scottish Power Finance (US), Inc. could make payment on the guaranteed debt securities or ScottishPower could make payment on its debt securities or the guarantees, as the case may be. If there is not enough collateral to satisfy the obligations of the secured debt, then the remaining amounts on the secured debt would share equally with all unsubordinated unsecured indebtedness.

Should ScottishPower or Scottish Power Finance (US), Inc. default on its debt securities, or should ScottishPower default on the guarantees, your right to receive payments on such debt securities or guarantees may be adversely affected by applicable insolvency laws.

ScottishPower, a public limited company, is incorporated under the laws of Scotland. Accordingly, insolvency proceedings with respect to ScottishPower are likely to proceed under, and be governed by, UK insolvency law and insolvency proceedings. The procedural and substantive provisions of such UK insolvency laws are generally more favorable to secured creditors than comparable provisions of United States law. Such UK provisions afford unsecured creditors only limited protection and it will generally not be possible for ScottishPower or unsecured creditors to prevent or delay the secured creditors from enforcing their security to repay the debts due to them under the terms that such security was granted.

Your rights as a holder of debt securities may be inferior to the rights of holders of debt securities issued under a different series pursuant to the indenture.

The debt securities are governed by documents called indentures, which are described later under Description of Debt Securities and Guarantees . We may issue as many distinct series of debt securities under the indentures as we wish. We may also issue a series of debt securities under the indentures that provides holders with rights superior to the rights already granted or that may be granted in the future to holders of another series. You should read carefully the specific terms of any particular series of debt securities which will be contained in the prospectus supplement relating to such debt securities.

Table of Contents

The debt securities lack a developed trading market, and such a market may never develop.

ScottishPower and Scottish Power Finance (US), Inc. may issue debt securities in different series with different terms and in amounts that are to be determined. Debt securities issued by ScottishPower may be listed on the New York Stock Exchange or another recognized stock exchange. We would not expect to list debt securities issued by Scottish Power Finance (US), Inc. on any stock exchange. However, there can be no assurance that an active trading market will develop for any series of debt securities of ScottishPower or Scottish Power Finance (US), Inc. even if we list the series on a securities exchange. There can also be no assurance regarding the ability of holders of our debt securities to sell their debt securities or the price at which such holders may be able to sell their debt securities. If a trading market were to develop, the debt securities could trade at prices that may be higher or lower than the initial offering price and this may result in a return that is greater or less than the interest rate on the debt security, in each case depending on many factors, including, among other things, prevailing interest rates, ScottishPower s financial results, any decline in ScottishPower s credit-worthiness and the market for similar securities.

Any underwriters, broker-dealers or agents that participate in the distribution of the debt securities may make a market in the debt securities as permitted by applicable laws and regulations but will have no obligation to do so, and any such market-making activities may be discontinued at any time. Therefore, there can be no assurance as to the liquidity of any trading market or that an active public market for the debt securities will develop.

Risks Relating to an Investment in ScottishPower s Shares

ScottishPower s ordinary shares and ADSs may experience volatility which will negatively affect your investment.

In recent years most major stock markets have experienced significant price and trading volume fluctuations. These fluctuations have often been unrelated or disproportionate to the operating performance of the underlying companies. Accordingly, there could be significant fluctuations in the price of ScottishPower s ordinary shares and ADSs even if ScottishPower s operating results meet the expectations of the investment community. In addition,

- announcements by ScottishPower or its competitors relating to operating results, earnings, volume, acquisitions or joint ventures, capital commitments or spending,
- changes in financial estimates or investment recommendations by securities analysts,
- changes in market valuations of other utility companies,
- adverse economic performance or recession in the United States or Europe, or
- disruptions in trading on major stock markets,

could cause the market price of ScottishPower s ordinary shares or ADSs to fluctuate significantly.

6

Table of Contents

SCOTTISH POWER PLC

ScottishPower is an international energy company listed on both the London and New York stock exchanges. Through our operating subsidiaries, we provide electricity or gas services to over 6.6 million customers across the UK and the western US. The group provides electricity generation, transmission, distribution and supply services in both countries. Our North American activities extend to coal mining and gas storage, including gas facilities in western Canada and in Texas. In Great Britain, through the subsidiaries of ScottishPower UK plc, or SPUK (which itself is an indirect subsidiary of ScottishPower), ScottishPower also stores and supplies gas. In our fiscal year ended March 31, 2004, our sales revenues were £5.8 billion. For the nine months ended December 31, 2004, our sales revenues were £4.9 billion.

Following our creation upon privatization in 1991, we have developed by both organic growth and strategic acquisitions in the British electricity, gas and telephony markets, and through our November 1999 merger with PacifiCorp in the US. During 2001 and 2002, the group was redefined as an international energy business, exiting non-strategic activities in the US and UK, demerging the UK telecommunications and internet business to our shareholders and, in April 2002, selling the UK water and wastewater company, Southern Water. From 2002 to date, ScottishPower has focused on its strategic aim of becoming a leading international energy company.

ScottishPower s strategy is to become a leading international energy company, managing both regulated and competitive businesses in the US and the UK to serve electricity and gas customers. The regulated businesses provide a base for steady growth through consistent investment and our proven skills in operational and regulatory management. In our competitive businesses where we have local market knowledge and skill advantages, we seek to grow our market share and to enhance margins through the integration of electricity generation, energy management and customer services, again underpinned by best-in-class operational performance. The aim is to support the growth and development of both regulated and competitive businesses through a balanced program of capital investment which will deliver organic growth. We expect growth will arise from investment in new generation, networks and gas storage assets. We will also seek to accelerate the group s organic growth through competitive market share gains and selective acquisitions of smaller operations that complement our business.

The strategy is delivered through four businesses, each clearly focused on its strategic priorities:

PacifiCorp

Infrastructure Division

UK Division

PPM Energy, Inc.

In each of the US and the UK, there is one business operating under regulation and one in competitive market conditions.

In the US, PacifiCorp operates as a regulated electricity business. The competitive energy business is PPM Energy, Inc. Both are subsidiaries of PacifiCorp Holdings, Inc., a non-operating, US holding company, itself an indirect wholly-owned subsidiary of ScottishPower. PacifiCorp Holdings, Inc. is also the parent company of PacifiCorp Group Holdings which owns the shares of subsidiaries not regulated as domestic

electricity providers, including PacifiCorp Financial Services, Inc.

In the UK, the regulated Infrastructure Division comprises subsidiaries of SPUK which carry out electricity transmission and distribution and gas transportation activities. Other subsidiaries operating in the now competitive UK energy markets comprise the bulk of the group s competitive energy business, the UK Division, covering its UK generation assets, commercial and energy management activities and energy supply business units.

Table of Contents

SCOTTISH POWER FINANCE (US), INC.

Scottish Power Finance (US), Inc. is a direct, wholly owned subsidiary of PacifiCorp Holdings, Inc. (PHI) and was incorporated under the laws of Delaware on October 5, 2004. PHI is an indirect wholly owned subsidiary of ScottishPower. Scottish Power Finance (US), Inc. is a financing vehicle for ScottishPower s US operating companies and it has no independent operations, other than holding cash and US government securities and issuing securities from time to time. Scottish Power Finance (US), Inc. will lend substantially all proceeds of its borrowings to one or more of ScottishPower s subsidiaries that are operating companies.

ScottishPower will fully and unconditionally guarantee the debt securities issued by Scottish Power Finance (US), Inc. as to payment of principal, premium, if any, interest and any other amounts due.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES OF SCOTTISH POWER PLC

(Unaudited)

The following table presents ScottishPower s consolidated ratio of earnings to fixed charges for the periods indicated.

	Nine Months Ended		Fiscal Year Ended March 31,				
	December 31, 2004	December 31, 2003	2004	2003	2002	2001	2000
UK GAAP	3.4	3.1	3.3	2.8	1.7	2.0	2.6
US GAAP	4.1	4.3	4.0	3.3	2.2	2.6	2.7

Fixed charges for both computations consist of: interest expensed and capitalized; amortized premiums, discounts and capitalized expenses related to indebtedness; and preferred security dividend requirements of consolidated subsidiaries.

Earnings under UK GAAP consist of the sum of:

- pre-tax income (from continuing operations and before exceptional items, minority interest and any profits/(losses) before tax from associates or joint ventures);
- fixed charges; and
- distributed income of equity investees, or dividends received from joint ventures.

Less:

- capitalized interest;
- preferred security dividend requirements of consolidated subsidiaries; and
- the minority interest from continuing operations, before exceptional items, of subsidiaries.

Earnings under US GAAP consist of the earnings as determined under UK GAAP above, which have then been adjusted for the impact of the US GAAP adjustments, before cumulative adjustments, as disclosed in our Annual Reports on Form 20-F and our quarterly reports on Form 6-K for each of the respective periods.

If this prospectus is used to offer preference shares, we will include in the applicable prospectus supplement a ratio of combined fixed charges and preference dividends to earnings.

Table of Contents

CAPITALIZATION AND INDEBTEDNESS

The following tables and notes thereto set forth, on a UK GAAP basis, our capitalization and indebtedness, extracted from our unaudited consolidated accounts as of December 31, 2004:

	As of December 31, 2004
	(£ million)
Share capital and reserves	
Share capital Authorized 3,000 million Ordinary Shares of 50p each	1,500.0
	1,500.0
Allotted, called up and fully paid 1,864.4 million Ordinary Shares of 50p each	932.2
Share Premium Account	2,291.6
Capital Redemption Reserve	18.3
Merger Reserve	406.4
Profit and Loss Account	1,157.8
Revaluation Reserve	46.5
	4,852.8
Borrowings	
Amounts due within one year	
Bank Borrowings and Commercial Paper and Medium Term Notes	341.8
First Mortgage and collateral trust bonds (secured debt)	91.1
Loan Notes	1.2
Amounts due after more than one year	
Variable Rate AUD$ Bonds due 2011*	235.1
4.000% US Dollar Convertible Bonds	362.4
5.250% DM Bonds due 2008*	246.1
6.625% £ Bonds due 2010*	198.8
8.375% £ Bonds due 2017*	198.0
6.750% £ Bonds due 2023*	247.3
Bank and other miscellaneous Borrowings	314.5
Medium Term Notes due between 2004 and 2039*	838.4
Pollution control revenue bonds (secured debt)	208.3
Pollution control revenue bonds	169.2
First Mortgage and collateral trust bonds (secured debt)	1,534.7
Finance Leases	13.9
	5,000.8
	9,853.6

Notes:

(1) *On October 1, 2001, all debt marked with an asterisk (*) became guaranteed by SP Transmission Limited, SP Distribution Limited and ScottishPower Generation Limited, the transmission, distribution and generation subsidiaries of Scottish Power UK plc that were set up as a result of the transfer scheme enacted to comply with the Utilities Act 2000. Except where indicated by an asterisk (*), none of the above borrowings is guaranteed. Debt that is secured has been identified as such in the table above.*

(2) *Except as disclosed above, none of the above borrowings is secured.*

(3) *Cash balances and deposits as of December 31, 2004 for the group were £671.9 million.*

Table of Contents

USE OF PROCEEDS

Unless otherwise indicated in an accompanying prospectus supplement, the net proceeds from the sale of securities will be used for general corporate purposes. These include working capital and the repayment of existing borrowings of ScottishPower and its subsidiaries.

LEGAL OWNERSHIP

Street Name and Other Indirect Holders

We generally will not recognize investors who hold securities in accounts at banks or brokers as legal holders of securities. When we refer to the holders of securities, we mean only the actual legal and (if applicable) record holder of those securities. Holding securities in accounts at banks or brokers is called holding in street name. If you hold securities in street name, we will recognize only the bank or broker or the financial institution the bank or broker uses to hold its securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the securities, either because they agree to do so in their customer agreements or because they are legally required. If you hold securities in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- how it would handle voting if it were ever required;
- whether and how you can instruct it to send you securities registered in your own name so you can be a direct holder as described below; and
- how it would pursue rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests.

Direct Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, under the securities run only to persons who are registered as holders of securities. As noted above, we do not have obligations to you if you hold in street name or other indirect means, either because you choose to hold securities in that manner or because the securities are issued in the form of global certificates as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

Global Certificates

What is a Global Certificate?

A global certificate is a special type of indirectly held security, as described above under Street Name and Other Indirect Holders . If we choose to issue securities in the form of global certificates, the ultimate beneficial owners can only be indirect holders.

We require that the securities included in the global certificate not be transferred to the name of any other direct holder unless the special circumstances described below occur. The financial institution that acts as the sole direct holder of the global certificate is called the depositary. Any person wishing to own a security must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depositary. The prospectus supplement relating to an offering of a series of securities will indicate whether the series will be issued only in the form of global certificates.

Table of Contents

Special Investor Considerations for Global Certificates

As an indirect holder, an investor s rights relating to a global certificate will be governed by the account rules of the investor s financial institution and of the depositary, as well as general laws relating to securities transfers. We do not recognize this type of investor as a holder of securities and instead deal only with the depositary that holds the global certificate.

If you are an investor in securities that are issued only in the form of global certificates, you should be aware that:

- You cannot get securities registered in your own name.
- You cannot receive physical certificates for your interest in the securities.
- You will be a street name holder and must look to your own bank or broker for payments on the securities and protection of your legal rights relating to the securities, as explained earlier under Street Name and Other Indirect Holders .
- You may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates.
- The depositary s policies will govern payments, transfers, exchange and other matters relating to your interest in the global certificate. We and the trustee have no responsibility for any aspect of the depositary s actions or for its records of ownership interests in the global certificate. We and the trustee also do not supervise the depositary in any way.
- The depositary will require that interests in a global certificate be purchased or sold within its system using same-day funds. By contrast, payment for purchases and sales in the market for corporate bonds and other securities is generally made in next-day funds. The difference could have some effect on how interests in global certificates trade, but we do not know what that effect will be.

Special Situations When the Global Certificate Will Be Terminated

In a few special situations described below, the global certificate will terminate and interests in it will be exchanged for physical certificates representing securities. After that exchange, the choice of whether to hold securities directly or in street name will be up to the investor. Investors must consult their own bank or brokers to find out how to have their interests in securities transferred to their own name so that they will be direct holders. The rights of street name investors and direct holders in the securities have been previously described in the subsections entitled Street Name and Other Indirect Holders and Direct Holders .

The special situations for termination of a global certificate are:

- When the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary.

When an event of default on the securities has occurred and has not been cured. Defaults on debt securities are discussed below under Description of Debt Securities and Guarantees Default and Related Matters Events of Default .

The prospectus supplement may also list additional situations for terminating a global certificate that would apply only to the particular series of securities covered by the prospectus supplement. When a global certificate terminates, the depositary, and not we or the trustee, is responsible for deciding the names of the institutions that will be the initial direct holders.

In the remainder of this description you means direct holders and not street name or other indirect holders of securities. Indirect holders should read the previous subsection entitled Street Name and Other Indirect Holders .

Table of Contents

DESCRIPTION OF DEBT SECURITIES AND GUARANTEES

ScottishPower may issue debt securities and Scottish Power Finance (US), Inc. may issue guaranteed debt securities by this prospectus. As required by US federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called the indenture. The indenture relating to senior debt securities issued by ScottishPower is a contract, to be entered into between ScottishPower and JPMorgan Chase Bank, N.A., as trustee. The indenture relating to subordinated debt securities issued by ScottishPower is a contract, to be entered into between ScottishPower and JPMorgan Chase Bank, N.A., as trustee. The indenture relating to guaranteed debt securities issued by Scottish Power Finance (US), Inc. is a contract, to be entered into among Scottish Power Finance (US), Inc., ScottishPower and JPMorgan Chase Bank, N.A., as trustee. In this section, we refer to these indentures collectively as the indentures.

JPMorgan Chase Bank, N.A., acts as the trustee under the indentures. The trustee has two main roles:

First, it can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, as described under Default and Related Matters Events of Default Remedies If an Event of Default Occurs below; and

Second, the trustee performs administrative duties for us, such as sending you interest payments, transferring your debt securities to a new buyer if you sell and sending you notices.

ScottishPower acts as the guarantor of the guaranteed debt securities issued under the Scottish Power Finance (US), Inc. indenture. The guarantees are described under Guarantees below.

The indentures and their associated documents contain the full legal text of the matters described in this section. The indentures, the debt securities and the guarantees are governed by New York law. The indentures are exhibits to our registration statement. See Where You Can Find More Information About Us for information on how to obtain a copy.

This section summarizes the material provisions of the indentures, the debt securities and the guarantees. However, because it is a summary, it does not describe every aspect of the indentures, the debt securities or the guarantees. We describe the meaning for only the more important terms. We also include references in parentheses to some sections of the applicable indenture. This summary is subject to and qualified by reference to the description of the particular terms of your series of debt securities described in the applicable prospectus supplement.

Scottish Power Finance (US), Inc. and ScottishPower may each issue as many distinct series of debt securities under their respective indentures as they wish. This section summarizes all material terms of the debt securities that are common to all series, unless otherwise indicated in the prospectus supplement relating to a particular series.

We may issue the debt securities as original issue discount securities, which are debt securities that are offered and sold at a substantial discount to their stated principal amount. *(Section 101)* The debt securities may also be issued as indexed securities or securities denominated in foreign currencies or currency units, as described in more detail in the prospectus supplement relating to any such debt securities. We may also issue debt securities that do not have a stated maturity and are perpetual in nature, the provisions of which would be described in greater detail in the applicable prospectus supplement.

In addition, the specific financial, legal and other terms particular to a series of debt securities are described in the prospectus supplement and the pricing agreement relating to the series. Those terms may vary from the terms described here. Accordingly, this summary also is subject to and qualified by reference to the description of the terms of the series described in the prospectus supplement.

Table of Contents

The prospectus supplement relating to a series of debt securities will describe the following terms of the series:

whether ScottishPower or Scottish Power Finance (US), Inc. is the issuer of the debt securities;

the title of the series of debt securities;

whether the debt is senior or subordinated;

any limit on the aggregate principal amount of the series of debt securities;

whether the debt securities have a stated maturity or are perpetual in nature;

the date or dates on which we will pay the principal of the series of debt securities;

the rate or rates, which may be fixed or variable, per annum at which the series of debt securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;

the dates on which interest, if any, on the series of debt securities will be payable and the regular record dates for the interest payment dates;

any mandatory or optional sinking funds or analogous provisions or provisions for redemption at the option of the holder;

the date, if any, after which and the price or prices at which the series of debt securities may, in accordance with any optional or mandatory redemption provisions that are not described in this prospectus, be redeemed and the other detailed terms and provisions of those optional or mandatory redemption provisions, if any;

the denominations in which the series of debt securities will be issuable if other than denominations of $1,000 and any integral multiple of $1,000;

the currency of payment of principal, premium, if any, and interest on the series of debt securities if other than the currency of the US and the manner of determining the equivalent amount in the currency of the US;

any index used to determine the amount of payment of principal of, premium, if any, and interest on the series of debt securities;

the terms and conditions of any exchange or conversion of the applicable series of debt securities or the guarantees;

the applicability of the provisions described later under Covenants Defeasance and Discharge ;

if the series of debt securities will be issuable in whole or part in the form of a global certificate as described under Legal Ownership Global Certificates , and the depository or its nominee with respect to the series of debt securities, and any special circumstances under which the global certificate may be registered for transfer or exchange in the name of a person other than the depository or its nominee;

if Scottish Power Finance (US), Inc. is the issuer, whether it will be required to pay additional amounts for withholding taxes or other governmental charges and, if applicable, a related right to an optional tax redemption for such a series; and

any other special features of the series of debt securities.

Unless otherwise stated in the prospectus supplement, the debt securities will be issued only in fully registered form without interest coupons. If we issue debt securities in bearer form, the special restrictions and considerations, including offering restrictions and US tax considerations, relating to bearer debt securities will be described in the prospectus supplement.

Table of Contents

Guarantees

ScottishPower will fully and unconditionally guarantee the payment of the principal of, premium, if any, and interest on the guaranteed debt securities. ScottishPower guarantees the payment of such amounts when such amounts become due and payable, whether at the stated maturity of the debt securities, by declaration or acceleration, call for redemption or otherwise.

Overview of Remainder of This Description

The remainder of this description summarizes:

Additional mechanics relevant to the debt securities under normal circumstances, such as how you transfer ownership and where we make payments.

Your rights under several ***special situations,*** such as if we merge with another company, if we want to change a term of the debt securities or if Scottish Power Finance (US), Inc. or ScottishPower wants to redeem the debt securities for tax reasons.

Your rights to receive ***payment of additional amounts*** due to changes in the withholding requirements of various jurisdictions.

Covenants contained in the indentures that restrict our ability to incur liens. A particular series of debt securities may have additional covenants.

Your rights if we ***default*** or experience other financial difficulties.

Subordination provisions of the subordinated debt securities.

Our relationship with the ***trustee***.

Additional Mechanics

Exchange and Transfer

You may have your debt securities broken into more debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. *(Section 305)* This is called an exchange.

You may exchange or transfer registered debt securities at the office of the trustee. The trustee acts as our agent for registering debt securities in the names of holders and transferring registered debt securities. We may change this appointment to another entity or perform the service ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also register transfers of the registered debt securities. However, you may not exchange registered debt securities for bearer debt securities. *(Section 305)*

You will not be required to pay a service charge to transfer or exchange debt securities, but you may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange of a registered debt security will only be made if the security registrar is satisfied with your proof of ownership.

If we have designated additional transfer agents, they are named in the prospectus supplement. We may cancel the designation of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts. *(Section 1002)*

If the debt securities are redeemable and we redeem less than all of the debt securities of a particular series, we may block the transfer or exchange of debt securities during a specified period of time in order to freeze the list of holders to prepare the mailing. The period begins 15 days before the day we mail the notice of redemption and ends on the day of that mailing. We may also refuse to register transfers or exchanges of debt securities selected for redemption. However, we will continue to permit transfers and exchanges of the unredeemed portion of any security being partially redeemed. *(Section 305)*

Table of Contents

Payment and Paying Agents

We will pay interest to you if you are a direct holder listed in the trustee s records at the close of business on a particular day in advance of each due date for interest, even if you no longer own the security on the interest due date. That particular day, usually about two weeks in advance of the interest due date, is called the regular record date and is stated in the prospectus supplement. *(Section 307)*

We will pay interest, principal and any other money due on the registered debt securities at the corporate trust office of the trustee in New York City. That office is currently located at JPMorgan Chase Bank, 4 New York Plaza, 15th Floor, New York, NY 10004. You must make arrangements to have your payments wired from that office. Interest on global certificates will be paid to the holder thereof by wire transfer of same-day funds.

Holders buying and selling debt securities must work out between them how to compensate for the fact that we will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sales price of the debt securities to pro rate interest fairly between buyer and seller. This pro rated interest amount is called accrued interest.

Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.

We may also arrange for additional payment offices, and may cancel or change these offices, including our use of the trustee s corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent. We must notify you of changes in the paying agents for any particular series of debt securities. *(Section 1002)*

Notices

We and the trustee will send notices only to direct holders, using their addresses as listed in the trustee s records. *(Sections 101 and 106)*

Regardless of who acts as paying agent, all money that we pay to a paying agent that remains unclaimed at the end of two years after the amount is due to direct holders will be repaid to us. After that two-year period, you may look only to us for payment and not to the trustee, any other paying agent or anyone else. *(Section 1003)*

Special Situations

Mergers and Similar Events

We are generally permitted to consolidate or merge with another company or firm. We are also permitted to sell or lease substantially all of our assets to another firm or to buy or lease substantially all of the assets of another firm. However, we may not take any of these actions unless all the following conditions are met:

Where ScottishPower merges out of existence or sells or leases substantially all of its assets, the other firm must assume its obligations on the debt securities or the guarantees. The other firm s assumption of these obligations must include the obligation to pay the additional amounts described below under Payment of Additional Amounts .

The merger, sale or lease of assets or other transaction must not cause a default on the debt securities. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described later under Default and Related Matters Events of Default What is an Event of Default? A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

We deliver to the trustee an officers certificate and an opinion of counsel, each stating that such merger, sale or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the indenture and that all conditions precedent therein provided for relating to such transaction have been complied with.

Table of Contents

It is possible that the US Internal Revenue Service may deem a merger or other similar transaction to cause an exchange for US federal income tax purposes of debt securities for new securities by the holders of the debt securities. This could result in the recognition of taxable gain or loss for US federal income tax purposes and possible other adverse tax consequences for a United States holder (as defined below under US Federal and UK Tax Consequences United States Taxation).

Modification and Waiver

There are three types of changes we can make to the indenture and the debt securities.

Changes Requiring Your Approval. First, there are changes that cannot be made to your debt securities without your specific approval. Following is a list of those types of changes:

change the stated maturity of the principal or interest on a debt security;

reduce any amounts due on a debt security;

change any obligation of ScottishPower to pay additional amounts described below under Payment of Additional Amounts ;

reduce the amount of principal payable upon acceleration of the maturity of a debt security following a default;

change the place or currency of payment on a debt security;

impair any of the conversion or exchange rights of your debt security;

impair your right to sue for payment, conversion or exchange;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indentures;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with various provisions of the indentures or to waive various defaults;

modify any other aspect of the provisions dealing with modification and waiver of the indenture; and

change the obligations of the guarantor that relate to payment of principal, premium and interest, sinking fund payments and conversion rights. *(Section 902)*

Changes Requiring a Majority Vote. The second type of change to the indentures and the debt securities is the kind that requires a vote in favor by holders of debt securities owning a majority of the principal amount of the particular series affected. *(Section 902)* Most changes fall into this category, except for those described above and for clarifying changes and other changes that would not adversely affect holders of the debt securities in any material respect. The same vote would be required for us to obtain a waiver of all or part of the covenants described below, or a waiver of a past default. However, we cannot obtain a waiver of a payment default or any other aspect of the indentures or the debt securities listed in the first category described previously under Changes Requiring Your Approval unless we obtain your individual consent to the waiver. *(Section 513)*

Changes Not Requiring Approval. The third type of change does not require any vote by holders of debt securities. This type is limited to clarifications and other changes that would not adversely affect holders of the debt securities in any material respect. *(Section 901)*

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of the debt securities were accelerated to that date because of a default.

Table of Contents

For debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that security described in the prospectus supplement.

For debt securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for you money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described later under Covenants Defeasance and Discharge . *(Section 101)*

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding debt securities that are entitled to vote or take other action under the indenture. In limited circumstances, a record date for action by holders may be set automatically. If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding debt securities of that series on the record date. *(Section 104)*

Street name and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Optional Tax Redemption

We may have the option to redeem the debt securities in whole but not in part, in the situation described below. The redemption price for the debt securities, other than original issue discount debt securities, will be equal to the 100% of principal amount of the debt securities being redeemed plus accrued and unpaid interest and any additional amounts due on the date fixed for redemption. The redemption price for original issue discount debt securities will be specified in the prospectus supplement for such securities. Furthermore, we must give you between 30 and 60 days notice before so redeeming the debt securities.

We have the option to redeem the debt securities where, as a result of a change in, execution of or amendment to any laws or treaties of an applicable jurisdiction (as described below) or the official application or interpretation of any laws or treaties, either:

ScottishPower would be required to pay additional amounts as described below under Payment of Additional Amounts ; or

ScottishPower or any of its subsidiaries would have to deduct or withhold tax on any payment to any of the issuers to enable them to make a payment of principal or interest on a debt security.

This applies only in the case of changes, executions or amendments that occur on or after the date specified in the prospectus supplement for the applicable series of debt securities and which are applicable in the jurisdiction where ScottishPower or if ScottishPower is not the issuer, the issuer or any guarantor is incorporated or is a resident for tax purposes (herein, an applicable jurisdiction). If ScottishPower or if ScottishPower is not the issuer, the issuer or any guarantor is succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which such successor entity is organized or is a resident for tax purposes, if other than the applicable jurisdiction of the issuer or guarantor, and the applicable date will be the date the entity became a successor.

We would not have the option to redeem in this case if we could have avoided the payment of additional amounts or the deduction or withholding by using reasonable measures available to us.

Prior to giving any notice of a tax redemption, the issuer or guarantor, as applicable, will deliver to the trustee, with a copy to the paying agent (i) a certificate signed by a duly authorized officer stating that the issuer or guarantor, as applicable, is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to the right to so redeem have occurred; or (ii) an opinion of independent legal counsel of recognized standing to that effect.

Table of Contents

Conversion or Exchange

The guaranteed debt securities issued by Scottish Power Finance (US), Inc. may be convertible or exchangeable into ordinary shares, preference shares, senior debt securities or subordinated debt securities issued by ScottishPower. The senior debt securities issued by ScottishPower may be convertible or exchangeable into ordinary shares, preference shares or subordinated debt securities issued by ScottishPower. The subordinated debt securities issued by ScottishPower may be convertible or exchangeable into ordinary shares, preference shares or senior debt securities issued by ScottishPower. If any series debt securities is convertible or exchangeable, the prospectus supplement will include provisions as to whether conversion or exchange is mandatory, at your option or at our option. The prospectus supplement would also include provisions regarding the adjustment of the number of securities to be received by you upon conversion or exchange.

In the event that the option of the holder to elect conversion or exchange is deemed to be a tender offer within the meaning of Rule 14e-1 under the Securities Exchange Act of 1934, we will comply with Rule 14e-1 and Rules 14d-1 through 14d-7 as then in effect to the extent they are applicable to us and the transaction.

Payment of Additional Amounts

The laws applicable in any applicable jurisdiction , as described under Special Situations Optional Tax Redemption may require ScottishPower or if ScottishPower is not the issuer, the issuer or any guarantor to withhold or deduct amounts from payments on the principal or interest on a debt security or any amounts to be paid under the guarantees, as the case may be, for present or future taxes or any other governmental charges. If a withholding or deduction of this type is required, ScottishPower or if ScottishPower is not the issuer, the issuer or any guarantor may be required to pay you an additional amount so that the net amount you receive will be the amount specified in the debt security to which you are entitled. However, in order for you to be entitled to receive the additional amount, you must not be resident in the jurisdiction in which the withholding is required.

ScottishPower or if ScottishPower is not the issuer, the issuer or any guarantor will not have to pay additional amounts under any of the following circumstances:

The tax or governmental charge is imposed only because the holder, or a fiduciary, settlor, beneficiary or member or shareholder of, or possessor of a power over, the holder, if the holder is an estate, trust, partnership or corporation, was or is connected to the applicable jurisdiction, other than by merely holding the debt security or guarantee or receiving principal or interest in respect thereof. These connections include where the holder or related party:

- is or has been a citizen or resident of the applicable jurisdiction;
- is or has been engaged in trade or business in the applicable jurisdiction; or
- has or had a permanent establishment in the applicable jurisdiction.

The tax or governmental charge is imposed due to the presentation of a debt security, if presentation is required, for payment on a date more than 30 days after the security became due or after the payment was provided for.

The tax or governmental charge is on account of an estate, inheritance, gift, sale, transfer, personal property or similar tax or other governmental charge.

The tax or governmental charge is for a tax or governmental charge that is payable in a manner that does not involve withholdings or deductions.

The tax or governmental charge is imposed or withheld because the holder or beneficial owner failed:

to provide information about the nationality, residence or identity of the holder or beneficial owner, or

to make a declaration or satisfy any information requirements,

Table of Contents

that the statutes, treaties, regulations or administrative practices of the applicable jurisdiction require as a precondition to exemption from all or part of such tax or governmental charge.

The withholding or deduction is imposed pursuant to European Union Directive 2003/48/EC on the taxation of savings income adopted by the Council of the European Union on June 3, 2003 or any law (whether of a member state or non-member state) implementing such directive, or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000.

The withholding or deduction is imposed on a holder or beneficial owner who could have avoided such withholding or deduction by presenting its debt securities to another paying agent.

The holder is a fiduciary, partnership or other entity that is not the sole beneficial owner of the payment of the principal of, or any interest on, any debt security, and the laws of the jurisdiction require the payment to be included in the income of a beneficiary or settlor for tax purposes with respect to such fiduciary, a member of such partnership or a beneficial owner who would not have been entitled to such additional amounts had such beneficiary settlor, member or beneficial owner been the holder of such security.

These provisions will also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to ScottishPower or if ScottishPower is not the issuer, the issuer or any guarantor is organized. The prospectus supplement relating to the debt securities may describe additional circumstances in which ScottishPower or if ScottishPower is not the issuer, the issuer or any guarantor would not be required to pay additional amounts.

In certain circumstances, payments made to holders of debt securities, issued by ScottishPower may be subject to withholding or deduction for an account of UK tax. These circumstances might include, for example, if payments are made on debt securities issued by ScottishPower that are not listed on a recognized stock exchange for UK tax purposes at the time of payment. For more information, see the section entitled US Federal and UK Tax Consequences United Kingdom Taxation of Debt Securities .

Covenants

Limitation on Secured Debt

The following discussion of limitations on secured debt will be applicable to your series of debt securities only if we choose to have it apply to your series. If we do so choose, we will state that in the prospectus supplement. If this restriction shall be made applicable to debt securities of a particular series, and so long as any of the debt securities of that particular series remains outstanding, ScottishPower covenants and agrees that no notes, bonds, debentures or other similar evidences of indebtedness for money borrowed, other than Project Finance Indebtedness (as defined in the Indenture) (Debt) of ScottishPower or any Negative Pledge Company (as defined in the Indenture) or of any other person and no guarantee by ScottishPower or any Negative Pledge Company of any Debt of any person will be secured by a mortgage, charge, lien, pledge or other security interest (each a Security Interest) upon, or with respect to, any of the present or future business, property or assets of ScottishPower or any Negative Pledge Company unless ScottishPower shall, before or at the same time as the creation of the Security Interest, take any and all action necessary to ensure that all amounts payable by it or the applicable Negative Pledge Company, as the case may be, under the outstanding debt securities to which this restriction shall have been made applicable are secured equally and ratably with the Debt or guarantee, as the case may be, so long as such Debt or guarantee shall be so secured, by the Security Interest (provided, that for the purpose of providing such equal and ratable security, the principal amount of outstanding debt securities of any series of Original Issue Discount Securities (as defined in the Indenture) shall be such portion of the principal amount as may be specified in the terms of that series). This restriction,

however, will not apply to:

Security Interests in existence on the date of original issue of the debt securities of any series to which this restriction is made applicable;

Table of Contents

Security Interests created solely for the purpose of securing Debt incurred to finance, refinance or refund the purchase price or cost (including the cost of construction) of property or assets acquired after the date hereof (by purchase, construction or otherwise), or Security Interests in favor of guarantors of obligations or Debt representing, or incurred to finance, refinance or refund, such purchase price or cost, provided that no such Security Interest shall extend to or cover any property or assets other than the property or assets so acquired and improvements thereon (other than, in the case of Security Interests securing Debt incurred to finance construction or improvement costs, any theretofore unimproved real property on which the property so constructed, or the improvement, is located);

Security Interests which secure only indebtedness owing by a subsidiary to ScottishPower, to one or more subsidiaries or to ScottishPower and one or more subsidiaries;

Security Interests on any property or assets acquired from a corporation which is merged with or into ScottishPower or any subsidiary, or any Security Interests on the property or assets of any corporation or other entity existing at the time such corporation or other entity becomes a subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction (unless such Security Interest was created to secure or provide for the payment of any part of the purchase price of such corporation);

Any Security Interest on any property or assets existing at the time of acquisition thereof and which is not created as a result of or in connection with or in anticipation of such acquisition (unless such Security Interest was created to secure or provide for the payment of any part of the purchase price of such property or assets); or

Any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Security Interest referred to in the foregoing bullet points or of any Debt secured thereby, provided that the principal amount of Debt so secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Security Interest shall be limited to all or part of the property which secured the Security Interest extended, renewed or replaced (plus improvements on or additions to such property).

Notwithstanding the foregoing, ScottishPower or any Negative Pledge Company may issue, assume or guarantee Debt secured by Security Interests which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with the aggregate outstanding principal amount of all other Debt of ScottishPower and its subsidiaries which would otherwise be subject to the foregoing restrictions (not including Debt permitted to be secured under the foregoing bullet points) does not at the time of issuance, assumption, or guarantee thereof exceed the greater of $500,000,000 (or its equivalent in any other currency or currencies) or 20% of the Capital and Reserves (as defined in the Indenture).

Defeasance and Discharge

The following discussion of full defeasance and discharge will be applicable to your series of debt securities only if we choose to have them apply to that series. If we do so choose, we will state that in the prospectus supplement. *(Section 403)* The discussion below of defeasance of our obligations under Merger and Similar Events and Limitation on Secured Debt , or our covenant relating to corporate existence, applies to all series of debt securities. *(Section 1008)*

We can legally release ourselves from any payment or other obligations on the debt securities, except for various obligations described below, if we, in addition to certain other actions, put in place the following arrangements for you to be repaid:

We must deposit in trust for your benefit and the benefit of all other direct holders of the debt securities a combination of money and US government or US government agency notes or bonds that will

Table of Contents

generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

We must deliver to the trustee a legal opinion of our counsel to the effect that we may make the above deposit and defease certain obligations without causing you to be taxed on the debt securities, which in the case of full defeasance and discharge, must be based on a change of law or a ruling by the US Internal Revenue Service. We would not have to deliver this opinion if we received from, or there has been published by, the US Internal Revenue Service a ruling that states the same conclusion. We must also deliver to the trustee a legal opinion of our counsel confirming that the defeasance trust is not, or is registered as, an investment company under the Investment Company Act of 1940, as amended.

If the debt securities are listed on the New York Stock Exchange, we must deliver to the trustee a legal opinion of our counsel confirming that the deposit, defeasance and discharge will not cause the debt securities to be delisted.

However, even if we take these actions, a number of our obligations relating to the debt securities will remain. These include the following obligations:

to register the transfer and exchange of debt securities;

to replace mutilated, destroyed, lost or stolen debt securities;

to maintain paying agencies; and

to hold money for payment in trust.

Additionally, we need not comply with our obligations under Merger and Similar Events and Limitation on Secured Debt , or our covenant relating to corporate existence if we, in addition to certain other actions, put into place the arrangements listed above, except that the legal opinion of our counsel referenced in (b) above need not be based on a change in US federal income tax law.

If we have deposited or caused to be deposited money or US government obligations to pay or discharge the principal of (and premium, if any) and interest, if any, on the outstanding debt securities to and including a redemption date on which all of the outstanding debt securities are to be redeemed, such redemption date shall be irrevocably designated by a board resolution delivered to the trustee on or prior to the date of deposit of such money or US government obligations, and such board resolution shall be accompanied by an irrevocable request from us that the trustee give notice of such redemption in our name and expense not less than 30 nor more than 60 days prior to such redemption date in accordance with the indenture.

Default and Related Matters

Ranking

The debt securities are not secured by any of our property or assets. Accordingly, your ownership of debt securities means you are one of our unsecured creditors. The senior debt securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness. The subordinated debt securities will be unsecured obligations of ScottishPower, subordinated in right of payment to the prior payment in full of all senior indebtedness of ScottishPower with respect to such series, as described below under Subordination of the Subordinated Debt Securities and in the applicable prospectus supplement.

Events of Default

You will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term event of default means any of the following:

We do not pay the principal or any premium on a debt security on its due date.

We do not pay interest or additional amounts on a debt security within 30 days of its due date.

Table of Contents

We do not deposit any sinking fund payment on its due date.

We remain in breach of certain covenants or any other term of the indentures for 90 days after we receive a notice of default stating we are in breach. The notice must be sent by either the trustee or holders of 33% of the principal amount of debt securities of the affected series.

We file for bankruptcy or certain other events in bankruptcy, insolvency or reorganization occur.

There is a default in the conversion or exchange of any convertible or exchangeable securities of the series in question and this default continues for 90 days after we receive a notice of default.

We default in the payment of the principal of any bond, debenture, note or other evidence of indebtedness for money borrowed, or under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed, of us having an aggregate principal amount exceeding US$100,000,000 (or its equivalent in any other currency or currencies) when such indebtedness becomes due and payable (whether at maturity, upon redemption or acceleration or otherwise), if such default shall continue unremedied for more than 30 Business Days and the time for payment of such amount has not been expressly extended.

Any other event of default described in the prospectus supplement occurs. *(Section 501)*

Remedies If an Event of Default Occurs. If an event of default has occurred and has not been cured, the trustee or the holders of 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of at least a majority in principal amount of the debt securities of the affected series if certain conditions are met. If an event of default involving a bankruptcy, insolvency or other similar event in respect of us shall have happened, the principal amount of all the debt securities will be immediately due and payable without notice or any other act on the part of the trustee or any holder of the debt securities. *(Section 502)*

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This protection is called an indemnity. *(Section 603)* If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the indenture. *(Section 512)*

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

You must give the trustee written notice that an event of default has occurred and remains uncured.

The holders of not less than 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default, and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action.

The trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity. *(Section 507)*

Street name and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and to make or cancel a declaration of acceleration.

We will furnish to the trustee every year a written statement of certain of our officers and directors certifying that, to their knowledge, we are in compliance with the terms of the indenture and the debt securities, or else specifying any default. *(Section 1007)*

Table of Contents

Subordination of the Subordinated Debt Securities

Subordinated debt securities issued by ScottishPower will, to the extent set forth in the applicable subordinated indenture, be subordinated in right of payment to the prior payment in full of all senior indebtedness of ScottishPower, whether outstanding at the date of the subordinated indenture or incurred after that date. In the event of:

- any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to ScottishPower or to its creditors, as such, or to its assets; or
- any voluntary or involuntary liquidation, dissolution or other winding up of ScottishPower, whether or not involving bankruptcy; or
- any assignment for the benefit of creditors or any other marshalling of assets and liabilities of ScottishPower,

then the holders of senior indebtedness of ScottishPower will be entitled to receive payment in full of all amounts due or to become due in respect of all its senior indebtedness, or provision will be made for the payment in cash, before the holders of subordinated debt securities of ScottishPower are entitled to receive or retain any payment on account of principal of, or any premium or interest on, or any additional amounts with respect to, the subordinated debt securities. The holders of senior indebtedness of ScottishPower will be entitled to receive, for application to the payment of the senior indebtedness, any payment or distribution of any kind or character, whether in cash, property or securities, including any payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of ScottishPower being subordinated to the payment of its subordinated debt securities. This payment may be payable or deliverable in respect of its subordinated debt securities in any case, proceeding, dissolution or other winding up event.

By reason of subordination, in the event of liquidation or insolvency of ScottishPower, holders of senior indebtedness of ScottishPower and holders of other obligations of ScottishPower that are not subordinated to its senior indebtedness may recover more ratably than the holders of subordinated debt securities of ScottishPower.

Subject to the payment in full of all senior indebtedness of ScottishPower, the rights of the holders of subordinated debt securities of ScottishPower will be subrogated to the rights of the holders of its senior indebtedness to receive payments or distributions of cash, property or securities of ScottishPower applicable to its senior indebtedness until the principal of, any premium and interest on, and any additional amounts with respect to, its subordinated debt securities have been paid in full.

No payment of principal, including redemption and sinking fund payments, of, or any premium or interest on, or any additional amounts with respect to the subordinated debt securities of ScottishPower, or payments to acquire these securities, other than pursuant to their conversion, may be made:

- if any senior indebtedness of ScottishPower is not paid when due and any applicable grace period with respect to the default has ended and the default has not been cured or waived or ceased to exist, or
- if the maturity of any senior indebtedness of ScottishPower has been accelerated because of a default.

The subordinated indenture does not limit or prohibit ScottishPower from incurring additional senior indebtedness, which may include indebtedness that is senior to its subordinated debt securities, but subordinate to its other obligations.

The subordinated indenture provides that these subordination provisions, insofar as they relate to any particular issue of subordinated debt securities by ScottishPower, may be changed prior to the issuance. Any change would be described in the applicable prospectus supplement.

Table of Contents

Regarding the Trustee

ScottishPower and several of its subsidiaries maintain banking relations with the trustee or its affiliates in the ordinary course of their business.

If an event of default occurs, or an event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded occurs, the trustee may be considered to have a conflicting interest with respect to the debt securities or the applicable indenture for purposes of the Trust Indenture Act of 1939, as amended. In that case, the trustee may be required to resign as trustee under the applicable indenture and we would be required to appoint a successor trustee.

Table of Contents

DESCRIPTION OF SHARE CAPITAL OF SCOTTISH POWER PLC

General

The current authorized share capital of ScottishPower is £1,500,000,000, consisting of 3,000,000,000 ordinary shares of 50 pence each. As of December 31, 2004, 1,864,449,493 ordinary shares were issued and outstanding and fully paid. The ordinary shares are held in certificated and uncertificated (paperless) form.

As of the date of this prospectus, ScottishPower s authorized share capital does not comprise any preference shares.

For information about ScottishPower s share capital history for the last two fiscal years, see note 25 of ScottishPower s financial statements included in ScottishPower s Annual Report on Form 20-F for the year ended March 31, 2004, which is incorporated by reference in this prospectus, or similar sections in subsequent filings incorporated by reference in this prospectus.

Alteration of Share Capital

ScottishPower may by ordinary resolution increase its share capital, consolidate or divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its share capital into shares of a smaller amount or cancel any shares not taken or agreed to be taken by any person and diminish the amount of its authorized share capital by the amount of the shares so canceled. Ordinary resolutions are discussed under Description of Ordinary Shares Voting .

Issue of Shares

Under UK law, the board of directors requires express authority to issue shares. This authority must either be given by an ordinary resolution of shareholders or be set out in the articles of association of ScottishPower, or the Articles. At the date of this prospectus, our board of directors has the authority to issue ordinary shares up to an aggregate nominal amount of £307,936,518.

Subject to the provisions of the Companies Act (and all other legislation currently in force and affecting companies incorporated thereunder, including ScottishPower), or the Statutes, shares may be issued on the terms that they are, or are liable to be, redeemed at the option of ScottishPower or the holder on such terms and in such manner as is set out in the Articles, except that the date on or by which, or the dates between which, any such shares are to be redeemed may be fixed by the board of directors. If so fixed, the date or dates must be fixed before the shares are issued. Under the Companies Act, ScottishPower may not issue redeemable shares unless it also has shares outstanding which are not redeemable. In addition, redeemable shares may be redeemed only if they are fully paid and they may only be redeemed out of distributable profits (as defined in the Companies Act) or out of the proceeds of a new issue of shares made for the purpose of the redemption. Except in certain limited circumstances set out in the Companies Act, any premium payable on redemption must be paid out of distributable profits (as defined in the Companies Act). The Articles provide that the redemption of any shares in ScottishPower must be sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of convertible shares in ScottishPower carrying rights to convert into equity

share capital of ScottishPower. Extraordinary resolutions are discussed under Description of Ordinary Shares Voting .

ScottishPower may also, subject to the Articles and the Statutes, purchase any of its own shares, provided that a purchase does not result in there being no shareholder holding other than redeemable shares in ScottishPower. In terms of the Companies Act, in order to make a market purchase of shares (i.e., purchases on a recognized investment exchange, such as the London Stock Exchange), a company must have obtained authority from its shareholders by way of an ordinary resolution. In order to make an off-market purchase of shares, a company must have obtained authority from its shareholders by way of a special resolution and the proposed contract must have been on display for at least 15 days prior to the meeting at which the special

Table of Contents

resolution is to be proposed. Special resolutions are discussed under Description of Ordinary Shares Voting . Our shareholders have currently authorized us to make market purchases of up to 185,999,745 ordinary shares. As of the date of this prospectus, the directors have not exercised this authority. No authority has been given by the shareholders to make off-market purchases of ordinary shares. Under the Companies Act, purchases by a company of its own shares may take place on the same conditions and with the same consequences as the redemption of redeemable shares, which are set out above. As with the redemption of redeemable shares, in terms of the Articles the purchase by ScottishPower of its own shares must be sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of convertible shares in ScottishPower carrying rights to convert into equity share capital of ScottishPower.

Variation of Class Rights

Subject to the Statutes, whenever the share capital of ScottishPower is divided into different classes of shares, the class rights, as determined in accordance with UK law, attached to any class may only be varied or abrogated with either the consent of the holders of not less than three-quarters of the issued shares of the class, or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders, but not otherwise. The quorum for any such meeting shall be two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the relevant class. Any holder of shares of the relevant class who is present in person or by proxy may demand a poll and every such holder shall on a poll have one vote for every share of the class held by the holder. Polls are discussed further under Description of Ordinary Shares Voting . These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if the shares concerned and the remaining shares of such class formed separate classes.

Unless otherwise provided by the rights attached to any shares or class of shares, those rights shall not be deemed to be varied by the creation or issue of another share ranking equally with, or subsequent to, that share or class of shares or by the purchase or redemption by ScottishPower of its own shares, or by ScottishPower permitting, in accordance with the UK Uncertificated Securities Regulations 2001, or the Regulations, the holding of and transfer of title to shares of that or any other class in uncertificated form by means of a relevant system.

Unless otherwise provided by the rights attached to any share or class of shares, those rights shall be deemed to be varied by the reduction of the capital paid up on that share or class of shares otherwise than by a purchase or redemption by ScottishPower of its own shares, and by the allotment of another share ranking in priority for payment of a dividend or in respect of capital or which confers on its holder voting rights more favorable than those conferred by that share or class of shares.

Creation and Issue of Preference Shares

As of the date of this prospectus, ScottishPower s authorized share capital does not comprise any preference shares. In order to permit the creation and issue of preference shares, we would need to obtain various shareholder approvals in order to comply with the Statutes. In particular, we would need to obtain the approval of shareholders by ordinary resolutions, first, to the increase in share capital by the creation of the preference shares, and second, to provide the directors with express authority to issue such preference shares. The rights and restrictions attaching to such preference shares would also need to be set out in a separate ordinary resolution. Depending on the rights and restrictions attaching to such preference shares, it is likely that the creation of preference shares would constitute a variation of the rights of the holders of ordinary shares and, accordingly, would require further approvals to be obtained as described above in Description of Share Capital of Scottish Power plc Variation of Class Rights .

Disclosure of Interests in Share Capital

The Companies Act provides that a person, including a company and other legal entities, that acquires any interest of 3% or more of any class of our shares, including through American depositary receipts, comprised in our relevant share capital is required to notify us in writing of its interest within two business days following the day on which the obligation arises. Relevant share capital, for these purposes, means our issued share capital

Table of Contents

carrying the right to vote in all circumstances at a general meeting. After the 3% level is exceeded, similar notifications must be made where the interest falls below the 3% level or otherwise in respect of increases or decreases of a whole percentage point.

For purposes of the notification obligation, interested is construed as it is for purpose of Section 212 of the Companies Act. The interest of a person in shares means any kind of interest in shares including interests in any shares:

- in which a spouse, or child or stepchild under the age of 18, is interested;
- in which a corporate body is interested, which includes interests held by other corporate bodies over which that corporate body has effective voting power, and either (a) that corporate body or its directors generally act in accordance with that person s directions or instructions or (b) that person controls one-third or more of the voting power of that corporate body; or
- in which another party is interested and the person and that other party are parties to a concert party agreement. A concert party agreement is one which provides for one or more parties to acquire interests in shares of a particular company and imposes obligations or restrictions on any of the parties as to the use, retention or disposal of such interests acquired pursuant to such agreement, if any interest in our shares is in fact acquired by any of the parties pursuant to the agreement.

Certain non-material interests may be disregarded for the purposes of calculating the 3% threshold, but the obligation of disclosure will still apply where such interests exceed 10% or more of any class of our relevant share capital and to increases or decreases of a whole percentage point.

Failure to comply with the obligations described above may result in criminal penalties.

Summary of Certain Provisions of ScottishPower s Memorandum of Association and Articles of Association

Directors

The Articles provide that the business and affairs of ScottishPower shall be managed by the directors who, subject to and in accordance with the provisions of the Statutes, the memorandum of association, or the Memorandum, and the Articles and to any directions given by special resolution, may exercise all of the corporate powers of ScottishPower.

Any director who:

- is appointed to any executive office (which includes, for this purpose, the office of chairman, deputy chairman or vice-chairman, whether or not such office is held in an executive capacity);

serves on any committee;

acts as trustee of a retirement benefits scheme or employees share scheme; or

otherwise performs services which, in the opinion of the board of directors or any committee thereof, are outside the scope of the ordinary duties of a director or who makes special exertions in traveling or residing abroad or otherwise in and about the business of ScottishPower,

may be paid such extra remuneration through salary, commission or otherwise as the board of directors may determine.

The fees paid to directors who do not hold executive office, or non-executive directors, shall not exceed in aggregate £250,000 per annum or such other amount as may be determined from time to time by ordinary resolution. Subject to this overall aggregate limit, each non-executive director shall be paid a fee, which accrues on a daily basis, at such rate as shall be determined by the directors.

Table of Contents

The directors may repay to any director all such proper and reasonable expenses as he or she may incur in attending and returning from meetings of the directors or of any committee or general meetings or otherwise in or about the business of ScottishPower.

The directors have the power to pay retirement, death or disability benefits, annuities or other allowances, emoluments or benefits to any director, ex-director, officer or ex-officer of

- ScottishPower (or any of its predecessors in business);
- any parent undertaking, or subsidiary undertaking of ScottishPower or any such parent undertaking; or
- an undertaking which is otherwise allied to or associated with ScottishPower or any such parent or subsidiary undertaking, or in which ScottishPower or any parent or subsidiary undertaking has an interest, whether directly or indirectly.

The directors have the power to purchase and maintain insurance for, or for the benefit of, any persons who are or were at any time directors, officers or employees of ScottishPower or of any of the type of undertakings listed in the second and third bullet points in the preceding paragraph, or who are or were at any time trustees of any retirement benefits scheme or employees share scheme in which employees of ScottishPower or any of the type of undertaking referred to above are interested.

Under ScottishPower s Articles, a director who is interested, whether directly or indirectly, in a contract or a proposed contract with ScottishPower or any subsidiary undertaking of ScottishPower (or any transaction or arrangement whether or not constituting a contract) shall declare the nature of his interest. A director is prohibited from voting where he or she has any material interest, otherwise than by virtue of his interests in shares, debentures or other securities in or through ScottishPower. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A director will, however (subject to the Statutes and in the absence of any other material interest) be able to vote and be counted in the quorum where the resolution concerns any of the following:

- the giving of any guarantee, security or indemnity in respect of obligations incurred by the director at the request of, or for the benefit of, ScottishPower or any of its subsidiary undertakings;
- the giving of any guarantee, security or indemnity in respect of an obligation incurred by ScottishPower or any of its subsidiary undertakings for which the director has assumed responsibility (in whole or in part and whether alone or jointly with others);
- any proposal concerning the subscription or purchase by him of shares, debentures or other securities of ScottishPower pursuant to an offer or invitation to shareholders or debenture holders of ScottishPower, or any class of them, or to the public or any section of them;
- a contract, arrangement, transaction or proposal concerning an offer of shares or debentures or other securities of or by ScottishPower or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be interested as a participant in the underwriting or sub-underwriting thereof;

a contract, arrangement, transaction or proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, in which he (together with persons connected with him within the meaning of the Companies Act) does not hold an interest representing 1% or more of the issued shares of any class of the equity share capital of such company or of the voting rights available to shareholders of the relevant company;

a contract, arrangement, transaction or proposal for the benefit of employees of ScottishPower or any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the contract or arrangement relates; and

a contract, arrangement, transaction or proposal concerning insurance which ScottishPower is empowered to purchase and/or maintain for, or for the benefit of, any directors of ScottishPower.

Table of Contents

If the number of directors is reduced below the number fixed by, or in accordance with, the Articles as the necessary quorum of directors, the continuing director(s) may act for the purpose of filling up such vacancies or of summoning general meetings of ScottishPower, but not for any other purpose.

The directors may exercise all of the borrowing powers of ScottishPower.

There are no requirements for a director to retire at a certain age. The age of a director who has attained the age of 70 must be stated in the notice convening the general meeting at which he or she is proposed to be elected or re-elected. At the annual general meeting every year, one-third (or, if the number is not three or a multiple of three, the number nearest to one-third) of the directors subject to retirement by rotation, as described in the Articles and subject to the requirements of the Statutes, shall retire.

In terms of the Articles, there is no requirement for directors to own any shares of ScottishPower.

Table of Contents

DESCRIPTION OF ORDINARY SHARES

ScottishPower may issue ordinary shares by this prospectus. This section summarizes the material information relating to the rights of ScottishPower s ordinary shares as of the date of this prospectus, including summaries of parts of the Articles and the Companies Act. Because these are summaries, they are materially complete but do not contain all the information that may be important to you. For more complete information, you may refer to the Articles and the Companies Act. The Articles are an exhibit to our registration statement. See Where You Can Find More Information About Us for information on how to obtain a copy.

Voting

Subject to the restrictions referred to under Restrictions on Voting below, voting upon a resolution (other than a special or extraordinary resolution) at any general meeting of shareholders is decided by a show of hands unless a poll, which is a written vote, is duly demanded. On a show of hands, every shareholder who is present in person at a general meeting, including a person present as the duly authorized representative of a corporate shareholder acting in that capacity, has one vote regardless of the number of shares held. On a poll, every shareholder who is present in person or by proxy has one vote for every share held by that shareholder. A poll may be demanded by any one of the following:

- the chairman of the meeting;
- not less than five persons having the right to vote at the meeting;
- a shareholder or shareholders holding not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting and present in person or by proxy; or
- a shareholder or shareholders holding shares in ScottishPower conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right, and present in person or by proxy.

All special resolutions and extraordinary resolutions shall be decided only on a poll.

Matters are transacted at general meetings of ScottishPower by the proposal and approval of three kinds of resolutions:

- ordinary resolutions, such as a resolution for the election of directors, the declaration of a dividend, the appointment of auditors, the increase of the authorized share capital or the grant of authority to allot shares;
- special resolutions, such as a resolution amending the Articles, changing the name of ScottishPower or waiving preemption rights under the Companies Act; and

extraordinary resolutions, such as modifying the rights of any class of shares at a meeting of the holders of the class or relating to certain matters concerning the liquidation of ScottishPower.

Unless otherwise required by the Companies Act or the Articles, voting at any general meeting is by ordinary resolution. An ordinary resolution requires the affirmative vote of a majority of votes cast on the resolution by members present in person, in the case of a vote by show of hands, or present in person or by proxy, in the case of a vote by poll. Special and extraordinary resolutions require the affirmative vote, by poll, of not less than three-quarters of the votes cast on the resolution by the shareholders present in person or by proxy. The quorum required to transact business at general meetings is three shareholders who are present in person or by proxy and entitled to vote on the business to be transacted.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting is entitled to a casting vote, in addition to any other vote he or she may have.

Table of Contents

Meetings shall be convened upon at least 21 clear days notice to shareholders where a special resolution is being proposed or where the meeting is an annual general meeting, or upon at least 14 clear days notice to shareholders in respect of any other general meeting (except in respect of meetings where either a resolution to remove a director or a resolution whereby the retiring auditor is not reappointed is being proposed, which such meetings shall require 28 days clear notice to ScottishPower and to shareholders). In each case a clear day does not include either the date on which the notice is served or deemed to be served or the day on which the meeting is held. The practice under UK corporate governance guidelines is for annual general meetings to be held after at least 20 working days notice.

Any general meeting may be convened at, or adjourned to, more than one place provided that persons attending at any particular place shall be able to participate in the business for which the meeting has been convened, see and hear all persons who speak in the principal meeting place and any satellite meeting place, and be seen and heard by all other persons so present in the same way. Where the directors have designated a satellite meeting place, the chairman of the general meeting shall be present at, and the meeting is deemed to take place at, the principal meeting place. The directors may also make arrangements for other venues, at locations not classified as principal or satellite meeting places, for speaking at and for viewing and hearing the proceedings of a general meeting. Those attending such venues will not be regarded as present at the general meeting or adjourned general meeting and shall not be entitled to vote at the meeting at or from that venue.

Restrictions on Voting

A shareholder, or any other person appearing to be interested in shares held by that shareholder, may be served by ScottishPower with a notice under Section 212 of the Companies Act, or a Section 212 Notice, requiring confirmation as to whether or not such person is interested in the shares, and if not holding beneficially, on whose behalf they are held, and certain other information with respect to such interest. For the purpose of the following discussion, as it pertains to disclosure requirements and related restrictions on voting, interested is construed as it is for purposes of Section 212 of the Companies Act.

If a shareholder, or any other person appearing to be interested in shares held by that shareholder, has been served with a Section 212 Notice and has failed to give ScottishPower any information required by the Section 212 Notice within 14 days from the date of the notice, then the directors may, in their absolute discretion, by notice direct that that shareholder shall not be entitled to vote either personally or by proxy at a general meeting or at a class meeting in respect of those shares. Failure to comply with a Section 212 Notice may result in criminal penalties.

A shareholder shall not, unless the directors determine otherwise, be entitled to attend or vote at any general meeting of ScottishPower or meeting of the holders of separate classes of shares, either personally or by proxy or (if the shareholder is a corporation) by authorized representative, if any call or other sum payable in respect of the shares held by the shareholder has not been fully paid.

Dividends and Other Distributions

ScottishPower may, by ordinary resolution, declare dividends in accordance with the respective rights of the shareholders, provided that no dividends are payable except out of the profits of ScottishPower available for distribution under the provisions of the Companies Act and the Articles and no dividends are payable in excess of the amount recommended by the directors. Subject to any rights attaching to any shares or the terms of issue thereof, all dividends are apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividends are paid. Subject to any special rights attached to a share, no dividend payable in respect of a share shall bear interest.

Interim and final dividends may be paid, if profits are available for distribution and if the directors so resolve. If the share capital is divided into different classes, the directors may pay dividends on shares which confer deferred or non-preferred rights with regard to dividends as well as on shares which confer preferential

Table of Contents

rights with regard to dividends, but no dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The directors may also pay, at intervals settled by them, any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

ScottishPower may either (i) upon the recommendation of the directors, by ordinary resolution, or (ii) by resolution of the directors in respect of a dividend to be paid in accordance with the above paragraph, direct that payment of the dividend (whether final or otherwise) be made, in whole or in part, by the distribution of specific assets (and in particular, of paid-up shares or debentures of any other company) and the directors may give effect to such resolution. Where any difficulty arises in regard to such distribution, the directors may (a) settle the same as they think expedient, (b) fix the value for distribution of such specific assets or any part thereof, (c) determine that cash payments shall be made to any shareholders on the basis of the value so fixed in order to adjust the rights of those entitled to participate in the dividend, and (d) vest any such specific assets in trustees as may seem expedient to the directors.

The directors may, if authorized by an ordinary resolution at an annual general meeting of ScottishPower, in respect of any dividend declared or proposed to be declared or payable within a specified period expiring no later than the conclusion of the fifth annual general meeting following the date of such approval (and provided that an adequate number of unissued shares are available for the purpose) offer any holders of ordinary shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of the whole, or some part, to be determined by the directors, of any dividend specified by the ordinary resolution. Any such announcement shall, where practicable, be made prior to or contemporaneously with the announcement of the dividend in question and any related information as to ScottishPower s profits for such financial period or part thereof. The basis of allotment shall be determined by the directors so that, as nearly as may be considered convenient, the value calculated by reference to the average quotation of the additional shares to be allotted in lieu of any amount of dividend shall equal such amount. The additional shares so allotted shall rank pari passu in all respects with the fully paid shares then in issue, except only as regards participation in the relevant dividend. Notwithstanding the above, the directors may at any time prior to payment of the relevant dividend determine, if it appears to them desirable due to a change in circumstances, that the dividend shall be payable wholly in cash. If they so determine, then all elections to receive additional shares shall be disregarded.

All dividends or other monies payable on, or in respect of, a share which are unclaimed after having been declared may be invested or otherwise made use of by the directors for the benefit of ScottishPower until claimed. The payment by the directors of any unclaimed dividend or other monies payable on, or in respect of, a share into a separate account shall not constitute ScottishPower as trustee in respect thereof. ScottishPower shall be entitled to cease sending dividend warrants and checks by post or otherwise to a shareholder if those instruments have been returned undelivered to, or left uncashed by, that shareholder on at least two consecutive occasions or, following one such occasion, reasonable enquiries have failed to establish the shareholder s new address. This entitlement of ScottishPower shall cease in respect of any shareholder if he or she claims a dividend or cashes a dividend warrant or check. Any dividend unclaimed after a period of 12 years from the date it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by ScottishPower.

If any person appearing to be interested, as discussed above, in shares representing at least 0.25% of the nominal value of their class has failed to give ScottishPower any information required by a Section 212 Notice served upon a shareholder within 14 days, the directors may direct that no payment shall be made by way of dividend and no scrip shares shall be allotted in respect of the shares. Any direction shall cease to have effect when the directors are satisfied that all the information required by the Section 212 Notice has been given to ScottishPower.

On a winding-up of ScottishPower, the balance of the assets available for distribution, subject to any preferential or special rights attached to any other class of shares, shall be applied in repaying to the holders of

Table of Contents

ordinary shares the amounts paid up or credited as paid up on those shares, and any surplus assets will belong to the holders of ordinary shares in proportion to the numbers of ordinary shares held by them, having taken account of the amounts paid up or credited as paid up on those shares.

Untraced Shareholders

ScottishPower may sell any share if, for a period of 12 years during which at least three dividends in respect of the share have been payable, no check or warrant for amounts payable in respect of the share has been cashed and no communication in respect of the share has been received by ScottishPower from the relevant shareholder or other person entitled to the share. ScottishPower must advertise notice of its intention to sell the share in one Scottish newspaper, one leading national newspaper and a newspaper circulating in the area to which the checks and warrants were sent. Notice of the intention to sell must also be given to the London Stock Exchange if shares of the class concerned are listed or dealt in on that exchange.

If no communication in respect of the share is received within a further three months, ScottishPower may sell the share in a manner as the directors think fit at the best price reasonably obtainable.

ScottishPower are also entitled to sell, in the manner outlined above, any additional share issued during the said period of twelve years and three months in respect of any share to which the above procedure applies.

ScottishPower shall be indebted to the former shareholder or other person previously entitled to the share for an amount equal to the net proceeds of sale, but no trust shall be created and no interest shall be payable in respect of the proceeds of sale.

Transfer of Shares Certificated

Transfers of certificated shares shall be effected by a validly executed written instrument of transfer in a usual form or in any other form acceptable to the directors. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of shareholders. The directors may, in their absolute discretion, decline to register a transfer of a share which is not fully paid, provided that the refusal does not prevent dealings from taking place on an open and proper basis. The directors may also refuse to register a transfer unless the instrument of transfer is:

duly stamped (or adjudged or certified as not chargeable to stamp duty) and lodged at the place where the register of shareholders of ScottishPower is kept or at such other place as the directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his or her behalf, evidence of the authority of that person to do so); and

in respect of only one class of share; and

in favor of not more than four transferees jointly.

If a shareholder or any other person appearing to be interested, as discussed above, in certificated shares representing at least 0.25% of the nominal value of their class has been served with a Section 212 Notice and has failed to give ScottishPower any information required by the notice within 14 days, the directors may, by notice, direct that, except in limited circumstances, no transfer of any of those shares shall be registered. Any such direction shall cease to have effect when the directors are satisfied that all the information required by the Section 212 Notice has been given to ScottishPower.

Transfer of Shares Uncertificated

Transfers of uncertificated shares must be made in accordance with the Regulations. The Regulations provide that where any conflict exists between the Articles and the Regulations, the Regulations will prevail.

Table of Contents

Consequently, in relation to uncertificated shares, it may not be possible to enforce the provisions of the Articles regarding refusal to register transfers. The Regulations only permit a company to refuse to register a transfer of uncertificated shares in very limited circumstances, including where an order of the court prohibits the transfer. Consequently, the Articles contain provisions designed to enable ScottishPower to direct that a shareholder take specific actions to ensure that an uncertificated share is not effectively transferred in circumstances where a transfer of that share would not be registered were it in certificated form.

Preemptive Rights

The Articles do not contain any preemptive rights in favor of shareholders. However, the Companies Act confers on shareholders, to the extent not waived or disapplied, rights of preemption in respect of equity securities that are, or are to be, issued for cash. The term equity securities includes ordinary shares in ScottishPower.

Under the Companies Act, these provisions may be disapplied by a special resolution o