

Private Placement Memorandum Supplement
Dated August 15, 2005

MORGAN STANLEY ACES SPC

(a segregated portfolio company incorporated under the laws of the Cayman Islands)

SERIES 2005-18

U.S.\$36,147,000 Secured Floating Rate Notes due 2011

This Private Placement Memorandum Supplement (this "**Supplement**") is delivered together with the Private Placement Memorandum, dated September 7, 2004 (the "**Base Private Placement Memorandum**" and together with this Supplement, this "**Private Placement Memorandum**"). This Supplement is issued in conjunction with the issuance of the U.S.\$36,147,000 Secured Floating Rate Notes due 2011 (the "**Notes**"), Series 2005-18, by Morgan Stanley ACES SPC, acting for the account of the segregated portfolio relating to the Notes (the "**Issuer**") and must be read in conjunction with the Base Private Placement Memorandum. The segregated portfolio relating to the Notes will be referred to herein as the "**Series 2005-18 Segregated Portfolio**."

Payments on the Notes are linked to the credit of each of the corporate reference entities (each, a "**Reference Entity**") specified in the Form of Reference Transaction Confirmation (High Yield Corporate Reference Entities) attached as Schedule A to the Credit Confirmation and the Form of Transaction Confirmation (Investment Grade Corporate Reference Entities) attached as Schedule B to the Credit Confirmation. See "Special Considerations—Risks Associated with the Reference Entities" herein.

The Notes offered hereby are issued pursuant to the Series 2005-18 Indenture described herein (the "**Indenture**") among LaSalle Bank National Association, as trustee (the "**Trustee**"), the Issuer and the holders of the Notes (the "**Holders**").

The Holders of the Notes will have recourse only to the assets of the Series 2005-18 Segregated Portfolio as described herein (the "**Portfolio Property**"). The Portfolio Property will consist of (i) the Underlying Securities described herein, (ii) the Issuer's rights under the Swap Agreement described herein, including the Swap Guarantee, (iii) the Issuer's rights under the Contingent Forward Agreement described herein, including the Contingent Forward Guarantee (together with the Swap Agreement, the "**Related Agreements**"), (iv) any Permitted Investments purchased by the Issuer, (v) certain property incidental thereto, and (vi) the proceeds of the foregoing. See "The Portfolio Property" herein.

The Notes will be issued in Book-Entry form and will be represented by one or more Global Notes in registered form. The Notes offered and sold to QIBs will initially be represented by a Global Note registered in the name of DTC or its nominee. The Notes offered and sold in reliance upon Regulation S will initially be represented by a Global Note registered in the name of DTC or its nominee, for the respective accounts of Euroclear and Clearstream.

Capitalized terms not otherwise defined in this Supplement will have the meanings ascribed to such terms in the Base Private Placement Memorandum. An index of terms defined in this Supplement is attached as Annex E hereto.

MORGAN STANLEY

NOTICE TO INVESTORS

The Series 2005-18 Notes of the Issuer will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws. The Issuer will not be registered under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). Sales or other transfers of Notes may be made only (i) to qualified institutional buyers (each, a "**QIB**") as defined under Rule 144A ("**Rule 144A**") under the Securities Act which are also Qualified Purchasers, as defined in Section 2(a)(51) of the Investment Company Act (each, a "**Qualified Purchaser**") or (ii) to non-U.S. persons in offshore transactions in reliance and in accordance with Regulation S ("**Regulation S**") under the Securities Act. No Benefit Plan Investor (as defined in the Base Private Placement Memorandum) may purchase or hold Notes, except as provided in the Base Private Placement Memorandum and in this Supplement.

The information set forth herein with respect to the Underlying Securities and the Reference Entities has been obtained from official or other sources believed to be reliable. The Issuer has not independently verified any of this information and makes no representation or warranty about its accuracy or completeness.

This Private Placement Memorandum contains summaries of certain documents. All such summaries are qualified by reference to the actual documents, which may be obtained on a confidential basis from the Trustee.

The information in this Private Placement Memorandum is intended to be current as of the date of this Private Placement Memorandum. No representation or warranty is made as to the accuracy or completeness of such information as of any other date, and nothing contained in this Private Placement Memorandum is, or should be relied on as, a promise or representation as to the future. Neither the subsequent delivery of this Private Placement Memorandum nor any sale of the Notes after the date of this Private Placement Memorandum implies that there has not been any change in the affairs of the Issuer or the information presented here after the date of this Private Placement Memorandum.

A purchase of the Notes exposes the Holders to, *inter alia*, the credit of each of the Reference Entities, and the holders of the Notes assume the credit and other risks of each of the Reference Entities.

None of the Reference Entities has participated in, and is most likely unaware of, the issuance of the Notes or the preparation of the Private Placement Memorandum.

No information is set forth herein with respect to the condition and creditworthiness of the Reference Entities. Investors should consult independent sources as to the condition and creditworthiness of the Reference Entities (as well as the issuer of the Underlying Securities) and the risks associated with an investment in an obligation issued by any Reference Entity (or by the issuer of the Underlying Securities).

Although the Issuer has no reason to believe that any publicly available information concerning the issuer of the Underlying Securities or the Reference Entities is unreliable, the Issuer is not able to represent to you that any publicly available information regarding the issuer of the Underlying Securities or the Reference Entities is and will remain accurate or complete.

The Issuer will make available to each prospective purchaser, prior to such purchaser's purchase of Notes, the opportunity to ask questions of, and receive answers from, the Trustee concerning the terms and conditions of this offering and the Issuer.

No person is authorized to give any information or to make any representation concerning the offering of the Notes not contained in the Private Placement Memorandum, and any such information or representation not contained or incorporated by reference herein or therein should not be relied upon as having been authorized by or on behalf of the Trustee, the Issuer or the Swap Counterparty. Neither the delivery of the Private Placement Memorandum nor any sale made hereunder should, at any time, imply that the information contained herein or therein is correct as of any date subsequent to their respective dates.

You should assume that the Swap Counterparty and their affiliates (the "**Morgan Stanley Affiliates**") will accept deposits from, make loans or otherwise extend credit to, and generally engage in commercial or investment banking or other business with the issuer of the Underlying Securities or a Reference Entity or one or more of their respective affiliates (or another person or entity having obligations relating to the issuer of the Underlying Securities or a Reference Entity) and is most likely to act with respect to such business as if the Notes did not exist, regardless of whether any such action might have an adverse effect on the issuer of the Underlying Securities, any Reference Entity or on a purchaser of the Notes (including, without limitation, any action which might constitute or give rise to a Credit Event). You should assume that the Morgan Stanley

Affiliates will vote any interests they may have in obligations of the issuer of the Underlying Securities or a Reference Entity (or of any of their respective affiliates), and purchase or sell such obligations, provide bid and offer prices with respect thereto, affect the market value thereof, and otherwise participate in the secondary market for such obligations as if the Notes did not exist, regardless of whether any such action would have an adverse effect on the issuer of the Underlying Securities, the Underlying Securities, a Reference Entity or the Holders of the Notes.

You should assume that the Morgan Stanley Affiliates will, whether by virtue of the types of relationships described above or otherwise, at the date hereof or at any time hereafter, be in possession of information in relation to the issuer of the Underlying Securities, a Reference Entity or any of their respective obligations which is or may be material in the context of the Notes and which is not or may not be known to the general public. None of the Morgan Stanley Affiliates has any obligation, and the offering of the Notes and the execution of the Swap Agreement does not create any obligation on the part of any Morgan Stanley Affiliate, to disclose to the purchaser of the Notes any such relationship or information (whether or not confidential) and you should assume that the Morgan Stanley Affiliates will not disclose such relationship or information to you.

The Private Placement Memorandum has been prepared solely for use in connection with the offering of the Notes and the information contained in the Private Placement Memorandum is confidential. Distribution of the Private Placement Memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of their contents, without the Issuer's prior written consent, is prohibited. However, the Morgan Stanley Affiliates and the Issuer authorize each of the offerees of Notes (and each employee, representative, or other agent of any offeree) to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Issuer and all materials of any kind (including opinions and other tax analyses) that are provided to the offeree relating to such tax treatment and tax structure.

The Private Placement Memorandum does not constitute an offer to sell or a solicitation of any offer to buy any security other than the Notes offered hereby, nor constitute an offer to sell or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation to such person.

The Trustee has not participated in the preparation of the Private Placement Memorandum and assumes no responsibility for their contents.

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SPECIAL CONSIDERATIONS

The purchase of the Notes involves substantial risks, including without limitation the risks described below. This Private Placement Memorandum does not describe all risks of an investment in the Notes, either as such risks exist at the date hereof or as such risks may change in the future.

Limited Recourse; Notes Payable Solely from Portfolio Property; Notes Not Payable from Portfolio Property of Other Series

The Notes will not be obligations or responsibilities of, and will not be guaranteed by, the Trustee, the Swap Counterparty, the Swap Guarantor, the Contingent Forward Counterparty, the Contingent Forward Guarantor, any Agent or any company in the same group of companies as or any affiliate of any of the foregoing. Each Holder by its holding of its Notes will be deemed to agree that the obligations of the Issuer will be payable solely from the Portfolio Property. No assurance can be made that the amount of Portfolio Property available for and allocated to the repayment of the Notes at any particular time will be sufficient to cover all amounts that would otherwise be due and payable in respect of the Notes. If proceeds of the Portfolio Property received by the Trustee for the benefit of the Holders are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency, and following liquidation of the Portfolio Property, the obligations of the Issuer to pay such deficiency will be extinguished. **Holder in respect of the Series 2005-18 Segregated Portfolio will not have any recourse to the general assets of the Company or any assets of any other segregated portfolio of the Company.**

Statutory Segregation of Assets and Liabilities

The Notes will be issued for the account of the 2005-18 Segregated Portfolio as described herein. The Companies Law (2003 Revision) of the Cayman Islands (the "**Companies Law**") provides that a segregated portfolio company may create one or more segregated portfolios in order to segregate the assets and liabilities of the segregated portfolio company held within or on behalf of a segregated portfolio from the assets and liabilities of the segregated portfolio company held within or on behalf of any other segregated portfolio of the company or the assets and liabilities of the company which are not held within or on behalf of a segregated portfolio of the company. The Companies Law also provides that segregated portfolio assets shall only be available and used to meet the liabilities to the creditors of the segregated portfolio company who are creditors of that segregated portfolio and who shall thereby be entitled to have recourse only to the segregated portfolio assets attributable to that segregated portfolio for such purposes, and segregated portfolio assets shall not be available or used to meet liabilities to, and shall be absolutely protected from, the creditors of the segregated portfolio company who are not creditors in respect of that segregated portfolio, and who accordingly shall not be entitled to recourse to the segregated portfolio assets attributable to that segregated portfolio. This type of structure does not exist in most jurisdictions and these provisions of the Companies Law have not been subject to judicial scrutiny in any jurisdiction. Accordingly, there is a risk that upon such review a court may not be willing to uphold the statutory segregation of assets and liabilities as provided for by the Companies Law with respect to a segregated portfolio company.

Swap Counterparty Not Adviser or Fiduciary

The Swap Counterparty is not acting as a fiduciary or adviser to the Issuer or the Holders. In selecting the Reference Entities and in performing its obligations under the Swap Agreement, the Swap Counterparty will not act as an adviser, fiduciary or agent of the Issuer or the Holders, but will take such actions as are permitted under the Swap Agreement and which it deems to be in its interests, which may be adverse to the interests of the Issuer or the Holders.

Risks Associated with the Reference Entities

Since payments under the Swap Agreement will be linked to the credit of each of the Reference Entities, and payments under the Notes rely on the Swap Agreement, once the Total Loss Amount under (and as defined in) the Swap Agreement exceeds \$126,514,500, Holders will be exposed to the credit risk of the Reference Entities to the full extent of the value of their Notes. Upon the occurrence of a Credit Event, Holders could lose a substantial portion, or all, of the value of their Notes. In particular, upon the occurrence of a Credit Event in respect of any of the Reference Entities, the principal amount of the Notes may be reduced as set out herein without any repayment of principal and, as provided herein, the right to receive payment of any such principal amount will be extinguished in accordance with the provisions herein. The likelihood of a Credit Event occurring with respect to a Reference Entity will generally fluctuate with, among other things, the financial

condition of the Reference Entities, general economic conditions, the condition of certain financial markets, political events, developments or trends in any relevant industry and changes in prevailing interest rates.

No obligation of a Reference Entity will constitute a part of the property of the Issuer and Holders will have no right to vote or exercise any other right or remedy with respect to a Reference Entity or any of its obligations and will have no legal or equitable interest therein.

None of the Swap Counterparty and its affiliates makes any representations to investors concerning (i) any Reference Entity or its condition or creditworthiness or (ii) the merits of an investment in the Notes. Investors should consult independent sources as to the condition of each Reference Entity, as well as the risks associated with an investment in an obligation issued or, to the extent permitted under the Swap Agreement, guaranteed by any Reference Entity to the same extent as if they were making a direct investment in obligations of such Reference Entity. Each investor will be deemed to have represented and warranted to the Swap Counterparty that it has made its own investigation of the condition and creditworthiness of the Reference Entities and has determined that it can bear any loss associated with an investment in the Notes as described herein.

Limited Liquidity; Resale Restrictions

The Notes are a highly illiquid investment. There is currently no secondary market for the Notes and it is extremely unlikely that a significant secondary market in the Notes will develop or that if a secondary market does develop that it will continue or will be sufficient to provide the Holders with needed liquidity.

The limited scope of information available to the Issuer, the Trustee and the Holders regarding the Reference Entities, the Underlying Securities and the nature of any Credit Event (as defined in "The Portfolio Property—The Swap Agreement" section), may affect the liquidity of the Notes.

The Notes are subject to significant restrictions on transfer that could also limit their liquidity.

Consequently, the purchase of Notes is suitable only for, and should be made only by, investors who understand and can bear the risks of such an investment (including without limitation the substantial credit, financial and liquidity risks of such an investment) for an indefinite period of time or until final redemption or maturity of the Notes.

See "Transfer Restrictions" herein and "Certain ERISA and Other Considerations" in the Base Private Placement Memorandum.

Subordination of the Notes

The Notes are subordinated to the payment of certain other amounts payable by the Issuer, as set out in the Priority of Payments (as defined in the Base Private Placement Memorandum). There can be no assurance that the Holders will receive the full amounts payable by the Issuer under the Notes or that they will receive any return on their investment in the Notes. In particular, if certain Credit Events occur, returns to Holders could be reduced to as low as zero. If a Credit Event occurs, the Principal Balance of the Notes will be reduced on a pro rata basis by an amount equal to the Payable Credit Protection Payment (as defined in "The Notes" section), if any, determined in connection therewith.

Issuer's Ability to Pay Interest under the Notes

The ability of the Issuer to meet its obligations to pay interest on the Notes after payment in full has been made by the Issuer of all amounts due and owing which rank in priority thereto will depend on the performance by or on behalf of the Swap Counterparty of its obligations under the Swap Agreement, of the Swap Guarantor under the Swap Guarantee and receipt by the Issuer of the sums of principal and interest receivable by the Issuer in respect of the Underlying Securities.

The Swap Counterparty will make payments of interest and/or premium due from it under the Swap Agreement to the Issuer, and such amounts will be applied in payment of amounts due to the Holders in accordance with the Priority of Payments.

Acceleration or Early Redemption in Certain Circumstances

The Notes are subject to acceleration upon the occurrence of an Indenture Event of Default (as defined in "The Notes" section) or early redemption upon the occurrence of an Early Redemption Event (as defined in "The

Notes" section). In such circumstances, the Underlying Securities will be liquidated (to the extent not previously redeemed) and the proceeds applied in accordance with the Priority of Payments. The net proceeds (if any) of any realization of the Underlying Securities may be insufficient to pay amounts due to the Holders in respect of the Notes.

Risks Associated with Underlying Securities

Underlying Securities Default

The Holders will be exposed to the credit of the issuer of the Underlying Securities to the full extent of their investment in the Notes. If the issuer of the Underlying Securities is late in making any payment of interest or principal with respect to the Underlying Securities, and if such failure continues after the expiration of any applicable grace period, or if any other event occurs which constitutes an Underlying Securities Default (as defined in "The Notes" section), the Swap Agreement will be subject to termination as described herein. If the Swap Agreement is terminated, the Issuer will, out of the proceeds of the Underlying Securities, pay certain accrued and unpaid expense payments due to the Trustee and other service providers of the Issuer and amounts due to the Swap Counterparty under the Swap Agreement (including any Swap Breakage Fee other than any Defaulted Swap Termination Payment) before distributing the remaining proceeds, if any, to the Holders of the Notes. If an Underlying Securities Default occurs, then the amount distributed to the Holders could be substantially less than the Holders' original investment in the Issuer and could even be zero.

Limited Information with respect to the Underlying Securities

The Private Placement Memorandum does not provide detailed information with respect to the Underlying Securities or the issuer thereof or with respect to any rights or obligations, legal, financial or otherwise, arising under the Underlying Securities. Prospective purchasers of the Notes are urged to undertake their own investigation of these and other matters relating to the Underlying Securities.

The limited information concerning the Underlying Securities and the Issuer thereof that is set forth herein will, unless otherwise specified, be based upon publicly available sources and will not have been independently checked or verified by the Swap Counterparty, the Swap Guarantor, the Contingent Forward Counterparty, the Contingent Forward Guarantor, the Trustee or anyone else in connection with the issuance of the Notes.

The issuer of the Underlying Securities has not participated in, and is most likely unaware of, the offering of the Notes or the preparation of this Private Placement Memorandum.

Risks Associated with the Swap Agreement

Credit of Swap Counterparty and Swap Guarantor

The receipt by Holders of payments on their Notes will be dependent on the Issuer's timely receipt of payments from, and therefore the credit of, the Swap Counterparty and the Swap Guarantor.

Liability for Swap Breakage Fees and Defaulted Swap Termination Payments

The Swap Agreement may be terminated early if a Swap Event of Default or a Swap Termination Event (each as defined in "The Portfolio Property—The Swap Agreement" section) with respect to the Swap Counterparty or the Issuer occurs or if an Indenture Event of Default or Early Redemption Event occurs. If a Swap Event of Default, a Swap Termination Event, an Indenture Event of Default or an Early Redemption Event occurs, then the Swap Agreement will be subject to termination and, as a result of such termination, the Issuer or the Swap Counterparty will pay a termination payment in accordance with Section 6(e) of the Master Swap Agreement (the "**Swap Breakage Fee**"). The Issuer will pay a Swap Breakage Fee to the Swap Counterparty if the value of the Swap Agreement is in favor of the Swap Counterparty and the Swap Counterparty will pay a Swap Breakage Fee to the Issuer if the value of the Swap Agreement is in favor of the Issuer, subject to the Priority of Payments. The value of the Swap Agreement may be highly volatile, and it is not possible to estimate the amount of the Swap Breakage Fee paid or foregone by the Holders of the Notes. The Holders of the Notes will effectively pay any Swap Breakage Fee payable by the Issuer, in proportion to the amount of their respective investment in the Notes, up to the limit of their respective investment.

The Indenture distinguishes between Swap Breakage Fees and Defaulted Swap Termination Payments, which term refers to any amount payable by the Issuer under the Swap Agreement as a consequence of an early termination of the Swap Agreement in respect of which termination the Swap Counterparty (and not the Issuer)

is the sole affected or defaulting party. Swap Breakage Fees that are Defaulted Swap Termination Payments have a lower priority in the Priority of Payments than (and will be subordinated to) the payments due to the Holders in respect of the Notes.

Risks Associated with the Contingent Forward Agreement

Credit of Contingent Forward Counterparty and Contingent Forward Guarantor

The Contingent Forward Agreement will require the Contingent Forward Counterparty to pay 100% of the principal amount of the Underlying Securities required to be liquidated by the Issuer. However, settlement on the Contingent Forward Agreement will not occur (except to the extent settlement is pending) when an Underlying Securities Default, any other Indenture Event of Default or an Early Redemption Event occurs, and Holders of the Notes are exposed to the risks of decline in the market value of the Underlying Securities in such circumstances. Investors are also exposed to the credit risk of the Contingent Forward Counterparty under the Swap Agreement and the Contingent Forward Guarantor under the Contingent Forward Guarantee, as applicable.

No Right to Receive Termination Payments Under Contingent Forward Agreement

In no event will the Issuer pay or receive any termination payment in respect of the Contingent Forward Agreement at any time except to the extent settlement under the Contingent Forward Agreement is pending at the time of an Early Redemption Event or Indenture Event of Default. Accordingly, Holders of the Notes will not be compensated for any loss of the market value of the Contingent Forward Agreement and, following the termination of the Contingent Forward Agreement will be exposed to the risk that the Underlying Securities are worth less than their par value on the date of the Early Redemption Event or Indenture Event of Default. The value of the Contingent Forward Agreement may be highly volatile, and it is not possible to estimate the amount of the termination payment paid or foregone by the Holders.

Conflicts of Interest

You should assume that the Swap Counterpart, and its affiliates (the "**Morgan Stanley Affiliates**") will accept deposits from, make loans or otherwise extend credit to, and generally engage in commercial or investment banking or other business with the issuer of the Underlying Securities or a Reference Entity or one or more of their respective affiliates (or another person or entity having obligations relating to the issuer of the Underlying Securities or a Reference Entity) and is most likely to act with respect to such business as if the Notes did not exist, regardless of whether any such action might have an adverse effect on the issuer of the Underlying Securities or a Reference Entity or on a purchaser of the Notes (including, without limitation, any action which might constitute or give rise to a Credit Event). You should assume that the Morgan Stanley Affiliates will vote any interests they may have in obligations of the issuer of the Underlying Securities or the Reference Entities (or of any of their respective affiliates), and purchase or sell such obligations, provide bid and offer prices with respect thereto, affect the market value thereof, and otherwise participate in the secondary market for such obligations as if the Notes did not exist, regardless of whether any such action would have an adverse effect on the issuer of the Underlying Securities, the Underlying Securities, the Reference Entities or the Holders of the Notes.

You should assume that the Morgan Stanley Affiliates will, whether by virtue of the types of relationships described above or otherwise, at the date hereof or at any time hereafter, be in possession of information in relation to the issuer of the Underlying Securities or the Reference Entities or any of their respective obligations which is or may be material in the context of the Notes and which is not or may not be known to the general public. None of the Morgan Stanley Affiliates has any obligation, and the offering of the Notes the execution of the Swap Agreement does not create any obligation on the part of any Morgan Stanley Affiliate, to disclose to the purchaser of the Notes any such relationship or information (whether or not confidential) and you should assume that the Morgan Stanley Affiliates will not disclose such relationship or information to you.

Legal Investment

The appropriate characterization of the Notes under various legal investment restrictions, and thus the ability of investors subject to those restrictions to purchase the Notes, may be subject to significant interpretative uncertainties. No representation is made as to the proper characterization of the Notes for legal investment purposes, or for risk-weighting, securities valuation, regulatory accounting or other financial institution regulatory regimes of the National Association of Insurance Commissioners, any state insurance commissioner,

any federal or state banking authority or any other regulatory body. Investors should consult with their own legal advisors in determining whether, and to what extent, the Notes will constitute legal investments for them and the consequences of such an investment.

U.S. Federal Income Tax Consequences Relating to the Issuer and the Holders

The Company will be classified as an association taxable as a corporation for U.S. federal income tax purposes. Moreover, although each Series is nominally issued by the Company, the Company intends for U.S. federal income tax purposes, and each investor will be required, to treat each Issuer as a separate corporation. However, due to a lack of directly governing authority, such treatment is not free from doubt. Each prospective investor is urged to consult with its own tax advisors as to the effect of denial of such separate treatment.

The Issuer, the Trustee and the Swap Counterparty will treat, and each Holder will be required to treat, the Swap Agreement as a "notional principal contract" for U.S. federal income tax purposes. However, there is no authority directly addressing the U.S. federal income tax treatment of investments such as the Swap Agreement and it is possible that the Swap Agreement may be recharacterized as some other type of financial instrument of the Swap Counterparty. Such recharacterization may have adverse income tax consequences to Holders.

Each prospective investor is urged to consult with its own tax advisors as to the federal income, state, local, foreign and other tax consequences to them of the purchase, ownership and disposition of the Notes. See "Certain U.S. Federal Income Tax Considerations" herein and the discussion in the Base Private Placement Memorandum under the heading "Certain U.S. Federal Income Tax Considerations" for a more detailed discussion of the U.S. federal income tax issues arising in connection with the purchase, ownership and disposition of the Notes.

Limited Information

This Private Placement Memorandum does not provide detailed information concerning the Underlying Securities or the Reference Entities. Holders should do their own review and investigation of the Underlying Securities, the Swap Agreement, the Contingent Forward Agreement and the Reference Entities to the same extent as if they were making a direct investment in the Underlying Securities, the Swap Agreement, the Contingent Forward Agreement and obligations of the Reference Entities. Further, Holders should review for themselves the Indenture setting forth the terms of the Notes. A copy of each Confirmation is attached as an annex hereto. Copies of the Master Swap Agreement, the Master Contingent Forward Agreement, the sets of definitions published by ISDA and forming part of the Swap Agreement and the Contingent Forward Agreement, as well as the Indenture and the other documents executed in connection with the issuance of the Notes, are available upon request from the Trustee.

Ratings

It is expected that the Notes will be rated "AAA" by S&P. A security rating is not a recommendation to buy, sell or hold the Notes. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant Rating Agency if, in its judgment, circumstances in the future so warrant. In the event that a rating initially assigned to the Notes is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes and the market value of the Notes is likely to be adversely affected.

THE NOTES

This Private Placement Memorandum Supplement must be read in conjunction with the Base Private Placement Memorandum. To the extent any provision in this Supplement is inconsistent with the Base Private Placement Memorandum, the provisions in this Supplement shall control. **The description of the Notes does not purport to be and is not complete. Prospective purchasers should review the Indenture, the Related Agreements and the Portfolio Property in making their decision to purchase any Notes.** An index of defined terms used in this Supplement is set forth at Annex E hereto.

Securities Offered	the U.S.\$36,147,000 Secured Floating Rate Notes due 2011 (the " Notes "), Series 2005-18, to be issued by the Issuer on the Issue Date pursuant to the Series 2005-18 Indenture (the " Indenture ") to be dated as of the Issue Date among the Trustee and the Issuer.
Issuer	Morgan Stanley ACES SPC, acting for the account of the Series 2005-18 Segregated Portfolio
Portfolio Property.....	<p>All the Issuer's estate, right, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising:</p> <ul style="list-style-type: none">(i) the Underlying Securities;(ii) the Swap Agreement (including the Swap Guarantee);(iii) the Contingent Forward Agreement (including the Contingent Forward Guarantee) (together with the Swap Agreement, the "Related Agreements");(iv) any Permitted Investments purchased by the Issuer;(v) the Collection Account or any other accounts of the Issuer held under the Indenture, including all assets, investments and other amounts held in such accounts;(vi) all present and continuing right, power and authority of the Issuer, in the name and on behalf of the Issuer, as agent and attorney-in-fact, or otherwise, to make claim for and demand performance on, under or pursuant to any of the foregoing, to bring actions and proceedings thereunder or for the specific or other enforcement thereof, or with respect thereto, to make all waivers and agreements, to grant or refuse requests, to give or withhold notices, and to exercise all rights, remedies, powers, privileges and options, to grant or withhold consents and approvals and do any and all things and exercise all other discretionary rights, options, privileges or benefits which the Issuer is or may become entitled to do with respect to the foregoing; and(vii) all interest, income, profits or gains with respect to cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Portfolio Property.

The Portfolio Property will provide the sole source of funds for payments in respect of the Notes.

Trustee	LaSalle Bank National Association
Distributor.....	There is no distributor in respect of the Notes. Prospective holders of the Notes will acquire the Notes directly from the Issuer. Accordingly all references to, and where applicable any provision relating to, a "Distributor" or "Distributors" in the Base Private Placement Memorandum will be deleted in respect of the Notes.
Calculation Agent.....	Morgan Stanley Capital Services Inc.
Issue Date	August 15, 2005
Scheduled Maturity Date	February 10, 2011
Maturity Date.....	The earlier of (i) the Scheduled Maturity Date and (ii) the date on which the Principal Balance of the Notes has been reduced to zero.
Issue Price.....	100%
Initial Principal Balance:	U.S.\$36,147,000
Business Day	Any day, other than a Saturday or Sunday, that is a day on which commercial banks are generally open for business in Chicago, the City of New York, London and Hong Kong.
Business Day Convention.....	If any date specified herein is said to be subject to the Business Day Convention, such date, if not a Business Day, will be the next following Business Day.
Holdover	Not Applicable
Interest Payments:	
<i>Interest Payment Dates</i>	The 3 rd Business Day prior to each of 15 th February and 15 th August in each year (each, an " Interest Payment Date "), commencing on the 3 rd Business Day prior to February 15, 2006 and ending on the Maturity Date, subject to the Business Day Convention.
<i>Calculation of Interest</i>	Interest payments (each, an " Interest Payment ") on the Notes will accrue from the Issue Date until the Maturity Date. On each Interest Payment Date, the Interest Payment due in respect of the Notes will be equal to (i) the sum obtained by adding the products, determined with respect to each day in the related Interest Accrual Period of (a) the Interest Rate divided by 360 and (b) the Principal Balance of the Notes on such day <i>minus</i> (ii) if one or more Principal Payment Dates (as defined in the Base Private Placement Memorandum) have occurred with respect to the Notes during such Interest Accrual Period (other than on the first day of such Interest Accrual Period), the aggregate amount of interest paid in respect of the Notes on such Principal Payment Dates.

On any Principal Payment Date that is not also an Interest Payment Date, the Interest Payment due in respect of the Notes will be equal to the product of (A) the number of days in the related Interest Accrual Period, (B) the Interest Rate divided by 360 and (C) the sum of the Principal Balance of the Notes being paid and the Principal Balance of the Notes being reduced in connection with any Payable Credit Protection Payments being made on such date.

<i>Designated Maturity</i>	Six months provided that "six month LIBOR" in respect of the first and last Interest Accrual Periods will be determined through the use of straight-line interpolation where such periods are shorter or longer than six months.
<i>Telorate Page</i>	Telorate page 3750
<i>Interest Rate</i>	Six month LIBOR plus Margin
<i>Margin</i>	0.75%
<i>Day Count Fraction</i>	Actual/360
<i>Interest Accrual Period</i>	With respect to each Interest Payment Date, interest on the Principal Balance of the Notes will accrue during the period (the " Interest Accrual Period ") from and including the preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Issue Date) to but excluding such Interest Payment Date. Any interest accrued but unpaid on any Interest Payment Date will accrue interest from and including such Interest Payment Date to but excluding the succeeding Interest Payment Date.

Principal Payments and Redemptions:

<i>Before Scheduled Maturity Date</i>	Unless redeemed as a result of an Early Redemption Event or an Indenture Event of Default, no payments of principal (" Principal Payments ") will be made on the Notes before the Scheduled Maturity Date.
<i>At Scheduled Maturity Date</i>	Unless redeemed earlier, the Issuer will redeem each outstanding Note at the Principal Balance of such Note on the Scheduled Maturity Date (with accrued but unpaid interest to but excluding the Scheduled Maturity Date), subject to the Priority of Payments.
<i>Early Redemption Events</i>	The occurrence of any of the following events will constitute an Early Redemption Event (an " Early Redemption Event "): (i) a Related Agreement Redemption Event, (ii) a Tax Redemption Event, or (iii) an Underlying Securities Early Redemption.

A "**Related Agreement Redemption Event**" occurs when a Related Agreement is terminated, including, without limitation, as a result of an Underlying Securities Default, without replacement thereof (on or prior to such termination) that is satisfactory to and has the prior written approval of the Trustee, at the direction of the Swap Counterparty, and that satisfies the Rating Condition.

A "**Tax Redemption Event**" occurs when:

- (i) the Issuer on the occasion of the next payment due in respect of the Notes would be required to withhold or account for tax in the place of incorporation or tax jurisdiction of the Issuer;
- (ii) the Issuer would be unable to make payment of any amount due on the Notes because (a) the Issuer becomes subject to tax in respect of its income with respect to the Underlying Securities or payments made to it under a Related Agreement, (b) the Issuer becomes subject to an obligation to deduct or withhold tax on payments made by it under a Related Agreement and to pay an additional amount under any such Related Agreement in respect thereof, or (c) the payments in respect of the Underlying Securities or payments made to the Issuer under any such Related Agreement are made net of any tax; or
- (iii) any exchange controls or other currency exchange or transfer restrictions or taxes are imposed on the Issuer or any payments to be made to or by the Issuer or for any reason the cost to the Issuer of complying with its obligations under or in connection with any Related Agreement would (in the sole opinion of the Issuer) be materially increased, the Issuer having used its reasonable efforts to procure the substitution of a company incorporated in another jurisdiction (in which jurisdiction the relevant tax, exchange control, or currency exchange or transfer restrictions does not apply) as the principal obligor in respect of the Notes, or the establishment of a branch office in another jurisdiction (in which jurisdiction the relevant tax, exchange control, or currency exchange or transfer restrictions does not apply) (in each case subject to the satisfaction of certain conditions as more fully specified in the Indenture) from which it may continue to carry out its functions under the Related Agreement, and the Issuer, having used its reasonable efforts, is unable to arrange such substitution before the next payment is due in respect of the Notes.

Notwithstanding the foregoing, if any of the taxes referred to in clause (i) of the definition of Tax Redemption Event arises:

- (a) owing to the connection of any Holder, or any third party having a beneficial interest in the Notes with the place of incorporation or tax jurisdiction of the Issuer otherwise than by reason only of the holding of any Note or receiving principal or interest in respect thereof; or
- (b) by reason of the failure by the relevant Holder to comply with any applicable procedures required to establish non-residence or other similar claim for exemption from such tax;

then, to the extent it is able to do so, the Issuer will deduct such taxes from the amounts payable to the relevant Holder and will not redeem the Notes but this will not affect the rights of the other Holders hereunder. Any such deduction will not

constitute an Early Redemption Event or an Indenture Event of Default.

An "**Underlying Securities Early Redemption**" occurs when any of the Initial Underlying Securities are redeemed pursuant to an early redemption prior to their scheduled maturity date, unless such Initial Underlying Securities:

- (i) are amortized in accordance with their terms following the occurrence of an early amortization event (as described in the terms of the Initial Underlying Securities); or
- (ii) are redeemed in full following the exercise by the issuer of the Initial Underlying Securities of its option to redeem the Initial Underlying Securities in full prior to their scheduled maturity date,

and, in the case of clause (i) or clause (ii) above, the holder of such Initial Underlying Securities receives payment in full in respect of the principal amount of the Initial Underlying Securities being amortized or, as the case may be, being redeemed; or

- (iii) are redeemed by reason of an Underlying Securities Default.

An Underlying Securities Early Redemption may occur in respect of any Underlying Securities other than the Initial Underlying Securities if agreed by the majority of Holders of the Notes at the time such Underlying Securities are purchased.

*Sale of Underlying Securities
to Morgan Stanley Affiliates.....*

In arranging for the sale of any of the Underlying Securities as referred to in "Description of the Notes—Redemptions—Liquidation of Portfolio Property Due to an Early Redemption Event" of the Base Private Placement Memorandum, the Calculation Agent, acting on behalf of the Issuer, may arrange for the sale of all or part thereof to itself or any other Morgan Stanley Affiliate (including, without limitation, the Swap Counterparty). The Swap Counterparty, in such capacity, or any Morgan Stanley Affiliate will not at any time be required to purchase any Underlying Securities from the Issuer upon liquidation thereof. Notwithstanding the foregoing, the Underlying Securities may only be sold to a Morgan Stanley Affiliate if (i) such Morgan Stanley Affiliate is the highest bidder and (ii) bids were also received in respect of the Underlying Securities from at least two dealers that are not Morgan Stanley Affiliates. Moreover, if, in respect of an Early Redemption Event, (1) a Defaulted Swap Termination Payment is due to the Swap Counterparty and (2) a Morgan Stanley Affiliate is a bidder in respect of the sale of Underlying Securities, the bid of such Morgan Stanley Affiliate shall not exceed the par amount of the Underlying Securities.

Indenture Events of Default.....

Each of the following events constitutes an "**Indenture Event of Default**" with respect to the Notes:

- (i) the Issuer defaults in the payment of any interest or principal on any Note when such interest or principal becomes due and payable and such default continues for a period of five days after written notice of such default is given to the Issuer and the Swap Counterparty by the Trustee or Principal Paying Agent;
- (ii) the Issuer fails to perform or observe any of its other obligations under the Notes or the Indenture and such failure continues for a period of 30 days following the delivery by the Trustee to the Issuer of written notice (which notice may be delayed as permitted under the Indenture) requiring the same to be remedied;
- (iii) (a) the entry of a decree or order by a court with competent jurisdiction adjudging the Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer under any applicable law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 15 consecutive days; or (b) the institution by the Issuer of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or of any substantial part of its property, respectively, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of any action by the Issuer in furtherance of any such action;
- (iv) the Issuer is required to register or is registered as an "investment company" under the Investment Company Act; or
- (v) an Underlying Securities Default.

Underlying Securities Default

"**Underlying Securities Default**" shall mean one of the following events: (i) the acceleration of any outstanding Underlying Securities under the terms of such Underlying Securities; (ii) the failure of the issuer of any Underlying Securities to pay an installment of principal of, or any amount of interest due on (to the extent that interest is not permitted to be deferred under the terms of such Underlying Securities), the related Underlying Securities after the due date thereof and after the expiration of any applicable grace period, or (iii) the occurrence of any event of default under such Underlying Securities caused by the insolvency or bankruptcy of the issuer of such Underlying Securities. An Underlying Securities

Default shall be deemed to have occurred for all purposes notwithstanding the rescission or annulment of such declaration of acceleration under such Underlying Securities or the subsequent payment (after such applicable grace period) of such overdue principal or interest.

Reductions in Principal Balance

Following Credit Events

The Principal Balance of the Notes (*pari passu* and *pro rata* among themselves) will be reduced by the aggregate amount of Payable Credit Protection Payments paid to the Swap Counterparty by the Issuer under the Swap Agreement.

As of any date of determination after the Issue Date, the "**Principal Balance**" of the Notes will be an amount determined as follows:

- (i) the Initial Principal Balance of the Notes; *minus*
- (ii) the aggregate amount of reductions in connection with Payable Credit Protection Payments applied to the Principal Balance of the Notes on or before such date, with each such reduction described in this sub-clause (ii) being in an amount equal to the related Payable Credit Protection Payment, taking effect on the relevant Credit Protection Payment Date and being applied to reduce the Principal Balance of the Notes until such Principal Balance is reduced to zero; *minus*
- (iii) the aggregate amount of Principal Payments (if any) made in respect of the Notes on or before such date.

"**Payable Credit Protection Payment**" means the Floating Amount the Issuer will be obligated to pay to the Swap Counterparty under the Credit Confirmation on the related Credit Protection Payment Date.

"**Floating Amount**" has the meaning specified in the Credit Confirmation. See Annex B hereto.

"**Credit Protection Payment Date**" means each Floating Rate Payer Payment Date specified in the Credit Confirmation.

"**Floating Rate Payer Payment Date**" has the meaning specified in the Credit Confirmation. See Annex B hereto.

Specified Currency

United States Dollars

Authorized Denominations

U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof, or such lesser denomination as consented to by the Issuer.

Minimum Subscription

U.S.\$1,000,000, or such lesser amount as consented to by the Issuer.

Ratings

It is expected that the Notes will be rated "AAA" by Standard and Poor's Ratings Services, a division of The McGraw Hill Companies ("**S&P**") (the "**Rating Agency**").

U.S. Federal Income Tax Considerations	<p>The Issuer intends to treat the Notes as equity of the Issuer for U.S. federal income tax purposes. Each Holder of a Note, by acceptance of an interest in such Note, will agree to treat such Note as equity of the Issuer for U.S. federal income tax purposes. However, this treatment will not be binding on the IRS and no assurance can be provided that the IRS will respect such position.</p> <p>Prospective investors are urged to consult with their tax advisors as to their ability to make, and the likely impact of their making, an election to treat the issuer as a QEF. See "Certain U.S. Federal Income Tax Considerations" herein and the discussion in the Base Private Placement Memorandum under the heading "Certain U.S. Federal Income Tax Considerations" for a more detailed discussion of this and other U.S. federal income tax issues.</p>
ERISA	<p>The Issuer will be a Non-Plan Issuer.</p> <p>See "Certain ERISA and Other Considerations" in the Base Private Placement Memorandum.</p>
Tax Treatment	"Debt-for-Tax" is not applicable to the Notes.
Transfer Restrictions.....	<p>The Notes have not been and will not be registered under the Securities Act and the Issuer will not be registered under the Investment Company Act. The Notes will be offered only (i) to Qualified Institutional Buyers as defined under Rule 144A under the Securities Act who are also Qualified Purchasers (as defined in Section 2(a)(51) and related regulations of the Investment Company Act) or (ii) to non-U.S. persons in offshore transactions in reliance and in accordance with Regulation S under the Securities Act, in each case in Authorized Denominations for any single beneficial owner. Each purchaser of the Notes (whether by initial purchase or by transfer) will be deemed to have made the representations and agreements set forth in the Notice to Investors and the Transfer Restrictions sections herein.</p>
Form	<p>The Notes will be issued in Book-Entry form and will be represented by one or more Global Notes in registered form. The Notes offered and sold to QIBs will initially be represented by a Global Note registered in the name of DTC or its nominee. The Notes offered and sold in reliance upon Regulation S will initially be represented by a Global Note registered in the name of DTC or its nominee, for the respective accounts of Euroclear and Clearstream. See "Description of the Notes—Form and Denomination" in the Base Private Placement Memorandum.</p>
Other Information	<p>Rule 144A Global Note:</p> <p style="padding-left: 40px;">CUSIP No.: 61748KCF9</p> <p style="padding-left: 40px;">ISIN No.: US61748KCF93</p> <p>Regulation S Global Note:</p>

CUSIP No.: G62615CC4

ISIN No.: USG62615CC45

Common code: 22744194

THE PORTFOLIO PROPERTY

The Underlying Securities

The Private Placement Memorandum does not provide detailed information with respect to the Underlying Securities. An investor in the Notes should obtain and evaluate the same information concerning the Underlying Securities as it would if it were investing directly in the Underlying Securities.

The Issuer has obtained the information set forth herein with respect to the Underlying Securities from official or other sources which the Issuer believes to be reliable. The Issuer has not independently verified any of this information and makes no representation or warranty about its accuracy or completeness.

The issuer of the Underlying Securities has not participated in the offering of the Notes or the preparation of this Private Placement Memorandum.

Underlying Securities "Underlying Securities" means the Initial Underlying Securities or, in the circumstances described in "Description of the Notes—Redemptions—Investment in Substitute Underlying Securities" in the Base Private Placement Memorandum, any of the following (each, a "Substitute Underlying Security") selected by the Calculation Agent in its sole and absolute discretion (*provided* that, in the case of clauses (i) and (ii) below, at the time of purchase of the relevant asset, payments in respect thereof are not subject to any deduction or withholding on account of tax by virtue of such asset being held by or on behalf of the Issuer):

- (i) any U.S. dollar-denominated senior debt securities of the United States of America issued by the U.S. Treasury Department and backed by the full faith and credit of the United States of America with a maturity that falls no later than the next following Interest Payment Date in respect of the Notes; and/or
- (ii) any U.S. dollar denominated investment that is a money market fund or liquidity fund or similar investment vehicle that principally invests in short term fixed income obligations, including, without limitation, any investment vehicle for which the Calculation Agent or the Trustee, or an affiliate of any of them, provides services, *provided* that (a) such fund has a Moody's money market fund rating of at least "Aaa/MR1+" and an S&P rating of at least "AAAm" (b) such fund distributes interest or dividends on such investment on a regular basis and at least quarterly, (c) the Issuer will not invest in any one such money market fund or liquidity fund an amount exceeding, in the aggregate, 10% of the share capital of such fund unless the Rating Agency Condition is satisfied prior to investment in such funds and (d) the maturity date of such fund falls no later than the next following Interest Payment Date in respect of the Notes; and/or
- (iii) U.S. dollars.

For the avoidance of doubt, in the case of clauses (i), (ii) and (iii) above, the approval of the Holders or the Rating Agency will not be required.

The Initial Underlying Securities.....	<p>On the Issue Date, the Issuer will purchase the U.S.\$36,147,000 principal amount Capital One Multi-asset Execution Trust Class A (2005-4) Notes issued by Capital One Multi-asset Execution Trust on June 13, 2005 with CUSIP #14041NCD1, (the "Initial Underlying Securities").</p> <p>The Initial Underlying Securities are discussed in the Prospectus Supplement dated June 6, 2005 to the Prospectus dated June 1, 2005 relating to the Initial Underlying Securities attached as Annex A hereto (the "Initial Underlying Securities Prospectus"). The Initial Underlying Securities Prospectus is provided for ease of reference and does not form part of the Private Placement Memorandum. A copy of the Initial Underlying Securities Prospectus is available from the Trustee upon request by prospective purchasers.</p>
Issuer	Capital One Multi-asset Execution Trust (the " Initial Underlying Securities Issuer ").
Scheduled Maturity Date.....	September 15, 2010 (" Initial Underlying Securities Maturity Date "), which is before the Scheduled Maturity Date of the Notes.
Currency	United States Dollars
Interest Rate.....	One-month LIBOR plus 0.00% per annum where LIBOR is calculated and reset in the manner and at the times specified in the Initial Underlying Securities Prospectus. Interest payable on the Initial Underlying Securities is to be paid to the Swap Counterparty under the Rate Confirmation.
Interest Payment Dates	Accrued interest on the Initial Underlying Securities is payable in arrear on the 15 th of each month (each an " Initial Underlying Securities Payment Date ") until the Initial Underlying Securities Maturity Date.
Voting of Underlying Securities; Modification of Underlying Securities Indenture.....	<p>In the event that the Trustee receives a request from the applicable trustee of any Underlying Securities or any Underlying Securities Issuer for its consent to any amendment, modification or waiver under the applicable Underlying Security Indenture or other document relating to such Underlying Securities, or receives any other solicitation for any action with respect to such Underlying Securities, the Trustee shall request instructions from the Holders as to whether or not to consent to or vote to accept such amendment, modification, waiver or solicitation and shall vote in accordance with the instructions of the majority of the Holders. The Trustee will also notify the Swap Counterparty and the Rating Agency of its receipt of such a request from the relevant trustee or solicitation for action with respect to the Underlying Securities.</p> <p>In the event that an offer is made by any Underlying Securities Issuer to issue new obligations in exchange and substitution for any of the related Underlying Securities, the Trustee will not accept any such offer. The Trustee will also notify the Rating Agency of its receipt of such offer. In the event that an event of default occurs and is continuing with respect to the</p>

Underlying Securities, the Trustee will notify each Holder and the Rating Agency of such occurrence as promptly as practicable (and in any event within five Business Days after the Trustee has actual knowledge of such default).

The Swap Agreement

This description of the Swap Agreement does not purport to be complete. Prospective purchasers should review the Swap Agreement (including the Confirmations executed thereunder) in making their decision to purchase any Notes. Copies of the forms of the Credit Confirmation and the Rate Confirmation to be executed are attached as Annex B and Annex C hereto, respectively. Copies of the Master Swap Agreement, the ISDA Definitions and the ISDA Credit Derivatives Definitions (as defined in the Credit Confirmation) and forming part of the Swap Agreement are available upon request from the Trustee.

Swap Agreement	The Swap Agreement will consist of (i) the 1992 ISDA Master Agreement (Multicurrency-Cross Border) published by ISDA and the schedule thereto entered into by the Issuer and the Swap Counterparty on August 5, 2004 (the " Master Swap Agreement "), (ii) the Credit Confirmation, (iii) the Rate Confirmation, each dated as of the Issue Date, and (iv) the Swap Guarantee (collectively, as amended and supplemented, the " Swap Agreement ").
Swap Counterparty	Morgan Stanley Capital Services Inc.
Swap Guarantee	The unconditional and irrevocable guarantee, dated as of August 5, 2004, issued by the Swap Guarantor in respect of the payment obligations of the Swap Counterparty under the Swap Agreement.
Swap Guarantor	Morgan Stanley
Swap Calculation Agent	Morgan Stanley Capital Services Inc.
Scheduled Termination Date	February 10, 2011, subject to earlier termination in accordance with its terms
Swap Events of Default	<p>"Events of Default" under the Swap Agreement (each, a "Swap Event of Default") consist of the following: (i) the failure of the Issuer to pay any amount when due after giving effect to the applicable grace period, if any; (ii) the failure of the Swap Counterparty or the Swap Guarantor to pay any amount when due under the Swap Agreement after giving effect to the applicable grace period, if any; (iii) the occurrence of certain events of insolvency or bankruptcy of the Issuer, the Swap Counterparty or the Swap Guarantor and (iv) certain other standard events of default under the Master Swap Agreement, including "Credit Support Default" (with respect to the Swap Counterparty) and "Merger without Assumption" (with respect to the Swap Counterparty), as described in Sections 5(a)(iii) and 5(viii) of the Master Swap Agreement.</p> <p>Several of the standard events of default of the Master Swap Agreement are not Swap Events of Default under the Swap Agreement. The standard events of default excluded are "Breach of Agreement", "Misrepresentation", "Default Under Specified Transaction", and "Cross Default" as described in Sections 5(a)(ii), 5(a)(iv), 5(a)(v), and 5(a)(vi), respectively, of the Master Swap Agreement.</p>
Swap Termination Events.....	"Termination Events" under the Swap Agreement (each, a " Swap Termination Event ") consist of the following: (i) "Illegality" as described in Section 5(b)(i) of the Master Swap

Agreement; (ii) a "Tax Event" as described in Section 5(b)(ii) of the Master Swap Agreement; (iii) a "Tax Event Upon Merger" as described in Section 5(b)(iii) of the Master Swap Agreement with respect to the Swap Counterparty; (iv) "Credit Event Upon Merger" as described in Section 5(b)(iv) of the Master Swap Agreement with respect to the Swap Counterparty, and (v) the Additional Termination Events specified below.

Additional Termination Events..... "**Additional Termination Events**" under the Swap Agreement consist of the following: (i) if an Indenture Event of Default in respect of the Notes occurs and the Trustee gives the relevant notice to the Issuer, (ii) if the Notes are redeemed in whole prior to the Scheduled Maturity Date (otherwise than as a result of an Indenture Event of Default) or the outstanding principal balance of the Notes becomes zero, (iii) if the Contingent Forward Agreement is terminated, (iv) if the Indenture is supplemented, amended or modified or any provision thereof is waived, in each case, without the prior written consent of the Swap Counterparty and such supplement, amendment, modification or waiver is, in the reasonable judgment of the Swap Counterparty, materially adverse to the interests of the Swap Counterparty, (v) a Default Swap Counterparty Downgrade, or (vi) a Rate Swap Counterparty Downgrade.

Credit Confirmation..... The credit default swap transaction under the Swap Agreement will be evidenced by the Master Credit Default Swap Confirmation, including Schedule A (Form of Reference Transaction Confirmation (High Yield Corporate Reference Entities)) and Schedule B (Form of Reference Transaction Confirmation (Investment Grade Corporate Reference Entities)) attached thereto, entered into by the Issuer and the Swap Counterparty on the Issue Date and incorporating the provisions of the Master Swap Agreement (as amended and supplemented, the "**Credit Confirmation**"). The form of the Master Credit Default Swap Confirmation including the Form of Reference Transaction Confirmation (High Yield Corporate Reference Entities) and the Form of Reference Transaction Confirmation (Investment Grade Corporate Reference Entities) are attached as Annex B hereto.

Credit Events In respect of each Reference Entity specified in the Master Form of Reference Transaction Confirmation (Corporate Reference Entities) attached as Scheduled A to the Credit Confirmation (each, a "**Reference Entity**"), (i) Bankruptcy; and (ii) Failure to Pay. See Schedule A and Schedule B to the Credit Confirmation attached hereto.

Default Swap Counterparty Downgrade..... In respect of the Swap Counterparty, the occurrence of a Default Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that the occurrence of a Default Swap Counterparty Downgrade shall not constitute an Additional Termination Event if (i) within ten Business Days after the Calculation Agent or the Trustee has notified the Swap Counterparty in writing that a Default Swap Counterparty Downgrade has occurred and advised the Swap Counterparty of the Swap Counterparty's obligations under this paragraph, the Swap Counterparty posts Fixed Amount Collateral for the benefit of the Issuer, (ii) the Swap

Counterparty has elected to designate, by written notice to the Issuer, the Calculation Agent and the Rating Agency, a Substitute Swap Counterparty in respect of the transactions under the Swap Agreement within ten Business Days of the occurrence of such Swap Counterparty Downgrade, or (iii) the Swap Counterparty has complied with such other collateral posting requirements, if any, with respect to such transactions, in connection with which the Rating Condition has been met. In the event of an Additional Termination Event under this paragraph, the Swap Counterparty shall be deemed the sole Affected Party.

"Additional Eligible Collateral" means any of the following investments:

- (i) direct obligations of, and obligations fully guaranteed by, the United States, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit System or any agency or instrumentality of the United States the obligations of which are explicitly backed by the full faith and credit of the United States of America; provided that obligations of, or guaranteed by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System shall be Additional Eligible Collateral only if, at the time, and during the course, of investment, it has at least the credit rating of "A-1+" or "AAA" by the Rating Agency;
- (ii) commercial paper having a maturity of not more than 180 days and having at the time, and during the course, of such investment at least the credit rating of "A-1+" by the Rating Agency.

"Applicable Rating(s)" means, with respect to any entity and the Rating Agency, at the time of such measurement, the higher of (x) the ratings assigned with respect to long term or short term, as applicable, senior unsecured debt of such entity or (y) the ratings assigned with respect to the long term or short term, as applicable, senior unsecured debt of any Credit Support Provider of such entity.

"Collateralizing Securities" means Permitted Investments or Additional Eligible Collateral posted by the Swap Counterparty as collateral in accordance with the provisions hereof; *provided, however*, that the restriction on the maturity of the securities described in clause (i) and clause (ii) of the definition of "Permitted Investments" shall not apply.

"Default Swap Counterparty Downgrade" means the Applicable Ratings in respect of the Swap Counterparty are less than "A-1+" (short term) by the Rating Agency.

"Fixed Amount Collateral" means Collateralizing Securities in an amount, as determined by the Calculation Agent, which is sufficient to provide the Issuer an amount equal to (1) if the Swap Counterparty is rated at least "A-1" (short-term) by the Rating Agency, the Fixed Amount (as defined in the Credit Confirmation) payable by the Swap Counterparty in respect of

the first Fixed Rate Payer Payment Date (as defined in the Credit Confirmation) scheduled to occur on or after the date on which Fixed Amount Collateral is required to be posted and (2) if the Swap Counterparty is not rated at least "A-1" (short-term) by the Rating Agency, all Fixed Amounts (as defined in the Credit Confirmation) payable in respect of all Fixed Rate Payer Payment Dates (as defined in the Credit Confirmation) scheduled to occur on or after the date on which Collateralizing Securities are required to be posted, assuming no further Floating Amounts are incurred under the Credit Confirmation. The amount that constitutes Fixed Amount Collateral, and any Collateralizing Securities previously posted as Fixed Amount Collateral, shall be recalculated on a weekly basis and failure to restore compliance with the requirements of the first paragraph of this "—Default Swap Counterparty Downgrade" section within five Business Days of such recalculation shall constitute an Additional Termination Event.

"Rating Condition" means, with respect to any action subject to such condition, that the Rating Agency has notified the Issuer and the Trustee in writing that such action will not result in a reduction or withdrawal of the then current rating of the Notes rated by such Rating Agency.

"Substitute Swap Counterparty" means a counterparty (A)(i) as to which the Swap Counterparty has agreed to transfer all of its rights and obligations under the Swap Agreement and such transfer has satisfied the Rating Condition and (ii) that has agreed to assume all such rights and obligations, and (B) at the time such Substitute Swap Counterparty is designated by the Calculation Agent in accordance with the terms hereof, the Applicable Rating in respect of such Substitute Swap Counterparty is at least "A-1+" (short-term) by the Rating Agency; provided that, if Morgan Stanley or any Affiliate thereof (each, a **"Morgan Stanley Designee"**) is designated as a Substitute Swap Counterparty, the Applicable Ratings in respect of such Morgan Stanley Designee, must be at least (1) the aforementioned ratings or (2) if such Morgan Stanley Designee posts Collateralizing Securities as described in the first paragraph of this "—Default Swap Counterparty Downgrade" section, such lower ratings that, as described therein, will not cause a Default Swap Counterparty Downgrade to result in an Additional Termination Event, or, in any event, any lower rating as to which the Rating Condition is satisfied.

Rate Confirmation

The interest rate swap transaction under the Swap Agreement will be evidenced by the interest rate swap confirmation (the form of which is attached as Annex C hereto) entered into by the Issuer and the Swap Counterparty on the Issue Date and incorporating the provisions of the Master Swap Agreement (as amended and supplemented, the **"Rate Confirmation"**).

Rate Swap Counterparty Downgrade

In respect of the Swap Counterparty, the occurrence of a Rate Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that a Rate Swap Counterparty Downgrade shall not constitute an Additional Termination Event if (i) within ten Business Days after the Calculation Agent or the Trustee has notified the Swap Counterparty in writing that a Rate Swap Counterparty Downgrade has

occurred and advised the Swap Counterparty of the Swap Counterparty's obligations under this paragraph, the Swap Counterparty posts Rate Swap Collateral for the benefit of the Issuer; (ii) the Swap Counterparty has elected to designate, by written notice to the Issuer, the Calculation Agent and the Rating Agency, a Substitute Swap Counterparty in respect of the transactions under the Swap Agreement within ten Business Days of the occurrence of such Rate Swap Counterparty Downgrade; (iii) the Swap Counterparty has, within ten Business Days of the occurrence of such Rate Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to the Swap Counterparty's obligations hereunder, or (iv) the Swap Counterparty has complied with such other collateral posting requirements, if any, with respect to such transactions, in connection with which the Rating Condition has been met. In the event of an Additional Termination Event under this paragraph, the Swap Counterparty shall be deemed the sole Affected Party.

"Additional Eligible Collateral" means any of the following investments:

- (i) direct obligations of, and obligations fully guaranteed by, the United States, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit System or any agency or instrumentality of the United States the obligations of which are explicitly backed by the full faith and credit of the United States of America; provided that obligations of, or guaranteed by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System shall be Additional Eligible Collateral only if, at the time, and during the course, of investment, it has at least the credit rating of "A-1+" or "AAA" by the Rating Agency;
- (ii) commercial paper having a maturity of not more than 180 days and having at the time, and during the course, of such investment at least the credit rating of "A-1+" by the Rating Agency.

"Applicable Rating(s)" means, with respect to any entity and the Rating Agency, at the time of such measurement, the higher of (x) the ratings assigned with respect to long term or short term, as applicable, senior unsecured debt of such entity or (y) the ratings assigned with respect to the long term or short term, as applicable, senior unsecured debt of any Credit Support Provider of such entity.

"Collateralizing Securities" means Permitted Investments or Additional Eligible Collateral posted by the Swap Counterparty as collateral in accordance with the provisions hereof; *provided, however*, that the restriction on the maturity of the securities described in clause (i) and clause (ii) of the definition of "Permitted Investments" shall be deemed not to apply.

"Eligible Credit Support Provider" means an entity which (a) has agreed in writing to act as a Credit Support Provider (as

defined in the Swap Agreement) in respect of Party A's obligations hereunder and (b) at the time of such agreement, the Applicable Rating in respect of such entity is at least "A-1+" (short-term) by the Rating Agency provided, that, if Morgan Stanley or any Affiliate thereof (each, a "Morgan Stanley Designee") is designated as a Substitute Swap Counterparty, the Applicable Ratings in respect of such Morgan Stanley Designee, must be at least (1) the aforementioned ratings or (2) if such Morgan Stanley Designee posts Collateralizing Securities as described above, such lower ratings that, as described therein, will not cause a Rate Swap Counterparty Downgrade to result in an Additional Termination Event, or, in any event, any lower rating as to which the Rating Condition is satisfied.

"Rate Swap Collateral" means, as of any date of determination, Collateralizing Securities in an amount, as determined by the Calculation Agent, which is sufficient to provide the Issuer an amount equal to (1) the Party A Floating Amount (as defined in the Rate Swap Confirmation) *less* (2) the Party B Fixed Amount (as defined in the Rate Swap Confirmation) *plus* (3) the Additional Payer (1) Amount (as defined in the Rate Swap Confirmation) *plus* (4) the Additional Payer (3) Amount (as defined in the Rate Swap Confirmation) (if any) *plus* (5) the Additional Payer (4) Amount (as defined in the Rate Swap Confirmation), in each case to be paid on the Party A Floating Rate Payer Payment Date (as defined in the Rate Swap Confirmation) next following such date of determination. The amount that constitutes Rate Swap Collateral, and any Collateralizing Securities previously posted as Rate Swap Collateral, shall be recalculated on a weekly basis and failure to restore compliance with the requirements of the first paragraph of this "—Rate Swap Counterparty Downgrade" provision within five Business Days of such recalculation shall constitute an Additional Termination Event.

"Rate Swap Counterparty Downgrade" means the Applicable Ratings in respect of the Swap Counterparty are less than "A-1+" (short term) by the Rating Agency.

"Rating Condition" means, with respect to any action subject to such condition, that the Rating Agency has notified the Issuer and the Trustee in writing that such action will not result in a reduction or withdrawal of the then current rating of the Notes rated by such Rating Agency.

"Substitute Swap Counterparty" means a counterparty (A) (i) as to which the Swap Counterparty has agreed to transfer all of its rights and obligations under the Swap Agreement and such transfer has satisfied the Rating Condition and (ii) that has agreed to assume all such rights and obligations, and (B) at the time such Substitute Swap Counterparty is designated by the Calculation Agent in accordance with the terms hereof, the Applicable Rating in respect of such Substitute Swap Counterparty is at least "A-1+" (short-term) by the Rating Agency; provided that, if Morgan Stanley or any affiliate thereof (each, a "**Morgan Stanley Designee**") is designated as a Substitute Swap Counterparty, the Applicable Ratings in respect of such Morgan Stanley Designee, must be at least (1)

the aforementioned ratings or (2) if such Morgan Stanley Designee posts Collateralizing Securities as described above, such lower ratings that, as described therein, will not cause a Rate Swap Counterparty Downgrade to result in an Additional Termination Event, or, in any event, any lower rating as to which the Rating Condition is satisfied.

The Contingent Forward Agreement

This description of the Contingent Forward Agreement does not purport to be complete. Prospective purchasers should review the Contingent Forward Agreement (including the Confirmation executed thereunder) in making their decision to purchase any Notes. A copy of the form of Contingent Forward Confirmation to be executed is attached as Annex D hereto. Copies of the Master Contingent Forward Agreement and the Bond Option Definitions forming part of the Contingent Forward Agreement are available upon request from the Trustee.

Contingent Forward Agreement	The Contingent Forward Agreement will consist of (i) the 1992 ISDA Master Agreement (Multicurrency-Cross Border) published by ISDA and the schedule thereto entered into by the Issuer and the Contingent Forward Counterparty on August 5, 2004 (the " Master Contingent Forward Agreement "), (ii) the Contingent Forward Confirmation, dated as of the Issue Date, and (iii) the Contingent Forward Guarantee (collectively, as amended and supplemented, the " Contingent Forward Agreement ").
Contingent Forward Counterparty	MS Remora Ltd.
Contingent Forward Guarantee.....	The unconditional and irrevocable guarantee, dated as of August 5, 2004, issued by the Contingent Forward Guarantor in respect of the payment obligations of the Contingent Forward Counterparty under the Contingent Forward Agreement.
Contingent Forward Guarantor.....	Morgan Stanley
Scheduled Termination Date	February 10, 2011, subject to earlier termination in accordance with its terms
Contingent Forward Events of Default.....	<p>"Events of Default" under the Contingent Forward Agreement (each, a "Contingent Forward Event of Default") consist of the following: (i) the failure of the Issuer to pay any amount when due after giving effect to the applicable grace period, if any; (ii) the failure of the Contingent Forward Counterparty or the Contingent Forward Guarantor to pay any amount when due under the Contingent Forward Agreement after giving effect to the applicable grace period, if any; (iii) the occurrence of certain events of insolvency or bankruptcy of the Issuer, the Contingent Forward Counterparty or the Contingent Forward Guarantor and (iv) certain other standard events of default under the Master Contingent Forward Agreement, including "Credit Support Default" (with respect to the Contingent Forward Counterparty) and "Merger without Assumption" (with respect to the Contingent Forward Counterparty), as described in Sections 5(a)(iii) and 5(viii) of the Master Contingent Forward Agreement.</p> <p>Several of the standard events of default of the Master Contingent Forward Agreement are not Contingent Forward Events of Default under the Contingent Forward Agreement. The standard events of default excluded are "Breach of Agreement", "Misrepresentation", "Default Under Specified Transaction", and "Cross Default" as described in Sections 5(a)(ii), 5(a)(iv), 5(a)(v), and 5(a)(vi), respectively, of the Master Contingent Forward Agreement.</p>

Contingent Forward Termination Events	"Termination Events" under the Contingent Forward Agreement (each, a " Contingent Forward Termination Event ") consist of the following: (i) "Illegality" as described in Section 5(b)(i) of the Master Contingent Forward Agreement; (ii) a "Tax Event" as described in Section 5(b)(ii) of the Master Contingent Forward Agreement; (iii) a "Tax Event Upon Merger" as described in Section 5(b)(iii) of the Master Contingent Forward Agreement; and (iv) the Additional Termination Events specified below. The standard termination event excluded is "Credit Event Upon Merger" as described in Section 5(b)(iv) of the Master Contingent Forward Agreement.
Additional Termination Events.....	" Additional Termination Events " under the Contingent Forward Agreement consist of the following: (i) if an Indenture Event of Default in respect of the Notes occurs and the Trustee gives the relevant notice to the Issuer, (ii) if the Notes are redeemed in whole prior to the Scheduled Maturity Date (otherwise than as a result of an Indenture Event of Default) or the outstanding principal balance of the Notes becomes zero, (iii) if the Swap Agreement is terminated, (iv) if the Indenture is supplemented, amended or modified or any provision thereof is waived, in each case, without the prior written consent of the Swap Counterparty and such supplement, amendment, modification or waiver is, in the reasonable judgment of the Swap Counterparty, materially adverse to the interests of the Swap Counterparty, or (v) a Contingent Forward Counterparty Downgrade.
Contingent Forward Confirmation	The Contingent Forward Agreement transaction under the Contingent Forward Agreement will be evidenced by the Contingent Forward Agreement confirmation (the form of which is attached as Annex D hereto) entered into by the Issuer and the Contingent Forward Counterparty on the Issue Date and incorporating the provisions of the Master Contingent Forward Agreement (as amended and supplemented, the " Contingent Forward Confirmation ").
Contingent Forward Counterparty Downgrade	In respect of the Contingent Forward Counterparty, the occurrence of a Contingent Forward Counterparty Downgrade shall constitute an Additional Termination Event; <i>provided</i> , that the occurrence of a Contingent Forward Counterparty Downgrade shall not constitute an Additional Termination Event if (i) within ten Business Days after the Calculation Agent or the Trustee has notified the Contingent Forward Counterparty in writing that the Contingent Forward Counterparty must post Underlying Securities Deficiency Collateral for the benefit of the Issuer, the Contingent Forward Counterparty so posts Underlying Securities Deficiency Collateral; (ii) the Contingent Forward Counterparty has elected to designate, by written notice to the Issuer, the Calculation Agent and the Rating Agency, a Substitute Contingent Forward Counterparty in respect of the Contingent Forward Confirmation within ten Business Days of the occurrence of such Contingent Forward Counterparty Downgrade; or (iii) the Contingent Forward Counterparty has complied with such other collateral posting requirements, if any, with respect to the Contingent Forward Confirmation, in connection with which the Rating Condition has been met. In the event of an Additional Termination Event under this

paragraph, the Contingent Forward Counterparty shall be deemed the sole Affected Party.

"Additional Eligible Collateral" means any of the following investments:

- (i) direct obligations of, and obligations fully guaranteed by, the United States, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit System or any agency or instrumentality of the United States the obligations of which are explicitly backed by the full faith and credit of the United States of America; provided that obligations of, or guaranteed by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System shall be Additional Eligible Collateral only if, at the time, and during the course, of investment, it has at least the credit rating of "A-1+" or "AAA" by the Rating Agency;
- (ii) commercial paper having a maturity of not more than 180 days and having at the time, and during the course, of such investment at least the credit rating of "A-1+" by the Rating Agency.

"Applicable Rating(s)" means, with respect to any entity and the Rating Agency, at the time of such measurement, the higher of (x) the ratings assigned with respect to long term or short term, as applicable, senior unsecured debt of such entity or (y) the ratings assigned with respect to the long term or short term, as applicable, senior unsecured debt of any Credit Support Provider of such entity.

"Contingent Forward Collateralizing Securities" means Permitted Investments, Additional Eligible Collateral and/or any securities issued by the issuer of the Underlying Securities of the same series as the Underlying Securities; *provided, however,* that the restriction on the maturity of the securities described in clause (i) and clause (ii) of the definition of "Permitted Investments" shall be deemed not to apply.

"Contingent Forward Counterparty Downgrade" means the Applicable Ratings in respect of the Contingent Forward Counterparty are less than or equal to "A-1" (short term) by the Rating Agency.

"Rating Condition" means, with respect to any action subject to such condition, that the Rating Agency has notified the Issuer and the Trustee in writing that such action will not result in a reduction or withdrawal of the then current rating of the Notes rated by such Rating Agency.

"Substitute Contingent Forward Counterparty" means a counterparty (A) (i) as to which the Contingent Forward Counterparty has agreed to transfer all of its rights and obligations under the Contingent Forward Agreement and such transfer has satisfied the Rating Condition and (ii) that has agreed to assume all such rights and obligations, and (B) at the time such Substitute Contingent Forward Counterparty is

designated by the Calculation Agent in accordance with the terms hereof, the Applicable Ratings in respect of such Substitute Contingent Forward Counterparty are at least "A+" (long term) and at least "A-1+" (short-term) by the Rating Agency; *provided* that, if Morgan Stanley or any affiliate thereof (each, a "**Morgan Stanley Designee**") is designated as a Substitute Contingent Forward Counterparty, such Morgan Stanley Designee must (1) have the aforementioned ratings, (2) post Contingent Forward Collateralizing Securities in an amount that will not cause a Contingent Forward Counterparty Downgrade to result in an Additional Termination Event, or (3) otherwise satisfy the Rating Condition.

"Underlying Securities Deficiency Collateral" means Contingent Forward Collateralizing Securities in an amount, as determined by the Calculation Agent, equal to (a) the quotient of (x) the then Fixed Rate Payer Calculation Amount (as defined in the Credit Confirmation) and (y) the then market value of the Underlying Securities multiplied by (b) 9.00% of the then par amount of the Underlying Securities. The market value of the Underlying Securities, and any Underlying Securities Deficiency Collateral previously posted, shall be recalculated on a weekly basis and failure to restore compliance with the requirements of the first paragraph of this "Contingent Forward Counterparty Downgrade" section within three Business Days of such recalculation shall constitute an Additional Termination Event. Notwithstanding the foregoing, at least once per calendar quarter, the market value of the Underlying Securities will be determined by the Calculation Agent on the basis of the average of three quotations obtained from dealers in obligations of the type of Underlying Securities (as selected by the Calculation Agent in good faith and in a commercially reasonable manner) in respect of the Underlying Securities.

Permitted Investments

Permitted Investments All funds in the Collection Account not otherwise necessary to pay the amounts in accordance with the Priority of Payments may be invested in any of the following investments (the "**Permitted Investments**") selected by the Calculation Agent in its sole and absolute discretion (*provided* that, in the case of clauses (i) and (ii) below, at the time of purchase of the relevant asset, payments in respect thereof are not subject to any deduction or withholding on account of tax by virtue of such asset being held by or on behalf of the Issuer):

- (i) any U.S. dollar-denominated senior debt securities of the United States of America issued by the U.S. Treasury Department and backed by the full faith and credit of the United States of America with a maturity that falls no later than the next following Interest Payment Date in respect of the Notes; and/or
- (ii) any U.S. dollar denominated investment that is a money market fund or liquidity fund or similar investment vehicle that principally invests in short term fixed income obligations, including, without limitation, any investment vehicle for which the Calculation Agent or the Trustee, or an affiliate of any of them, provides services, *provided* that (a) such fund has a Moody's money market fund rating of at least "Aaa/MR1+" and an S&P rating of at least "AAAm", (b) such fund distributes interest or dividends on such investment on a regular basis and at least quarterly, (c) the Issuer will not invest in any one such money market fund or liquidity fund an amount exceeding, in the aggregate, 10% of the share capital of such fund unless the Rating Agency Condition is satisfied prior to investment in such funds and (d) the maturity date of such fund falls no later than the next following Interest Payment Date in respect of the Notes; and/or
- (iii) U.S. dollars.

For the avoidance of doubt, in the case of clauses (i), (ii) and (iii) above, the approval of the Holders or the Rating Agency will not be required.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS SUPPLEMENT AND THE BASE PRIVATE PLACEMENT MEMORANDUM IS NOT INTENDED OR WRITTEN BY US TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

See "Certain U.S. Federal Income Tax Considerations" in the Base Private Placement Memorandum for a description of certain additional U.S. federal income tax considerations applicable to a Holder of a Note.

Set forth below is a summary of certain U.S. federal income tax considerations relevant to Holders that purchase the Notes at initial issuance and holds the Notes as a capital asset under Section 1221 of the Code.

No statutory, judicial or administrative authority directly addresses the U.S. federal income tax characterization of transactions similar to those described herein and in the Base Private Placement Memorandum. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the Notes are not certain. No ruling is being requested from the IRS, and as a result, no assurance can be given that the IRS will agree with the statements made below. **ACCORDINGLY, A PROSPECTIVE INVESTOR IN THE NOTES IS EXPECTED TO CONSULT ITS TAX ADVISOR IN DETERMINING THE CONSEQUENCES OF AN INVESTMENT IN THE NOTES, INCLUDING THE APPLICATION OF FEDERAL, STATE, LOCAL OR OTHER TAX LAW.**

This summary supplements, and is subject to limitations expressed in, the discussion in the Base Private Placement Memorandum under the heading "Certain U.S. Federal Income Tax Considerations" and supersedes that discussion to the extent this summary is inconsistent therewith.

Status of the Notes

The Issuer intends to treat the Notes as equity of the Issuer for U.S. federal income tax purposes. Each Holder of a Note, by acceptance of an interest in such Note, will agree to treat such Note as equity for U.S. federal income tax purposes. However, this treatment will not be binding on the IRS and no assurance can be provided that the IRS will respect such position. See the discussion in the Base Private Placement Memorandum under the heading "Certain U.S. Federal Income Tax Considerations" for a more detailed discussion of this issue.

Non-U.S. Holders of Notes

The Issuer will not require IRS Forms W-8BEN from non-U.S. Holders of Notes on a protective basis. See the discussion in the Base Private Placement Memorandum under the heading "Certain U.S. Federal Income Tax Considerations" for a more detailed discussion of this matter.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS AS TO THEIR ABILITY TO MAKE, AND THE LIKELY IMPACT OF THEIR MAKING, AN ELECTION TO TREAT THE ISSUER AS A QEF. SEE THE DISCUSSION IN THE BASE PRIVATE PLACEMENT MEMORANDUM UNDER THE HEADING "CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS" FOR A MORE DETAILED DISCUSSION OF THIS AND OTHER U.S. FEDERAL INCOME TAX ISSUES.

TRANSFER RESTRICTIONS

No Note may be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S), except in reliance on Rule 144A to "qualified institutional buyers" (as defined in Rule 144A) ("**QIBs**") who are also "qualified purchasers" ("**Qualified Purchasers**") within the meaning of Section 2(a)(51) of the Investment Company Act. The Notes may also be offered and sold to non-U.S. persons in offshore transactions in reliance on Regulation S.

The Trustee will notify the Issuer promptly upon the Trustee becoming aware that any Holder or beneficial owner of a Note was in breach, at the time given, of any of the representations set forth below. In the event that at any time the Issuer determines or is notified that any Holder or beneficial owner of a Note was in breach of any of the representations and agreements set forth below, the Issuer may, by written notice to the Trustee and such Holder, declare the acquisition of the related Notes or interest in the related Notes void, in the event of a breach at the time given, and, in the event of such a determination or notice of such breach, at the time given or at any subsequent time, the Issuer may, by such notice, require that the related Notes or such interest be transferred to a person designated by the Issuer.

The Issuer and the Trustee reserve the right prior to any sale or other transfer of the Notes to require the delivery of such certifications, legal opinions and other information as the Issuer and the Trustee may reasonably require to confirm that the proposed sale or other transfer complies with the restrictions contained in this "—Transfer Restrictions" section.

Each Holder and beneficial owner of a Note, by its purchase thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (i) It (A)(1) is a QIB that is also a Qualified Purchaser; (2) is not (a) a broker-dealer that owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers or (b) a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, if investment decisions with respect to the plan are made by beneficiaries of such plan; (3) is aware that the sale to it is being made in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act; (4) is acquiring such Notes for its own account or for the account of a QIB who is also a Qualified Purchaser; and (5) will hold and transfer such Notes in at least the Authorized Denominations or (B) is not a U.S. person and is purchasing such Notes in an offshore transaction pursuant to Regulation S. It understands that in the event that at any time the Issuer determines or is notified that it was in breach, of any of the representations and agreements set forth in this "—Transfer Restrictions" section, the Issuer may, by written notice to the Trustee and such Holder, declare the acquisition of the related Notes or interest in the related Notes void in the event of a breach at the time given, and in the event of such a determination or notice of a breach, at the time given or at any subsequent time, the Issuer may, by such notice, require that the related Notes or such interest be transferred to a person designated by the Issuer.
- (ii) It understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act.
- (iii) The Notes will bear a legend substantially to the following effect unless the Issuer determines otherwise in accordance with applicable law:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i)

TO A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A OF THE SECURITIES ACT THAT IS ALSO A QUALIFIED PURCHASER (A "QUALIFIED PURCHASER") AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND THAT IS NOT (X) A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS OR (Y) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF SUCH PLAN ; OR (ii) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATIONS UNDER THE SECURITIES ACT AND, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY JURISDICTION AND IN A MINIMUM PRINCIPAL AMOUNT OF U.S.\$1,000,000/€1,000,000 AND IN EACH CASE IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN CLAUSE (A) ABOVE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME, THE ISSUER DETERMINES OR IS NOTIFIED THAT THE HOLDER OF THIS NOTE OR A BENEFICIAL INTEREST HEREIN WAS IN BREACH OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE ISSUER OR THE TRUSTEE MAY DECLARE THE ACQUISITION OF THIS NOTE OR SUCH INTEREST IN THIS NOTE VOID, IN THE EVENT OF A BREACH AT THE TIME GIVEN, AND, IN THE EVENT OF SUCH A DETERMINATION OR NOTICE OF A BREACH, AT THE TIME GIVEN OR AT ANY SUBSEQUENT TIME, THE ISSUER OR THE TRUSTEE MAY REQUIRE THAT THIS NOTE OR SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER.

EACH BENEFICIAL OWNER OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTIONS 2.06(i) AND 2.06(j) OF THE INDENTURE. THE HOLDER AND EACH BENEFICIAL OWNER OF THIS NOTE ACKNOWLEDGE THAT THE ISSUER AND THE TRUSTEE RESERVE THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER OF THIS NOTE TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER AND THE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE RESTRICTIONS SET FORTH IN SECTIONS 2.06(i) AND 2.06(j) OF THE INDENTURE.

THIS NOTE MAY NOT BE PURCHASED BY OR OTHERWISE ACQUIRED BY ANY EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF AND SUBJECT TO SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY PERSON OR ENTITY WHOSE ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN BY REASON OF 29 C.F.R. 2510.3-101 OR OTHERWISE. EACH HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT (A) IT IS NOT (AND IS NOT DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE) AND FOR SO LONG AS IT HOLDS A NOTE WILL NOT BE (OR BE DEEMED FOR SUCH PURPOSES TO BE) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO ERISA OR A "PLAN" AS DEFINED IN SECTION 4975 OF THE CODE, AND (B) (i) IT IS NOT AND FOR SO LONG AS IT HOLDS A NOTE WILL NOT BE AN EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (ii) THE PURCHASE AND HOLDING OF THE NOTES DO NOT AND WILL NOT VIOLATE ANY SUCH SUBSTANTIALLY SIMILAR LAW.

- (iv) (A) It is not (and is not deemed for the purposes of ERISA or Section 4975 of the Code to be) and for so long as it holds a Note will not be (or be deemed for such purposes to be) an "employee benefit plan" as defined in and subject to ERISA or a "plan" as defined in Section 4975 of the Code, and (B) (1) it is not and for so long as it holds a Note will not be an employee benefit plan which is subject to

any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, or (2) the purchase and holding of the Note do not and will not violate any such substantially similar law.

- (v) It will not, at any time, offer to buy or offer to sell the Notes by any directed selling efforts or by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice of other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or seminar or meeting whose attendees have been invited by general solicitations or advertisements.
- (vi) It is not a member of the public in the Cayman Islands.
- (vii) If it is a U.S. person, (A) it has purchased the Notes in the ordinary course of its investment business, for a bona fide business purpose; and (B) it has not been formed for the purpose of investing in the Issuer.
- (viii) It acknowledges and agrees that (A) none of the Issuer, the Swap Counterparty, the Contingent Forward Counterparty, any of the Agents or their respective affiliates are acting as a fiduciary or financial or investment advisor for it; (B) it is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, the Swap Counterparty, the Contingent Forward Counterparty, any of the Agents or their respective affiliates; and (C) it has consulted with its own legal, regulatory, tax, business, investment, financial, accounting and other advisors to the extent it has deemed necessary and has made its own investment decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer, the Swap Counterparty, the Contingent Forward Counterparty, any of the Agents or their respective affiliates.
- (ix) By acceptance of an interest in such Note, it agrees to treat such Note as equity of the Issuer for U.S. federal income tax purposes.
- (x) By acceptance of an interest in such Note, it agrees to treat the Issuer as a separate corporation for U.S. federal income tax purposes.
- (xi) By acceptance of an interest in such Note, it agrees to treat the Swap Agreement as a notional principal contract for U.S. federal income tax purposes.
- (xii) It acknowledges and agrees that the Portfolio Property will provide the sole source of funds to meet the obligations of the Issuer to the creditors of the Notes, including to the Holders, and all other obligations of the Issuer attributable to the Series 2005-18 Segregated Portfolio. The Portfolio Property shall not be available or used to meet liabilities to, and shall be absolutely protected from, any creditors of the Company who are not creditors in respect of the Series 2005-18 Segregated Portfolio, and who accordingly shall not be entitled to recourse to the Portfolio Property. If proceeds of the Portfolio Property in respect of a Series are insufficient to make payments on the Notes of that Series, no other assets will be available for payment of the deficiency, and following liquidation of the Portfolio Property, the obligations of the Issuer to pay such deficiency will be extinguished. Holders of a Series of Notes will not have any recourse to the general assets of the Company or any assets forming part of the portfolio property of any other Series of Notes.

COPY OF INITIAL UNDERLYING SECURITIES PROSPECTUS

FORM OF CREDIT CONFIRMATION

Master Credit Default Swap Confirmation

Date: August 15, 2005

From: Morgan Stanley Capital Services Inc. ("**Party A**")

To: Morgan Stanley ACES SPC, acting for the account of the Series 2005-18 Segregated Portfolio ("**Party B**")

Re: Master Swap Transaction – Series 2005-18 Notes

MS Ref No: nr3ze

Dear Sirs:

The purpose of this letter agreement (this "**Confirmation**") is to confirm the terms and conditions of the Transaction entered into between us on the Trade Date specified below (the "**Master Swap Transaction**"). This Confirmation constitutes a "**Confirmation**" as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**") are incorporated into this Confirmation (the "**ISDA Definitions**"). In the event of any inconsistency between the ISDA Definitions and this Confirmation, this Confirmation will govern. In addition, the credit default basket reference transactions listed in each of Schedule A and Schedule B hereto (each, a "**Reference Transaction**") are incorporated herein by reference.

This Confirmation supplements, forms a part of and is subject to the ISDA Master Agreement dated as of August 5, 2004 (including, without limitation, the Schedule thereto dated August 5, 2004), as amended and supplemented from time to time (the "**Agreement**"), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

The parties acknowledge and agree that (i) each of the Reference Transactions is a hypothetical transaction used solely for the purposes of calculating any Floating Amounts hereunder in accordance with their terms (including the applicable ISDA Credit Derivatives Definitions incorporated therein (collectively, the "**ISDA Credit Derivatives Definitions**")) as if executed between Party A and Party B hereto; (ii) no Fixed Amount or Cash Settlement Amount (each as defined in each Reference Transaction) will actually be payable with respect to each such Reference Transaction, any such amounts in respect of such Reference Transaction to be used solely for the purposes of calculating the respective Floating Amounts to be paid hereunder; and (iii) other than as set forth in the paragraphs below, each "Buyer" and "Seller" referenced in each Reference Transaction is not an actual swap counterparty with rights and obligations under each such Reference Transaction and no payment shall be made by either "Buyer" or "Seller" in each Reference Transaction.

Except as otherwise expressly provided in this Confirmation, Party A shall have all of the rights and obligations of "Buyer" and the "Calculation Agent" under each Reference Transaction, and Party B shall have all of the rights and obligations of "Seller" under each Reference Transaction. The terms of the Master Swap Transaction to which this communication relates are as follows:

1. General Terms:

Floating Rate Payer:	Party B
Fixed Rate Payer:	Party A
Trade Date:	August 5, 2005
Effective Date:	August 15, 2005
Notional Amount:	Master Swap Notional Amount
Master Swap Notional Amount:	USD36,147,000
Master Portfolio Size	USD1,807,350,000 (being an amount equal to the Master Swap Notional Amount divided by 2%)
Termination Date:	The earlier of (a) February 10, 2011, and (b) the date on which the aggregate of the Floating Amounts paid and required to be paid hereunder equals the Master Swap Notional Amount.
Calculation Agent:	Morgan Stanley Capital Services Inc.
Business Days:	Chicago, New York, London and Hong Kong
Business Day Convention:	Following (which shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day)

2. Fixed Payments:

Fixed Rate Payer Period End Dates:	The 3 rd Business Day prior to each of 15 th February and 15 th August in each year commencing the 3 rd Business Day prior to February 15, 2006 up to and including the Termination Date, subject to the Business Day Convention
Fixed Rate Payer Calculation Period:	The period from and including each Fixed Rate Payer Period End Date to but excluding the next Fixed Rate Payer Period End Date, provided that the first Fixed Rate Payer Calculation Period shall be the period from

and including August 15, 2005 to but excluding the first Fixed Rate Payer Period End Date, and the last Fixed Rate Payer Calculation Period shall be the period from and including the Fixed Rate Payer Period End Date immediately preceding the Termination Date to but excluding the Termination Date

Fixed Rate Payer Payment Date: Early Payment shall apply

Early Payment: One Business Day prior to each Fixed Rate Payer Period End Date

Fixed Rate Day Count Fraction: Actual/360

Fixed Amount: The product of (a) the Fixed Rate multiplied by (b) the Fixed Rate Payer Calculation Amount multiplied by (c) Fixed Rate Day Count Fraction.

Fixed Rate: 0.75%

Fixed Rate Payer Calculation Amount: The Fixed Rate Payer Calculation Amount for each Fixed Rate Payer Period End Date will be an amount equal to (a) the sum of the Adjusted Master Swap Notional Amount for each calendar day in the Fixed Rate Payer Calculation Period ending on such Fixed Rate Payer Period End Date divided by (b) the actual number of calendar days in such Fixed Rate Payer Calculation Period

Adjusted Master Swap Notional Amount: On any calendar day an amount equal to the greater of (a) zero and (b) the Master Swap Notional Amount as reduced by an amount equal to the sum of the Floating Amounts paid or payable on or prior to the immediately preceding Business Day

3. Floating Payments:

Floating Rate Payer Payment Dates: One Business Day following each Cash Settlement Date (as defined in each Reference Transaction) occurring with respect to one or more Reference Transactions.

Floating Amount: On each Floating Rate Payer Payment Date, Party B will pay to Party A the Excess Total Loss Amount calculated on such Floating Rate Payer Payment Date minus the aggregate of all Floating Amounts previously paid by Party B hereunder; provided, however, that the aggregate Floating Amounts paid hereunder since the Effective Date cannot exceed the Master Swap Notional

Amount.

Excess Total Loss Amounts: On any Floating Rate Payer Payment Date, the greater of (1) (x) the Total Loss Amount calculated as of such Floating Rate Payer Payment Date minus (y) the Subordination Amount and (2) zero.

Total Loss Amount: Total Loss Amount means, with respect to each Floating Rate Payer Payment Date, the sum of the Cash Settlement Amounts (as defined in each Reference Transaction) that would be payable by the party acting as "Seller" under each Reference Transaction with respect to which a Cash Settlement Date has occurred under such Reference Transaction on or prior to such Floating Rate Payer Payment Date. For the avoidance of doubt, in the event credit protection on the same Reference Entity is sold under more than one Reference Transaction, Cash Settlement Amounts shall be calculated separately with respect to each such Reference Transaction with the effect that the portion of Floating Amount payable with respect to a given Reference Entity may exceed the "Loss Amount" of such Reference Entity under any single Reference Transaction

Subordination Amount: USD126,514,500 (being an amount equal to 7.00% of the Master Portfolio Size)

4. Treatment as Notional Principal Contract:

It is the intention of Party A and Party B that the Transaction evidenced by this Confirmation be treated for all U.S. federal income tax purposes as consisting of a credit default swap that is treated as a notional principal contract as described in Treasury Regulation Section 1.446-3(c), and both Party A and Party B agree (i) to treat the Transaction as such for such purposes, and (ii) to take no action inconsistent with such treatment for all such purposes.

5. Additional Obligations of Party A and Party B:

Notwithstanding anything to the contrary in any Reference Transaction, Party A shall deliver one Credit Event Notice (as defined in each Reference Transaction) and one Notice of Publicly Available Information (as defined in each Reference Transaction) with respect to each Credit Event (as defined in each Reference Transaction) with respect to a Reference Transaction, *provided* that in the event Credit Events occur with respect to the same Reference Entity under more than one Reference Transaction, Party A may deliver a single Credit Event Notice specifying each Reference Transaction in connection with which such Credit Event Notice is being delivered, and may deliver a single Notice of Publicly Available Information in connection therewith.

6. **Termination Event:**

Notwithstanding the terms of the Schedule, the provisions of Section 5(b)(iii) ("**Tax Event Upon Merger**") and Section 5(b)(iv) ("**Credit Event Upon Merger**") will apply to Party A and will not apply to Party B.

7. **Additional Termination Event:**

In respect of Party A, the occurrence of a Default Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that a Default Swap Counterparty Downgrade shall not constitute an Additional Termination Event if (i) within ten Business Days after the Calculation Agent or the Trustee has notified Party A in writing that a Default Swap Counterparty Downgrade has occurred and advised Party A of Party A's obligations under this paragraph, Party A posts Fixed Amount Collateral for the benefit of Party B; (ii) Party A has elected to designate, by written notice to Party B, the Calculation Agent and the Rating Agency, a Substitute Swap Counterparty in respect of the transactions under the Swap Agreement within ten Business Days of the occurrence of such Default Swap Counterparty Downgrade; or (iii) Party A has complied with such other collateral posting requirements, if any, with respect to such transactions, in connection with which the Rating Condition has been met. In the event of an Additional Termination Event under this paragraph, Party A shall be deemed the sole Affected Party.

8. **Credit Support Annex:**

In the case of Party A, the credit support annex signed by Party A and Party B and dated as of April 1, 2005 shall be a Credit Support Document with respect to this Transaction *provided* that:

- (i) the "Minimum Transfer Amount" with respect to Party A shall be amended to USD50,000;
- (ii) the words "upon a demand made by the Secured Party on or promptly following a Valuation Date," shall be deleted from Paragraph 3(a);
- (iii) Paragraph 4(b) shall be deleted and replaced by the following:

"4(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified:

- (i) if the Pledgor is required to Transfer Eligible Credit Support under Paragraph 3(a), then the relevant Transfer will be made not later than the close of business on the next Local Business Day; and
- (ii) if a demand for the Transfer of Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.";

(iv) The following will be added to Paragraph 13(c)(ii) :

	<i>Eligible Collateral</i>	<i>Valuation Percentage</i>
(a)	Investments falling within paragraph (i) of "Additional Eligible Collateral"	74.5%
(b)	Investments falling within paragraph (ii) of "Additional Eligible Collateral"	100%
(c)	Investments falling within paragraph (i) of "Permitted Investments"	53.2%
(d)	Investments falling within paragraph (ii) of "Permitted Investments"	100%
(e)	Investments falling within paragraph (iii) of "Permitted Investments"	100%

(v) Paragraph 13(n)(iv) shall be amended by replaced the definitions of "Pledgor" and "Secured Party" with the following respectively:

"**Pledgor**" means Party A, **when** that party (i) is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

"**Secured Party**" means Party B, when that party (i) is entitled to received Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support."

9. **Definitions:**

"**Additional Eligible Collateral**" means any of the following investments:

- (i) direct obligations of, and obligations fully guaranteed by, the United States, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit System or any agency or instrumentality of the United States the obligations of which are explicitly backed by the full faith and credit of the United States of America; *provided* that obligations of, or guaranteed by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System shall be Additional Eligible Collateral only if, at the time, and during the course, of investment, it has at least the credit rating of "A-1+" or "AAA" by the Rating agency;

- (ii) commercial paper having a maturity of not more than 180 days and having at the time, and during the course, of such investment at least the credit rating of "A-1+" by the Rating Agency.

"**Applicable Ratings**" means, with respect to any entity and the Rating Agency, at the time of such measurement, the higher of (i) the ratings assigned with respect to long term or short term, as applicable, senior unsecured debt of such entity or (ii) the ratings assigned with respect to the long term or short term, as applicable, senior unsecured debt of any Credit Support Provider of such entity.

"**Collateralizing Securities**" means Permitted Investments (as defined in the Indenture) or Additional Eligible Collateral posted by Party A as collateral in accordance with the provisions hereof; *provided, however*, that the restriction on the maturity of the securities described in clause (i) and clause (ii) of the definition of "Permitted Investments" shall be deemed not to apply.

"**Default Swap Counterparty Downgrade**" means the Applicable Rating in respect of Party A is less than "A-1+" (short-term) by the Rating Agency.

"**Fixed Amount Collateral**" means Collateralizing Securities in an amount, as determined by the Calculation Agent, which is sufficient to provide Party B an amount equal to (1) if Party A is rated at least "A-1" (short-term) by the Rating Agency, the Fixed Amount payable by Party A in respect of the first Fixed Rate Payer Payment Date scheduled to occur on or after the date on which Fixed Amount Collateral is required to be posted and (2) if Party A is not rated at least "A-1" (short-term) by the Rating Agency, all Fixed Amounts payable in respect of all Fixed Rate Payer Payment Dates scheduled to occur on or after the date on which Collateralizing Securities are required to be posted, assuming no further Floating Amounts are incurred under this Confirmation. The amount that constitutes Fixed Amount Collateral, and any Collateralizing Securities previously posted as Fixed Amount Collateral, shall be recalculated on a weekly basis and failure to restore compliance with the requirements of Section 7 above within five Business Days of such recalculation shall constitute an Additional Termination Event.

"**Indenture**" means the Series 2005-18 Indenture, dated as of August 15, 2005, between Party B and LaSalle Bank National Association, as trustee (the "**Trustee**"), together with the Standard Terms of Indenture incorporated therein and the Terms Schedule attached thereto.

"**Permitted Investments**" has the meaning specified in the Indenture.

"**Rate Confirmation**" has the meaning specified in the Indenture.

"**Rating Agency**" means Standard & Poor's Rating Services ("**S&P**"), a division of the McGraw Hill Companies, or any successor to the rating business thereof.

"**Rating Condition**" means, with respect to any action subject to such condition, that the Rating Agency has notified Party B and the Trustee in writing that such action will not result in a reduction or withdrawal of the then current rating of the Notes rated by such Rating Agency.

"**Substitute Swap Counterparty**" means a counterparty (A)(i) as to which Party A has agreed to transfer all of its rights and obligations under the Agreement and such transfer has satisfied the Rating Condition and (ii) that has agreed to assume all such rights and obligations, and (B) at the time such Substitute Swap Counterparty is designated by the Calculation Agent in accordance with the terms hereof, the Applicable Rating in respect of such Substitute Swap Counterparty is at least "A-1+" (short-term) by the Rating Agency; *provided* that, if Morgan Stanley or any Affiliate thereof (each, a "**Morgan Stanley Designee**") is designated as a Substitute Swap Counterparty, the Applicable Ratings in respect of such Morgan Stanley Designee, must be at least (1) the aforementioned ratings or (2) if such Morgan Stanley Designee posts Collateralizing Securities as described in Section 7 above, such lower ratings that, as described therein, will not cause a Default Swap Counterparty Downgrade to result in an Additional Termination Event, or, in any event, any lower rating as to which the Rating Condition is satisfied.

10. **Notice and Account Details:**

Notice and Account Details for Party A:

Notice Details:

Structured Credit Product Group:

Robert Clark/James Hill

Tel: 212-761-2762/2514

Fax: 212-507-2721/6172

Account Details:

USD: PAY CITIBANK NEW YORK (CITIUS33)

FAV: MORGAN STANLEY CAPITAL
SERVICES (MSCSUS33)

ACC: 4072 4601

ABA: 021 000 089

Notice and Account Details for Party B:

Notice Details:

The Directors

Tel: 345-945-7099

Fax: 345-945-7100

with a copy to:

LaSalle Bank National Association

135 South LaSalle Street, Suite 1511

Chicago, IL 60603

Attention CDO Trust Services Group

MS ACES SPC, Series 2005-18

Tel: 312-904-7815

Fax: 312-904-0524

Account Details:

LaSalle Bank N.A.

Chicago, IL

ABA No.: 071000505

Acct: 2090067

FFC: 710486

Attn: Petra Gullikson

Yours sincerely,

**MORGAN STANLEY CAPITAL SERVICES
INC.**

By: _____

Name:

Title:

Confirmed on the date first above written:

MORGAN STANLEY ACES SPC, acting for
the account of the Series 2005-18 Segregated
Portfolio

By: _____

Name:

Title:

Schedule A to Confirmation

Morgan Stanley Capital Services Inc.

Form of Reference Transaction Confirmation (High Yield Corporate Reference Entities)

The parties acknowledge and agree that this basket credit derivative transaction (a "**Reference Transaction**") is a hypothetical transaction used solely for the purpose of calculating any Cash Settlement Amounts which, in turn, will be used to calculate the "Floating Amounts" payable under the terms of the Master Credit Default Swap Confirmation to which this Schedule A is attached.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and the Additional Provisions for Physically Settled Default Swaps – Monoline Insurer as Reference Entity published on January 21, 2005 each as published by the International Swaps and Derivatives Association, Inc. (together, the "**Credit Derivatives Definitions**"), are incorporated into this Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions and this Confirmation, this Confirmation will govern.

This Confirmation relates to a basket of Reference Entities (as described below). Each settlement in respect of a Reference Entity following a Credit Event will terminate only the corresponding portion of this Transaction, as outlined below. Upon the occurrence of an Event Determination Date with respect to a Reference Entity, additional Credit Events with respect to that Reference Entity will not have any effect on this Transaction (a) unless that Reference Entity subsequently becomes a Successor to another Reference Entity in respect of which an Event Determination Date has not occurred and (b) except as otherwise provided in the "Successors" provision below. This Transaction contemplates that there may be more than one Credit Event and accordingly more than one Event Determination Date and more than one settlement and that the Credit Derivatives Definitions (and in particular the definition of Termination Date) should, for the purposes of this Transaction, be interpreted accordingly.

The terms of the Transaction to which this Confirmation relates are as follows:

1. **General Terms:**

Trade Date:	August 5, 2005
Effective Date:	August 15, 2005
Scheduled Termination Date:	February 10, 2011
Termination Date:	The Scheduled Termination Date; <u>provided</u> that if the Outstanding Swap Notional Amount is reduced to zero prior to the Scheduled Termination Date, the Termination Date shall be the Cash Settlement Date relating to the Incurred Loss Amount that causes the Outstanding Swap Notional Amount to

	be reduced to zero.
Floating Rate Payer:	Seller
Fixed Rate Payer:	Buyer
Notice Delivery Period:	Notwithstanding Section 1.9 of the Credit Derivatives Definitions, the Notice Delivery Period means the period from and including the Effective Date to and including the date that is 8 Business Days prior to the Scheduled Termination Date.
Original Swap Notional Amount:	USD361,470,000
Attachment Point:	21.5%
Exhaustion Point:	26.5%
Reference Entity Credit Position:	1.010101%; provided that the Reference Entity Credit Position in respect of an Excluded Reference Entity shall be deemed to be zero.
Tranche Size:	Exhaustion Point <u>minus</u> Attachment Point
Implicit Portfolio Size:	Original Swap Notional Amount <u>divided by</u> Tranche Size
Reference Entity Notional Amount:	With respect to each Reference Entity, Implicit Portfolio Size <u>multiplied by</u> Reference Entity Credit Position, subject to adjustment as provided in Section 2.2 of the Credit Derivatives Definitions, as modified by the "Successors" provision below.
Loss Threshold Amount:	Implicit Portfolio Size <u>multiplied by</u> Attachment Point
Calculation Agent:	Morgan Stanley Capital Services Inc.
Calculation Agent City:	New York
Business Day:	Hong Kong, New York and London
Business Day Convention:	Following (which, subject to Sections 1.4 and 1.6 of the Credit Derivatives Definitions, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day)
Index:	Dow Jones CDX.NA.HY.4

Index Sponsor: CDS Indexco LLC

Reference Entities: Subject to Paragraph 4.4 below, each entity contained in the Index and listed on Annex A hereto (as amended from time to time), and any Successor. For the avoidance of doubt, if, in respect of a Reference Entity listed in Annex A, a Succession Event occurs or has occurred on or following the earlier of the Effective Date or the Trade Date, the provisions of Section 2.2 of the Credit Derivatives Definitions will apply in respect of such Reference Entity.

Excluded Reference Entities: Collins & Aikman Products Co.

Reference Obligation(s): With respect to each Reference Entity, the Reference Obligation (if any) specified in the Index for the relevant Reference Entity and listed on Annex A hereto, subject to Paragraph 4.4 below, Sections 2.2(d) and 2.30 of the Credit Derivatives Definitions and the following paragraphs:

If the Index Sponsor publishes a replacement Reference Obligation for a Reference Entity or one or more Reference Obligations for a Reference Entity in connection with a Succession Event, the Calculation Agent shall select such Reference Obligation(s) as the Reference Obligation(s) hereunder for such Reference Entity in lieu of applying the provisions of Sections 2.2(d) or 2.30 of the Credit Derivatives Definitions.

Where there would be more than one Reference Obligation for a Reference Entity as a result of a Succession Event, the Calculation Agent shall associate each Reference Obligation with the relevant portion of the aggregate Reference Entity Notional Amount for that entity as indicated by the Index Sponsor or, in the absence of such an indication, as the Calculation Agent determines appropriate to preserve the economic effects of the Credit Derivative Transaction prior to the Succession Event (considered in the aggregate).

Successors:

Section 2.2(a) of the Credit Derivatives Definitions is amended by deleting the words "for the entire Credit Derivative Transaction" from Section 2.2(a)(i) and (ii) of the Credit Derivatives Definitions and replacing them with the words "in respect of such Reference Entity"; and by deleting the words "for a New Credit Derivative Transaction determined in accordance with the provisions of Section 2.2(e)" from Section 2.2(a)(iii) and (iv) of the Credit Derivatives Definitions.

Section 2.2(d)(i) of the Credit Derivatives Definitions is amended by replacing "a Credit Derivative Transaction" with "a Reference Entity"; and the last line of Section 2.2(d) of the Credit Derivatives Definitions is amended by replacing "each relevant Credit Derivative Transaction" with "each relevant Reference Entity".

Section 2.2(e) of the Credit Derivatives Definitions is deleted and replaced in its entirety by the following:

"Where, pursuant to Section 2.2(a), one or more Successors have been identified in respect of a Reference Entity that has been subject to the relevant Succession Event (the "Affected Entity"), (i) the Affected Entity will no longer be a Reference Entity for purposes of the Credit Derivative Transaction (unless it is a Successor as described in Section 2.2(e)(ii) below), (ii) each Successor will be deemed a Reference Entity for purposes of the Credit Derivative Transaction, (iii) the Reference Entity Notional Amount for each such Successor will equal the Reference Entity Notional Amount of the Affected Entity immediately prior to the application of Section 2.2 divided by the number of Successors and (iv) the Calculation Agent may make any modifications to the terms of the Credit Derivative Transaction required to preserve the economic effects of the Credit Derivative Transaction prior to the Succession Event (considered in the aggregate)."

Subject to the final paragraph of these "Successors" provisions, if a Successor is already a Reference Entity at the time Section 2.2 of the Credit Derivatives Definitions is applied (and is not itself the Affected Entity), the Reference Entity Notional Amount with respect to such Reference Entity shall be equal to the sum of (a) the Reference Entity Notional Amount in respect of the Reference Entity immediately prior to the application of Section 2.2 of the Credit Derivatives Definitions and (b) the Reference Entity Notional Amount in respect of such Reference Entity as a result of the application of Section 2.2(e)(iii) of the Credit Derivatives Definitions (as amended hereby).

If a Successor is already a Reference Entity at the time Section 2.2 of the Credit Derivatives Definitions is applied and, as a result of the relevant Succession Event, such Reference Entity would have more than one Reference Obligation, (a) the immediately preceding paragraph shall not apply, (b) there shall be deemed to be a separate Reference Entity hereunder associated with each such Reference Obligation, (c) the Reference Entity Notional Amount of the Reference Entity that was already a Reference Entity immediately prior to the application of Section 2.2 of the Credit Derivatives Definitions shall equal the Reference Entity Notional Amount in respect of such Reference Entity immediately prior to such application, (d) the Reference Entity Notional Amount of the Successor determined by application of Section 2.2 of the Credit Derivatives Definitions shall equal the amount determined by application of Section 2.2(e)(iii) of the Credit Derivatives Definitions (as amended hereby) and (e) the Conditions to Settlement may be satisfied, and settlement with respect thereto may occur, separately for each such Reference Entity.

All Guarantees:

Not Applicable

Reference Price:

100%

Outstanding Swap Notional Amount:

At any time on any day, the greater of:

(a) zero; and

(b) the Original Swap Notional Amount minus the sum of all Incurred Loss Amounts determined under this Confirmation at or prior to such time.

2. Floating Payments:

Conditions to Settlement:

Credit Event Notice

Notifying Party: Buyer

Notice of Publicly Available Information:
Applicable

Credit Events:

The following Credit Event(s) shall apply to this Transaction:

Bankruptcy

Failure to Pay

Grace Period Extension: Not Applicable

Payment Requirement: USD1,000,000 (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay)

Obligation(s):

<i>Obligation Category</i>	<i>Obligation Characteristics</i>
Borrowed Money	None

Excluded Obligations:

None

3. Settlement Terms:

Settlement Method:

Cash Settlement.

Settlement Currency:

USD

Valuation Obligation:

Valuation Obligation Notice:

Notwithstanding the provisions of the Credit Derivatives Definitions, Buyer shall provide Seller with a Valuation Obligation Notice no later than the Valuation Obligation Notice Date, specifying the outstanding principal balance (excluding accrued interest) of each Valuation Obligation, the aggregate of which shall be between (a) USD1,000,000 (converted where applicable into the currency in which the Valuation Obligation(s) are denominated by the Calculation Agent in a commercially reasonable manner by reference to exchange rates then in effect) (or, if less, the Reference Entity Notional Amount) and (b) the Reference Entity Notional Amount; provided that, for the avoidance of doubt, Buyer may not specify an outstanding principal balance of a Valuation Obligation of less than the minimum denomination of that Valuation Obligation. If Buyer does not deliver a Valuation Obligation Notice as described above, then the Reference Obligation shall be deemed the Valuation Obligation.

Valuation Obligation:

Buyer may select either the Reference Obligation (if any) specified in the Index for the relevant Reference Entity and listed in Annex A hereto or any obligation of the relevant Reference Entity that satisfies the Deliverable Obligation Category and Deliverable Obligation Characteristics criteria listed below as a Valuation Obligation.

Valuation Obligation Notice Date:

A day selected by the Calculation Agent which must be no later than the 3rd Business Day after the relevant Event Determination Date.

Deliverable Obligations:

<i>Deliverable Obligation Category</i>	<i>Deliverable Obligation Characteristics</i>
Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent

	Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer
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Terms relating to Cash Settlement:

- Valuation Date:
- (i) Subject to paragraph (ii) below, Multiple Valuation Dates: In respect of each Valuation Obligation Notice Date, the Valuation Obligation Notice Date and the 5th and 10th Business Day after such Valuation Obligation Notice Date.
 - (ii) Where an Event Determination Date occurs during the period commencing on and including the day which is 33 Business Days prior to February 10, 2011 and ending on and including the day which is 8 Business Days prior to February 10, 2011, Single Valuation Date: The Valuation Obligation Notice Date.
- Valuation Time:
- 11:00 a.m. in the principal trading market for the relevant Valuation Obligation.
- Quotation Method:
- Bid
- Quotation Amount:
- (i) Subject to paragraph (ii) below, with respect to each Valuation Obligation and a Valuation Date, an amount determined by the Calculation Agent which shall be between USD1,000,000 and USD25,000,000 (or, in either case, its equivalent in the currency in which the Valuation Obligation is denominated converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates then in effect) provided that the aggregate of the Quotation Amount(s) of the Valuation Obligation(s) on each Valuation Date shall not exceed the Reference Entity Notional Amount.
 - (ii) Where paragraph (ii) of "Valuation Date" applies, with respect to each Valuation Obligation

and the Valuation Date, an amount determined by the Calculation Agent which shall be between USD1,000,000 and USD25,000,000 (or, in either case, its equivalent in the currency in which the Valuation Obligation is denominated converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates then in effect) provided that the aggregate of the Quotation Amount(s) of the Valuation Obligation(s) on the Valuation Date shall not exceed the Reference Entity Notional Amount.

For the avoidance of doubt, in either case above, if only one Valuation Obligation is specified or deemed specified in the Valuation Obligation Notice, the Quotation Amount with respect to the Valuation Obligation on each Valuation Date shall not exceed the lower of (i) the outstanding principal balance of such Valuation Obligation and (ii) USD25,000,000.

Quotation:

(i) Subject to paragraph (ii) below, Section 7.7(a) and (b) of the Credit Derivatives Definitions will be replaced as follows:

"(a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date and each Valuation Obligation from five or more Dealers. In respect of each Valuation Obligation, if the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation.

(b) If in respect of a Valuation Obligation the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted

Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date, then the party that is not the Calculation Agent may attempt to obtain Full Quotations from five or more Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If such party is able to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day within an additional five Business Days, the Calculation Agent shall use such Full Quotations or Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method. If such party is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day within an additional five Business Days, the Quotations shall be deemed to be any Full Quotation obtained from a Dealer at the Valuation Time on such fifth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations for the Valuation Obligation obtained from Dealers at the Valuation Time on such fifth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day."

(ii) Where paragraph (ii) of "Valuation Date" applies, Section 7.7(a) and (b) of the Credit Derivatives Definitions will be replaced as follows:

"(a) The Calculation Agent shall attempt to obtain Full Quotations with respect to the Valuation Date and each Valuation Obligation from five or more Dealers, or if two or more Full Quotations are not available, a Weighted Average Quotation.

- (b) If in respect of a Valuation Obligation the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Dealer at the Valuation Time on the Valuation Date or, if no Full Quotation is obtained, the weighted average of any firm quotations for the Valuation Obligation obtained from Dealers at the Valuation Time on the Valuation Date with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be 100% for the balance of the Quotation Amount for which firm quotations were not obtained on such day."

Dealers:

The Calculation Agent shall select five Dealers, which must be leading dealers in obligations of the type of the Valuation Obligation(s) for which Quotations are to be obtained, selected by the Calculation Agent (or, in the case of Sections 7.7(b) of the Credit Derivatives Definitions, the relevant party or Seller, as applicable) in good faith and in a commercially reasonable manner (without the requirement of consultation with the parties or the other party, as the case may be). One of the Dealers selected by the Calculation Agent may include Morgan Stanley or any of its Affiliates (in which case, any firm quotation provided by Morgan Stanley or any of its Affiliates will be the firm quotation which Morgan Stanley or any of its Affiliates would provide to a counterparty in the market, as determined in its sole and absolute discretion).

Cash Settlement Date:

Each date that is three Business Days after a Calculation Date.

Cash Settlement Amount:

With respect to a Cash Settlement Date, the Incurred Loss Amount for the related Calculation Date.

Quotations:	Exclude Accrued Interest
Valuation Method:	Average Highest unless paragraph (ii) of "Valuation Date" applies, in which case Highest
Calculation Date:	With respect to a Reference Entity, the Business Day on which the Final Price can first be determined in respect of all Valuation Obligations specified in the Valuation Obligation Notice for that Reference Entity. Where two or more Valuation Obligations apply (or apply more than once) to a single Reference Entity on a single day, such day shall be treated as two or more Calculation Dates, as the case may be, for such Reference Entity.
Calculations:	<p>If any day is (a) a Calculation Date with respect to more than one Reference Entity, or (b) two or more, as the case may be, Calculation Dates with respect to a single Reference Entity, the Loss Amount, Aggregate Loss Amount, Outstanding Swap Notional Amount and Incurred Loss Amount with respect to each Reference Entity shall be calculated in the order of delivery of the relevant Credit Event Notices or, if any of the relevant Credit Event Notices are delivered at the same time, in a sequential order determined by the Calculation Agent.</p> <p>For the avoidance of doubt, with respect to the same Reference Entity, there may be more than one Calculation Date, Loss Amount, Incurred Loss Amount, Cash Settlement Amount and Cash Settlement Date.</p>
Incurred Loss Amount:	<p>With respect to a Reference Entity and a Calculation Date, an amount, calculated on that Calculation Date, equal to the lowest of:</p> <ul style="list-style-type: none"> (a) the Loss Amount; (b) the Aggregate Loss Amount (including the related Loss Amount for that Reference Entity and Calculation Date) <u>minus</u> the Loss Threshold Amount (subject to a minimum of zero); and (c) the Outstanding Swap Notional Amount

(prior to any reduction thereto in respect of that Reference Entity and Calculation Date).

Loss Amount:

With respect to a Reference Entity and a Calculation Date, an amount calculated on that Calculation Date equal to (i) (100% minus the Weighted Average Final Price for that Reference Entity and Calculation Date) multiplied by (ii) the Reference Entity Notional Amount for that Reference Entity.

Aggregate Loss Amount:

At any time on any day, the aggregate of all Loss Amounts calculated hereunder with respect to all Reference Entities.

Final Price:

Notwithstanding Section 7.4 of the Credit Derivatives Definitions, with respect to each Valuation Obligation, the price of such Valuation Obligation, expressed as a percentage, determined in accordance with the applicable Valuation Method (treating such Valuation Obligation as the Reference Obligation for such purpose and for purposes of other relevant provisions of Article VII of the Credit Derivatives Definitions).

Weighted Average Final Price:

With respect to a Calculation Date, the weighted average of the Final Prices determined for each Valuation Obligation, weighted by reference to the outstanding principal balance of each such Valuation Obligation.

4. **Additional Provisions**

4.1 **Disclaimers**

- (a) Dow Jones[®] and CDX[™] are service marks of Dow Jones & Company, Inc. and the Index Sponsor, respectively, and have been licensed for use by Morgan Stanley Capital Services Inc.
- (b) The Index referenced herein is the property of the Index Sponsor. Each party acknowledges and agrees that the transaction hereunder is not sponsored, endorsed or promoted by Dow Jones & Company, Inc. ("**Dow Jones**"), the Index Sponsor or any members of the Index Sponsor (the Index Sponsor, together with its members, the "**Index Parties**"). The Index Parties make no representation whatsoever, whether express or implied, and hereby expressly disclaim all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Index or any data included therein or relating thereto, and in particular

disclaim any warranty either as to the quality, accuracy and/or completeness of the Index or any data included therein, the results obtained from the use of the Index, the composition of the Index at any particular time on any particular date or otherwise, and/or the creditworthiness of, or likelihood of the occurrence of a Credit Event with respect to, any entity in the Index at any particular time on any particular date or otherwise. The Index Parties shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Index, and the Index Parties are under no obligation to advise the parties or any person of any error therein. The Index Parties make no representation whatsoever, whether express or implied, as to the advisability of entering into the transaction hereunder, the ability of the Index to track relevant markets' performances, or otherwise relating to the Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Parties have no obligation to take the needs of any party into consideration in determining, composing or calculating the Index. Neither party to this transaction, nor any Index Party, shall have any liability to any party for any act or failure to act by the Index Parties in connection with the determination, adjustment or maintenance of the Index. Although the Calculation Agent will obtain information concerning the Index from sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made, and no responsibility is accepted by either party, its Affiliates or the Calculation Agent, as to the accuracy, completeness or timeliness of information concerning the Index. Each party acknowledges that the other party or one of its Affiliates may be, or may be affiliated with, an Index Party and, as such, may be able to affect or influence the determination, adjustment or maintenance of the Index. For purposes of Sections 9.1(b)(iii) and (iv) of the Credit Derivatives Definitions, references to "each party" therein shall be deemed to include each Index Party.

4.2 Monoline Insurer as Reference Entity

The "Additional Provisions for Physically Settled Default Swaps – Monoline Insurer as Reference Entity", published on January 21, 2005, are incorporated by reference herein and shall be applicable to each Reference Entity for which the monoline provisions are specified as "Applicable" in Annex A hereto, as amended from time to time.

4.3 Merger of Reference Entity and Seller

Section 2.31 of the Credit Derivatives Definitions will not apply to this Transaction.

4.4 Inconsistency between Annex A and Index

In the event of any inconsistency between Annex A (as amended from time to time) and the corresponding Index published by the Index Sponsor, Annex A (as so amended) will govern.

4.5 **Amendment to Annex A**

Annex A will be deemed amended from time to time to reflect any modifications required under Section 2.2 of the Credit Derivatives Definitions (as amended hereby), Paragraph 4.2 above, and the "Reference Obligation(s)" and "Successors" provisions above.

4.6 **Certain Duties of the Calculation Agent**

The Calculation Agent will inform the parties as soon as reasonably practicable following the determination thereof of the amount of (i) any Loss Amount in respect of a Reference Entity, irrespective of whether or not the Aggregate Loss Amount is less than or equal to the Loss Threshold Amount, and (ii) any Incurred Loss Amount in respect of a Reference Entity.

Annex A

Monoline Provisions: Specify "Applicable" if a Monoline	Reference Entity	Reference Obligation		
		Maturity	Coupon	Cusip
Not Applicable	ABITIBI-CONSOLIDATED INC.	1-Aug-10	8.550%	003924AG2
Not Applicable	ADVANCED MICRO DEVICES, INC.	1-Nov-12	7.750%	007903AG2
Not Applicable	The AES Corporation	1-Jun-09	9.500%	00130HAQ8
Not Applicable	AK Steel Corporation	15-Feb-09	7.875%	001546AE0
Not Applicable	Allegheny Energy Supply Company, LLC	15-Apr-12	8.250%	017363AE2
Not Applicable	Allied Waste North America, Inc.	15-Apr-14	7.375%	01958XBH9
Not Applicable	American Tower Corporation	1-Feb-09	9.375%	029912AH5
Not Applicable	AmerisourceBergen Corporation	1-Sep-08	8.125%	03073QAB4
Not Applicable	Amkor Technology, Inc.	15-Feb-08	9.250%	031652AM2
Not Applicable	AMR Corporation	1-Aug-12	9.000%	001765AU0
Not Applicable	ArvinMeritor, Inc.	1-Mar-12	8.750%	043353AA9
Not Applicable	BOMBARDIER INC.	1-May-12	6.750%	C10602AG2
Not Applicable	Bowater Incorporated	15-Jun-13	6.500%	102183AK6
Not Applicable	Calpine Corporation	15-Feb-11	8.500%	131347AW6
Not Applicable	Case New Holland Inc.	1-Aug-11	9.250%	147446AA6
Not Applicable	CELESTICA INC.	1-Jul-11	7.875%	15101QAB4
Not Applicable	CHARTER COMMUNICATIONS HOLDINGS, LLC	1-Apr-09	10.000%	16117PAK6
Not Applicable	Chesapeake Energy Corporation	1-Nov-08	8.375%	165167AV9
Not Applicable	Citizens Communications Company	15-May-11	9.250%	17453BAB7
Not Applicable	CMS Energy Corporation	15-Jan-09	7.500%	125896AH3
Not Applicable	Corning Incorporated	1-Mar-09	6.300%	219350AG0
Not Applicable	Crown Castle International Corp.	1-Aug-11	9.375%	228227AS3
Not Applicable	CROWN EUROPEAN HOLDINGS	1-Mar-11	9.500%	228344AC1
Not Applicable	CSC Holdings, Inc.	1-Apr-11	7.625%	126304AP9
Not Applicable	Cummins Inc.	1-Dec-10	9.500%	231021AM8

Not Applicable	D.R. Horton, Inc.	1-Feb-09	8.000%	23331AAD1
Not Applicable	DANA CORPORATION	15-Jan-15	5.850%	235811AY2
Not Applicable	Delhaize America, Inc.	15-Apr-11	8.125%	246688AE5
Not Applicable	Delphi Corporation	15-Aug-13	6.500%	247126AE5
Not Applicable	Dillard's, Inc.	1-Aug-18	7.130%	254067AH4
Not Applicable	Dole Food Company, Inc.	1-May-09	7.250%	256605AJ5
Not Applicable	Dura Operating Corp.	1-May-09	9.000%	26632QAH6
Not Applicable	Dynegy Holdings Inc.	1-Apr-11	6.875%	26816LAD4
Not Applicable	EchoStar DBS Corporation	1-Oct-08	5.750%	27876GAM0
Not Applicable	El Paso Corporation	15-Dec-07	6.950%	28368EAC0
Not Applicable	FAIRFAX FINANCIAL HOLDINGS LIMITED	15-Apr-08	6.875%	303901AF9
Not Applicable	FelCor Lodging Limited Partnership	1-Jun-11	8.500%	31430QAL1
Not Applicable	FLEXTRONICS INTERNATIONAL LTD.	15-May-13	6.500%	33938EAH0
Not Applicable	FOREST OIL CORPORATION	15-Jun-08	8.000%	346091AP6
Not Applicable	Georgia-Pacific Corporation	15-May-11	8.125%	373298BV9
Not Applicable	The Goodyear Tire & Rubber Company	15-Aug-11	7.857%	382550AH4
Not Applicable	HCA Inc.	1-May-12	6.950%	404119AE9
Not Applicable	Host Marriott, L.P.	1-Nov-13	7.125%	44108EAS7
Not Applicable	Houghton Mifflin Company	1-Feb-11	8.250%	441560AK5
Not Applicable	Huntsman International LLC	1-Jul-09	10.125%	447012AB1
Not Applicable	IKON Office Solutions, Inc.	1-Nov-27	7.300%	451713AC5
Not Applicable	Intelsat, Ltd.	1-Nov-13	6.500%	45820EAH5
Not Applicable	Iron Mountain Incorporated	15-Jan-15	7.750%	462846AB2
Not Applicable	KB Home	1-Feb-10	7.750%	48666KAF6
Not Applicable	L-3 Communications Corporation	15-Jun-12	7.625%	502413AJ6
Not Applicable	Level 3 Communications, Inc.	1-May-08	9.125%	52729NAC4
Not Applicable	Levi Strauss & Co.	15-Dec-12	12.250%	52736RAN2
Not Applicable	Lucent Technologies Inc.	15-Nov-08	5.500%	549463AD9
Not Applicable	Lyondell Chemical Company	15-Dec-08	9.500%	552078AQ0
Not Applicable	MEDIACOM LLC	15-Jan-13	9.500%	58445MAJ1
Not Applicable	MeriStar Hospitality Corporation	15-Jan-11	9.125%	58984SAA4
Not Applicable	MGM MIRAGE	1-Oct-09	6.000%	552953AF8

Not Applicable	Mosaic Global Holdings Inc.	1-Aug-18	7.375%	449669CD0
Not Applicable	Nalco Company	15-Nov-11	7.750%	629855AD9
Not Applicable	NAVISTAR INTERNATIONAL CORPORATION	15-Jun-11	7.500%	63934EAH1
Not Applicable	Nortel Networks Corporation	1-Sep-08	4.250%	656568AB8
Not Applicable	NOVA CHEMICALS CORPORATION	15-Jan-12	6.500%	66977WAF6
Not Applicable	Owens-Illinois, Inc.	15-May-10	7.500%	690768BD7
Not Applicable	PANAMSAT CORPORATION	15-Jan-08	6.375%	697933AL3
Not Applicable	Parker Drilling Company	1-Oct-13	9.625%	701081AM3
Not Applicable	PolyOne Corporation	15-May-10	10.625%	73179PAD8
Not Applicable	The Premcor Refining Group Inc.	1-Feb-13	9.500%	74047PAC8
Not Applicable	Pride International, Inc.	15-Jul-14	7.375%	74153QAF9
Not Applicable	PRIMEDIA Inc.	15-May-11	8.875%	74157KAF8
Not Applicable	Qwest Capital Funding, Inc.	15-Feb-11	7.250%	74913EAH3
Not Applicable	R.J. Reynolds Tobacco Holdings, Inc.	1-Jun-12	7.250%	76182KAN5
Not Applicable	Reliant Energy, Inc.	15-Jul-10	9.250%	75952BAF2
Not Applicable	Rite Aid Corporation	15-Jan-07	7.125%	767754AH7
Not Applicable	ROYAL CARIBBEAN CRUISES LTD.	2-Feb-11	8.750%	780153AL6
Not Applicable	Saks Incorporated	15-Nov-08	8.250%	79377WAA6
Not Applicable	SERVICE CORPORATION INTERNATIONAL	15-Apr-09	7.700%	817565AP9
Not Applicable	Sinclair Broadcast Group, Inc.	15-Mar-12	8.000%	829226AM1
Not Applicable	Six Flags, Inc.	1-Feb-10	8.875%	83001PAD1
Not Applicable	Smithfield Foods, Inc.	15-May-13	7.750%	832248AH1
Not Applicable	Smurfit-Stone Container Enterprises, Inc.	1-Feb-11	9.750%	861589AX7
Not Applicable	Solectron Corporation	15-Feb-09	9.625%	834182AN7
Not Applicable	Standard Pacific Corp.	15-May-11	6.875%	85375CAN1
Not Applicable	Starwood Hotels & Resorts Worldwide, Inc.	1-May-12	7.875%	85590AAD6
Not Applicable	TEMBEC INDUSTRIES INC.	1-Feb-11	8.500%	87971KAC1
Not Applicable	TENET HEALTHCARE CORPORATION	1-Dec-11	6.375%	88033GAT7

Not Applicable	Tesoro Corporation	1-Apr-12	9.625%	881609AL5
Not Applicable	Texas Genco LLC	15-Dec-14	6.875%	U88243AA5
Not Applicable	TOYS "R" US, INC.	15-Oct-18	7.375%	892335AL4
Not Applicable	Triad Hospitals, Inc.	15-Nov-13	7.000%	89579KAE9
Not Applicable	Triton PCS, Inc.	15-Nov-11	8.750%	896778AH0
Not Applicable	TRW Automotive Inc.	15-Feb-13	9.375%	87264QAM2
Not Applicable	Unisys Corporation	15-Mar-10	6.875%	909214BH0
Not Applicable	United Rentals (North America), Inc.	15-Feb-12	6.500%	911365AN4
Not Applicable	UNITED STATES STEEL CORPORATION	15-May-10	9.750%	912909AA6
Not Applicable	UnumProvident Corporation	1-Mar-11	7.625%	91529YAC0
Not Applicable	VINTAGE PETROLEUM, INC.	1-May-12	8.250%	927460AK1
Not Applicable	Visteon Corporation	10-Mar-14	7.000%	92839UAC1
Not Applicable	The Williams Companies, Inc.	1-Sep-11	7.125%	969457BF6
Not Applicable	Xerox Corporation	15-Aug-11	6.875%	984121BN2

Schedule B to Confirmation

Morgan Stanley Capital Services Inc.

Form of Reference Transaction Confirmation (Investment Grade Corporate Reference Entities)

The parties acknowledge and agree that this basket credit derivative transaction (a "Reference Transaction") is a hypothetical transaction used solely for the purpose of calculating any Cash Settlement Amounts which, in turn, will be used to calculate the "Floating Amounts" payable under the terms of the Master Credit Default Swap Confirmation to which this Schedule A is attached.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and the Additional Provisions for Physically Settled Default Swaps - Monoline Insurer as Reference Entity published on January 21, 2005 each as published by the International Swaps and Derivatives Association, Inc. (together, the "Credit Derivatives Definitions"), are incorporated into this Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions and this Confirmation, this Confirmation will govern.

This Confirmation relates to a basket of Reference Entities (as described below). Each settlement in respect of a Reference Entity following a Credit Event will terminate only the corresponding portion of this Transaction, as outlined below. Upon the occurrence of an Event Determination Date with respect to a Reference Entity, additional Credit Events with respect to that Reference Entity will not have any effect on this Transaction (a) unless that Reference Entity subsequently becomes a Successor to another Reference Entity in respect of which an Event Determination Date has not occurred and (b) except as otherwise provided in the "Successors" provision below. This Transaction contemplates that there may be more than one Credit Event and accordingly more than one Event Determination Date and more than one settlement and that the Credit Derivatives Definitions (and in particular the definition of Termination Date) should, for the purposes of this Transaction, be interpreted accordingly.

The terms of the Transaction to which this Confirmation relates are as follows:

1. General Terms:

Trade Date:	August 5, 2005
Effective Date:	August 15, 2005
Scheduled Termination Date:	February 10, 2011
Termination Date:	The Scheduled Termination Date; <u>provided</u> that if the Outstanding Swap Notional Amount is reduced to zero prior to the Scheduled Termination Date, the Termination Date shall be the Cash Settlement Date relating to the Incurred Loss Amount that causes the Outstanding Swap Notional Amount to

be reduced to zero.

Floating Rate Payer: Seller

Fixed Rate Payer: Buyer

Notice Delivery Period: Notwithstanding Section 1.9 of the Credit Derivatives Definitions, the Notice Delivery Period means the period from and including the Effective Date to and including the date that is 8 Business Days prior to the Scheduled Termination Date.

Original Swap Notional Amount: USD1,445,880,000

Attachment Point: 0%

Exhaustion Point: 100%

Reference Entity Credit Position: 0.8%

Tranche Size: Exhaustion Point minus Attachment Point

Implicit Portfolio Size: Original Swap Notional Amount divided by Tranche Size

Reference Entity Notional Amount: With respect to each Reference Entity, Implicit Portfolio Size multiplied by Reference Entity Credit Position, subject to adjustment as provided in Section 2.2 of the Credit Derivatives Definitions, as modified by the "Successors" provision below.

Loss Threshold Amount: Implicit Portfolio Size multiplied by Attachment Point

Calculation Agent: Morgan Stanley Capital Services Inc.

Calculation Agent City: New York

Business Day: Hong Kong, New York and London

Business Day Convention: Following (which, subject to Sections 1.4 and 1.6 of the Credit Derivatives Definitions, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day)

Index: Dow Jones CDX.NA.IG.4

Index Sponsor: CDS Indexco LLC

Reference Entities: Subject to Paragraph 4.4 below, each entity contained in the Index and listed on Annex A hereto (as amended from time to time) and any Successor. For the avoidance of doubt, if, in respect of a Reference Entity listed in Annex A, a Succession Event occurs or has occurred on or following the earlier of the Effective Date or the Trade Date, the provisions of Section 2.2 of the Credit Derivatives Definitions will apply in respect of such Reference Entity.

Excluded Reference Entities: None.

Reference Obligation(s): With respect to each Reference Entity, the Reference Obligation (if any) specified in the Index for the relevant Reference Entity and listed on Annex A hereto, subject to Paragraph 4.4 below, Sections 2.2(d) and 2.30 of the Credit Derivatives Definitions and the following paragraphs:

If the Index Sponsor publishes a replacement Reference Obligation for a Reference Entity or one or more Reference Obligations for a Reference Entity in connection with a Succession Event, the Calculation Agent shall select such Reference Obligation(s) as the Reference Obligation(s) hereunder for such Reference Entity in lieu of applying the provisions of Sections 2.2(d) or 2.30 of the Credit Derivatives Definitions.

Where there would be more than one Reference Obligation for a Reference Entity as a result of a Succession Event, the Calculation Agent shall associate each Reference Obligation with the relevant portion of the aggregate Reference Entity Notional Amount for that entity as indicated by the Index Sponsor or, in the absence of such an indication, as the Calculation Agent determines appropriate to preserve the economic effects of the Credit Derivative Transaction prior to the Succession Event (considered in the aggregate).

Successors: Section 2.2(a) of the Credit Derivatives Definitions is amended by deleting the words "for

the entire Credit Derivative Transaction" from Section 2.2(a)(i) and (ii) of the Credit Derivatives Definitions and replacing them with the words "in respect of such Reference Entity"; and by deleting the words "for a New Credit Derivative Transaction determined in accordance with the provisions of Section 2.2(e)" from Section 2.2(a)(iii) and (iv) of the Credit Derivatives Definitions.

Section 2.2(d)(i) of the Credit Derivatives Definitions is amended by replacing "a Credit Derivative Transaction" with "a Reference Entity"; and the last line of Section 2.2(d) of the Credit Derivatives Definitions is amended by replacing "each relevant Credit Derivative Transaction" with "each relevant Reference Entity".

Section 2.2(e) of the Credit Derivatives Definitions is deleted and replaced in its entirety by the following:

"Where, pursuant to Section 2.2(a), one or more Successors have been identified in respect of a Reference Entity that has been subject to the relevant Succession Event (the "Affected Entity"), (i) the Affected Entity will no longer be a Reference Entity for purposes of the Credit Derivative Transaction (unless it is a Successor as described in Section 2.2(e)(ii) below), (ii) each Successor will be deemed a Reference Entity for purposes of the Credit Derivative Transaction, (iii) the Reference Entity Notional Amount for each such Successor will equal the Reference Entity Notional Amount of the Affected Entity immediately prior to the application of Section 2.2 divided by the number of Successors and (iv) the Calculation Agent may make any modifications to the terms of the Credit Derivative Transaction required to preserve the economic effects of the Credit Derivative Transaction prior to the Succession Event (considered in the aggregate)."

Subject to the final paragraph of these "Successors" provisions, if a Successor is already

a Reference Entity at the time Section 2.2 of the Credit Derivatives Definitions is applied (and is not itself the Affected Entity), the Reference Entity Notional Amount with respect to such Reference Entity shall be equal to the sum of (a) the Reference Entity Notional Amount in respect of the Reference Entity immediately prior to the application of Section 2.2 of the Credit Derivatives Definitions and (b) the Reference Entity Notional Amount in respect of such Reference Entity as a result of the application of Section 2.2(e)(iii) of the Credit Derivatives Definitions (as amended hereby).

If a Successor is already a Reference Entity at the time Section 2.2 of the Credit Derivatives Definitions is applied and, as a result of the relevant Succession Event, such Reference Entity would have more than one Reference Obligation, (a) the immediately preceding paragraph shall not apply, (b) there shall be deemed to be a separate Reference Entity hereunder associated with each such Reference Obligation, (c) the Reference Entity Notional Amount of the Reference Entity that was already a Reference Entity immediately prior to the application of Section 2.2 of the Credit Derivatives Definitions shall equal the Reference Entity Notional Amount in respect of such Reference Entity immediately prior to such application, (d) the Reference Entity Notional Amount of the Successor determined by application of Section 2.2 of the Credit Derivatives Definitions shall equal the amount determined by application of Section 2.2(e)(iii) of the Credit Derivatives Definitions (as amended hereby) and (e) the Conditions to Settlement may be satisfied, and settlement with respect thereto may occur, separately for each such Reference Entity.

All Guarantees:

Not Applicable

Reference Price:

100%

Outstanding Swap Notional Amount:

At any time on any day, the greater of:

(a) zero; and

(b) the Original Swap Notional Amount minus the sum of all Incurred Loss Amounts determined under this Confirmation at or prior to such time.

2. Floating Payments:

Conditions to Settlement:

Credit Event Notice

Notifying Party: Buyer

Notice of Publicly Available Information:
Applicable

Credit Events:

The following Credit Event(s) shall apply to this Transaction:

Bankruptcy

Failure to Pay

Grace Period Extension: Not Applicable

Payment Requirement: USD1,000,000 (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay)

Obligation(s):

<i>Obligation Category</i>	<i>Obligation Characteristics</i>
Borrowed Money	None

Excluded Obligations:

None

3. Settlement Terms:

Settlement Method:

Cash Settlement.

Settlement Currency:

USD

Valuation Obligation:

Valuation Obligation Notice:

Notwithstanding the provisions of the Credit Derivatives Definitions, Buyer shall provide Seller with a Valuation Obligation Notice no later than the Valuation Obligation Notice Date specifying the outstanding principal balance (excluding accrued interest) of each Valuation Obligation, the aggregate of which shall be between (a) USD1,000,000 (converted where applicable into the currency in which the Valuation Obligation(s) are denominated by the Calculation Agent in a commercially reasonable manner by reference to exchange rates then in effect) (or, if less, the Reference Entity Notional Amount) and (b) the Reference Entity Notional Amount; provided that, for the avoidance of doubt, Buyer may not specify an outstanding principal balance of a Valuation Obligation of less than the minimum denomination of that Valuation Obligation. If Buyer does not deliver a Valuation Obligation Notice as described above, then the Reference Obligation shall be deemed the Valuation Obligation.

Valuation Obligation:

Buyer may select either the Reference Obligation (if any) specified in the Index and set out opposite the relevant Reference Entity in Annex A hereto or any obligation of the relevant Reference Entity that satisfies the Deliverable Obligation Category and Deliverable Obligation Characteristics criteria listed below as a Valuation Obligation.

Valuation Obligation Notice Date:

A day selected by the Calculation agent which must be no later than the 3rd Business Day after the relevant Event Determination Date.

Deliverable Obligations:

<i>Deliverable Obligation Category</i>	<i>Deliverable Obligation Characteristics</i>
Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent

	Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer
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Terms relating to Cash Settlement:

- Valuation Date:
- (i) Subject to paragraph (ii) below, Multiple Valuation Dates: In respect of each Valuation Obligation Notice Date, the Valuation Obligation Notice Date and the 5th and 10th Business Day after such Valuation Obligation Notice Date.
 - (ii) Where an Event Determination Date occurs during the period commencing on and including the day which is 33 Business Days prior to February 10, 2011 and ending on and including the day which is 8 Business Days prior to February 10, 2011, Single Valuation Date: The Valuation Obligation Notice Date.
- Valuation Time: 11:00 a.m. in the principal trading market for the relevant Valuation Obligation.
- Quotation Method: Bid
- Quotation Amount:
- (i) Subject to paragraph (ii) below, with respect to each Valuation Obligation and a Valuation Date, an amount determined by the Calculation Agent which shall be between USD1,000,000 and USD25,000,000 (or, in either case, its equivalent in the currency in which the Valuation Obligation is denominated converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates then in effect) provided that the aggregate of the Quotation Amount(s) of the Valuation Obligation(s) on each Valuation Date shall not exceed the Reference Entity Notional Amount.
 - (ii) Where paragraph (ii) of "Valuation Date" applies, with respect to each Valuation Obligation

and the Valuation Date, an amount determined by the Calculation Agent which shall be between USD1,000,000 and USD25,000,000 (or, in either case, its equivalent in the currency in which the Valuation Obligation is denominated converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates then in effect) *provided* that the aggregate of the Quotation Amount(s) of the Valuation Obligation(s) on the Valuation Date shall not exceed the Reference Entity Notional Amount.

For the avoidance of doubt, in either case above, if only one Valuation Obligation is specified or deemed specified in the Valuation Obligation Notice, the Quotation Amount with respect to the Valuation Obligation on each Valuation Date shall not exceed the lower of (i) the outstanding principal balance of such Valuation Obligation and (ii) USD25,000,000.

Quotation:

(i) Subject to paragraph (ii) below, Section 7.7(a) and (b) of the Credit Derivatives Definitions will be replaced as follows:

"(a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date and each Valuation Obligation from five or more Dealers. In respect of each Valuation Obligation, if the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation.

(b) If in respect of a Valuation Obligation the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted

Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date, then the party that is not the Calculation Agent may attempt to obtain Full Quotations from five or more Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If such party is able to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day within an additional five Business Days, the Calculation Agent shall use such Full Quotations or Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method. If such party is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day within an additional five Business Days, the Quotations shall be deemed to be any Full Quotation obtained from a Dealer at the Valuation Time on such fifth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations for the Valuation Obligation obtained from Dealers at the Valuation Time on such fifth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day."

(ii) Where paragraph (ii) of "Valuation Date" applies, Section 7.7(a) and (b) of the Credit Derivatives Definitions will be replaced as follows:

"(a) The Calculation Agent shall attempt to obtain Full Quotations with respect to the Valuation Date and each Valuation Obligation from five or more Dealers, or if two or more Full Quotations are not available, a Weighted Average Quotation.

- (b) If in respect of a Valuation Obligation the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Dealer at the Valuation Time on the Valuation Date or, if no Full Quotation is obtained, the weighted average of any firm quotations for the Valuation Obligation obtained from Dealers at the Valuation Time on the Valuation Date with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be 100% for the balance of the Quotation Amount for which firm quotations were not obtained on such day."

Dealers:

The Calculation Agent shall select five Dealers, which must be leading dealers in obligations of the type of the Valuation Obligation(s) for which Quotations are to be obtained, selected by the Calculation Agent (or, in the case of Sections 7.7(b) of the Credit Derivatives Definitions, the relevant party or Seller, as applicable) in good faith and in a commercially reasonable manner (without the requirement of consultation with the parties or the other party, as the case may be). One of the Dealers selected by the Calculation Agent may include Morgan Stanley or any of its Affiliates (in which case, any firm quotation provided by Morgan Stanley or any of its Affiliates will be the firm quotation which Morgan Stanley or any of its Affiliates would provide to a counterparty in the market, as determined in its sole and absolute discretion).

Cash Settlement Date:

Each date that is three Business Days after a Calculation Date.

Cash Settlement Amount:

With respect to a Cash Settlement Date, the Incurred Loss Amount for the related Calculation Date.

Quotations:	Exclude Accrued Interest
Valuation Method:	Average Highest unless paragraph (ii) of "Valuation Date" applies, in which case Highest
Calculation Date:	With respect to a Reference Entity, the Business Day on which the Final Price can first be determined in respect of all Valuation Obligations specified in the Valuation Obligation Notice for that Reference Entity. Where two or more Valuation Obligations apply (or apply more than once) to a single Reference Entity on a single day, such day shall be treated as two or more Calculation Dates, as the case may be, for such Reference Entity.
Calculations:	<p>If any day is (a) a Calculation Date with respect to more than one Reference Entity, or (b) two or more, as the case may be, Calculation Dates with respect to a single Reference Entity, the Loss Amount, Aggregate Loss Amount, Outstanding Swap Notional Amount and Incurred Loss Amount with respect to each Reference Entity shall be calculated in the order of delivery of the relevant Credit Event Notices or, if any of the relevant Credit Event Notices are delivered at the same time, in a sequential order determined by the Calculation Agent.</p> <p>For the avoidance of doubt, with respect to the same Reference Entity, there may be more than one Calculation Date, Loss Amount, Incurred Loss Amount, Cash Settlement Amount and Cash Settlement Date.</p>
Incurred Loss Amount:	<p>With respect to a Reference Entity and a Calculation Date, an amount, calculated on that Calculation Date, equal to the lowest of:</p> <ul style="list-style-type: none"> (a) the Loss Amount; (b) the Aggregate Loss Amount (including the related Loss Amount for that Reference Entity and Calculation Date) <u>minus</u> the Loss Threshold Amount (subject to a minimum of zero); and (c) the Outstanding Swap Notional Amount

(prior to any reduction thereto in respect of that Reference Entity and Calculation Date).

Loss Amount:

With respect to a Reference Entity and a Calculation Date, an amount calculated on that Calculation Date equal to (i) (100% minus the Weighted Average Final Price for that Reference Entity and Calculation Date) multiplied by (ii) the Reference Entity Notional Amount for that Reference Entity.

Aggregate Loss Amount:

At any time on any day, the aggregate of all Loss Amounts calculated hereunder with respect to all Reference Entities.

Final Price:

Notwithstanding Section 7.4 of the Credit Derivatives Definitions, with respect to each Valuation Obligation, the price of such Valuation Obligation, expressed as a percentage, determined in accordance with the applicable Valuation Method (treating such Valuation Obligation as the Reference Obligation for such purpose and for purposes of other relevant provisions of Article VII of the Credit Derivatives Definitions).

Weighted Average Final Price:

With respect to a Calculation Date, the weighted average of the Final Prices determined for each Valuation Obligation, weighted by reference to the outstanding principal balance of each such Valuation Obligation.

4. **Additional Provisions:**

4.1 **Disclaimers**

- (a) Dow Jones[®] and CDX[™] are service marks of Dow Jones & Company, Inc. and the Index Sponsor, respectively, and have been licensed for use by Morgan Stanley Capital Services Inc.
- (b) The Index referenced herein is the property of the Index Sponsor. Each party acknowledges and agrees that the transaction hereunder is not sponsored, endorsed or promoted by Dow Jones & Company, Inc. ("**Dow Jones**"), the Index Sponsor or any members of the Index Sponsor (the Index Sponsor, together with its members, the "**Index Parties**"). The Index Parties make no representation whatsoever, whether express or implied, and hereby expressly disclaim all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Index or any data included therein or relating thereto, and in particular

disclaim any warranty either as to the quality, accuracy and/or completeness of the Index or any data included therein, the results obtained from the use of the Index, the composition of the Index at any particular time on any particular date or otherwise, and/or the creditworthiness of, or likelihood of the occurrence of a Credit Event with respect to, any entity in the Index at any particular time on any particular date or otherwise. The Index Parties shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Index, and the Index Parties are under no obligation to advise the parties or any person of any error therein. The Index Parties make no representation whatsoever, whether express or implied, as to the advisability of entering into the transaction hereunder, the ability of the Index to track relevant markets' performances, or otherwise relating to the Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Parties have no obligation to take the needs of any party into consideration in determining, composing or calculating the Index. Neither party to this transaction, nor any Index Party, shall have any liability to any party for any act or failure to act by the Index Parties in connection with the determination, adjustment or maintenance of the Index. Although the Calculation Agent will obtain information concerning the Index from sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made, and no responsibility is accepted by either party, its Affiliates or the Calculation Agent, as to the accuracy, completeness or timeliness of information concerning the Index. Each party acknowledges that the other party or one of its Affiliates may be, or may be affiliated with, an Index Party and, as such, may be able to affect or influence the determination, adjustment or maintenance of the Index. For purposes of Sections 9.1(b)(iii) and (iv) of the Credit Derivatives Definitions, references to "each party" therein shall be deemed to include each Index Party.

4.2 Monoline Insurer as Reference Entity

The "Additional Provisions for Physically Settled Default Swaps – Monoline Insurer as Reference Entity", published on January 21, 2005, are incorporated by reference herein and shall be applicable to each Reference Entity for which the monoline provisions are specified as "Applicable" in Annex A hereto, as amended from time to time.

4.3 Merger of Reference Entity and Seller

Section 2.31 of the Credit Derivatives Definitions will not apply to this Transaction.

4.4 Inconsistency between Annex A and Index

In the event of any inconsistency between Annex A (as amended from time to time) and the corresponding Index published by the Index Sponsor, Annex A (as so amended) will govern.

4.5 **Amendment to Annex A**

Annex A will be deemed amended from time to time to reflect any modifications required under Section 2.2 of the Credit Derivatives Definitions (as amended hereby), Paragraph 4.2 above, and the "Reference Obligation(s)" and "Successors" provisions above.

4.6 **Certain Duties of the Calculation Agent**

The Calculation Agent will inform the parties as soon as reasonably practicable following the determination thereof of the amount of (i) any Loss Amount in respect of a Reference Entity, irrespective of whether or not the Aggregate Loss Amount is less than or equal to the Loss Threshold Amount, and (ii) any Incurred Loss Amount in respect of a Reference Entity.

Annex A

Monoline Provisions: Specify "Applicable" if a Monoline	Reference Entity	Reference Obligation		
		Maturity	Coupon	Cusip
Not Applicable	ACE LIMITED	15-Aug-29	8.875%	00440EAC1
Not Applicable	Aetna Inc.	1-Mar-11	7.875%	00817YAB4
Not Applicable	Albertson's, Inc.	15-Feb-11	7.500%	013104AJ3
Not Applicable	Alcan Inc.	15-Sep-12	4.875%	013716AR6
Not Applicable	Alcoa Inc.	1-Jun-11	6.500%	013817AD3
Not Applicable	The Allstate Corporation	1-Dec-09	7.200%	020002AK7
Not Applicable	ALLTEL Corporation	1-Jul-12	7.000%	020039DB6
Not Applicable	Altria Group, Inc.	04-Nov-13	7.000%	02209SAA1
Not Applicable	American Axle & Manufacturing, Inc.	11-Feb-14	5.250%	02406PAE0
Not Applicable	AMERICAN ELECTRIC POWER COMPANY, INC.	15-Mar-10	5.375%	025537AD3
Not Applicable	American Express Company	15-Jul-13	4.875%	025816AQ2
Not Applicable	American International Group, Inc.	9-Nov-31	0.000%	026874AP2
Not Applicable	Amgen Inc.	1-Mar-32	0.000%	031162AE0
Not Applicable	Anadarko Petroleum Corporation	15-Mar-12	6.125%	032511AT4
Not Applicable	Arrow Electronics, Inc.	1-Jun-18	6.875%	042735AL4
Not Applicable	AutoZone, Inc.	15-Oct-12	5.875%	053332AC6
Not Applicable	Baxter International Inc.	15-Feb-28	6.625%	071813AM1
Not Applicable	BellSouth Corporation	15-Oct-11	6.000%	079860AB8
Not Applicable	Boeing Capital Corporation	15-Feb-12	6.500%	097014AG9
Not Applicable	Bristol-Myers Squibb Company	1-Oct-11	5.750%	110122AG3
Not Applicable	Burlington Northern Santa Fe Corporation	15-Jul-11	6.750%	12189TAT1
Not Applicable	Campbell Soup Company	1-Oct-13	4.875%	134429AS8
Not Applicable	Capital One Bank	15-Feb-14	5.125%	14040EHK1
Not Applicable	Cardinal Health, Inc.	15-Feb-11	6.750%	14149YAF5
Not Applicable	CARNIVAL CORPORATION	15-Jan-28	6.650%	143658AH5

Not Applicable	Caterpillar Inc.	1-May-11	6.550%	149123BH3
Not Applicable	Cendant Corporation	15-Jan-13	7.375%	151313AP8
Not Applicable	Centex Corporation	1-Feb-11	7.875%	152312AG9
Not Applicable	CenturyTel, Inc.	15-Aug-12	7.875%	156700AG1
Not Applicable	The Chubb Corporation	15-Nov-11	6.000%	171232AF8
Not Applicable	CIGNA Corporation	15-Oct-11	6.375%	125509BG3
Not Applicable	Cingular Wireless LLC	15-Dec-11	6.500%	17248RAF3
Not Applicable	CIT Group Inc.	2-Apr-12	7.750%	125581AB4
Not Applicable	Clear Channel Communications, Inc.	15-Sep-10	7.650%	184502AK8
Not Applicable	Comcast Cable Communications, LLC	30-Jan-11	6.750%	20029PAL3
Not Applicable	Computer Sciences Corporation	15-Jun-11	7.375%	205363AE4
Not Applicable	ConAgra Foods, Inc.	15-Sep-11	6.750%	205887BA9
Not Applicable	CONOCOPHILLIPS	15-Oct-12	4.750%	20825CAE4
Not Applicable	Constellation Energy Group, Inc.	1-Apr-12	7.000%	210371AH3
Not Applicable	Countrywide Home Loans, Inc.	15-Jul-09	5.625%	22237LMY5
Not Applicable	Cox Communications, Inc.	1-Nov-10	7.750%	224044AY3
Not Applicable	CSX Corporation	15-Mar-11	6.750%	126408AP8
Not Applicable	CVS Corporation	15-Sep-14	4.875%	126650AV2
Not Applicable	Deere & Company	25-Apr-14	6.950%	244199BB0
Not Applicable	Devon Energy Corporation	15-Apr-32	7.950%	251799AA0
Not Applicable	Dominion Resources, Inc.	30-Jun-12	6.250%	25746UAJ8
Not Applicable	The Dow Chemical Company	1-Oct-12	6.000%	260543BR3
Not Applicable	Duke Energy Corporation	15-Jan-12	6.250%	264399DW3
Not Applicable	E. I. du Pont de Nemours and Company	30-Apr-14	4.875%	263534BN8
Not Applicable	Eastman Chemical Company	15-Apr-12	7.000%	277432AE0
Not Applicable	Eastman Kodak Company	15-Nov-13	7.250%	277461BD0
Not Applicable	EOP Operating Limited Partnership	15-Jul-11	7.000%	268766BU5
Not Applicable	Federal Home Loan Mortgage Corporation	15-Sep-11	5.500%	3134A4HF4
Not Applicable	Federal National Mortgage Association	15-Sep-12	4.375%	31359MPF4

Not Applicable	Federated Department Stores, Inc.	1-Apr-11	6.625%	31410HAS0
Not Applicable	FirstEnergy Corp.	15-Nov-11	6.450%	337932AB3
Not Applicable	FORD MOTOR CREDIT COMPANY	1-Oct-13	7.000%	345397TZ6
Not Applicable	General Electric Capital Corporation	15-Jun-12	6.000%	36962GYY4
Not Applicable	General Mills, Inc.	15-Feb-12	6.000%	370334AS3
Not Applicable	General Motors Acceptance Corporation	28-Aug-12	6.875%	370425SE1
Not Applicable	Goodrich Corporation	15-Dec-12	7.625%	382388AP1
Not Applicable	HALLIBURTON COMPANY	15-Oct-10	5.500%	406216AR2
Not Applicable	Harrah's Operating Company, Inc.	15-Dec-13	5.375%	413627AN0
Not Applicable	The Hartford Financial Services Group, Inc.	15-Jun-10	7.900%	416515AE4
Not Applicable	Hewlett-Packard Company	1-Jul-12	6.500%	428236AG8
Not Applicable	Hilton Hotels Corporation	1-Dec-12	7.625%	432848AX7
Not Applicable	Honeywell International Inc.	1-Mar-10	7.500%	438516AK2
Not Applicable	Ingersoll-Rand Company	15-Aug-21	9.000%	456866AG7
Not Applicable	International Business Machines Corporation	29-Nov-12	4.750%	459200BA8
Not Applicable	International Lease Finance Corporation	15-Mar-09	6.375%	459745EZ4
Not Applicable	International Paper Company	1-Sep-11	6.750%	460146BN2
Not Applicable	Jones Apparel Group, Inc.	15-Nov-14	5.125%	480081AG3
Not Applicable	KERR-McGEE CORPORATION	15-Sep-11	6.875%	492386AS6
Not Applicable	Kraft Foods Inc.	1-Nov-11	5.625%	50075NAB0
Not Applicable	THE KROGER CO.	1-Feb-13	5.500%	501044CE9
Not Applicable	Lear Corporation	15-May-09	8.110%	521865AE5
Not Applicable	Lennar Corporation	1-Mar-13	5.950%	526057AG9
Not Applicable	Liberty Media Corporation	15-May-13	5.700%	530718AC9
Not Applicable	Lockheed Martin Corporation	1-Dec-09	8.200%	539830AL3
Not Applicable	Loews Corporation	15-Apr-11	8.875%	540424AE8
Not Applicable	Marriott International, Inc.	15-Sep-09	7.875%	571900AQ2
Not Applicable	Maytag Corporation	15-May-15	5.000%	57859HBU7
Applicable	MBIA Insurance Corporation	Not Applicable		

Not Applicable	MBNA Corporation	15-Mar-12	7.500%	55263ECE3
Not Applicable	McDonald's Corporation	15-Apr-11	6.000%	58013MDM3
Not Applicable	McKesson Corporation	1-Feb-12	7.750%	58155QAA1
Not Applicable	MeadWestvaco Corporation	1-Apr-12	6.850%	583334AA5
Not Applicable	MetLife, Inc.	1-Dec-11	6.125%	59156RAC2
Not Applicable	Motorola, Inc.	15-Nov-10	7.625%	620076AR0
Not Applicable	National Rural Utilities Cooperative Finance Corporation	1-Mar-12	7.250%	637432CU7
Not Applicable	Newell Rubbermaid Inc.	15-Mar-12	6.750%	651229AB2
Not Applicable	News America Incorporated	18-May-18	7.250%	652482AM2
Not Applicable	Nordstrom, Inc.	15-Jan-09	5.625%	655664AG5
Not Applicable	NORFOLK SOUTHERN CORPORATION	15-May-17	7.700%	655844AE8
Not Applicable	Northrop Grumman Corporation	15-Feb-11	7.125%	666807AT9
Not Applicable	Omnicom Group Inc.	31-Jul-32	0.000%	681919AM8
Not Applicable	Progress Energy, Inc.	1-Mar-11	7.100%	743263AD7
Not Applicable	Pulte Homes, Inc.	1-Aug-11	7.875%	745867AL5
Not Applicable	Raytheon Company	1-Mar-10	8.300%	755111BH3
Not Applicable	Rohm and Haas Company	15-Jul-09	7.400%	775371AR8
Not Applicable	Safeway Inc.	15-Aug-12	5.800%	786514BF5
Not Applicable	SBC Communications Inc.	15-Aug-12	5.875%	78387GAK9
Not Applicable	Sears Roebuck Acceptance Corp.	1-Feb-11	7.000%	812404BG5
Not Applicable	Sempra Energy	1-Feb-13	6.000%	816851AF6
Not Applicable	Simon Property Group, L.P.	28-Aug-12	6.350%	828807AQ0
Not Applicable	Southwest Airlines Co.	1-Mar-12	6.500%	844741AV0
Not Applicable	Sprint Corporation	15-Mar-12	8.375%	852060AS1
Not Applicable	SUPERVALU INC.	15-May-12	7.500%	868536AR4
Not Applicable	Target Corporation	1-Mar-12	5.875%	87612EAH9
Not Applicable	TEXTRON FINANCIAL CORPORATION	20-Nov-09	6.000%	883199AQ4
Not Applicable	The Walt Disney Company	1-Mar-12	6.375%	25468PBX3
Not Applicable	Time Warner Inc.	1-May-12	6.875%	00184AAF2
Not Applicable	Transocean Inc.	15-Apr-11	6.625%	893830AE9
Not Applicable	Tyson Foods, Inc.	1-Oct-11	8.250%	902494AM5
Not Applicable	Union Pacific Corporation	15-Jan-12	6.125%	907818CN6

Not Applicable	Valero Energy Corporation	15-Apr-12	6.875%	91913YAD2
Not Applicable	Verizon Global Funding Corp.	1-Dec-10	7.250%	92344GAL0
Not Applicable	Viacom Inc.	30-Jul-10	7.700%	925524AJ9
Not Applicable	Wal-Mart Stores, Inc.	10-Aug-09	6.875%	931142BE2
Not Applicable	Washington Mutual, Inc.	15-Jan-09	4.000%	939322AL7
Not Applicable	Wells Fargo & Company	29-Oct-10	3.980%	94974BAZ3
Not Applicable	Weyerhaeuser Company	15-Mar-12	6.750%	962166BP8
Not Applicable	Whirlpool Corporation	1-May-10	8.600%	963320AK2
Not Applicable	Wyeth	15-Mar-13	5.250%	983024AA8
Not Applicable	XL CAPITAL LTD	15-Sep-14	5.250%	98372PAF5

FORM OF RATE CONFIRMATION

Interest Rate Swap Confirmation

Date:	August 15, 2005		
To:	Morgan Stanley ACES SPC, acting for the account of the Series 2005-18 Segregated Portfolio	From:	Morgan Stanley Capital Services Inc.
Attn:	The Directors	Contact:	Robert Clark/James Hill
Fax:	+1 (345) 945-7100	Fax:	+1 (212) 507-2721/6172
		Tel:	+1 (212) 761-2762/2514

Re: Interest Rate Swap MSCS Ref. No. nqysr, nyqss– Series 2005-18 Notes

The purpose of this letter agreement is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "**Transaction**"). This letter agreement constitutes a "**Confirmation**" as referred to in the ISDA Master Agreement below.

The definitions and provisions contained in the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., the "**Definitions**") are incorporated into this Confirmation. In the event of any inconsistency between those definitions and this Confirmation, this Confirmation will govern. Capitalized terms used but not defined either herein or as provided above shall have the meaning provided in the Master Credit Default Swap Confirmation.

1. This Confirmation supplements, forms part of, and is subject to, the 1992 ISDA Master Agreement dated as of August 5, 2004 (including the Schedule thereto dated August 5, 2004), as amended and supplemented from time to time (the "**Agreement**") between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below:
2. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Party A:	Morgan Stanley Capital Services Inc.
Party A Credit Support:	Payments guaranteed by Morgan Stanley
Party B:	Morgan Stanley ACES SPC, acting for the account of the Series 2005-18 Segregated Portfolio
Effective Date:	August 15, 2005
Business Days:	Chicago, New York, London and Hong Kong
Business Day Convention:	Following (which shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day)
Calculation Agent:	Party A

Scheduled Termination Date: The earlier of (a) an Early Termination Date and (b) February 10, 2011

Termination Date: The earlier of (a) the Scheduled Termination Date and (b) the date on which the aggregate of the Floating Amounts under the Credit Default Swap equals the Master Swap Notional Amount

Party B Floating Payments:

Party B Floating Payments (1):

Notional Amount: As of the Effective Date, USD36,147,000 and thereafter decreased on (i) each "Floating Rate Payer Payment Date" under and as defined in the Credit Default Swap (each a "**CDS Payment Date**"), by an amount equal to the sum of the Floating Amounts payable under the Credit Default Swap on such date; and (ii) each date on which Initial Underlying Securities are amortized or redeemed and payment is made in full to the holder of the Initial Underlying Securities in respect of the amount of principal being amortized or redeemed, by an amount equal to the principal amount of such Initial Underlying Securities being amortized or redeemed.

Party B Floating Rate Payer (1) Calculation Amount : With respect to each Party B Floating Payment (1), the Floating Rate Payer Calculation Amount for each Floating Rate Payer Calculation Period will be an amount equal to the Notional Amount on the Party B Floating Rate Payer (1) Period End Date falling on the last day of such Floating Rate Payer Calculation Period.

Initial Party B Floating Payment (1) Calculation Period : The Initial Party B Floating Payment (1) Calculation Period shall commence on and include August 15, 2005.

Party B Floating Rate Payer (1) Period End Dates : 15th calendar day of each month, whether or not any such day is a Business Day, up to and including the Initial Underlying Securities Maturity Date.

Initial Underlying Securities Maturity Date: September 15, 2010 subject to adjustment in accordance with the Following Business Day Convention based on the Party B Business Days.

Party B Business Days: New York, New York, Richmond, Virginia and Falls Church, Virginia

Party B Floating Rate Payer (1) Payment Dates: Each Party A Floating Rate Payer Payment Date following the applicable Party B Floating Rate Payer (1) Period End Date.

Floating Rate Option : USD-LIBOR-BBA
Designated Maturity : One month
Reset Date: The first day of each Calculation Period.
Spread: 0.00%
Day Count Fraction: Actual/360

Party B Floating Payments (2):

Party B Floating Payment (2) Payment Date: Each Party A Floating Rate Payer Payment Date

Party B Floating Payment (2) Amounts: Party B will, on each Party B Floating Payment (2) Payment Date, pay to Party A an amount equal to the aggregate of any amount of interest, dividends or other distributions received by Party B in respect of any amounts received in relation to any Underlying Securities credited to the Collection Account or any other relevant account of Party B in relation to the Notes and/or invested on behalf of Party B, which amounts of interest, dividends or other distributions have accrued during the period (or part thereof) commencing on and including the previous Party B Floating Payment (2) Payment Date (or, in relation to the first Party B Floating Payment (2) Payment Date, the Effective Date) to but excluding such Party B Floating Payment (2) Payment Date.

The following term shall apply to each Party B Floating Payment (1):

Party B Floating Payments (1): Party B shall only be obliged to pay the Party B Floating Payments (1) for so long as the Underlying Securities consist of the Initial Underlying Securities (and, for the avoidance of doubt, no Party B Floating Payments (1) shall be payable if the Initial Underlying Securities have ceased to be Underlying Securities except as a result of the redemption or amortization of such Initial Underlying Securities).

Party A Floating Payments:

Party A Floating Rate Payer Payment Dates: Early Payment shall apply

Early Payment: The Business Day immediately preceding each Party A Floating Rate Payer Period End Date

Reset Date: The first day of each Party A Floating Rate Payer Calculation Period

Party A Floating Rate Payer Period End Dates:	The 3 rd Business Day prior to each of 15 th February and 15 th August in each year commencing the 3 rd Business Day prior to February 15, 2006 up to and including the Termination Date, subject to the Business Day Convention
Initial Party A Floating Rate Payer Calculation Period:	The initial Party A Floating Rate Payer Calculation Period shall commence on, and include, August 15, 2005.
Floating Rate Option:	USD-LIBOR-BBA
Designated Maturity:	Six months, provided however that Linear Interpolation shall apply to the first and last Party A Floating Rate Payer Calculation Periods where such periods are shorter or longer than six months
Party A Floating Rate Payer Notional Amount:	As of the Effective Date, USD36,147,000 and thereafter reduced on each CDS Payment Date by an amount equal to the Floating Amount payable under the Credit Default Swap on such CDS Payment Date
Spread:	Plus 0.75%
Party A Floating Rate Payer Calculation Amount:	The Party A Floating Rate Payer Calculation Amount for each Party A Floating Rate Payer Period End Date will be an amount equal to (a) the sum of the Party A Floating Rate Payer Notional Amount on each day of the Party A Calculation Period ending on such Party A Floating Rate Payer Period End Date divided by (b) the number of days in such Party A Floating Rate Payer Calculation Period
<u>Fixed Payments:</u>	
Fixed Rate Payer:	Party B
Fixed Rate Payer Payment Dates:	Each Fixed Rate Payer Payment Date as defined in the Master Credit Default Swap Confirmation
Fixed Rate:	0.75%
Fixed Rate Payer Calculation Amount:	The Fixed Rate Payer Calculation Amount for each Fixed Rate Payer Payment Date will be an amount equal to the Fixed Rate Payer Calculation Amount as defined in the Master Credit Default Swap Confirmation
Fixed Rate Payer Calculation Period:	Each Fixed Rate Payer Calculation Period as defined in the Master Credit Default Swap

Additional Amounts:

Additional Amounts (1):

Additional Payer (1):

Party A

Additional Payer (1) Amount:

Party A shall pay to Party B at any time prior to the earlier of the enforcement of the security over the Portfolio Property (as defined in the Indenture) and the Termination Date, promptly following demand by Party B an amount equal to any Expense Payments (excluding any amounts equivalent to the Additional Payer (3) Amount or any Additional Payer (4) Amount) payable by Party B which were incurred after the Effective Date, up to an aggregate maximum amount in any year (commencing on the Effective Date and any anniversary thereof) of USD 100,000 (provided that in calculating whether the aggregate amount in any year has exceeded USD100,000, any Additional Payer (3) Amount or Additional Payer (4) Amount paid during such year will be included in such aggregate amount).

Additional Amounts (2):

The Additional Payer (2) Amounts shall be payable by Party B only if, and during such period as, the Underlying Securities consist of assets other than the Initial Underlying Securities

Additional Payer (2):

Party B

Additional Payer (2) Amounts:

Party B will, on each Party A Floating Rate Payer Payment Date, pay to Party A an amount equal to the aggregate of any amount of interest, dividends or other distributions due and payable (in accordance with the terms of the Underlying Securities on the Effective Date or, if later, the date on which such assets became Underlying Securities) in respect of the Underlying Securities in the period from (and including) the later of (i) the date on which such assets become Underlying Securities and (ii) the immediately preceding Party A Floating Rate Payer Payment Date to (but excluding) such Party A Floating Rate Payer Payment Date.

Additional Amount (3):

Additional Payer (3):

Party A

Additional Payer (3) Amount:

Party A shall pay to Party B on the first Party A Floating Rate Payer Payment Date an amount of USD7,500

Additional Amounts (4):

Additional Payer (4): Party A

Additional Payer (4) Amount: Party A shall pay to Party B on each Additional Payer (4) Payment Date (other than the Final Additional Payer (4) Payment Date) an amount of USD3,500

Party A shall pay to Party B on the Final Additional Payer (4) Payment Date an amount equal to :

$A \times B$

where :

$A =$ USD3,500

$B =$ a fraction, the numerator of which is the number of calendar days from (and including) August 15, 2010 to (but excluding) February 10, 2011, and the denominator of which is 365

Additional Payer (4) Payment Dates: The Business Day immediately preceding the 3rd Business Day prior to February 15th in each year commencing the Business Day immediately preceding the 3rd Business Day prior to February 15, 2006 up to and including the Final Additional Payer (4) Payment Date

Final Additional Payer (4) Payment Date: The Business Day immediately preceding February 10, 2011

3. Additional Terms:

It is the intention of Party A and Party B that the Transaction evidenced by this Confirmation be treated for all U.S. federal income tax purposes as consisting of an interest rate swap that is treated as a notional principal contract as described in Treasury Regulation Section 1.446-3(c), and both Party A and Party B agree (i) to treat the Transaction as such for all such purposes, and (ii) to take no action inconsistent with such treatment for all such purposes.

4. Termination Event:

Notwithstanding the terms of the Schedule, the provisions of Section 5(b)(iii) ("**Tax Event Upon Merger**") and Section 5(b)(iv) ("**Credit Event Upon Merger**") will apply to Party A and will not apply to Party B.

5. Additional Termination Event:

In respect of Party A, the occurrence of a Rate Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that a Rate Swap Counterparty Downgrade shall not constitute an Additional Termination Event if (i) within ten Business Days after the Calculation Agent or the Trustee has notified Party A in writing that a Rate Swap Counterparty Downgrade has occurred and advised Party A of Party A' s obligations under

this Section 5, Party A posts Rate Swap Collateral for the benefit of Party B, (ii) Party A has elected to designate, by written notice to Party B, the Calculation Agent and the Rating Agency a Substitute Swap Counterparty in respect of the transactions under the Swap Agreement within ten Business Days of the occurrence of such Rate Swap Counterparty Downgrade, (iii) Party A has, within ten Business Days of the occurrence of such Rate Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to Party A's obligations hereunder, or (iv) Party A has complied with such other collateral posting requirements, if any, with respect to the Transaction, in connection with which the Rating Condition has been met. In the event of an Additional Termination Event under this Section 5, Party A shall be deemed the sole Affected Party.

6. Credit Support Annex:

In the case of Party A, the credit support annex signed by Party A and Party B and dated as of April 1, 2005 shall be a Credit Support Document with respect to this Transaction provided that:

- (i) the "Minimum Transfer Amount" with respect to Party A shall be amended to USD50,000;
- (ii) the words "upon a demand made by the Secured Party on or promptly following a Valuation Date," shall be deleted from Paragraph 3(a);
- (iii) Paragraph 4(b) shall be deleted and replaced by the following:

"4(b) **Transfer** Timing. Subject to Paragraphs 4(a) and 5 and unless otherwise specified:

- (i) if the Pledgor is required to Transfer Eligible Credit Support under Paragraph 3(a), then the relevant Transfer will be made not later than the close of business on the next Local Business Day; and
- (ii) if a demand for the Transfer of Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.";
- (iv) The following will be added to Paragraph 13(c)(ii) :

<i>Eligible Collateral</i>	<i>Valuation Percentage</i>
(a) Investments falling within paragraph (i) of "Additional Eligible Collateral"	74.5%
(b) Investments falling within paragraph (ii) of "Additional Eligible Collateral"	100%
(c) Investments falling within paragraph (i) of "Permitted Investments"	53.2%

- (d) Investments falling within paragraph (ii) of "Permitted Investments" 100%
- (e) Investments falling within paragraph (iii) of "Permitted Investments" 100%
- (v) Paragraph 13(n)(iv) shall be amended by replaced the definitions of "Pledgor" and "Secured Party" with the following respectively:
 - ""**Pledgor**" means Party A, when that party (i) is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).
 - ""**Secured Party**" means Party B, when that party (i) is entitled to received Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support."

7. Definitions:

""**Additional Eligible Collateral**" means any of the following investments:

- (i) direct obligations of, and obligations fully guaranteed by, the United States, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit System or any agency or instrumentality of the United States the obligations of which are explicitly backed by the full faith and credit of the United States of America; *provided* that obligations of, or guaranteed by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System shall be Additional Eligible Collateral only if, at the time, and during the course, of investment, it has at least the credit rating of "A-1+" or "AAA" by the Rating Agency;
- (ii) commercial paper having a maturity of not more than 180 days and having at the time, and during the course, of such investment at least the credit rating of "A-1+" by the Rating Agency.

""**Applicable Ratings**" means, with respect to any entity and the Rating Agency, at the time of such measurement, the higher of (i) the ratings assigned with respect to long term or short term, as applicable, senior unsecured debt of such entity or (ii) the ratings assigned with respect to the long term or short term, as applicable, senior unsecured debt of any Credit Support Provider of such entity.

""**Collateralizing Securities**" means Permitted Investments (as defined in the Indenture) or Additional Eligible Collateral by Party A as collateral in accordance with the provisions hereof; *provided, however*, that the restriction on the maturity of the securities described in clause (i) and clause (ii) of the definition of "Permitted Investments" shall be deemed not to apply.

""**Eligible Credit Support Provider**" means an entity which (a) has agreed in writing to act as a Credit Support Provider in respect of Party A's obligations hereunder and (b) at the time of such agreement, the Applicable Rating in respect of such entity is at least "A-1+" (short-term) by the Rating Agency *provided*, that, if Morgan Stanley or any Affiliate thereof (each, a "**Morgan Stanley Designee**") is designated as a Substitute Swap Counterparty, the Applicable Ratings in respect of such Morgan Stanley Designee, must be at least (1) the

aforementioned ratings or (2) if such Morgan Stanley Designee posts Collateralizing Securities as described in Section 5 above, such lower ratings that, as described therein, will not cause a Rate Swap Counterparty Downgrade to result in an Additional Termination Event, or, in any event, any lower rating as to which the Rating Condition is satisfied.

"Expense Payment" has the meaning given to it in the Indenture.

"Indenture" means the Series Indenture relating to the Notes, dated as of August 15, 2005, between Party B and LaSalle Bank National Association, as Trustee, together with the Standard Terms of Indenture incorporated therein and the Terms Schedule attached thereto.

"Initial Underlying Securities" has the meaning given to it in the Indenture.

"Master Credit Default Swap Confirmation" means the Credit Confirmation as defined in the Indenture and references in this confirmation to the "Credit Default Swap" shall be construed as references to the Credit Confirmation.

"Notes" means the USD36,147,000 Secured Floating Rate Notes due 2011, Series 2005-18, issued by Party B on the Effective Date.

"Rating Agency" means Standard & Poor's Ratings Services ("S&P"), a division of the McGraw Hill Companies, or any successor to the rating business thereof.

"Rating Condition" has the meaning given to it in the Indenture.

"Rate Swap Collateral" means, as of any date of determination, Collateralizing Securities in an amount, as determined by the Calculation Agent, which is sufficient to provide Party B an amount equal to (1) the Party A Floating Amount *less* (2) the Party B Fixed Amount *plus* (3) the Additional Payer (1) Amount *plus* (4) the Additional Payer (3) Amount (if any) *plus* (5) the Additional Payer (4) Amount, in each case to be paid on the Party A Floating Rate Payer Payment Date next following such date of determination. The amount that constitutes Rate Swap Collateral, and any Collateralizing Securities previously posted as Rate Swap Collateral, shall be recalculated on a weekly basis and failure to restore compliance with the requirements of Section 5 above within five Business Days of such recalculation shall constitute an Additional Termination Event.

"Rate Swap Counterparty Downgrade" means the Applicable Rating in respect of Party A is less than "A-1+" (short-term) by the Rating Agency.

"Substitute Swap Counterparty" means a counterparty (A)(i) as to which Party A has agreed to transfer all of its rights and obligations under the Swap Agreement and such transfer has satisfied the Rating Condition and (ii) that has agreed to assume all such rights and obligations, and (B) at the time such Substitute Swap Counterparty is designated by the Calculation Agent in accordance with the terms hereof, the Applicable Rating in respect of such Substitute Swap Counterparty is at least "A-1+" (short-term) by the Rating Agency *provided*, that, if Morgan Stanley or any Affiliate thereof (each, a **"Morgan Stanley Designee"**) is designated as a Substitute Swap Counterparty, the Applicable Ratings in respect of such Morgan Stanley Designee, must be at least (1) the aforementioned ratings or (2) if such Morgan Stanley Designee posts Collateralizing Securities as described in Section 5 above, such lower ratings that, as described therein, will not cause a Swap Counterparty Downgrade to result in an Additional Termination Event, or, in any event, any lower rating as to which the Rating Condition is satisfied.

"Underlying Securities" has the meaning given to it in the Indenture.

8. Account Details

Payments to Party A: CITIBANK, New York
SWIFT BIC Code: CITIUS33
ABA No. 021 000 089
Account Number: 4072 4601
FAO: Morgan Stanley Capital Services

Payments to Party B: USD settlements:

LaSalle Bank N.A.
Chicago, IL
ABA No.: 071000505
Acct: 2090067
FFC: 710486
Attn: Petra Gullikson

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to us.

Best regards,

MORGAN STANLEY CAPITAL SERVICES INC.

By: _____
Name:
Title:

Acknowledged and agreed as of the date first written above:

MORGAN STANLEY ACES SPC, acting for the account
of the Series 2005-18 Segregated Portfolio

By: _____
Name:
Title:

FORM OF CONTINGENT FORWARD CONFIRMATION

Contingent Forward Confirmation

Date:	August 15, 2005		
To:	Morgan Stanley ACES SPC, acting for the account of the Series 2005-18 Segregated Portfolio	From:	MS Remora Ltd.
Attn:	The Directors	Contact:	Robert Clark /James Hill
Fax:	+1 (345) 945-7100	Fax:	+1 (212) 507-2721/6172
		Tel:	+1 (212) 761-2762/2514

Re: Contingent Forward Transaction MS Reference Number. sq910 – Series 2005-18 Notes

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between you and MS Remora Ltd. ("**MSRL**"), with Morgan Stanley & Co. Incorporated ("**MS&Co.**") as Calculation Agent, on the Trade Date specified below (the "**Transaction**"). This letter agreement constitutes a "Confirmation" as referred to in the Agreement below.

The definitions and provisions contained in the 1997 ISDA Government Bond Option Definitions (the "**Bond Option Definitions**") (as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**")) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the 1992 ISDA Master Agreement dated as of August 5, 2004 (including the Schedule thereto dated August 5, 2004), as amended and supplemented from time to time (the "**Agreement**") between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.
2. The terms of the particular Transaction to which this Confirmation relates are as follows:

(A) General Terms:

Commencement Date:	August 15, 2005
Party B:	Morgan Stanley ACES SPC, acting for the account of the Series 2005-18 Segregated Portfolio (" Party B " or the " Issuer ")
Party A:	MSRL
Bonds:	The obligations identified as follows:
Initial Underlying Security:	Capital One Multi-asset Execution Trust Class A (2005–4) Notes

Initial Underlying Security Issuer: Capital One Multi-asset Execution Trust

Coupon: one month LIBOR plus 0.00% per annum

CUSIP: #14041NCD1

Expected Maturity Date: September 15, 2010

Face Amount Purchased: U.S.\$36,147,000

Notwithstanding the above, if the Underlying Securities shall, at any time, consist of assets other than the Initial Underlying Securities described above and/or U.S. dollars, such Underlying Securities shall be the "Bonds" for the purposes of this transaction with a Face Amount Purchased equal to the aggregate principal amount or payable amount of such Underlying Securities.

Premium:

Party A and Party B agree that this Transaction is entered into in mutual consideration of the Interest Rate Swap and the Credit Default Swap and in consideration of the mutual covenants contained herein and, therefore, no separate premium is payable hereunder.

(B) Contingent Forward Terms:

Forward Purchase and Sale:

Upon the occurrence of a Contingency described in clause (a) of the definition thereof (for settlement on the related Floating Rate Payer Payment Date) and upon the occurrence of a Contingency described in clause (b) of the definition thereof (for settlement on such date) (in accordance with the Following Business Day Convention), in either case, so long as the Bonds are outstanding, Party A will make a payment to Party B equal to the Applicable Amount and Party B will deliver to Party A the par amount of the Bonds equal to the Applicable Amount (in each case on a delivery versus payment basis).

Contingency:

The occurrence of (a) a Cash Settlement Date or (b) the Business Day immediately preceding the Scheduled Maturity Date; *provided, however*, that no Contingency shall occur if an Indenture Event of Default (including an Underlying Securities Default) or an Early Redemption Event has occurred.

Applicable Amount:	An amount equal to: <ul style="list-style-type: none"> (i) in the case of a purchase and sale upon the occurrence of a Cash Settlement Date, an amount in USD equal to the lesser of the Floating Amount payable under the Credit Default Swap and the par or payable amount of all Bonds then held by the Issuer; and (ii) in the case of a purchase and sale on the Business Day immediately preceding the Scheduled Maturity Date, an amount in USD equal to the par or payable amount of all Bonds then held by the Issuer.
Expiration Date:	The earlier of (a) the Scheduled Termination Date (as defined in the Credit Default Swap) and (b) the date the Bonds were redeemed or paid
Expiration Time:	4:00 p.m. New York time
Multiple Exercise:	Applicable
Business Days:	Chicago, New York, London and Hong Kong

3. Additional Termination Event

In respect of Party A, the occurrence of a Contingent Forward Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that a Contingent Forward Counterparty Downgrade shall not constitute an Additional Termination Event if (i) within ten Business Days after the Calculation Agent or the Trustee has notified Party A in writing that Party A must post Underlying Securities Deficiency Collateral for the benefit of Party B, Party A so posts Underlying Securities Deficiency Collateral; (ii) Party A has elected to designate, by written notice to Party B, the Calculation Agent and the Rating Agency, a Substitute Contingent Forward Counterparty in respect of the Contingent Forward Confirmation within ten Business Days of the occurrence of such Contingent Forward Counterparty Downgrade; or (iii) Party A has complied with such other collateral posting requirements, if any, with respect to the Contingent Forward Confirmation, in connection with which the Rating Condition has been met. In the event of an Additional Termination Event under this paragraph, Party A shall be deemed the sole Affected Party.

4. Credit Support Annex:

In the case of Party A, the credit support annex signed by Party A and Party B and dated as of April 1, 2005 shall be a Credit Support Document with respect to this Transaction provided that:

- (i) the "Minimum Transfer Amount" with respect to Party A shall be amended to USD50,000;
- (ii) the words "upon a demand made by the Secured Party on or promptly following a Valuation Date," shall be deleted from Paragraph 3(a);

(iii) Paragraph 4(b) shall be deleted and replaced by the following:

"4(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified:

(i) if the Pledgor is required to Transfer Eligible Credit Support under Paragraph 3(a), then the relevant Transfer will be made not later than the close of business on the next Local Business Day; and

(ii) if a demand for the Transfer of Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.";

(iv) The following will be added to Paragraph 13(c)(ii) :

	<i>Eligible Collateral</i>	<i>Valuation Percentage</i>
(a)	Investments falling within paragraph (i) of "Additional Eligible Collateral"	74.5%
(b)	Investments falling within paragraph (ii) of "Additional Eligible Collateral"	100%
(c)	Investments falling within paragraph (i) of "Permitted Investments"	53.2%
(d)	Investments falling within paragraph (ii) of "Permitted Investments"	100%
(e)	Investments falling within paragraph (iii) of "Permitted Investments"	100%

(v) Paragraph 13(n)(iv) shall be amended by replaced the definitions of "Pledgor" and "Secured Party" with the following respectively:

""**Pledgor**" means Party A, when that party (i) is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

""**Secured Party**" means Party B, when that party (i) is entitled to received Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support."

5. Additional Definitions

"Additional Eligible Collateral" means any of the following investments:

- (i) direct obligations of, and obligations fully guaranteed by, the United States, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit System or any agency or instrumentality of the United States the obligations of which are explicitly backed by the full faith and credit of the United States of America; *provided* that obligations of, or guaranteed by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System shall be Additional Eligible Collateral only if, at the time, and during the course, of investment, it has at least the credit rating of "A-1+" or "AAA" by the Rating Agency;
- (ii) commercial paper having a maturity of not more than 180 days and having at the time, and during the course, of such investment at least the credit rating of "A-1+" by the Rating Agency.

"Applicable Rating(s)" means, with respect to any entity and the Rating Agency, at the time of such measurement, the higher of (x) the ratings assigned with respect to long term or short term, as applicable, senior unsecured debt of such entity or (y) the ratings assigned with respect to the long term or short term, as applicable, senior unsecured debt of any Credit Support Provider of such entity.

"Cash Settlement Date" means each Cash Settlement Date as set forth in Schedule A or Schedule B to the Credit Default Swap.

"Contingent Forward Collateralizing Securities" means Permitted Investments, Additional Eligible Collateral and/or any securities issued by the issuer of the Underlying Securities of the same series as the Underlying Securities; *provided, however*, that the restriction on the maturity of the securities described in clause (i) and clause (ii) of the definition of "Permitted Investments" shall be deemed not to apply.

"Contingent Forward Counterparty Downgrade" means the Applicable Ratings in respect of Party A are less than or equal to "A-1" (short term) by the Rating Agency.

"Credit Default Swap" has the meaning given to Credit Confirmation in the Indenture.

"Early Redemption Event" has the meaning set forth in the Indenture.

"Floating Amount" has the meaning set forth in the Credit Default Swap.

"Floating Rate Payer Payment Date" has the meaning set forth in the Credit Default Swap.

"Indenture" means the Series 2005-18 Indenture relating to the Notes, dated as of August 15, 2005, between Party B and LaSalle Bank National Association, as Trustee, together with the Standard Terms of Indenture incorporated therein and the Terms Schedule attached thereto.

"Indenture Event of Default" has the meaning set forth in the Indenture.

"Interest Rate Swap" has the meaning given to Rate Confirmation in the Indenture.

"**Notes**" means the USD36,147,000 Secured Floating Rate Notes due 2011, Series 2005-18, issued by Party B on the Effective Date.

"**Permitted Investments**" has the meaning set forth in the Indenture.

"**Principal Balance**" has the meaning set forth in the Indenture.

"**Rating Agency**" means Standard & Poor's Rating Services ("**S&P**"), a division of the McGraw Hill Companies, or any successor to the rating business thereof.

"**Rating Condition**" means, with respect to any action subject to such condition, that the Rating Agency has notified Party B and the Trustee in writing that such action will not result in a reduction or withdrawal of the then current rating of the Notes rated by such Rating Agency.

"**Scheduled Maturity Date**" means February 10, 2011 subject to adjustment in accordance with the Following Business Day Convention for which the relevant Business Days are Chicago, New York, London and Hong Kong.

"**Substitute Contingent Forward Counterparty**" means a counterparty (A) (i) as to which Party A has agreed to transfer all of its rights and obligations under the Contingent Forward Agreement and such transfer has satisfied the Rating Condition and (ii) that has agreed to assume all such rights and obligations, and (B) at the time such Substitute Contingent Forward Counterparty is designated by the Calculation Agent in accordance with the terms hereof, the Applicable Ratings in respect of such Substitute Contingent Forward Counterparty are at least "A+" (long term) and at least "A-1+" (short-term) by the Rating Agency; *provided* that, if Morgan Stanley or any affiliate thereof (each, a "**Morgan Stanley Designee**") is designated as a Substitute Contingent Forward Counterparty, such Morgan Stanley Designee must (1) have the aforementioned ratings, (2) post Contingent Forward Collateralizing Securities in an amount that will not cause a Contingent Forward Counterparty Downgrade to result in an Additional Termination Event, or (3) otherwise satisfy the Rating Condition.

"**Underlying Securities**" has the meaning set forth in the Indenture.

"**Underlying Securities Default**" has the meaning set forth in the Indenture.

"**Underlying Securities Deficiency Collateral**" means Contingent Forward Collateralizing Securities in an amount, as determined by the Calculation Agent, equal to (a) the quotient of (x) the then Fixed Rate Payer Calculation Amount (as defined in the Credit Default Swap) and (y) the then market value of the Underlying Securities multiplied by (b) 9.00% of the then par amount of the Underlying Securities. The market value of the Underlying Securities, and any Underlying Securities Deficiency Collateral previously posted, shall be recalculated on a weekly basis and failure to restore compliance with the requirements of Section 3 above within three Business Days of such recalculation shall constitute an Additional Termination Event. Notwithstanding the foregoing, at least once per calendar quarter, the market value of the Underlying Securities will be determined by the Calculation Agent on the basis of the average of three quotations obtained from dealers in obligations of the type of Underlying Securities (as selected by the Calculation Agent in good faith and in a commercially reasonable manner) in respect of the Underlying Securities.

6. Termination Payments

In the event an Early Termination Date is designated with respect to which this Transaction is an Affected Transaction no termination payment shall be payable by either party; *provided, however*, that if Party A shall have made a payment to Party B but Party A shall not have received a par or payable amount of Bonds equal to the amount paid to Party B, Party A shall, notwithstanding the foregoing, have a claim against Party B for an amount equal to the par or payable amount of the Bonds which Party B failed to deliver to Party A.

7. Account Details

Payments to Party A:

JPMorgan Chase Bank
Account Name: MS Remora
Bank Acct. #: 066910307
ABA No.: 021000021

Operations Contact:

Todd Sullivan
Fixed Income Division
Tel: +1 (212) 761-0975

Payments to Party B:

USD settlements:

LaSalle Bank N.A.
Chicago, IL
ABA No.: 071000505
Acct: 2090067
FFC: 710486
Attn: Petra Gullikson

Please confirm that the foregoing correctly sets forth the terms of our agreement for MS Reference No. sq910 by executing this Confirmation in the space provided below and returning a copy via fax to the contact set forth above.

Please contact the undersigned immediately if the terms and conditions of this Confirmation are not in accordance with your understanding of this agreement.

We are delighted to have entered into this Transaction with you, and we look forward to working with you again.

MS REMORA LTD.

By: _____
Name:
Title:

Acknowledged and agreed as of the date first written
above:

MORGAN STANLEY ACES SPC, acting for
the account of the Series 2005-18 Segregated
Portfolio

By: _____
Name:
Title:

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