

Private Placement Memorandum Supplement  
Dated February 15, 2007

**MORGAN STANLEY ACES SPC**

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

**Series 2007-5**

U.S.\$ 24,635,000 Floating Rate Notes due 2011 and extendable to 2014

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.\$24,635,000 Floating Rate Notes due 2011 and extendable to 2014 (the "**Notes**"), of Series 2007-5, 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 2007-5 Segregated Portfolio**."

Payments on the Notes are linked to the credit of each of the corporate and sovereign Reference Entities (each, a "**Reference Entity**") specified in the Reference Portfolio attached as Schedule A, to the Credit Confirmation. The Notes are linked to a separate credit default swap transaction on the terms specified for such Notes in the Credit Confirmation. In the event that a Credit Event occurs, (a) the maximum Cash Settlement Amount payable in respect of the Notes will be the Initial Principal Balance of the Notes and (b) the Notes will have no recourse to any other assets of the Issuer to support the payments due under the Notes. See "Special Considerations—Risks Associated with the Reference Entities" herein.

The Notes offered hereby are issued pursuant to the Series 2007-5 Indenture described herein (the "**Indenture**") between LaSalle Bank National Association, as trustee (the "**Trustee**") and the Issuer.

The holders of the Notes (the "**Holders**") will have recourse only to the assets of the Series 2007-5 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 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 D hereto.

***MORGAN STANLEY***

## NOTICE TO INVESTORS

The Series 2007-5 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 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) subject to ERISA (as defined below) or Section 4975 of the Code (as defined below) 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. **Limited information is set out herein with respect to the Initial Underlying Securities. Prospective purchasers of the Notes may obtain a copy of the Initial Underlying Securities Prospectus by applying in writing to the Trustee at 181 West Madison Street, 32<sup>nd</sup> Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group-Morgan Stanley ACES SPC, Series 2007-5. The Initial Underlying Securities Prospectus does not form part of the Private Placement Memorandum.**

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, among other things, 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 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 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, 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.

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**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.**

**NO APPLICATION HAS BEEN OR WILL BE MADE FOR THIS PRIVATE PLACEMENT MEMORANDUM TO BE APPROVED AS A PROSPECTUS UNDER DIRECTIVE 2003/71/EC (THE "PROSPECTUS DIRECTIVE").**

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

## **INFORMATION AS TO PLACEMENT WITHIN THE NETHERLANDS**

Each Distributor has represented and agreed that it has not, directly or indirectly, offered, sold, transferred or delivered and will not, directly or indirectly, offer, sell, transfer or deliver any Notes (including rights representing an interest in a global certificate) in denominations less than €250,000 or \$250,000 (or the equivalent thereof in other currencies) to anyone anywhere in the world other than to banks, investment banks, pension funds, insurance companies, securities firms, investment institutions, central governments, large international and supranational organizations, treasuries and finance companies of large enterprises and other entities which trade or invest in securities in the conduct of a business or profession.

### **NOTICE TO CANADIAN RESIDENTS For Ontario and Quebec Residents Only**

#### **Offers and Sales in Canada**

This Private Placement Memorandum constitutes an offering of the securities described herein only in those Canadian jurisdictions and to those Canadian persons where and to whom the securities may be lawfully offered for sale, and therein only by persons permitted to sell such securities. This Private Placement Memorandum is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in Canada or in any province or territory thereof. Any offer or sale of the securities in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable provincial securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Private Placement Memorandum or the merits of the securities described herein and any representation to the contrary is an offence.

The offering of the securities in Canada is being made solely by this Private Placement Memorandum and any decision to purchase the securities should be based solely on information contained within this document. No person has been authorized to give any information or to make any representations concerning this offering other than as contained herein. The delivery of this Private Placement Memorandum does not imply that any information contained herein is correct as of any date subsequent to the date set forth on the cover hereof. This Private Placement Memorandum constitutes an offering of the securities described herein in the provinces of Ontario and Quebec only.

This Private Placement Memorandum is for the confidential use of only those persons to whom it is delivered by the Issuer or its authorized dealer-agents in connection with the private placement of securities in the provinces of Ontario and Quebec. The Issuer and its authorized dealer-agents reserve the right to reject all or part of any offer to purchase the securities for any reason or allocate to any purchaser less than all of the securities for which it has subscribed.

#### **Responsibility**

Except as otherwise expressly required by applicable law or as agreed to in contract, no representation, warranty, or undertaking (express or implied) is made and no responsibilities or liabilities of any kind or nature whatsoever are accepted by any dealer as to the accuracy or completeness of the information contained in this Private Placement Memorandum or any other information provided by the Issuer in connection with the offering of securities in the provinces of Ontario and Quebec.

#### **Resale Restrictions**

The distribution of the securities in Canada is being made on a private placement basis only and is exempt from the requirement that the Issuer prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the securities must be made in accordance with applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with prospectus and registration requirements or statutory exemptions from the prospectus and registration requirements in the relevant Canadian provinces and/or territories or under a discretionary exemption granted by the relevant

Canadian securities regulatory authorities. Canadian investors are advised to seek legal advice prior to any resale of the securities.

The Issuer is not a "reporting issuer", as such term is defined under applicable Canadian securities legislation, or the equivalent in any province or territory of Canada in which the securities will be offered. Canadian investors are advised that the Issuer currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the securities to the public in Canada or any province or territory thereof.

### **Representations of Investors**

Each Canadian investor who purchases securities will be deemed to have represented to the Issuer and any dealer who sells securities to such investor that:

- (i) the offer and sale of the securities was made exclusively through the final version of the Private Placement Memorandum and was not made through an advertisement of the securities in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada;
- (ii) such investor has reviewed and acknowledges the terms referred to above under the heading "—Resale Restrictions";
- (iii) where required by law, such investor is purchasing as principal, or is deemed to be purchasing as principal in accordance with the applicable securities laws of the province in which such investor is resident, for its own account and not as agent for the benefit of another person; and
- (iv) such investor, or any ultimate purchaser for which such investor is acting as agent, is entitled under applicable Canadian securities laws to purchase such securities without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing:
  - (i) in the case of an investor resident in Quebec, such investor is an "**accredited investor**" as defined in section 1.1 of National Instrument 45-106 Prospectus and Registration Exemptions ("**NI 45-106**"); and
  - (ii) in the case of an investor resident in Ontario, such investor, or any ultimate purchaser for which such investor is acting as agent:
    - (i) is an "**accredited investor**", other than an individual, as defined in section 1.1 of NI 45-106 and is a person to which a dealer registered as an international dealer in Ontario within the meaning of section 98(4) of the Regulation to the Securities Act (Ontario) may sell the securities; or
    - (ii) is an "**accredited investor**", including an individual, as defined in section 1.1 of NI 45-106 and is purchasing the securities from a registered investment dealer or limited market dealer registered within the meaning of section 98(5) and section 98(6) of the Regulation to the Securities Act (Ontario), respectively.

In addition, each resident of Ontario who purchases the securities will be deemed to have represented to the Issuer and each dealer from whom a purchase confirmation is received, that such investor:

- (v) has been notified by the Issuer:
  - (i) that the Issuer may be required to provide certain personal information ("**personal information**") pertaining to the investor as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of any

securities purchased), which Form 45-106F1 may be required to be filed by the Issuer under NI 45-106;

- (ii) that such personal information may be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106;
  - (iii) that such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario;
  - (iv) that such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and
  - (v) that the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 5520 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and
- (vi) has authorized the indirect collection of the personal information by the OSC.

Furthermore, the investor acknowledges that its name, address, telephone number and other specified information, including the aggregate purchase price to the investor, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing the securities, each Canadian purchaser consents to the disclosure of such information.

#### **Taxation and Eligibility for Investment**

Any discussion of taxation and related matters contained in this Private Placement Memorandum does not purport to be a comprehensive description of all the tax considerations that may be relevant to a Canadian investor when deciding to purchase the securities. Canadian investors should consult their own legal and tax advisers with respect to the tax consequences of an investment in the securities in their particular circumstances and with respect to the eligibility of the securities for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

#### **Rights of Action for Damages or Rescission**

Securities legislation in certain of the Canadian provinces provides purchasers of securities pursuant to an offering memorandum (such as this Private Placement Memorandum) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment to it contains a "Misrepresentation". Where used herein, "**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

#### **Ontario**

Section 130.1 of the Securities Act (Ontario) provides that every purchaser of securities pursuant to an offering memorandum (such as this Private Placement Memorandum) shall have a statutory right of action for damages or rescission against the issuer and any selling security holder on whose behalf the distribution is made in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by an offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and the selling security holders, provided that:

- (i) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages against the Issuer and the selling security holders, if any;

- (ii) the Issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (iii) the Issuer and the selling security holders, if any, will not be liable for all or any portion of damages that they can prove do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (iv) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (i) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action; or
- (ii) in the case of an action for damages, the earlier of:
  - (i) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years from the day of the transaction that gave rise to the cause of action.

This Private Placement Memorandum is being delivered in reliance on exemptions from the prospectus requirements contained under NI 45-106. The rights referred to in section 130.1 of the Securities Act (Ontario) do not apply in respect of an offering memorandum (such as this Private Placement Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the exemption from the prospectus requirement in section 2.3 of NI 45-106 if the prospective purchaser is:

- (i) a Canadian financial institution (as defined in NI 45-106) or a Schedule III bank,
- (ii) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada), or
- (iii) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

The foregoing summary is subject to the express provisions of the Securities Act (Ontario) and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions contained therein. Such provisions may contain limitations and statutory defences on which the Issuer may rely. The enforceability of these rights may be limited as described herein under the heading "—Enforcement of Legal Rights" below.

The rights of action for damages or rescission discussed above are conferred to Ontario purchasers and are in addition to, and without derogation from, any other right or remedy which purchasers may have at law.

### **Enforcement of Legal Rights**

All or substantially all of the directors and officers of the Issuer, as well as the experts named in this Private Placement Memorandum, may be located outside of Canada and, as a result, it may not be possible for Canadian investors to effect service of process upon such persons in Canada. All or a substantial portion of the assets of the Issuer and such other persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgement against the Issuer or such other persons in Canada or to enforce a judgement obtained in Canadian courts against the Issuer or such other persons outside of Canada.

## Language of Documents

Upon receipt of this document, each Canadian investor hereby confirms that its has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

## NOTICE TO RESIDENTS OF EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE OR WHERE THE PROSPECTUS DIRECTIVE IS APPLIED BY THE REGULATOR (EACH, A "**RELEVANT MEMBER STATE**"), EACH DISTRIBUTOR HAS REPRESENTED AND AGREED, AND EACH FURTHER DISTRIBUTOR APPOINTED UNDER THE PROGRAMME WILL BE REQUIRED TO REPRESENT AND AGREE, THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED OR APPLIED IN THAT RELEVANT MEMBER STATE (THE "**RELEVANT IMPLEMENTATION DATE**") IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE:

- (A) IN (OR IN GERMANY, WHERE THE OFFER STARTS WITHIN) THE PERIOD BEGINNING ON THE DATE OF PUBLICATION OF A PROSPECTUS IN RELATION TO THOSE SECURITIES WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE AND ENDING ON THE DATE WHICH IS 12 MONTHS AFTER THE DATE OF SUCH PUBLICATION;
- (B) AT ANY TIME TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES;
- (C) AT ANY TIME TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (1) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR; (2) A TOTAL BALANCE SHEET OF MORE THAN EUR43,000,000 AND (3) AN ANNUAL TURNOVER OF MORE THAN EUR50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; OR
- (D) AT ANY TIME IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO ANY SECURITIES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE THE SECURITIES, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE AND THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

**The Trustee has not participated in the preparation of the Private Placement Memorandum and assumes no responsibility for its 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 or delivery of Underlying Securities to the Holders pursuant to the exercise of their Delivery Option, as the case may be, the obligations of the Issuer to pay such deficiency will be extinguished.  **Holders in respect of the Series 2007-5 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 Series 2007-5 Segregated Portfolio as described herein. The Companies Law (2004 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 Aggregate Loss Amount under (and as defined in) the Swap Agreement exceeds the Lower Threshold Amount specified in the Credit Confirmation in connection with the Swap Agreement, Holders of the Notes 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 and the Issuer 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" and "Certain ERISA and Other U.S. Considerations" herein.

### **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 according to the formula provided in the Credit Confirmation in an amount equal to the Cash Settlement Amount (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.

#### **Deferral of Interest on the Notes due to Unsettled Reference Entities**

If one or more Reference Entities are Unsettled Reference Entities on any Interest Payment Date, interest on the Notes that is otherwise payable on such Interest Payment Date may be deferred and subject to reduction as described herein. See "—Interest Payments—Interest Payment Deferral".

#### **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 or the relevant Underlying Securities will be delivered to the Holders pursuant to the exercise of their Delivery Option, as the case may be. The net proceeds (if any) of any realization of the Underlying Securities or the value of the Underlying Securities delivered to Holders pursuant to the exercise of their Delivery Option, as the case may be, 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 an 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 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 a Defaulted Swap Termination Payment) before distributing the remaining proceeds, if any, to the Holders of the Notes on a pro rata basis. 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(s) 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(s) 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 such 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 (other than Underlying Securities consisting of Liquidity Funds or U.S. dollars) which are required to be liquidated by the Issuer in respect of (a) a Cash Settlement Amount payable under the Credit Confirmation or (b) the redemption of the Notes on the Scheduled Maturity Date. 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 related to such Notes in such circumstances. Investors are also exposed to the credit risk of the Contingent Forward Counterparty under the Contingent Forward Agreement and the Contingent Forward Guarantor under the Contingent Forward Guarantee, as applicable.

#### *No Right to Receive Termination Payments under the 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, no Holders of any Notes will be compensated for any loss of the market value of the Contingent Forward Agreement related to such Notes and the Holders of the Notes will be exposed to the risk that the related 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.

### **The Swap Counterparty may require the Issuer to redeem the Notes early**

Under the terms of the Credit Confirmation under the Swap Agreement, the Swap Counterparty may on any Business Day occurring on or after the first Interest Payment Date exercise its right to terminate the Credit Confirmation under the Swap Agreement in whole (but not in part) upon not less than five Business Days' prior notice to the Issuer and the Trustee (such Business Day, being the Optional Early Redemption Date) (after giving effect to any Cash Settlement Amounts payable on or prior to such Optional Early Redemption Date) *provided that* the Swap Counterparty shall not deliver such a notice unless, in respect of Underlying Securities in respect of the Notes related the Credit Confirmation consisting of assets other than Liquidity Funds or U.S. dollars, the Calculation Agent (as defined in the Indenture) has identified a prospective purchaser (which prospective purchaser may be

Morgan Stanley & Co. International Limited or an affiliate of Morgan Stanley & Co. International Limited) that has agreed to make a firm bid for such Underlying Securities then held by the Issuer, at par or above. On such Optional Early Redemption Date, the Issuer will be required to redeem the Notes related to the Credit Confirmation in whole (and not in part), together with accrued interest up to but excluding the Optional Early Redemption Date. As a result, the Holders of the Notes may receive the principal amount on such Notes earlier than expected, and there can be no assurance that such Holders will be able to reinvest such principal amount in alternative investments at an equivalent rate of interest. See "The Notes—Principal Payments and Redemption—Optional Early Redemption of the Notes" and "The Swap Agreement—Optional Termination" below.

### **Extension option under the Credit Confirmation in respect of the Notes**

Under the terms of the Credit Confirmation in respect of the Notes, the Swap Counterparty has the right, but not the obligation, to extend the scheduled termination date under the Credit Confirmation at any time by giving at least ten Business Days' prior written notice to the Issuer. If the Swap Counterparty has exercised such right, the Issuer then has the right, but not the obligation, to extend the scheduled maturity date of the Notes from the Original Maturity Date to the Extended Maturity Date by giving at least ten Business Days' prior written notice to the Noteholders. See "Notes Extension Option" below.

### **Conflicts of Interest**

You should assume that the Swap Counterparty 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 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, 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 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.

### **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 issuer of the Underlying Securities, the Underlying Securities or the Reference Entities. Holders should do their own review and investigation of the issuer of the Underlying Securities, 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 and 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 "AA" by Fitch. 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 of 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 D hereto.

Securities Offered.....	The U.S.\$24,635,000 Floating Rate Notes due 2011 and extendable to 2014 (the " <b>Notes</b> "), Series 2007-5, to be issued by the Issuer on the Issue Date pursuant to the Series 2007-5 Indenture (the " <b>Indenture</b> ") 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 2007-5 Segregated Portfolio
Portfolio Property .....	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: <ul style="list-style-type: none"><li>(i) the Underlying Securities;</li><li>(ii) the Swap Agreement (including the Swap Guarantee);</li><li>(iii) the Contingent Forward Agreement (including the Contingent Forward Guarantee) (together with the Swap Agreement, the "<b>Related Agreements</b>");</li><li>(iv) any Permitted Investments purchased by the Issuer;</li><li>(v) the Collection Account and the Underlying Securities Account or any other accounts of the Issuer held under the Indenture, including all assets, investments and other amounts held in such accounts;</li><li>(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</li></ul>

- (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 Indenture (including the Standard Terms (as defined in the Indenture)) will be deleted in respect of the Notes.
Calculation Agent.....	Morgan Stanley Capital Services Inc
Issue Date .....	February 15, 2007
Scheduled Maturity Date .....	In respect of the Notes, February 10, 2011 (the " <b>Original Scheduled Maturity Date</b> "), or if the Issuer exercises its Notes Extension Option, February 10, 2014 (the " <b>Extended Scheduled Maturity Date</b> "). In respect of the Notes, all references to "Scheduled Maturity Date" shall be read as a reference to the Original Scheduled Maturity Date (if the Swap Counterparty has not exercised its Extension Option under the Credit Confirmation in respect of the Notes) or the Extended Scheduled Maturity Date (if the Swap Counterparty has exercised its Extension Option under the Credit Confirmation in respect of the Notes), as the case may be.
Notes Extension Option.....	The Issuer shall have the right, but not the obligation, to extend the schedule maturity date of the Notes from the Original Scheduled Maturity Date to the Extended Scheduled Maturity Date (such right, the " <b>Notes Extension Option</b> ") at any time by giving at least ten Business Days' prior written notice to the Noteholders, provided that such right shall not be exercisable by the Issuer unless the Swap Counterparty has exercised its Extension Option under the Credit Confirmation in respect of the Notes.
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.\$ 24,635,000
Business Day .....	Any day, other than a Saturday or Sunday, that is a day on which commercial banks are generally open for business in the City of New York, Chicago, 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:

*Interest Payment Dates*..... The 4<sup>th</sup> Business Day prior to each of August 15 and February 15 in each year, commencing on the 4<sup>th</sup> Business Day prior to August 15, 2007 and ending on the earlier of the Optional Early Redemption Date and the Maturity Date (each, an "**Interest Payment Date**" for the Notes).

*Calculation of Interest*..... Interest payments (each, an "**Interest Payment**") on the Notes will accrue from the Issue Date until (but excluding) the last day of the last Interest Accrual Period.

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 (such number of days being calculated in accordance with the Day Count Fraction) of (a) the Interest Rate divided by, 360 and (b) the Principal Balance of the Notes on such day *minus* (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 such 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 in respect of which the relevant Principal Payment is being made will be equal to the product of (A) the number of days in the related Interest Accrual Period up to but excluding such Principal Payment Date, (B) the Interest Rate for the Notes 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 Cash Settlement Amounts being made on such date.

*Interest Payment Deferral* ..... With respect to any Interest Payment Date, if the Calculation Agent determines, in its sole discretion acting in good faith and in a commercially reasonable manner, that (i) there is at least one Unsettled Reference Entity under the Swap Agreement and (ii) the Potential Payable Credit Protection Payment in respect of the Swap Agreement with respect to such Unsettled Reference Entities is greater than zero, then an "Interest Payment Deferral" will be applicable for such Interest Payment Date. If there is an Interest Payment Deferral, then the amount of interest payable on the Notes on such Interest Payment Date will be equal to the Minimum Interest Payment for such Interest Payment Date and any other interest otherwise payable on such Notes on such Interest Payment Date will be withheld, deferred and deposited by the Trustee into an account held by the Trustee (the "**Provisional Reserve Account**").

In connection with and following any Interest Payment Deferral, deferred interest in the amount equal to the Interest Adjustment Payment will be withdrawn from the Provisional Reserve Account and will be payable on the Notes on the first Interest Payment Date following the determination of the Cash Settlement Amount in respect of each Unsettled Reference Entity, together with interest on the Interest Adjustment Payment accrued at the Deferral Rate for the number of days the payment of interest was deferred, as calculated by the Calculation Agent in its sole and absolute discretion. The balance of the Provisional Reserve Account, if any, will be paid to the Swap Counterparty in accordance with the terms of the Rate Confirmation.

**"Unsettled Reference Entity"** means, as of any date, a Reference Entity in respect of which an Event Determination Date has occurred but the related Cash Settlement Date has not occurred as of such date.

**"Event Determination Date"** has the meaning ascribed to such term in the Credit Derivative Definitions incorporated in the Credit Confirmation. See Annex A hereto.

**"Potential Payable Credit Protection Payment"** means, with respect to the Unsettled Reference Entities, an amount equal to the Cash Settlement Amount calculated assuming that the Weighted Average Final Price with respect to each such Unsettled Reference Entity is zero.

**"Weighted Average Final Price"** has the meaning ascribed to such term in the Credit Confirmation. See Annex A hereto.

**"Minimum Interest Payment"** means, with respect to any Interest Payment Date for which an Interest Payment Deferral is applicable, an amount (not less than zero) equal to the amount of interest that would have been payable in relation to the Interest Accrual Period ending immediately after such Interest Payment Date in accordance with the provisions under "Calculation of Interest" above if on each day during such period on which one or more Reference Entities are Unsettled Reference Entities, Cash Settlement Amounts had been determined in respect of each such Unsettled Reference Entity such that the Principal Balance on such day took its minimum possible value.

**"Interest Adjustment Payment"** means, with respect to the period from (and including) the first day of the Interest Accrual Period during which the relevant Event Determination Date occurs to (but excluding) the last day of the Interest Accrual Period during which the related Cash Settlement Date occurs, an amount equal to (a) the amount of interest that would have been payable in respect of such period if such amount had been determined in accordance with the provisions under "Calculation of Interest" above in the absence of the provisions contained in the first two paragraphs of this section "Interest Payment Deferral" and if the reduction in Principal Balance resulting from the Unsettled Reference Entities had occurred on the relevant Event Determination Date (based on the

actual Weighted Average Final Price(s) relating thereto) minus (b) the Minimum Interest Payment in respect thereof.

"**Deferral Rate**" means such rate of interest as is obtained by the Trustee by depositing any funds withheld in its overnight deposit account for institutional accounts.

*Designated Maturity* ..... Six months, *provided* that "six month LIBOR" will be determined through the use of straight-line interpolation for any Interest Accrual Period that is shorter or longer than six months.

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*Interest Rate* ..... Six month LIBOR plus Margin

*Margin* ..... 1.80% per annum

*Day Count Fraction*..... Actual/360

*Interest Accrual Period* ..... 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 immediately preceding Interest Period End Date (or, in the case of the first Interest Payment Date, from and including, the Issue Date) to but excluding the immediately succeeding Interest Period End Date (or, in the case of the last Interest Payment Date, to but excluding the last Interest Period End Date, which may be the Accrual Cessation Date), *provided* that an Interest Accrual Period may end on a Principal Payment Date that is not an Interest Period End 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.

*Interest Period End Date* ..... August 15 and February 15 in each year commencing on the Issue Date and ending on the earliest of (i) February 15, 2011 (if the Swap Counterparty has not exercised its Extension Option) or February 15, 2014 (if the Swap Counterparty has exercised its Extension Option) ("**Accrual Cessation Date**"), (ii) the Optional Early Redemption Date and (ii) the date on which the Principal Balance of the Notes has been reduced to zero, subject to the Business Day Convention.

Principal Payments and Redemptions:

*Before Scheduled Maturity Date* ..... Unless redeemed as a result of an Early Redemption Event or an Indenture Event of Default, or on an Optional Early Redemption Date, no payments of principal ("**Principal Payments**") will be made on the Notes before the Scheduled Maturity Date.

*At Scheduled Maturity Date* ..... 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 Accrual Cessation Date), subject to the Priority of Payments.

*Early Redemption Events* .....

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:

- (A) where the Underlying Securities consist of assets other than Liquidity Funds or U.S. dollars, 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; or

- (B) where the Underlying Securities consist of Liquidity Funds, the Underlying Securities are repaid prior to the Scheduled Maturity Date, unless such Underlying Securities:

- (i) are redeemed in full by the issuer of the Underlying Securities, and the Issuer receives payment in full in respect of the principal amount of the Underlying Securities being redeemed; or
- (ii) are repaid by reason of an Underlying Securities Default.

*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 thereto to itself or any other Morgan Stanley Affiliate (including, without limitation, the Swap Counterparty) provided that such sale shall not occur until the Notification Deadline (as defined below) and, if the Holders of 100% of the Notes elect to take delivery of the Underlying Securities, such sale shall not occur except to the extent provided below. 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 five 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.

*Delivery Option in lieu of Liquidation Amount* .....

If at any time that the Notes would, but for the application of this section, fall due for redemption following the occurrence of an Early Redemption Event, a Holder may, at its discretion, but subject to the satisfaction of the provisos below, elect to receive from the Issuer, in lieu of its entitlement to its relevant share of the proceeds of sale of the Underlying Securities (the "**Liquidation Amount**"), a pro rata share of the Underlying Securities (the "**Delivery Option**").

The Calculation Agent shall, notwithstanding anything to the contrary provided in the Indenture (including without limitation Section 8.03 thereof), not be entitled to sell or otherwise dispose of the Underlying Securities until 5.00 p.m. (New York time) on the second Business Day following the day on which notice that the Notes will fall due (or, as the case may be, have fallen due) for redemption by application of the Liquidation Amount has been given to the Holders (5.00 p.m. New York time on such second Business Day being referred to herein as the "**Notification Deadline**").

If the Trustee does not receive a Physical Redemption Notification (as defined below) from any Holder pursuant to the following paragraph prior to the Notification Deadline, the Notes shall be redeemed by application of the Liquidation Amount in accordance with the Indenture as if each Holder had elected not to receive the Underlying Securities in lieu of payment of the relevant portion of the Liquidation Amount.

If, prior to the expiration of the Notification Deadline, the Trustee receives a notification from a Holder (a "**Physical Redemption Notification**") that such Holder wishes to have its pro rata share of the Underlying Securities in respect of any or all of its Notes (such Notes in respect of which such Holder has exercised its Physical

Redemption Notification, the "**Physical Redemption Notes**") delivered or transferred to it in lieu of payment of its entitlement to its relevant share of the Liquidation Amount in respect of such Physical Redemption Notes, the Issuer shall notify such Holder of (1) the amount (if any) of each payment which would, upon redemption of all Notes by application of the Liquidation Amount, be due to a respective party in accordance with the Priority of Payments in priority to any payment, delivery or transfer to all the Holders (each, a "**Priority Payment**" and together, the "**Priority Payments**") and (2) the proportion of each such Priority Payment attributed to such Holder based on the number of Physical Redemption Notes as a proportion to the total number of outstanding Notes (each, a "**Proportional Priority Payment**" and together, the "**Proportional Priority Payments**"). The Issuer will procure that, subject to the provisos below, such pro rata amount of the Underlying Securities in respect of the Physical Redemption Notes are delivered or transferred to such Holder (or to any other place or account specified by such Holder which is acceptable to the Issuer); **PROVIDED** that the following requirements are met, such pro rata share of the Underlying Securities shall be delivered or transferred to such Holder:

- (1) payment is made by such Holder to the Issuer of an amount equal to the aggregate of each of its relevant Proportional Priority Payments; and
- (2) such payment is made by such Holder to an account specified by the Issuer by 11:00 a.m., local time in the principal financial centre for the currency in which each of its relevant Proportional Priority Payment is denominated on the fourth Business Day from the day on which such Holder is notified by the Issuer of the amounts of such Priority Payments and its relevant Proportional Priority Payments.

Upon payment being made by such Holder to the account or accounts specified by the Issuer of an amount equal to the aggregate of each of its relevant Proportional Priority Payments, the Issuer shall deliver or transfer such pro rata share of the Underlying Securities that is attributed to such Physical Redemption Notes to such Holder.

In the event such Holder does not make payment of an amount equal to the aggregate of each of its relevant Proportional Priority Payments in respect of such Physical Redemption Notes by the time specified in sub-paragraph (2) above, such Physical Redemption Notes shall be redeemed by application of the Liquidation Amount in accordance with the Indenture.

If part, but not all, of its relevant Proportional Priority Payments in respect of such Physical Redemption Notes are paid to the account specified by the Issuer, the Issuer shall refund the amount of the payments received by it without interest to such Holder and shall redeem such Physical Redemption Notes by application of the Liquidation Amount in accordance with the Indenture.

*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) with the consent of a majority of Holders, the acceleration of the outstanding Underlying Securities under the terms of the Underlying Securities; (ii) the failure of the issuer of the 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 the Underlying Securities), the Underlying Securities after the due date thereof specified in "The Portfolio Property—The Underlying Securities" section, or (iii) the occurrence of any event of default under the

Underlying Securities caused by the insolvency or bankruptcy of the issuer of the Underlying Securities. An Underlying Securities Default shall be deemed to have occurred for all purposes notwithstanding any applicable grace period, the rescission or annulment of such declaration of acceleration under the Underlying Securities or the subsequent payment 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 amount of any Cash Settlement Amount paid to the Swap Counterparty by the Issuer under the Credit Confirmation. Such reduction will take effect from and including the relevant Event Determination Date following the determination of such Cash Settlement Amount.

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 Cash Settlement Amounts applied to the Principal Balance of such Notes on or before such date, with each such reduction described in this clause (ii) being in an amount equal to the related Cash Settlement Amount (such reduction taking effect from and including the relevant Event Determination Date following the determination of such Cash Settlement Amount) and being applied to reduce the Principal Balance of such 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.

"Cash Settlement Amount" has the meaning specified in the Credit Confirmation. See Annex A hereto.

"Cash Settlement Date" has the meaning specified in the Credit Confirmation. See Annex A hereto.

*Swap Guarantee and Contingent  
Forward Guarantee.....*

Upon the failure of the Swap Counterparty or the Contingent Forward Counterparty to punctually pay any amount under the Swap Agreement or Contingent Forward Agreement, respectively, the Trustee shall, or shall procure that the Issuer shall, make such demand upon the Swap Guarantor or Contingent Forward Guarantor, as the case may be, as may be applicable in such circumstances under the Swap Guarantee or Contingent Forward Guarantee, respectively.

*Optional Early Redemption  
of the Notes.....*

If the Swap Counterparty delivers a Termination Notice to the Issuer and the Trustee in accordance with the Credit Confirmation, the Issuer will be required to redeem the Notes in whole but not in part, on the Optional Termination Date under the Credit

Confirmation (such date, being a Business Day, the "**Optional Early Redemption Date**") with interest in respect of the Interest Accrual Period ending on but excluding the Optional Early Redemption Date. The Swap Counterparty shall not deliver a Termination Notice unless, in connection with Underlying Securities (the "**Applicable Portion of Underlying Securities**") consisting of assets other than Liquidity Funds or U.S. dollars, the Calculation Agent has identified a prospective purchaser (which prospective purchaser may be Morgan Stanley & Co. International Limited or an affiliate of Morgan Stanley & Co. International Limited) that has agreed to make a firm bid for such Underlying Securities then held by the Issuer, at par or above.

Following the delivery by the Swap Counterparty of a Termination Notice under the Credit Confirmation:

- (a) the Issuer (or the Calculation Agent on behalf of the Issuer) shall on or about the Optional Early Redemption Date liquidate the investment in or, as the case may be, sell the Applicable Portion of Underlying Securities (after giving effect to any Cash Settlement Amounts payable on or prior to the Optional Early Redemption Date);
- (b) under the Rate Confirmation, the Swap Counterparty shall on the Floating Rate Payer Payment Date (as defined in the Rate Confirmation) immediately preceding the Optional Early Redemption Date pay to the Issuer an amount equal to the interest on the Notes in respect of the Interest Accrual Period ending on but excluding the Optional Early Redemption Date;
- (c) the Credit Confirmation will terminate;
- (d) the Rate Confirmation will terminate;
- (e) no Swap Breakage Fees or other termination payments will be payable under the Rate Confirmation or the Credit Confirmation as a result of the termination referred to in paragraphs (c) and (d) above, other than any amounts which should have been paid under such Rate Confirmation or Credit Confirmation as the case may be, on or prior to the Optional Early Redemption Date and which remain unpaid;
- (f) the Issuer will redeem the Notes in whole and with interest in respect of the Interest Accrual Period ending on but excluding the Optional Early Redemption Date against delivery of the Note certificates in respect of the Notes; and
- (g) upon the redemption of the Notes, the Applicable Portion of Underlying Securities referred to in (a) above shall be released from the security constituted by the Indenture and cease to form part of the Portfolio Property.

*Specified Currency* ..... United States Dollars

<i>Authorized Denominations</i> .....	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
<i>Minimum Subscription</i> .....	U.S.\$100,000 or such lesser denomination as consented to by the Issuer
<i>Ratings</i> .....	It is expected that the Notes will be rated "AA" by Fitch Ratings Limited (together with Fitch, Inc. and its subsidiaries and any successor or successors thereto, " <b>Fitch</b> " or the " <b>Rating Agency</b> ").
<i>U.S. Federal Income Tax Considerations</i> .....	<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>
<i>ERISA</i> .....	See "Certain ERISA and Other U.S. Considerations" below.
<i>Tax Treatment</i> .....	"Debt for Tax" is not applicable to the Notes
<i>Transfer Restrictions</i> .....	<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 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> <p>Each Holder and beneficial owner of a Note acknowledges and agrees that (a) the Issuer may obtain or be in possession of non-public information regarding any Reference Entity or the issuer of any Reference Obligation which may not be made available to any Holder and (b) the Issuer makes no representations with respect to any Reference Entity, the issuer of any Reference Obligation or the accuracy or completeness of any information regarding the foregoing.</p>
<i>Form</i> .....	The Notes will be issued in Book-Entry form and will be represented by one or more Global Notes in registered form. The Notes 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.

*Amendments to the Base Private  
Placement Memorandum*

Sub-section (i) of the section "DESCRIPTION OF THE NOTES - Collections and Allocations - *Allocations*" of the Base Private Placement Memorandum shall be deleted entirely.

In Sub-section (v) of the section "DESCRIPTION OF THE NOTES - Collections and Allocations - *Allocations*" of the Base Private Placement Memorandum, the phrase "but are not otherwise applied pursuant to clause (i) above" shall be deleted.

*Other Information*.....

CUSIP No.: G6263NAA9

ISIN No.: USG6263NAA93

**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 "Investment in Substitute Underlying Securities" below, 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), (ii), (iv), (v), (vi), (vii) and (viii) below, at the time of purchase of the relevant asset, the maturity date of such securities or obligations falls not later than the Scheduled Maturity Date or the Extended Maturity Date):

- (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; and/or
- (ii) any U.S. dollar-denominated shares in the Morgan Stanley Funds p.l.c. US Dollar Liquidity Fund and/or the Lehman Brothers Liquidity Funds p.l.c. Lehman US Dollar Liquidity Fund provided that such fund has a Fitch rating of at least "AAA/V1+"; and/or
- (iii) U.S. dollar denominated cash which shall be held with a bank with a Fitch rating of at least F1+ if to be held in the form of cash for more than 20 Business Days; and/or
- (iv) 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 at the time such investment is entered into in respect of such Notes (w) such fund has a Fitch rating of at least "AAA/V1+", (x) such fund distributes interest or dividends on such investment on a regular basis and at least once a quarter, (y) that all payments made by such fund are not subject to any withholding tax and (z) the Issuer shall not invest in any one such money market fund or liquidity fund an amount exceeding, in the aggregate, 10 per cent. of the share capital of such fund unless the Rating Agency Condition is satisfied prior to any investment in such fund; and or

- (v) any U.S. dollar-denominated Covered Bonds, Asset-Backed Securities, RMBS, CMBS, Corporate Bonds, Agency Bonds or similar securities having at the time of investment a rating of "AAA" by Fitch;

where:

**"Agency Bond"** means a bond issued by a US government-sponsored agency, including without limitation, Student Loan Marketing Association (Sallie Mae), Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac).

**"Asset-Backed Securities"** means bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies or other providers of credit.

**"CMBS"** means securities (other than any commercial loan or participation interest in a commercial loan) that entitle holders to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cashflows from a commercial mortgage loan or a pool of commercial mortgage loans.

**"Covered Bonds"** means bank bonds for which repayment of principal and interest is guaranteed by a portion of the bank's economic assets (specifically land and mortgage credits, amounts due from, or guaranteed by, public authorities and securities issued in the framework of securitisation operations covering credits of the same kind), the cashflows of which are allocated purely to servicing the bond; including, without limitation, Pfandbrief, Cédulas and Foncières.

**"Corporate Bond"** means a bond issued by a corporation.

**"RMBS"** means asset backed securities that entitle the holders to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such asset backed securities) on the cashflows from a pool of residential mortgage loans or from a mixed pool of residential and commercial mortgage loans.

- (vi) any guaranteed investment contract or other similar agreement between the Issuer and any monoline insurer, bank or other entity or corporation with a rating of at least "AAA" by Fitch; and/or
- (vii) any time deposit, demand deposit, certificate of deposit or banker's acceptance offered held or guaranteed by any bank, depository institution, trust company, other entity or corporation rated at least F1+ by Fitch; and/or

(viii) subject to the satisfaction of the Rating Agency Condition, any other U.S. dollar-denominated securities or other obligation with a published rating of "AAA" by Fitch.

For the avoidance of doubt, in the case of clauses (i) to (viii) above, the approval of the Holders or the Rating Agency will not be required for any investment in Substitute Underlying Securities as described above.

**"Liquidity Fund"** means an investment as described in clause (iv) of the definition of "Substitute Underlying Security".

The Initial Underlying Securities..... On the Issue Date, the Issuer will purchase the Initial Underlying Securities.

Application of Underlying Securities ..... Where at the relevant time, the Underlying Securities consist of Liquidity Funds or U.S. dollars, on each Interest Payment Date the Trustee will withdraw from the Underlying Securities Account an amount equal to the amount by which the balance of the Underlying Securities Account at the close of business on the Business Day prior to such Interest Payment Date is greater than the aggregate Initial Principal Balance of the Notes, provided that such amount shall not be more than the amount equal to the amount by which the Underlying Securities Account Balance exceeds the aggregate amount of the Principal Balance of the Notes. The amount withdrawn from the Underlying Securities Account will be paid to the Swap Counterparty on the relevant Interest Payment Date in accordance with the Rate Confirmations.

Where, at the relevant time, the Underlying Securities in respect of the Notes consist of Liquidity Funds or U.S. dollars:

- (a) on any Cash Settlement Date in respect of the Credit Confirmation, the Trustee will pay to the Swap Counterparty in accordance with the Credit Confirmation an amount equal to the Cash Settlement Amount (as defined in the relevant Credit Confirmation), provided that if the Cash Settlement Amount exceeds the total par amount of the Underlying Securities in respect of the Notes, the Trustee will only pay an amount equal to such par amount.
- (b) on the Maturity Date of the Notes, unless an Indenture Event of Default or an Early Redemption Event has occurred, the Trustee will liquidate the investment in the Underlying Securities in respect of the Notes and the Issuer will pay the Swap Counterparty an amount equal to the proceeds of such liquidation and the Swap Counterparty will pay the Issuer an amount equal to the Principal Balance of the Notes, in accordance with the relevant Rate Confirmation.

Where, at the relevant time, the Underlying Securities consist of other assets other than Liquidity Funds or U.S. dollars:

- (i) On any Cash Settlement Date in respect of the Credit Confirmation, the Issuer will deliver to the Contingent

Forward Counterparty the par amount of the Underlying Securities equal to the lesser of the Cash Settlement Amount payable on such Cash Settlement Date under the Credit Confirmation and the par or payable amount of the Underlying Securities in respect of the Notes and the Contingent Forward Counterparty will pay the Issuer an amount equal to the par or payable amount of the Underlying Securities delivered, in accordance with the relevant Contingent Forward Confirmation.

- (ii) On the Business Day preceding the Maturity Date of the Notes, unless an Indenture Event of Default or an Early Redemption Event has occurred or an Optional Early Redemption Date has occurred in respect of the Notes, the Issuer will deliver to the Contingent Forward Counterparty the par or payable amount of the Underlying Securities in respect of the Notes and the Contingent Forward Counterparty will pay the Issuer an amount equal to the par or payable amount of the Underlying Securities delivered, in accordance with the relevant Contingent Forward Confirmation, and the Trustee will apply such funds in and towards, first, payment of any outstanding Cash Settlement Amounts under the Credit Confirmation and then redemption of the Notes.

If an Indenture Event of Default or an Early Redemption Event has occurred, the Trustee will liquidate the investment in the Underlying Securities and the proceeds of such liquidation will be applied in accordance with the Priority of Payments.

If an Optional Early Redemption Date occurs in respect of the Notes, the Issuer (or the Calculation Agent on behalf of the Issuer) will liquidate the investment in or, as the case may be, sell to a third party the Underlying Securities in respect of the Notes (after giving effect to any Cash Settlement Amounts payable under the Credit Confirmation on or prior to such date) and apply the proceeds in and towards redemption of the Notes.

The Trustee will notify the Rating Agency of any redemption of the Underlying Securities.

Initial Underlying Securities .....

On the Issue Date, the Issuer will purchase shares (Institutional Class) in the US Dollar Liquidity Fund of Morgan Stanley Funds p.l.c. (the "**Initial Underlying Securities**") with a principal amount of U.S.\$ 24,635,000.

The Initial Underlying Securities are discussed in the prospectus dated 11 May 2005 relating to the Initial Underlying Securities (the "**Initial Underlying Securities Prospectus**"). **A copy of the Initial Underlying Securities Prospectus is available on application in writing to the Trustee at 181 West Madison Street, 32<sup>nd</sup> Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group-Morgan Stanley ACES SPC, Series 2007-5. The Initial Underlying Securities Prospectus does not form part of the Private Placement Memorandum.** The governing law of the Initial Underlying Securities is Irish law. The Initial Underlying Securities are listed on the Irish Stock Exchange

and such other exchanges as are described in the Initial Underlying Securities. The Initial Underlying Securities are rated "Aaa/MR1+" by Moody's and "AAAm" by S&P.

Issuer ..... Morgan Stanley Funds p.l.c. (the "**Initial Underlying Securities Issuer**").

The principal office of the Initial Underlying Securities Issuer is Morgan Stanley Funds p.l.c., 25/28 North Quay, Dublin, Ireland.

Currency ..... United States Dollars

Initial Underlying Securities Income ..... Funds invested in the Initial Underlying Securities will be invested as described in the Initial Underlying Securities Prospectus. Income earned on the Initial Underlying Securities will be credited to the Underlying Securities Account and, to the extent that the balance of the Underlying Securities Account is greater than the Initial Principal Balance on the Business Day prior to any Interest Payment Date, will be paid to the Swap Counterparty on such Business Day prior to such Interest Payment Date under the Rate Confirmation. For the purposes of determining any Settlement Amount (as defined in the Swap Agreement) on the termination of the Rate Confirmation, the yield on the Initial Underlying Securities will be determined by the Calculation Agent on the basis of the rate of return on the Initial Underlying Securities as of the Early Termination Date.

Investment in Substitute Underlying Securities ..... If:

- (a) the Initial Underlying Securities are repaid in full following redemption by the Initial Underlying Securities Issuer in the circumstances described in the Initial Underlying Securities Prospectus prior to the Scheduled Maturity Date; or
- (b) if the Calculation Agent reasonably believes that there is a potential Underlying Securities Default; or
- (c) the Calculation Agent, in its sole and absolute discretion, notifies the Issuer to liquidate the investment in the Underlying Securities (which notice may only be given once by the Calculation Agent while the Notes are outstanding) and the Calculation Agent on behalf of the Issuer liquidates the investment in the Underlying Securities,

then the Calculation Agent, acting on behalf of the Issuer, may, at any time after receipt of the balance of the Underlying Securities Account instruct the Trustee to invest such amount in Substitute Underlying Securities, provided that (i) any such Substitute Underlying Securities satisfy the criteria set forth in the definition of Underlying Securities and (ii) security is granted simultaneously with such Substitute Underlying Securities and in respect thereof. Upon investment in the Substitute Underlying Securities, the relevant payment due to the Swap Counterparty from the Issuer under the Rate Confirmation will be adjusted to reflect the interest

rate or distribution rate in respect of such Substitute Underlying Securities.

Voting of Underlying Securities;  
Modification of Underlying Securities  
Indenture.....

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 of the Notes related to such Underlying Securities 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. In the absence of any such instruction, the Trustee will be under no obligation to take any action in respect of such Underlying Securities. 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 such Underlying Securities.

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 any Underlying Securities, the Trustee will notify each Holder of the Notes 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 A and Annex B 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 " <b>Master Swap Agreement</b> "), (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 " <b>Swap Agreement</b> ").
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 (the " <b>Original Scheduled Termination Date</b> "), or if the Swap Counterparty exercises its Extension Option under the Swap Agreement, February 10, 2014 (the " <b>Extended Scheduled Termination Date</b> ") subject to earlier termination in accordance with its terms.
Extension Option .....	Under the Credit Confirmation, the Swap Counterparty shall have the right, but not the obligation, to extend the scheduled termination date of the Swap Agreement in respect of the Notes from the Original Scheduled Termination Date to the Extended Scheduled Termination Date (such right, the " <b>Extension Option</b> ") at any time by giving at least ten Business Days' prior written notice to the Issuer.
Mandatory exercise of the Extension Option...	For the avoidance of doubt, if the Underlying Securities have a scheduled maturity date after the Scheduled Maturity Date of the Notes and such Underlying Securities may not otherwise be redeemed under its terms prior to the Scheduled Maturity Date of the Notes, then the Swap Counterparty must exercise the Swap Extension Option unless the Calculation Agent has identified a prospective purchaser that has agreed to make a firm bid for a pro rata amount of such Underlying Securities (corresponding to the relevant class of Notes being called) at par or above (such prospective purchaser may be Morgan Stanley & Co International Ltd or any of its affiliates).

Swap Events of Default .....	<p>"Events of Default" under the Swap Agreement (each, a "<b>Swap Event of Default</b>") 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.....	<p>"Termination Events" under the Swap Agreement (each, a "<b>Swap Termination Event</b>") 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.</p>
Additional Termination Events.....	<p>"<b>Additional Termination Events</b>" 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.</p>
Credit Confirmation.....	<p>The credit default swap transaction will be evidenced by the Master Credit Default Swap Confirmation 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 confirmation for any one transaction is the "<b>Credit Confirmation</b>"). The form of the</p>

Master Credit Default Swap Confirmation, including the Reference Portfolio attached as Schedule A thereto, is attached as Annex A hereto.

Optional Termination ..... Under the Credit Confirmation, the Swap Counterparty may on any Business Day occurring on or after the Business Day following the Fixed Rate Payer Payment Date falling in August, 2007 (corresponding to the Interest Payment Date falling in August, 2007), exercise its right to terminate the Credit Confirmation in whole (but not in part) upon not less than five Business Days' prior notice (such notice, a "**Termination Notice**") to the Issuer and the Trustee. The Swap Counterparty has agreed that it shall not deliver a Termination Notice unless, in connection with Underlying Securities consisting of assets other than Liquidity Funds or U.S. dollars, the Calculation Agent (as defined in the Indenture) has identified a prospective purchaser (which prospective purchaser may be Morgan Stanley & Co. International Limited or an affiliate of Morgan Stanley & Co. International Limited) that has agreed to make a firm bid for such Underlying Securities then held by the Issuer, at par or above.

Credit Events ..... The Credit Events that will apply with respect to any Reference Entity specified in the Reference Portfolio attached as Schedule A to the Credit Confirmation, and by reference to the relevant type specified therein, are to be determined in accordance with the ISDA Credit Derivatives Physical Settlement Matrix to the 2003 ISDA Credit Derivatives (the "**Matrix**") (the relevant sections of which are set out in Schedule B to the Credit Confirmation), provided that to the extent there are any inconsistencies between the Matrix and Schedule B to the Credit Confirmation, the Matrix as of the Trade Date specified in the Credit Confirmation shall prevail. See Schedule A and Schedule B to the Credit Confirmation attached hereto.

Initial Default Swap Counterparty Downgrade ..... In respect of the Swap Counterparty, the occurrence of an Initial Default Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that an Initial Default Swap Counterparty Downgrade shall not constitute an Additional Termination Event if (i) the Swap Counterparty has, within thirty calendar days after the Calculation Agent (as defined in the Rate Confirmation) or the Trustee has notified the Swap Counterparty in writing that an Initial Default Swap Counterparty Downgrade has occurred, posted Rate Swap Collateral (as defined in the Rate Confirmation) under the Rate Confirmation or (ii) the Swap Counterparty takes one of the following actions at its sole expense: (A) 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 thirty calendar days of the occurrence of such Initial Default Swap Counterparty Downgrade, (B) the Swap Counterparty has, within thirty calendar days of the occurrence of such Initial Default Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to the Swap Counterparty's obligations under the Swap Agreement or (C) the Swap Counterparty has complied with

such other collateral posting requirements, if any, under the Credit Confirmation, in connection with which the Rating Condition has been met. In the event of such an Additional Termination Event, the Swap Counterparty shall be deemed the sole Affected Party.

Further Default Swap Counterparty  
Downgrade .....

In respect of the Swap Counterparty, the occurrence of a Further Default Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that a Further Default Swap Counterparty Downgrade shall not constitute an Additional Termination Event if the Swap Counterparty takes one of the following actions at its sole expense: (A) 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 thirty calendar days of the occurrence of such Further Default Swap Counterparty Downgrade, or (B) the Swap Counterparty has, within thirty calendar days of the occurrence of such Further Default Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to the Swap Counterparty's obligations under the Swap Agreement. In the event of such an Additional Termination Event, the Swap Counterparty shall be deemed the sole Affected Party.

"**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.

"**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 the Swap Counterparty's obligations hereunder, (b) at the time of such agreement, the Applicable Rating in respect of such entity is at least "A" (long term) and "F1" (short term) by Fitch and (c) the Rating Condition is satisfied; *provided*, that, in the case of the Initial Credit Swap Counterparty Downgrade 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 collateral as described in paragraph (ii)(C) of "— Initial Default Swap Counterparty Downgrade" above, such lower ratings that, as described therein, will not cause an Initial 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.

"**Further Default Swap Counterparty Downgrade**" means the Applicable Rating in respect of the Swap Counterparty is less than "BBB+" (long-term) or "F2" (short-term) by Fitch.

**"Initial Default Swap Counterparty Downgrade"** means the Applicable Ratings in respect of the Swap Counterparty are less than "A" (long term) or "F1" (short term) by Fitch.

**"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" (long term) and "F1" (short term) by Fitch; *provided* that, in the case of an Initial Default Swap Counterparty Downgrade 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 collateral as described in paragraph (ii)(C) in "—Initial Default Swap Counterparty Downgrade" above, such lower ratings that, as described therein, will not cause an Initial 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 B 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"**).

Effect of a Termination Notice ..... If the Swap Counterparty delivers a Termination Notice pursuant to the Credit Confirmation, with effect from the Optional Termination Date, after making any payments due on such date, the Credit Confirmation and the Rate Confirmation shall terminate.

Initial Rate Swap Counterparty Downgrade ..... In respect of the Swap Counterparty, the occurrence of an Initial Rate Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that an Initial Rate Swap Counterparty Downgrade shall not constitute an Additional Termination Event if the Swap Counterparty takes one of the following actions at its sole expense: (A) within thirty calendar days after the Calculation Agent (as defined in the Rate Confirmation) or the Trustee has notified the Swap Counterparty in writing that an Initial Rate Swap Counterparty Downgrade has occurred, the Swap Counterparty posts Rate Swap Collateral for the benefit of the Issuer, (B) 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 thirty calendar days of the occurrence of such Initial Rate Swap Counterparty Downgrade, (C) the Swap Counterparty has, within thirty calendar days of the occurrence of such Initial Rate Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to the Swap Counterparty's obligations under the Swap Agreement or (D) the Swap Counterparty has complied with such other collateral posting requirements, if any, with respect to the transaction under the Rate Confirmation, in connection with which the Rating Condition has been met. In the event of such an Additional Termination Event, the Swap Counterparty shall be deemed the sole Affected Party.

Further Rate Swap Counterparty  
Downgrade .....

In respect of the Swap Counterparty, the occurrence of a Further Rate Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that a Further Rate Swap Counterparty Downgrade shall not constitute an Additional Termination Event if the Swap Counterparty takes one of the following actions at its sole expense: (A) 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 thirty calendar days of the occurrence of such Further Rate Swap Counterparty Downgrade, or (B) the Swap Counterparty has, within thirty calendar days of the occurrence of such Further Rate Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to the Swap Counterparty's obligations under the Swap Agreement. In the event of such an Additional Termination Event, 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 "F1+" or "AAA" by the Fitch;
- (ii) demand and time deposits in, interest bearing trust accounts, certificates of deposit of, or bankers' acceptances issued by any depository institution or trust company (including the Trustee or any agent of the Trustee acting in their respective commercial capacities) incorporated under the laws of the United States or any State and subject to supervision and

examination by Federal and/or State banking authorities so long as the commercial paper and/or the short-term debt obligations of such depository institution or trust company at the time of, and during the course of, such investment or contractual commitment providing for such investment have at least the credit rating of "F1+" or "AAA" by Fitch (or, in the case of a depository institution which is the principal subsidiary of a holding company, the commercial paper or other short-term debt obligations of such holding company have a credit rating of "F1+" or "AAA" by Fitch;

- (iii) 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 "F1+" by Fitch;
- (iv) repurchase agreements with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States with an entity having the credit rating of "F1+" or "AAA" by Fitch. Copies of any repurchase agreement entered into will be delivered to 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 by the Rating Agency with respect to long term or short term, as applicable, senior unsecured debt of such entity or (y) the ratings assigned by the Rating Agency 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.

**"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 the Swap Counterparty's obligations hereunder, (b) at the time of such agreement, the Applicable Rating in respect of such entity is at least "A" (long term) and "F1" (short term) by Fitch and (c) the Rating Condition is satisfied; *provided,* that, in the case of the Initial Rate Swap Counterparty Downgrade 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 "Initial Rate Swap Counterparty Downgrade" above, such lower ratings that, as described therein, will not cause an Initial 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.

**"Further Rate Swap Counterparty Downgrade"** means the Applicable Rating in respect of the Swap Counterparty is less than "BBB+" (long-term) or "F2" (short-term) by Fitch.

**"Initial Rate Swap Counterparty Downgrade"** means the Applicable Ratings in respect of the Swap Counterparty are less than "A" (long term) or "F1" (short term) by Fitch.

**"Rate Swap Collateral"** means Collateralizing Securities in an amount, as determined by the Calculation Agent, sufficient to provide the Issuer an amount equal to the Floating Amount (as defined in the Rate Confirmation). The amount that constitutes Rate Swap Collateral, and any Collateralizing Securities previously posted as Rate Swap Collateral, shall be recalculated by the Calculation Agent on a weekly basis and failure to restore compliance with the requirements set out in "—Initial Rate 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" (long term) and "F1" (short term) by Fitch; *provided* that, in the case of an Initial Rate Swap Counterparty Downgrade 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 "—Initial Rate Swap Counterparty Downgrade" above, such lower ratings that, as described therein, will not cause an Initial 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 C 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 " <b>Master Contingent Forward Agreement</b> "), (ii) the Contingent Forward Confirmation, dated as of the Issue Date, and (iii) the Contingent Forward Guarantee (collectively, as amended and supplemented, the " <b>Contingent Forward Agreement</b> ").
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 .....	The Scheduled Maturity Date as defined under the Credit Confirmation, subject to earlier termination in accordance with its terms.
Contingent Forward Events of Default.....	"Events of Default" under the Contingent Forward Agreement (each, a " <b>Contingent Forward Event of Default</b> ") 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.

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.

Contingent Forward Termination Events .....	"Termination Events" under the Contingent Forward Agreement (each, a " <b>Contingent Forward Termination Event</b> ") 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.....	" <b>Additional Termination Events</b> " 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, or (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.
Contingent Forward Confirmation .....	The transaction under the Contingent Forward Agreement (the " <b>Contingent Forward Transaction</b> ") will be evidenced by the contingent forward confirmation (the form of which is attached as Annex C 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 " <b>Contingent Forward Confirmation</b> ").
Effect of a Termination Notice.....	The Issuer will not be entitled to exercise a Contingent Forward Transaction if the Swap Counterparty delivers a Termination Notice pursuant to the Credit Confirmation. In such circumstances, the Issuer will be required to liquidate the Underlying Securities in respect of the Notes to redeem the Notes, where relevant, by sale to a third party purchaser. The Swap Counterparty has agreed that it shall not deliver a Termination Notice unless, in connection with the Underlying Securities consisting of assets other than Liquidity Funds or U.S. dollars, it has identified a prospective purchaser (which prospective purchaser may be Morgan Stanley & Co. International Limited or an affiliate of Morgan Stanley & Co. International Limited) that has agreed to make a firm bid for such Underlying Securities then held by the Issuer, at par or above. Upon such redemption of the Notes, the Contingent Forward Transaction will terminate.

## 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/or an S&P rating of at least "AAAm" and/or a Fitch rating of at least AAA/V1+, (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) any United States dollar denominated securities rated (or issued by an entity rated) at least "Aaa" or "P-1" by Moody's Investors Service, Inc. or any successor to the rating business thereof ("**Moody's**") or at least "AAA" or "A-1" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof ("**S&P**") or at least "AAA" or "F1" by Fitch Ratings or any successor to the rating business thereof ("**Fitch**") that have a scheduled maturity date falling on or prior to the Scheduled Maturity Date (as specified) of the Notes, which may include Asset-Backed Securities, and which are not subject to any negative CreditWatch of S&P, on review for possible downgrade on Moody's Watchlist or placed on "Rating Watch Negative" by Fitch, as applicable, at the time of its acquisition; and/or
  - (iv) any United States dollar denominated Medium Term Notes rated at least "Aa2/P-1" by Moody's or at least "AA/A-1" by S&P or at least "AA/F1" by Fitch that have a scheduled maturity date falling on or prior to the Scheduled Maturity

Date (as specified) of the Notes, and which are not subject to any negative CreditWatch of S&P, on review for possible downgrade on Moody's Watchlist or placed on "Rating Watch Negative" by Fitch, as applicable, at the time of its acquisition; and/or

(v) U.S. dollars.

Where:

"**Medium Term Note**" means a debt security issued by a corporate entity.

"**Asset-Backed Security**" means a bond or note backed by loan payer or accounts receivable originated by banks, credit card companies or other providers of credit.

For the avoidance of doubt, in the case of clauses (i), (ii), (iii), (iv) and (v) 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 hold the Notes as capital assets 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 such treatment. For a discussion of Notes treated as equity in the Issuer see the Base Private Memorandum under the heading "Certain U.S. Federal Income Tax Considerations—U.S. Holders of Notes Treated as Equity".

### **Withholding Taxes: Acceleration Upon Certain Tax Events**

Under certain circumstances, the income derived by or payments made by foreign corporations may be subject to withholding taxes imposed by the U.S. In this regard, although the Issuer does not anticipate that it will be subject to U.S. withholding taxes, the issue is not free from doubt. In particular, in the case of credit default swaps there is no definitive guidance from the IRS with respect to the possible imposition of U.S. withholding or excise taxes. Thus, there can be no assurance that the IRS would not successfully assert that the Issuer is subject to U.S. withholding tax or that the Issuer will not generally become subject to U.S. withholding tax as a result of a change in U.S. tax law or the issuance of administrative or judicial interpretations thereof. If payments by the Swap Counterparty to the Issuer under the Swap Agreement become subject to withholding, the Swap Counterparty shall have no obligation to gross-up such amounts, but it may elect to do so in its sole discretion. If it does not so elect, a Tax Redemption Event will occur, the Notes will be redeemed and Swap Breakage Fees may be payable by either the Issuer or the Swap Counterparty. If they are payable by the Issuer they will be paid ahead of the Notes and thus, the cost of such Swap Breakage Fees will be borne by the Holders of the Notes, up to the limit of their outstanding Principal Balances. Should the Swap Counterparty elect to gross-up the payments in full, no Tax Redemption Event shall occur; however, once such an election has been made the Swap Counterparty may cease to make any future gross-up payments at any time, in which case a Tax Redemption Event shall occur.

## **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.**

*The following discussion supersedes and replaces in its entirety the discussion entitled "ERISA and Certain Other Considerations" contained in the Base Private Placement Memorandum.*

### **CERTAIN ERISA AND OTHER U.S. CONSIDERATIONS**

ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including (but not limited to) regulations relating to prohibited transactions. Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. It will be the responsibility of each ERISA Plan fiduciary to ensure that any purchase and holding of a Note does not and will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

The U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101 (the "Plan Asset Regulation"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by Benefit Plan Investors is not "significant."

Governmental plans and certain church and other plans, while not necessarily subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to State or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any of the Notes.

In order to attempt to prevent the assets of the Issuer from being considered plan assets for purposes of ERISA and Section 4975 of the Code, the Notes are not intended for purchase or holding by certain employee benefit plans and certain other plans. Each purchaser of a Note will be deemed to have represented and agreed either that (i) 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, as applicable, will not be (or be deemed for such purposes to be) (A) a Plan or (B) any person or entity whose assets include (or are deemed to include) the assets of an "employee benefit plan" or "plan" by reason of 29 C.F.R. 2510.3-101, as modified by ERISA, or the Code (either of the foregoing, a "Benefit Plan Investor") or (ii) it is an employee benefit plan that is not a Benefit Plan Investor which is subject to any federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("Similar Law") and the purchase and holding of the Note, as applicable, do not and will not violate any such substantially Similar Law.

The sale of any Note to a Plan, or to a person using assets of any Plan to effect its purchase of any Note, is in no respect a representation by the Issuers, the Placement Agent or the Collateral Manager that such an investment

meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

**THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. MOREOVER, THE MATTERS DISCUSSED ABOVE MAY BE AFFECTED BY FUTURE REGULATIONS, RULINGS AND COURT DECISIONS, SOME OF WHICH MAY HAVE RETROACTIVE APPLICATION AND EFFECT. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL AND OTHER ADVISORS PRIOR TO INVESTING TO DETERMINE THE ERISA IMPLICATIONS OF SUCH INVESTMENTS IN LIGHT OF SUCH INVESTOR'S CIRCUMSTANCES.**

## **TRANSFER RESTRICTIONS**

The Notes may only be offered and sold to non-U.S. persons in offshore transactions in reliance on Regulation S. 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)

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 Regulation S are used herein as defined therein):

- (i) It 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.

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 TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S 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.\$100,000 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 (OR ARE DEEMED TO INCLUDE) THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN BY REASON OF 29 C.F.R. 2510.3-101 (AS MODIFIED BY ERISA) OR THE CODE (ANY OF THE FOREGOING, A "BENEFIT PLAN INVESTOR"). 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) A BENEFIT PLAN INVESTOR OR (B) IT IS AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") AND 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, a "plan" as defined in Section 4975 of the Code, or any entity whose underlying assets include (or are deemed to include) for purposes of ERISA or the Code "plan assets" by reason of such plan investment in the entity (any of the foregoing, a "Benefit Plan Investor") or (B) it is an employee benefit plan that is not a Benefit Plan Investor which is subject to any federal, state, or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("Similar Law"), and the purchase and holding of the Notes, as applicable, 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) 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.

- (viii) By acceptance of an interest in a Note, it agrees to treat such Note as equity of the Issuer for U.S. federal income tax purposes.
- (ix) 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.
- (x) 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.
- (xi) 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 2007-5 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 2007-5 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 or delivery of Underlying Securities to the Holders pursuant to the exercise of their Delivery Option, as the case may be, 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.
- (xii) It acknowledges and agrees that (a) the Issuer may obtain or be in possession of non-public information regarding any Reference Entity or the issuer of any Reference Obligation which may not be made available to any Holder and (b) the Issuer makes no representations with respect to any Reference Entity, the issuer of any Reference Obligation or the accuracy or completeness of any information regarding the foregoing.

**FORM OF CREDIT CONFIRMATION**

Date: February 15, 2007

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

From: Morgan Stanley ACES SPC, acting for the account of the Series 2007-5 Segregated Portfolio ("**Party B**")

Re: Swap Transaction – Series 2007-5 Notes

MS Ref No: ngzuv

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Dear Sirs:

The purpose of this letter agreement (this "**Master Confirmation**") is to confirm the terms and conditions of the Transactions 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.

**Master Confirmation for Transaction Listed on Schedule C**

This Master Confirmation relates to multiple transactions and, except as expressly provided otherwise herein, this Master Confirmation evidences a separate credit default swap transaction (each, a "**Transaction**") with respect to each of the transactions set forth in Schedule C to this Master Confirmation (as such Schedule C may be amended from time to time). Each Transaction will be deemed to have been entered into pursuant to a separate written confirmation (each, a "**Confirmation**") between Party A and Party B, on the terms set forth in this Master Confirmation and the relevant entries in Schedule C (as such Schedule C may be amended from time to time). Accordingly, there may be multiple Cash Settlement Dates and the payment of multiple Cash Settlement Amounts under this Master Confirmation. Each Confirmation will constitute a "Confirmation" as referred to in the Agreement specified below.

This Master Confirmation supplements, forms a part of, and is subject to, the 1992 ISDA Master Agreement dated 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 Master Confirmation except as expressly modified below.

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 (the "**2003 Definitions**"), and, in relation to each Reference Entity where "Monoline" is specified with respect to such Reference Entity, the Additional Provisions for Physically Settled Default Swaps—Monoline Insurer as Reference Entity published on January 21, 2005 (the "**2005 Monoline Supplement**"), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Master Confirmation. In the event of any inconsistency between the 2003 Definitions, the 2005 Monoline Supplement and this Master Confirmation, this Master Confirmation will govern.

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

**1. General Terms:**

Effective Date: February 15, 2007, provided that solely in relation to determining whether or not a Succession Event has occurred with respect to any

Reference Entity (comprised in the Reference Portfolio), the Effective Date shall be February 12, 2007.

Scheduled Termination Date: February 10, 2011 (the "**Original Scheduled Termination Date**"), or if Party A exercises its Extension Option, February 10, 2014 (the "**Extended Scheduled Termination Date**"). All references to "Scheduled Termination Date" shall be read as a reference to the Original Scheduled Termination Date (if Party A has not exercised its Extension Option) or the Extended Scheduled Termination Date (if Party A has exercised its Extension Option), as the case may be.

Termination Date: With respect to a Transaction, the earliest of (i) the Scheduled Termination Date (ii) the Optional Termination Date and (iii) the date on which the aggregate of the Cash Settlement Amounts paid and required to be paid under such Transaction equals the Notional Amount of such Transaction

Calculation Agent: Morgan Stanley Capital Services Inc.

Calculation Agent City: New York

Business Day: New York, London, Chicago and Hong Kong

Business Day Convention: Following (which, subject to Sections 1.4 and 1.6 of the 2003 Definitions, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day)

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 five Business Days prior to the Scheduled Termination Date.

Floating Rate Payer: Party B ("**Seller**")

Fixed Rate Payer: Party A ("**Buyer**")

Notional Amount: As specified in Schedule C

Reference Entities: Each of the Reference Entities listed in the Reference Portfolio attached in Schedule A.

All Guarantees: As specified in Schedule B for each type of Reference Entities

Reference Price: 100%

Reference Entity Notional Amount: As specified in Schedule C

Attachment Point: As specified in Schedule C

Detachment Point: As specified in Schedule C

Lower Threshold Amount: As specified in Schedule C

Applicable Portion: As specified in Schedule C

## 2. **Fixed Payments:**

Fixed Rate Payer Payment Dates: The 5<sup>th</sup> Business Day immediately preceding August 15 and February 15 of each year, commencing on the 5<sup>th</sup> Business Day preceding August 15, 2007, and the Business Day immediately preceding the Termination Date

Fixed Amount: The product of (a) the Fixed Rate, (b) the Fixed Rate Payer

	Calculation Amount and (c) Fixed Rate Day Count Fraction
Fixed Rate:	As specified in Schedule C
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 sum of the Outstanding Notional Amount on each day of the Fixed Rate Payer Calculation Period ending immediately after such Fixed Rate Payer Payment Date divided by the number of days in such Fixed Rate Payer Calculation Period
Outstanding Notional Amount:	On any day, an amount equal to the Notional Amount, as reduced by an amount equal to the sum of all Incurred Loss Amounts determined at or prior to such day and applied in each case with effect from the Event Determination Date relating to such Incurred Loss Amount
Fixed Rate Payer Calculation Period:	With respect to each Fixed Rate Payer Payment Date, the period from and including the Fixed Rate Payer Period End Date immediately preceding such Fixed Rate Payer Payment Date to but excluding the Fixed Rate Payer Period End Date immediately succeeding such Fixed Rate Payer Payment Date, <i>provided</i> that (A) the first Fixed Rate Payer Calculation Period shall be the period from and including the Effective Date to but excluding the Fixed Rate Payer Period End Date immediately succeeding the first Fixed Rate Payer Payment Date; and (B) the last Fixed Rate Payer Calculation Period shall be the period from and including the Fixed Rate Payer Period End Date immediately preceding the Fixed Rate Payer Payment Date immediately preceding the Termination Date to but excluding the Termination Date, <i>provided</i> that where the Termination Date is the Scheduled Termination Date, to but excluding the Fixed Rate Payer Period End Date immediately succeeding the Termination Date (which for the avoidance of doubt may be the Accrual Cessation Date).
Fixed Rate Payer Period End Dates:	August 15 and February 15 in each year, commencing on the Effective Date and ending on the earliest of (i) February 10, 2011 (if Party A has not exercised its Extension Option) or February 10, 2014 (if Party A has exercised its Extension Option) (" <b>Accrual Cessation Date</b> "), (ii) the Optional Termination Date and (iii) the date on which the cumulative Cash Settlement Amounts equals the Notional Amount.
Fixed Rate Day Count Fraction:	Actual/360
3. <b>Floating Payments:</b>	
Floating Amount:	On each Cash Settlement Date, Party B will pay to Party A the Cash Settlement Amount.
Cash Settlement Date:	With respect to each Reference Entity for which an Event Determination Date has occurred (an " <b>Affected Reference Entity</b> " from the date of such Event Determination Date), the third Business Day following the Calculation Date.
	" <b>Calculation Date</b> " means, with respect to an Affected Reference Entity, the date on which the Loss Amount for all Selected Obligations relating thereto is determined.
Cash Settlement Amount:	With respect to a Cash Settlement Date, the Incurred Loss Amount determined on the related Calculation Date
Incurred Loss Amount:	With respect to an Affected Reference Entity and an Event Determination Date, an amount, calculated as of such Event Determination Date, equal to the lowest of:

- (i) Applicable Portion multiplied by the Loss Amount;
- (ii) (x) Applicable Portion multiplied by (y) the Aggregate Loss Amount (including the related Loss Amount for that Affected Reference Entity and Calculation Date) *minus* the Lower Threshold Amount (subject to a minimum of zero); and
- (iii) the Outstanding Notional Amount (prior to any reduction thereto in respect of that Affected Reference Entity and Calculation Date).

Loss Amount: With respect to an Affected Reference Entity:  
 (100% - Weighted Average Final Price) \* Reference Entity Notional Amount for such Reference Entity

Aggregate Loss Amount: At any time on any date, the aggregate of all Loss Amounts calculated hereunder with respect to all Reference Entities

Weighted Average Final Price: With respect to an Affected Reference Entity, the weighted average of the Final Prices determined for each Selected Obligation, weighted by reference to the Quotation Amount of the outstanding principal balance of each such Selected Obligation

Conditions to Settlement: Credit Event Notice  
 Notifying Party: Buyer  
 Notice of Publicly Available Information: Applicable

For the avoidance of doubt, the parties agree that the Conditions to Settlement may be satisfied more than once with respect to different Reference Entities under this Transaction; provided, however, that the Conditions to Settlement may be satisfied once only with respect to each Reference Entity, unless subsequent to the satisfaction of the Conditions to Settlement with respect to any Reference Entity that Reference Entity becomes the Successor to one or more other Reference Entities in which case the Conditions to Settlement may be satisfied in relation to that Successor Reference Entity, by reference to any Credit Event(s) which occurred after the relevant Succession Event, unless Restructuring is the only Credit Event specified in a Credit Event Notice, in which case, the provisions of Section 9 of this Confirmation shall apply.

Credit Event: In respect of a Reference Entity, the Credit Events specified in the ISDA Credit Derivatives Physical Settlement Matrix to the 2003 ISDA Credit Derivatives Definitions (the "**Matrix**") (the relevant sections of which are set out in the Standard Terms set forth in Schedule B, provided that to the extent there are inconsistencies between the Matrix and the Standard Terms set forth in Schedule B, the Matrix as of the Trade Date shall prevail, and the Swap Counterparty in its discretion acting in good faith and in a commercially reasonable manner shall apply the provisions of the Matrix to the extent applicable to such Reference Entity in accordance with standard market practice as at the Trade Date). A copy of all Credit Event Notices shall be sent to the relevant Rating Agency.

Obligation(s): In respect of a Reference Entity, in accordance with Section 2.14 of the 2003 Definitions on the basis of the Obligation Category and the Obligation Characteristic(s) specified in the Matrix (the relevant sections of which are set out in the Standard Terms set forth in Schedule B, provided that to the extent there are inconsistencies between the Matrix and the Standard Terms set forth in Schedule B, the Matrix as of the Trade Date shall prevail, and the Swap Counterparty in its discretion acting in good faith and in a commercially reasonable manner shall apply the provisions of the Matrix to the extent applicable to such Reference Entity in accordance with standard market practice as at the Trade Date).

4. **Settlement Terms:**

Settlement Method: Cash Settlement, as modified herein

Settlement Currency: USD

Valuation Process: Notwithstanding the provisions of Section 7.7 (*Quotation*) of the 2003 Definitions, valuations of the Reference Obligations shall be conducted as follows:

- (A) where the relevant Event Determination Date occurs on or before the date that is thirty-three Business Days prior to the Scheduled Termination Date:
  - (a) On the Valuation Date, the Calculation Agent shall attempt to obtain Full Quotations from at least five Dealers.
  - (b) If at least two Full Quotations are not available on such Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the 5<sup>th</sup> Business Day following such Valuation Date (together with such Valuation Date, the "**Bidding Days**"; the Bidding Days described in clauses (a) through (c), the "**First Round**"), the Calculation Agent shall attempt to obtain from five Dealers at least two Full Quotations in an amount equal to the Quotation Amount, for such Reference Obligation, *provided, however,* that the Calculation Agent shall not solicit or accept bids from any one Dealer on more than two Bidding Days during a single Bidding Round (as defined in clause (d) below).
  - (c) If, on any Business Day on or before the 5<sup>th</sup> Business Day following such Valuation Date, the Calculation Agent is able to obtain at least two such Full Quotations for such Reference Obligation, the Market Value of such Reference Obligation will be calculated in accordance with the Valuation Method.
  - (d) If the Calculation Agent is unable to obtain at least two such Full Quotations on or before the 5<sup>th</sup> Business Day following such Valuation Date, the Calculation Agent will repeat (such repetition, the "**Second Round**"; each First Round and each

Second Round constitute a separate "**Bidding Round**") the procedures set forth in clauses (a) – (c) immediately above for a period of up to five Business Days commencing on the 11<sup>th</sup> Business Day following such Valuation Date, save that in the Second Round the Calculation Agent shall attempt to obtain at least one Full Quotation or a Weighted Average Quotation. If on any Business Day on or before the 5<sup>th</sup> Business Day following such 11<sup>th</sup> Business Day the Calculation Agent is able to obtain at least one Full Quotation or a Weighted Average Quotation for such Reference Obligation, the Market Value of such Reference Obligation will be calculated in accordance with the Valuation Method. If the Calculation Agent is unable to obtain at least one such Full Quotation or a Weighted Average Quotation by the last Bidding Day of the Second Round, the Quotations (and the Market Value of such Reference Obligation) shall be deemed to be zero.

- (B) Where the relevant Event Determination Date occurs after the date that is thirty-three Business Days prior to the Scheduled Termination Date and on or before the date that is five Business Days prior to the Scheduled Termination Date:
- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to the Valuation Date and each Reference 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 Reference 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 on the Valuation Date or, if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Dealers 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 0% for the balance of the Quotation Amount for which firm quotations were not obtained on such day.
- (C) In the case of (A) or (B) above, the Calculation Agent shall determine, based on then current market practice in the market for such Reference Obligation, whether Full Quotations or any quotations comprising a Weighted Average Quotation with respect to such Reference Obligation shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification.

Dealer:	<p>For the purposes of the Valuation Process provisions above, the Calculation Agent shall select Dealers from the list of Approved Dealers. The initial list of Approved Dealers shall include any of the following financial institutions or any of their respective successors or affiliates (each an "<b>Approved Dealer</b>"): Barclays Bank plc, ABN Amro, BNP Paribas, Citibank, Credit Suisse, Bear Stearns, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Lehman Brothers, Royal Bank of Scotland, Merrill Lynch, Societe Generale, Dresdner Bank and UBS. The Calculation Agent may add new Dealers to and/or remove Dealers from the list of Approved Dealers, <i>provided</i> that the Calculation Agent will use its reasonable efforts to ensure that there are no less than ten Approved Dealers at any one time.</p> <p>For the avoidance of doubt, Morgan Stanley &amp; Co. International Limited or one of its affiliates may be a Dealer. However, where the Calculation Agent is obliged to approach a minimum number of Dealers to seek quotations pursuant to the procedures set out above, any approach to Morgan Stanley &amp; Co. International Limited or any of its affiliates will not count towards such minimum.</p>
Valuation Date:	<p>Multiple Valuation Dates shall apply <i>provided</i> that if the relevant Event Determination Date occurs after the date that is thirty-three Business Days prior to the Scheduled Termination Date and on or before the date that is five Business Days prior to the Scheduled Termination Date, Single Valuation Date shall apply. The Calculation Agent shall (where applicable) determine the number of Valuation Dates, <i>provided</i> that in all cases the Quotation Amount with respect to a Reference Obligation and a Valuation Date shall not exceed USD25,000,000. Where the relevant Event Determination Date occurs on or before the date that is thirty-three Business Days prior to the Scheduled Termination Date, the Valuation Date, or where there is more than one Valuation Date, the first Valuation Date shall be any Business Day selected by the Calculation Agent that occurs on or after the 14<sup>th</sup> Business Day after the Event Determination Date and on or prior to the 72<sup>nd</sup> Business Day after the Event Determination Date <i>provided</i> that any Valuation Date selected must be at least four Business Days prior to the Scheduled Termination Date. Where the relevant Event Determination Date occurs after the date that is thirty-three Business Days prior to the Scheduled Termination Date, the Valuation Date shall be any Business Day selected by the Calculation Agent provided that such Valuation Date selected must be at least four Business Days prior to the Scheduled Termination Date. Where applicable, each subsequent Valuation Date shall occur one Business Day following the immediately preceding Valuation Date.</p>
Valuation Method:	<p>If there is a single Valuation Date: Highest shall apply</p> <p>If there are multiple Valuation Dates: Average Highest shall apply.</p>
Quotation Method:	Bid
Notice Designating Reference Obligations:	<p>Upon satisfaction of the Conditions to Settlement in respect of any Credit Event, Party A shall as soon as practicable deliver a written notice to Party B, specifying details of one or more Reference Obligations of the relevant Affected Reference Entity (each a "<b>Selected Obligation</b>") that will be included in the portfolio of Reference Obligations to be valued on each or, as the case may be,</p>

the Valuation Date. Party A shall select such Reference Obligations in its sole and absolute discretion, subject to the limitations set forth below under "Reference Obligations".

Quotation Amount: Subject to "Valuation Date" above, the outstanding principal balance of the Selected Obligations specified in the Notice Designating Reference Obligation, *provided* that the Quotation Amount with respect to a Reference Obligation and a Valuation Date shall not exceed USD25,000,000.

Reference Obligations: In respect of a Reference Entity any obligation selected by the Buyer in its sole discretion, in accordance with Section 2.15 of the 2003 Definitions on the basis of the Deliverable Obligation Category and Deliverable Obligation Characteristic(s) specified in the Matrix (the relevant sections of which are set forth in the Standard Terms set forth in Schedule B, provided that to the extent there are any inconsistencies between the Matrix and the applicable Standard Terms in Schedule B, the Matrix as of the Trade Date shall prevail, and the Swap Counterparty in its discretion acting in good faith and in a commercially reasonable manner shall apply the provisions of the Matrix to the extent applicable to such Reference Entity in accordance with standard market practice as at the Trade Date). For purposes of Section 2.19(b)(i)(A) of the 2003 Definitions (a) if "Senior" is specified under the column titled "Subordination Ranking" for the specific Reference Entity in Schedule A, then no Reference Obligation shall be deemed to be selected, and (b) if "Subordinated" is specified under the column titled "Subordination Ranking" for the specific Reference Entity in Schedule A, then the Reference Obligation shall be deemed to be a subordinated Borrowed Money obligation.

5. **Other Provisions:**

Amendments to Section 2.2 of the 2003 Definitions Relating to Successors: For the purposes of this Transaction, the 2003 Definitions shall be deemed to be amended as follows:

(i) In each of Sections 2.2(a)(iii) and 2.2(a)(iv), the words "for a New Credit Derivative Transaction determined in accordance with the provisions of Section 2.2(e)" shall be deemed to be deleted in their entirety.

(ii) Sections 2.2(d) and 2.2(e) shall each be deemed to be deleted in their entirety and Section 2.2(d) is replaced in its entirety with the following:

"(i) 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 "**Original Reference Entity**"), (A) the Original Reference 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(d)(i)(B) below), (B) each Successor to the Original Reference Entity shall be a Reference Entity for the purposes of this Transaction, (C) the number of Reference Entities will be increased by the number of Successors (except in the case where

any Successor is a Reference Entity at the time of the Succession Event) and the Reference Entity Notional Amount for each such Successor will equal the Reference Entity Notional Amount of the Original Reference Entity immediately prior to the application of Section 2.2 divided by the number of Successors and (D) 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).

- (ii) 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 Original Reference 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(d)(i)(C) of the Credit Derivatives Definitions (as amended hereby).
- (iii) A Successor may be a Reference Entity notwithstanding that such entity was previously a Reference Entity in respect of which the Conditions to Settlement were satisfied."

6. **Optional Termination:**

Party A may, on any day which is (i) a Business Day and (ii) on or after the Business Day immediately succeeding the first Fixed Rate Payer Payment Date, upon not less than five Business Days' prior notice to Party B, terminate this Transaction (which for the avoidance of doubt, refers to any Transaction under this Master Confirmation) (such right, a "**Termination Option**" and termination resulting from the exercise of such Termination Option, an "**Optional Termination**" and such date of termination, the "**Optional Termination Date**") *provided* that Party A may only exercise such Termination Option if, in connection with Underlying Securities consisting of assets other than Liquidity Funds or U.S. dollars, the Calculation Agent has identified a prospective purchaser (which prospective purchaser may be Morgan Stanley & Co. International Limited or an affiliate of Morgan Stanley & Co. International Limited) that has agreed to make a firm bid for such Underlying Securities then held by the Issuer at par or above. The Termination Option may be exercised by oral notice (and such oral notice to be confirmed in writing promptly thereafter, provided that failure to do so will not vitiate such original oral notice) from Party A to Party B.

References to Underlying Securities in respect of the Notes related to a Transaction means Underlying Securities with a principal balance equal to a proportion of the aggregate principal balance of the Underlying Securities then held by Party B, which proportion is equal to the proportion borne by the outstanding principal balance of the Notes to the aggregate principal balance of the Notes.

For the avoidance of doubt, all Fixed Rate Payer Payments and any Cash Settlement Amounts due to be paid on or prior to the Optional Termination Date in respect of the relevant Transaction will be payable.

No termination amount under Section 6(e) of the Agreement will be due from either party to the other in connection with any Optional Termination other than any amounts which should have been paid in respect of this Transaction on or prior to the Optional Termination Date and which remain unpaid.

The exercise of the Termination Option in respect of a Transaction under this Master Confirmation shall not affect the other Transaction under this Master Confirmation.

7. **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.

8. **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.

9. **Amendment to Section 3.9 of the 2003 Definitions:**

Section 3.9 of the 2003 Definitions is deleted and replaced in its entirety by the following:

"Section 3.9 Credit Event Notice After Restructuring.

- (a) In the event that Restructuring is the only Credit Event specified in a Credit Event Notice, the Notifying Party shall specify the portion (an "**Exercise Amount**") of the Reference Entity Notional Amount in respect of which the Conditions to Settlement are being satisfied in such Credit Event Notice. Such Exercise Amount shall be determined in the sole discretion of the Notifying Party but shall be an amount that is at least 1,000,000 units of the currency (or, if Japanese Yen, 100,000,000 units of the currency) in which the Reference Entity Notional Amount is denominated or an integral multiple thereof or the entire then outstanding Reference Entity Notional Amount. In no case may the Exercise Amount exceed the Reference Entity Notional Amount.
- (b) For the purposes of Section 3 and Section 4 (*Settlement Terms*) above, the Reference Entity Notional Amount of the relevant Reference Entity shall be deemed to be the Exercise Amount.
- (c) In the event that the Conditions to Settlement are satisfied with respect to any Reference Entity and the Exercise Amount is less than the relevant Reference Entity Notional Amount, that Reference Entity shall continue to be a Reference Entity for the purposes of the Transaction and:
  - (i) shall have a Reference Entity Notional Amount equal to its Reference Entity Notional Amount immediately prior to the relevant Event Determination Date minus that Exercise Amount; and
  - (ii) the Conditions to Settlement may be satisfied on one or more future occasions with respect to that Reference Entity (including without limitation, with respect to a Restructuring Credit Event in relation to which a Settlement Date has already occurred on one or more previous occasions), provided in each case that the Reference Entity Notional Amount of that Reference Entity prior to such satisfaction is greater than zero."

10. **Additional Termination Event:**

- (a) In respect of Party A, the occurrence of an Initial Default Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that an Initial Default Swap Counterparty Downgrade shall not constitute an Additional Termination Event if (i) Party A has, within thirty calendar days after the Calculation Agent or the Trustee has notified Party A in writing that an Initial Default Swap Counterparty Downgrade has occurred, posted Rate Swap Collateral under the Rate Confirmation or (ii) Party A takes one of the following actions at its sole expense: (A) 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 thirty calendar days of the occurrence of such Initial Default Swap Counterparty Downgrade, (B) Party A has, within thirty calendar days of the occurrence of such Initial Default Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to Party A's obligations hereunder, or (C) Party A has complied with such other collateral posting requirements, if any, with respect to the Transactions under this Master Confirmation, in connection with which the Rating Condition has been met. In the event of an Additional Termination Event under this Section 10(a), Party A shall be deemed the sole Affected Party.

- (b) In respect of Party A, the occurrence of a Further Default Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that a Further Default Swap Counterparty Downgrade shall not constitute an Additional Termination Event if Party A takes one of the following actions at its sole expense: (A) 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 thirty calendar days of the occurrence of such Further Default Swap Counterparty Downgrade, or (B) Party A has, within thirty calendar days of the occurrence of such Further Default Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to Party A's obligations hereunder. In the event of an Additional Termination Event under this Section 10(b), Party A shall be deemed the sole Affected Party.

11. **Redemption not Termination**

The redemption of the Notes following the reduction of the outstanding principal balance of the Notes to zero will not constitute an Additional Termination Event with respect to any Transaction under the Agreement.

12. **Extension Option**

Party A shall have the right, but not the obligation, to extend the scheduled termination date of the Transaction from the Original Scheduled Termination Date to the Extended Scheduled Termination Date (such right, the "**Extension Option**") at any time by giving at least ten Business Days' prior written notice to Party B.

For the avoidance of doubt, if the Underlying Securities have a scheduled maturity date after the Original Scheduled Termination Date and such Underlying Securities may not otherwise be redeemed under its terms prior to the Original Scheduled Termination Date, Party A must exercise the Extension Option unless the Calculation Agent has identified a prospective purchaser that has agreed to make a firm bid for a pro rata amount of such Underlying Securities (corresponding to the relevant class of Notes being called) at par or above (such prospective purchaser may be Morgan Stanley & Co International Ltd or any of its affiliates).

13. **Definitions:**

"**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 by such Rating Agency with respect to long term or short term, as applicable, senior unsecured debt of such entity or (ii) the ratings assigned by such Rating Agency with respect to the long term or short term, as applicable, senior unsecured debt of any Credit Support Provider of such entity.

"**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, (b) at the time of such agreement, the Applicable Rating in respect of such entity is at least "A" (long-term) and "F1" (short-term) by Fitch, and (c) the Rating Condition is satisfied; *provided*, that, in the case of the Initial Default Swap Counterparty Downgrade 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 collateral as described in Section 10(a)(ii)(C) above, such lower ratings that, as described therein, will not cause an Initial 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.

**"Further Default Swap Counterparty Downgrade"** means the Applicable Rating in respect of Party A is less than "BBB+" (long-term) or "F2" (short-term) by Fitch.

**"Indenture"** means the Series Indenture relating to the Notes, dated as of February 15, 2007, 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 Default Swap Counterparty Downgrade"** means the Applicable Rating in respect of Party A is less than "A" (long-term) or "F1" (short-term) by Fitch.

**"Liquidity Fund"** has the meaning given to it in the Indenture.

**"Notes"** means US\$24,635,000 Floating Rate Notes due 2011 extendable to 2014 (the **"Notes"**), each of Series 2007-5, issued by Party B on the Effective Date.

**"Rate Confirmation"** has the meaning given to it in the Indenture.

**"Rate Swap Collateral"** has the meaning given to it in the Rate Confirmation.

**"Rating Agency"** means Fitch Ratings Limited, or any successor to the rating business.

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

**"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" (long-term) and "F1" (short-term) by Fitch, *provided*, that, in the case of an Initial Default Swap Counterparty Downgrade 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 collateral as described in Section 10(a)(ii)(C) 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.

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

14. **Notice and Account Details:**

Notice and Account Details for Party A: Notice Details:

Structured Credit Product Group:  
Dean Yogev/Laura Liu/Will Sage  
Tel: +852-2848-5980/8857  
Fax: +852-3407-5096

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

181 West Madison Street, 32nd Floor  
Chicago, IL 60602  
Attention CDO Trust Services Group  
MS ACES SPC, Series 2007-5  
Tel: 312-904-8944  
Fax: 312-873-4722

Account Details:

LaSalle Bank N.A.  
ABA 071000505  
Account Name: LaSalle Trust GL  
Acct: 2090067  
Further CR: 711181  
RE: MS ACES SPC, Series 2007-5  
Attn: Thais Hayum

and to Fitch at: ..... Fitch Ratings Limited

Structured Credit  
Fitch (Hong Kong) Limited  
28/F, Tower Two, Lippo Centre  
89 Queensway  
Hong Kong  
Fax: +852 2973 6293  
Email: hongkong.cdosurveillance@fitchratings.com

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

Yours sincerely,  
**MORGAN STANLEY ACES SPC**, acting for the  
account of the Series 2007-5 Segregated Portfolio

By: \_\_\_\_\_  
Name:  
Title:

Confirmed on the date first above written:

**MORGAN STANLEY CAPITAL SERVICES INC.**

By: \_\_\_\_\_  
Name:  
Title:

**Reference Portfolio**

**Schedule A**

**ANNEX I**

	<b>Reference Entity</b>	<b>Seniority</b>	<b>Reference Entity Type</b>
1.	Abitibi-Consolidated Inc.	Senior	North American Corporate Investment Grade
2.	ACOM CO., LTD.	Senior	Japan Corporate
3.	ALLTEL Corporation	Senior	North American Corporate Investment Grade
4.	Ambac Assurance Corporation	Senior	North American Monoline
5.	AmerisourceBergen Corporation	Senior	North American Corporate High Yield
6.	ArvinMeritor, Inc.	Senior	North American Corporate Investment Grade
7.	BAA plc	Senior	European Corporate
8.	BARCLAYS BANK PLC	Senior	European Corporate
9.	Beazer Homes USA, Inc.	Senior	North American Corporate High Yield
10.	Berkshire Hathaway Inc.	Senior	North American Corporate Investment Grade
11.	Block Financial Corporation	Senior	North American Corporate Investment Grade
12.	Boston Scientific Corporation	Senior	North American Corporate Investment Grade
13.	Bowater Incorporated	Senior	North American Corporate Investment Grade
14.	British Telecommunications Public Limited Company	Senior	European Corporate
15.	Brunswick Corporation	Senior	North American Corporate Investment Grade
16.	CBS Corporation	Senior	North American Corporate Investment Grade
17.	Centex Corporation	Senior	North American Corporate Investment Grade
18.	CenturyTel, Inc.	Senior	North American Corporate Investment Grade
19.	Chemtura Corporation	Senior	North American Corporate High Yield
20.	CIT Group Inc.	Senior	North American Corporate Investment Grade
21.	Citigroup Inc. (Sub)	Subordinated	North American Corporate Investment Grade
22.	Compagnie de Saint-Gobain	Senior	European Corporate
23.	Computer Sciences Corporation	Senior	North American Corporate Investment Grade
24.	Continental Aktiengesellschaft	Senior	European Corporate
25.	Countrywide Home Loans, Inc.	Senior	North American Corporate

			Investment Grade
26.	DaimlerChrysler AG	Senior	European Corporate
27.	Darden Restaurants, Inc.	Senior	North American Corporate Investment Grade
28.	Deutsche Telekom AG	Senior	European Corporate
29.	Dexia Credit Local	Senior	European Corporate
30.	E.On AG	Senior	European Corporate
31.	Everest Reinsurance Holdings, Inc.	Senior	North American Corporate Investment Grade
32.	EXPEDIA, INC.	Senior	North American Corporate Investment Grade
33.	Federal Home Loan Mortgage Corporation (Jr Sub)	Subordinated	North American Corporate Investment Grade
34.	Federal National Mortgage Association (Sub)	Subordinated	North American Corporate Investment Grade
35.	Federated Department Stores, Inc.	Senior	North American Corporate Investment Grade
36.	Financial Security Assurance Inc.	Senior	North American Monoline
37.	First Data Corporation	Senior	North American Corporate Investment Grade
38.	Ford Motor Company	Senior	North American Corporate Investment Grade
39.	Fortune Brands, Inc.	Senior	North American Corporate Investment Grade
40.	France Telecom	Senior	European Corporate
41.	Freescale Semiconductor, Inc.	Senior	North American Corporate High Yield
42.	Gannett Co., Inc.	Senior	North American Corporate Investment Grade
43.	GAZ DE FRANCE	Senior	European Corporate
44.	General Electric Capital Corporation	Senior	North American Corporate Investment Grade
45.	Glitnir banki hf.	Senior	European Corporate
46.	Harrah's Operating Company, Inc.	Senior	North American Corporate Investment Grade
47.	Ingersoll-Rand Company	Senior	North American Corporate Investment Grade
48.	ISS Global A/S	Senior	European Corporate
49.	J. C. Penney Company, Inc.	Senior	North American Corporate High Yield
50.	Johnson & Johnson	Senior	North American Corporate Investment Grade
51.	K. Hovnanian Enterprises, Inc.	Senior	North American Corporate High Yield
52.	Kaupthing banki hf. (Sub)	Subordinated	European Corporate
53.	Kimberly-Clark Corporation	Senior	North American Corporate Investment Grade

54.	Kinder Morgan, Inc.	Senior	North American Corporate Investment Grade
55.	Kohl's Corporation	Senior	North American Corporate Investment Grade
56.	Koninklijke KPN N.V.	Senior	European Corporate
57.	Ladbroke PLC	Senior	European Corporate
58.	Landsbanki Islands hf	Senior	European Corporate
59.	Lanxess Aktiengesellschaft	Senior	European Corporate
60.	Lennar Corporation	Senior	North American Corporate Investment Grade
61.	L'Oreal	Senior	European Corporate
62.	M.D.C. Holdings, Inc.	Senior	North American Corporate Investment Grade
63.	Masco Corporation	Senior	North American Corporate Investment Grade
64.	MBIA Inc.	Senior	North American Corporate Investment Grade
65.	MBIA Insurance Corporation	Senior	North American Monoline
66.	Merrill Lynch & Co., Inc.	Senior	North American Corporate Investment Grade
67.	MGIC Investment Corporation	Senior	North American Corporate Investment Grade
68.	Mobil Corporation	Senior	North American Corporate Investment Grade
69.	Nabors Industries, Inc.	Senior	North American Corporate Investment Grade
70.	Nestle S.A.	Senior	European Corporate
71.	NOVA Chemicals Corporation	Senior	North American Corporate High Yield
72.	Novartis AG	Senior	European Corporate
73.	PCCW-HKT TELEPHONE LIMITED	Senior	Asia Corporate
74.	Pfizer Inc.	Senior	North American Corporate Investment Grade
75.	Portugal Telecom International Finance B.V.	Senior	European Corporate
76.	ProSiebenSat.1 Media AG	Senior	European Corporate
77.	Pulte Homes, Inc.	Senior	North American Corporate Investment Grade
78.	QANTAS AIRWAYS LIMITED	Senior	Australia and New Zealand Corporate
79.	R.R. Donnelley & Sons Company	Senior	North American Corporate Investment Grade
80.	Radian Group Inc.	Senior	North American Corporate Investment Grade
81.	RadioShack Corporation	Senior	North American Corporate Investment Grade
82.	RENTOKIL INITIAL PLC	Senior	European Corporate

83.	Residential Capital, LLC	Senior	North American Corporate Investment Grade
84.	RWE Aktiengesellschaft	Senior	European Corporate
85.	Ryder System, Inc.	Senior	North American Corporate Investment Grade
86.	Sabre Holdings Corporation	Senior	North American Corporate Investment Grade
87.	Sara Lee Corporation	Senior	North American Corporate Investment Grade
88.	Sberbank	Senior	LPN Reference Entity
89.	Siemens Aktiengesellschaft	Senior	European Corporate
90.	Southwest Airlines Co.	Senior	North American Corporate Investment Grade
91.	Sprint Nextel Corporation	Senior	North American Corporate Investment Grade
92.	Standard Pacific Corp.	Senior	North American Corporate High Yield
93.	Starwood Hotels & Resorts Worldwide, Inc.	Senior	North American Corporate High Yield
94.	STMicroelectronics N.V.	Senior	European Corporate
95.	TELECOM ITALIA SPA	Senior	European Corporate
96.	TeliaSonera Aktiebolag	Senior	European Corporate
97.	TELSTRA CORPORATION LIMITED	Senior	Australia and New Zealand Corporate
98.	The Black & Decker Corporation	Senior	North American Corporate Investment Grade
99.	The Gap, Inc.	Senior	North American Corporate Investment Grade
100.	The Goldman Sachs Group, Inc.	Senior	North American Corporate Investment Grade
101.	The Home Depot, Inc.	Senior	North American Corporate Investment Grade
102.	THE NEW YORK TIMES COMPANY	Senior	North American Corporate Investment Grade
103.	The PMI Group, Inc.	Senior	North American Corporate Investment Grade
104.	The Sherwin-Williams Company	Senior	North American Corporate Investment Grade
105.	The Stanley Works	Senior	North American Corporate Investment Grade
106.	THOMSON	Senior	European Corporate
107.	ThyssenKrupp AG	Senior	European Corporate
108.	Toll Brothers, Inc.	Senior	North American Corporate Investment Grade
109.	TOYOTA MOTOR CORPORATION	Senior	Japan Corporate
110.	Transocean Inc.	Senior	North American Corporate Investment Grade
111.	TXU Energy Company LLC	Senior	North American Corporate Investment Grade

112.	Tyco International Ltd.	Senior	North American Corporate Investment Grade
113.	Universal Health Services, Inc.	Senior	North American Corporate Investment Grade
114.	UST Inc.	Senior	North American Corporate Investment Grade
115.	Valeo	Senior	European Corporate
116.	Vattenfall Aktiebolag	Senior	European Corporate
117.	Veolia Environnement	Senior	European Corporate
118.	Viacom Inc.	Senior	North American Corporate Investment Grade
119.	Vivendi	Senior	European Corporate
120.	Weyerhaeuser Company	Senior	North American Corporate Investment Grade
121.	XL Capital Assurance Inc.	Senior	North American Monoline

**STANDARD TERMS**

The standard terms relating to each Entity Type are set out in the Annexes to this Schedule B.

Annex 1 to Schedule B  
**EUROPEAN CORPORATE REFERENCE ENTITIES**

All Guarantees

Applicable

Credit Events

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.

Restructuring

Restructuring Maturity Limitation and Fully Transferable Obligation: Not  
Applicable

Modified Restructuring Maturity Limitation and Conditionally  
Transferable Obligation: Applicable

Default Requirement: USD10,000,000 or its equivalent in the relevant  
Obligation Currency as of the occurrence of the relevant Credit Event.

Multiple Holder Obligation: Applicable

Obligation

Obligation Category: Borrowed Money

Obligation Characteristics: None

Deliverable Obligations

Deliverable Obligation Category: Bond or Loan

Deliverable Obligation Characteristics: Not Subordinated  
Specified Currency – Standard  
Specified Currencies  
Not Contingent  
Assignable Loan  
Consent Required Loan  
Transferable  
Maximum Maturity 30 years  
Not Bearer

Exclude Accrued Interest

Annex 2 to Schedule B  
**SUBORDINATED EUROPEAN INSURANCE CORPORATE REFERENCE ENTITIES**

All Guarantees	Applicable	
Credit Events	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.	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable	
	Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.	
	Multiple Holder Obligation: Applicable	
Obligation	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Deliverable Obligations	Deliverable Obligation Category:	Bond or Loan
	Deliverable Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer
	Exclude Accrued Interest	

Annex 3 to Schedule B  
**EUROPEAN SOVEREIGN REFERENCE ENTITY**

All Guarantees	Applicable
Credit Events	Repudiation/Moratorium 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. Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event. Multiple Holder Obligation: Applicable
Obligation	
	Obligation Category: Borrowed Money
	Obligation Characteristics: None
Excluded Obligations:	None
Deliverable Obligations	
	Deliverable Obligation Category: Bond or Loan
	Deliverable Obligation Characteristics: Specified Currency – Standard Specified Currencies Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer
Excluded Deliverable Obligations:	None
Deliverable Obligations:	Exclude Accrued Interest

Annex 4 to Schedule B  
**NORTH AMERICAN CORPORATE INVESTMENT GRADE REFERENCE ENTITIES**

All Guarantees	Not Applicable	
Credit Events	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.	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable	
	Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.	
	Multiple Holder Obligation: Applicable	
Obligation		
	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Deliverable Obligations		
	Deliverable Obligation Category:	Bond or Loan
	Deliverable Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer
	Exclude Accrued Interest	

Annex 5 to Schedule B  
**NORTH AMERICAN CORPORATE HIGH YIELD REFERENCE ENTITIES**

All Guarantees	Not Applicable	
Credit Events	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	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Deliverable Obligations	Deliverable Obligation Category:	Bond or Loan
	Deliverable Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer
	Exclude Accrued Interest	

Annex 6 to Schedule B  
**NORTH AMERICAN MONOLINE REFERENCE ENTITIES**

All Guarantees	Not Applicable	
Credit Events	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.	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable	
	Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.	
	Multiple Holder Obligation: Applicable	
Obligation	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Deliverable Obligations	Deliverable Obligation Category:	Bond or Loan
	Deliverable Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity 30 years Not Bearer
	Exclude Accrued Interest	

Annex 7 to Schedule B  
**LATIN AMERICAN CORPORATE REFERENCE ENTITIES**

All Guarantees	Applicable						
Credit Events	<p>Bankruptcy</p> <p>Failure to Pay</p> <p style="padding-left: 40px;">Grace Period Extension: Applicable</p> <p style="padding-left: 40px;">Payment Requirement: USD1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.</p> <p>Obligation Acceleration</p> <p>Repudiation/Moratorium</p> <p>Restructuring</p> <p style="padding-left: 40px;">Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable</p> <p style="padding-left: 40px;">Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable</p> <p style="padding-left: 40px;">Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.</p> <p style="padding-left: 40px;">Multiple Holder Obligation: Not Applicable</p>						
Obligation	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Obligation Category:</td> <td>Bond</td> </tr> <tr> <td>Obligation Characteristics:</td> <td> <p>Not Subordinated</p> <p>Not Domestic Currency</p> <p>Not Domestic Law</p> <p>Not Domestic Issuance</p> </td> </tr> </table>	Obligation Category:	Bond	Obligation Characteristics:	<p>Not Subordinated</p> <p>Not Domestic Currency</p> <p>Not Domestic Law</p> <p>Not Domestic Issuance</p>		
Obligation Category:	Bond						
Obligation Characteristics:	<p>Not Subordinated</p> <p>Not Domestic Currency</p> <p>Not Domestic Law</p> <p>Not Domestic Issuance</p>						
Deliverable Obligations	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Deliverable Obligation Category:</td> <td>Bond</td> </tr> <tr> <td>Deliverable Obligation Characteristics:</td> <td> <p>Not Subordinated</p> <p>Specified Currency – Standard Specified Currencies</p> <p>Not Domestic Law</p> <p>Not Contingent</p> <p>Not Domestic Issuance</p> <p>Transferable</p> <p>Not Bearer</p> </td> </tr> <tr> <td>Exclude Accrued Interest</td> <td></td> </tr> </table>	Deliverable Obligation Category:	Bond	Deliverable Obligation Characteristics:	<p>Not Subordinated</p> <p>Specified Currency – Standard Specified Currencies</p> <p>Not Domestic Law</p> <p>Not Contingent</p> <p>Not Domestic Issuance</p> <p>Transferable</p> <p>Not Bearer</p>	Exclude Accrued Interest	
Deliverable Obligation Category:	Bond						
Deliverable Obligation Characteristics:	<p>Not Subordinated</p> <p>Specified Currency – Standard Specified Currencies</p> <p>Not Domestic Law</p> <p>Not Contingent</p> <p>Not Domestic Issuance</p> <p>Transferable</p> <p>Not Bearer</p>						
Exclude Accrued Interest							

Annex 8 to Schedule B  
**LATIN AMERICAN SOVEREIGN REFERENCE ENTITIES**

All Guarantees	Applicable				
Credit Events	<p>Failure to Pay</p> <p style="padding-left: 40px;">Grace Period Extension: Applicable</p> <p style="padding-left: 40px;">Payment Requirement: USD1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.</p> <p>Obligation Acceleration</p> <p>Repudiation/Moratorium</p> <p>Restructuring</p> <p style="padding-left: 40px;">Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable</p> <p style="padding-left: 40px;">Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable</p> <p style="padding-left: 40px;">Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.</p> <p style="padding-left: 40px;">Multiple Holder Obligation: Not Applicable</p>				
Obligation	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Obligation Category:</td> <td>Bond</td> </tr> <tr> <td>Obligation Characteristics:</td> <td> <p>Not Subordinated</p> <p>Not Domestic Currency</p> <p>Not Domestic Law</p> <p>Not Domestic Issuance</p> </td> </tr> </table>	Obligation Category:	Bond	Obligation Characteristics:	<p>Not Subordinated</p> <p>Not Domestic Currency</p> <p>Not Domestic Law</p> <p>Not Domestic Issuance</p>
Obligation Category:	Bond				
Obligation Characteristics:	<p>Not Subordinated</p> <p>Not Domestic Currency</p> <p>Not Domestic Law</p> <p>Not Domestic Issuance</p>				
Deliverable Obligations	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Deliverable Obligation Category:</td> <td>Bond</td> </tr> <tr> <td>Deliverable Obligation Characteristics:</td> <td> <p>Not Subordinated</p> <p>Specified Currency – Standard Specified Currencies</p> <p>Not Domestic Law</p> <p>Not Contingent</p> <p>Not Domestic Issuance</p> <p>Transferable</p> <p>Not Bearer</p> </td> </tr> </table> <p style="padding-left: 40px;">Exclude Accrued Interest</p>	Deliverable Obligation Category:	Bond	Deliverable Obligation Characteristics:	<p>Not Subordinated</p> <p>Specified Currency – Standard Specified Currencies</p> <p>Not Domestic Law</p> <p>Not Contingent</p> <p>Not Domestic Issuance</p> <p>Transferable</p> <p>Not Bearer</p>
Deliverable Obligation Category:	Bond				
Deliverable Obligation Characteristics:	<p>Not Subordinated</p> <p>Specified Currency – Standard Specified Currencies</p> <p>Not Domestic Law</p> <p>Not Contingent</p> <p>Not Domestic Issuance</p> <p>Transferable</p> <p>Not Bearer</p>				

Annex 9 to Schedule B  
**LPN REFERENCE ENTITY**

All Guarantees  
Credit Events

Applicable

Bankruptcy

Failure to Pay

Grace Period Extension: 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 Acceleration

Repudiation Moratorium

Restructuring

Multiple Holder Obligation: Not Applicable

a) ..... Not Applicable with respect to Obligation Category "Bonds"

b) ..... Applicable with respect to Obligation Category "Loans"

Notwithstanding the above, Multiple Holder Obligation will be Not Applicable with respect to any of the Reference Obligations (and any Underlying Loan).

Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

Obligation

Obligation Category:

Bond or Loan

Obligation Characteristics:

Not Subordinated

Not Domestic Law

Not Domestic Currency

Not Domestic Issuance

Additional Term:	Each Reference Obligation will be an Obligation notwithstanding anything to the contrary in the Credit Derivatives Definitions, including but not limited to Section 2.14, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity				
Excluded Obligations:	None				
Deliverable Obligations	<table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 10px;">Deliverable Obligation Category:</td> <td>Bond or Loan</td> </tr> <tr> <td style="padding-right: 10px;">Deliverable Obligation Characteristics:</td> <td>           Not Subordinated            Specified Currency: Standard            Specified Currencies            Not Domestic Law            Not Domestic Issuance            Not Contingent            Transferable            Not Bearer            Assignable Loan            Consent Required Loan         </td> </tr> </table>	Deliverable Obligation Category:	Bond or Loan	Deliverable Obligation Characteristics:	Not Subordinated Specified Currency: Standard Specified Currencies Not Domestic Law Not Domestic Issuance Not Contingent Transferable Not Bearer Assignable Loan Consent Required Loan
Deliverable Obligation Category:	Bond or Loan				
Deliverable Obligation Characteristics:	Not Subordinated Specified Currency: Standard Specified Currencies Not Domestic Law Not Domestic Issuance Not Contingent Transferable Not Bearer Assignable Loan Consent Required Loan				
	Exclude Accrued Interest				
Additional Terms:	<p>In addition, each Reference Obligation will be a Deliverable Obligation notwithstanding anything to the contrary in the Credit Derivatives Definitions, including but not limited to Section 2.15, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity</p> <p>For the avoidance of doubt with respect to any LPN Reference Obligation (as defined in the Appendix 1) that specifies an Underlying Loan or an Underlying Finance Instrument, the outstanding principal balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such LPN Reference Obligation.</p> <p>The Not Subordinated Obligation Characteristic and Deliverable Obligation Characteristic shall be construed as if no Reference Obligation was specified in respect of the Reference Entity</p>				

Excluded Deliverable Obligations:	None
Deliverable Obligations:	Exclude Accrued Interest

Reference Obligations:

Each of the obligations set out in the relevant Reference Portfolio (if any) and any Additional Obligations (as set out in “**Appendix 1 for LPN Reference Entity**”) and any Additional LPN shall be a Reference Obligation for the purposes of the Notes. Each obligation (other than any Additional Obligations) set out in the relevant Reference Portfolio together with any Additional LPN, as defined below, shall be a "LPN Reference Obligation".

Additional LPN means any Bond ("LPN") issued by an entity (the "Issuer") for the sole purpose of providing funds for the Issuer to (A) finance a loan to the Reference Entity (the "Underlying Loan"); or (B) provide finance to the Reference Entity by way of a deposit, loan or other Borrowed Money instrument (the "Underlying Finance Instrument"); provided that (i) either (a) in the event that there is an Underlying Loan with respect to such LPN the Underlying Loan satisfies the Obligation Characteristics specified in respect of the Reference Entity; or (b) in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics; (ii) the LPN satisfies the following Deliverable Obligation Characteristics: Transferable, Not Bearer, Specified Currency-Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and (iii) the Issuer has, as of the issue date of such obligation, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of the holders of the LPN's.

"First Ranking Interest" means a charge, security interest (or other type of interest having similar effect) (an "Interest") , which is expressed as being "first ranking", "first priority", or similar ("First Ranking ") in the document creating such Interest (notwithstanding that such Interest may not be First Ranking under any insolvency laws of any relevant insolvency jurisdiction of the Issuer).

For the avoidance of doubt, any change to the issuer of an LPN Reference Obligation in accordance with its terms shall not prevent such LPN Reference Obligation constituting a Reference Obligation.

Each LPN Reference Obligation is issued for the sole purpose of providing funds for the Issuer to finance a loan to the Reference Entity. For the purposes of the Notes each such loan shall be an Underlying Loan.

**APPENDIX 1 for LPN Reference Entity**

JSC GAZPROM	<p>Each of the following specified obligations set out below, any Additional LPN as determined in accordance with the provisions listed under “Schedule A – Standard Terms” for <b>LPN Reference Entity</b> above and each Additional Obligation shall be a Reference Obligation for the purposes of the Notes.</p> <p>1) JSC Gazprom 9.125% Loan Participation Notes issued by Salomon Brothers AG, maturing on 25 April 2007 ISIN XS0146655104</p> <p>2) JSC Gazprom 10.5% Loan Participation Notes issued by Salomon Brothers AG, maturing on 21 October 2009, ISIN XS0156366378</p> <p>3) JSC Gazprom 7.8% Loan Participation Notes issued by Gazprom Capital S.A., maturing on 27 September 2010, ISIN XS0176996956</p> <p>4) JSC Gazprom 9.625% Loan Participation Notes issued by Morgan Stanley Bank AG, maturing on 1 March 2013, ISIN XS0164067836 – Reg S ISIN US368287AA60 – Reg 144A</p> <p>5) JSC Gazprom 5.875% Loan Participation Notes issued by Gazprom Capital S.A., maturing on 01 June 2015, ISIN XS0220790934 – Reg S ISIN US368266AB80– Reg 144A</p> <p>6) JSC Gazprom 8.625% Loan Participation Notes issued by Gazprom Capital S.A., maturing on 28 April 2034, puttable on 28 April 2014, ISIN XS0191754729 – Reg S ISIN US368266AA08 – Reg 144A</p> <p>Each of the above together with any Additional LPN, as defined in the provisions listed under “Schedule A – Standard Terms” for <b>LPN Reference Entity</b> above, shall be a “LPN Reference Obligation”.</p> <p>Each of the following additional obligations (“Additional Obligations”):</p> <p>US\$1,250,000,000 7.201% Structured Export Notes due February 1, 2020, issued by Gazprom International S.A. maturing on 1st February, 2020. ISIN: XS0197695009</p>
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NJSC Naftogaz	<p>Each of the following specified obligations set out below, any Additional LPN as determined in accordance with the provisions listed under “Schedule A – Standard Terms” for <b>LPN Reference Entity</b> above and each Additional Obligation shall be a Reference Obligation for the purposes of the Notes.</p> <p>1) NJSC Naftogaz of Ukraine 8.125% Loan Participation Notes issued by Standard Bank London Holdings PLC, maturing on 30 September 2009 ISIN XS0202078688</p>
Joint Stock Company	<p>Each of the following specified obligations set out below, any Additional LPN as determined in accordance with the provisions listed under “Schedule A – Standard Terms” for <b>LPN Reference Entity</b> above and each Additional Obligation shall be a Reference Obligation for the purposes of the Notes.</p> <p>1) Joint Stock Company “The State Export-Import Bank of Ukraine” 7.75% Loan Participation Notes issued by DRKW UBS maturing on 23 September 2009 ISIN XS0201281192</p>
Turanalem	<p>Each of the following specified obligations set out below, any Additional LPN as determined in accordance with the provisions listed under “Schedule A – Standard Terms” for <b>LPN Reference Entity</b> above and each Additional Obligation shall be a Reference Obligation for the purposes of the Notes.</p> <p>1) TURANALEM FINANCE BV 8.50% Loan Participation Note maturing on 10 February 2015</p> <p>ISIN XS0211873053</p>
OJSC Kazkommertsbank	<p>Each of the following specified obligations set out below, any Additional LPN as determined in accordance with the provisions listed under “Schedule A – Standard Terms” for <b>LPN Reference Entity</b> above and each Additional Obligation shall be a Reference Obligation for the purposes of the Notes.</p> <p>1) OJSC Kazkommertsbank 7.875% Loan Participation Note maturing 07 April 2014 XS0190240324</p> <p>2) OJSC Kazkommertsbank 7% Loan Participation Note maturing 03 November 2009 XS0212252315</p> <p>3) OJSC Kazkommertsbank 8.5% Loan Participation Note maturing 16 April 2013 XS0167149094</p> <p>4) OJSC Kazkommertsbank 7.875% Loan Participation Note maturing 07 April 2014 XS0190240324</p>

JSC Vneshtorgbank	<p>Each of the following specified obligations set out below, any Additional LPN as determined in accordance with the provisions listed under “Schedule A – Standard Terms” for <b>LPN Reference Entity</b> above and each Additional Obligation shall be a Reference Obligation for the purposes of the Notes.</p> <p>1) JSC Vneshtorgbank FRN Loan Participation Notes issue by VTB Capital S.A maturing 21 September 2007 ISIN XS0239043655</p> <p>2) JSC Vneshtorgbank 3 Month Libor + 290 bps Loan Participation Notes issued by VTB Capital S.A maturing 30 July 2007 ISIN : XS0197141285.</p> <p>3) JSC Vneshtorgbank 6.875% Loan Participation Notes issued by VTB Capital S.A. maturing on 11 December 2008 ISIN XS0182007830.</p> <p>4) JSC Vneshtorgbank 7.5% Loan Participation Notes issued by VTB Capital S.A, maturing on 12 October 2011. ISIN XS0202919667 – Reg S ISIN US92909MAA80 – Reg 144A</p> <p>5) JSC Vneshtorgbank 6.25% Loan Participation Notes issued by VTB Capital S.A, maturing on 30 June 2035. ISIN XS0223715920 – Reg S ISIN US92909MAB63 – Reg 144A</p> <p>6) JSC Vneshtorgbank 4.25% Loan Participation Note issued by VTB Capital SA, maturing on 15 February 2016 ISIN XS0244105283</p>
Sberbank	<p>Each of the following specified obligations set out below, any Additional LPN as determined in accordance with the provisions listed under “Schedule A – Standard Terms” for <b>LPN Reference Entity</b> above and each Additional Obligation shall be a Reference Obligation for the purposes of the Notes.</p> <p>1) Sberbank FRN Loan Participation Notes issued by UBS (Luxembourg) S.A., maturing 24 October 2006 ISIN XS0178949946</p> <p>2) Sberbank 6.48% Loan Participation Notes issued by SB Capital S.A., maturing 15 May 2013 ISIN XS0253322886</p>

Annex 10 to Schedule B  
**EMERGING EUROPEAN & MIDDLE EASTERN SOVEREIGN REFERENCE ENTITIES  
(INCLUDING RUSSIAN FEDERATION REFERENCE ENTITY)**

All Guarantees	Applicable
Credit Events	Failure to Pay Grace Period Extension: Applicable Payment Requirement: USD1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable. Obligation Acceleration Repudiation/ Moratorium Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event. Multiple Holder Obligation: Not Applicable
Obligation	Obligation Category: Bond Obligation Characteristics: Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance

Excluded Obligations:

None, provided that if the Reference Entity is the Russian Federation, the parties agree that notwithstanding the definition of "Obligation(s)" above, the parties agree that any obligation that is, in the determination of the Calculation Agent, "IANs", "MinFins" or "PRINs" shall not be an "Obligation(s)".

"IANs" means floating rate interest notes due 2002 and 2015 issued by Vnesheconombank of the USSR pursuant to the Restructuring Agreement and an Exchange Agreement, dated as of 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

"MinFins" (also known as "OVVZs" or "Taiga" bonds) means Internal Government Hard Currency Bonds issued by the Ministry of Finance of the Russian Federation representing (i) restructured debt of the former USSR (Series II, III, IV, V and VIII) or (ii) debt of the Russian Federation issued in 1996 (Series VI and VII).

"PRINs" means Vnesheconombank's loans arising under a Restructuring Agreement and an Exchange Agreement, dated as of 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

Deliverable Obligations

Deliverable Obligation Category: Bond

Deliverable Obligation Characteristics: Not Subordinated  
Specified Currency –  
Standard Specified  
Currencies  
Not Domestic Law  
Not Contingent  
Not Domestic Issuance  
Transferable  
Not Bearer

Exclude Accrued Interest

Excluded Deliverable  
Obligations:

None, provided that if the Reference Entity is the Russian Federation, the parties agree that notwithstanding the definition of "Deliverable Obligation(s)" above, the parties agree that any obligation that is, in the determination of the Calculation Agent, "IANs", "MinFins" or "PRINs" shall not be a "Deliverable Obligation(s)".

"IANs" means floating rate interest notes due 2002 and 2015 issued by Vnesheconombank of the USSR pursuant to the Restructuring Agreement and an Exchange Agreement, dated as of 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

"MinFins" (also known as "OVVZs" or "Taiga" bonds) means Internal Government Hard Currency Bonds issued by the Ministry of Finance of the Russian Federation representing (i) restructured debt of the former USSR (Series II, III, IV, V and VIII) or (ii) debt of the Russian Federation issued in 1996 (Series VI and VII).

"PRINs" means Vnesheconombank's loans arising under a Restructuring Agreement and an Exchange Agreement, dated as of 6 October 1997, among Vnesheconombank of the USSR, the Closing Agent and Participating Creditors named therein.

Annex 11 to Schedule B

**REPUBLIC OF HUNGARY AND CZECH REPUBLIC REFERENCE ENTITY**

All Guarantees	Applicable
Credit Events	Failure to Pay Grace Period Extension: Applicable Payment Requirement: USD1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable. Obligation Acceleration Repudiation/ Moratorium Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event. Multiple Holder Obligation: Not Applicable
Obligation	Obligation Category: Bond Obligation Characteristics: Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance
Excluded Obligations:	None

Additional Obligations in respect of Republic of Hungary only:

Buyer and Seller agree that notwithstanding the foregoing, "Obligations" shall also include any National Bank of Hungary Obligation for the purposes of this Transaction where:

"National Bank of Hungary Obligation" means any obligation of the National Bank of Hungary (either directly or as provider of a Qualifying Affiliate Guarantee, or, if All Guarantees is specified as applicable in the related Confirmation, as provider of any Qualifying Guarantee) and any Successor:

(i) which has the Obligation Characteristic "Not Subordinated", where solely for the purpose of the definition of "Not Subordinated", the National Bank of Hungary shall be deemed to be a Reference Entity in respect of which a Reference Obligation has not been specified;

(ii) which is described by the Obligation Category specified in respect of the Republic of Hungary.

(iii) which has each of the Obligation Characteristics specified in respect of the Republic of Hungary; and

(iv) in relation to which the occurrence or existence of an Event of Default (as defined herein) will cause any obligation of the Republic of Hungary in respect of Borrowed Money to become, with the lapse of any grace period and subject to any other requirements under the terms of such Borrowed Money obligation (including requirements as to the amounts of such default), immediately due and payable pursuant to the terms of such Borrowed Money obligation.

"Event of Default" means any failure by the National Bank of Hungary as issuer or obligor or guarantor of the relevant obligation, to make, when due any payment of principal or premium or prepayment charge or interest, if any, on such obligation.

For the purposes only of construing the term "National Bank of Hungary Obligation", the National Bank of Hungary shall be deemed to be a Reference Entity.

Deliverable Obligations

Deliverable Obligation Category: Bond

Deliverable Obligation Characteristics: Not Subordinated  
Specified Currency –  
Standard Specified  
Currencies  
Not Domestic Currency  
Not Domestic Law  
Not Contingent  
Not Domestic Issuance  
Transferable  
Not Bearer

Exclude Accrued Interest

Additional Deliverable  
Obligations in respect of Republic  
of Hungary only:

The parties agree that notwithstanding the foregoing, "Deliverable Obligations" shall also include any National Bank of Hungary Obligation for the purposes of this Transaction where:

"National Bank of Hungary Deliverable Obligation" means any obligation of the National Bank of Hungary (either directly or as provider of a Qualifying Affiliate Guarantee, or, if All Guarantees is specified as applicable in the related Confirmation, as provider of any Qualifying Guarantee) and any Successor:

(i) which has the Deliverable Obligation Characteristic "Not Subordinated", where solely for the purpose of the definition of "Not Subordinated", the National Bank of Hungary shall be deemed to be a Reference Entity in respect of which a Reference Obligation has not been specified;

(ii) which is described by the Deliverable Obligation Category specified in respect of the Republic of Hungary.

(iii) which has each of the Deliverable Obligation Characteristics specified in respect of the Republic of Hungary; and

(iv) in relation to which the occurrence or existence of an Event of Default (as defined herein) will cause any obligation of the Republic of Hungary in respect of Borrowed Money to become, with the lapse of any grace period and subject to any other requirements under the terms of such Borrowed Money obligation (including requirements as to the amounts of such default), immediately due and payable pursuant to the terms of such Borrowed Money obligation.

Excluded Deliverable  
Obligations:

None

Annex 12 to Schedule B  
**KINGDOM OF MOROCCO AND REPUBLIC OF ALGERIA REFERENCE ENTITY**

All Guarantees	Applicable	
Credit Events	Failure to Pay	
		Grace Period Extension: Applicable
		Payment Requirement: USD1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.
		Obligation Acceleration
		Repudiation/ Moratorium
		Restructuring
		Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable
		Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable
		Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.
		Multiple Holder Obligation: Applicable
Obligation		
	Obligation Category:	Bond or Loan
	Obligation Characteristics:	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance
Excluded Obligations:	None	
Deliverable Obligations		
	Deliverable Obligation Category:	Bond or Loan

Deliverable Obligation Characteristics: Not Subordinated  
Specified Currency – Standard  
Specified Currencies  
Not Sovereign Lender  
Not Domestic Law  
Not Contingent  
Not Domestic Issuance  
Assignable Loan  
Consent Required Loan  
Transferable  
Not Bearer

Excluded Deliverable Obligations: None

Deliverable Obligations: Exclude Accrued Interest

Annex 13 to Schedule B  
**AUSTRALIA AND NEW ZEALAND CORPORATE REFERENCE ENTITIES**

All Guarantees	Applicable	
Credit Events	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.	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable	
	Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.	
	Multiple Holder Obligation: Applicable	
Obligation	Obligation Category:	Borrowed Money
	Obligation Characteristics:	None
Deliverable Obligations	Deliverable Obligation Category:	Bond or Loan
	Deliverable Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies and Domestic Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity – 30 years Not Bearer
	Exclude Accrued Interest	

Annex 14 to Schedule B  
**ASIA CORPORATE REFERENCE ENTITIES**

All Guarantees	Applicable	
Credit Events	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.	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable	
	Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.	
	Multiple Holder Obligation: Applicable	
Obligation	Obligation Category:	Bond or Loan
	Obligation Characteristics:	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Issuance Not Domestic Law
Deliverable Obligations	Deliverable Obligation Category:	Bond or Loan

Deliverable Obligation Characteristics: Not Subordinated  
Specified Currency – Standard  
Specified Currencies  
Not Sovereign Lender  
Not Domestic Law  
Not Contingent  
Not Domestic Issuance  
Assignable Loan  
Transferable  
Maximum Maturity – 30 years  
Not Bearer

Exclude Accrued Interest

Annex 15 to Schedule B  
**ASIA SOVEREIGN REFERENCE ENTITIES**

All Guarantees	Applicable
Credit Events	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. Repudiation/Moratorium Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event. Multiple Holder Obligation: Applicable
Obligation	Obligation Category: Bond or Loan Obligation Characteristics: Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance
Deliverable Obligations	Deliverable Obligation Category: Bond or Loan

Deliverable Obligation Characteristics: Not Subordinated  
Specified Currency – Standard  
Specified Currencies  
Not Sovereign Lender  
Not Domestic Law  
Not Contingent  
Not Domestic Issuance  
Assignable Loan  
Transferable  
Maximum Maturity – 30 years  
Not Bearer

Exclude Accrued Interest

Annex 16 to Schedule B  
**SINGAPORE CORPORATE REFERENCE ENTITIES**

All Guarantees	Applicable	
Credit Events	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.	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable	
	Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.	
	Multiple Holder Obligation: Applicable	
Obligation	Obligation Category:	Bond or Loan
	Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies and Domestic Currency Not Sovereign Lender
Deliverable Obligations	Deliverable Obligation Category:	Bond or Loan
	Deliverable Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies and Domestic Currency Not Sovereign Lender Not Contingent Assignable Loan Transferable Maximum Maturity – 30 years Not Bearer
	Exclude Accrued Interest	

Annex 17 to Schedule B  
**SINGAPORE SOVEREIGN REFERENCE ENTITY**

All Guarantees	Applicable	
Credit Events	Repudiation/Moratorium	
	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.	
	Restructuring	
	Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable	
	Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable	
	Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.	
	Multiple Holder Obligation: Applicable	
Obligation	Obligation Category:	Bond or Loan
	Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies and Domestic Currency Not Sovereign Lender
Deliverable Obligations	Deliverable Obligation Category:	Bond or Loan
	Deliverable Obligation Characteristics:	Not Subordinated Specified Currency – Standard Specified Currencies and Domestic Currency Not Sovereign Lender Not Contingent Assignable Loan Transferable Maximum Maturity – 30 years Not Bearer
	Exclude Accrued Interest	

Annex 18 to Schedule B  
**JAPAN CORPORATE REFERENCE ENTITIES**

All Guarantees	Applicable				
Credit Events	<p>Bankruptcy</p> <p>Failure to Pay</p> <p style="padding-left: 40px;">Grace Period Extension: Not Applicable</p> <p style="padding-left: 40px;">Payment Requirement: USD1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay.</p> <p>Restructuring</p> <p style="padding-left: 40px;">Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable</p> <p style="padding-left: 40px;">Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable</p> <p style="padding-left: 40px;">Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.</p> <p style="padding-left: 40px;">Multiple Holder Obligation: Not Applicable</p> <p style="padding-left: 40px;">Section 3.9 of the Credit Derivatives Definitions shall not apply.</p>				
Obligation	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Obligation Category:</td> <td>Borrowed Money</td> </tr> <tr> <td>Obligation Characteristics:</td> <td>Not Subordinated</td> </tr> </table>	Obligation Category:	Borrowed Money	Obligation Characteristics:	Not Subordinated
Obligation Category:	Borrowed Money				
Obligation Characteristics:	Not Subordinated				
Deliverable Obligations	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Deliverable Obligation Category:</td> <td>Bond or Loan</td> </tr> <tr> <td>Deliverable Obligation Characteristics:</td> <td> <p>Not Subordinated</p> <p>Specified Currency – Standard Specified Currencies</p> <p>Not Contingent</p> <p>Assignable Loan</p> <p>Consent Required Loan</p> <p>Transferable</p> <p>Maximum Maturity – 30 years</p> <p>Not Bearer</p> </td> </tr> </table>	Deliverable Obligation Category:	Bond or Loan	Deliverable Obligation Characteristics:	<p>Not Subordinated</p> <p>Specified Currency – Standard Specified Currencies</p> <p>Not Contingent</p> <p>Assignable Loan</p> <p>Consent Required Loan</p> <p>Transferable</p> <p>Maximum Maturity – 30 years</p> <p>Not Bearer</p>
Deliverable Obligation Category:	Bond or Loan				
Deliverable Obligation Characteristics:	<p>Not Subordinated</p> <p>Specified Currency – Standard Specified Currencies</p> <p>Not Contingent</p> <p>Assignable Loan</p> <p>Consent Required Loan</p> <p>Transferable</p> <p>Maximum Maturity – 30 years</p> <p>Not Bearer</p>				
	Exclude Accrued Interest				

Annex 19 to Schedule B  
**JAPAN SOVEREIGN REFERENCE ENTITY**

All Guarantees	Applicable
Credit Events	<p>Repudiation/Moratorium</p> <p>Failure to Pay</p> <p style="padding-left: 40px;">Grace Period Extension: Not Applicable</p> <p style="padding-left: 40px;">Payment Requirement: USD1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay.</p> <p>Restructuring</p> <p style="padding-left: 40px;">Restructuring Maturity Limitation and Fully Transferable Obligation: Not Applicable</p> <p style="padding-left: 40px;">Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Not Applicable</p> <p style="padding-left: 40px;">Default Requirement: USD10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.</p> <p style="padding-left: 40px;">Multiple Holder Obligation: Not Applicable</p> <p style="padding-left: 40px;">Section 3.9 of the Credit Derivatives Definitions shall not apply.</p>
Obligation	<p>Obligation Category: Borrowed Money</p> <p>Obligation Characteristics: None</p>
Deliverable Obligations	<p>Deliverable Obligation Category: Bond or Loan</p> <p>Deliverable Obligation Characteristics: Specified Currency – Standard  Specified Currencies  Not Contingent  Assignable Loan  Consent Required Loan  Transferable  Maximum Maturity – 30 years  Not Bearer</p> <p>Exclude Accrued Interest</p>

## Terms of Transactions

<b>CDS Transaction</b>	<b>Notional Amount</b>	<b>Reference Entity Notional Amount</b>	<b>Attachment Point</b>	<b>Detachment Point</b>	<b>Fixed Rate</b>	<b>Applicable Portion</b>	<b>Lower Threshold Amount</b>
Series 2007-5 Notes	USD24,635,000	USD100,000,000	6.20%	6.95%	1.80% per annum	24635/90750, which shall be applied (with rounding to the nearest 1/100 of a USD dollar, where USD0.005 is rounded upwards to the nearest USD0.01) in determining the Incurred Loss Amount	USD750,200,000



FORM OF RATE CONFIRMATION

MASTER INTEREST RATE SWAP CONFIRMATION

Date: February 15, 2007	
To: Morgan Stanley ACES SPC, acting for the account of the Series 2007-5 Segregated Portfolio	From: Morgan Stanley Capital Services Inc.
Attn: The Directors	Contact: Structured Credit Products Group, Hong Kong: Dean Yogev/Laura Liu/Will Sage
Fax: +1 (345) 945-7100	Fax: +852-3407-5096
Tel: +1 (345) 945-7099	Tel: +852-2848-5980/8857

Re: Interest Rate Swaps MSCS Ref. No. ngzuv – Series 2007-5 Notes

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

**Master Confirmation for All Transactions Listed on Schedule A**

This Master Confirmation relates to multiple transactions and, except as expressly provided otherwise herein, this Master Confirmation evidences a separate interest rate swap transaction (each, a "**Transaction**") with respect to each of the transactions set forth in Schedule A to this Master Confirmation (as such Schedule A may be amended from time to time). Each Transaction will be deemed to have been entered into pursuant to a separate written confirmation (each, a "**Confirmation**") between Party A and Party B, on the terms set forth in this Master Confirmation and the relevant entries in Schedule A (as such Schedule A may be amended from time to time). Each Confirmation will constitute a "Confirmation" as referred to in the Agreement specified 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:

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 2007-5 Segregated Portfolio
Effective Date:	February 15, 2007

Business Day: New York, Chicago, 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) (i) February 10, 2011 (the "**Original Scheduled Termination Date**"), or if Party A has exercised its Extension Option (under and as defined in the Credit Default Swap Confirmation), February 10, 2014 (the "**Extended Scheduled Termination Date**").

Termination Date: With respect to each Transaction, the earliest of (i) the Scheduled Termination Date, (ii) the Optional Termination Date as defined in the Credit Default Swap Confirmation and (iii) the date on which the cumulative Cash Settlement Amounts equals the Notional Amount, each under and as defined in the Credit Default Swap Confirmation, *provided* that the Additional Amount (3), the Additional Amount (4) and the Additional Amount (5) may be paid after the Termination Date.

**Floating Amount:**

Floating Amount:

Floating Rate Payer: Party A

Floating Rate Payer Notional Amount: As of the Effective Date, the Notional Amount specified in Schedule A and thereafter decreased, effective on each Floating Rate Notional Reduction Date, by an amount equal to the Cash Settlement Amount payable under the related Transaction under the Credit Default Swap Confirmation on the Cash Settlement Date in respect of the related Floating Rate Notional Reduction Date.

Floating Rate Notional Reduction Date: The Event Determination Date, *provided* that if the Event Determination Date and the related Cash Settlement Date do not both occur immediately prior to the same Floating Rate Payer Payment Date, the first day of the Floating Rate Payer Calculation Period which commences immediately after the Floating Rate Payer Payment Date immediately preceding such Cash Settlement Date.

Floating Rate Payer Payment Dates: The 5<sup>th</sup> Business Day immediately preceding August 15 and February 15 in each year commencing on the 5<sup>th</sup> Business Day immediately preceding August 15, 2007 and the Business Day immediately preceding the Termination Date.

Floating Rate Option: USD-LIBOR-BBA

Designated Maturity: Six months. Linear Interpolation shall apply

Spread: As set out in Schedule A

Floating Rate Day Count Fraction:	Actual/360
Reset Dates:	The first day of each Calculation Period
Compounding:	Inapplicable
Calculation of Floating Amounts payable by Floating Rate Payer:	The product of (a) the Floating Rate Option plus Spread, (b) the Floating Rate Payer Calculation Amount and (c) Floating Rate Day Count Fraction.
Floating Rate Payer Business Day:	New York, Chicago, London and Hong Kong
Floating Rate Payer Calculation Amount:	The Floating Rate Payer Calculation Amount for each Floating Rate Payer Payment Date will be an amount equal to the sum of the Floating Rate Payer Notional Amount on each day of the Floating Rate Payer Calculation Period ending immediately after such Floating Rate Payer Payment Date divided by the number of days in such Floating Rate Payer Calculation Period.
Floating Rate Payer Calculation Period:	With respect to each Floating Rate Payer Payment Date, the period from and including the Floating Rate Payer Period End Date immediately preceding such Floating Rate Payer Payment Date to but excluding the Floating Rate Payer Period End Date immediately succeeding such Floating Rate Payer Payment Date, <i>provided</i> that the first Floating Rate Payer Calculation Period shall be the period from and including the Effective Date to but excluding the Floating Rate Payer Period End Date immediately succeeding the first Floating Rate Payer Payment Date, and the last Floating Rate Payer Calculation Period shall be the period from and including the Floating Rate Payer Period End Date immediately preceding the Floating Rate Payer Payment Date immediately preceding the Termination Date to but excluding the Termination Date, provided that where the Termination Date is the Scheduled Termination Date, to but excluding the Floating Rate Payer Period End Date immediately following the Termination Date (which for the avoidance of doubt may be the Accrual Cessation Date).
Floating Rate Payer Period End Dates:	August 15 and February 15 in each year, commencing on the Effective Date and ending on the earliest of (i) February 15, 2011 (if Party A has not exercised its Extension Option) or February 15, 2014 (if Party A has exercised its Extension Option) (" <b>Accrual Cessation Date</b> ") (ii) the Optional Termination Date as defined in the related Credit Default Swap Confirmation and (iii) the date on which the cumulative Cash Settlement Amounts equals the Notional Amount, each in respect of the related Transaction under and as defined in the Credit Default Swap Confirmation.

**Fixed Amount:**

Fixed Rate Payer:	Party B
Fixed Rate:	As specified in Schedule A

Fixed Rate Day Count Fraction: Actual/360

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

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 for the related Transaction under the Credit Default Swap Confirmation.

Fixed Rate Payer Payment Dates: Each Fixed Rate Payer Payment Date as defined in the Credit Default Swap Confirmation.

Fixed Rate Payer Calculation Period: Each Fixed Rate Payer Calculation Period as defined in the Credit Default Swap Confirmation.

**Additional Amounts:**

Additional Amounts (1): The Additional Payer (1) Amounts shall be payable by Party B only if, and during such period as, the Underlying Securities with respect to a Transaction consist of Liquidity Funds or U.S. dollars.

Additional Payer (1): Party B

Additional Payer (1) Amounts: Party B will, on each Fixed Rate Payer Payment Date, pay to Party A an amount equal to the amount by which the balance of the Underlying Securities Account at the close of business on such Fixed Rate Payer Payment Date (the "**Underlying Securities Account Balance**") exceeds aggregate amount of the Principal Balance of the Notes, *provided* that the aggregate of the Additional Payer (1) Amounts under each Transaction under this Master Confirmation on the date of payment shall not be more than the amount equal to the amount by which the Underlying Securities Account Balance exceeds the aggregate amount of the Principal Balance of the Notes.

Additional Amount (2): The Additional Payer (2) Amounts shall be payable by Party B only if, and during such period as, the Underlying Securities with respect to a Transaction consist of assets other than the Initial Underlying Securities, Liquidity Funds or U.S. dollars.

Additional Payer (2): Party B

Additional Payer (2) Amounts: Party B will, on each Fixed 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 with respect to such Transaction in the Calculation Period (or other period) ending on such Fixed Rate Payer Payment Date.

Additional Amount (3)

Additional Payer (3): Party B

Additional Payer (3) Amount: Party B shall pay to Party A on the Additional Payer (3) Payment Date the balance, if any, of the Provisional Reserve Account after the payment of the Interest Adjustment Payment in respect of the Notes, *provided* that the aggregate Additional Payer (3) Amounts under the Transaction under this Master Confirmation on an Additional Payer (3) Payment Date shall not be more than the amount equal to the balance, if any, of the Provisional Reserve Account after the payment of the Interest Adjustment Payment in respect of the Notes.

Additional Payer (3) Payment Dates: The date of payment of the Interest Adjustment Payment as provided under the Indenture.

Additional Amount (4)

The Additional Payer (4) Amount shall be payable by Party B only if on the Additional Payer (4) Payment Date the Underlying Securities with respect to a Transaction consist of Liquidity Funds or U.S. dollars.

Additional Payer (4): Party B

Additional Payer (4) Amount: Unless an Indenture Event of Default or an Early Redemption Event (each as defined in the Indenture) has occurred, Party B shall pay to Party A on the Additional Payer (4) Payment Date an amount equal to the proceeds of the liquidation of the Underlying Securities, as defined in the Indenture, with respect to such Transaction.

Additional Payer (4) Payment Dates: The Maturity Date, as defined in the Indenture, in respect of the Notes

Additional Amount (5)

The Additional Payer (5) Amount shall be payable by Party A only if on the Additional Payer (5) Payment Date the Underlying Securities with respect to a Transaction consist of Liquidity Funds or U.S. dollars.

Additional Payer (5): Party A

Additional Payer (5) Amount: Unless an Indenture Event of Default or an Early Redemption Event (each as defined in the Indenture) has occurred, Party A shall pay an amount equal to the Principal Balance of the Notes to Party B on the Additional Payer (5) Payment Date.

Additional Payer (5) Payment Dates: The Maturity Date, as defined in the Indenture, in respect of the Notes

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:

(a) In respect of Party A, the occurrence of an Initial Rate Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that an Initial Rate Swap Counterparty Downgrade shall not constitute an Additional Termination Event if Party A takes one of the following actions at its sole expense: (A) within thirty calendar days after the Calculation Agent or the Trustee has notified Party A in writing that an Initial Rate Swap Counterparty Downgrade has occurred, Party A posts Rate Swap Collateral for the benefit of Party B, (B) 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 thirty calendar days of the occurrence of such Initial Rate Swap Counterparty Downgrade, (C) Party A has, within thirty calendar days of the occurrence of such Initial Rate Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to Party A's obligations hereunder, or (D) 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(a), Party A shall be deemed the sole Affected Party.

(b) In respect of Party A, the occurrence of a Further Rate Swap Counterparty Downgrade shall constitute an Additional Termination Event; *provided*, that a Further Rate Swap Counterparty Downgrade shall not constitute an Additional Termination Event if Party A takes one of the following actions at its sole expense: (A) 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 thirty calendar days of the occurrence of such Further Rate Swap Counterparty Downgrade, or (B) Party A has, within thirty calendar days of the occurrence of such Further Rate Swap Counterparty Downgrade, procured the appointment of an Eligible Credit Support Provider with respect to Party A's obligations hereunder. In the event of an Additional Termination Event under this Section 5(b), 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:

(a) the "Minimum Transfer Amount" with respect to Party A shall be amended to USD50,000;

(b) the words "upon a demand made by the Secured Party on or promptly following a Valuation Date," shall be deleted from Paragraph 3(a);

(c) 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.";

(d) the following will be added to Paragraph 13(c)(ii):

<i>Eligible Collateral</i>	<i>Valuation Percentage</i>
(a)(i) Investments falling within paragraphs (i) and (iv) of "Additional Eligible Collateral" with a remaining maturity of 10 years or more but less than 15 years;	88.7%
(a)(ii) Investments falling within paragraphs (i) and (iv) of "Additional Eligible Collateral" with a remaining maturity of 7 years or more but less than 10 years.	94.7%
(a)(iii) Investments falling within paragraphs (i) and (iv) of "Additional Eligible Collateral" with a remaining maturity of 5 years or more but less than 7 years;	96.4%
(a)(iv) Investments falling within paragraphs (i) and (iv) of "Additional Eligible Collateral" with a remaining maturity of 3 years or more but less than 5 years;	97.3%
(a)(v) Investments falling within paragraphs (i) and (iv) of "Additional Eligible Collateral" with a remaining maturity of 1 year or more but less than 3 years;	98.1%
(a)(vi) Investments falling within paragraphs (i) and (iv) of "Additional Eligible Collateral" with a remaining maturity of less than 1 year;	99.2%
(a)(vii) Investments falling within paragraphs (i) and (iv) of "Additional Eligible Collateral" with a remaining maturity of 15 years or more.	Subject to the approval of the Rating Agency and as agreed between the Swap Counterparty and the Rating Agency
(b) Investments falling within paragraphs (ii) and (iii) of "Additional Eligible Collateral"	(1) Maturing overnight: 99.5% (2) Maturing up to 270 days: 99.5% (3) Maturing more than 270 days:  Subject to the approval of the Rating Agency and as agreed between the Swap Counterparty and the Rating Agency
(c) Investments falling within paragraph (i) of "Permitted Investments":	
(i) with a remaining maturity less than 1 year	99.5%
(ii) with a remaining maturity of 1 year or more but less than 3	97.6%

<i>Eligible Collateral</i>	<i>Valuation Percentage</i>
years	
(iii) with a remaining maturity of 3 years or more but less than 5 years	96.3%
(iv) with a remaining maturity of 5 years or more but less than 7 years	95.3%
(v) with a remaining maturity of 7 years or more but less than 10 years	93.9%
(vi) with a remaining maturity of 10 years or more but less than 15 years	92.6%
(vii) with a remaining maturity of 15 years or more	Subject to the approval of the Rating Agency and as agreed between the Swap Counterparty and the Rating Agency
(d) Investments falling within paragraph (ii) of "Permitted Investments"	100%
(e) Investments falling within paragraph (iii) of "Permitted Investments"	100%

- (e) Paragraph 13(n)(iv) shall be amended by replacing 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 receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support."

7. Optional Termination under Credit Default Swap Confirmation

If Party A terminates a Transaction under and as defined in the Credit Default Swap Confirmation pursuant to its right of Optional Termination as provided in the Credit Default Swap Confirmation, the related Transaction under this Master Confirmation (the "**Relevant Transaction**") shall terminate on an exercise of the Termination Option on the applicable Optional Termination Date under the Credit Default Swap Confirmation.

Upon any such termination, no further amounts shall be payable by either party to the other under Section 6(e) of the Agreement in respect of the termination of such Relevant Transaction, other than any amounts which should have been paid under such Relevant Transaction on or prior to the Optional Termination Date and which remain unpaid.

For the avoidance of doubt, the Floating Amounts, Fixed Amounts and Additional Amounts due on or prior to the date of termination of the Relevant Transaction shall be payable.

8. Redemption not Termination

The redemption of the Notes following the reduction of the outstanding principal balance of the Notes to zero will not constitute an Additional Termination Event with respect to any Transaction under the Agreement.

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 "F1+" or "AAA" by Fitch;
- (ii) demand and time deposits in, interest bearing trust accounts, certificates of deposit of, or bankers' acceptances issued by any depository institution or trust company (including the Trustee or any agent of the Trustee acting in their respective commercial capacities) incorporated under the laws of the United States or any State and subject to supervision and examination by Federal and/or State banking authorities so long as the commercial paper and/or the short-term debt obligations of such depository institution or trust company at the time of, and during the course of, such investment or contractual commitment providing for such investment have at least the credit rating of "F1+" or "AAA" by Fitch (or, in the case of a depository institution which is the principal subsidiary of a holding company, the commercial paper or other short-term debt obligations of such holding company have a credit rating of "F1+" or "AAA" by Fitch;
- (iii) 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 "F1+" by Fitch;
- (iv) repurchase agreements with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States with an entity having the credit rating of "F1+" or "AAA" by Fitch. Copies of any repurchase agreement entered into will be delivered to Fitch.

"**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 by such Rating Agency with respect to long term or short term, as applicable, senior unsecured debt of such entity or (ii) the ratings assigned by such Rating Agency with respect to the long term or short term, as applicable, senior unsecured debt of any Credit Support Provider of such entity.

"**Cash Settlement Amount**" has the meaning given to it in the Credit Default Swap Confirmation.

"**Cash Settlement Date**" has the meaning given to it in the Indenture.

"**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.

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

"**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, (b) at the time of such agreement, the Applicable Rating in respect of such entity is at least "A" (long-term) and "F1" (short-term) by Fitch, and (c) the Rating Condition is satisfied; *provided*, that, in the case of the Initial Rate Swap Counterparty Downgrade 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(a) above, such lower ratings that, as described therein, will not cause an Initial 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.

"**Event Determination Date**" has the meaning given to it in the Indenture.

"**Further Rate Swap Counterparty Downgrade**" means the Applicable Rating in respect of Party A is less than "BBB+" (long-term) or "F2" (short-term) by Fitch.

"**Indenture**" means the Series Indenture relating to the Notes, dated as of February 15, 2007, 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 Principal Balance**" has the meaning given to it in the Indenture.

"**Initial Rate Swap Counterparty Downgrade**" means the Applicable Rating in respect of Party A is less than "A" (long-term) or "F1" (short-term) by Fitch.

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

"**Interest Adjustment Payment**" has the meaning given to it in the Indenture.

"**Interest Payment Date**" has the meaning given to it in the Indenture.

"**Liquidity Fund**" has the meaning given to it in the Indenture.

"**Notes**" means US\$24,635,000 Floating Rate Notes due 2011 extendable to 2014, of Series 2007-5, issued by Party B on the Effective Date

"**Optional Termination**" has the meaning given to it in the Credit Default Swap Confirmation.

"**Optional Termination Date**" has the meaning given to it in the Credit Default Swap Confirmation.

"**Provisional Reserve Account**" has the meaning given to it in the Indenture.

"**Rating Agency**" or "**Fitch**" means Fitch Ratings Limited, or any successor to the rating business thereof.

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

"**Rate Swap Collateral**" means Collateralizing Securities in an amount, as determined by the Calculation Agent, sufficient to provide Party B an amount equal to the Floating Amount. The amount that constitutes Rate Swap Collateral, and any Collateralizing Securities previously posted as Rate Swap Collateral, shall be recalculated by the Calculation Agent on a weekly basis and failure to restore compliance with the requirements of Section 5(a) above within five Business Days of such recalculation shall constitute an Additional Termination Event.

"**Scheduled Maturity Date**" has the meaning given to it in the Indenture.

"**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" (long-term) and "F1" (short-term) by Fitch, *provided*, that, in the case of an Initial Rate Swap Counterparty Downgrade 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(a) 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.

"**Termination Option**" has the meaning given it in the Credit Default Swap Confirmation.

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

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

10. 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: LaSalle Bank N.A.  
ABA 071000505  
Account Name: LaSalle Trust GL  
Acct: 2090067  
Further CR: 711181  
RE: MS ACES SPC, Series 2007-5  
Attn: Thais Hayum

and such other account as may be specified in Schedule A

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 2007-5 Segregated Portfolio

By: \_\_\_\_\_  
Name:  
Title:

Schedule A

**TERMS OF TRANSACTIONS**

<b>Transaction</b>	<b>Notional Amount</b>	<b>Spread</b>	<b>Fixed Rate</b>
Series 2007-5 Notes	USD24,635,000	1.80% per annum	1.80% per annum

**FORM OF CONTINGENT FORWARD CONFIRMATION****MASTER CONTINGENT FORWARD CONFIRMATION**

Date:	February 15, 2007	
To:	Morgan Stanley ACES SPC, acting for the account of the Series 2007-5 Segregated Portfolio	From: MS Remora Ltd.
Attn:	The Directors	Contact: Structured Credit Products Group, Hong Kong: Dean Yogev/Laura Liu/Will Sage
Fax:	+1 (345) 945-7100	Fax: +852-3407-5096
		Tel: +852-2848-5980/8857

Re: Contingent Forward Transaction MS Reference Number nbytu – Series 2007-5 Notes

The purpose of this letter agreement is to confirm the terms and conditions of the Transactions 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.

**Master Confirmation for All Transactions Listed on Schedule A**

This Master Confirmation relates to multiple transactions and, except as expressly provided otherwise herein, this Master Confirmation evidences a separate contingent forward transaction (each, a "**Transaction**") with respect to each of the transactions set forth in Schedule A to this Master Confirmation (as such Schedule A may be amended from time to time). Each Transaction will be deemed to have been entered into pursuant to a separate written confirmation (each, a "**Confirmation**") between Party A and Party B, on the terms set forth in this Master Confirmation and the relevant entries in Schedule A (as such Schedule A may be amended from time to time). Accordingly, there may be multiple Contingencies and multiple deliveries of Bonds under this Master Confirmation. Each Confirmation will constitute a "Confirmation" as referred to in the Agreement specified 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:

(i) General Terms:

Commencement Date: February 15, 2007

Party B: Morgan Stanley ACES SPC, acting for the account of the Series 2007-5 Segregated Portfolio ("**Party B**" or the "**Issuer**")

Party A: MSRL

Bonds: If the Underlying Securities in respect of a Transaction shall, at any time, consist of assets other than the Initial Underlying Securities, Liquidity Funds 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.

The terms set out in (ii) below shall not apply if the Underlying Securities consist of Liquidity Funds or U.S. dollars.

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.

(ii) 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 Cash Settlement Date); or 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 each 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.

Contingency: The occurrence of (a) a Cash Settlement Date or (b) the Business Day immediately preceding the Scheduled Maturity Date relating to the Transaction; *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:	(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 Cash Settlement Amount payable under the related Credit Default Swap and the par or payable amount of all Bonds then held by the Issuer with respect to the relevant Transaction; and
	(ii) in the case of a purchase and sale on the Business Day immediately preceding the Scheduled Maturity Date relating to the Transaction, an amount in USD equal to the par or payable amount of all Bonds then held by the Issuer with respect to the relevant Transaction.
Expiration Date:	With respect to a Transaction, the earlier of (i) the Scheduled Termination Date (as defined in the Credit Default Swap Confirmation in respect of the Credit Default Swap) and (ii) the date the Bonds were redeemed or paid
Expiration Time:	4:00 p.m. New York time
Multiple Exercise:	Applicable
Business Days:	New York and Chicago

3. Additional Definitions

"**Cash Settlement Amount**" has the meaning given to it in the Credit Default Swap Confirmation.

"**Cash Settlement Date**" means each Cash Settlement Date in respect of the Credit Default Swap as set out in the Credit Default Swap Confirmation.

"**Credit Default Swap**" means the credit default swap transaction under the Credit Default Swap Confirmation relating to the Transaction.

"**Credit Default Swap Confirmation**" has the meaning set forth in the Indenture.

"**Early Redemption Event**" has the meaning given to it in the Indenture.

"**Indenture**" means the Series 2007-5 Indenture relating to the Notes, dated as of February 15, 2007, 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 given to it in the Indenture.

"**Interest Rate Swap**" means the interest rate swap transaction under the Rate Confirmation relating to the Transaction.

"**Liquidity Fund**" has the meaning given to it in the Indenture.

"**Notes**" means the U.S.\$24,635,000 Floating Rate Notes due 2011 extendable to 2014, each of Series 2007-5, issued by Party B on the Effective Date.

"**Optional Termination**" has the meaning given to it in the Credit Default Swap Confirmation.

"**Optional Termination Date**" has the meaning given to it in the Credit Default Swap Confirmation.

"**Principal Balance**" has the meaning given to it in the Indenture.

"**Rate Confirmation**" has the meaning given to it in the Indenture.

"**Scheduled Maturity Date**" has the meaning given to it in the Indenture.

"**Termination Option**" has the meaning given to it in the Credit Default Swap Confirmation.

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

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

4. Optional Termination under Credit Default Swap Confirmation

If a Transaction under and as defined in the Credit Default Swap Confirmation is terminated pursuant to the right of Optional Termination as provided in the Credit Default Swap Confirmation, the related Transaction under this Master Confirmation (the "**Relevant Transaction**") shall terminate on an exercise of the Termination Option on the applicable Optional Termination Date under the Credit Default Swap Confirmation.

Upon any such termination, no further amounts shall be payable by either party to the other under section 6(e) of the Agreement in respect of the termination of such Relevant Transaction, other than any amounts which should have been paid under such Relevant Transaction on or prior to the Optional Termination Date and which remain unpaid and provided that if Party A shall have made a payment to Party B under the Relevant Transaction 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.

5. 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 under such Transaction 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.

6. Redemption not Termination

The redemption of the Notes following the reduction of the outstanding principal balance of the Notes to zero will not constitute an Additional Termination Event with respect to any Transaction under the Agreement.

7. Account Details

Payments to Party A:

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

Operations Contact:

Mark Esparrago  
Fixed Income Division  
Tel: +81 3 5424-7582

Payments to Party B:

USD settlements:  
LaSalle Bank N.A.  
ABA 071000505  
Account Name: LaSalle Trust GL  
Acct: 2090067  
Further CR: 711181  
RE: MS ACES SPC, Series 2007-5  
Attn: Thais Hayum

Please confirm that the foregoing correctly sets forth the terms of our agreement for MS Reference No. nbytu 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 2007-5 Segregated Portfolio

By: \_\_\_\_\_  
Name:  
Title:

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