

**PRICING SUPPLEMENT
SERIES 7, TRANCHE B**

6 July 2007

PINNACLE PERFORMANCE LIMITED

PRICING SUPPLEMENT

relating to
Series 7 ("this Series")

SGD Fixed Rate First-to-Default Credit-Linked Notes with Equity Bonus Coupon due 2013
("Tranche B Notes" and in this Pricing Supplement, the "Notes")

pursuant to its Structured Note Programme

arranged by

**MORGAN STANLEY ASIA (SINGAPORE) PTE. (formerly known as Morgan Stanley Dean Witter Asia
(Singapore) Pte.)**

The Notes shall have the terms and conditions set out as the Master Conditions in the Annex for First-to-Default Note Type set out in Part 1 of the Base Prospectus dated 7 August 2006, as completed, modified and supplemented by this document and the Supplemental Base Prospectus dated 24 April 2007. This document constitutes the Pricing Supplement as referred to in the Master Conditions.

The terms of the Tranche B Notes are as follows:

- | | |
|------------------------------|--|
| 1. Issuer: | Pinnacle Performance Limited |
| 2. Arranger: | Morgan Stanley Asia (Singapore) Pte. |
| 3. (i) Series No: | 7 |
| (ii) Tranche: | B |
| Terms of Series | |
| 4. Note Type: | First-to-Default Note Type |
| 5. Relevant Currency: | Singapore dollars ("S\$" or "SGD") |
| 6. Principal Amount: | S\$47,910,000 |
| 7. Form of the Notes: | Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note. The Permanent Global Note will be exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note. |
| U.S. Selling Restrictions: | Reg. S Compliance Category; TEFRA D |
| 8. Status: | Secured and limited recourse obligations of the Issuer, secured as provided below |
| 9. Denominations: | S\$5,000 per Note. Condition 17 shall not apply |
| 10. Issue Date: | 6 July 2007 |
| 11. Issue Price: | 100 per cent. of the Principal Amount |
| 12. Scheduled Maturity Date: | 6 January 2013 |

Credit Terms

13 Reference Entities, Entity Types and Reference Obligations

<u>Reference Entity</u>	<u>Entity Type</u>	<u>Details of Reference Obligation</u>
Bank of America Corporation	North American Corporate Investment Grade Reference Entity	Primary Obligor: Bank of America Corporation Ranking: Senior Issue Date: 22 April 2002

		Maturity Date:	15 April 2012
		Coupon:	6.25% per annum
		Currency:	US\$
		ISIN:	US060505AQ79
Citigroup Inc.	North American Corporate Investment Grade Reference Entity	Primary Obligor:	Citigroup Inc.
		Ranking:	Subordinated
		Issue Date:	11 October 2000
		Maturity Date:	1 October 2010
		Coupon:	7.25% per annum
		Currency:	US\$
		ISIN:	US172967AZ49
DBS Bank Ltd.	Singapore Corporate Reference Entity	Primary Obligor:	DBS Bank Ltd.
		Ranking:	Subordinated
		Issue Date:	17 May 2001
		Maturity Date:	15 May 2011
		Coupon:	7.125% per annum
		Currency:	US\$
		ISIN:	USY20337AJ30
United Overseas Bank Ltd	Singapore Corporate Reference Entity	Primary Obligor:	United Overseas Bank Ltd
		Ranking:	Subordinated
		Issue Date:	30 August 2001
		Maturity Date:	30 September 2016
		Coupon:	4.95% per annum
		Currency:	S\$
		ISIN:	SG5310894778
Singapore Telecommunications Limited	Singapore Corporate Reference Entity	Primary Obligor:	Singapore Telecommunications Limited
		Ranking:	Senior
		Issue Date:	20 November 2001
		Maturity Date:	1 December 2011
		Coupon:	6.375% per annum
		Currency:	US\$
		ISIN:	USY79985AC46
Oversea-Chinese Banking Corporation Limited	Singapore Corporate Reference Entity	Primary Obligor:	Oversea-Chinese Banking Corporation Limited
		Ranking:	Subordinated
		Issue Date:	6 July 2001
		Maturity Date:	6 September 2011
		Coupon:	7.75% per annum
		Currency:	US\$
		ISIN:	XS0132030759

In the event that a Reference Obligation is redeemed in full or otherwise ceases to be an Obligation (as defined in the Master Conditions) of a Reference Entity, the Determination Agent acting for and on behalf of the Issuer will identify one or more Obligations which preserve the economic equivalent of the delivery and payment obligations of the Issuer to be a substitute Reference Obligation. In practice, the substitute Reference Obligation will be the same as that selected by the calculation agent under the Swap Agreement. The substitute Reference Obligation will be an equivalent Obligation of such Reference Entity. The identity of such substitute Reference Obligation will not be known to prospective investors when they commit to purchase the relevant Series or Tranche of Notes.

14. **Basket Companies and Relevant Stock Exchanges**

Basket Company	Bloomberg Ticker	Relevant Stock Exchange
Bank of America Corporation	BAC US	New York Stock Exchange
Citigroup Inc.	C US	New York Stock Exchange
DBS Group Holdings Ltd.	DBS SP	Singapore Exchange Securities Trading Ltd.
United Overseas Bank Ltd	UOB SP	Singapore Exchange Securities Trading Ltd.
Singapore Telecommunications Limited	ST SP	Singapore Exchange Securities Trading Ltd.
Oversea-Chinese Banking Corporation Limited	OCBC SP	Singapore Exchange Securities Trading Ltd.

15. **Base Currency**

US\$

Redemption provisions

16. **Redemption Amount:**

In respect of each Note, 100% of its Denomination

17. **Instalment Date(s) (if applicable):**

Not Applicable

18. **Instalment Amount(s) (if applicable):**

Not Applicable

19. **Tax redemption**

Condition 7(c) (i) (C) shall apply

20. **Purchase option**

Condition 7(d) shall not apply

21. **Issuer Call Option:**

Applicable

The Issuer Call Option will only be exercised if the Swap Counterparty Option has been exercised. The Swap Agreement shall be terminated pursuant to the exercise of the Swap Counterparty Option without any termination payment being due from the Issuer or the Swap Counterparty.

Pursuant to the terms of the Forward Agreement, if the Issuer Call Option is exercised in relation to the Notes, Security over the Underlying Assets will be automatically released and the Issuer will deliver to the Forward Counterparty the Underlying Assets in respect of the Notes, and the Forward Counterparty will pay to the Issuer a cash amount equal to the principal amount of the Underlying Assets. The Issuer will pay to the Swap Counterparty such cash amount it receives from the Forward Counterparty and the Swap Counterparty will pay to the Issuer an amount equal to the principal amount of the Notes plus any accrued interest up to the Call Redemption Date in respect of such Issuer Call Option to enable the Issuer to meet its obligations under the Notes.

Interest

22. **Interest Commencement Date (if different from Issue Date):**

Issue Date

23. **Interest Basis:**

Fixed

24. Interest Payment Date(s): Semi-annually in arrear on 6 January and 6 July in each year, commencing on 6 July 2008 up to and including the Scheduled Maturity Date, each date subject to adjustment in accordance with the Following Business Day Convention, provided that no adjustment shall be made to the Interest Amount as a result of such adjustment to an Interest Payment Date
25. **Fixed Rate Note Provisions**
 (i) Fixed Rate of Interest: Applicable
 5.00 per cent. per annum from, and including, the first Interest Period to, and including, the Interest Period ending on the Scheduled Maturity Date ("Year 1 to Year 5.5")
 (ii) Interest Amount: SGD125.00 per Note from Year 1 to Year 5.5
 (iii) Day Count Fraction: 30/360
 (iv) Business Day: As defined in the Master Conditions
 (v) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable
26. Floating Rate Note Provisions: Not Applicable
27. Zero Coupon Note Provisions: Not Applicable
28. Index Note Provisions: Not Applicable
- Other**
29. Unmatured Coupons to become void upon early redemption: Not Applicable
30. Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity of each Talon (Bearer Notes): Not Applicable
31. Dual Currency Note Provisions: Not Applicable
32. Business Day Jurisdictions for Condition 8(g) (jurisdictions required to be open for payment): Singapore, New York and London
33. Details of any other additions or variations to the Conditions:
 (a) So long as any Notes are represented by Global Notes, notices in respect of those Notes may be given by delivery of the relevant notice to entitled CDP account holders in substitution for publication in a daily newspaper with general circulation in Singapore.
 Condition 15 is hereby amended accordingly.
 (b) The definition of "Valuation Obligation Portfolio" shall be deleted and replaced with the following:
"Valuation Obligation Portfolio" means, with respect to a Credit Event Redemption Amount and the Credit Event Entity, one or more Valuation Obligations of the Credit Event Entity as selected by the Swap Counterparty in its sole and absolute discretion on or before the relevant Valuation Date and having in aggregate Valuation Obligation Notional Amounts equal to the Base Currency equivalent of the outstanding principal amount of the Notes, converted at the exchange rate prevailing on or about the Fixing Date as

determined by the Determination Agent acting, for and on behalf of the Issuer, in its sole and absolute discretion.

34. Charged Assets:

(a) Original Underlying Assets:

USD69,900,000 Floating Rate Notes due 2012 issued by Morgan Stanley ACES SPC, acting for the account of the Series 2007-26 Segregated Portfolio (ISIN: USG62632AA55)

(b) The criteria applicable to Eligible Investments:

Other than Cash Deposits, for which no additional criteria will apply, Eligible Investments (or the issuer(s) or obligor(s) thereof) must satisfy the following criteria on the date on which the Issuer makes investment therein:

- (a) any USD denominated securities, including Asset-Backed Securities and Credit Commodity Linked Securities, rated (or issued by an entity rated) at least "Aaa" or "P-1" by Moody's or any successor to the rating business thereof or at least "AAA" or "A-1" by S&P or any successor to the rating business thereof or at least "AAA" or "F1" by Fitch or any successor to the rating business thereof that have a scheduled maturity date falling on or prior to the Scheduled Maturity Date 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
- (b) any USD denominated Medium Term Notes, CDO Squared Securities or Synthetic CDO Securities 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 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
- (c) any USD denominated Commercial Paper or Certificate of Deposit rated at least "P-1" by Moody's and/or at least "A-1" by S&P and/or at least "F1" by Fitch or issued by an entity rated at least "P-1" by Moody's and/or at least "A-1" by S&P and/or at least "F1" by Fitch, that has a scheduled maturity date falling on or prior to the Scheduled Maturity Date of the Notes and which is 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

- (d) any USD denominated Liquidity Fund, including, without limitation, any investment vehicle for which the Arranger, the Determination Agent, the Custodian or the Trustee, or an Affiliate of any of them, provides services, provided that at the time such investment is entered into, such fund has a money market fund rating of at least "Aaa/MR1+" by Moody's and/or at least "AAAm" by S&P and/or at least AAA/V1+ by Fitch, and that such fund distributes interest or dividends on such investment on a regular basis and at least quarterly.

(c) Security (order of priorities):

The Trustee shall apply all moneys received by it under the Trust Deed in connection with the realisation or enforcement of the Security constituted by or pursuant to the Trust Deed in accordance with the following:

- (a) First, rateably in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by CDP in carrying out its duties as the Clearing System for the Notes, or the Trustee or any receiver in preparing and executing the trusts under the notes and the Trust Deed (including any taxes required to be paid, the costs of realising or enforcing any security and the Trustee's remuneration);
- (b) Secondly, rateably in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Principal Paying Agent, the Custodian and the Administrator other than those set out in (d) below;
- (c) Thirdly, rateably in meeting the claims (if any) of the Swap Counterparty under the Swap Agreement, the Forward Counterparty under the Forward Agreement or the Equity Option Counterparty under the Equity Option Agreement (which for this purpose shall include any claim of the Custodian for reimbursement in respect of payments made to the Swap Counterparty under the Swap Agreement or the Forward Counterparty under the Forward Agreement, the Equity Option Counterparty under the Equity Option Agreement, as the case may be, and relating to sums receivable on the Underlying Assets);
- (d) Fourthly, rateably in meeting the claims (if any) of the holders of Notes and Coupons (as defined in the Master Conditions) (which for this purpose will include any claim of the Custodian and the Principal Paying Agent for

reimbursement in respect of payment of principal and interest made to holders of Notes and/or Coupons); and

- (e) Fifthly, in payment of the balance (if any) to the Issuer.

In accordance with the Supplemental Trust Deed, the Security for the Notes shall comprise all of the following:

- (i) a first fixed charge in favour of the Trustee over the Underlying Assets and all of the Issuer's rights attaching to or relating to the Underlying Assets and all sums derived therefrom;
- (ii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights, title and interest against the Custodian, to the extent they relate to the Underlying Assets;
- (iii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights, title and interest under each of the Swap Agreement, the Swap Guarantee, the Forward Agreement, the Forward Guarantee and the Equity Option Agreement and any sums received thereunder;
- (iv) a first fixed charge in favour of the Trustee over (a) all sums received under the Swap Agreement, the Swap Guarantee, the Forward Agreement, the Forward Guarantee and the Equity Option Agreement; and (b) any sums held by the Principal Paying Agent and/or the Custodian to meet payments due in respect of the Notes; and
- (v) an assignment by way of first fixed charge in favour of the Trustee of the Issuer's rights, title and interest under the Agency Agreement in respect of the Notes and the Underlying Assets, including all sums derived therefrom in respect of the Notes and all rights against the Custodian with respect to the Underlying Assets, including without limitation all rights to the delivery of such Underlying Assets against the Custodian under the Agency Agreement or any applicable clearing system or the operator thereof or against any bank, broker or other intermediary and including all sums and other rights derived from such Underlying Assets.

The claims of the Trustee, the Custodian, the Principal Paying Agent, the Swap Counterparty, the Forward Counterparty and the Equity Option Counterparty against the Issuer shall rank prior to the claims of the Noteholders under the Notes in the

application of all moneys received in connection with the realisation or enforcement of the Security. In realising the Charged Assets, the Trustee is obliged to act in accordance with the directions of the Instructing Creditor as described in Condition 3 (c).

(d) Instructing Creditor:

Swap Counterparty

(e) Related Agreements:

- (i) Swap Agreement (including the Credit Default Swap Transaction and the Asset Swap Transaction) and the Swap Guarantee:

In connection with the issue of the Notes, the Issuer has entered into, amongst other things, an ISDA Master Agreement (the "Swap Master Agreement") dated as of 7 August 2006 between the Issuer and the Swap Counterparty which Swap Master Agreement benefits from a guarantee (the "Swap Guarantee") of the Swap Guarantor dated 7 August 2006. In respect of this Series the Issuer has executed certain confirmations thereto which incorporate the terms of the Swap Master Agreement. The confirmations to the Swap Master Agreement which relate to the Notes comprise a credit default swap transaction (the "Credit Default Swap Transaction") and an asset swap transaction (the "Asset Swap Transaction"), each dated the Issue Date. The Swap Master Agreement together with the confirmations thereto which relate to the Notes are together referred to herein as the "Swap Agreement".

Pursuant to the terms of the Credit Default Swap Transaction the Issuer has agreed to sell credit protection to the Swap Counterparty in relation to the Reference Entities in a notional amount equal to the Principal Amount of the Notes against payment of a premium amount (the "Credit Default Swap Premium") and the Issuer has agreed that following the giving of notice of the occurrence of a Credit Event, it will pay to the Swap Counterparty an amount equal to the Liquidation Proceeds and the Swap Counterparty will pay an amount equal to the Credit Event Redemption Amount.

Furthermore, in connection with the issue of the Notes the Issuer has entered into the Asset Swap Transaction in a notional amount equal to the Principal Amount of the Notes pursuant to which (A) the Issuer has agreed to pay to the Swap Counterparty (i) an amount equal to all distributions in respect of interest or income receivable by the Issuer in respect of the Underlying Assets and (ii) an amount equal to the Credit Default Swap Premium and (B) the Swap Counterparty has agreed to pay to the Issuer (i) an amount equal to all amounts of interest due in respect of the Notes and

(ii) an amount equal to the premium payable by the Issuer to the Equity Option Counterparty under the Equity Option Agreement.

(ii) Forward Agreement and the Forward Guarantee:

In connection with the issue of the Notes, the Issuer has also entered into, amongst other things, an ISDA Master Agreement (the "**Forward Master Agreement**") dated 7 August 2006 between the Issuer and the Forward Counterparty which Forward Master Agreement benefits from a guarantee (the "**Forward Guarantee**") of the Swap Guarantor dated 7 August 2006. In respect of this Series the Issuer has executed certain confirmations thereto which incorporate the terms of the Forward Master Agreement. The confirmation to the Forward Master Agreement which relates to the Notes comprise a contingent forward transaction dated the Issue Date. The Forward Master Agreement together with the confirmation thereto which relates to the Notes are referred to herein as the "**Forward Agreement**".

Pursuant to the terms of the contingent forward transaction, if an Issuer Call Option is exercised in relation to the Notes, the Issuer will deliver to the Forward Counterparty the Underlying Assets in respect of the Notes, and the Forward Counterparty will pay to the Issuer a cash amount equal to the principal amount of the Underlying Assets. The Issuer will pay to the Swap Counterparty such cash amount it receives from the Forward Counterparty and the Swap Counterparty will pay to the Issuer an amount equal to the principal amount of the Notes plus any accrued interest up to the Call Redemption Date in respect of such Issuer Call Option to enable the Issuer to meet its obligations under the Notes.

(iii) Equity Option Agreement and Forward Guarantee:

In connection with the issue of the Notes, the Issuer will enter into a confirmation in respect of an equity option transaction with Morgan Stanley & Co. International plc (formerly known as Morgan Stanley & Co. International Limited) (in this capacity, the "**Equity Option Counterparty**"). In respect of this Series, the Issuer has executed certain confirmations with the Equity Option Counterparty which incorporate the terms of a master agreement on the terms of the Forward Master Agreement. The confirmations in respect of an equity option transaction which relates to the Notes together with the Forward Master Agreement are together referred to herein together as the "**Equity Option Agreement**". The obligations of the Equity Option Counterparty will be guaranteed by the Swap Guarantor pursuant to the Forward Guarantee.

The Equity Option Agreement shall be a "Related

Agreement" under the Master Conditions.

Under the Equity Option Agreement, (a) the Issuer will on the Issue Date pay or procure to be paid to the Equity Option Counterparty a premium the amount of which will be determined on or prior to the Issue Date in respect of the equity option transaction in connection with the Notes; and (b) if the Equity Bonus Condition is fulfilled in respect of an Equity Bonus Payment Date, the Equity Option Counterparty will pay the Issuer an amount equal to any Equity Bonus Payment due to be paid by the Issuer on the Notes, to enable the Issuer to meet its payment obligations on such Equity Bonus Payment Date under the Notes.

Each of the Swap Agreement, the Forward Agreement and the Equity Option Agreement may be terminated early, among other circumstances:

- (a) at the election of the non-defaulting party upon an "Event of Default" under the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, including:
 - (i) the failure of the other party to pay any amount due and payable under the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, and such failure continues for one Business Day (as defined in the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be);
 - (ii) non-compliance by the Swap Guarantor with any of its obligations under the Swap Guarantee or the Forward Guarantee, as the case may be, or the ceasing of the Swap Guarantee or the Forward Guarantee (as the case may be) to be in full force and effect;
 - (iii) the merger of either party or the Swap Guarantor, as the case may be, with another entity and such entity fails to assume all of the relevant party's obligations under the Swap Agreement or the Swap Guarantee, or the Forward Agreement or the Forward Guarantee or the Equity Option Agreement, as the case may be;
- (b) on the occurrence of certain "Termination Events" under the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, including:

- (i) it becoming illegal for either party to perform its obligations under the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, or for the Swap Guarantor to perform its obligations under the Swap Guarantee or the Forward Guarantee, as the case may be;
 - (ii) if (subject as provided in the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be) withholding taxes are imposed on payments made by the Issuer, the Swap Counterparty, the Forward Counterparty or the Equity Option Counterparty under the Swap Agreement and/or the Forward Agreement and/or the Equity Option Agreement, as the case may be, which is not avoided by a transfer by the Affected Party (as defined in the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be) of its rights and obligations on terms provided in the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be;
 - (iii) when the Notes become repayable in whole prior to the Scheduled Maturity Date (other than as a result of the occurrence of a Credit Event or as a result of the exercise of an Issuer Call Option or Swap Counterparty Option);
- (c) where a Credit Event has occurred, the Asset Swap Transaction, the Forward Agreement and the Equity Option Agreement will terminate on the Event Determination Date; and
 - (d) upon the exercise by the Issuer of the Issuer Call Option, or the exercise by the Swap Counterparty of a Swap Counterparty Option, the Asset Swap Transaction, the Credit Default Swap Transaction and the Equity Option Agreement will terminate on the immediately following Interest Payment Date.

Consequences of Early Termination:

Upon any such early termination of the Swap Agreement, the Forward Agreement or the Equity Option Agreement (in whole or in part), as the case may be, and such agreement is not replaced on or prior to such termination, the Notes will become repayable and the Issuer, the Swap Counterparty,

the Forward Counterparty or the Equity Option Counterparty (as the case may be) may (subject as set out below and provided, in the case of certain tax events, that the Issuer may first be obliged to use all reasonable endeavours to transfer its obligations) be liable to make a termination payment to the other in respect of the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be (regardless, if applicable, of which of such parties may have caused such termination).

Further, under the terms of the Swap Agreement, the Forward Agreement and the Equity Option Agreement, termination payments will not be payable following termination as a result of the exercise by the Issuer of an Issuer Call Option, the exercise by the Swap Counterparty of a Swap Counterparty Option, or the occurrence of an Event Determination Date (save in respect of any amounts which should have been paid prior to the date of termination and which remain unpaid).

Where such a termination payment is payable, it will be based on the total losses and costs and/or gains incurred in the termination of the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, and the termination payment would typically (but not necessarily) take into account the market value of the terminated Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, based on market quotations of the cost of entering into a transaction with terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties under the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be.

Regardless of which party makes the determination of the termination payment (if any), there is no assurance that the proceeds from the sale of the Underlying Assets plus or minus, as the case may be, the amount payable by the Swap Counterparty/Forward Counterparty/ Equity Option Counterparty or the Issuer, as the case may be, due to the termination of the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, will be sufficient to repay the principal amount due to be paid in respect of the Notes and any other amounts in respect thereof that are due.

(iv) Exercise of Morgan Stanley Exchange Following an exercise of the Morgan Stanley

Option:	Exchange Option by Morgan Stanley & Co. International plc (formerly known as Morgan Stanley & Co. International Limited) in respect of any Notes, a <i>pro rata</i> amount of the Swap Agreement, the Forward Agreement and the Equity Option Agreement corresponding in each case to that proportion of the Notes to be exchanged will be terminated without any termination payment due from either party to the other thereunder.
(v) Cancellation following an Extraordinary Event	Following the occurrence of an Extraordinary Event, the equity option transaction under the Equity Option Agreement may be cancelled. No termination amounts will be payable under the Equity Option Agreement from either party to the other following such cancellation other than, in certain circumstances, a cancellation payment as described in Condition 6(n) in Annex 1.
(f) Parties to Related Agreements (other than Issuer):	Morgan Stanley Capital Services Inc. (the “ Swap Counterparty ”) in respect of the Swap Agreement and Morgan Stanley & Co. International plc (formerly known as Morgan Stanley & Co. International Limited) (the “ Forward Counterparty ” and “ Equity Option Counterparty ” respectively) in respect of each of the Forward Agreement and Equity Option Agreement.
(g) Specify any other Charged Assets:	Not Applicable
35. Exchange: Global Note/Global Certificate exchangeable for Definitive Bearer/Registered Notes:	Yes, but only in the limited circumstances set out in the Global Note.
36. Details of any additions or variations to the Programme Agreement:	None
37. Listing:	None
38. Clearing System(s):	The Central Depository (Pte) Limited (with a link to the Euroclear system)
39. Depository:	The Central Depository (Pte) Limited
40. Common Code:	030900057
41. ISIN Code:	SG7N96936359
42. Custodian:	The Hongkong and Shanghai Banking Corporation Limited 1 Queen’s Road Central Hong Kong Fax: +852 2801 5586 Attention: Corporate Trust and Loan Agency
43. Registrar:	Not Applicable

44. Principal Paying Agent, and Calculation Agent: The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
#14-01
Singapore 049320
Fax: +65 6532 4977/+65 6225 3770
Attention:
Head of Corporate Trust and Loan Agency
45. Determination Agent/Settlement Agent/Market Agent: Morgan Stanley & Co. International plc
(formerly known as Morgan Stanley & Co. International Limited)
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom
Fax: +44 (0) 20 7677 7990
Attention: Structured Credit Group
With copies to:
Morgan Stanley & Co. International plc
(formerly known as Morgan Stanley & Co. International Limited)
c/o Morgan Stanley Asia Limited
30/F, Three Exchange Square, Central Hong Kong
Fax: +852 2848-5986
Attention: Structured Credit Group

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed by a duly appointed attorney of the Issuer:

By: Mr Ng Chee Keen

Date: 6/7/07

ANNEX 1
SPECIAL CONDITIONS

The Master Conditions for First-to-Default Note Type set out in the Base Prospectus (the "Conditions") shall be supplemented and modified by the following Special Conditions. In the event of any inconsistency between the Conditions and such Special Conditions, such Special Conditions shall prevail and the Conditions shall be amended accordingly.

(A) Related Agreements, Underlying Assets and Security

Condition 4(a) is amended to read as follows:

"(a) Related Agreements

In connection with the Notes of any Series, the Issuer may enter into a Swap Agreement with the Swap Counterparty and/or a Forward Agreement with the Forward Counterparty and/or an Equity Option Agreement with an Equity Option Counterparty, which may be guaranteed by the Swap Guarantor under the terms of the Swap Guarantee or the Forward Guarantee, as applicable (each a "**Related Agreement**").

(B) The following shall be inserted as Condition 6(n) (Equity Bonus Payment):

"(n) Equity Bonus Payment

(i) On each Equity Bonus Payment Date, the Issuer will pay the holders of the Notes an Equity Bonus Payment Amount provided that:

- (1) the Equity Bonus Condition is fulfilled in respect of that Equity Bonus Payment Date;
- (2) no notice of the occurrence of a Credit Event has been provided, and no Mandatory Redemption Event nor Event of Default has occurred on or before such Equity Bonus Payment Date; and
- (3) the Issuer has not exercised an Issuer Call Option in respect of the Notes relating to an Interest Payment Date occurring before such Equity Bonus Payment Date;

each such payment being the "Equity Bonus Payment".

(ii) The Issuer shall use its best efforts to give notice to the Noteholders in accordance with Condition 15, by no later than the fifth (5th) Business Day before each Equity Bonus Payment Date, whether any Equity Bonus Payment will be paid on such Equity Bonus Payment Date.

(iii) In addition, if, following the occurrence of an Extraordinary Event, the equity option transaction under the Equity Option Agreement in respect of the Notes is cancelled and a cancellation payment is paid by the Equity Option Counterparty to the Issuer in connection with such termination, the Issuer shall pay to the Noteholders a *pro rata* amount of such cancellation payment on the fifth Business Day following the delivery of the Cancellation Notice (such payment, a "**Final Equity Bonus Payment**"). No cancellation payment is payable by the Equity Option Counterparty to the Issuer and accordingly no amount will be payable by the Issuer to the holders of the Notes in connection with the termination of the Equity Option Agreement as a result of the exercise of an Issuer Call Option in respect of the Notes.

(iv) If an Equity Bonus Payment Date is not a Business Day, then payment of the Equity Bonus Payment due on that day will be made on the next following Business Day. No adjustment will be made to the amount of Equity Bonus Payment payable in the event of such a postponed payment.

(v) The "**Equity Bonus Condition**" will be fulfilled in respect of that Equity Bonus Payment Date if the Determination Agent, acting for and on behalf of the Issuer, determines (in its sole discretion) that with respect to the Observation Dates immediately preceding such Equity Bonus Payment Date, the Final Price of each Share is equal to or greater than its Target Price. However, if the Final Price of any one or more Shares is less than its or their respective Target Price(s), the Equity Bonus Condition shall not be fulfilled in respect of that Equity Bonus Payment Date. The Equity Bonus Condition shall also not be fulfilled with respect to each Equity Bonus Payment Date falling on or after the date of a Cancellation Notice given following the occurrence of an Extraordinary Event.

(vi) If, in respect of any Basket Company, an Extraordinary Event occurs on or prior to the Maturity Date, the Determination Agent, acting for and on behalf of the Issuer, may either (i)(1) make such adjustment to the terms of the Notes in respect of the Equity Bonus Payment (including replacing one or more original Basket Companies with another or other entities and/or amending the Target Price of the Shares of one or more Basket Companies) as the Determination Agent, acting for and on behalf of the Issuer, determines appropriate to take into account the economic effect of such Extraordinary Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Equity Option Agreement); and (2) determine the effective date of that adjustment; or (ii) in its sole discretion determine that the Equity Bonus Payment shall forthwith cease to be payable (the notice referred to below to the Noteholders holding the Notes in respect of such determination in accordance with Condition 15, a "Cancellation Notice"). With effect from the date of such Cancellation Notice, the Equity Bonus Condition shall be deemed not to be fulfilled in respect of each Equity Bonus Payment Date falling on or after the date of such Cancellation Notice.

The Determination Agent, acting for and on behalf of the Issuer, may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Extraordinary Event, made by an options exchange to options on the relevant Shares traded on such options exchange.

The Issuer shall, as soon as practicable following the occurrence of an Extraordinary Event notify the Distributors (who will then notify the Noteholders holding the Notes) of any determinations and/or adjustments (including the details of such Extraordinary Event and the details and the effective date of such adjustments) as the case may be in accordance with Condition 15.

(vii) If, following each Potential Adjustment Event, the Determination Agent, acting for and on behalf of the Issuer, determines in its sole and absolute discretion that such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Share, it will in its sole and absolute discretion determine the appropriate adjustment, if any, to be made to the terms of the Notes in respect of the Equity Bonus Payment (including the Target Price of the relevant Share) to account for the diluting or concentrative effect of the Potential Adjustment Event, such adjustment to be effective as of the date determined by the Determination Agent, acting for and on behalf of the Issuer.

The Determination Agent, acting for and on behalf of the Issuer, may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

The Determination Agent, acting for and on behalf of the Issuer, shall, as soon as practicable following the occurrence of a Potential Adjustment Event notify the Distributors (who will then notify the holders of the Notes) in accordance with Condition 15 of any determinations and/or adjustments (including the details of such Potential Adjustment Event and the details and the effective date of such adjustments) as the case may be.

(viii) The following defined terms shall have the meanings set out below:-

"Basket Company" means each of the Basket Companies specified in the Pricing Supplement, provided that the identities of these Basket Companies may be subject to substitution by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion following the occurrence of an Extraordinary Event.

"Change in Law" means that, on or after the Issue Date (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Determination Agent, acting for and on behalf of the Issuer, determines in good faith that (1) it has become illegal to hold, acquire or dispose of the Shares of any Basket Company, or (2) either the Equity Option Counterparty or the Issuer will incur a materially increased cost in performing its obligations under the Equity Option Agreement (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"Closing Price" means, in respect of a Share, the official closing share price of the Share on the Relevant Stock Exchange.

"Delisting" means that, in respect of the Shares of a Basket Company, the Relevant Stock Exchange in respect of such Shares announces that pursuant to the rules of such Relevant Stock Exchange, such Shares cease

(or will cease) to be listed, traded or publicly quoted on such Relevant Stock Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Relevant Stock Exchange (or, where the Relevant Stock Exchange is within the European Union, in any member state of the European Union).

“Disrupted Day” means any Scheduled Trading Day on which a Relevant Stock Exchange or Related Exchange fails to open for trading during its regular trading sessions or on which a Market Disruption Event has occurred.

“Early Closure” means the closure on any Exchange Business Day of the Relevant Stock Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Relevant Stock Exchange or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Relevant Stock Exchange or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Relevant Stock Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

“Equity Bonus Payment Amount” means SGD200.00 per Note in respect of an Equity Bonus Payment payable on an Equity Bonus Payment Date (other than the Equity Bonus Payment Date falling on the Scheduled Maturity Date), and SGD100.00 per Note in respect of an Equity Bonus Payment payable on the Equity Bonus Payment Date falling on the Scheduled Maturity Date.

“Equity Bonus Payment Date” means 6 July in each year, commencing on 6 July 2008 up to, and including, 6 July 2012 and the Scheduled Maturity Date or, if applicable, (in the case of notice of the occurrence of a Credit Event being given to Noteholders or a Mandatory Redemption Event or an Event of Default occurring) the Equity Bonus Payment Date immediately preceding the date upon which notice is given to the Noteholders of the occurrence of a Credit Event or, as the case may be, the date upon which the Mandatory Redemption Event occurs or, as the case may be, the date upon which the Event of Default occurs or (in the case of the exercise of an Issuer Call Option in respect of the Notes) (where an Equity Bonus Payment Date falls on the Interest Payment Date on which such Issuer Call Option is exercised) the Equity Bonus Payment Date on which such Issuer Call Option is exercised or (where an Equity Bonus Payment Date does not fall on the Interest Payment Date on which such Issuer Call Option is exercised) the Equity Bonus Payment Date immediately preceding the Interest Payment Date on which such Issuer Call Option is exercised.

“Exchange Business Day” means any Scheduled Trading Day on which the Relevant Stock Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Relevant Stock Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“Exchange Disruption” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent, acting for and on behalf of the Issuer) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Relevant Stock Exchange or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share on any Related Exchange.

“Extraordinary Event” means the occurrence of any of a Merger Event, a Tender Offer, a Nationalization, an Insolvency, a Delisting or a Change in Law.

“Final Price” means, in relation to each Equity Bonus Payment Date and in respect of each Share, the arithmetic mean of the Closing Prices of such Share on the Observation Dates immediately preceding such Equity Bonus Payment Date, rounded to two decimal places (with USD0.005 or SGD0.005 (as applicable) and above being rounded upward).

“Initial Spot Price” means, in respect of a Share of a Basket Company, the Closing Price of such Share on the Target Price Fixing Date.

“Insolvency” means that, in respect of a Basket Company, by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting such Basket Company, (i) all the Shares of that Basket Company are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Basket Company become legally prohibited from transferring them.

"Market Disruption Event" means, in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Determination Agent (acting for and on behalf of the Issuer) determines is material, at any time during the one hour period that ends at the relevant Valuation Time, or (iii) an Early Closure.

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Determination Agent, acting for and on behalf of the Issuer.

"Merger Event" means, in respect of the Shares of a Basket Company, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Basket Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the Basket Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries with or into another entity in which the Basket Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a "Reverse Merger"), in each case if the Merger Date is on or before the final Observation Date.

"Nationalization" means that, in respect of a Basket Company, all the Shares of such Basket Company or all or substantially all the assets of such Basket Company are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

"Observation Dates" means the sixteenth (16th) Business Day prior to each Equity Bonus Payment Date (the "First Observation Date") and the two Business Days following the First Observation Date (or, if any such date is not a Scheduled Trading Day, such date will be postponed to the next following Scheduled Trading Day), provided that if any such day is a Disrupted Day, then such Observation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Observation Date, and such Observation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the five (5) Scheduled Trading Days immediately following the Scheduled Observation Date is a Disrupted Day. In that case, (i) that fifth (5th) Scheduled Trading Day shall be deemed to be the Observation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Determination Agent, acting for and on behalf of the Issuer, shall determine its good faith estimate of the value for that Share as of the Valuation Time of the Relevant Stock Exchange on that fifth (5th) Scheduled Trading Day.

"Potential Adjustment Event" means the declaration by a Basket Company of the terms of any of the following:

(i) a subdivision, consolidation or reclassification of the relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution, issue or dividend to existing holders of the relevant Shares of (1) such Shares or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company equally or proportionately with such payments to holders of such Shares or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company as a result of a spin-off or other similar transaction or (4) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Determination Agent, acting for and on behalf of the Issuer;

(iii) an extraordinary dividend (where the characterization of a dividend or portion thereof as an extraordinary dividend shall be determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion);

(iv) a call by the Basket Company in respect of the relevant Shares that are not fully paid;

(v) a repurchase by the Basket Company or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) in respect of the Basket Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Basket Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Determination Agent, acting for and on behalf of the Issuer, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or

(vii) any other event that may have a diluting or concentrative effect on the theoretical value of such Shares.

“Related Exchange” means, in respect of a Share, each primary exchange on which options or futures on the relevant Share are traded, any successor to such exchange or any substitute exchange or quotation system to which trading in futures or option contracts relating to such Share has temporarily relocated (provided that the Determination Agent, acting for and on behalf of the Issuer, has determined that there is comparable liquidity relative to the futures or option contracts relating to such Share on such temporarily substitute exchange or quotation system as on the original Related Exchange).

“Relevant Stock Exchange” means, in respect of each Basket Company, the Relevant Stock Exchange specified in relation to that Basket Company in the Pricing Supplement, any successor to such exchange or any substitute exchange or quotation system to which trading in the Share of such Basket Company has temporarily relocated (provided that the Determination Agent, acting for and on behalf of the Issuer, has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Relevant Stock Exchange).

“Scheduled Closing Time” means, in respect of a Relevant Stock Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Relevant Stock Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Scheduled Observation Date” means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been an Observation Date.

“Scheduled Target Price Fixing Date” means the original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Target Price Fixing Date.

“Scheduled Trading Day” means any day on which the respective Relevant Stock Exchange and Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

“Share” means, in respect of a Basket Company, an ordinary share of such Basket Company.

“Target Price” means, in respect of a Share of a Basket Company, 110% of the Initial Spot Price of such Share, rounded to two decimal places (with USD0.005 or SGD0.005 (as applicable) and above being rounded upwards).

“Target Price Fixing Date” means the Fixing Date (or, if the Fixing Date is not a Scheduled Trading Day, the Target Price Fixing Date will be postponed to the next following Scheduled Trading Day), provided that if any such day is a Disrupted Day, then the Target Price Fixing Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Target Price Fixing Date, and such Target Price Fixing Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight (8) Scheduled Trading Days immediately following the Scheduled Target Price Fixing Date is a Disrupted Day. In that case, (i) that eighth (8th) Scheduled Trading Day shall be deemed to be the Target Price Fixing Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii)

the Determination Agent, acting for and on behalf of the Issuer, shall determine its good faith estimate of the value for that Share as of the Valuation Time of the Relevant Stock Exchange on that eighth (8th) Scheduled Trading Day.

"Tender Offer" means, in respect of a Basket Company, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the Basket Company, as determined by the Determination Agent, acting for and on behalf of the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Determination Agent, acting for and on behalf of the Issuer, deems relevant.

"Trading Disruption" means any suspension of or limitation imposed on trading by the Relevant Stock Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or Related Exchange or otherwise (i) relating to the Share on the Relevant Stock Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

"Valuation Time" means the Scheduled Closing Time on the Relevant Stock Exchange on the relevant Observation Date in relation to the Share to be valued.

(C) Redemption, Purchase and Exchange

(i) The definition of "Swap Settlement Amount" in Condition 7(b) is amended to read as follows:

"Swap Settlement Amount" means the early termination amount or close out payment (as determined by the Swap Counterparty, the Forward Counterparty or the Equity Option Counterparty, as the case may be) receivable or payable (expressed as a negative amount) by the Swap Counterparty, Forward Counterparty or Equity Option Counterparty or the Issuer under the Swap Agreement, Forward Agreement or Equity Option Agreement, as the case may be, which has terminated early or otherwise closed out (other than as a result of the exercise by the Swap Counterparty of the Swap Counterparty Option, the exercise of the Issuer of the Issuer Call Option, the exercise by Morgan Stanley & Co. International plc (formerly known as Morgan Stanley & Co. International Limited) of the Morgan Stanley Exchange Option, or in the case of the Equity Option Agreement, as a result of an Extraordinary Event).

(ii) The second paragraph of Condition 7(c)(iii) is amended to read as follows:

"The "Early Redemption Amount" means an amount equal to the Liquidation Proceeds (as defined above) of the Underlying Assets and/or any proceeds received in respect of the Underlying Assets (including any amounts received as a direct result of the reduction or writedown in the principal amount of the Underlying Assets) on or prior to the Early Redemption Date plus or minus (as the case may be) the Swap Settlement Amount payable by the Swap Counterparty and/or the Forward Counterparty and/or the Equity Option Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement and/or the Forward Agreement and/or the Equity Option Agreement, as the case may be. Such Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Assets."

(iii) Condition 7(c)(i)(B) is amended to read as follows:

"(B) (other than a cancellation of the Equity Option Agreement as contemplated in Condition 6(n), or as contemplated in Conditions 7(d), 7(g), 7(h), 7(i) and 7(j)), any Related Agreement in relation to such Series is terminated and is not replaced on or prior to such termination to the satisfaction of the Trustee; or".