



## Information Circular: Morgan Stanley SPARQS

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**To:** Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

**From:** William Slattery, Director, NASDAQ Listing Qualifications Department

**DATE:** May 24, 2007

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| <b>SPARQS</b>  | <b>Symbol</b> | <b>CUSIP Number</b> |
|--|---------------|---------------------|
| Morgan Stanley 8% Stock Participation Accreting Redemption Quarterly-pay Securities Mandatorily Exchangeable for Common Stock of Valero Energy Corporation | SVL           | 617475405           |

### Information on the Notes

Morgan Stanley (the "Issuer") has issued 8% Stock Participation Accreting Redemption Quarterly-pay Securities ("SPARQS") mandatorily exchangeable for common stock of Valero Energy Corporation. The SPARQS were issued at \$18.6275 each with a maturity date of June 20, 2008. SPARQS are not principal protected.

As more fully set forth in the Prospectus Supplement, the SPARQS will bear a coupon of 8.00% per annum, payable quarterly beginning September 20, 2007. Valero Energy Corporation is not involved in the offering of SPARQS in any way and will have no obligation with respect to the SPARQS.

At maturity, unless previously called by the Issuer, each SPARQS will be exchanged into 0.25 shares of Valero Energy Corporation common stock.

Beginning on December 20, 2007, the Issuer may call the SPARQS for a cash call price that, together with coupons paid from the original issue date through the call date, implies an annualized rate of return on the stated principal amount equal to the yield to call of 16.5% of the original issue price.

All payments which may be due to investors in the SPARQS are the sole responsibility of the Issuer. It is the credit of the Issuer and not Valero Energy Corporation that stands behind the SPARQS. Investors in the SPARQS will not be entitled to any rights with respect to Valero Energy Corporation until such time as the Issuer shall deliver Valero Energy Corporation shares to investors of the SPARQS at maturity.

There can be no assurances as to how the SPARQS will trade in the secondary market or whether such market will be liquid or illiquid. Securities with characteristics similar to the SPARQS are unique securities, and there is currently no secondary market for the SPARQS.

The Trustee for this security is Bank of New York.

Several factors, many of which are beyond the Issuer's control, will influence the value of the SPARQS. One can expect that generally the market price of the underlying common stock shares on any day will affect the value of the SPARQS more than any other single factor. Other factors that may influence the value of the SPARQS include: supply and demand for the SPARQS, volatility of the underlying stock, interest rates, economic, financial, political and regulatory or judicial events. In addition, the time remaining to maturity and the credit worthiness of the Issuer may influence the pricing of the SPARQS.

Trading in the SPARQS on NASDAQ is on a UTP basis and is subject to [NASDAQ equity trading rules](#). The SPARQS will trade from 7:00 a.m. until 8:00 p.m., Eastern Time (ET). The SEC short sale rule (SEC Rule 10a-1) applies to trading in the SPARQS.

Trading of the SPARQS on NASDAQ is subject to the provisions of [NASDAQ Rule 2310](#). Members recommending transactions in the SPARQS to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in the NASDAQ Conduct Rules.

Members also should review [NASD Notice to Members 03-71](#) for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

**This Information Circular is not a statutory prospectus. NASDAQ members should consult the registration statement or prospectus for the Notes for additional information.**

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Inquiries regarding this Information Circular should be directed to:

- [Will Slattery](#), Director, NASDAQ Listing Qualifications, at 301.978.8088
- [NASDAQ Market Sales](#) at 800.846.0477