

**To:** Head of NASDAQ Trading; Structured Products Traders; Compliance Officers

**From:** BX Listing Qualifications Department

**Date:** January 15, 2009

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### Overview

The Morgan Stanley Market Participation Securities with Minimum Return Protection ("MPS") based on the value of the Nasdaq 100 Index will trade with the ticker symbol MNDX and the CUSIP number 61744U181.

### Description

The MPS are designed for investors who want to participate in possible increases in the Nasdaq-100 Index, a modified capitalization-weighted index of 100 of the largest and most actively traded securities listed on The Nasdaq Stock Market that includes companies across a variety of major industry groups. Although the return to investors is linked to the performance of the Nasdaq-100 Index, there is minimum payment amount, which represents a yield at maturity of 2% per annum. The MPS have certain unique characteristics and investors should be afforded an explanation of such special characteristics and risks attendant to trading thereof, including, but not limited to, the following:

- The MPS combine features of equity and debt instruments offering at maturity, repayment of the issue price, a minimum return and the opportunity to participate in the appreciation of the underlying Nasdaq-100 Index. Unlike ordinary debt securities, the MPS do not pay interest. At maturity payment is determined by calculating the quarterly performance amount for each quarterly valuation period, up to a maximum quarterly performance amount of 1.10 or 10% multiplied by \$10. The quarterly performance amount in any quarterly valuation period is determined by dividing the level of the Nasdaq-100 Index on the last day of the quarterly valuation period by the level of the Nasdaq-100 Index on the first day of the quarterly valuation period. The period valuation dates are the 30th day of each March, June, September and December beginning March 2003 through December 2008. The maturity date is set for March 30, 2009.
- The MPS guarantee a return of principal at maturity, plus 2% per annum.
- Investing in the MPS is not equivalent to investing in the component stocks of the Nasdaq-100 Index.
- There can be no assurances as to how the MPS will trade in the secondary market or whether such market will be liquid or illiquid. Securities with characteristics similar to the MPS are unique securities, and there is currently no secondary market for the MPS. The market value for the MPS will be affected by a number of factors including, but not limited to:
  - The value of the Nasdaq-100 Index.
  - The volatility of the Nasdaq-100 Index.
  - The dividend rate on the stocks underlying the Nasdaq-100 Index.
  - Events that affect the stocks underlying the Nasdaq-100 Index or stock markets, which generally may affect the value of the Nasdaq-100 Index.
  - Interest and yield rates in the market.
  - Morgan Stanley & Co., Inc.'s creditworthiness.

- As an owner of the MPS, investors will not have any voting rights or rights to receive dividend or other distributions or any other rights with respect to the stocks that underlie the Nasdaq-100 Index.
- The MPS will not pay interest. Instead, at maturity, investors will for each \$10 principal amount of the MPS multiplied by the product of quarterly performance amounts of the Nasdaq-100 Index over the term of the MPS. In no event, will the payment at maturity be less than \$11.32, the minimum payment amount.

### **Other Important Information**

Before a member undertakes to recommend a transaction in the MPS, such member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs. Members are requested to communicate this information to all branches.

Trading in the MPS on BX is on a UTP basis and is subject to BX equity trading rules. The MPS will trade from 8:00 a.m. until 7:00 p.m. Eastern Time. Additional risks may exist with respect to trading the MPS during BX's Pre-Market and Post-Market sessions, when the Index's value may not be disseminated.

### **Contact Information**

For additional information regarding the MPS, please see:

- The Prospectus Supplement filed with the Securities and Exchange Commission (SEC) by Morgan Stanley Inc.
- The Prospectus of Morgan Stanley relating to this transaction filed with the SEC.

Any additional questions can be directed to:

- Will Slattery, BX Listing Qualifications, at 301.978.8088
- BX Market Sales at 800.846.0477

**\* The CUSIP Number on this notice is not provided by the American Banking Association and has been independently gathered.**