



Information Circular: Morgan Stanley Index-Linked Notes

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

From: PHLX Listing Qualifications Department

| Index-Linked Notes | Symbol | CUSIP Number |
|--|---------------|---------------------|
| Morgan Stanley Protected Absolute Return Barrier Notes Based on the S&P 500 Index | SNZ | 716483615 |

Information on the Notes

Morgan Stanley (the "Issuer") has issued Protected Absolute Return Barrier Notes ("Notes") based on the S&P 500 Index (the "Index"). The Notes were priced at \$10 each and mature on March 20, 2011.

The Notes provide principal protection as well as potential appreciation based on the absolute value of the return of the Index, but only if the Index remains within a specified range at all times during the term of the Notes. Investors will receive a positive return whether the value of the Index on the valuation date is higher or lower than the initial index value, as long as the value of the index remains within the specified range at all times. The specified range is larger on the upside than on the downside, and, accordingly, the maximum potential return on the Notes is greater if the Index appreciates rather than declines from the initial index value.

The specified range for the Index will be determined on the pricing date for the Notes. The upside barrier will be in the range of 44% - 49% greater than the initial index value, to be determined on the pricing date. The downside barrier will be in the range of 22.5% - 27.5% less than the initial index value, to be determined on the pricing date.

At maturity, investors will receive \$10 plus a supplemental redemption amount.

If the Index value remains within the range specified by the upside and downside barriers, investors will receive a supplemental redemption amount equal to \$10 times the absolute value of the Index return. If at any time the Index value is outside the barrier amounts, investors will receive a supplemental redemption amount of \$0.

The amount investors may receive is limited to \$14.40 - \$14.90 if the final index value increases from the initial index value. The amount is limited to \$12.25 - \$12.75 if the final index value decreases from the initial index value.

Please see the prospectus for the Notes for more details regarding the calculations and details regarding the Index.

It is expected that the market value of the Notes will depend substantially on the value of the Index and may be affected by a number of other interrelated factors including, among other things: the general level of interest rates, the volatility of the Index, the time remaining to maturity, the dividend yield of the stocks comprising the Index, and the credit ratings of the Issuer.

Trading in the Notes on PHLX's PSX system is on a UTP basis and is subject to PHLX rules. The Notes will trade on PSX from 9:00 a.m. until 5:00 p.m. Eastern Time. For trading during PSX's Pre-Market and Post-Market Sessions, market participants should note that additional risks may exist with respect to trading the Notes during these sessions, when the underlying index's value or similar value may not be disseminated.

PHLX will halt trading in the Notes in accordance with PHLX Rule 3100. The grounds for a halt under these rules include a halt by the primary market because the value of the underlying index or a similar value is not being disseminated as required, or a halt for other regulatory reasons. In addition, PHLX will also stop trading the Shares Notes if the primary market delists the Notes.

Members and member organizations recommending transactions in the Notes to customers should make a determination that the recommendation is suitable for the customer, as provided by PHLX Rule 763.

PSX members and member organizations also should review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds broker-dealers 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. PHLX members and member organizations should consult the registration statement or prospectus for the Notes for additional information.

Inquiries regarding this Information Circular should be directed to:

- Will Slattery, PHLX Listing Qualifications, at 301.978.8088
- PSX Market Sales at 800.846.0477