



## Information Circular: Morgan Stanley Bear Market PLUS

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

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

**DATE:** March 27, 2007

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Equity-Linked Notes	Symbol	CUSIP Number
Morgan Stanley Bear Market Performance Leveraged Upside Securities ("PLUS")	RBL	61750V550

Morgan Stanley has issued Bear Market Performance Leveraged Upside Securities ("PLUS") linked to the performance of the S&P 500 Index. The Securities were issued at \$10 per PLUS and will mature on April 20, 2008. As more fully set forth in the Prospectus Supplement, PLUS will automatically redeem for cash based on the performance of the S&P 500 Index at maturity. PLUS are only 50% principal protected and will not be redeemable by the investor or issuer prior to maturity. RBL began trading on NASDAQ on March 26, 2007 on an Unlisted Trading Privileges (UTP) basis.

At Maturity, if the Final Index Value is less than or equal to the Initial Index Value, investors will receive the lesser of:

- (i) \$10 + Enhanced Downside Payment  
Subject to a Maximum Payment at maturity of \$14.30 per Bear Market PLUS

If the Final Index Value is greater than the Initial Index Value, investors will receive the greater of:

- (i) \$10 - Upside Reduction Amount  
Subject to a Minimum Payment at maturity of \$5.00 per Bear Market PLUS

The Enhanced Downside Payment equals:

$$\$10 \times 400\% \times \frac{\text{Initial Index Value} - \text{Final Index Value}}{\text{Initial Index Value}}$$

The Upside Reduction equals:

$$\$10 \times \frac{\text{Final Index Value} - \text{Initial Index Value}}{\text{Initial Index Value}}$$

The Initial Index Value of the S&P 500 Index is 1,436.11 and the Final Index Value is the closing value of the S&P 500 Index on April 17, 2008.

It is expected that the market value of the PLUS will be affected by the value of the Index, and by a number of other interrelated factors including, among other things: the general level of

interest rates, the volatility of the S&P 500 Index, the time remaining to maturity, the dividend rate on stocks underlying the S&P 500 Index, and the credit rating of the Issuer.

Also note that investing in the PLUS is not equivalent to investing in the S&P 500 Index.

PLUS will be quoted and trade as an equity issue in round lots of 100, and will trade "flat" without accrued interest.

Trading in PLUS on NASDAQ is subject to [NASDAQ equity trading rules](#). The PLUS product will trade from 7:00 a.m. until 8:00 p.m. The SEC short sale rule (SEC Rule 10a-1) applies to trading in the PLUS products.

Trading of PLUS on NASDAQ is subject to the provisions of [NASDAQ Rule 2310](#). Members recommending transactions in PLUS 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 PLUS product 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