



## Information Circular: Morgan Stanley Protected Absolute Return Barrier Notes

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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:** June 25, 2007

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| Index-Linked Notes   | Symbol | CUSIP Number |
|--|--------|--------------|
| Morgan Stanley Protected Absolute Return Barrier Notes<br>Linked to the iShares MSCI EAFE Index Fund | EHN    | 61747S264    |

### Information on the Notes

Morgan Stanley (the "Issuer") has issued Protected Absolute Return Barrier Notes ("Notes") linked to the iShares MSCI EAFE Index Fund (the "Index"). The Notes were priced at \$10.00 per security and mature on December 20, 2008.

The Notes provide principal protection as well as potential appreciation based on the absolute value of the return of the price of shares of the iShares MSCI EAFE Index Fund, subject to a maximum payment at maturity, but the Notes will only pay a return above the principal amount if the share price remains within a specified range over the term of the Notes. Investors who want to capitalize on either positive or negative movements in the closing share price within the specified range can use the Notes to gain such exposure while protecting 100% of their principal at maturity.

At maturity, investors will receive the \$10 stated principal amount plus the supplemental redemption amount (if any).

Supplemental redemption amount:

- If at all times during the observation period the share price times the adjustment factor is within the price range, the supplemental redemption amount is equal to \$10 times the absolute index return; or
- If at any time on any day during the observation period the share price times the adjustment factor is outside the price range, \$0

The price range is any share price that is:

- greater than or equal to: 63.976; and
- less than or equal to: 95.964

The absolute price return is the absolute value of:  $(\text{final price} - \text{initial price}) / \text{initial price}$

The Initial Price of the iShares® MSCI EAFE Index Fund is \$79.97.

The observation period is the period of regular trading hours on each trading day on which there is no market disruption event with respect to the underlying shares, beginning on, and including, the trading day following the pricing date and ending on, and including, the valuation date.

It is expected that the market value of the Notes will depend substantially on the value of 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 yields of the stocks comprising the Index, and the credit ratings of the Issuer.

Trading in the Notes on NASDAQ is on a UTP basis and is subject to [NASDAQ equity trading rules](#). The Notes 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 Notes until the effective date of its repeal.

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

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- [NASDAQ Market Sales](#) at 800.846.0477