



## 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:** July 25, 2007

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Equity-Linked Notes	Symbol	CUSIP Number
Morgan Stanley 8% Stock Participation Accreting Redemption Quarterly-pay Securities Mandatorily Exchangeable for American Depositary Shares of Cemex, S.A. de C.V.	CEQ	617475645

### Information on the Notes

Morgan Stanley (the "Issuer") has issued 8% Stock Participation Accreting Redemption Quarterly-pay Securities ("SPARQS") mandatorily exchangeable for American Depositary Shares ("ADSs") of Cemex S.A.B. de C.V. ("Cemex"). The SPARQS were issued at a price of \$8.5825 per security and mature on August 20, 2008. The SPARQS will pay 8% coupon per annum, payable quarterly beginning November 20, 2007.

SPARQS pay a relatively high fixed quarterly coupon compared to the dividend yield of the underlying ADSs in exchange for a limit on the opportunity for appreciation. Regardless of the stated maturity, SPARQS are callable by the issuer at any time after the first call date. If called, the SPARQS will return the yield to call, inclusive of any coupons previously paid and accrued to the call date. If not called, the SPARQS will return, at maturity, a fixed number of the underlying ADSs per SPARQS. SPARQS are not principal protected.

Beginning February 20, 2008, Morgan Stanley may call all of the SPARQS for a cash call price that, together with coupons paid from the original issue date through the call date, gives a yield to call of 18% of the issue price.

At maturity, if not previously called by the Issuer, investors will receive 0.25 ADSs of Cemex per SPARQS.

Investors should note that Cemex is not involved in this offering in any way and will have no obligation with respect to the SPARQS.

All payments which may be due to investors in SPARQS are the sole responsibility of the Issuer; therefore it is the credit of Morgan Stanley and not Cemex that stands behind the SPARQS.

Investors in SPARQS will not be entitled to any rights with respect to Cemex until such time as the Issuer shall deliver ADSs of Cemex to investors in the SPARQS at maturity.

There can be no assurance 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. In addition, SPARQS are subject to currency exchange rate risk and an investor's return on the SPARQS is limited by the Issuer's call right.

The Trustee for this security is Bank of New York.

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).

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 SPARQS 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