



Information Circular: Morgan Stanley Protected Absolute Return Barrier Notes

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

From: William Slattery, Director, NASDAQ Listing Qualifications Department

DATE: April 24, 2007

Index-Linked Notes	Symbol	CUSIP Number
Morgan Stanley Protected Absolute Return Barrier Notes due October 20, 2008, Based on the Value of the PHLX Housing Sector Index	HPD	61750V337

Morgan Stanley (the "Issuer") has issued Protected Absolute Return Barrier Notes ("Notes") based on the value of the PHLX Housing Sector Index ("Index"). The Notes were issued at \$10 per Note and will mature on October 20, 2008. As more fully set forth in the Prospectus, at maturity, holders will receive, for each \$10 stated principal amount of Notes, the stated principal amount plus a supplemental redemption amount if the value of the Index is within the index range at all times during the observation period (see below for more information on the observation period).

The supplemental redemption amount will equal:

- \$10 times the Absolute Index Return, if at all times during the observation period the value of the Index is within the Index Range, or
- \$0, if at any time on any day during the observation period the value of the Index is outside the Index Range.

The Absolute Index Return will equal the absolute value of (i) the final index value minus the initial index value, divided by (ii) the initial index value.

- The initial index value will equal the closing value of the Index on the day the notes were priced for initial sale to the public.
- The final index value will equal the closing value of the Index on the index valuation date.

The Index Range includes any value of the index that is:

- (i) greater than or equal to 171.315, and
- (ii) less than or equal to 285.525.

The observation period is the period of regular trading hours on each index business day on which there is no market disruption event with respect to the index, beginning on, and including, the index business day following the pricing date and ending on, and including, the index valuation date. The index valuation date is October 16, 2008.

Several factors will influence the value of the Notes in the secondary market and the price at which the Issuer may be willing to purchase or sell the Notes in the secondary market, including: the value of the index at any time, the volatility (frequency and magnitude of changes in value) of the index, interest and yield rates in the market, the dividend rate on the stocks underlying the index, geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the securities underlying the index or stock markets generally and which may affect the final index value, the time remaining until the notes mature, whether the value of the index has been outside the index range and the Issuer's creditworthiness.

Unlike ordinary debt securities, the Notes do not pay interest. Investing in the Notes is not equivalent to investing in the Index or its component stocks.

Trading in the Notes on NASDAQ 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.

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

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