Morgan Stanley

What is Restricted Stock?

Restricted stock is an award of company stock, subject to conditions (such as continued service to the company or attainment of performance goals) that must be met before you have the right to sell or transfer the stock. Restricted Stock Units (RSUs) are equivalent to shares, but are converted to stock upon vesting. Generally, Restricted Stock Shares (RSS) and Units "vest"—or become unrestricted—in increments over a period of time or when performance goals are met.

As the service provider for your company's restricted stock plan, Morgan Stanley helps you keep track of your awards and provides you with online access to your restricted stock account—and help when you need it.

Q. WHAT IS A RESTRICTED STOCK UNIT?

A. Companies may award restricted stock shares or restricted stock units. Restricted stock shares are just that—shares of stock. Units may be paid either in cash or stock as outlined in your award agreement. Units resulting in shares convert to stock, typically at a 1:1 ratio. Since the underlying shares are not issued until the units vest, you may not have voting rights on your unvested units. Please consult your award agreement for details on voting rights. The units are also not eligible for dividends (since dividends are paid only on actual stock); however, some plans are designed to credit the equivalent to dividends paid on the underlying stock. Please consult your award agreement for how dividends and dividend equivalents may be handled for your specific award. Generally, taxes are due when the unit vests.

Q. CAN I SELL OR TRANSFER MY RESTRICTED STOCK AWARD?

A. You cannot sell or transfer your restricted stock awards until they vest. Once an award vests, all restrictions are lifted and the stock is released to you to hold, sell or transfer. (Some company's plans permit you to defer receipt of the shares to a later date.) In addition, some plans require that the vested shares are held for a period of time before they can be sold or transferred.

Q. WHAT HAPPENS TO MY UNVESTED AWARDS IF I LEAVE MY COMPANY?

A. Unvested awards may be subject to forfeiture if you leave the company either voluntarily or involuntarily. Please consult your plan documents for specific details regarding your leaving your employer.

Q. CAN I RECEIVE DIVIDENDS OR VOTE ON MY SHARES DURING THE RESTRICTED PERIOD?

A. Please consult your award agreement for details on possible dividend payments and voting rights prior to the restriction lapse.

Q. WHAT IS THE DIFFERENCE BETWEEN A STOCK OPTION AND A RESTRICTED STOCK AWARD/UNIT?

A. A stock option is the right to buy company stock at a fixed price for a fixed period of time. Any value you realize from a stock option would require the value of the stock to be higher than your option price when you exercise your option. In contrast, restricted stock is an award of shares. Unlike options, there is generally no upfront cost to you for restricted stock, though taxes are due when they vest. As a result, restricted stock typically has some value to you, even if the stock price drops after the award date.

Q. WHAT IS THE DIFFERENCE BETWEEN THE AWARD DATE AND THE VEST DATE?

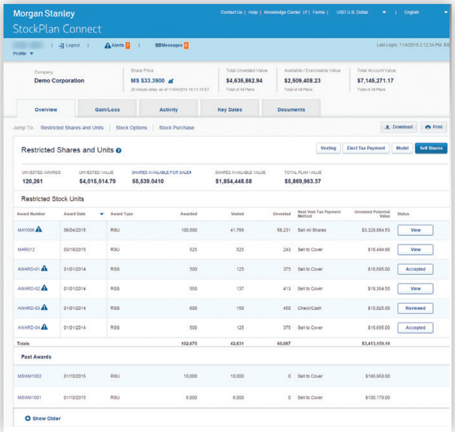
A. The award date is the day on which your company gives you restricted stock shares or units, though you are prohibited from selling or transferring them for a certain time. On the day that time is up — the vest date — you are free to sell or transfer the shares. (Some plans permit you to defer receipt of the shares to a later date.) In addition, some plans require that vested shares be held for a period of time before they can be sold or transferred.

Q. HOW MUCH IS MY RESTRICTED STOCK WORTH?

A. You can determine the unrealized value of your restricted stock by multiplying the number of shares awarded to you by the current market price of the stock, though this calculation will not account for taxes due at vest or fees/commissions charged.

Q. CAN I VIEW INFORMATION ABOUT MY RESTRICTED STOCK ONLINE?

A. Once your restricted stock award has been granted, it will be displayed online at StockPlan Connect, the Morgan Stanley website for stock plan participants. From the Overview page, you can view vesting dates, model potential gains based on hypothetical stock price values (on vested shares), and sell your shares once restrictions are lifted.



How and when can I sell my restricted stock shares and receive my sales proceeds?

A. Generally, upon vesting, you can sell your shares online using StockPlan Connect. You may receive the proceeds from your sale in one of several ways:

TRANSFER INTO A MORGAN STANLEY ACCOUNT:

If you are a current Morgan Stanley brokerage client, we will transfer your sale proceeds into your account three business days after the trade date (to account for a three-day "settlement" period that applies to all stock market transactions). If you do not have a brokerage account with Morgan Stanley, we will open a limited purpose account and transfer your sale proceeds.

CHECK VIA REGULAR MAIL:

If you choose this method, Morgan Stanley will mail your sales proceeds. You will typically receive your proceeds within 8–10 business days of selling your restricted stock.

CHECK VIA OVERNIGHT DELIVERY:

After the appropriate settlement period, Morgan Stanley can send your proceeds overnight, for a fee. You will receive a check 4–5 business days after your trade date (to account for a three-day "settlement" period that applies to all stock market transactions).

WIRE TRANSFER:

For a fee, Morgan Stanley can wire proceeds to your bank on Settlement (Trade Date plus three). Wire transfers are in U.S. dollars. For a fee, Morgan Stanley can wire your proceeds to your bank in your local currency. You will receive the proceeds 4–5 business days after the trade date.

Are restricted stock awards/units taxable?

A. Generally, taxes are due at vesting. When the shares vest, you will realize compensation based on the fair market value of the shares on that date. For example, if you have 100 shares that vest when the fair market value is $20 per share, you will recognize ordinary income of $2,000. Your company may offer various options for paying the income tax due on the $2,000, including choices such as:

WITHHOLD-TO-COVER:

Your company will automatically withhold some of the vested shares to cover the taxes due. Using the example above and applying a default tax withholding rate of approximately 40%, the taxes due would be $800 ($2,000 X 40% = $800/$20 per share), equal to 40 shares. Your company would withhold the 40 shares and release the remaining 60 shares to you.

CASH:

You may also have the option to pay the taxes directly to your company via payroll or check. Your account will be credited with the full amount of vested shares.

SELL-TO-COVER:

Morgan Stanley will sell sufficient vested shares to cover the taxes, commissions and fees due. Using the example above, your company would sell approximately 40 shares and release the remaining shares to your account.

The information provided above is for illustrative purposes only; we recommend discussing your particular situation with a tax advisor. Please also refer to your plan documents for details on your company's tax payment methods.

Q. WHAT ARE THE TAX CONSEQUENCES WHEN I SELL MY SHARES?

A. When you sell your restricted stock shares, you will be required to pay tax on any short-term or long-term capital gain.

Q. WHO DO I CALL IF I HAVE QUESTIONS ABOUT MY EMPLOYEE STOCK OPTIONS?

A. Call the Morgan Stanley Service Center at +1 866-722-7310 (toll-free) or +1 801-617-7435.