The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Company’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on 8-K, including any amendments thereto, which are available at www.morganstanley.com.

This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management’s current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of risks and uncertainties that may affect the future results of the Company, please see “Forward-Looking Statements” immediately preceding Part I, Item 1, “Competition” and “Regulation” in Part I, Item 1, “Risk Factors” in Part I, Item 1A and “Certain Factors Affecting Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2005, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Quarterly Reports on Form 10-Q for the quarterly periods ended February 28, 2006 and May 31, 2006 and other items throughout the Form 10-K, Form 10-Qs and the Company’s 2006 Current Reports on Form 8-K.
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Section 1

Commodities Overview
Commodities Overview

Markets

- **Energy**
  - Oil Liquids
    - Crude Oil
    - Refined Products
    - NGLs
    - Tanker Freight
    - Index Trading
  - Natural Gas/Power
    - Natural Gas
    - Electricity
    - Coal
    - Emissions
    - Dry Freight
  - Precious Metals
    - Gold
    - Silver
    - Platinum
    - Palladium
    - Rhodium
  - Base Metals
    - Copper
    - Aluminium
    - Nickel
    - Zinc
    - Lead
Commodities Overview

Geographical Coverage

- **Westchester (NY)**
  - North America
  - South America
- **London**
  - Europe
  - Africa
  - Middle East
- **Singapore**
  - Non-Japan Asia
  - India
  - South Pacific
- **Satellite Offices**
  - Tokyo
  - Calgary
  - Atlanta
  - Shanghai
Commodities Overview

Job Functions

- Client Coverage
- Trading
- Structuring
- Research/Analysis
- Traffic/Scheduling
Introduction to Commodities

Commodities Overview

Business Mix

- ✔ Client-Driven Flow
- ✔ Structured Transactions
- ✔ Proprietary Trading
- ✔ Physical Supply & Distribution
- ✔ Private Equity
Proprietary Trading

- **Outright vs. Relative Value**
  - **Quality** – WTI, Brent, Dubai, Gasoline and Jet Fuel
  - **Location** – US Gulf, NY Harbor, Med, Singapore
  - **Time** – September, December, 2007, 2010
  - **Volatility** – ATM, Out-of-the Money, December, 2010

- **Trading Matrix**
This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. No representation is made that it is accurate or complete. The presentation has been prepared solely for informational purposes, is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally presented.
US Heating Oil – Gulf Coast and NYMEX

US Heating Oil – US Gulf Coast and NYMEX Prompt Month - 01/01/1997 to 12/31/2000

- 120
- 100
- 80
- 60
- 40
- 20

Jan-97 May-97 Sep-97 Jan-98 May-98 Sep-98 Jan-99 May-99 Sep-99 Jan-00 May-00 Sep-00

US Gulf Coast NYMEX
Introduction to Commodities

Proprietary Trading

US Heating Oil – Gulf Coast and NYMEX


(2) - 4 6 8 10 12 14 16

Jan-97 May-97 Sep-97 Jan-98 May-98 Sep-98 Jan-99 May-99 Sep-99 Jan-00 May-00 Sep-00
**Proprietary Trading**

**Differentials: NYMEX Gasoline less Heating Oil**

**August Contracts**

Differentials: NYMEX Unleaded – Heating Oil (August Contracts)

![Chart showing differentials between NYMEX Unleaded and Heating Oil prices over time from 2003 to 2005. The chart displays fluctuations in price differentials with specific dates (01/03 to 07/11) and price ranges (-15 to 30 c/gal).](chart.png)
Commodities are Volatile

US Markets: 1 Year Historical Price Volatility (As of 05/26/2006)

<table>
<thead>
<tr>
<th>Market</th>
<th>Instrument</th>
<th>Historical Volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Gas</td>
<td>NYMEX Crude 1st Month</td>
<td>56.78%</td>
</tr>
<tr>
<td>Gasoline</td>
<td>NYMEX RFG 1st Month</td>
<td>52.31%</td>
</tr>
<tr>
<td>Oil</td>
<td>NYMEX Natural Gas 1st Month</td>
<td>31.24%</td>
</tr>
<tr>
<td>Bonds</td>
<td>10 Yr Treasury</td>
<td>16.07%</td>
</tr>
<tr>
<td>Equities</td>
<td>S&amp;P 500</td>
<td>9.69%</td>
</tr>
<tr>
<td>FX</td>
<td>USD/EUR</td>
<td>9.15%</td>
</tr>
</tbody>
</table>
Section 3

Client-Driven Flow
Introduction to Commodities

Client-Driven Flow

Clients and Products

Clients

- Corporates
- Government Entities
- Institutional Investors

- Oil/Gas Producers
- Refiners
- Airlines
- Petrochemicals
- Railroads
- Utilities

- National Oil Companies
- Municipalities
- Tax Authorities

- Hedge Funds/CTAs
- Passive Commodity Index
  Trading by:
  - Endowments
  - Insurance Cos.
  - Pension Funds

Products

- Swaps
- Options
- Indexes
- Physical Supply/Offtake
Section 4

Structured Transactions
### Representative Structured Transactions

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Client</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetizing Reserves</td>
<td>Apache</td>
</tr>
<tr>
<td>Monetizing Receivables</td>
<td>Repsol/YPF</td>
</tr>
<tr>
<td>Monetizing In-the-Money Contracts</td>
<td>Calpine</td>
</tr>
<tr>
<td>Contract Restructuring</td>
<td>El Paso</td>
</tr>
<tr>
<td>Monetizing Working Capital</td>
<td>Premcor</td>
</tr>
<tr>
<td>Supply Outsourcing</td>
<td>United Airlines</td>
</tr>
<tr>
<td>Credit Syndication</td>
<td>Kerr-McGee</td>
</tr>
<tr>
<td>Structured Financing</td>
<td>Egyptian General Petroleum Corporation</td>
</tr>
<tr>
<td>One-Stop-Shopping</td>
<td>La Paloma</td>
</tr>
</tbody>
</table>
Introduction to Commodities

Section 5

Private Equity
### Private Equity

#### Production
- Helios Fund – Operated Producing Properties
- Gold Royalty Trust – Australian gold reserves
- Exploration & Production – Non-operated undeveloped properties

#### Conversion
- Oil Refineries
- Gas Processing – gas liquids plants
- Generation – 3 U.S. power plants, 1 European power plant

#### Infrastructure
- Transmontaigne – Terminaling and Distribution
- Heidmar Shipping – Tanker pool, trans-shipment
- Gas gathering and pipeline

#### E-Commerce
- Electronic Trading - ICE